SAINT-GOBAIN

2012 REGISTRATION DOCUMENT

This English-language version of the registration document is a free translation of the original French text. It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version which is the authentic text. The auditor's report applies to the French version of the Management Report and the financial statements.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document, incorporating the annual financial report, was filed with the Autorité des Marchés Financiers on March 28, 2013, in accordance with Article 212-13 of the AMF's General Regulation. It may be used as a supporting document for a financial operation, but only alongside an information memorandum approved by the Autorité des Marchés Financiers. This registration document was prepared by Saint-Gobain and is the responsibility of the persons whose signatures appear herein.

TABLE OF CONTENTS

MESSAGE
FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
PIERRE-ANDRÉ DE CHALENDAR

“Our sustainable habitat strategy was enhanced during the year with tangible results.”

2012 was a difficult year for the global economy. We responded quickly to the worsening economic environment by implementing a new cost reduction plan and tighter cash management, while making carefully selected investments in line with our strategic priorities. We also confirmed our decision to refocus on the habitat and construction markets during the year with the announced sale of Verallia North America under good terms.

In this uncertain climate, Saint-Gobain has shown once again that it is a solid, dynamic group.
I would like to take this opportunity to thank all of our teams for mobilizing their forces to keep our development on track.
Our sustainable habitat strategy was enhanced during the year with tangible results such as the Multi-Comfort program, which was deployed in several countries and serves as a showcase of our expertise.

Each year, we are able to offer our customers a larger number of new products and solutions thanks to our culture of operating excellence and innovation capabilities. In 2012, we successfully brought to market new products including Climacoat glass from Sekurit, Novelio paintable wall coverings from Adfors and Duo’tech plasterboard for hospitals.

Saint-Gobain’s ambition is driven by the unique diversity of its businesses, which are largely complementary. The resulting synergy and broad range of products and solutions sets us apart from the competition. Differentiation is a long-term competitive challenge for our Group and to meet this challenge, we are creating high value-added cross-business solutions, offering increasingly innovative services and strengthening our local positions by developing Saint-Gobain’s brands and image.

Each year, Saint-Gobain further increases its commitment to sustainable development, in terms of protecting the environment, developing our businesses and people, and strengthening our ties with local communities. Being a responsible player is not just a slogan at Saint-Gobain, it is something we work hard at every day.

For this reason, in a persistently uncertain global economic environment, we will maintain our strategic direction more than ever in 2013 while continuing to adapt to the economic situation.

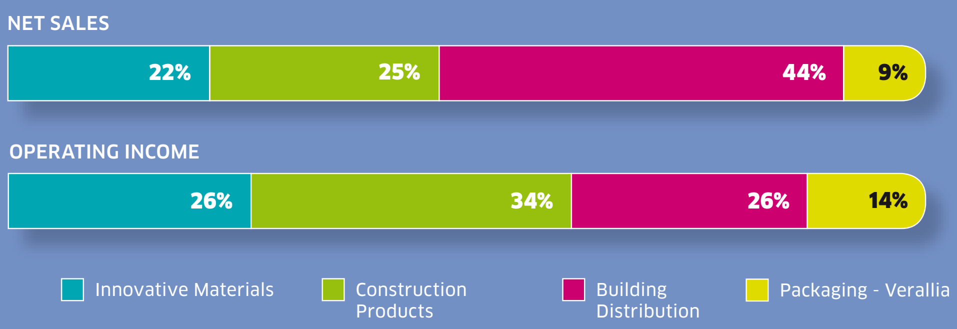
Pierre-André de Chalendar
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

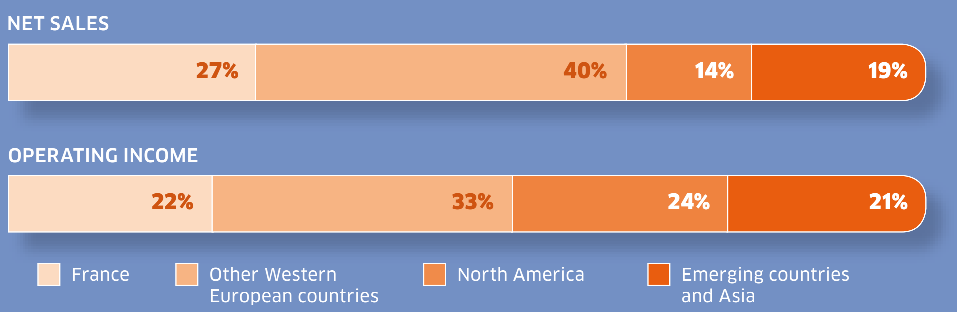
(in € millions)	2012	2011
NET SALES	**43,198**	**42,116**
Operating income	2,881	3,441
Consolidated net income	796	1,360
Recurring net income[1]	1,126	1,736
Recurring earnings per share (in €)[1] [2]	2.12	3.24
Net income attributable to equity holders of the parent	766	1,284
Earnings per share (in €)[2]	1.44	2.40
Total investments[3]	2,127	2,638
Consolidated equity (including minority interests)	17,851	18,218
Net debt	8,490	8,095
Non-current assets	29,629	29,877
Working capital	4,238	3,161

(1) Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
(2) Earnings per share are calculated based on the number of shares outstanding at December 31.
(3) Capital expenditure and financial investments, excluding share buybacks.

BY SECTOR



BY GEOGRAPHIC AREA



Ten-year consolidated financial highlights are presented on page 9

FOR THE FULL FINANCIAL RESULTS, GO TO www.saint-gobain.com

INVENTING THE MATERIALS OF THE FUTURE

*Thomson Reuters 2012 Top Global Innovators

STRATEGY
THE REFERENCE IN SUSTAINABLE HABITAT AND CONSTRUCTION MARKETS

OUR VISION

To offer innovative solutions to today's core challenges of growth, energy efficiency and environmental protection.

OUR AMBITION

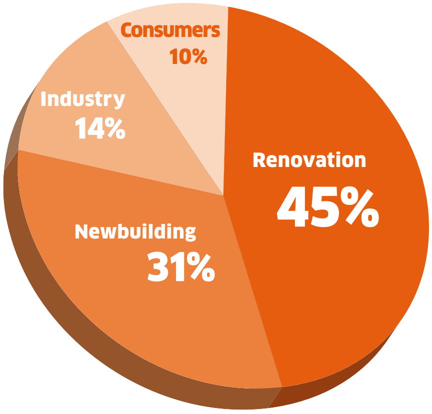
To be THE reference in the sustainable habitat and construction markets.

OUR MISSION

To develop construction and renovation solutions for professional customers to ensure that buildings are energy efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

Positioned to serve the habitat and construction markets

Four end markets[1]



Habitat solutions represent around 80% of our end markets

Saint-Gobain, the world leader[1] in the habitat and construction markets, designs, manufactures and distributes building materials, providing innovative solutions to the challenges of growth, energy efficiency and environmental protection.

In the face of global warming and dwindling natural resources, new efforts are required, notably in the building industry, which is among the most significant contributors to negative environmental impacts. Designing products and solutions that facilitate sustainable building and help to reduce the construction industry's environmental footprint, is at the heart of Saint-Gobain's sustainable habitat strategy. This is a responsibility for the teams, as well as a major source of motivation. The construction industry alone accounts for nearly 40% of energy consumption and 38% of greenhouse gas emissions in industrialized nations. Its impact is considerable on both water use and waste, representing 12% of drinking water consumed and 40% of solid waste in volume[2]. A massive commitment from Saint-Gobain and all other industry players is urgently needed.

Saint-Gobain's ambition is to be the reference in the sustainable habitat market. This means developing high value-added construction and renovation solutions for professional customers to ensure that buildings are energy-efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

This strategy is being deployed across all markets, taking into account their specific characteristics:

- in mature economies, the approaching shortage of fossil fuels and the pressing need to cut CO_2 emissions have prompted countries to tighten thermal performance and energy efficiency requirements in the building sector. Regulations are calling for greater energy efficiency not only in newbuildings but also in renovation projects;
- in fast-growing economies, markets are driven by rapidly accelerating urban development and exponential growth in demand for housing and offices.

All of these developments represent attractive opportunities for Saint-Gobain, which offers easy-to-use solutions aligned with local needs and practices in every segment of the construction market, from homes to offices, and from newbuilding to renovation projects.

(1) Source: Saint-Gobain.
(2) Source: "Building Design and Construction: Forging Resource Efficiency and Sustainable Development", United Nations Environment Program – Sustainable Buildings and Climate Initiatives (UNEP-SBCI).

SAINT-GOBAIN RANKS AMONG THE TOP 100 INDUSTRIAL GROUPS IN THE WORLD[1]

Unique positioning

Saint-Gobain is uniquely positioned to meet the needs of the habitat and construction markets, thanks to:

- **A worldwide or European leadership**[2] in all of its businesses, with local solutions tailored to the needs of each market.
- **An unrivalled portfolio** of energy efficiency products and solutions.
- **A deep understanding of building professionals' needs**, thanks to daily contact with customers, allowing to adapt the Group's solutions to highly specific customer requirements.
- **An outstanding potential for innovation**, supported by a unique industrial and distribution expertise and a commitment to materials research.
- **A culture of operational excellence**, which gives the Group a sturdy foundation and the ability to respond quickly to changing economic conditions.
- **A solid set of tested values**, empowering the Group to build lasting relations with all stakeholders, from customers and employees to suppliers, subcontractors, shareholders and the community.

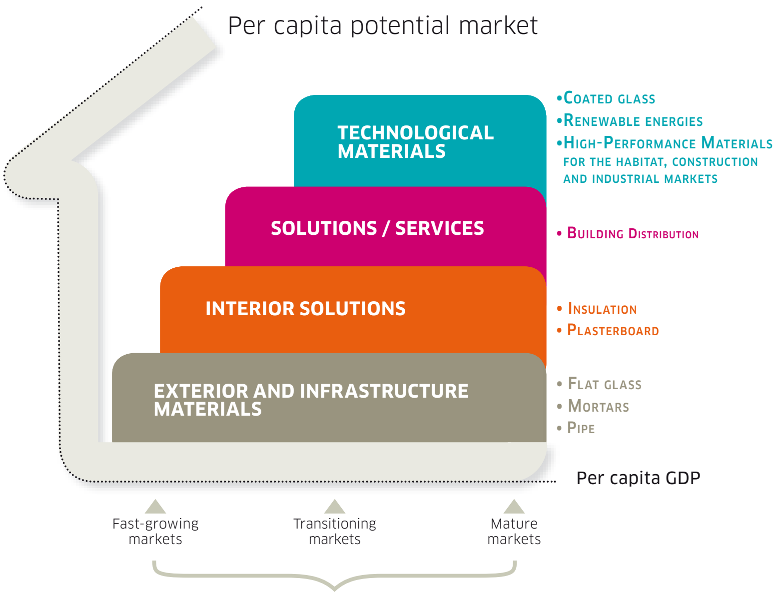
OPERATIONS IN **64** COUNTRIES

Algeria	Indonesia	Saudi Arabia
Argentina	Italy	Serbia
Australia	Japan	Singapore
Austria	Jordan	Slovakia
Belgium	Kuwait	Slovenia
Bhutan	Latvia	South Africa
Brazil	Lebanon	South Korea
Bulgaria	Lithuania	Spain
Canada	Luxemburg	Sweden
Chile	Malaysia	Switzerland
China	Mexico	Syria
Colombia	Morocco	Thailand
Czech Republic	Netherlands	Turkey
Denmark	New Zealand	Ukraine
Egypt	Norway	United Arab Emirates
Estonia	Peru	United Kingdom
Finland	Poland	United States
France	Portugal	Venezuela
Germany	Qatar	Vietnam
Greece	Republic of Ireland	Zimbabwe
Hungary	Romania	
India	Russia	

A worldwide presence, local responses

By proposing solutions for markets at all stages of development, Saint-Gobain captures opportunities in expanding segments of both mature and fast-growing economies.

Solutions for every stage of the development cycle



A manufacturing presence in 64 countries, providing a solid base for Group development.

(1) Source: FT Global 500 2012
(2) Source: Saint-Gobain

Energy efficiency solutions, driving growth in mature markets

Saint-Gobain's markets in mature countries are driven by energy performance requirements and growing demand for comfort in homes and buildings. These markets are expanding more rapidly than underlying construction and renovation volumes because of **more stringent building energy performance standards**, which are supporting demand for sustainable, innovative building solutions. The most recent regulations adopted in Western Europe in particular are leading to a significant increase in the use of large window surfaces in newbuildings and encouraging the installation of ever more efficient insulation.

The Group's capital expenditure choices and acquisitions strategy reflect these trends. In 2012, Saint-Gobain opened a new plant in North Carolina manufacturing environmentally friendly plasterboard to accompany the recovery of the US building market. The Group also fully acquired electrochromic glass manufacturer SAGE whose new plant is currently coming on stream in Faribault, Minnesota. In Insulation, Saint-Gobain acquired Celotex, a leading UK manufacturer of high-performance insulating foam. In Building Distribution, the Group finalized the acquisition of the Brossette plumbing-heating-sanitaryware distribution network in France.

Accelerated expansion in Asia and in fast-growing markets

In fast-growing countries, Saint-Gobain's products respond to the increasing demand for equipment and new residential, office and other buildings. The habitat and construction markets in these countries offer substantial growth potential due to urban development and exponentially rising infrastructure needs. Like in mature markets, demand for high value-added building solutions is tending to increase faster than per capita wealth or construction volumes.

Saint-Gobain is strengthening its presence in all fast-growing regions. For example, the Group started up a new float glass production line in Brazil and is finishing the construction of two additional float lines in Colombia and India. Sekurit is pursuing its development in countries with fast-growing automotive markets, notably in China, Mexico, Morocco and Poland. In Construction Products, the Group invested in Industrial Mortars in Brazil and Serbia (with the acquisition of Karbon), and in Gypsum in Russia and China. In China, Saint-Gobain also opened an abrasives production line and a new performance plastics plant dedicated to developing protective film applications for glass. Lastly, Verallia started up a new furnace in Argentina.

The Group is continuing to expand its presence in these markets, with a priority focus on enhancing profitability and developing strategic positions.

CREATING THE BUILDINGS OF THE FUTURE

The habitat and construction markets are undergoing a real transformation in which Saint-Gobain is a leading player. The Group develops solutions that make buildings more energy-efficient and help to protect the planet. Therefore, the Group continues to invest heavily in research and development. Most of its solutions, such as glass products, mineral wool insulation, plasterboard, exterior wall and floor coating mortars, already help to make buildings more energy-efficient and will contribute further to their performance in the future.

The buildings of the future will offer all types of comfort. People would like to be able to make themselves at home in a safe, comfortable, healthy place which protects them from the aggressions of the outside world. The Group offers esthetic solutions such as glazing, colored mortar and paintable wall coverings, as well as solutions to improve air quality, lighting management, and acoustic comfort (ceilings, plasterboard).

Lastly, the buildings of the future will be constructed in partnership with all construction industry players. A new generation of contractors capable of using energy-efficient construction techniques will have to be trained. Saint-Gobain helps customers and partners embrace these green principles by leveraging the power of its distribution networks. In line with this commitment, in 2012 the Group pursued its broad-based program to train builders in emerging energy-saving techniques and solutions.

Multi-Comfort: a demonstration of our know-how

Saint-Gobain does not construct buildings, but equips them with differentiating, high value-added solutions notably to enhance comfort. To demonstrate the effectiveness of these solutions and further develop research and innovation, numerous Saint-Gobain businesses joined forces to promote the Multi-Comfort concept in 15 countries. With this concept, Saint-Gobain is proposing a **new way of making buildings**. It establishes a **common frame of reference** that takes into account each country's specific features while anticipating new regulations. Designed to minimize a building's environmental impacts, the **Multi-Comfort scorecard** focuses on **five types of comfort**:

THERMAL COMFORT

Thermal comfort and energy performance
Bioclimatic architectural design; effective thermal insulation; contribution from solar gain and renewable energy.

HEALTH COMFORT

Health comfort and indoor air quality
Carefully considered building choices (low-emission or active materials), airtightness, ventilation and monitoring of indoor air pollution.

ACOUSTIC COMFORT

Acoustic comfort
effective acoustic insulation and correction.

VISUAL COMFORT

Visual comfort
Large windows to take maximum advantage of light and sunlight; esthetic quality and harmonious building envelope.

MODULAR COMFORT

Modular comfort
An evolving house: modularity and accessibility of spaces.

Ten-year consolidated financial highlights

(in € millions)	2012	2011	2010	2009	2008	2007	2006	2005(1)	2004 (in IFRS)	2004	2003	2002
Net sales (2)	43,198	42,116	40,119	37,786	43,800	43,421	41,596	35,110	32,172	32,025	29,590	30,274
Operating income	2,881	3,441	3,117	2,216	3,649	4,108	3,714	2,860	2,743	2,632	2,442	2,582
Consolidated net income	796	1,360	1,213	241	1,437	1,543	1,682	1,294	1,275	1,120	1,065	1,074
Recurring net income(3)	1,126	1,736	1,335	617	1,914	2,114	1,702	1,284	1,289	1,122	1,020	1,051
Recurring earnings per share in € (3) (4)	2.12	3.24	2.51	1.20	5.00	5.65	4.62	3.72	3.78	3.29	2.93	12.32 3.08*
Net income attributable to equity holders of the parent	766	1,284	1,129	202	1,378	1,487	1,637	1,264	1,239	1,083	1,039	1,040
Earnings per share (in €) (4)	1.44	2.40	2.13	0.39	3.60	3.97	4.44	3.66	3.63	3.18	2.99	12.2 3.05*
Total investments (5)	2,127	2,638	1,580	1,453	4,507	3,238	2,775	8,747	2,197	2,194	1,911	2,061
Consolidated equity (including minority interests)	17,851	18,218	18,232	16,214	14,530	15,267	14,487	12,318	10,863	11,806	11,310	11,542
Net debt	8,490	8,095	7,168	8,554	11,679	9,928	11,599	12,850	6,218	5,566	5,657	7,012
Non-current assets	29,629	29,877	28,933	28,149	28,026	26,041	26,274	26,763	17,183	17,515	17,237	18,840
Working capital	4,238	3,161	3,188	2,952	2,392	2,540(6)	2,451	2,324	3,181	4,943	5,247	3,951
Employees (December 31)	192,781	194,658	189,193	191,442	209,175	205,730	206,940	199,630	181,228	181,228	172,811	172,357

1) Including BPB from December 1, 2005.
(2) Including ancillary revenue for €300 million in 2012, €309 million in 2011, €272 million in 2010, €267 million in 2009 and €318 million in 2008.
(3) Excluding capital gains and losses, asset write-downs and material non-recurring provisions (including a provision for the Flat Glass fine levied by the European Commission).
(4) Earnings per share are calculated based on the number of shares outstanding at December 31.
(5) Capital expenditure and financial investments, excluding share buybacks.
(6) Working capital adjusted for the €560 million provision set aside in 2007 for the Flat Glass fine.

