CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2010

CONSOLIDATION AND GROUP REPORTING
Department

CONSOLIDATED BALANCE SHEET

(in EUR millions)	Notes	**June 30, 2010**	**Dec. 31, 2009**
ASSETS			
Goodwill	(3)	11,413	10,740
Other intangible assets		3,098	2,998
Property, plant and equipment	(4)	13,718	13,300
Investments in associates		130	123
Deferred tax assets	(8)	902	676
Other non-current assets		272	312
Non-current assets		**29,533**	**28,149**
Inventories	(5)	5,941	5,256
Trade accounts receivable	(6)	6,265	4,926
Current tax receivable		119	333
Other receivables	(6)	1,341	1,202
Assets held for sale	(2)	151	0
Cash and cash equivalents	(10)	1,488	3,157
Current assets		**15,305**	**14,874**
Total assets		**44,838**	**43,023**
EQUITY AND LIABILITIES			
Capital stock		2,123	2,052
Additional paid-in capital and legal reserve		5,779	5,341
Retained earnings and net income for the year		9,842	10,137
Cumulative translation adjustments		47	(1,340)
Fair value reserves		(63)	(75)
Treasury stock		(205)	(203)
Shareholders' equity		**17,523**	**15,912**
Minority interests		343	302
Total equity		**17,866**	**16,214**
Long-term debt	(10)	7,873	8,839
Provisions for pensions and other employee benefits	(7)	3,574	2,958
Deferred tax liabilities	(8)	892	921
Other non-current liabilities and provisions	(9)	2,280	2,169
Non-current liabilities		**14,619**	**14,887**
Current portion of long-term debt	(10)	1,416	1,880
Current portion of other liabilities	(9)	530	518
Trade accounts payable	(6)	5,616	5,338
Current tax liabilities		124	108
Other payables and accrued expenses	(6)	3,349	3,086
Liabilities held for sale	(2)	38	0
Short-term debt and bank overdrafts	(10)	1,280	992
Current liabilities		**12,353**	**11,922**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	First-half 2010	First-half 2009
Net sales	(20)	19,529	18,715
Cost of sales	(12)	(14,566)	(14,309)
Selling, general and administrative expenses including research	(12)	(3,518)	(3,476)
Operating income		1,445	930
Other business income	(12)	9	2
Other business expense	(12)	(253)	(331)
Business income		**1,201**	**601**
Borrowing costs, gross		(287)	(357)
Income from cash and cash equivalents		17	25
Borrowing costs, net		(270)	(332)
Other financial income and expense	(14)	(117)	(80)
Net financial expense		**(387)**	**(412)**
Share in net income of associates		3	2
Income taxes	(8)	(279)	(53)
Net income		**538**	**138**
Attributable to equity holders of the parent		**501**	**128**
Minority interests		37	10
Earnings per share (in EUR)			
Weighted average number of shares outstanding		509,735,208	439,305,156
Basic earnings per share	(16)	0.98	0.29
Weighted average number of shares assuming full dilution		511,538,221	439,442,257
Diluted earnings per share	(16)	0.98	0.29

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR millions)	Shareholders' equity		Minority interests	Total equity
	Before tax effect	**Tax effect**		
First-half 2009				
Net income	***173***	***(45)***	***10***	***138***
Translation adjustments	391	0	13	404
Changes in fair values	44	(11)	0	33
Changes in actuarial gains and losses	(245)	74	0	(171)
Other	0	0	0	0
Income and expense recognized directly in equity	***190***	***63***	***13***	***266***
Total recognized income and expense for the year	363	18	23	404
First-half 2010				
Net income	***761***	***(260)***	***37***	***538***
Translation adjustments	1,385		39	1,424
Changes in fair values	12	(3)		9
Changes in actuarial gains and losses	(443)	144		(299)
Other	(3)		1	(2)
Income and expense recognized directly in equity	***951***	***141***	***40***	***1,132***
Total recognized income and expense for the year	1,712	(119)	77	1,670

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(in EUR millions)	Notes	First-half 2010	First-half 2009
Net income attributable to equity holders of the parent		**501**	**128**
Minority interests in net income	(*)	37	10
Share in net income of associates, net of dividends received		(1)	0
Depreciation, amortization and impairment of assets	(12)	830	823
Gains and losses on disposals of assets	(12)	(9)	(2)
Unrealized gains and losses arising from changes in fair value and share-based payments		32	88
Changes in inventories	(5)	(416)	240
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(6)	(1,011)	(785)
Changes in tax receivable and payable	(8)	211	(93)
Changes in deferred taxes and provisions for other liabilities and charges	(7)(8)(9)	(106)	(127)
Net cash from operating activities		**68**	**282**
Purchases of property, plant and equipment [H1 2010: (432) H1 2009: (514)] and intangible assets	(4)	(451)	(538)
Increase (decrease) in amounts due to suppliers of fixed assets	(6)	(152)	(242)
Acquisitions of shares in consolidated companies [H1 2010: (33), H1 2009: (162)], net of cash acquired	(2)	(24)	(151)
Acquisitions of other investments		(3)	(2)
Increase in investment-related liabilities	(9)	21	25
Decrease in investment-related liabilities	(9)	(13)	(35)
Investments		**(622)**	**(943)**
Disposals of property, plant and equipment and intangible assets	(4)	45	36
Disposals of shares in consolidated companies, net of cash divested	(2)	1	3
Disposals of other investments and other divestments		9	6
Divestments		**55**	**45**
Increase in loans and deposits		(27)	(23)
Decrease in loans and deposits		20	33
Net cash from (used in) investing activities		**(574)**	**(888)**
Issues of capital stock	(*)	509	1,922
Minority interests' share in capital increases of subsidiaries	(*)	2	1
(Increase) decrease in treasury stock	(*)	(4)	(6)
Dividends paid	(*)	(509)	(486)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		100	148
Increase (decrease) in bank overdrafts and other short-term debt		228	(559)
Increase in long-term debt		188	1,997
Decrease in long-term debt		(1,770)	(2,265)
Net cash from (used in) financing activities		**(1,256)**	**752**
Increase (decrease) in cash and cash equivalents		**(1,762)**	**146**
Net effect of exchange rate changes on cash and cash equivalents		93	26
Cash and cash equivalents at beginning of period		**3,157**	**1,937**
Cash and cash equivalents at end of period		**1,488**	**2,109**

(*) References to the consolidated statement of changes in equity.

Income tax paid amounted to €96 million in first-half 2010 and €301 million in first-half 2009. Interest paid net of interest received amounted to €376 million in first-half 2010 and €373 million in first-half 2009.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of shares		*In EUR millions*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the period	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Share-holders' equity**	**Minority interests**	**Total equity**
At January 1, 2009	**382,571,985**	**378,026,836**	**1,530**	**3,940**	**10,911**	**(1,740)**	**(161)**	**(206)**	**14,274**	**256**	**14,530**
Income and expenses recognized directly in equity			0	0	(182)	391	44	0	**253**	13	**266**
Net income for the period					128				**128**	10	**138**
Total recognized income and expense for the period			***0***	***0***	***(54)***	***391***	***44***	***0***	***381***	***23***	***404***
Issues of capital stock											
- March 23, 2009 rights issue	108,017,212	108,017,212	432	1,041					**1,473**		**1,473**
- Group Savings Plan	8,498,377	8,498,377	34	100					**134**		**134**
- Stock dividends	13,805,920	13,805,920	55	260					**315**		**315**
- Other	0	0							**0**	1	**1**
Dividends paid (EUR 1.00 per share)					(486)				**(486)**	(17)	**(503)**
Treasury stock purchased	0	(872,545)						(22)	**(22)**		**(22)**
Treasury stock sold	0	563,275			(1)			17	**16**		**16**
Share-based payments	0	0			24				**24**		**24**
At June 30, 2009	**512,893,494**	**508,039,075**	**2,051**	**5,341**	**10,394**	**(1,349)**	**(117)**	**(211)**	**16,109**	**263**	**16,372**
Income and expenses recognized directly in equity			0	0	(351)	9	42	0	**(300)**	14	**(286)**
Net income for the period					74				**74**	29	**103**
Total recognized income and expense for the period			***0***	***0***	***(277)***	***9***	***42***	***0***	***(226)***	***43***	***(183)***
Issues of capital stock											
- Stock dividends	0	0	1	(2)					**(1)**		**(1)**
- Stock option plans	37,522	37,522		1					**1**		**1**
- Other	0	0		1					**1**	5	**6**
Dividends paid (EUR 1.00 per share)					0				**0**	(9)	**(9)**
Treasury stock purchased		(1,366,396)						(50)	**(50)**		**(50)**
Treasury stock sold		1,763,316			4			58	**62**		**62**
Share-based payments					16				**16**		**16**
At december 31, 2009	**512,931,016**	**508,473,517**	**2,052**	**5,341**	**10,137**	**(1,340)**	**(75)**	**(203)**	**15,912**	**302**	**16,214**
Income and expenses recognized directly in equity			0	0	(305)	1,385	12	0	**1,092**	40	**1,132**
Net income for the period					501				**501**	37	**538**
Total recognized income and expense for the period			***0***	***0***	***196***	***1,385***	***12***	***0***	***1,593***	***77***	***1,670***
Issues of capital stock											
- Stock dividends	12,861,368	12,861,368	51	315					**366**		**366**
- Group Savings Plan	4,993,989	4,993,989	20	123					**143**		**143**
- Other									**0**	2	**2**
Dividends paid (EUR 1.00 per share)					(509)				**(509)**	(38)	**(547)**
Treasury stock purchased		(2,462,452)				2		(88)	**(86)**		**(86)**
Treasury stock sold		2,293,742			(4)			86	**82**		**82**
Share-based payments					22				**22**		**22**
At June 30, 2010	**530,786,373**	**526,160,164**	**2,123**	**5,779**	**9,842**	**47**	**(63)**	**(205)**	**17,523**	**343**	**17,866**