** Adjusted for the four-for-one stock split on June 27, 2002.*

SAINT-GOBAIN'S BUSINESSES

Saint-Gobain is organized around four Sectors – Innovative Materials, Construction Products, Building Distribution and Packaging.

To implement the Group strategy, Saint-Gobain is supported by three pillars, each having its own growth drivers contributing in a complementary manner to overall expansion.

INNOVATIVE MATERIALS

The **Innovative Materials Sector**, which comprises the Flat Glass and High-Performance Materials Activities, is Saint-Gobain's technological bridgehead. With its unique portfolio of materials and processes for the habitat, construction and industrial markets, the Sector embodies Saint-Gobain's innovation-oriented culture and accounts alone for almost two-thirds of the Group's total research and development commitment.

CONSTRUCTION PRODUCTS

The **Construction Products** Sector offers interior and exterior solutions for the buildings of today and tomorrow, including plaster and plasterboard products, acoustic and thermal insulation products, wall facings, roofing products and pipes. Its diversified business base provides an unmatched referral network, a global industrial presence and a portfolio of high-profile brands like Isover, PAM, Weber, British Gypsum®, Gyproc and CertainTeed.

BUILDING DISTRIBUTION

The **Building Distribution Sector** brings to the Group a thorough understanding of the needs of building professionals, private project owners and large companies and a detailed knowledge of the newbuilding, renovation and home improvement markets and how they are changing. It plays a key role in helping craftsmen embrace and acquire newbuilding renovation techniques.

PACKAGING VERALLIA

Verallia, **Saint-Gobain's Packaging Sector** and the world's number two[1] manufacturer of glass containers, is a major supplier of bottles for wines and spirits and jars for food products. It also markets glass bottles for beer, fruit juices, soft drinks, mineral water and oil. As a Sector that is not directly involved in Saint-Gobain's sustainable habitat strategy, Verallia is planned to be gradually divested. An initial step was taken in January 2013, when Saint-Gobain agreed to sell Verallia North America to Ardagh. The transaction is subject to authorization by the United States anti-trust authorities.

(1) Source: Saint-Gobain

INNOVATING TO PREPARE FOR THE FUTURE

INNOVATIVE MATERIALS

The Innovative Materials Sector is Saint-Gobain's technological bridgehead. With its unique portfolio of materials and processes for the habitat, construction and industrial markets, the Sector embodies the Group's innovation-oriented culture and accounts for almost two-thirds of its total research and development commitment.

INNOVATIVE MATERIALS

FLAT GLASS

With more than 33,000 people in 42 countries, the Flat Glass Activity is the leading flat glass manufacturer in Europe and number two worldwide[1]. It comprises four main businesses: flat glass manufacturing; processing and distribution of glass for the building industry; automotive, aircraft and railcar glazing; and distribution of products for the solar energy market.

The Activity is supported by two dedicated research centers, in Germany (Herzogenrath) and France (Chantereine), and by the Saint-Gobain Research center in France (Aubervilliers).

Flat Glass

Flat glass is manufactured in large industrial facilities on long float lines where Saint-Gobain Glass produces everything from basic clear and colored grades to more sophisticated types with metallic oxides or other special coatings for use in a wide range of applications, such as insulation and solar control glass. The Flat Glass Activity has 36 float lines worldwide, including 9 operated with partners. Over a third of the glass produced by the Activity's flat glass plants is further processed before being sold, notably for the building and automotive industries. In addition to the core product range, the Activity also manufactures specialty colored, high light transmitting and embossed glass. Eurokera, a joint venture set up with Corning Glass Works, manufactures and sells glass ceramics and is the joint world leader[1] in ceramic glass hobs.

Last year, the Flat Glass Activity in Europe was impacted by the crisis and obliged to rightsize production capacity. A float line in Italy was sold and another in France was shifted to operate under a partnership model. In late 2012, four float lines in Europe and two in Asia were shut down. Emphasis was placed on developing sales of high value-added products, which continued to meet with rising demand.

Processing and distribution of glass for the building industry

Comprising a network of downstream processing and distribution companies, Glassolutions covers a broad spectrum of applications, including wall facings, large architectural projects, urban amenities, industrial joinery, furniture, bathroom fixtures and interior decoration. All of these applications have benefited from groundbreaking innovations, such as low-emission (low-E) glass, solar-control glass, shatterproof glass, fireproof glass, and active glass.

One example is SageGlass, an electrochromic glass that darkens in response to an electrical charge, offering total control over solar transmission and combining protection with visual comfort and energy efficiency. The world's first plant for the series production of electrochromic glass is due to come on stream in early 2013. The Flat Glass Activity also offers specialty glass products that are well positioned in their respective markets, such as oven door and refrigerator glass (Euroveder), industrial optics and industrial refrigeration (Sovis).

Major cost cutting programs were implemented in all host countries during 2012, thereby limiting the impact of reduced sales in Europe.

Automotive glazing

Saint-Gobain Sekurit supplies the world's major car manufacturers with windshields, side windows, rear windows, glass sun-roofs and other ready-to-assemble modules. These are all complex, rapidly evolving products featuring advanced toughening, lamination and tinting technologies and high-performance coatings. They help reduce vehicle energy consumption and deliver the safe, comfortable driving experience today's users expect, for example with the greater visibility offered by panoramic windshields and the well-being afforded by soundproof window glass and windshields that are heated in winter and absorb heat in the summer. The Activity also serves other segments of the transportation industry, with glazing products for aircraft, railcars, trucks and armored vehicles.

Saint-Gobain Sekurit's sales were down last year in Europe and Brazil, but up in Mexico and Asia. To meet demand more effectively, the business is pursuing its expansion in fast-growing regions, adding production capacity in Asia, Morocco and Eastern Europe.

Solar energy solutions

Active in the renewable energy market, Saint-Gobain manufactures and sells specialty glass for solar applications as well as photovoltaic modules and systems.

At the end of 2011, Avancis in Germany inaugurated a new photovoltaic module production line with an annual capacity of 100 megawatts that uses copper-indium-gallium-selenium (CIGS) technology, without any heavy metals. Another line is under construction in South Korea, in partnership with Hyundai Heavy Industries. In 2012, tight competition in the market led to a sharp drop in module prices and a dramatic reduction in European output.

(1) Source: Saint-Gobain

Flat Glass

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Flat glass	• Plain & tinted glass, coated glass	• NSG (Japan) • Asahi (Japan) • Guardian (United States) • P.P.G. (United States) • Şişecam (Turkey) • Various Chinese glass manufacturers	No.1 in Europe No.2 worldwide
Building products manufacturing and distribution	• Glass for residential and commercial construction, renovation and interior design projects; intelligent glass		
Automotive glazing	• Safety glass for the automotive, aircraft and other transportation markets		
Solar energy solutions	• Photovoltaic systems, solar heating and solar thermodynamic systems	• Glass manufacturers and photovoltaic module manufacturers	
Specialty glass	• Fireproof glass, nuclear safety glass, industrial optics, glass for household appliances and industrial refrigeration	• Schott (Germany)	Leader or joint leader worldwide

HIGH-PERFORMANCE MATERIALS

With operations in 42 countries and nearly 27,000 employees, the High-Performance Materials Activity delivers high value-added solutions to the many different complex problems encountered by the manufacturing and construction industries.

The Activity is proficient in three main types of materials – mineral ceramics (Ceramic Materials, Grains & Powders, Crystals and Abrasives), performance polymers (Performance Plastics) and glass fabrics for the construction and manufacturing industries (Saint-Gobain Adfors). It has acquired leading edge expertise in a range of technologies, enabling it to leverage all the benefits of these highly complementary materials and to develop solutions that meet its customers' specific needs.

Most of the Activity's solutions are developed jointly with customers, in order to match their needs as closely as possible. Examples include plastic products, highly sophisticated refractory products for the metalworking and glassmaking industries, and crystals for radiation detection systems.

The High-Performance Materials Activity allocates a high proportion of net sales to research and development (3.8% in 2012). The research and development commitment is split between large projects and a number of specialist areas. Examples of these projects include:

- ceramic fuel cell technology for decentralized energy production, particularly adapted to domestic energy needs;
- ceramic systems for storing the heat generated by solar concentrators and protective films for the solar, building and automotive markets.

The Activity has two dedicated research centers, in the United States (Worcester) and in France (Cavaillon), which are supported by Saint-Gobain's research and development centers in China (Shanghai) and France (Aubervilliers). In addition, many research and development teams based at its large industrial facilities also work on High-Performance Materials projects.

During 2012, capital expenditure boosted capacity in the fast-growing markets of Brazil, China and India.

The High-Performance Materials Activity comprises four businesses: Ceramic Materials, Abrasives, Performance Plastics and Saint-Gobain Adfors.

Ceramic Materials

The Ceramic Materials business extends from the synthesis and conversion of raw materials (Grains & Powders) to the manufacture of products for high value-added applications, such as refractories for glass and blast furnaces.

In the value chain, the Grains & Powders business comes just after the production of silica and zirconium sands, bauxite and other mineral raw materials. Saint-Gobain is the world leader[1] in the purification, crushing, melting and sintering of these materials. It sells high-value suspensions and powders for the ceramics industry, aluminum oxide and zirconium oxide abrasive grains, and finished products. Typical products include pigment powders for home ceramic tiles.

For the energy market, the Group has developed proppants that are used to enhance oil reservoir recovery rates.

(1) Source: Saint-Gobain

The global market leader[1] in Ceramics, the Group serves a wide range of industries with products that deliver the remarkable properties of high-performance ceramics, such as exceptional mechanical strength, hardness, heat resistance, controlled porosity, and light weight. Examples include the particularly sophisticated refractory ceramics used in glass furnaces that produce specialty glass for flat screen displays and the refractory ceramics used in the steel industry. In addition to these traditional markets in which Saint-Gobain is the world leader[1], the Group has also launched ambitious development projects to address emerging challenges and in 2013 is planning to finish building a large plant in the United States dedicated to serving the oil and gas industry.

Crystals are used in many advanced technologies for their optoelectronic and other unique properties. For example, they are used to make light-emitting diodes (LEDs), a highly energy-efficient lighting solution for the future that the Group is actively helping to develop. A plant designed to manufacture large, high-performance sapphire substrates for LED production is currently under construction in the United States and scheduled to come on stream in first-half 2013. In addition, the Ceramic Materials Activity supplies sensors used in medical imaging machines and airport luggage scanners.

Abrasives

Abrasives is another business in which Saint-Gobain is world leader[1], thanks to the Ceramic Materials business expertise in producing the ceramic grains on which most abrasive products are based. Saint-Gobain Abrasives covers the entire spectrum of abrasives, providing expertise and solutions at every process stage, from slabbing and cutting to polishing, grinding and surface-finishing. The markets served are also wide-ranging, including habitat and construction (from rough cutting of concrete walls and floors to sanding of wooden floors and polishing for decorative finishes), heavy industry (steelworks and paper mills), and manufacturing and high-tech industries (automotive, aerospace and electronics). Innovation drives the development of increasingly efficient and reliable products that are easier to use and longer lasting.

The abrasives market is trending upward outside Europe. In acquiring Argentine companies Abrasivos Argentinos S.A. and Dancan S.A. in late 2011 and Chinese bonded abrasives company Nai Er Jian in 2012, the Group has strengthened its manufacturing base in South America and China.

Performance Plastics

Thanks to Performance Plastics, the High-Performance Materials Activity has developed considerable technological expertise in the production of special polymers delivering such remarkable properties as high-temperature resistance, chemical stability and purity, and special mechanical and surface properties. As such, they are in high demand for a broad range of new applications in the automotive, aerospace, healthcare and construction industries. One example is the architectural membranes made of fluoropolymer-coated glass fabric that are now widely used in major construction projects for their robustness, light weight, ultra-violet resistance, soil resistance, and acoustic correction capabilities. The Performance Plastics business comprises three units: Composites (films, foams and coated fabrics for construction and industry), Bearings & Seals (for the automotive and aerospace industries), and Fluid Systems (for the healthcare and electronics industries).

The acquisition of Solar Gard in 2011 facilitated expansion in the manufacture and distribution of coated films for the habitat and construction market (glazing for residential and commercial buildings), the automotive market and various industrial applications. As a coating and processing expert, Solar Gard produces solar control films that contribute to reducing energy consumption, tinted films to ensure privacy and security, and films to protect against window breakage from attempted break-ins and storms. In 2012, a new state-of-the-art plant was inaugurated in Qingdao, China to effectively meet Asia's growing demand for films for architectural glazing and automotive applications.

Saint-Gobain Adfors

Saint-Gobain Adfors manufacturers and distributes glass fiber yarns and fabrics, chiefly for habitat and construction applications. Its high-performance solutions include glass fiber mesh for exterior wall insulation, a technique increasingly used in Europe. It also markets a growing range of paintable wall coverings, a simple, elegant interior decoration solution that has been further enhanced with acoustic correction capabilities. In 2012, Saint-Gobain Adfors actively pursued its product differentiation strategy and brought on stream a new geotextile product line in India for the mining industry.

(1) Source: Saint-Gobain

High-Performance Materials

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Ceramic Materials			
Grains & Powders	• Raw materials for abrasives and ceramics industries • Mineral pigments for domestic ceramics • Catalyst substrates for the petrochemical industry • Proppants for the oil industry • Ceramic balls for micro-grinding applications	• Carbo Ceramics (United States) • Imerys (France)	• No.1 worldwide in silicon car-bide • No.1 worldwide in zirconium -based abrasives • No.1 worldwide in ceramic balls • No.2 worldwide in proppants
Refractories	• Ceramic blocks for the manufacture of industrial furnaces for glass, ceramic, metallurgy & energy applications (including special glass for LCD screens) • Armor plating for the defense industry	• Asahi (Japan) • Cookson Vesuvius (UK) • RHI (Austria)	• No.1 worldwide in refractories for glass and non-ferrous metal industries
Crystals	• Sensors for medical imaging, oil exploration and security and safety applications • Substrates, components & equipment for the semi-conductor and light-emitting diode industries	• CPI (United States) • GE-Reuter Stokes (United States)	• No.1 worldwide in scintillation systems
Abrasives			
Bonded abrasives	• Roughing, grinding and sharpening of materials and tools in aerospace, automotive, metal processing, steel and bearings industries	• Winterthur Technology – 3M (Switzerland) • Noritake (Japan) • Tyrolit (Austria)	• Worldwide co-leader in all abrasive businesses
Thin grinding wheels	• Cutting, deburring, metal processing, maintenance, energy, steel, construction and DIY applications	• Tyrolit (Austria) • Comet (Slovenia) • Pferd (Germany) • Rhodius (Germany)	
Coated abrasives	• Surface treatment and sanding applications in aerospace, automotive, furniture, hand tools, steel, jewelry, watchmaking & biomedical industries	• 3M (United States) • Hermes (Germany) • Klingspor (Germany) • SIA (Switzerland)	
Superabrasives	• Precision tools for aerospace, automotive, bearings, cutting tools, electronics & composite materials industries • Glass industry	• Asahi (Japan) • Noritake (Japan) • Winterthur Technology – 3M (Switzerland)	
Construction Products	• Building materials industry • Diamond saws • Drills	• Husqvarna (Sweden) • Tyrolit (Austria)	
Performance Plastics			
Bearings and seals	• Friction parts for automotive, aerospace and industrial machinery applications	• Trelleborg (Sweden) • Glacier Garlock (United States) • Oiles (Japan)	• No.1 worldwide in automotive bearings
Fluid systems	• Tubes, valves and connectors for fluid control systems in agri-food, bio-medical, automotive & semiconductor industries	• Entegris (United States) • Stedim (France) • Parker Hannifin (United States) • Kuriyama (Japan)	• No.2 worldwide in specialty pipes
Films, foams & coated fabrics	• Adhesive coatings, architectural units, radomes, protective gear, cooking surfaces, composite material molds, metal-glass seals for the automotive and construction industries, coated films for architectural glazing and automotive applications	• 3M (United States) • Rogers (United States) • DuPont (United States) • Nitto Denko (Japan)	• No.1 worldwide in fluoropolymer-coated fabrics
Saint-Gobain Adfors			
Glass fiber yarn	• Bobbins of glass fiber yarn for the textile industry	• AGY (United States) • P.P.G. (United States) • Nittobo (Japan)	• No.1 worldwide in construction fabrics
Reinforcement fabrics for construction and manufacturing	• Wall facing reinforcements, paintable wall coverings, mosquito netting, strengtheners for roof waterproofing systems, geotextiles	• Johns Manville (United States) • Phifer (United States) • Vitrulan (Germany)	• No.1 worldwide in paintable fabrics • No.1 worldwide in construction fabrics

(1) Source: Saint-Gobain

BUILDING THE HABITAT SOLUTIONS OF THE FUTURE

CONSTRUCTION PRODUCTS

The Construction Products Sector offers interior and exterior solutions for the buildings of today and tomorrow, including plaster and plasterboard products, acoustic and thermal insulation products, wall facings, roofing products and pipes. Its diversified business base provides an unmatched referral network, a global industrial footprint and a portfolio of high-profile brands.

CONSTRUCTION PRODUCTS

With more than 47,000 employees, industrial facilities in 55 countries and sales operations in 68 countries, the Construction Products Sector is the worldwide leader[(1)] in interior and exterior building solutions. Thanks to its high-profile brands and broad geographic footprint, it has solutions for every construction need including partitions, acoustic and thermal insulation products, wall facings, floors, roofing products and pipes.

The Sector's strategy is to:

- maintain the pace of innovation in all areas, whether in terms of technology, organization or quality of customer service;
- focus on business development in fast-growing markets and in developed markets seeking energy-saving and Multi-Comfort building solutions;
- aim for excellence in operations, sales, marketing and, more generally, all other functions of the organization;
- promote cross-functional habitat and construction solutions.

INTERIOR SOLUTIONS

Gypsum

With more than 12,000 employees located in 130 production facilities worldwide, the Gypsum Activity is the world's leading supplier[(1)] of plaster and plasterboard. Its operations consist of extracting gypsum – an abundant mineral found in the earth's crust – and converting it into a wide range of plaster-based products used for construction and decoration.

The Activity offers a comprehensive range of solutions for partitions, wall linings, ceilings and floors which meet high technical specifications in terms of fire and damp resistance and thermal and acoustic insulation. Easy to install, the products respond to customer demand for a comfortable and visually pleasing home environment. The Gypsum Activity's solutions do not just comply with the most ambitious technological standards and help to promote their widespread adoption, they also aim to remain a step ahead of new regulations concerning, for example, the protection of interior air quality.

With its ranges of traditional and light plaster products marketed under well-known brands such as Placo,® Gyproc, Rigips,® British Gypsum and CertainTeed, the Gypsum Activity holds significant market shares in both mature and fast-growing markets. The ceiling business also benefits from the solid position of such brands as Ecophon, Eurocoustic and Gyptone and offers thanks to the combination of specialized brands a comprehensive array of high-performance solutions.

Identified reserves at the Activity's 75 gypsum quarries represent several decades of production at current extraction rates. Large quantities of synthetic gypsum are also used and plasterboard recycling systems have been set up to expand the Activity's sources of raw material.

The Gypsum Activity has a clear-cut strategy to grow the business and strengthen its global leadership by pursuing the following objectives:

- leverage innovation and research capabilities to drive product development and showcase high value-added systems;
- expand operations in fast-growing economies to accompany local construction market dynamics, particularly in Eastern Europe, Latin America, Africa and Asia;
- continue to improve manufacturing infrastructure and cut costs;
- generate synergies in line with Saint-Gobain's sustainable habitat strategy.

In 2012, a new plasterboard plant was brought on stream in Roxboro, North Carolina and construction of new manufacturing facilities continued in fast-growing countries, notably in Russia and China.

Insulation

With some 10,000 people worldwide, the Insulation Activity designs, develops and sells thermal and acoustic insulation products and solutions for buildings. It is the world leader[(1)] in mineral-wool insulation products, in terms of sales and the number of industrial patents.

The Activity's products made from mineral wool (glass wool and stone wool), polystyrene foam and polyurethane are marketed worldwide under the ISOVER brand, in the United States under the CertainTeed brand and in Japan under the MAG-Isover brand. These high-performance solutions respond to the growing demand for energy-efficient and comfortable buildings, as well as to certain specific needs in industrial facilities.

Insulation products are sold as rolls, panels, loose wool and in pipe sections formats, according to customer needs, and services are also available such as installer training. The main product applications are in the residential and commercial building and renovation industries, for roof, wall and floor insulation to reduce energy consumption and noise for maximum efficiency and comfort. Other construction industry needs are also addressed, such as heating and air conditioning system insulation. In addition to these building and renovation applications, the Activity also supplies technical insulation solutions for industrial facilities, ships, railcars and automobiles, as well as products for niche sectors such as soil-less (hydroponic) cultivation.

(1) Source: Saint-Gobain

The Activity offers core thermal and acoustic insulation solutions and is expanding in particular thanks to enhanced energy efficiency standards and regulations in many countries.

The Activity insulates one in three houses in Europe and one in five in the United States[1]. It has operations in all five continents either as a direct producer or via licensees.

The market leader in insulation[1], the Insulation Activity strategically focuses on building:

- dynamic positions in the building insulation and specialty insulation segments;
- a powerful brand with clear commitments to sustainable development;
- a broad, innovative range of material solutions adapted to the specific needs of each country;
- a customer-focused organization that delivers services responsively thanks to a production and sales network attuned to local needs;
- its key role in Saint-Gobain's sustainable habitat strategy.

In 2012, the Insulation Activity enhanced its portfolio of solutions by purchasing Celotex, one of the UK's leading producers of high-performance insulating foam, and pursued its expansion in fast-growing markets by acquiring an interest in Zao Isoroc, a Russian stone wool manufacturer.

EXTERIOR SOLUTIONS

Exterior Products

The Exterior Products Activity, which employs over 3,000 people, is a leading player[1] in the North American habitat and construction market. Its comprehensive array of products designed specifically for North American homes is marketed under the CertainTeed brand.

The roofing line-up consists of top-of-the-line asphalt and composite shingles available in a wide range of styles and colors, while for exterior walls, CertainTeed offers a broad selection of easy-to-maintain vinyl and fiber cement siding that combines beauty and durability. Other exterior products for the homebuilding and renovation market include fences, railings and decks made from PVC or composite materials.

The Exterior Products Activity also manufactures vinyl pipes and fittings for water supply and drainage systems, and pipe systems for industrial, mining, irrigation and pressurized drilling applications.

The strategic objectives of this business are to:

- strengthen CertainTeed's leadership on the American market and increase the brand's market share in Canada;
- become the reference supplier of innovative construction products and systems;
- broaden the product range and develop new distribution channels;
- contribute actively to sustainable development by enhancing the environmental performance of its manufacturing plants and products.

Pipe

With over 10,000 people, the Pipe Activity leverages its more than 150 years of experience in the water supply market to offer comprehensive solutions that meet the highest specifications. It ranks number one worldwide[1] for the production and marketing of ductile cast iron pipe systems and number one in Europe[1] for municipal castings and cast iron wastewater and rainwater drainage systems for buildings. Products are sold in over 140 countries from manufacturing bases in Italy and Brazil as well as from more recently developed plants in China, the Czech Republic and South Africa.

With a view to ensuring a local footprint, the Pipe Activity is organized internationally around three units, Water & Sewage, Municipal Castings, Soil & Drain.

Under the global PAM brand, the Pipe Activity designs and sells:

- complete ductile cast iron pipe systems for:
  - drinking water, irrigation, sanitation and rainwater drainage,
  - industrial utility and process circuits,
  - fire sprinkler systems;
- valves, sprinklers and connectors for water networks;
- ductile cast iron and steel municipal castings for network access (water, wastewater and telecommunications);
- complete cast iron wastewater and rainwater drainage systems for buildings;
- cast iron underground heat exchangers.

The quality of the Pipe Activity's solutions is widely recognized by customers, who particularly appreciate the durability, ease of installation and performance of its pipe systems, the reliability of its products and services, and the depth and breadth of its offer.

(1) Source: Saint-Gobain

Fully committed to the principles of sustainable development, the Activity develops solutions that have a remarkably small environmental footprint.
Because they are durable, water-resistant and recyclable, they reduce consumption of water and raw materials.

The Pipe Activity's strategic objectives are to:

- consolidate its leadership and technological advance by leveraging its innovation capabilities and service quality;
- achieve the highest standards of manufacturing excellence and efficiency;
- develop effective responses to today's major societal and sustainable development challenges with its ductile cast iron solutions.

In 2012, the Pipe Activity won a major contract in Kuwait and lent its expertise to a variety of international projects, including the construction of football stadiums in Brazil for the 2014 World Cup and the global roll-out of Saint-Gobain's Blutop pipe solutions, now an integral part of the drinking water supply system of Guanambi, Bahia.

Industrial Mortars

The Industrial Mortars Activity, which has over 10,000 employees and markets its products under the Weber brand, is the world leader[(1)] in its field, ranking number one worldwide for tile adhesives and grouting, and number one in Europe[(1)] for exterior wall insulation systems and flooring systems. It has operations in 48 countries, supported by a network of some 180 industrial facilities.

The Activity comprises three business lines:

- industrial mortars, marketed under the Weber global brand;
- expanded clay aggregates, mainly sold under the Leca brand;
- site and plant equipment, supplied through m-tec.

Weber offers a comprehensive line-up of exterior wall decoration, protection and insulation solutions for the residential, commercial and industrial building markets.

- Mortars are available in a wide range of colors and surface effects with a choice of technical functions, such as insulation, repair and damp-proofing of exterior walls.
- In Europe, the offer is adapted to each local market, in terms not only of insulating performance but also of architectural styles and the general environment.
- The line-up is supported by a full range of services that include classroom theory and onsite training for contractors and specifiers.

Weber's tiling products represent safe, easy-to-implement solutions adapted to each situation and based on local tiling techniques.

They comprise cement and resin-based adhesives and grouting for fixing all types of tiles on all types of surfaces, and for decorative and technical joints. Flooring solutions are designed for a wide range of applications, such as new or renovated concrete toppings, screed to create a level base for other flooring, and colored mortars for a decorative effect. The lineup also includes technical products for high traffic areas such as shopping malls, which are designed for rapid installation to keep downtime to a minimum, and solutions to meet specific technical challenges, such as underfloor heating systems.

The construction mortars offer comprises a full range of technical mortars for repair, sealing, blocking, pointing, renovation and waterproofing applications. By providing practical solutions to problems routinely encountered during construction and renovation projects, they help to smooth the workflow and make life much easier for the project manager.

Lastly, to ensure that all the needs of building and renovation contractors are met, from construction to finishing, Weber also markets a range of masonry construction and assembly products and a selection of interior wall renders.

Leca supplies expanded clay pellets for use in road construction and civil engineering projects as well as in light concrete and mortars to improve insulation performance and reduce the weight of materials handled and used on construction sites. Clay aggregates are also highly suitable for fast-growing emerging applications, such as in solar power plants and green roofs.

m-tec offers turnkey solutions to on-site mortar needs, including plants, logistics systems, mobile silos, mixing, pumping and conveyor systems. Lastly, a range of additives is marketed in the Middle East to meet growing construction industry demand for concrete with improved technical properties.

The Industrial Mortars Activity's strategic objectives are to:

- consolidate its worldwide and regional leadership[(1)], in particular by developing innovative solutions and effective services;
- deploy best worldwide practices to meet local needs;
- build sales in fast-growing markets;
- support improvements in energy efficiency.

(1) Source: Saint-Gobain

Construction Products

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
Gypsum			
• Plasterboard (including with specific functions) • Plaster: construction plaster and other specialty plasters • Plasterboard fastening systems and accessories • Ceiling tiles and panels • Soundproof ceilings • Metal frames	• Partitions, ceilings & flooring for residential and commercial buildings • Interior thermal insulation • Soundproofing solutions • Fire protection solutions • Shockproofing solutions • Damp-proofing solutions • Interior air quality solutions • Interior decoration • Ceramic & metal moldings	• Siniat, corresponding to Gypsum Activity assets in Europe and South America acquired by Etex (Belgium) from Lafarge (France) • Knauf (Germany) • USG (United States) • National Gypsum (United States) • Georgia Pacific (United States) • BNBM/Taihe (China) • Armstrong (United States) • Rockfon (Denmark), Rockwool's ceiling company • Boral (Australia)	• World leader
Insulation			
• Glass wool • Stone wool • Ultimate® mineral wool • Expanded polystyrene foam • Extruded polystyrene foam • Polyurethane • Hemp insulation • Air tightness membranes • VIP fiber rolls	• Thermal and acoustic insulation of residential, office and industrial buildings • Technical insulation for industrial facilities and air conditioning and heating systems • Insulation for ships, trains, cars and household appliances • Substrates for hydroponic cultivation	• Owens Corning (United States, China) • Johns Manville (United States) • Rockwool (Europe) • Ursa (Europe) • Knauf (United States, Europe) • BASF (worldwide) • Dow Chemicals (worldwide) • Kingspan (Europe) • Technonicol (Russia) • Asahi (Japan)	• World leader, all insulating materials combined • World leader in mineral wool • No.1 in Europe in airtightness solutions • No.1 in Europe in expanded polystyrene foam
Exterior Products			
• Siding • Vinyl fences, decks, railings • Asphalt and composite roofing shingles • Piping and foundation products • Fiber-cement	• Single family homes and apartment buildings • Newbuilding, repair and renovation markets	• Ply Gem (United States) • Georgia Gulf (United States) • Alside (United States) • James Hardie (United States) • Trex (United States) • Fiberon (United States) • Owens Corning (United States) • Tamko (United States) • IKO (United States) • GAF (United States) • Azek (United States) • Versatex (United States)	• No.2 in the United States for vinyl siding • No.3 in the United States for roofing shingles • No.2 in the United States for fiber-cement
Pipe			
• Complete piping systems in ductile cast iron, pipe connectors and fittings • Ductile cast iron and steel manhole covers • Complete cast iron wastewater and rainwater drainage systems for buildings	• Drinking water supply systems • Irrigation systems • Sewage systems • Sprinkler systems • Wastewater and rainwater drainage for buildings • Utility access (manholes)	• Xinxing (China) • Electrosteel (India) • Jindal (India) • US Pipe (United States) • Mac Wane (United States) • Kubota (Japan) • Duktus (Germany) • East Jordan/Norinco (United States/France) • Wavin (Netherlands) • PipeLife (Austria)	• World leader in ductile cast iron pipe systems • European leader in ductile cast iron municipal castings • European leader in cast iron wastewater and rainwater drainage systems for buildings
Industrial Mortars			
• Wall rendering products • Tile adhesive & grouting • Flooring screed • Technical mortars • Interior rendering • Masonry mortar • Expanded clay aggregate • Cement additives	• Exterior wall decoration and protection • Exterior thermal insulation • Stonework renovation • Tile fixing • Decorative and technical pointing • Tile cleaning and protection • Concrete toppings and leveling compounds • Technical and decorative flooring • Building waterproofing • Concrete repairs • Masonry building and finishing • Lightweight blocks • Civil engineering and high-way bedding solutions	• BASF (Germany) • Mapei (Italy) • Sto (Germany) • Materis (France) • Sika (Switzerland) • Baumit (Austria) • Ardex (Germany)	• World leader in industrial mortars

(1) Source: Saint-Gobain

BUILDING DISTRIBUTION

The Building Distribution Sector serves the newbuilding, renovation and building improvement markets.

DISTRIBUTING THE MATERIALS OF THE FUTURE

BUILDING DISTRIBUTION

With a network of nearly 4,500 sales outlets and 67,000 employees in 29 countries, the Building Distribution Sector is Europe's leading building materials distribution network. It serves the newbuilding, renovation and home improvement markets.

The Building Distribution Sector targets craftsmen, small and medium-sized enterprises, private project owners and large companies via a network of strong and complementary trading brands, either generalist or specialist. Rooted in its local market, each brand has a unique position to meet the specific needs of each type of customer and market. Together, they contribute to the Sector's overall sales effectiveness. The Sector deploys best practices in all its host countries, while maintaining a high level of responsiveness to the local market. This nimble, proactive organization makes it possible to meet a wide range of expectations in terms of products and services.

The Sector's ambition is to be the preferred partner of both its customers and suppliers. To this end, it mobilizes a vast, deep network of sales outlets, also deriving strength and effectiveness from the quality, vitality and expertise of its teams.

The Sector's strategic priorities are those of a market leader: to offer customers the best service and added value while at the same time proposing the most effective solutions, notably to increase the energy efficiency of newbuildings or buildings to be renovated; to strengthen its core competencies; to build a solid information systems and logistics architecture; and to sharply focus on its teams' development.

Brands and teams that make the difference

Generalist brand Point.P Matériaux de Construction is the market leader in France[1]. It operates alongside other generalist and specialist brands as part of Saint-Gobain's French network. Together, the brands mainly target building professionals. They form a network that covers the whole of France and serves the newbuilding and renovation markets, providing a complete range of energy efficient solutions.

The acquisition of Brossette during the year further strengthened the Building Distribution Sector's position in plumbing-heating-sanitaryware distribution in France and in the rest of Europe in general. Brossette's brand identity was preserved, with integration primarily involving the creation of purchasing, logistics and information systems synergies through the Cedeo brand, which is positioned in the same market.

Lapeyre, the main brand of the Lapeyre group, is specialized in home improvement through its different areas: fittings, bathroom, kitchen, joinery and flooring. It offers bespoke installation, fitting and related services to its customers. Both a manufacturer and distributor, the Lapeyre group works on the renovation and newbuilding markets.

In the United Kingdom, Jewson is the leading generalist supplier of building products[1]. Mainly targeting small and medium-sized enterprises and tradespeople, its network comprises a portfolio of generalist and specialist brands serving the newbuilding, renovation and durable home improvement markets.

The acquisition of Build Center enabled Jewson to consolidate its leadership position in the generalist building materials distribution market.

Careful attention was paid to effectively integrating teams during the acquisition. All Build Center outlets took on the Jewson brand name or other UK brand names belonging to the Sector. Employees were supported throughout the integration process, the objective being to impart a common identity and culture.

Saint-Gobain is the leading building materials distributor in Germany. Its network is made up of complementary generalist and specialist brands to meet the needs of all types of customers, markets and projects. Raab Karcher, its main generalist brand, also operates in the Netherlands, Poland, Hungary and the Czech Republic.

In the Nordic countries, the main brands are Dahl, no.1 distributor of plumbing, heating and sanitaryware products[1] and Optimera, a major player in the distribution of building materials. They serve the newbuilding, renovation and sustainable solutions markets, as well as the industrial markets.

In Southern Europe, Saint-Gobain is present in Spain, Portugal and Italy through a network that includes generalist brands as well as brands specialized in interior fittings, tiles, and plumbing-heating-sanitaryware solutions.

In the United States, Norandex markets exterior building products such as siding, windows, roofing and doors, while Meyer Decorative Surfaces offers laminate and related products for the kitchen and for bathroom furniture.

The Sector is represented in Brazil by Telhanorte, a builders' merchant specialized in home improvement and more particularly, tiles, bathrooms and kitchens. In Argentina, Barugel Azulay is a distributor of sanitaryware, tiling, kitchen and wooden floor products.