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES AND POLICIES

BASIS OF PREPARATION

The interim consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the accounting and measurement principles set out in International Financial Reporting Standards (IFRSs), as described in these notes. These condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

These notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009, prepared in accordance with the IFRSs adopted for use in the European Union.

The accounting policies applied are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2009 except new standards and amendments described below. The interim consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

None of the standards, interpretations and amendments to published standards applicable for the first time in 2010 has a material impact on the Group's interim consolidated financial statements. The revised IFRS 3 (IFRS 3R) and the amended IAS 27 (IAS 27A) concerning business combinations have been applied prospectively without any material impact on the first-half 2010 consolidated financial statements.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for financial years beginning on or after January 1, 2011 (see table below).

These interim consolidated financial statements were adopted by the Board of Directors on July 29, 2010. They are presented in millions of euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors, including the current economic environment. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern the measurement of employee benefit obligations (Note 7), provisions for other liabilities and charges (Note 9), asset impairment tests (Note 1), deferred taxes (Note 8), share-based payments (Note 13) and financial instruments (Note 11).

SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to existing standards applicable in 2010	
IFRS 3R and IAS 27A	Business Combinations and Consolidated and Separate Financial Statements
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Revised IFRS 1	First-Time Adoption of International Financial Reporting Standards (Restructured IFRS 1)
Amendments to IFRS 2	Group Cash-settled Share-based Payment Arrangements
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Standards, interpretations and amendments to existing standards early adopted in 2010	
Amendments to IAS 32	Classification of Rights Issues
Revised IAS 24	Related Party Disclosures
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
Amendments to IFRS 1	Additional Exemptions for First-time Adopters
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Standards adopted by the European Union may be consulted on the European Commission website, at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

INTERIM FINANCIAL STATEMENTS

The interim financial statements, which are not intended to provide a measure of performance for the full year, include all period-end accounting entries deemed necessary by Group management in order to give a true and fair view of the information presented.

Goodwill and other intangible assets are systematically tested for impairment during the second half of the year as part of the preparation process for the five-year business plan. Tests are generally performed for the interim financial statements only in the event of an unfavorable change in impairment indicators.

The cost of the Group Savings Plan was recognized in full during the first half of the year, as the subscription period ended on June 30.

For the countries where the Group's pension and other post-employment benefit obligations are the most significant – i.e. the United States, the United Kingdom, France and the rest of the euro zone – actuarial valuations are updated at the end of June and the related provisions are adjusted accordingly (see Note 7). For the other host countries, actuarial valuations are performed as part of the annual budget procedure and provisions in the interim balance sheet are based on estimates made at the end of the previous year.

CONSOLIDATION

Scope of consolidation

The Group's interim consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.

Significant changes in the Group's scope of consolidation during first-half 2010 are presented in Note 2 and a list of the principal consolidated companies at June 30, 2010 is provided in Note 21.

Consolidation methods

Companies over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method.

Companies over which the Group directly or indirectly exercises significant influence are accounted for by the equity method.

Business combinations

The Group has applied IFRS 3R and IAS 27A on a prospective basis starting from January 1, 2010. As a result, business combinations completed prior to that date are recognized under the previous versions of IFRS 3 and IAS 27.

Goodwill

When an entity is acquired by the Group, the identifiable assets, liabilities, and contingent liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months and retrospectively at the acquisition date.

The final acquisition price (referred to as "consideration transferred" in IFRS 3R), including the estimated fair value of any earn-out payments or other future consideration (referred to as "contingent consideration"), should be determined in the twelve months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this twelve-month period are recorded in the income statement. As from 1 January 2010, all acquisition-related costs, i.e. costs that the acquirer incurs to effect a business combination such as fees paid to investment banks, attorneys, auditors, independent valuers and other consultants, are no longer capitalized as part of the cost of the business combination, but are recognized as expenses as incurred.

In addition, starting from 1 January 2010, goodwill is recognized only at the date that control is achieved (or joint control is achieved in the case of proportionately consolidated companies or significant influence is obtained in the case of entities accounted for by the equity method). Any subsequent increase in ownership interest is recorded as a change in equity attributable to the equity holders of the parent without adjusting goodwill. In the case of a business combination achieved in stages, the transaction is affected globally at the date control is reached.

Goodwill is recorded in the consolidated balance sheet as the difference between the acquisition-date fair value of (i) the consideration transferred plus the amount of any minority interests and (ii) the identifiable net assets of the acquiree. Minority interests are measured either as their proportionate interest in the net identifiable assets or at their fair value at the acquisition date. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the assets and liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net assets and liabilities acquired, the difference is recognized directly in the income statement.

Potential voting rights and share purchase commitments

Potential voting rights conferred by call options on minority interests (non-controlling interests) are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.

When calculating its percentage interest in controlled companies, the Group considers the impact of cross put and call options on minority interests in the companies concerned. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price of the put option, with a corresponding reduction in minority interests and increase in goodwill. Changes in the value of the liability are recognized by adjusting goodwill in the case of business combinations carried out prior to January 1, 2010 and in the income statement for business combinations completed after that date.

Minority interests

Up to December 31, 2009, transactions with minority interests were treated in the same way as transactions with parties external to the Group. As from January 1, 2010, changes in minority interests (referred to as "non-controlling interests" in IFRS 3R) are accounted for as transactions between two categories of owners of a single economic entity in accordance with IAS 27A. As a result, they are recorded in the statement of changes in equity and have no impact on the income statement or balance sheet, except for changes in cash and cash equivalents.

Non-current assets and liabilities held for sale – Discontinued operations

Assets that are immediately available for sale and for which a sale is highly probable are classified as non-current assets held for sale. Related liabilities are classified as liabilities directly associated with non-current assets held for sale. When several assets are held for sale in a single transaction, they are accounted for as a disposal group, which also includes any liabilities directly associated with those assets.

The assets, or disposal groups held for sale, are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when non-current assets or disposal groups are classified as held for sale. When the assets held for sale are consolidated companies, deferred tax is recognized on the difference between the consolidated carrying amount of the shares and their tax basis, in accordance with IAS 12.

Non-current assets held for sale and directly associated liabilities are presented separately on the face of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any provision adjustments should be recorded due to a change in their fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is Compagnie de Saint-Gobain's functional and presentation currency.

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except in the case of significant exchange rate volatility.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement if the transaction results in a loss of control or recognized directly in the statement of changes in equity if the change in ownership interest does not result in a loss of control.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate and any exchange differences are recorded in the income statement. As an exception to this principle, exchange differences relating to loans and borrowings between Group companies are recorded, net of tax, in equity under "Cumulative translation adjustments", as in substance they are an integral part of the net investment in a foreign subsidiary.

BALANCE SHEET ITEMS

Goodwill

See the section above on business combinations.

Other intangible assets

Other intangible assets primarily include patents, brands, software, and development costs. They are measured at historical cost less accumulated amortization and impairment.

Acquired retail brands and certain manufacturing brands are treated as intangible assets with indefinite useful lives as they have a strong national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.

Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 3 to 5 years for software.

Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) from the date when the products to which they relate are first marketed.

Concerning greenhouse gas emissions allowances, a provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted.

Property, plant and equipment

Land, buildings and equipment are carried at historical cost less accumulated depreciation and impairment.

Cost may also include incidental expenses directly attributable to the acquisition, such as transfers from equity of any gains/losses on qualifying cash flow hedges of property, plant and equipment purchases.

Expenses incurred in exploring and evaluating mineral resources are included in property, plant and equipment when it is probable that associated future economic benefits will flow to the Group. They include mainly the costs of topographical or geological studies, drilling costs, sampling costs and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.

Material borrowing costs incurred for the construction and acquisition of property, plant and equipment are included in the cost of the related asset.