Customer-focused, value-added innovation

The Building Distribution Sector's teams create value day in, day out thanks largely to a focus on innovation.

By placing customers at the heart of their strategy, its brands play a vital role in helping contractors understand and embrace newbuilding renovation techniques, new regulations and emerging markets.

Always attentive to customers' requirements, the brands are constantly looking for the best ways to deliver customers a professional solution, relevant expertise and increased added value. This is reflected in products and services, sales concepts, showrooms, training centers, practical guides, professional advice and logistics.

A comprehensive range of solutions

The Building Distribution Sector's brands leverage new distribution formats and innovative tools to keep in step with the times, forever adapting to market and technological change.

(1) Source: Saint-Gobain

- In France, Saint-Gobain Building Distribution has unveiled the world's largest industry-specific distribution center project. An original concept for meeting the supply needs of building and renovation professionals, the center will be situated in the inner Paris suburb of Pantin. It will gather six complementary brands – Asturienne, Cedeo, Dispano, La Plateforme du Bâtiment, Point.P Matériaux de Construction and PUM Plastiques – in one single location and will be built to unprecedented standards in terms of energy performance, sustainable urban integration and corporate social responsibility.
- For its part, Lapeyre has developed a new sales application called Lapeyre 3D. In just a few clicks, it allows sales personnel to bring customers' home improvement vision to life in instantly viewable 3D format. Also available to customers at www.lapeyre.com the application enables customers to create their own project at home before fine-tuning the details with an in-store representative. Lapeyre 3D will soon be rolled out to other product lines.

Promoting energy efficiency and new energies

To support and guide customers through their energy efficiency challenges, the Building Distribution Sector's brands develop innovative tools and provide customized training in sustainable products and renewable solutions.

- In Northern Europe, for example, Dahl continued to deploy its innovative "Klimacenter" concept, which is a real showcase for the Building Distribution Sector's energy efficiency expertise. Introduced in Denmark in 2010, the concept has since been deployed in Norway and Sweden. A second "Klimacenter" has also opened in Denmark. The building is a step ahead of Denmark's 2015 Construction Code requirements for low-energy buildings, based on a concept developed by Saint-Gobain Distribution Denmark in cooperation with several Saint-Gobain Group companies and brands, including Optimera and Øland from Building Distribution, Scanglas from Innovative Materials, and Gyproc, Ecophon and Isover from Construction Products.

  The "Klimacenters" combine a showroom, a training center, and a skills center devoted to renewable energies and ventilation systems, where professional builders and end users can test a broad range of environmentally friendly solutions in practical applications. They can also receive advice and training from Dahl personnel with related expertise.
- To guide and support its UK customers in their sustainable building practices, Jewson has developed "Ask Jack", an interactive application available online and on smartphones. It allows professionals and end users to submit questions to "Jack", a virtual outlet manager who instantly replies based on information contained in the brand's now well-known "Sustainable Building Guide". Jewson's awareness-building program is further enhanced by the smartphone application Greenworks and by training modules offered through Greenworks Training Academy. Created and financed by Jewson, Graham, Gibbs & Dandy and Minster, Greenworks Training Academy gives hundreds of professionals and employees an opportunity to fine-tune their skills in renewable systems and solutions out of its two locations in the United Kingdom. Raab Karcher in the Netherlands has also opened its own Green-works Academy in Breda, to coincide with the launch of the Greenworks brand.
- In Germany, Solarkauf offers an all-in-one solution in selected outlets with a full range of products and accessoires for the photovoltaic market.

E-commerce and digital presence

The Sector's brands have continued to innovate in the area of e-commerce. Alongside smartphone applications such as those introduced by Graham, Jewson, Point.P and Raab Karcher, many commercial websites and applications were successfully launched in 2012.

- In Germany, for example, Raab Karcher customers can now order more than 260,000 products online. Orders are processed directly by the customer's chosen sales outlet.
- In France, La Plateforme du Bâtiment has designed a new e-commerce site for building professionals. After logging in, they can order products and pick them up within the hour from the closest warehouse, or have them delivered to the project site the following day.

The website is accompanied by a smartphone application particularly adapted to La Plateforme du Bâtiment customers, who can use it to submit orders when and where they like.

In addition, the Dispart brand has launched an online store allowing professionals to access information on more than 6,000 heating equipment parts, submit orders and request delivery within 24 hours.

Pooling resources to become stronger together

In a difficult environment, Saint-Gobain's Building Distribution Sector continued to move forward by boosting its sales and operational momentum. Through sharing experiences between its brands, optimizing synergies and putting the customer at the heart of its strategy, the Building Distribution Sector intends to get the most from its size and diversity, as well as its teams' local responsiveness and expertise.

Building

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking(1)
• Distribution of construction materials for the newbuilding and renovation markets • Industrial joinery	• Individual and collective housing market • House fittings: fitted kitchens and bathrooms, interior fittings, doors and windows, wall and floor coverings, plumbing-heating-sanitaryware solutions	• Wolseley (United Kingdom, France, Nordic countries, United States, Canada, Switzerland, Austria) • CRH (Netherlands, France, Switzerland, Germany, Belgium) • Travis Perkins (United Kingdom, Netherlands) • SIG (United Kingdom, France, Germany, Netherlands, Poland) • Grafton (United Kingdom, Ireland, Belgium) • Ahlsell (Scandinavia) • Chausson, Vendée Matériaux, Samse (France)	• No.1 European building materials distribution network • No.1 in Europe in the plumbing-heating-sanitaryware market

(1) Source: Saint-Gobain

DEVELOPING THE KNOW-HOW OF THE FUTURE

PACKAGING
VERALLIA

The Packaging Sector, under the Verallia name, designs and manufactures glass containers for the food and beverage industry.

PACKAGING VERALLIA

With more than 14,000 employees in 14 countries, the Packing Sector is ranked number two worldwide(1) in glass containers. Operating under the Verallia brand, it designs and manufacturers bottles and jars for the food and beverage industry.

In 2012, Verallia produced around 25 billion glass bottles and jars and held forefront positions in all of its markets – mainly still and sparkling wines, spirits bottles and food jars (used for soluble products, yogurts and other dairy products, preserves, baby food, etc.), but also beer and soft drink bottles.

Its objective is to offer its 10,000 customers in 46 countries the most innovative packaging solutions and services to accompany them sustainably in their expansion in the markets of tomorrow.

Its business model is based on a unique combination: a powerful worldwide industrial network of 58 sites and 96 glass furnaces in 14 countries, and a team of more than 14,000 people maintaining a close local presence alongside customers.

Backed by centuries of glass expertise, Verallia has set the ambitious goal of becoming the reference in glass containers and rigid packaging solutions, supporting the sustainable development of its host communities, enhancing the value of customer products contained in its packaging and contributing to the well-being of end-consumers.

To achieve this, Verallia mobilizes and continually optimizes world-class technological expertise and key skills, particularly at its eight research and development centers around the world. The task of improving glass packaging and processes is supported by energetic research and development activity, often carried out in partnership with teams from Saint-Gobain's other glass sectors. Attesting to these efforts, a total of more than 300 patents had been filed by Verallia by the year-end.

Lastly, in the area of innovation, Verallia is working to improve its industrial processes, such as glass melting and forming and, in general, is actively committed to a program of product differentiation and service innovation.

Verallia supports its customers in new markets with bottles and jars featuring ever more original shapes and innovative designs. Determined to propose differentiating products, the Sector's teams create highly attractive glass containers by playing with product themes as well as colors and shapes. In 2012, thirteen prizes for innovation were awarded to containers designed by Verallia. Among them, the blue beer bottle made for Bud Light Platinum in the United States received a very prestigious Clear Choice Award. To encourage new concepts to emerge, Verallia France held another creative competition for design school students in 2012. In view of the success, the contest will be extended to other countries in the future.

Product innovation goes hand in hand with the development of services tailored to the specific needs of the Sector's customers. Last year in the United States, for example, Verallia launched B.O.B. (buyourbottles.com), the first website that allows small craft breweries to buy small quantities of bottles directly from Saint-Gobain plants, by pallet rather than by truckload.

Flexible and innovative, Verallia works closely with its customers to design and co-develop specific products. Thirteen design and development laboratories have been set up for this purpose worldwide. The latest of these, dedicated to Verallia's upscale international brand Selective Line, was inaugurated in March 2012 in Pont-Sainte-Maxence, France, near the Roissy-CDG airport. In these laboratories, innovative ideas are transformed into industrializable glass solutions through a collaborative process. Verallia's experts bring their customers in to work on new bottle and jar projects together in real time, and even use simulated environments to test products on the virtual store shelf.

Leveraging its glass expertise and innovation capabilities, Verallia works alongside its customers to create products aligned with changing market needs, while at the same time placing sustainable development at the heart of its strategy.

Its EcoVa range of eco-designed bottles, which weigh less, minimize environmental impacts and optimize the value of their contents, were launched successfully in Germany in 2012. They now represent the majority of volumes sold in some market segments and in certain countries, particularly where customers are highly export focused.

Attentive to the well-being of end users, Verallia uses the unrivalled properties of glass to its advantage. Produced from naturally occurring raw materials, glass is fully and indefinitely recyclable. It is also chemically inert and neutral, making it an ideal packaging solution for protecting the health and well-being of consumers. In 2012, Verallia continued to support all of the major national, continental and global federations of glass professionals in their campaigns to promote glass. These included the Little Taste Testers contest organized through social media channels by the European Container Glass Federation (F.E.V.E.). Verallia also created its own Facebook page, Verallia Forever Glass.

Last year, the Sector pursued its initiatives to improve the environmental performance of its manufacturing facilities, guided by four priority objectives: increase the use of recycled glass in place of virgin raw materials (thereby reducing energy consumption and consequently CO_2 emissions), cut CO_2 emissions, improve process energy efficiency and optimize water resources.

(1) Source: Saint-Gobain

Verallia's efforts have not gone unrewarded. In the United States, two of its sites obtained ISO 14001 certification during the year and three were awarded the Energy Star label.

Close to its customers, proud of its shared values and respectful of its environment, Verallia maintained its position[1] as joint leader of the European market, number two player in the United States and leader or joint leader of each of its market segments.

To step up its commitment to improving industrial performance, Verallia set up cross-functional operational excellence programs in four areas: manufacturing, capital expenditure, procurement optimization and innovation.

In manufacturing, Verallia gave new impetus to its World Class Manufacturing E2 (Enterprise Excellence) program by launching "E2volution" at two initial pilot sites in Burgos, Spain and Figueria da Foz, Portugal. By thoroughly rethinking work organization, fostering more intense best-practices sharing and encouraging greater standardization, the initiative enabled teams at both sites to reduce losses, lower production costs and improve margins.

In the area of capital expenditure, the Sector continued to pursue modernization, quality enhancement and environmental stewardship programs in 2012 – despite the financial crisis – in mature and fast-growing markets alike.

In Spain, Verallia celebrated the relining of the furnace at its plant in Montblanc, Spain at a ceremony attended by its customers.

In Argentina, the Sector inaugurated its third glass furnace, which will be dedicated to making wine bottles. The furnace will help increase local production capacity by over 40% and thereby meet demand from the booming wine industry, particularly in export markets.

Packaging

Businesses and Products	Main Applications	Main Competitors	Competitive Ranking[1]
• Glass bottles and jars	• Packaging for food products & beverages	• Owens Illinois (United States, Europe, Asia, Latin America) • Anchor Glass (United States) • Vitro (United States) • Ardagh (Europe) • Vetropack (Europe) • Vidrala (Europe) • Şişecam (Turkey and Eastern Europe) • Barbosa & Almeida (Spain, Portugal)	• No.2 worldwide and leader or joint leader in all countries where it has industrial operations for all its businesses

(1) Source: Saint-Gobain

SAINT-GOBAIN, ONE OF THE 100 MOST INNOVATIVE COMPANIES IN THE WORLD*

Research and innovation are at the heart of Saint-Gobain's habitat solutions strategy and sustainable development policy. Initiatives to develop the Group's innovation culture are clearly producing results: for the second year in a row, Saint-Gobain ranked among Thomson Reuters' Top 100 Global Innovator Companies. The Group intends to pursue its efforts in this area in the years ahead—notably in terms of investment—to maintain and extend its leadership positions in its Activities and sustain a high level of performance and operating excellence.

In 2012, R&D spending totaled €479 million and 3,700 team members worked on 850 research projects. Saint-Gobain has six cross-functional R&D centers that serve all its Activities (Aubervilliers, Cavaillon and Chantereine in France, Herzogenrath in Germany, Northboro in the United States and Shanghai in China). A seventh was inaugurated in Chennai, India in 2012. The Group also has a dozen research centers dedicated to specific Activities and around 100 development units worldwide.

These substantial investments and the efforts of the research teams work have resulted in a constantly growing number of patents. In 2012, Saint-Gobain filed more than 400 patents, compared with 260 a year in the 2004-2006 period.

This vibrant research and innovation is also reflected in the organizational and cultural transformation taking place at Saint-Gobain. With its sustainable habitat strategy, the Group has shifted gradually from a product-focused mindset to a mindset focused on markets and solutions. Now, new competencies and skills are needed to prepare the future and maintain Saint-Gobain's innovative edge.

RESEARCH SUPPORTING STRATEGY

In the face of global warming and dwindling natural resources, new research efforts are required, notably in the building industry, which is among the most significant contributors to negative environmental impacts. Designing products and solutions that facilitate sustainable building and help to reduce the construction industry's environmental footprint is at the heart of Saint-Gobain's sustainable habitat strategy. This is a responsibility for the Group's teams, as well as a major source of motivation.

The construction industry alone accounts for nearly 40% of energy consumption and 35% of greenhouse gas emissions in industrialized nations. Its impact on water use (accounting for 12% of drinking water consumption) and waste (producing 40% of solid waste in volume) is considerable[(1)]. A massive commitment from Saint-Gobain, and all other industry's players is urgently needed.

This commitment to innovation and environmental excellence will require measuring and reducing the current impacts of Group processes, products and solutions, as well as creating radically innovative processes, products and solutions.

Developing a new culture of eco-innovation

As part of a rigorous improvement approach, Saint-Gobain has set the goal of conducting life cycle assessments for all its building industry and solar product ranges by 2013. Life cycle assessments are a scientific tool for conducting a multi-criteria analysis of a product's total potential environmental impacts, from extraction of raw materials to production, distribution, installation, use and end-of-life recovery and recycling.

Once the environmental footprint has been measured, the Group intends to reduce these products' environmental impact while creating value. This is the dual objective of its eco-innovation strategy. For Saint-Gobain, eco-innovation should provide customers with real value-added by offering products and solutions that reduce the environmental impact of buildings and infrastructure across their full life cycle. A product or solution is eco-innovative if it helps reduce the use of resources (notably energy and water) in buildings and infrastructure and/or if it has a smaller environmental impact across its life cycle.

Numerous examples demonstrate the growing percentage of eco-innovative products and solutions in the Group's innovation portfolio. Its commitment can be seen in the market success of Saint-Gobain Glass's Miralite Revolution lead-free mirrors (launched in 2010), Pont-à-Mousson's Blutop lighter-weight pipes (launched in 2009) and Verallia's eco-designed EcoVa bottles (launched in 2009), which are sold around the world.

**Thomson Reuters 2012 Top Global Innovators*
(1) Source: "Building Design and Construction: Forging Resource Efficiency and Sustainable Development", United Nations Environment Program-Sustainable Buildings and Climate Initiatives (UNEP-SBCI).

A more recent example is provided by **weber.therm A 200** composite external wall insulation systems combined with **weber.pas top** surface coating, which won the Bundespreis Ecodesign 2012 award for the best eco-innovative product from the German Federal Environment Ministry.

Saint-Gobain wants to develop this culture of eco-innovation more systematically throughout its organization. This will mean awareness campaigns followed by in-depth training for researchers, as well as for marketing, purchasing, health-environment-safety and production teams. Eco-innovation is systemic and requires continuous dialogue among all the functions involved. Teams will need a common vocabulary and tools to define objectives, as well as the necessary resources to achieve those objectives.

Saint-Gobain has been deploying specific training programs in the Activities and country organizations since mid-2012 to inform all managers and their teams about the integration of eco-innovation in existing innovation processes. These efforts will be continued and expanded in the years ahead.

More efficient and environmentally friendly processes

Improving the environmental impact of industrial processes, notably by reducing energy, water and raw materials use, has been a key concern at Saint-Gobain for many years. One of the Group's strategic research programs is devoted to the process energy efficiency and environmental impact of Activities that use furnaces, such as Flat Glass, Insulation, Packaging and Pipes. This year's successes include improved combustion methods in glass furnaces, a nearly 20% reduction in the energy used in the TEL process for producing mineral wool fibers and optimized drying in a number of plasterboard plants.

Saint-Gobain researchers are working simultaneously to drive continuous improvement and produce breakthrough innovations. Upstream, teams are involved in more fundamental research with public institutes to explore new paths to progress. In 2012, for example, a joint team from the Saint-Gobain and French National Center for Scientific Research (CNRS) Glass Surface and Interfaces laboratory was able to image glass formation in real time inside a sample using a 3D technique called X-ray tomography. The experiments, carried out at the European Synchrotron Radiation Facility in France, gave researchers a better understanding of how different raw materials react together and should help Saint-Gobain develop high-quality glass at much lower temperatures than those used in today's production processes.

In another area of exploration, Saint-Gobain PAM's research center in Maidières, France, developed a new process for measuring the thickness of ductile cast iron pipes using ultrasonic sensors. This process determines pipe thickness throughout the entire length (6 meters) automatically and at a fast line speed. By controlling pipe thickness, Saint-Gobain PAM has been able to reduce the amount of raw materials used and energy expended in production and shipping.

Group researchers are using their skills in applied mathematics to create more efficient shipping processes for Saint-Gobain materials and to reduce the related environmental impact. A team based at the Aubervilliers research center is developing innovative models for the manufacturing Activities (Saint-Gobain Weber, Saint-Gobain Isover and Saint-Gobain Glass), as well as for the distribution Activities (Autover and Point.P), where logistics is of key importance in responsible, efficient growth.