Except for the head office building, which is the Group's only material non-industrial asset, property, plant and equipment are considered as having no residual value, as most items are intended to be used until the end of their useful lives and are not generally expected to be sold.

Property, plant and equipment other than land are depreciated using the components approach, on a straight-line basis over the following estimated useful lives, which are regularly reviewed:

Major factories and offices	30-40 years
Other buildings	15-25 years
Production machinery and equipment	5-16 years
Vehicles	3-5 years
Furniture, fixtures, office and computer equipment	4-16 years

Gypsum quarries are depreciated over their estimated useful lives, based on the quantity of gypsum extracted during the year compared with the extraction capacity.

Provisions for site restoration are recognized as components of assets in the event of a sudden deterioration in site conditions and whenever the Group has a legal or constructive or contractual obligation to restore a site. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.

Government grants for purchases of property, plant and equipment are recorded under "Other payables" and taken to the income statement over the estimated useful lives of the relevant assets.

Finance leases and operating leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – or the lease term. The corresponding liability is shown in the balance sheet net of related interest.

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

Non-current financial assets include available-for-sale and other securities, as well as other non-current assets, which primarily comprise long-term loans and deposits.

Investments classified as "available-for-sale" are carried at fair value. Unrealized gains and losses on these investments are recognized in equity, unless the investments have suffered an other-than-temporary and/or material decline in value, in which case an impairment loss is recorded in the income statement.

Impairment of property, plant and equipment, intangible assets and goodwill

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, calculated by reference to the present value of the future cash flows expected to be derived from the asset.

For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no improvement is forecast in the annual budget or the business plan.

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU) and where necessary more detailed tests are carried out. The Group's reporting segments are its five business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 38 main CGUs have been identified and are monitored each year.

Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% in 2010 and 2009) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in first-half 2010 and in 2009 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

Different assumptions measuring the method's sensitivity are systematically tested using the following parameters:

- 0.5-point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 0.5-point increase or decrease in the discount rate applied to cash flows.

When the annual impairment test reveals that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recorded.

Based on projections made at December 31, 2009, a 0.5-point reduction in projected average annual growth in cash flows to perpetuity for all the CGUs except for the Gypsum Division in North America would not result in the recognition of any impairment loss on intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs except for the Gypsum Division in North America would lead to the recognition of an impairment loss of less than €30 million on consolidated intangible assets.

Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in a prior period may be reversed if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. It is generally determined using the weighted-average cost method, and in some cases the First-In-First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of raw materials. Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell. Below-normal capacity utilization is excluded from inventory valuation.

Operating receivables and payables

Operating receivables and payables are stated at nominal value as they generally have maturities of under three months. Provisions for impairment are established to cover the risk of total or partial non-recovery.

For trade receivables transferred under securitization programs, the contracts concerned are analyzed and if substantially all the risks associated with the receivables are not transferred to the financing institutions, they remain in the balance sheet and a corresponding liability is recognized in short-term debt.

Net debt

- *Long-term debt*

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term financial liabilities including lease liabilities and the fair value of derivatives qualifying as interest rate hedges.

Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt and not as quasi-equity. At the balance sheet date, long-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Short-term debt*

Short-term debt includes the current portion of the long-term debt described above, short-term financing programs such as Commercial Paper or "*Billets de Trésorerie*" (French commercial paper), bank overdrafts and other short-term bank borrowings, as well as the fair value of credit derivatives not qualifying for hedge accounting. At the balance sheet date, short-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents mainly consist of cash on hand, bank accounts, and marketable securities that are short-term, highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Marketable securities are measured at fair value through profit or loss.

Further details about long- and short-term debt are provided in Note 10.

Foreign exchange, interest rate and commodity derivatives (swaps, options, futures)

The Group uses interest rate, foreign exchange and commodity derivatives to hedge its exposure to changes in interest rates, exchange rates and commodity prices that may arise in the normal course of business.

In accordance with IAS 32 and IAS 39, all of these instruments are recognized in the balance sheet and measured at fair value, irrespective of whether or not they are part of a hedging relationship that qualifies for hedge accounting under IAS 39.

Changes in the fair value of both derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement (in business income for foreign exchange and commodity derivatives qualifying for hedge accounting, and in net financial expense for all other derivatives). However, in the case of derivatives that qualify as cash flow hedges, the effective portion of the gain or loss arising from changes in fair value is recognized directly in equity, and only the ineffective portion is recognized in the income statement.

- *Fair value hedges*

Most interest rate derivatives used by the Group to swap fixed rates for variable rates are designated and qualify as fair value hedges. These derivatives hedge fixed-rate debts exposed to a fair value risk. In accordance with hedge accounting principles, debt included in a designated fair value hedging relationship is remeasured at fair value. As the effective portion of the gain or loss on the fair value hedge offsets the loss or gain on the underlying hedged item, the income statement is only impacted by the ineffective portion of the hedge.

- *Cash flow hedges*

Cash flow hedge accounting is applied by the Group mainly for derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, future purchases of gas and fuel oil (fixed-for-variable price swaps) and future purchases of foreign currencies (forward contracts). The transactions hedged by these instruments are qualified as highly probable. The application of cash flow hedge accounting allows the Group to defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement when the hedged transaction occurs and the hedged item affects income. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

- *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement. The instruments concerned mainly include cross-currency swaps; gas, currency and interest rate options; currency swaps; and futures and forward contracts.

Fair value of financial instruments

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price, classified as Level 1 in the fair value hierarchy defined in IFRS 7. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis based on observable market data, classified as Level 2 in the IFRS 7 fair value hierarchy.

The fair value of short-term financial assets and liabilities is considered as being the same as their carrying amount due to their short maturities.

Employee benefits – defined benefit plans

After retirement, the Group's former employees are eligible for pension benefits in accordance with the applicable laws and regulations in the respective countries in which the Group operates. There are also additional pension obligations in certain Group companies, both in France and other countries.

In France, employees receive length-of-service awards on retirement based on years of service and the calculation methods prescribed in the applicable collective bargaining agreements.

The Group's obligation for the payment of pensions and length-of-service awards is determined at the balance sheet date by independent actuaries, using a method that takes into account projected final salaries at retirement and economic conditions in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the unfunded portion.

The effect of any plan amendments (past service cost) is recognized on a straight-line basis over the remaining vesting period or immediately if the benefits are already vested.

Actuarial gains or losses reflect year-on-year changes in the actuarial assumptions used to measure the Group's obligations and plan assets, experience adjustments (differences between the actuarial assumptions and what has actually occurred), and changes in legislation. They are recognized in equity as they occur.

In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligation under these plans is determined using an actuarial method and is covered by a provision recorded in the balance sheet.

Provisions are also set aside on an actuarial basis for other employee benefits, such as jubilees or other long-service awards, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.

The Group has elected to recognize the interest costs for these obligations and the expected return on plan assets as financial expense or income.

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

- *Stock options*

The Saint-Gobain Group elected to apply IFRS 2 from January 1, 2004 to all its stock option plans since the plan launched on November 20, 2002.

The cost of stock option plans is calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods during which the share price was extraordinarily volatile are disregarded.
- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging from three to four years.

For options exercised for new shares, the sum received by the Company when the options are exercised is recorded in “Capital stock” for the portion representing the par value of the shares, with the balance – net of directly attributable transaction costs – recorded under “Additional paid-in capital”.

- *Group Savings Plan (“PEG”)*

The method used by Saint-Gobain to calculate the costs of its Group Savings Plan takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year lock-up. The lock-up cost is measured and deducted from the 20% discount granted by the Group on employee share awards. The calculation parameters are defined as follows:

- The exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.
- The grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain, this is the date when the plan’s terms and conditions are announced on the Group’s intranet.
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

The cost of the plan was recognized in full at the end of the subscription period, during the first half of the year.

- *Performance share grants*

In 2009, the Group set up a worldwide performance share plan whereby each Group employee was awarded for free seven shares, and a performance share plan for certain categories of employees. Both plans are subject to eligibility criteria based on the grantee's period of service with the Group and performance criteria described in Note 13. The plan costs calculated under IFRS 2 take into account these criteria and the lock-up feature. They are also determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from two to four years depending on the country.

Shareholders' equity

- *Additional paid-in capital and legal reserve*

This item includes capital contributions in excess of the par value of capital stock as well as the legal reserve which corresponds to a cumulative portion of the net income of Compagnie de Saint-Gobain.

- *Retained earnings and net income for the period*

Retained earnings and net income for the period correspond to the Group's share in the undistributed earnings of all consolidated companies.

- *Treasury stock*

Treasury stock is measured at cost and recorded as a deduction from equity. Gains and losses on disposals of treasury stock are recognized directly in equity and have no impact on net income for the period.

Other current and non-current liabilities and provisions

- *Provisions for other liabilities and charges*

A provision is booked when (i) the Group has a present legal or constructive obligation towards a third party as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount of the obligation can be estimated reliably.

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment. However, contingent liabilities arising on business combinations are recognized in the balance sheet.

Provisions for other material liabilities and charges whose timing can be estimated reliably are discounted to present value.

- *Investment-related liabilities*

Investment-related liabilities correspond to put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis. The impact of discounting adjustments reflecting the passage of time is recognized in financial income and expense.

INCOME STATEMENT ITEMS

Revenue recognition

Revenue generated by the sale of goods or services is recognized net of rebates, discounts and sales taxes (i) when the risks and rewards of ownership have been transferred to the customer, or (ii) when the service has been rendered, or (iii) by reference to the stage of completion of the services to be provided.

Construction contracts are accounted for using the percentage of completion method, as explained below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contract revenues are not material in relation to total consolidated net sales.

Operating income

Operating income is a measure of the performance of the Group's business sectors and has been used by the Group as its key external and internal management indicator for many years. Foreign exchange gains and losses are included in operating income, as are changes in the fair value of financial instruments that do not qualify for hedge accounting when they relate to operating items.

Other business income and expense

Other business income and expense mainly include movements in provisions for claims and litigation and environmental provisions, gains and losses on disposals of assets, impairment losses, restructuring costs incurred upon the disposal or discontinuation of operations and the costs of workforce reduction measures.

Business income

Business income includes all income and expenses other than borrowing costs and other financial income and expense, the Group's share in net income of associates, and income taxes.

Net financial expense

Net financial expense includes borrowing and other financing costs, income from cash and cash equivalents, interest cost for pension and other post-employment benefit plans, net of the return on plan assets, and other financial income and expense such as exchange gains and losses and bank charges.

Income taxes

Current income tax is the estimated amount payable in respect of income for a given period, calculated by reference to the tax rates that have been enacted or substantively enacted at the balance sheet date, plus any adjustments to current taxes recorded in previous financial periods.

Deferred taxes are recorded using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability settled, based on the tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized.

No deferred tax liability is recognized in respect of undistributed earnings of subsidiaries that are not intended to be distributed.

In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in a business combination.

Deferred taxes are recognized as income or expense in the income statement, except when they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted average number of shares in issue during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 16) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

Recurring net income corresponds to income after tax and minority interests but before capital gains or losses, asset impairment losses, material non-recurring provisions and the related tax and minority interests.

The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 15.

Return on capital employed

Return on capital employed (ROCE) corresponds to annualized operating income adjusted for changes in the scope of consolidation, expressed as a percentage of total assets at the period-end. Total assets include net property, plant and equipment, working capital, net goodwill and other intangible assets, but exclude deferred tax assets arising from non-amortizable brands and land.

Cash flow from operations

Cash flow from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirement, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. Cash flow from operations is adjusted for the effect of material non-recurring provision charges.

The method used for calculating cash flow from operations is explained in Note 15.

Cash flow from operations before tax on capital gains and losses and non-recurring provisions

This item corresponds to cash flow from operations less the tax effect of asset disposals and of non-recurring provision charges and reversals.

The method used for calculating cash flow from operations before tax on capital gains or losses is explained in Note 15.

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 15.

SEGMENT INFORMATION

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management.

NOTE 2 – CHANGES IN GROUP STRUCTURE

Changes in the number of consolidated companies

First-half 2010	France	Outside France	Total
FULLY CONSOLIDATED COMPANIES			
At January 1	190	987	1,177
Newly consolidated companies		8	8
Merged companies	(2)	(28)	(30)
Deconsolidated companies			0
Change in consolidation method		2	2
At June 30	**188**	**969**	**1,157**
PROPORTIONATELY CONSOLIDATED COMPANIES			
At January 1	2	21	23
Newly consolidated companies		1	1
Deconsolidated companies			0
Change in consolidation method		(1)	(1)
At June 30	**2**	**21**	**23**
COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD			
At January 1	7	57	64
Newly consolidated companies			0
Merged companies		(3)	(3)
Deconsolidated companies			0
Change in consolidation method		(1)	(1)
At June 30	**7**	**53**	**60**
TOTAL at June 30	**197**	**1,043**	**1,240**

Significant changes in Group structure

First-half 2010

At the end of March 2010, the Group acquired a 43.7% interest in Japanese insulation company MAG from Japan-based Taiheiyo Cement Corporation, raising its interest in the company to 87.3%. Previously consolidated on a proportionate basis, the company has been fully consolidated since April 1, 2010.
This transaction was treated as a step acquisition under the provisions of IFRS 3R, the application of which had no material impact on the consolidated balance sheet or income statement.

The Group signed an agreement concerning the sale of its advanced ceramics business to US-based CoorsTek. Pending approval of the transaction by the relevant authorities, the business has been classified in assets and liabilities held for sale since 28 June 2010, the date when the sale process was announced. At June 30, 2010, assets and liabilities held for sale broke down as follows:

(in EUR millions)	**30 juin 2010**
Goodwill and other intangible assets	25
Property, plant and equipment, net	53
Other non-current assets	6
Inventories, trade accounts receivable and other accounts receivable	66
Cash and cash equivalents	1
Assets held for sale	**151**
Provisions for pensions and other employee benefits	6
Deferred tax liabilities and other non-current liabilities	8
Trade accounts payable, other payables and accrued expenses, and other liabilities	27
Short-term debt and bank overdrafts	(3)
Liabilities held for sale	**38**

2009

No material acquisitions were made in 2009. Allocation of the Maxit acquisition price was completed during the first half, within the 12 months following the March 2008 acquisition of this business, leading to the recognition of brands in the consolidated balance sheet for an amount of €84 million or €62 million after deferred taxes.

NOTE 3 – GOODWILL

(in EUR millions)	**June 30, 2010**
At January 1, 2010	
Gross value	11,178
Accumulated impairment	(438)
Net	**10,740**
Movements during the period	
Changes in Group structure	10
Impairment	(7)
Translation adjustments	694
Reclassification to assets held for sale	(24)
Total	**673**
At June 30, 2010	
Gross value	11,896
Accumulated impairment	(483)
Net	**11,413**

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2010					
Gross value	2,188	7,921	19,842	1,034	30,985
Accumulated depreciation and impairment	(350)	(4,021)	(13,304)	(10)	(17,685)
Net	**1,838**	**3,900**	**6,538**	**1,024**	**13,300**
Movements during the period					
Changes in Group structure and reclassifications	29	2	15	(8)	38
Acquisitions	14	17	63	341	435
Disposals	(8)	(21)	(10)	(3)	(42)
Translation adjustments	88	219	425	79	811
Depreciation and impairment	(17)	(135)	(616)	(3)	(771)
Reclassification to assets held for sale	(1)	(20)	(27)	(5)	(53)
Transfers		96	243	(339)	0
Total	**105**	**158**	**93**	**62**	**418**
At June 30, 2010					
Gross value	2,316	8,360	21,030	1,098	32,804
Accumulated depreciation and impairment	(373)	(4,302)	(14,399)	(12)	(19,086)
Net	**1,943**	**4,058**	**6,631**	**1,086**	**13,718**

Acquisitions of property, plant and equipment during first-half 2010 included assets acquired under finance leases for an amount of €3 million (2009: €16 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At June 30, 2010, total property, plant and equipment acquired under finance leases amounted to €154 million (December 31, 2009: €168 million) (see Note 17).

NOTE 5 – INVENTORIES

(in EUR millions)	**June 30, 2010**	**Dec. 31, 2009**
Gross value		
Raw materials	1,466	1,299
Work in progress	257	219
Finished goods	4,683	4,194
Gross inventories	**6,406**	**5,712**
Provisions for impairment in value		
Raw materials	(128)	(120)
Work in progress	(8)	(8)
Finished goods	(329)	(328)
Provisions for impairment in value	**(465)**	**(456)**
Net	**5,941**	**5,256**

The increase in inventories reflects seasonal fluctuations in business and the €289 million effect of changes in exchange rates in the first half of 2010.

NOTE 6 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE

(in EUR millions)	**June 30, 2010**	**Dec. 31, 2009**
Gross value	6,792	5,430
Provisions for impairment in value	(527)	(504)
Trade accounts receivable	**6,265**	**4,926**
Advances to suppliers	406	410
Prepaid payroll taxes	42	28
Other prepaid and recoverable taxes (other than income tax)	407	357
Other	494	418
Provisions for impairment in value	(8)	(11)
Total other receivables	**1,341**	**1,202**
Trade accounts payable	**5,616**	**5,338**
Customer deposits	600	641
Payable to suppliers of non-current assets	152	293
Grants received	66	69
Accrued personnel expenses	1,063	1,065
Accrued taxes other than on income	623	416
Other	845	602
Total other payables and accrued expenses	**3,349**	**3,086**

NOTE 7 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(in EUR millions)	**June 30, 2010**	**Dec. 31, 2009**
Pensions	2,718	2,190
Length-of-service awards	224	224
Post-employment healthcare benefits	434	369
Total provisions for pensions and other post-employment benefit obligations	3,376	2,783
Healthcare benefits	52	45
Long-term disability benefits	41	35
Other long-term benefits	105	95
Provisions for pensions and other employee benefits	**3,574**	**2,958**

The following table shows projected benefit obligations under pension and other post-employment benefit plans and the related plan assets:

(in EUR millions)	**June 30, 2010**	**31 décembre 2009**
Projected benefit obligations	3,376	2,783
Plan assets	41	96
Net projected benefit obligations	**3,335**	**2,687**

Description of defined benefit plans

The Group’s main defined benefit plans are as follows:

In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997.