Products and solutions for sustainable construction

The challenge for Saint-Gobain is not only to shrink the environmental footprint of its products and solutions across the life cycle, but also to develop products and solutions that significantly reduce the environmental impact of the buildings and infrastructure that use them. At different levels, this is the objective of all the Group's major strategic R&D programs, from fuel cells and active glazing to high-performance insulation, external wall insulation systems, flexible functional substrates, lighting and process energy efficiency.

It is also the goal of a growing number of innovations from development teams in the individual Activities and country organizations.

In 2012, for example, Saint-Gobain Weber launched a new tile adhesive range in Spain called **weber.col confort**. This lighter product, now packaged in 15 kg bags, offers the same coverage as the previous version in 25 kg format, for savings of 5 square meters. The packaging was also redesigned with a handle for easier use. The amount of adhesive used per square meter was significantly reduced, as were shipping costs, CO_2 emissions, product waste and related packaging.

At the same time in Germany, Saint-Gobain Weber introduced tile adhesives made with a new formulation that reduces CO_2 emissions during production by up to 76%. The adhesives are also lighter, more flexible and easier to apply. They emit fewer irritating components and are gentler to the skin.

Isover has made major progress in inventing more environmentally and user friendly binding agents. Isover's teams have developed a new generation of binders containing more than 85% bio-sourced materials (sugar derived from wheat or corn starch and citric acid from lemon juice) to replace phenol formaldehyde resin-based formulas. Mineral wool manufactured with these new binders helps improve air quality during both production and use.

The building industry, in which Saint-Gobain is a key player, is involved in projects intended to last a long time. Durability and performance in use are therefore critical criteria for the Group's materials. With this in mind, in 2012, Saint-Gobain PAM developed a new external coating to prevent corrosion for its drinking water pipes, which already have a more than 100-year lifespan. The coating is made of a zinc-aluminum alloy offering galvanic protection, combined with the antimicrobial properties of metallic copper. Saint-Gobain PAM has also developed a new solvent- and bisphenol-free polymer. Together, these protective coatings deliver higher quality and longer life for ductile cast iron pipes in all types of soils.

In the area of energy efficiency, Saint-Gobain has made building renovation a special focus. In 2012, Solar Gard®, a new Saint-Gobain Performance Plastics company, received the Blue Sky Leadership award from the Industrial Environmental Association (IEA) for its solar control window films developed in the United States and its company-wide environmental initiatives. The award, handed out at the IEA Environmental Summit in San Diego, recognizes an innovative policy to reduce air pollution and global warming.

AN ORGANIZATION ATTUNED TO MARKET NEEDS

The Group's strategic growth, combined with the gradual transformation of the habitat and construction markets, has created a dynamic of openness and attentiveness to customer needs at Saint-Gobain. To meet their expectations and anticipate emerging demand, the Group is developing new research capabilities and fostering a stronger culture of partnership and co-development.

Stronger ties with marketing to better understand customer needs

R&D and Marketing have been coming closer together for many years. Teams now work together at the corporate level, as well as in the Activities and in the countries. This new organization makes it easier to develop specific responses to market expectations, anticipate emerging needs and shorten time to market.

Cross-business Habitat organizations, now present in 32 countries, foster dialogue among teams involved in innovation processes and help implement inter-Activity innovation projects. This dual focus reflects Saint-Gobain's powerful development model, through which local projects designed to meet local needs can be supported by the Group's corporate and cross-business innovation capabilities.

Inter-Activity innovation projects are increasingly common. Weber and Adfors, for example, successfully co-developed an acoustic barrier flooring mat called Weber.floor 4962 dB-solution. Launched initially in Norway, Finland and Sweden, this new product meets the specific needs of the renovation market by attenuating impact noise more effectively while maintaining ceiling height and reducing the weight supported by load-bearing walls.

The Group's large cross-functional research centers are also collaborating more and more with local development units inside the Activities, which have a closer view of end markets. In 2012, researchers at the Gunsan, South Korea R&D center received valuable support from teams at Saint-Gobain Research in Aubervilliers, France, Shanghai, China and Herzogenrath, Germany for the development of an innovative light extraction layer for organic light-emitting diodes that performed positively in tests conducted by Philips as part of the European OLED100.eu project. This layer doubles the amount of light extracted from an OLED and, when combined with today's most efficient OLED stacks, makes it possible to achieve a rating of more than 60 lumens per watt. This is a key technology for accessing the functional lighting market.

In addition, Saint-Gobain has created several specific venues to foster exchanges with market players and provide them with solutions aligned even more closely to their needs. One of these venues, the Domolab innovation center in Aubervilliers, France, was inaugurated in October 2011. After just one year, the center has welcomed more than 3,500 visitors and nurtured numerous new projects to be developed in the year ahead. Building on this success, the Group opened the Habitat Lab innovation and training center in Milan, Italy on October 2, 2012. Similar centers are under construction in London and Moscow.

Developing new competencies to serve markets more effectively

Saint-Gobain is continuing to develop its research teams' competencies, particularly in the area of habitat solutions, by conducting major cross-business programs.

The programs, which cover both the physico-chemical characteristics of materials and their functions, are shared by the Group's Activities and tied directly to marketing teams' strategic priorities. This tighter collaboration between research and marketing has produced several success stories.

Cross-functional programs on acoustics, building energy efficiency and fire resistance, for example, have helped Saint-Gobain define and measure the technical characteristics for Multi Comfort buildings. Deploying this marketing concept, which is now promoted in all the Habitat Committees, requires a deep understanding of local climate, culture and regulations. Research teams provide valuable competencies thanks to their skills in such areas as metrology and the characterization of thermal, acoustic and visual comfort.

As part of research to improve indoor air quality, for example, Isover has developed an electronic nose to characterize odors and molecules in product emissions. It provides much faster and more reliable results than the subjective tests conducted until now among panels of product users.

Along the same lines, Saint-Gobain has developed its skills in simulation and virtual reality so it can work more effectively with major market players. The Group now has a range of tools for researchers, professional clients and these clients' own customers.

To give an example, collaboration between Saint-Gobain Glass's international marketing team and the Chantereine and Aubervilliers research centers in France led to the creation of a mobile application called SGG Glass Compass. This digital tool helps building professionals and consumers choose the best glass for optimal energy efficiency and building comfort depending on the location, orientation and window surface. Already available in 16 countries, SGG Glass Compass is being extended across Europe and will soon be offered around the world. The project won an award for operational marketing and communication from the Netexplo Global Observatory on Digital Society, as well as a People's Choice award from Batiactu, the leading online information source for building and real estate professionals in France.

The virtual reality team based in Aubervilliers has also created an indoor staircase sales application for Groupe Lapeyre. This augmented reality tool, known as Vizea, makes it easier for customers to choose from among more than 10,000 consultable configurations and then view the staircase created. It can be used by sales staff, professional clients and consumers.

Each time a major customer need emerges, Saint-Gobain develops new laboratories or capabilities near the market concerned. A local presence allows the Group to respond more quickly and exchange information more effectively. In the area of High-Performance Materials, for example, Saint-Gobain created new laboratories in Aubervilliers in 2012 to study polymers (silicone, rubber, thermoplastic elastomers and fluoropolymer), which are used to make molded or extruded products for the healthcare, transportation, semi-conductor, food and beverage and manufacturing industries. This investment in new laboratories and new teams will allow the Group to serve the needs of Saint-Gobain Performance Plastics' European customers more effectively. At the Northboro research center in the United States, Saint-Gobain Performance Plastics has developed a new extrusion technology in response to the needs of its American customers. This technology makes it possible to produce customized high-performance silicone tubing for such medical applications as ophthalmic pumps and intravenous therapy.

Fostering a culture of partnership and co-development

Saint-Gobain's outward-looking strategy, notably as concerns innovation, has led it to develop and diversify its partnerships. The complexity of the eco-systems and the acceleration of the technological development requires closer cooperation with external partners to extend the Group's expertise. Advances made in 2012 in the pilot phase of the BioViVe project are a perfect illustration. This project to use vineyard biomass as a replacement for fossil fuel in glass furnaces is being conducted by Verallia with the Aubervilliers and Saint-Gobain Conceptions Verrière research centers in collaboration with French agricultural research for development organization CIRAD, the Champagne wine industry inter-professional committee (CIVC), GDF Suez, Xylowatt and the French National Research Agency.

In another example, Isover and the Rantigny and Aubervilliers research centers in France worked with numerous outside partners from the private sector (IGC and ARCADE), the public sector (EDF) and academia (Salford University in the UK) to develop, test and patent a new in-situ method to measure building energy performance.

The innovative Quick U-value of Buildings (QUB) protocol is designed to quickly compare real performance to announced performance in low-energy-consumption or passive buildings. This marks an important step in promoting sustainable construction, as for the first time it will be possible to measure a building's intrinsic energy performance instead of relying on theoretical calculations alone.

During the year, Saint-Gobain also continued to open its doors to start-ups and emerging technologies. The final round of Saint-Gobain's NOVA Innovation Competition, held during the Greenbuild International Conference and Expo in San Francisco, awarded three companies that have innovations aligned with the Group's strategy: Heliotrope, based in Oakland, California, has developed energy-efficient electrochromic glass windows that can switch between solar transparent, heat blocking and heat and lighting blocking states. Plangrid, based in San Francisco, California, offers a complete collaborative platform for construction information. Smartershade, based in South Bend, Indiana, has developed a daylight control platform that enables a new or existing window to go from clear to dark with the touch of a button, which activates a sliding film.

ANTICIPATING FUTURE CHALLENGES

All the sectors in which Saint-Gobain operates are changing faster than ever before. The building industry, traditionally perceived as being conservative, is now experiencing major transformations. The competitive environment is becoming tougher every day, and companies must be agile to anticipate future challenges if they want to develop. To meet these challenges, Saint-Gobain has put innovation squarely at the center of its strategy. R&D objectives are aligned with the Group's needs and ambitions to ensure that Saint-Gobain can compete successfully, explore new horizons and recruit top talent.

A sustained effort to enhance the Group's competitiveness

Innovation is the Group's greatest differentiating strength in the face of growing competition and numerous new players in its markets.

Reducing Time to Market is a very important pathway to greater competitiveness. The Activities deployed many initiatives throughout 2012, some of which have already produced results. Others will play out in the coming months and years.

Reducing production costs by improving processes and/or using less costly raw materials is another differentiating factor. Saint-Gobain Isover, for example, deployed a new "cold" technology for fiber production in more than ten of its plants in 2012, a move that allowed it to manufacture a more effective product while generating several million euros in savings each year. In the solar power segment, marked by a difficult and competitive environment, Avancis reduced the cost of the electrodes in its second-generation thin-film photovoltaic panels by 25%, maintaining the same level of performance. A back electrode was developed by depositing a thin-film stack directly on the glass substrate, making it possible to reduce the molybdenum-doped conductive film's thickness (and cost) by 50%. In the same vein, researchers at the Cavaillon research center increased the productivity of Zirpro Microblast® high-performance ceramic beads by 35% and production volume by 60%. Zirpro grinding beads are used to obtain a satin finish on metallic surfaces.

Lastly, creating new high-performance products also constitutes competitive advantage. In 2012, the Group inaugurated a new Saint-Gobain Crystals plant in Devens, Massachusetts to produce large-diameter, high-performance sapphire substrates for light-emitting diodes (LEDs). The production process for this critical component leverages proprietary technology developed in the Group's Northboro research center. $30 million have been invested in this new plant which will come on stream in early 2013 and create some one hundred jobs.

Also in the area of high-performance materials, the Abrasives and Ceramic Materials businesses worked together to optimize the cutting performance and hardness of abrasive products. Their jointly developed HTB seeded gel technology has led to a new range of abrasives that offer 30%-100% better performance than competing products. This new generation of abrasives responds perfectly to the requirements of the metal precision grinding market.

In the automotive glass sector, teams at the Chantereine research center developed lighting car doors for Renault's new Twizy electric concept car, presented at the 2012 Paris Motor Show. LEDs mounted on the edges of a sheet of extra-clear laminated glass light up serigraphed motifs on the windows. The miniaturized electronic system is protected by injecting a plastic sealant. Series production of the first cars featuring this type of glass is scheduled for 2016, starting with mid-range and luxury models. Several car manufacturers have signaled their interest in this process, which offers a wide range of possibilities for lighted motifs.

Opening up to new regions and new partners

Preparing the Group's future also involves pursuing the Activities' geographic expansion. Saint-Gobain research is supporting this development by opening up to new horizons and new partners.

In 2012, the Shanghai research center's capabilities where strengthened in several areas. Created in 2006 with 30 researchers, the center now has more than 200 team members to support the Group's Activities in China more effectively. At the same time, Saint-Gobain has enhanced its intellectual property strategy. Because Chinese patent law is very different from European and American laws, the Group needs to have a deep understanding of local legislation and a clear strategy to defend its innovations. This is of critical importance for Saint-Gobain. Its team of legal and scientific specialists, created in 2011, has filed more than 60 patents and helped Saint-Gobain's Delegation in China to have a certain number of competing patents invalidated.

The Shanghai research center is currently being expanded. As from mid-2013, it will feature nearly 8,500 square meters of new laboratories, offices and common areas. An example of sustainable construction, the eco-designed center will be the first Saint-Gobain building to obtain triple certification, achieving gold status under the US LEED standard, two stars under the Chinese GBDL standard and compliance with Saint-Gobain's own CARE4® standard.

In October 2012, Saint-Gobain signed a new cooperation agreement with Japan's National Institute for Materials Science (NIMS). This led to the creation of the NIMS Saint-Gobain Center of Excellence for Advanced Materials in Tokyo, which houses work on dye-sensitized solar cells.

This partnership was deployed within the framework of the Saint-Gobain University Network, which brings together all the academic and scientific institutions that have a special relationship with Saint-Gobain.

Lastly, Saint-Gobain opened a new research center in Chennai, India on December 14, 2012 and signed an agreement with the Indian Institute of Technology Madras (Chennai) Research Park, an internationally ranked institute of higher education. Saint-Gobain Research India will support Group operations already deployed in India, develop new operations and create a talent pool for the Group. The center will collaborate with local universities and outside partners to design sustainable habitat solutions and develop cross-functional capabilities through partnerships with institutions of higher education. It will also liaise with other Saint-Gobain research centers worldwide to speed business growth in the region.

A talent pool that enhances the Group's attractiveness

Being attentive to the outside world and how it is changing will be a determining factor in Saint-Gobain's long-term competitiveness and attractiveness. Research and innovation play a key role in this area, both internally and externally. Developing new research centers and partnerships is a major focus of Saint-Gobain's innovation strategy, as well as a way to ensure the vitality of a very high level recruitment network.

The Group's relationships with members of the Saint-Gobain University Network (see above) guarantee a regular stream of quality applicants. Saint-Gobain's large cross-functional research centers also attract top talent and a number of them have developed innovating hiring methods. The Northboro center, for example, has experimented with an interview system since 2011 in which applicants present their work to several juries comprising a researcher and representatives from marketing and human resources. The system has helped increase the number of applicants interviewed and shortening the hiring process from around 150 days to just 16.

Hiring high-potential researchers benefits the entire Group. Research is a fantastic talent pool for Saint-Gobain's Activities. Today, around 40% of the Group's research managers are likely to evolve towards marketing, production, auditing or purchasing. More than 25% of Saint-Gobain's women managers work in research. This is a key asset in enhancing the Group's diversity.

R&D spending over the last three years

(in € millions)	2012	2011	2010
	479	431	402

FULFILLING OUR COMMITMENT TO FUTURE GENERATIONS

A DEEP COMMITMENT TO SUSTAINABLE DEVELOPMENT

A long-term view

Saint-Gobain's commitment to sustainable development is based on the values nurtured by nearly 350 years of history.

Nine binding Principles of Conduct and Action guide employees in their daily work as members of the Saint-Gobain community. The values of professional commitment, respect for others, integrity, loyalty and solidarity shape the conduct of each and every member of Saint-Gobain, from senior management down to junior staff. Respect for the law, caring for the environment, worker health and safety and employee rights guide the actions of all corporate leaders and employees in the performance of their duties.

Adherence to these principles is a requirement for belonging to the Group. Saint-Gobain expects its employees to set an example through their conduct and action, both internally and externally, as well as to limit their impact on the environment as much as possible and make outside partners and local communities a top-of-mind concern. Responsible development, respect for people and respect for the environment will ensure Saint-Gobain's sustainable growth and performance.

Saint-Gobain made international commitments by joining the United Nations Global Compact in 2003 and signing the declaration of management support for human rights in 2008. In January 2009, the Group took its commitment to the UN Global Compact one step further by endorsing the Caring for Climate statement and the CEO Water mandate for Water Resource Protection as part of the UN's Millennium Development Goals.

Drawing on its long history and values, Saint-Gobain's ambition is to be the reference in the sustainable habitat and construction market. The Group designs, manufacturers and distributes building materials for professional customers to ensure that buildings are energy-efficient, comfortable, healthy and esthetically superior, while at the same time protecting natural resources.

Saint-Gobain products, services and solutions are built to last, backed by a commitment to quality and sustainability for direct customers, craftsmen and end users. The Group believes that buildings should be looked at across their life cycle, from the materials production stage to dismantling and recycling.

Saint-Gobain also produces for other industries, including automotive manufacturing, aeronautics and glass packaging. Here too, the Group acts as a responsible business player, in line with its values.

Inventing of sustainable habitat solutions

The habitat and construction industry, Saint-Gobain's main market, is shaped by major sustainable development challenges. Never before has there been such a huge need for healthy, comfortable and energy-efficient housing. To keep up with rapid urbanization in fast-growing markets and aging constructions in mature markets, the industry will have to build more, build better, and, most important, renovate the buildings people live in today.

In the face of global warming and dwindling natural resources, new models will be required to preserve the planet. Nothing meaningful will ever be achieved in improving energy efficiency and reducing greenhouse gas emissions without massive action in the habitat and construction industry, as this sector alone accounts for nearly 40% of energy consumption and 35% of greenhouse gas emissions in industrialized nations. It also has a considerable impact on water use (accounting for 12% of drinking water consumption) and waste (producing 40% of solid waste in volume)(1).