In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new entrants since 1996.

In the Netherlands, ceilings have been introduced for supplementary pension plans, above which they are converted into defined contribution plans.

In the United Kingdom, retirement plans provide pensions as well as death and permanent disability benefits. These defined benefit plans – which are based on employees’ average salaries over their final years of employment – have been closed to new entrants since 2001.

In the United States and Canada, the Group's defined benefit plans are final salary plans. Since January 1, 2001, new employees have been offered a defined contribution plan.

Provisions for other long-term employee benefits amounted to €198 million at June 30, 2010 (December 31, 2009: €175 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related projected benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

Pensions and other post-employment benefit obligations are determined on an actuarial basis using the projected unit credit method, based on estimated final salaries.

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €172 million in 2009. The actual return on plan assets was a positive €33 million in the first half of 2010.

Actuarial assumptions used to measure projected benefit obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company.

The assumptions used in 2009 and first-half 2010 in the countries with the main plans were as follows:

(in %)	**France**	**Other European countries**		**United States**
		Euro zone	**United Kingdom**	
Discount rate	5.00%	5.00%	5.75%	6.00%
Salary increases	2.40%	2.75% to 3.25%	3.85%	3.00%
Expected return on plan assets	5.00%	3.50% to 5.25%	6.00%	8.75%
Inflation rate	1.90%	1.90% to 2.75%	3.35%	2.20%

In light of the increase in interest rates, the discount rates used to calculate pension obligations were adjusted at June 30, 2010 to 4.50% for the euro zone, 5.50% for the United Kingdom and 5.50% for the United States. The assumed United Kingdom inflation rate was also adjusted, to 2.95%. Pension obligations in these countries, which represent around 95% of the Group's total obligations, were therefore adjusted using these new rates, resulting in a €268 million increase in pension obligations during the period (€280 million converted at the period-end exchange rate).

Sensitivity calculations were not updated at June 30, 2010; if they had been, the results would have been similar to the analyses presented in the 2009 Annual report (in Note 14 to the consolidated financial statements).

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. The return on plan assets was a positive €176 million in first-half 2010. The markets' poor performance in the latter part of the period led to an adjustment to the expected return, thereby increasing the net pension obligation by €143 million (€152 million converted at the period-end exchange rate).

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 to record in equity actuarial gains and losses as well as the change in the asset ceiling (see Note 1). As a result, deferred actuarial gains and losses now relate only to the effects of plan adjustments (past service cost).

Plan surpluses and the asset ceiling

When plan assets exceed the projected benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" provided that it corresponds to future economic benefits. The change in the asset ceiling is recognized in equity.

Contributions to insured plans

This item corresponds to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain and totaled €31 million at June 30, 2010 (December 31, 2009: €57 million).

Movements in provisions for pensions and other post-employment benefit obligations, excluding other employee benefits

in EUR millions	**Projected benefit obligation**
At January 1, 2010	
Projected benefit obligation	**2,687**
Movements during the period	
Service cost	72
Interest cost	50
Actuarial gains and losses recognized during the period*	443
Contributions to plan assets and benefit payments	(173)
Changes in Group structure	8
Other	248
Total	**648**
At June 30, 2010	
Projected benefit obligation	**3,335**

* The overall impact of actuarial gains and losses on equity is a decrease of €443 million before tax (€299 million after tax).

NOTE 8 – CURRENT AND DEFERRED TAXES

The pre-tax income of consolidated companies is as follows:

(in EUR millions)	**First-half 2010**	**First-half 2009**
Net income	538	138
less:		
Share in net income of associates	3	2
Income taxes	(279)	(53)
Pre-tax income of consolidated companies	**814**	**189**

Income tax expense breaks down as follows:

(in EUR millions)	**First-half 2010**	**First-half 2009**
Current taxes	**(307)**	**(208)**
France	(35)	5
Outside France	(272)	(213)
Deferred taxes	**28**	**155**
France	(8)	(16)
Outside France	36	171
Total income tax expense	**(279)**	**(53)**

The effective tax rate breaks down as follows:

(in %)	**First-half 2010**	**First-half 2009**
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(1.8)	1.6
Taxable capital gains	1.2	6.3
Valuation allowance on deferred tax assets	(0.1)	(7.4)
Effect on deferred taxes of change in tax rate	(0.8)	(0.1)
Research tax credit	(1.1)	(3.7)
Other deferred and miscellaneous taxes	2.5	(3.1)
Effective tax rate	**34.3**	**28.0**

In the balance sheet, changes in net deferred tax liabilities break down as follows:

(in EUR millions)	**Net deferred tax liabilities**
At January 1, 2010	**245**
Deferred tax expense/(benefit)	(28)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 7)	(144)
Translation adjustments	(57)
Impact of changes in Group structure and other	(26)
At June 30, 2010	**(10)**

The table below shows the principal components of net deferred tax liabilities:

(in EUR millions)	**June 30, 2010**	**Dec.31, 2009**
Deferred tax assets	902	676
Deferred tax liabilities	(892)	(921)
Net deferred tax liability	**10**	**(245)**
Pensions	985	772
Brands	(833)	(805)
Depreciation & amortization, accelerated capital allowances and untaxed provisions	(1,157)	(1,051)
Tax loss carryforwards	525	360
Other	490	479
Total	**10**	**(245)**

Since January 1, 2007, deferred taxes are offset at the level of each tax entity, i.e., by tax group where applicable (mainly in France, the United Kingdom, Spain, Germany, the United States and the Netherlands).

Deferred tax assets of €902 million were recognized at June 30, 2010 (December 31, 2009: €676 million) including €622 million in the United States. Deferred tax liabilities recognized at June 30, 2010 amounted to €892 million (December 31, 2009: €921 million), including €352 million in France and €205 million in the United Kingdom. Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

Deferred tax assets whose recovery is not considered probable totaled €176 million at June 30, 2010 and €153 million at December 31, 2009.

In France, the local business tax (*taxe professionnelle)* has been replaced, from 2010, by a new two-part tax (*contribution économique territoriale* - CET). The portion of the tax assessed on the value added by the business (*cotisation sur la valeur ajoutée des enterprises* – CVAE) has been included in income tax for the period in accordance with IAS 12, because it is assessed on revenues net of expenses, particularly in the Building Distribution division, which represents roughly 50% of the Group's revenue in France. As a result of this accounting treatment, net deferred tax expense of €20 million was recognized in the income statement in first-half 2010 arising from arising from temporary differences existing at December 31, 2009.

NOTE 9 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

(in EUR millions)	Provision for claims and litigation	Provision for environmental risks	Provision for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Investment-related liabilities	**Total**
At January 1, 2010								
Current portion	92	34	133	38	88	128	5	518
Non-current portion	1,273	133	107	44	153	328	131	2,169
Total	**1,365**	**167**	**240**	**82**	**241**	**456**	**136**	**2,687**
Movements during the period								
Additions	66	5	59	15	37	22		204
Reversals	0	(2)	(12)	(3)	(8)	(21)		(46)
Utilizations	(56)	(5)	(73)	(8)	(17)	(31)		(190)
Changes in Group structure	0	0	0	0	0	3	7	10
Other (reclassifications and translation adjustments)	61	9	18	4	26	12	15	145
Total	**71**	**7**	**(8)**	**8**	**38**	**(15)**	**22**	**123**
At June 30, 2010								
Current portion	107	34	108	45	95	129	12	530
Non-current portion	1,329	140	124	45	184	312	146	2,280
Total	**1,436**	**174**	**232**	**90**	**279**	**441**	**158**	**2,810**

NOTE 10 – NET DEBT

Long- and short-term debt

Long- and short-term debt consists of the following:

(in EUR millions)	June 30, 2010	Dec. 31, 2009
Bond issues and Medium-Term Notes	7,140	8,151
Perpetual bonds and participating securities	203	203
Acquisition-related bank borrowings	0	0
Other long-term debt including finance leases	340	270
Debt recognized at fair value under the fair value option	158	157
Fair value of interest rate hedges	32	58
Total long-term debt (excluding current portion)	**7,873**	**8,839**
Current portion of long-term debt	**1,416**	**1,880**
Short-term financing programs (US CP, Euro CP, *Billets de Tresorerie*)	0	0
Bank overdrafts and other short-term bank borrowings	779	673
Securitizations	509	321
Fair value of derivatives relating to borrowings not qualified as hedges	(8)	(2)
Short-term debt and bank overdrafts	**1,280**	**992**
TOTAL GROSS DEBT	**10,569**	**11,711**
Cash and cash equivalents	(1,488)	(3,157)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**9,081**	**8,554**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €9.1 billion at June 30, 2010, for a carrying amount of €8.6 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

Long-term debt repayment schedule

Long-term debt at June 30, 2010 can be analyzed as follows by maturity:

(in EUR millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	1,099	4,267	2,142	7,508
	GBP	0	0	731	731
	Other	39	0	0	39
Perpetual bonds and participating securities	EUR	0	0	203	203
Acquisition-related bank borrowings	EUR	0	0	0	0
Other long-term debt including finance leases	All currencies	89	274	64	427
Debt recognized at fair value under the fair value option	EUR	0	158	0	158
Fair value of interest rate hedges	EUR	0	32	0	32
TOTAL, EXCLUDING ACCRUED INTEREST		**1,227**	**4,731**	**3,140**	**9,098**

At June 30, 2010, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	441	1,140	462	2,043

Interest on perpetual bonds and participating securities is calculated through to 2024.

Bond issues

On March 17, 2010, Compagnie de Saint-Gobain redeemed a €400 million bond issue that had reached maturity.

On April 16, 2010, Saint-Gobain Nederland redeemed a €1 billion bond issue that had reached maturity.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. These securities are not redeemable and the interest paid on them is reported under “Borrowing costs”.

Over the years, the Group has bought back and canceled 18,496 perpetual bonds. At June 30, 2010, 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed to the average bond rate (TMO) and 194,633 non-voting participating securities indexed to Euribor (minimum). These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

Over the years, some of these securities have been bought back by the Group. At June 30, 2010, there remained in circulation 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities, representing an aggregate face value of €170 million.

Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities comprises (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to consolidated net income of the previous year, subject to the cap specified in the issue agreement.

Financing programs

The Group has a number of medium and long-term financing programs (Medium Term Notes) and short-term financing programs (Commercial Paper and "*Billets de Trésorerie*").

At June 30, 2010, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at June 30, 2010	Outstanding issues at June 30, 2010	Outstanding issues at Dec. 31, 2009
Medium Term Notes	EUR	1 to 30 years	10,000	6,120	6,120
US Commercial Paper	USD	Up to 12 months	1,000 *	-	-
Euro Commercial Paper	USD	Up to 12 months	1,000 *	-	-
Billets de Trésorerie	EUR	Up to 12 months	3,000	-	-

* Equivalent to €815 million based on the exchange rate at June 30, 2010.

In accordance with market practices, "*Billets de Trésorerie*", Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months. They are treated as variable-rate debt, because they are rolled over at frequent intervals.

Syndicated lines of credit

Compagnie de Saint-Gobain's US Commercial Paper, Euro Commercial Paper and "*Billets de Trésorerie*" programs are backed by: i)

- a €2 billion confirmed syndicated line of credit expiring in November 2011 that is not subject to any covenants based on financial ratios; and ii)
- a €2.5 billion syndicated line of credit obtained in June 2009 whose main purpose is to provide a secure source of financing for the Group and additional backing for its short-term financing programs. Expiring in June 2012, this facility was renegotiated in April 2010 and extended by one year. In addition, the amount of the facility was reduced to €2 billion in May 2010.

The facility agreement includes a covenant stipulating that the Group's net debt/EBITDA ratio, as measured annually at December 31, must at all times represent less than 3.75. This ratio was complied with at December 31, 2009.

Neither of the two confirmed lines of credit was drawn down at June 30, 2010.

Bank overdrafts and other short-term bank borrowings

This item includes bank overdrafts; local short-term bank borrowings taken out by subsidiaries, and accrued interest on short-term debt.

Receivables securitization programs

The Group has set up two securitization programs through its US subsidiary, Saint-Gobain Receivables Corporation, and its UK subsidiary, Jewson Ltd. Neither of the programs transfer the credit risk to the financial institution.

The US program amounted to €326 million at June 30, 2010 (December 31, 2009: €156 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €3.3 million in first-half 2010 (first-half 2009: €2.5 million).

The UK program amounted to €183 million at June 30, 2010 (€165 million at December 31, 2009), and the financial expense came to €1.1 million in the first half of 2010 (first-half 2009: €1.6 million).

Collateral

At June 30, 2010, €43.6 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 11 – FINANCIAL INSTRUMENTS

Derivatives

The following table presents a breakdown of the principal derivatives used by the Group:

(in EUR millions)	Fair value at June 30, 2010			Fair value at Dec. 31, 2009	Nominal value broken down by maturity at June 30, 2010			
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	32	0	32	4	0	1,250		**1,250**
Fair value hedges - total	**32**	**0**	**32**	**4**	**0**	**1,250**	**0**	**1,250**
Cash flow hedges								
Forward foreign exchange contracts	2	(2)	0	0	138	1	0	**139**
Currency swaps	0	0	0	0				**0**
Currency options	1	0	1	0	9	0	0	**9**
Interest rate swaps	0	(64)	(64)	(62)	0	1,250	0	**1,250**
Energy and commodity swaps	10	(11)	(1)	(8)	111	44	0	**155**
Cash flow hedges - total	**13**	**(77)**	**(64)**	**(70)**	**258**	**1,295**	**0**	**1,553**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	3	0	3	2		155	0	**155**
Currency swaps	7	(3)	4	0	1,435	15	0	**1,450**
Forward foreign exchange contracts	2	0	2	0	41	3	0	**44**
Derivatives not qualifying for hedge accou	**12**	**(3)**	**9**	**2**	**1,476**	**173**	**0**	**1,649**
TOTAL	**57**	**(80)**	**(23)**	**(64)**	**1,734**	**2,718**	**0**	**4,452**
o/w derivatives used to hedge net debt	42	(67)	(25)	(56)				0

- Interest rate swaps

The Group uses interest rate swaps to convert part of its fixed (variable) rate bank debt and bond debt to variable (fixed) rates.

- Currency swaps

The Group uses currency swaps for day-to-day cash management purposes and, in some cases, to permit the use of euro-denominated funds to finance foreign currency assets.

- Forward foreign exchange contracts and currency options

Forward foreign exchange contracts and currency options are used to hedge foreign currency transactions, particularly commercial transactions (purchases and sales) and investments.

- Energy and commodity swaps

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly heavy fuel oil and natural gas purchases in Europe, the United States and Mexico as well as electricity purchases in the United Kingdom.

Impact on equity of financial instruments qualifying for hedge accounting

At June 30, 2010, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €64 million, breaking down as follows:

- €64 million unrealized gain corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges of interest on the April 2007 bond issue.
- €0 million unrealized gain corresponding to the remeasurement at fair value of other cash flows hedges to be reclassified to income when the hedged items affect income.

The ineffective portion of gains and losses on cash flow hedges is not material.

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss amounted to €9 million at June 30, 2010 (December 31, 2009: €2 million).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS. At June 30, 2010, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps), was 4.9% at June 30, 2010 and 5.2% at December 31, 2009.

The average internal rates of return for the main components of long-term debt before hedging were as follows in first-half 2010 and in 2009:

Internal rate of return on long-term debt (in %)	First-half 2010	2009
Bonds and Medium Term Notes	5.41	5.35
Perpetual bonds and participating securities	4.00	4.92
Acquisition-related bank borrowings	-	-

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at June 30, 2010, after giving effect to interest rate swaps and currency swaps.

Gross debt denominated in foreign currencies *(in EUR millions)*	**After hedging**		
	Variable rate	**Fixed rate**	**Total**
EUR	1,781	6,390	8,171
GBP	(16)	731	715
USD	215	9	224
SEK and NOK	349	4	353
Other currencies	649	209	858
TOTAL	**2,978**	**7,343**	**10,321**
	29%	71%	100%
Fair value of related derivatives			24
Accrued interest			224
TOTAL GROSS DEBT			**10,569**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at June 30, 2010 for gross debt after hedging:

(in EUR millions)	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Gross debt	4,385	3,282	2,902	10,569
Impact of interest rate swaps	0	0	0	0
GROSS DEBT AFTER HEDGING	**4,385**	**3,282**	**2,902**	**10,569**

NOTE 12 – BUSINESS INCOME BY EXPENSE TYPE

(in EUR millions)	**First-half 2010**	**First-half 2009**
Net sales	**19,529**	**18,715**
Personnel costs		
Salaries and payroll taxes	(3,962)	(3,859)
Share-based payments [a]	(22)	(24)
Pensions	(89)	(78)
Depreciation and amortization	(775)	(756)
Other [b]	(13,236)	(13,068)
Operating income	**1,445**	**930**
Other business income [c]	9	2
Negative goodwill recognized in income	0	0
Other business income	**9**	**2**
Restructuring costs[d]	(105)	(189)
Provisions and expenses relating to claims and litigation [e]	(80)	(52)
Impairment of assets and other business expenses [f]	(59)	(67)
Other	(9)	(23)
Other business expense	**(253)**	**(331)**
Business income	**1,201**	**601**

(a) Details of share-based payments are provided in Note 13.