To meet the challenges of sustainable development, Saint-Gobain is imagining the habitat solutions of the future. Buildings hold considerable potential to improve comfort, well-being and quality of life for men and women around the world. It is possible to make progress while reducing the world's energy dependency and limiting environmental impacts. As places where people live, work and spend time, the main purpose of homes, offices, hospitals, schools, leisure facilities and other buildings is to serve users and meet their needs.

To drive these changes, Saint-Gobain is leveraging a unique innovation model in which local innovations receive corporate support and are shared across the different businesses.

Engaging all stakeholders

Saint-Gobain interacts with a very large number of stakeholders. In each of its businesses and host regions, and for all existing or potential impacts on its environment, teams at both the corporate and local levels listen closely to stakeholder concerns and organize effective dialogue. The Group organizes relations with each stakeholder, by identifying appropriate information channels and, when necessary, selecting a suitable framework and venue at the appropriate level (headquarters, businesses, sites) in application of the subsidiarity principle. This system reflects the Group's matrix organization, size, international dimension, diverse business portfolio and decentralized

(1) Source: "Building Design and Construction: Forging Resource Efficiency and Sustainable Development", United Nations Environment Program-Sustainable Buildings and Climate Initiatives (UNEP-SBCI).

management, which gives the operating units a great deal of autonomy in conducting their activities. Each business therefore has a specific responsibility to listen to stakeholders, establish effective dialogue and take action on sustainable development issues.

SUSTAINABLE DEVELOPMENT GOVERNANCE SYSTEM

Saint-Gobain's Chairman and Chief Executive Officer sets the strategic objectives in sustainable development. **The Corporate Secretary is responsible for leading this policy** primarily with the support from Responsible Development, Human Resources and Environment, Health and Safety Departments.

These three departments notably interact with Purchasing, Marketing and R&D to ensure that the Group's sustainable development objectives and policies are applied at the operating level. Lastly, the Corporate Communications Department helps familiarize all employees with the challenges of sustainable development and makes the Group's policy and initiatives known to stakeholders and the general public. The Investor Relations Department handles communication with financial analysts, investors and shareholders.

Certain subsidiaries have set up sustainable development steering committees to apply their specific objectives aligned with the Group's strategy, establish roadmaps and track progress on environmental and social issues.

Business practices

In 2009, the Board of Directors approved the launch of a Group Compliance Program to ensure that the Principles of Conduct and Action and their related obligations are applied properly in all Activities worldwide. At one of its meetings in 2012, the Board of Directors once again reviewed the deployment and progress of this program, which includes four main components:

1. Responsible development

The Responsible Development Department ensures that the Principles of Conduct and Action are distributed to all group employees and that everyone understands them. Training courses organized during Saint-Gobain Management School sessions help raise awareness among Group managers, as does the Adhere on-line training program.

In 2012, two new programs were added to support the Group's compliance policy, which is a direct application of the Principles of Conduct and Action:

- an anti-corruption program that includes initiatives and good practices already implemented in certain subsidiaries to prevent international business transaction risks. This program covers:
  - active and passive corruption,
  - national, foreign or international government agents,
  - the private sector;
- an economic sanctions and embargos compliance program, to ensure that the Group's international trade does not infringe on international regulations.

Both programs include training and tools to help employees identify and reduce risks. Deployment began in 2012 and will continue throughout 2013.

2. Competition Law Plan

Everyone in the Saint-Gobain corporate community is expected to comply at all times with good competition practices. General Management regularly reminds team members of the Group's zero tolerance policy.

The Competition Law Plan, launched in 2007, is designed to ensure compliance with the Competition Law and comprises three parts:

- the online Comply training program for all managers, available in 21 languages, backed by more in-depth seminars led by specialized lawyers and Group legal experts for the most directly concerned managers;
- unannounced competition audits performed by specialized lawyers;
- a Competition Law Compliance guide available in 18 languages and distributed to some 35,000 Saint-Gobain employees worldwide.

3. Internal audit and internal control

The internal control system is designed to ensure that units effectively manage their principal risks, comply with laws and regulations and apply the strategy and guidelines set by General Management. Internal control also verifies that processes operate properly, that financial information is reliable, that property, plant and equipment and intangible assets are safeguarded and that fraud is detected and eradicated.

As part of the Group Compliance Program, the Internal Audit and Internal Control Department has designed and deployed a compliance statement that all general managers must sign each year.

4. Compliance alerts system

The Group's compliance alerts system has been deployed in virtually all of its host countries, in line with local administrative constraints and legislation.

Dedicated e-mailboxes for employee alerts have been opened in all host countries. The compliance correspondents are responsible for collecting and processing the messages and for ensuring that the identities of the authors and the persons discussed remain confidential. This optional system provides a way to report serious violations of applicable laws, internal rules and procedures, or the Principles of Conduct and Action. All reports must be submitted in good faith. Anonymous reports are not accepted.

In addition to this system, employees in North America, the United Kingdom and India continue to have access to local hotlines. The alerts received via hotlines are also processed in a way that ensures that the identities of the callers and the persons concerned remain confidential.

Compliance network

Each year, the Board of Directors of Compagnie de Saint-Gobain receives a detailed annual report on the Compliance Program's deployment, which is carried out through a compliance network composed of 80 corporate and line executives and coordinated by the Corporate Secretary. The network includes:

- 25 compliance correspondents;
- a Compliance Committee in each General Delegation;
- a Group Compliance Committee, composed of top executives from the Sectors and from Compagnie de Saint-Gobain.

EHS management system

The Group's EHS policy, as expressed in a letter of commitment from the Chairman and CEO to all employees, sets Saint-Gobain's objectives and priorities concerning the environment, industrial hygiene and workplace health and safety. Saint-Gobain has drawn up standards and recommendations in response to specific EHS concerns. The standards are mandatory and apply to all Group sites, regardless of the country or local legislation concerned. EHS management and supervisory tools are also provided to help sites develop their own EHS practices, in line with Group policy.

A coordinated network of expertise

The EHS structure is matrix-based, reflecting the organization of Saint-Gobain itself. Its activities are coordinated by a central department.

An efficient management method

The World Class Manufacturing (WCM) approach is a structured industrial excellence method that has proven effective in the areas of safety, quality and productivity. More than 90% of the Group's manufacturing sites will have adopted the WCM method by 2015.

Accurate EHS reporting

Since 2004, the Group has used a centralized EHS reporting system called as Gaïa.

A comprehensive audit system

Saint-Gobain's audit system is based on the EHS and self-diagnostic audits initiated by the EHS department and a self-assessment questionnaire introduced by the Internal Audit and Internal Control Department.

Social management system

A structured network

The Human Resources Department defines priority areas for action and deploys initiatives through a Human Resources network by Delegation, Sector and Activity. This network is responsible for implementing and adapting Group Human Resources policy in each unit.

Reliable information systems

Consolidated units and companies participate in a monthly social reporting system that provides total headcount numbers for all companies controlled by the Group.

France's NRE (new economic regulations act) reporting system, created in 2002, is used to calculate all other social indicators.

Quantitative social data from the reporting systems are consolidated using Enablon software. The input, validation, verification and consolidation process generates a scorecard for use by the Group Human Resources Department.

The PeopleGroup software is used for data concerning managers, enabling effective tracking of career paths and remuneration. Information on the Group's organization is updated monthly in PeopleGroup on the basis of data provided by the social reporting system.

Continuous improvement

Saint-Gobain has launched an assertive program to gradually improve the reliability of social data by communicating continuously with contributors, stabilizing indicators to enable year-on-year comparisons, ordering external audits, implementing stronger controls at each level of data collection and consolidation, and multiplying payroll system interfaces to ensure that workforce indicators are consistent.

THE FIVE KEY AREAS **OF SAINT-GOBAIN'S SUSTAINABLE DEVELOPMENT STRATEGY**

1. Invent sustainable buildings

Sustainable buildings

To meet the challenges of sustainable development, Saint-Gobain offers sustainable habitat solutions in all its host countries. The Group adapts its responses by taking into account the different needs and diverse markets in both mature and high-growth countries for renovation and newbuilding and for commercial and residential buildings. The sustainable solutions that are gradually emerging in the building industry will become the standards of tomorrow. Saint-Gobain is doing everything it can to ensure that these types of buildings become the norm, rather than an exception.

Innovation

The Group focuses its innovation capabilities first and foremost on developing new technical solutions to make buildings more energy-efficient (with external wall insulation systems, increasingly effective mineral wool and other products) and comfortable (with active glass, soundproof ceilings, etc.), while reducing their environmental impact (through recycling, eco-designed products and other solutions).

A smaller environmental footprint for products and services

The Group's environmental commitment involves reducing the impact of its products and solutions throughout their whole lifecycle. All of Saint-Gobain's businesses are involved in this approach through a process that comprises three main steps: measure, reduce and communicate.

To determine a product's environmental footprint, its total environmental impacts are measured through a life cycle assessment (LCA).

On the basis of this yardstick, the Group then leverages its eco-innovation strategy to reduce the product's environmental impacts.

The Group uses LCA-based Type III ecolabels(1) to communicate on the environmental performance of its building products, publishes LCA results in Environmental Product Declarations (EDPs), and commissions third-party audits of compiled LCA data.

The sustainable habitat mission, a pluridisciplinary body led by a committee of senior executives, is responsible for managing this process.

2. Limit environmental impacts

Because Saint-Gobain is involved in both manufacturing and distribution, it has to take into account the environmental impacts of very different types of sites (from production facilities to sales outlets and querries), as well as of product shipping. To help sites reduce their environmental impacts, measurement tools and improvement initiatives are defined at the Group level. These resources are designed to combat climate change, preserve natural resources or reduce waste and atmospheric emissions. More targeted measures are also defined and implemented by the businesses to meet their specific needs.

Climate change

Energy efficiency is a key component in the sites' environmental performance. They are making advances in this area by innovating and optimizing existing equipment. This means improving combustion processes, making refractories more effective, recovering heat from furnaces and driers and replacing end of life equipment.

A substantial part of the Group's research and development is devoted to enhancing production processes with the goal of reducing atmospheric emissions.

Natural resources

Sustainable water use is one of Saint-Gobain's priorities. A Group-wide sustainable water management policy has been implemented to help sites measure and reduce their impacts on water. The measures taken aim to reduce the amount of withdrawals and discharges, promote the use of the least sensitive sources, improve monitoring the quality of wastewater and prevent accidental pollution.

Preserving natural resources not only limits the impact on ecosystems but also protects local fauna and flora. The Group's quarries are operated in an environmentally friendly manner in compliance with local and national regulations. During extraction and restoration, the effects on local communities and the environment are reduced as much as possible. These include the visual impact of the operations, dust, noise and vibration, added road traffic and any repercussions on the natural surroundings.

(1) Type III ecolabels are based on life cycle assessments (ACVs) carried out in accordance with international standards.

Waste and atmospheric emissions

Reducing atmospheric emissions of sulfur dioxide (SO_2) and nitrogen oxides (NOx) from the production of glass, cast iron and other products has been a priority for many years.

Concerning production waste, Saint-Gobain is committed to reducing the amount of by-products generated by its processes and finding ways to re-use them internally or externally.

In addition to recovering its own waste products, the Group uses recycled materials from outside sources, such as cullet and recovered scrap metal, to optimize its raw material consumption.

3. Encourage employees' professional growth

The Human Resources function's ambition, as expressed in the OPEN[1] program, is to support the Group's corporate mission and sustainable habitat strategy. The objective is to give meaning to the Group's action among all members of the organization while ensuring their well-being and performance in the workplace.

A more open and outward-looking Group

Saint-Gobain has gone through profound changes, notably with the shift from a product-focused to a market-focused culture, which have made it a more open and outward-looking Group. This means listening to the world outside to provide solutions adapted to customer needs and opening up inside, both individually and in teams, with the development of diversity, professional mobility and internal social networks to stimulate innovation.

Foundation

This openness fits in with the values that have forged Saint-Gobain's human resources policies over the years: respect for employee health and safety, exemplary managerial practices and social dialogue.

At Saint-Gobain, employee health and safety are a constant priority. The Group's long-term objective is zero occupational accidents and zero occupational illnesses. Everyone at Saint-Gobain sites, from employees to temporary staff to subcontractors, is ensured of working under safe conditions and in an environment that exceeds the requirements of local legislation.

To promote exemplary practices, all managers are expected to display the following four key behaviors in their daily conduct: Always be consistent with our values, No leadership without close focus on people, Walk the talk, No complacency allowed.

Lastly, social dialogue is an important part of Saint-Gobain's operations and is based on employee involvement, discussions with employee representatives and active internal communication.

To support the Group's development, the OPEN program focuses on four priority initiatives:

- **increase professional mobility** (geographic, functional and inter-Activity);
- **promote all types of diversity** (nationalities, gender, generations, training and career backgrounds);
- **nurture employee commitment** by broadening career horizons with diversified missions and growth paths and by moving people up the ladder more quickly;
- **develop talent** by identifying open-minded, innovative profiles and offering all employees appropriate training.

4. Support community development

Developing job catchment areas

Saint-Gobain is a multiregional organization serving local markets. As such, it invests in both high-growth regions and mature countries. These investments contribute to job creation and local economic development.

In certain regions, the Group takes direct measures to develop its host job catchment areas. These include direct partnerships with small and medium-sized businesses, assistance for employees interested in starting their own companies, support for development networks and local employment offices and participation in regional programs.

The Saint-Gobain Initiatives International Corporate Foundation

As an economic player with leadership positions in its businesses, Saint-Gobain considers that it has a responsibility to undertake solidarity actions in favour of its host communities. These initiatives are carried out at the corporate level, as well as locally by individual sites and Activities.

(1) Our People in an Empowering Network.

At the corporate level, the Saint-Gobain Initiatives International Corporate Foundation supports projects sponsored by current or retired Saint-Gobain employees in three areas aligned with the Group's strategic focus:

- youth integration through work in housing sector;
- construction, refurbishment or renovation of social housing, for general interest purposes;
- energy efficiency and environmental protection in social housing.

By giving each employee the opportunity to participate in initiatives aimed at serving the public interest and providing assistance to the poor, the Foundation is helping to create a community of socially responsible men and women who share common values.

Local outreach initiatives

Group sites around the world interact with their immediate environment through a variety of community development initiatives. Examples include:

- in North America: the Saint-Gobain Corporation Foundation carries out projects in the United States and Canada;
- in India: the Saint-Gobain India Foundation is active in educational projects;
- in France: Fondation PAM and Fondation Placoplatre® are committed to professional integration of young people in their respective businesses.

Although these initiatives focus on the Group's reference markets, others cover more general areas such as education, research, culture or health.

5. Take action across the value chain

Raising awareness among stakeholders

Awareness campaigns on sustainable development and habitat solutions are carried out internally, throughout the Group, as well as externally, among customers, partners, suppliers and the general public. Saint-Gobain also participates in forward-looking thinking about the buildings of tomorrow through its membership in professional associations interested in sustainable development, alongside other manufacturers and public partners.

Contributing to customers' performance

Saint-Gobain develops products and services for habitat and construction industry professionals, who process or integrate them to serve their own customers.

The Group continuously adjusts its line-up to meet the changing needs and expectations of these direct and indirect customers, thereby contributing to the overall performance of the entire value chain. This process is reflected in the introduction of new specifically designed solutions and in training programs to help the people who use Saint-Gobain products develop in promising markets.

Responsible purchasing

Saint-Gobain's responsible purchasing approach is designed to extend the Group's good business practices to partners all the way up and down the value chain. Two specific documents–the **Purchasing Charter** and the **Suppliers' Charter**–outline each party's obligations as concerns responsible purchasing.

All framework agreements signed by the Group include **responsible purchasing clauses** to remind suppliers about the Saint-Gobain's sustainable development requirements. The Suppliers' charter and a **self-assessment questionnaire** are systematically included in all calls for tenders generated by the central SRM Prosource software package. Lastly, Saint-Gobain conducts a program of **supplier audits** to support its approach.

Specific training has been developed for responsible purchasing. The approach is deployed by a dedicated organization comprising a network of purchasers in different countries and businesses and designated specialists who can provide methodological guidance and advice. The network is led at the corporate level by teams from Saint-Gobain Purchasing and Saint-Gobain Building Distribution (for distribution issues).

Find out more

For further details on Saint-Gobain's sustainable development initiatives, along with environmental, social and societal data provided in compliance with Article R 225-105-1 of the French Commercial Code, look for the Group's Sustainable Development Report on the corporate website (www.saint-gobain.com) in April 2013.