(b) This corresponds to the cost of goods sold by the Building Distribution Sector and transport costs, raw materials costs, and other production costs for the other Sectors. This item also includes net foreign exchange gains and losses, representing a net loss of €2 million in first-half 2010, compared with €20 million in first-half 2009. In first-half 2010, research and development costs recorded under operating expenses amounted to €210 million (first-half 2009: €200 million).

(c) In the first half of 2010, other business income included capital gains on disposals of property, plant and equipment and intangible assets.

(d) Restructuring costs in first-half 2010 mainly consisted of employee termination benefits in an amount of €67 million (first-half 2009: €153 million).

(e) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 9 and 19.

(f) Impairment losses on assets and other business expenses in the first half of 2010 included impairment losses of €7 million on goodwill (first-half 2009: €10 million) and €48 million on property, plant and equipment and intangible assets (first-half 2009: €43 million). The balance corresponds to impairment losses on financial assets and current assets.

NOTE 13 – STOCK OPTION PLANS, THE GROUP SAVINGS PLAN AND PERFORMANCE SHARE GRANTS

Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees. No stock options were granted in the first half of 2010. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €13.2 million for the period, versus €17 million in the first half of 2009.

Group Savings Plan ("PEG")

The PEG Group Savings Plan is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The purchase price of the shares, as set by the Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date.

In the first half of 2010, the Group issued 4,993,989 new shares with a par value of €4 (first-half 2009: 8,498,377 shares) to members of the PEG, for a total of €143 million (first-half 2009: €134 million).

Under the standard plans, eligible employees in countries where this is allowed under local law and tax rules are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or ten-year lock-up, except following the occurrence of certain events. The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e. stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity (see Note 1 for details of the calculation).

The standard plan cost recorded in the income statement amounted to €2.8 million in first-half 2010 (first-half 2009: €7 million), net of the lock-up cost for employees of €21.1 million (first-half 2009: €31.2 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in first-half 2010 and 2009.

		2010	2009
	Plan characteristics		
	Grant date	March 29	March 23
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in EUR)	35.87	19.74
	Purchase price (in EUR)	28.70	15.80
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	20.12%	28.11%
	Employee investments (in EUR millions)	143.3	134.3
	Total number of shares purchased	4,993,989	8,498,377
	Valuation assumptions		
	Interest rate paid by employees **(1)**	6.33%	7.09%
	5-year risk-free interest rate	2.29%	2.73%
	Repo rate	0.25%	1.35%
(b)	Lock-up discount (in %)	17.73%	22.92%
	Total cost to the Group (in %) **(a-b)**	2.39%	5.19%

(1) A 0.5-point decline in borrowing costs for the employee would have an impact of €2.2 million on the first-half 2010 cost as calculated in accordance with IFRS 2.

Performance share grants

Performance share grant programs were implemented for the first time in 2009. In the first half of 2010, no share grants were made and the expense recognized in respect of 2009 share grants amounted to €5.8 million.

NOTE 14 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

(in EUR millions)	First-half 2010	First-half 2009
Interest cost - pension and other post-employment benefit obligations	(231)	(214)
Return on plan assets	176	167
Interest cost - pension and other post-employment benefit obl	**(55)**	**(47)**
Other financial expense	(70)	(39)
Other financial income	8	6
Other financial income and expense	**(117)**	**(80)**

NOTE 15 – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS – EBITDA

Recurring net income totaled €580 million in first-half 2010 (first-half 2009: €210 million). Based on the weighted average number of shares outstanding at June 30 (509,735,208 shares in 2010 and 439,305,156 shares in 2009), recurring earnings per share amounted to €1.14 in first-half 2010 and €0.48 in first-half 2009.

The difference between net income and recurring net income (attributable to equity holders of the parent) corresponds to the following items:

(in EUR millions)	First-half 2010	First-half 2009
Net income attributable to equity holders of the parent	**501**	**128**
Less:		
Gains on disposals of assets	9	2
Impairment of assets and other business expenses	(59)	(67)
Provision for competition litigation and other non-recurring provision charges	(41)	(32)
Impact of minority interests	0	0
Tax impact	12	15
Recurring net income attributable to equity holders of the parent	**580**	**210**

Cash flow from operations for the first half of 2010 amounted to €1,431 million (first-half 2009: €1,079 million). Excluding tax on capital gains and losses and non-recurring provisions, cash flow from operations came to €1,419 million (first-half 2009: €1,064 million).

These amounts are calculated as follows:

(in EUR millions)	First-half 2010	First-half 2009
Net income attributable to equity holders of the parent	**501**	**128**
Minority interests in net income	37	10
Share in net income of associates, net of dividends received	(1)	0
Depreciation, amortization and impairment of assets	830	823
Gains and losses on disposals of assets	(9)	(2)
Non-recurring charges to provisions	41	32
Unrealized gains and losses arising from changes in fair value and share-based payments	32	88
Cash flow from operations	**1,431**	**1,079**
Tax on capital gains and losses and non-recurring charges to provisions	(12)	(15)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**1,419**	**1,064**

EBITDA amounted to €2,220 million in first-half 2010 (first-half 2009: €1,686 million), calculated as follows:

(in EUR millions)	**First-half 2010**	**First-half 2009**
Operating income	1,445	930
Depreciation and amortization	775	756
EBITDA	**2,220**	**1,686**

NOTE 16 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

(in EUR millions)	**Adjusted net income attributable to equity holders of the parent**	**Number of shares**	**Earnings per share (in EUR)**
First-half 2010			
Weighted average number of shares outstanding	**501**	509,735,208	**0.98**
Weighted average number of shares assuming full dilution	**501**	511,538,221	**0.98**
First-half 2009			
Weighted average number of shares outstanding	**128**	439,305,156	**0.29**
Weighted average number of shares assuming full dilution	**128**	439,442,257	**0.29**

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,626,209 shares at June 30, 2010) from the average number of shares outstanding during the period.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options corresponding to a weighted average of 1,803,013 shares in first-half 2010 and 137,101 shares in first-half 2009.

NOTE 17 – COMMITMENTS

The main changes in commitments over the first six months of the year are described below:

- **Obligations under finance leases**

During the first half of 2010, future minimum lease payments due under finance leases fell by €24 million.

- **Obligations under operating leases**

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancelable operating leases. Lease terms generally range from 1 to 9 years. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.

In first-half 2010, obligations under operating leases rose by €10 million, reflecting an increase of €22 million for land and buildings, and a decrease of €13 million for vehicles, machinery and equipment.

- **Non-cancelable purchase commitments**

Non-cancelable purchase commitments include commitments to purchase raw materials and services, including vehicle leasing commitments, and firm orders for property, plant and equipment.

In first-half 2010, non-cancelable purchase commitments rose by €100 million, mainly as a result of new raw materials purchase commitments.

- **Guarantee commitments**

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.

The Group also receives guarantees, amounting to €110 million at June 30, 2010 (December 31, 2009: €102 million).

- **Commercial commitments**

Security for borrowings amounted to €37 million at June 30, 2010 versus €54 million at December 31, 2009. Other commitments given rose by €143 million at the period-end.

At June 30, 2010, pledged assets amounted to €104 million (December 31, 2009: €215 million) and mainly concerned fixed assets in India.

Guarantees given to the Group in respect of receivables amounted to €87 million at June 30, 2010 (December 31, 2009: €79 million).

NOTE 18 – RELATED-PARTY TRANSACTIONS

There were no changes during the period in transactions with related parties as defined in Note 28 to the 2009 consolidated financial statements.

NOTE 19 – LITIGATION

Asbestos-related litigation in France

In France, further individual lawsuits were filed in first-half 2010 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") - which in the past had carried out fiber-cement operations - for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 711 such lawsuits have been issued against the two companies since 1996.

At June 30, 2010, 626 of these 711 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Everite and Saint-Gobain PAM were held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 85 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2010, the merits of 25 have been decided but the compensation awards have not yet been made, pending issue of medical reports. In all cases, the Social Security authorities were ordered to pay compensation to the victims for procedural reasons (statute of limitations, non-opposability).

Out of the 60 remaining lawsuits, 2 were dismissed following a claim made to the French Asbestos Victims Compensation Fund (FIVA). At June 30, 2010, the procedures relating to the merits of the other 30 cases were at different stages: 7 were being investigated by the French Social Security authorities and 23 were pending before the Social Security courts.

There were no other significant developments to report concerning other proceedings in progress during the period.

Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in many cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities that have been manufacturers, distributors, installers or users of products containing asbestos.