PROGRESS REPORT

Environment

Challenges	Action taken	Outlook and future initiatives
Prevent environmental incidents and accidents	• Development of a Group-wide standard for managing environmental incidents, with a methodology for detecting, recording and analyzing incidents to reduce the related risks	• Gradual deployment of the environmental incident management standard
Reduce atmospheric emissions of NOx, SO_2, dust, metals and other pollutants	• Pollution reduction at the source (primary measures) and through treatment of stack gas (secondary measures) • Selection of the most appropriate energy source • Combustion settings for glassmaking furnaces • Ongoing installation of electrostatic precipitators in the Flat Glass Activity	• Gradual reduction of NOx emissions at the highest-emitting installations • Continued investment in electrostatic precipitators in the Flat Glass Activity
Protect the ozone layer	• Application of the Montreal Protocol to eliminate CFCs throughout the Group	• Inventory of HFCs in anticipation of the Protocol's application
Preserve energy resources and reduce CO_2 emissions:	• Development of a methodology for assessing the Group's direct and indirect greenhouse gas emissions (GAS) • Assessment of French subsidiaries' GHG emissions using this methodology	• Worldwide deployment of GHG assessments at the Group's main subsidiaries
- In our operating processes	• Research into furnace design for improved energy efficiency • Recycling of secondary raw materials • Selection of the most appropriate energy source • Combustion settings for glassmaking furnaces	• Using 2010 emissions as a base, a target of 6% reduction in emissions at concerned sites by end-2013 (see reporting methodology)
- With our products	• Construction industry: insulation products • Renewable energies: photovoltaic panels, etc. • Vehicles: automotive glass, lighter auto body parts, etc.	• Research and development of new products and solutions
- In our transport operations	• Distribution of a Suppliers' Charter • Initiatives within Building Distribution Sector companies to reduce CO_2 emissions from road transport (for example eco-driving and geomatics)	• Rollout to other Building Distribution Sector companies and then to the Group as a whole
- In our buildings	• Initialization of the CARE:4® program: definition of Factor 4 targets for office buildings • 14 buildings certified to CARE:4® standards • Energy inventory of the Group's buildings	• Establishment and implementation of CARE:4® action plans (renovation, etc.) in each Activity
Optimized withdrawal and use of natural resources - Biodiversity	• Development and deployment of a pilot biodiversity project in the Gypsum Activity	• Inventory of biodiversity priority areas for each Activity
- Water	• Closed-circuit operation extended to all facilities • Improved operating processes • Constant innovation for Pipe products • Deployment of a Water Policy, a water risk assessment grid and a water risk management standard	• Updating of the water and wood sections of the purchasing questionnaire for suppliers • Target of 6% reduction in water withdrawals by end-2013 at concerned sites, based on 2010 production output • Deployment of a water risk-assessment grid and an environmental standard describing minimum mandatory requirements for discharge and consumption volumes and quality at all sites
- Wood	• Environmental policy applied to wood for the Building Distribution Sector • Nearly 80% of wood product purchases sourced from certified forests	• Deployment of an environmental policy on wood in all Group companies, including those in the industrial Sectors
- Silica, iron ore, gypsum	• Recycling of secondary raw materials • Design of lighter products	• Improvement of secondary raw materials recycling through the deployment of a new policy for managing process, construction and demolition waste
Waste management	• Reuse and recycling of raw materials • New avenues for reuse of waste in new materials, in products or as energy • Deployment of initiatives to meet a target of zero non-recycled waste • Creation of channels to collect worksite and demolition waste generated by Group products	• Target of 6% reduction in landfill waste disposal by end-2013 at concerned sites, based on 2010 production output • Improvement of secondary raw materials recycling through the deployment of a new waste management policy • Ongoing deployment of worksite waste collection channels
Noise, smell and visual impacts	• Management of impacts caused by site traffic and production facilities	
Awareness-raising initiatives	• Founding member of dedicated industry associations and labels • Information and training for contractors and other professionals • Group-wide celebration of International Environment, Health and Safety Day	• Continuation of internal and external awareness-raising campaigns
Limit the environmental footprint of our products	• Incorporation of an EHS validation procedure in R&D projects • Shared methodology for assessing and communicating life -cycle assessments for all construction products • Systematic life-cycle assessments for all construction product lines • Implementation of an eco-design policy for construction products	• Research and development of new products • Life-cycle assessments for all construction and solar product lines by end-2013 • Deployment of an eco-design (eco-innovation) policy for construction products

Environmental actions are undertaken as part of a policy of continuous improvement. The aim is to extend ISO 14001 certification to over 90% of concerned sites during 2013.

Social and societal

Challenges	Action taken	Outlook and future initiatives
Health and Safety - Health policy	• Development of a framework health policy for Saint-Gobain	• Deployment of the health policy as from 2013
- Workplace safety	• Intensified action to prevent serious and fatal accidents: continuation of Serious Accident Plan • Continuous monitoring of accident incidence rates • Deployment of risk assessment and accident/incident analysis standards • Deployment of safety standards for road risks, working at height, management of outside firms operating on company sites, work permits, lock out/tag in, machine safety, forklift truck safety, vehicle and pedestrian safety and warehousing and loading • End of rollout and continued application of the Safety MAnagement Tool (SMAT) system • Deployment of the Environment, Safety and Risk Prevention audit in the Building Distribution Sector • Stronger safety standard requirements for working on roofs	• Closer cooperation on safety issues with employee representatives through the European Social Dialogue process • 2013 targets: lost time accident rate (LTAR) of 5 for the Building Distribution Sector and a total recordable accident rate (TRAR) of under 6 for the industrial Sectors. LTAR below 2.8 for the Group • Launch of a new safety standard for electrical risks in 2013 • Update of EHS audit system for small manufacturing sites • Enhanced tracking of temporary staff and subcontractors • Dissemination of critical EHS standards: best practices for welcoming and integrating new employees • Establishment of a shared Group framework for all health policy ambitions and objectives • Deployment of a software program to analyze health and safety risks
- Ergonomics	• Deployment of a method for identifying risks related to handling, lifting and workstation posture • Distribution of a training kit on the Posture Lifting Movement (PLM) method recommended by Saint-Gobain	• Implementation of a program to reduce risks associated with musculoskeletal disorders (MSDs), in liaison with the Delegations
- Noise	• Rollout of NOS (Noise Standard)	• Action plan to reduce noise exposure at the concerned sites • Project to improve the reliability of NOise Standard (NOS) reporting
- Toxic agents	• REACH Directive: creation of a dedicated network, updating of substance inventories in preparation for 2013 and 2018 deadlines, distribution of information to our suppliers on how we use chemicals and our compliance with exposure scenarios in the new Safety Data Sheets, compliance with rules concerning substances included in the Candidate List of Substances of Very High Concern (SVHC) and prioritized substances • Updating of the REACH clause in all purchasing contracts and of Groupwide communication on REACH • CLP Regulation: notification of substances to be included in the classification inventory, where necessary, and updating of our Safety Data Sheets to bring them into compliance • Deployment of a training program in the R&D centers on integrating EHS risk criteria into R&D project management • Updating of the Toxic Agents Standard (TAS) and implementation guidelines • Deployment in 2012 of an online platform for the Toxic Agents Standard (TAS), comprising the toxic substance inventory required under REACH and the risk assessment and management application. Implementation of tracking indicators throughout the Group on deployment of the platform at the sites • Rollout of training sessions throughout the Group on the Toxic Agents Standard (TAS) and new online tool • Development of refresher training courses, notably on the product and substance inventory, and collection of user feedback in the Group's Delegations	• REACH Directive: REACH compliance monitoring, registration of substances for 2013 and 2018 deadlines, deployment of action plans for prioritized substances for authorization, updating of Safety Data Sheets (with exposure scenarios, if appropriate) to ensure their compliance • Updating of the toxic agents standard and applications guides, integration of REACH compliance in our internal processes (for example, pilot training for purchasing agents) • CLP Regulation: updating to bring our Safety Data Sheets into compliance • Implementation of a tracking indicator in the Group on use of the tool in R&D projects • Tracking of tool deployment indicators at the Group's manufacturing sites • Use of the tool to track compliance with local regulations and implementation of the Group's industrial hygiene policy

Challenges	Action taken	Outlook and future initiatives
Human resources planning and development - Hiring	• Saint-Gobain Employer Brand program: - Launch of a new careers and hiring website (www.saint-gobain-experience.com) - Broader presence on social networks - Enhanced relations with schools and universities	• Continuation of the HR and Communication plan launched in 2012 in France, the United States, China, Brazil, Poland and other countries • Development of a partnership program with schools and universities and of a network of ambassadors • Development of Saint-Gobain's presence on social networks
- Managerial culture	• Systematic presentation of the OPEN program at all HR meetings and New Managers courses in all regions • Creation of a new Advanced Manager course for the top 1,000 managers	• Development of the in-house "My Saint-Gobain" collaborative platform
- Training	• Introduction of diagnostic tools and initiatives to prevent workplace stress as part of the deployment of the framework agreement on preventing stress • Deployment of specific training to identify psychosocial risks (600 employees trained) • Extension of sustainable habitat training programs to customers, suppliers, specifiers and other partners	• Local deployment of 18 Management School programs in Group Delegations • Continued rollout of the HR Academy with courses for HR professionals • Development of agreements with local universities in Brazil, Russia, India, China and Poland • Introduction of training programs to detect employee depression and mental fragility • Launch of a distance learning program on diversity
Career management and employee motivation	• Deployment of a plan to carry out more than 1,000 People Reviews each year to stimulate careers and create mobility opportunities • Creation of a mobility commission for deployment in 2012 • Increased channeling towards mobility tracks in HR Clubs in France	• Launch of a new internal job site called OPEN JOB in all regions to create opportunities for professional mobility • Agreement between France and the United States on student exchange programs and cross-cultural training for engineers • Enhancement of mobility initiatives targeted towards non-managerial staff in France, with support from Saint-Gobain Développement
High-quality social dialogue	• Annual meeting of 70 participants from 27 countries in Europe to align social policies • Measures to enhance the role of the select committee on cultural diversity • Signature in September 2012 of a framework agreement on diversity in France	• Creation in 2013 of a nine-member European select committee on cultural diversity and European social dialogue to foster discussion and exchange, with members serving for three-year terms • Deployment of the framework agreement on diversity to address gender diversity, work-life balance, disabilities and professional integration programs
Diversity	• Initiatives to promote gender diversity: women represent 25% of new hires worldwide • Systematic presentation of women candidates for job openings and succession plans	• Launch of the Women In Network (WIN) to promote gender diversity in the workplace, notably through training and tutoring initiatives • Inclusion of diversity as a criterion in managers' annual performance reviews (PeopleGroup) • Development of a training course on disabilities for HR professionals and managers to support hiring of disabled individuals and dispel perceived difficulties
Participation in local community life	• Saint-Gobain Initiatives Foundation: acceptance of 40 new projects, signature of 10 sponsorship agreements, allocation of €1.2 million to current projects • Creation of a Foundation Ambassadors network with more than 200 members at end-2012 • Active involvement in the geographical expansion of the "100 opportunities, 100 jobs" campaign to help disadvantaged young people enter the workforce • Deployment of an expertise sharing program led by older employees to help revitalize small and medium-sized companies	• Saint-Gobain Initiatives Foundation: extension of the scope of accepted projects and greater focus on energy efficiency; stronger communication initiatives towards both internal and external audiences • Continued participation in the "100 opportunities, 100 jobs" campaign • Deployment of a dedicated job opportunities plan focused on building professions and techniques • Execution of local community outreach initiatives in the United States, India and other countries

Business practices

Challenges	Action taken	Outlook and future initiatives
Responsible purchasing	• Consolidation of the responsible purchasing organization • Publication of an updated Purchasing Charter and Suppliers' Charter • Deployment of the responsible purchasing awareness campaign in all Delegations • Launch of the online responsible purchasing training module in English and French • Continued development of purchases from the sheltered and supported employment sector and launch of a specific awareness module • Development of the supplier audit campaign and launch of a follow-up audit campaign	• Continuation of the responsible purchasing awareness campaign and training • Continued development of purchases from the sheltered and supported employment sector and launch of a specific awareness module • Improvement of the supplier screening process and continued deployment of the supplier audit and follow-up audit campaigns
Responsible development	• Ongoing training at the School of Management • Introduction in two pilot Delegations of a train-the-trainer program on the Principles of Conduct and Action for local HR managers	• Ongoing training at the School of Management • Deployment of a train-the-trainer module worldwide
Compliance program	• Competition Law plan: ongoing adaptation of the training modules (adjustment of translations and alignment with changing legislation and practices); continuation of classroom and online training; continuation of audits • Compliance alerts system: complete deployment • Program to achieve compliance with economic sanctions and embargos: internal procedures and training • Prevention of corruption: internal procedures and control; training	• Competition Law plan: continued deployment in line with previous years • Anti-corruption: deployment of a Group compliance program involving adequate procedures, an assessment of risk exposure, online training and the organization of specific seminars

KEY INDICATORS

Indicators presented in this section and the method used to collect and consolidate the underlying data are described in the Sustainable Development Report published by the Saint-Gobain Group.

Social

Indicator	2012	2011
Number of millionaire sites (sites that have over one million incident-free hours of work and/or more than five years' work without any lost-time incidents)	188	179
Lost-time accident rate (LTAR) (more than 24 hours' lost time) – Group (including temporary staff)*	2.8	3.1
Severity rate – Group (including temporary staff)	0.18	0.20
Lost-time accident rate (LTAR) (more than 24 hours' lost time) - Building Distribution Sector (including temporary staff)*	4.3	5.1
Total recordable accident rate (TRAR) - industrial Sectors (including temporary staff)*	5.2	6.3
Number of workplace fatalities - Saint-Gobain employees	6	3
Number of Health & Safety-certified sites (OHSAS 18001 – ILO-OSH 2000) - comparable scope*	341	356
Total headcount	192,781	194,658
Total payroll	€8,431 M	€7,955 M

**Adjusted for 2012 scope of reporting.*

Environment

Indicator	2012	2011
Number of quality-certified sites - comparable scope*	704	763
Percentage of concerned sites that are environmentally certified (ISO 14001 / EMAS)*	75.2%	72.2%
Number of Seveso-classified sites	5	5
Total environmental expenditure*	€144.0 M	€117.9 M
Salaries and other payroll expenses for environmental officers*	€26.6 M	€21.6 M
ISO 14001 and EMAS environmental certification and renewal costs	€2.4 M	€2.4 M
Environmental taxes*	€5.2 M	€4.8 M
Insurance and warranties*	€5.3 M	€2.7 M
Environmental fines	€0.1 M	€0.5 M
Cost of environmental incidents	€1.1 M	€0.8 M
Cost of technical measures*	€5.9 M	€8.3 M
Environmental R&D budget	€90.2 M	€67.2 M
Soil decontamination, site remediation and other clean-up costs	€7.2 M	€9.6 M
Capital expenditure on environmental protection measures*	€60.8 M	€72.1 M
Provisions for environmental risks	€151 M	€169 M

**Adjusted for 2012 scope of reporting.*

A comprehensive 2012 sustainable development report, based on Global Reporting Initiative (GRI) indicators, is available for download at **www.saint-gobain.com**. The report may also be obtained in paper format from Saint-Gobain's Corporate Communications Department.

2012 MANAGEMENT REPORT

A MIXED YEAR

Markets and economic environment

The pace of global economic growth declined further in 2012, down to nearly 3% from 3.7% in 2011 and 4.6% in 2010.

The situation was looking bleak at the end of the first half. The global composite purchasing managers' index (PMI) was falling, manufacturing was sluggish, international trade was struggling to bounce back and the labor market was deteriorating. All economic regions had witnessed a slowdown.

Then, in the second half of the year, country performances diverged significantly. While the contraction in business continued in Japan, and even seemed to intensify in Europe, the United States returned to hesitant growth and emerging economies began to see small signs of recovery.

In Japan, the reconstruction-led recovery lost steam in the second quarter and the economy slowed further in the third, down 3.5% on an annualized basis. This was mainly due to the erosion of exports, which were impacted by decelerating world economic growth, the yen's ongoing appreciation and geopolitical conflicts with China. Domestic spending remained subdued throughout the year.

In the third quarter, the euro zone succumbed to recession, declining 0.2% over the full year after dipping 0.6% in the second quarter. In the European Union, budget discipline measures introduced by the member states in 2012 heavily impacted domestic demand in both the private and public sector. Companies saw their local markets shrink and were unable to conquer market share outside the region due to the overvalued euro. They responded by cutting back on investment, and unemployment rose to record highs. However, on a more positive note, the laborious process to improve European governance, the implementation of various European subsidy programs and the deployment of solutions to save Greece from collapse helped to relieve uncertainty in the financial markets and reduce the volatility of sovereign debt spreads between member countries.

Germany continued to hold firm, but its growth was more moderate in 2012 (+0.9%). Orders for locally manufactured goods, from both domestic and export markets, gradually declined during the year. Capital spending decreased slightly and the job market lost some of its vigor, thereby eroding consumer confidence.

In France, GDP fell sharply in the fourth quarter of 2012, down 0.3% year-on-year. On an average annual basis, growth stagnated in 2012 and consumer spending stalled as well, despite a demand surge in the second half.

Foreign trade made the most significant contribution to growth last year, as the balance of trade was positively affected by the increase in exports (up by an annual average of 5.5%) despite a difficult end to the year and the decrease in imports caused by waning domestic demand and inventory drawdowns. On the supply side, capital expenditure rebounded briefly in the spring only to fall at a faster pace over the remainder of the year. The slowdown in hiring also accelerated.

In Spain, business contracted further over the full year. Exports, which became more competitive as Spanish salaries fell, were the only earnings drivers in 2012. Private- and public-sector spending were hampered by ongoing budget cuts, the negative impact of bank recapitalizations on the availability of credit and the worsening employment situation.

In Italy, the recession continued into the third quarter of 2012, representing the fifth consecutive quarter of negative growth. Austerity measures designed to reduce the budget deficit below the 3% threshold weighed on private-sector spending, which continued to retreat.

The United Kingdom emerged only briefly from the recession in the third quarter, temporarily boosted by the London Olympics. Committed to an ambitious program of budget consolidation that has held back its growth, the country suffered a further blow to financial sector value creation and a deterioration of its trade balance, as the rise in the British pound and reduced competitiveness brought soaring energy costs and diminished export market share.

The United States fared better than Europe. With growth of just 2.5% year-on-year in the third quarter, the country's performance was modest from a long-term growth perspective. While a strong first quarter created significant momentum, household spending gradually declined and replacement capital expenditure remained feeble, despite the growing obsolescence of equipment, the improvement in the capacity utilization rate and manufacturing competitiveness gains attributable to shale gas development. The US economy ended the year in "wait and see" mode, weighing encouraging news concerning the automotive industry, residential property market and company margins against apprehensions about budget adjustments, the struggling job market and hesitancy in the business world.

Like mature countries, fast-growing markets experienced a long period of decelerating growth during most of 2012. However, their impetus seems to have returned.

In emerging Asia, China seemed to recover in the second half from a rather long slowdown, generating growth of 7.7% over the first three quarters. Domestic demand and investment started to bounce back in the summer, stimulated internally by various budget measures and an expansionary monetary policy. In the autumn, exports to all regions but the euro zone began to pick up.

India took longer to recover, with GDP up just 5.3% in volume terms in the second quarter of the fiscal year, far below the 7% to 8% growth rate observed in the 2000-2010 period. Faced with a widening foreign trade deficit, a large budget deficit and high inflation, the government struggled to revive local consumer spending, manufacturing and agricultural output.