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first half of 2010 came to approximately 2,000. On a rolling 12 month basis, new claims remain stable at approximately 4,000 at end-June 2010 compared to 4,000 end-December 2009 and 4,000 end-June 2009.
Some 2,000 claims were settled out of court in the first six months of 2010. Some 64,000 claims were outstanding at June 30, 2010 – unchanged versus December 31, 2009 (64,000) and a slight decrease versus December 31, 2008 (68,000).
An additional estimated provision of €37.5 million (USD 50 million) was recorded in the consolidated financial statements for the first half of 2010 in relation to CertainTeed's asbestos claims. As in every year since 2002, a precise assessment of the provision required for the full year will be performed at the year-end.
Total compensation paid during the twelve-month period ending June 30, 2010 for claims against CertainTeed (including claims settled prior to June 30, 2009 but only paid during the past twelve months), as well as compensation paid (net of insurance coverage) during the twelve-month period ending June 30, 2010 by other U.S. Group businesses involved in asbestos litigation, amounted to about €69 million (USD 96 million), versus €55 million (USD 77 million) in 2009.

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In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits were outstanding at June 30, 2010, and they do not represent a material risk for the companies concerned.

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Ruling by the European Commission following the investigation into the construction glass and automotive glass industries

In November 2007 and 2008, the European Commission issued its decisions concerning, respectively, the construction glass industry and the automotive glass industry.

In the November 28, 2007 decision concerning its investigation into construction glass manufacturers, the European Commission held that Saint-Gobain Glass France had violated Article 81 of the Treaty of Rome and fined the company €133.9 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount. Compagnie de Saint-Gobain and Saint-Gobain Glass France decided not to appeal this decision and the fine was paid on March 3, 2008.

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was named as being jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the Court of First Instance of the European Communities.

The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.

As a result of these developments, a €991 million provision was set aside at December 31, 2009 to cover the entire €896 million fine, together with the cost of the bond, the estimated legal costs and interest accrued over the appeal period, i.e. since March 9, 2009, and was increased at June 30, 2010 to €1,010 million to cover the additional accrued interest and the bond fees for the first half of 2010.

The appeal against the November 12, 2008 decision is currently pending before the Court of First Instance of the European Communities.

Note 20 – SEGMENT REPORTING

Segment information by sector and division

Segment information is presented as follows:

- Innovative Materials (IM) Sector
  - ➢ Flat Glass
  - ➢ High-Performance Materials (HPM)
- Construction Products (CP) Sector
  - ➢ Interior Solutions: Insulation and Gypsum
  - ➢ Exterior Solutions: Industrial Mortars, Pipe and Exterior Fittings
- Building Distribution Sector
- Packaging Sector

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1.

(in EUR millions)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	**Total**
First-half 2010	Flat Glass	High Performance Materials	Intra-Segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Eliminations	Total				
External sales	2,518	1,949		4,467	2,263	2,717		4,980	8,320	1,760	2	19,529
Internal sales	19	61	(12)	68	272	186	(16)	442	2		(512)	0
Net sales	2,537	2,010	(12)	4,535	2,535	2,903	(16)	5,422	8,322	1,760	(510)	19,529
Operating income/(loss)	199	272		471	173	376		549	197	227	1	1,445
Business income/(loss)	153	229		382	122	361		483	160	217	(41)	1,201
Share in net income/(loss) of associates		1		1				0		2		3
Depreciation and amortization	153	91		244	168	94		262	139	117	13	775
Impairment of assets	3	23		26	11	1		12	13	4		55
Capital expenditure	116	35		151	43	54		97	66	114	7	435
Cash flow from operations				463				403	149	250	166	1,431
EBITDA	352	363		715	341	470		811	336	344	14	2,220

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

(in EUR millions)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	Total
First-half 2009	Flat Glass	High Performance Materials	Intra-Segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Eliminations	Total				
External sales	2,177	1,564		3,741	2,269	2,517		4,786	8,443	1,744	1	18,715
Internal sales	21	47	(7)	61	270	193	(16)	447	2	0	(510)	0
Net sales	2,198	1,611	(7)	3,802	2,539	2,710	(16)	5,233	8,445	1,744	(509)	18,715
Operating income/(loss)	13	88		101	171	303		474	116	233	6	930
Business income/(loss)	(98)	40		(58)	139	281		420	71	218	(50)	601
Share in net income/(loss) of associates	0	0		0	0	0		0	1	1	0	2
Depreciation and amortization	143	91		234	165	92		257	141	111	13	756
Impairment of assets	13	11		24	15	7		22	7	0	14	67
Capital expenditure	150	59		209	90	48		138	76	96	7	526
Cash flow from operations				123				332	80	260	284	1,079
EBITDA	156	179		335	336	395		731	257	344	19	1,686

* “Other” corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
First-half 2010						
Net sales	5,786	8,161	2,846	3,631	(895)	**19,529**
Capital expenditure	79	134	66	156		**435**

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
First-half 2009						
Net sales	5,895	8,099	2,501	2,948	(728)	**18,715**
Capital expenditure	113	174	74	165		**526**

NOTE 21 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

The table below shows the Group's principal consolidated companies, typically those with net annual sales of over €100 million.

INNOVATIVE MATERIALS SECTOR

FLAT GLASS		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.92%
Saint-Gobain Glass Deutschland GmbH	Germany	99.92%
SG Deutsche Glas GmbH	Germany	99.92%
Saint-Gobain Glass Benelux	Belgium	99.80%
Saint-Gobain Sekurit Benelux SA	Belgium	99.92%
Saint-Gobain Autover Distribution SA	Belgium	99.92%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.92%
Saint-Gobain Sekurit Hanglas Polska Sp. Z O.O	Poland	97.55%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Solaglas Ltd	United Kingdom	99.97%
Saint-Gobain Glass UK Limited	United Kingdom	99.97%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.11%
Saint-Gobain Glass India	India	98.22%
Saint-Gobain Glass Mexico	Mexico	99.83%
HIGH PERFORMANCE MATERIALS		
Saint-Gobain Abrasifs	France	99.93%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Gmbh	Germany	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.93%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.97%
Saint-Gobain Vertex SRO	Czech Republic	100.00%

CONSTRUCTION PRODUCTS SECTOR

INTERIOR SOLUTIONS

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Gyproc Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia SpA	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum industries Ltd	Ireland	100.00%
Placoplatre SA	France	99.75%
Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thailand	99.66%
Mag Japon	Japan	87.35%

EXTERIOR SOLUTIONS

Saint-Gobain Weber	France	99.99%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber Germany	Germany	99.99%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Limited	United Kingdom	99.97%
Saint-Gobain PAM Espana SA	Spain	99.83%
Saint-Gobain PAM Italia s.p.a	Italy	100.00%
Saint-Gobain Canalizaçao SA	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion y Construccion	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
Saint-Gobain Distribution The Netherlands BV	Netherlands	100.00%
Saint-Gobain Distribution Nordic AB	Sweden	100.00%
Optimera AS	Norway	100.00%
Optimera Danmark A/S	Denmark	100.00%
Sanitas Troesch	Switzerland	100.00%
Norandex Building Material Distribution Inc	United States	100.00%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland AG	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri SpA	Italy	99.99%

NOTE 22 – SUBSEQUENT EVENTS

None.

TABLE DES MATIERES

CONSOLIDATED BALANCE SHEET....2
CONSOLIDATED INCOME STATEMENT....3
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE....4
CONSOLIDATED CASH FLOW STATEMENT....5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY....6
NOTE 1 – ACCOUNTING PRINCIPLES AND POLICIES....7
NOTE 2 – CHANGES IN GROUP STRUCTURE....23
NOTE 3 – GOODWILL....25
NOTE 4 – PROPERTY, PLANT AND EQUIPMENT....26
NOTE 5 – INVENTORIES....27
NOTE 6 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE....27
NOTE 7 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS....28
NOTE 8 – CURRENT AND DEFERRED TAXES....31
NOTE 9 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS....33
NOTE 10 – NET DEBT....34
NOTE 11 – FINANCIAL INSTRUMENTS....38
NOTE 12 – BUSINESS INCOME BY EXPENSE TYPE....41
NOTE 13 – STOCK OPTION PLANS, THE GROUP SAVINGS PLAN AND PERFORMANCE SHARE GRANTS....42
NOTE 14 – NET FINANCIAL EXPENSE....43
NOTE 15 – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS – EBITDA....44
NOTE 16 – EARNINGS PER SHARE....45
NOTE 17 – COMMITMENTS....46
NOTE 18 – RELATED-PARTY TRANSACTIONS....46
NOTE 19 – LITIGATION....47
Note 20 – SEGMENT REPORTING....50
NOTE 21 – PRINCIPAL FULLY CONSOLIDATED COMPANIES....52
NOTE 22 – SUBSEQUENT EVENTS....55