Latin America's economies slowed considerably in 2012. They were certainly impacted by the contraction in global trade, but the true cause of their depression lay elsewhere. In Brazil, the culprits were lacking investment and a weak manufacturing base, which failed to meet strong, diversified demand in an environment stimulated by expansionary economic policies. The result was an uptick in inflation. In Argentina, in addition to the fallout from Brazil – its main trading partner –, import and currency outflow restrictions coupled with foreign debt default risk were to blame. In Mexico, growth moderated while manufacturing output and private-sector spending remained high.

In 2012, the economies of Eastern Europe were unevenly affected by the euro zone recession and the drop in international trade, witnessing a slowdown that was more pronounced in the countries most open to foreign markets, with Hungary and the Czech Republic experiencing a recession of their own.

In contrast, Poland, Russia and the Baltic countries continued to show some resilience.

Habitat and construction

In 2012, the construction market remained tense in a large number of countries, not just in Europe, but picked up considerably in the United States, although from a historically low base.

In the United States, the residential construction market significantly improved. Housing starts jumped to a year high of 954,000 units in December as the property market made a comeback – with cumulative sales up 8.2% – helped by higher prices, the absorption of excess housing stock and a decline in vacancy rates. All problems have not been resolved yet, but the outlook is now very positive.

In Japan, government spending on the reconstruction effort increased in 2012, with a 26.5% year-on-year rise in construction order volumes in August. However, investments in the residential and non-residential segments faltered in the first quarter.

In fast-growling economies, the Chinese market was buoyant last year thanks to public spending initiatives. Monetary easing led to higher property prices and the non-residential construction market rebounded due to both public - and private-sector spending on infrastructure projects. In the residential market, investment was fuelled by the development of low-income housing.

In Brazil, construction volumes rose by 2.4% in real terms during the first half of the year, supported by government investments in infrastructure and low-income housing as well as by vigorous domestic demand. However, the credit boom exposed the market's inability to absorb the housing supply.

In Europe, markets continued to perform unevenly, with greater difficulties experienced in the southern countries of Spain, Italy, Greece and Portugal.

In Germany, the residential property market regained momentum for the first time since reunification. A combination of favorable factors – low interest rates, higher real wages, a resilient economy and safe-haven investing in real estate – stimulated residential construction and pushed up housing prices in large cities.

In France, poor economic conditions, restricted access to credit and the reduced attractiveness of the market – notably due to the elimination of tax incentives under the Scellier scheme –discouraged residential investment, particularly in the rental segment. In 2012, housing starts dropped by 19.6% and developer sales plunged by some 30%. Given these changes, housing prices held up remarkably well. Renovation works were down 2% in the fourth quarter on a volume and year-on-year basis, but dipped just 1% on average over the last four quarters, owing to dynamic spending on energy efficiency improvements.
In the non-residential market, office starts continued to see moderate growth, while the other building categories contracted sharply.

In Spain and Italy, where the property, financial and economic crisis is posing tough challenges, the industry sank deeper into recession.

In the United Kingdom, the various incentives implemented by the government during the year to support household financing and first-time homeownership helped to slightly improve the property market situation in the third quarter, which saw a leveling off of the decline in real estate prices and a 16.6% increase in building starts.

In Scandinavia, building starts were down in Sweden, Norway and Denmark but up in Finland. More upbeat in Finland and Norway, property prices were slightly depressed in Sweden and Denmark as the market underwent a readjustment.

In Eastern Europe, Poland enjoyed growth in its construction volumes. In contrast, Hungary, Slovakia and the Czech Republic performed poorly in terms of total construction spending.

Automotive industry

In 2012, the global automobile market experienced two-speed growth, with sustained expansion in fast-growing economies and North America on the one hand and, unsurprisingly, a significant contraction in Western Europe on the other, following the phase-out of incentive schemes, a wave of austerity measures and euro area recession.

In the United States, the market continued to recover as the country's economic conditions improved, with cumulative growth of 14% in sales of light commercial vehicles over the ten months ended October 31.

In Japan, car manufacturers benefited from the upturn in demand for replacement vehicles – with output up 27.5% and sales up 45.2% as of end-October – triggered mainly by the losses incurred during the 2011 earthquake and tsunami.

In fast-growing markets, the passenger vehicle segment performed well in China, with increases of 7.7% in output and 6.9% in sales over the first ten months. In South Korea, the sharp rebound in used vehicle exports, up 38% over the same ten-month period, weakened sales of new models.

In Russia, cumulative sales at the end of November were up 12% on the prior year.

In Brazil, vehicle sales improved by 6.1% in 2012, spurred by the government's decision to extend buyer tax incentives until December 31.

In Western Europe, German car manufacturers fared best, leveraging vibrant demand outside the euro zone to offset the sharp contraction in their sales on the continent. Vehicle sales did decrease slightly, down a cumulative 1.6% over the first eleven months of 2012, but the decline was much smaller than in the other three large European markets, France (down 13.2%), Italy (down 19.8%) and Spain (down 11.9%), whose economies were admittedly in much worse shape.

In the United Kingdom, the new vehicle market recovered in 2012. Sales rose 5.4% and output increased 9.7% over the first eleven months of the year, attesting to robust expansion.

Lastly, new vehicle sales retreated in the Nordic countries (including Iceland), and stagnated overall in Eastern Europe.

Operating performance

After a broadly satisfactory start to the year, the Group's businesses were hit as from the second quarter by the deteriorating economic climate in Europe and by difficult trading in Flat Glass, in both Europe and Asia and fast-growing countries. Sales decreased by 1.9% on a like-for-like basis (comparable Group structure and exchange rates), with volumes down 3.6% and prices up 1.7% over the year as a whole.

Barring Interior Solutions – buoyed by the upturn in residential construction in the US and the growing energy efficiency market in Europe – and Packaging (Verallia) – boosted by good household consumption levels, all of the Group's Business Sectors and Divisions saw sales decline over the year as a whole, affected by the slowdown in industrial and residential construction markets in Western Europe. While Latin America picked up in the second half, markets in Asia and emerging countries remained stable overall in 2012. Among the major geographic areas in which the Group operates, only North America remained upbeat, fuelled by the ongoing upturn in housing and despite tough 2011 comparatives for this market (roofing renovations had been boosted in this prior period by severe storms).

In this challenging economic environment, with commodity and energy costs jumping over the year, sales prices remained an important priority for the Group, and moved up 1.7%, or 2.0% excluding Flat Glass.

Despite profitability gains in North America, the Group's operating margin narrowed, to 6.7% versus 8.2% in 2011, impacted mainly by the decline in sales volumes in Western Europe and a sharply negative price/cost spread in Flat Glass.

Performance of Group Business Sectors

Innovative Materials sales fell 4.4% on a like-for-like basis, hit by tough trading in Flat Glass and by the slowdown in High-Performance Materials, particularly in Western Europe. The Business Sector's operating margin fell to 7.7% from 11.8% in 2011.

Flat Glass reported a 6.6% decline in like-for-like sales, driven by a combination of adverse economic factors including a contraction in its main markets (automotive, construction and solar) in Western Europe, slack trading in Asia and fast-growing countries, lower float glass prices, and soaring raw material and energy costs. Only Latin America remained upbeat, with growth picking up pace in the second half. Despite measures taken to address the deteriorating economic climate (significant capacity reductions, restructuring, etc.), the operating margin for the Division was down sharply, at 2.0% of sales from 8.8% in 2011.

After brisk first-half trading, High-Performance Materials (HPM) sales slipped 1.7% on a like-for-like basis over the year as a whole, chiefly due to the economic slowdown in the second half of 2012, particularly in Europe. Thanks to cost savings and to upbeat sales prices, the operating margin held up well, at 14.2% versus 15.7% in 2011.

Construction Products (CP) like-for-like sales dipped 1.3%, due to the decline in sales volumes in Western Europe and Asia. Sales prices remained upbeat. The operating margin fell to 8.3% from 9.5% in 2011.

Interior Solutions reported slight organic growth of 1.3% for the year, buoyed by strong sales price momentum (especially in the US), which helped offset the impact of rising energy and raw material costs on earnings. Volumes were up in both North and especially South America, and also in Asia, but retreated in Western and Eastern Europe. In France, Isover continued to benefit from stricter energy efficiency regulations in the habitat and construction sector (and particularly from Thermal Regulation 2012 in France), and delivered organic growth of 5.4% for the year. The Activity's operating margin improved, at 8.3% of sales versus 8.2% of sales in 2011.

Exterior Solutions saw like-for-like sales fall 3.7%, hit by the sharp drop in Pipe sales, while the Activity's other businesses remained stable. Exterior Products continued to benefit from the upturn in residential construction in the US, but suffered from very strong comparatives in 2011 (severe storms in the US in early 2011 had temporarily boosted roofing renovations). This temporarily conceals advances in the business. Industrial Mortars delivered double-digit growth in Asia and emerging countries, but the worsening economic crisis took its toll on trading in Western Europe. For the Activity as a whole and Mortars in particular, sales prices remained upbeat, but could not fully offset the spike in raw material and energy costs. Consequently, despite the first effects of cost cutting measures, the operating margin declined to 8.3% from 10.7% in 2011.

The Building Distribution Sector saw a 2.0% dip in like-for-like sales, reflecting the gradual deterioration in market conditions across all Western European countries as from the second quarter, not entirely offset by sales prices. Over the year as a whole, only Germany, Scandinavia, the USA and Brazil continued to report positive organic growth. Trading in France proved resilient (down slightly), as a result of further market share gains, like in Scandinavia. The operating margin for the Business Sector came in at 4.0% versus 4.2% in 2011.

The Packaging Sector (Verallia) delivered 3.5% organic growth, buoyed by a strong uptrend in sales prices in the main countries in which it operates. Trading remained brisk in the US, France and Brazil, but fell back in Southern and Eastern Europe. However, the Business Sector's operating margin lost ground, falling to 10.9% of sales from 12.3% of sales in 2011, due mainly to difficulties in Southern Europe and to the time needed to fully pass on the rise in energy costs to sales prices.

Analysis by geographic area

An analysis by geographic area reveals contrasting trends between Western Europe – where trading slowed – and North America – which reported modest organic growth. Asia and emerging countries remained stable, although there were stark differences from one country to the next.

Profitability improved in North America, but waned in all other geographic areas.

In France and other Western European countries, like-for-like sales were down 2.5% and 4.3%, respectively, due to the sharp drop in Flat Glass and Pipe sales. Overall, all of the Group's other businesses were affected by the deteriorating economic environment in Western Europe as from the second quarter. In contrast, Packaging (Verallia) held up well throughout the year. The operating margin declined, both in France and in other Western European countries, to 5.4% and 5.3%, respectively (versus 6.6% and 6.7%, respectively, in 2011).

North America posted 2.3% organic growth, with a positive contribution from all Business Sectors and especially Construction Products, where the gradual upturn in residential construction and positive trends in sales prices boosted trading. The operating margin continued to advance, up to 11.1% from 10.4% in 2011.

Sales in Asia and emerging countries were virtually stable (down 0.1%) on a like-for-like basis, with the downturn in the Group's Asian markets (particularly in Flat Glass and Pipe) countered by upbeat trading in Latin America. Trading in Eastern Europe retreated slightly, as strong growth in Russia and the Baltics failed to fully offset the slowdown in other Eastern European countries. The operating margin fell sharply, chiefly reflecting tough trading conditions for Flat Glass, and came out at 6.8% of sales versus 10.2% of sales in 2011.

Consolidated results

Sales climbed 2.6% to €43,198 million, versus €42,116 million in 2011. The currency impact was a positive 1.8%, primarily reflecting gains in the US dollar and pound sterling against the euro. Changes in Group structure also had a positive impact of 2.7%, resulting mainly from the acquisitions of Build Center and Brossette (Building Distribution) and Solar Gard (High-Performance Materials), along with bolt-on acquisitions carried out by Construction Products (CP) in Asia and emerging countries and on energy efficiency markets in Europe.

Like-for-like, sales slipped 1.9%, with the 1.7% increase in sales prices failing to fully offset the 3.6% downturn in volumes.

Operating income shrunk by 16.3%, as a result of both a decline in sales volumes and a sharply negative cost/price spread in Flat Glass, to come in at €2,881 million versus €3,441 million one year earlier. The operating margin was 6.7% (8.5% excluding Building Distribution) compared to 8.2% (10.9% excluding Building Distribution) in 2011.

EBITDA (operating income + operating depreciation and amortization) fell 10.5%. The consolidated EBITDA margin came in at 10.3% of sales (13.7% excluding Building Distribution), versus 11.8% of sales (16.0% excluding Building Distribution) in 2011.

Non-operating costs rose by 28.4%, due to the rise in restructuring costs aimed at addressing the deteriorating economic climate in Europe. The accrual to the provision for asbestos-related litigation in the United States was the same as in 2011, at €90 million (see "Update on asbestos claims in the US" on page 51).

The net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees totaled €-390 million. This amount includes €436 million in asset write-downs and €60 million in capital gains on disposals. Asset write-downs include €310 million taken against property, plant and equipment relating to solar businesses (restructuring plans and site closures), with the remainder relating primarily to cost-cutting programs put in place in certain Building Distribution and Construction Products businesses in Southern Europe.

Business income fell 25.0% to €1,984 million, as a result of asset write-downs and the strong increase in non-operating costs (see above).

Net financial expense advanced €86 million (up 13.5%) to €724 million, chiefly reflecting the rise in average net debt over 2012 as a whole. The average cost of gross debt at December 31 fell slightly, to 4.7% from 4.8% in 2011.

In line with the 36.9% decline in pre-tax income, income tax expense was 27.4% lower, falling to €476 million from €656 million one year earlier. Due mainly to the rise in the income contribution from the United States (with an income tax rate of 39%), the tax rate on recurring net income rose to 34% from 29% in 2011.

Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) amounted to €1,126 million, a 35.1% fall on 2011. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2012 (526,434,577 shares versus 526,205,696 shares at December 31, 2011), recurring earnings per share came out at €2.14, down 35.2% on 2011 (€3.30).

Net income came in at €766 million, a decline of 40.3% year-on-year. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2012 (526,434,577 shares versus 526,205,696 shares at December 31, 2011), earnings per share came out at €1.46, down 40.2% on 2011 (€2.44).

Demonstrating the Group's strict financial discipline amid a slowing economy, capital expenditure was down 8.4% or €163 million over the year, after a fall of 21.3% or €276 million, in the second half. Capital expenditure totaled €1,773 million over the year as a whole, or 4.1% of sales, compared to 4.6% in 2011. Almost half of this amount relates to growth capex, earmarked almost entirely for Asia and fast-growing countries.

Cash flow from operations came in at €2,791 million, 18.4% lower than in 2011. Before the tax impact of capital gains and losses on disposals and asset write-downs, cash flow from operations fell 20.3% to €2,668 million, from €3,349 million in 2011.

Following the 25.0% fall in business income and despite the tight rein on capital expenditure:

- free cash flow (cash flow from operations less capital expenditure) fell 31.4%, to €1,018 million. Before the tax impact of capital gains and losses on disposals and asset write-downs, free cash flow stood at €895 million, down 36.7% on 2011 (€1,413 million), representing 2.1% of sales (versus 3.4% in 2011);

- the difference between EBITDA and capital expenditure was €2,658 million, versus €3,016 million in 2011, representing 6.2% of sales (7.2% in 2011).

Operating working capital requirements (WCR) improved sharply amid a slowdown in trading, falling 5 days to 29 days' sales at December 31, 2012, a record low for the Group. This performance represents a gain of €555 million.

Investments in securities came in at €354 million, almost half the figure for 2011 (€702 million), reflecting the priority given to cash generation. Investments in securities relate chiefly to acquisitions focused on the Group's key growth drivers, namely Asia and fast-growing countries, energy efficiency, and consolidation in the Construction Products and Building Distribution businesses (in particular, with the purchase of Brossette on April 1, 2012).

Net debt rose 4.9%, or €395 million, to €8.5 billion at December 31, 2012. Net debt represents 47% of consolidated equity versus 44% one year earlier. The net debt to EBITDA ratio came out at 1.92, slightly above the end-2011 figure (1.63). Based on the proforma financial statements at December 31, 2012 (following the sale of Verallia North America), the Group's net debt falls to €7.5 billion, giving a net debt to equity ratio of 41% and a net debt to EBITDA ratio of 1.77.

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in 2012, stable compared with 2011. At the same time, 9,000 claims were settled (versus 8,000 in 2011), and 4,000 claims were transferred to inactive dockets. As a result, the total number of outstanding claims at December 31, 2012 felly sharply, to 43,000 from 52,000 at December 31, 2011.

A total of $67 million in indemnity payments were made in the 12 months to December 31, 2012, down sharply compared to 2011 ($82 million).

In light of these trends, and particularly the decrease in indemnity payments and €90 million provision accrual in 2012 (see page 50), the total provision for CertainTeed's asbestos-related claims amounted to around $550 million at December 31, 2012, compared to $504 million at December 31, 2011.

Action plan to address the deteriorating economic climate

The Group once again showed its extensive capacity to adapt to the deterioration in the economic climate as from the second quarter in Western Europe and in Flat Glass as a whole. It also showed steely financial discipline while pursuing its strategic goals, by:

- continuing to give priority to sales prices, which rose 1.7% over the year (2.0% excluding Flat Glass), and helped to contain the impact of rising raw material and energy costs;
- rolling out new cost-cutting measures representing savings of €520 million over the year as a whole (including €110 million in Flat Glass). The cost-cutting program primarily focused on Western Europe, Asia and fast-growing countries (for Flat Glass and Pipe in particular) will be continued and extended in 2013, bringing its full-year impact (in 2013) to €1,100 million (calculated on the 2011 cost base) – including €240 million in Flat Glass – instead of the €750 million initially forecast;
- substantially reducing operating working capital requirements (WCR), with a gain of 5 days (€555 million) over the year as a whole, representing a rise of €613 million (73.2%) in cash generated (free cash flow[1] + change in operating WCR) to reach €1,450 million;
- controlling capital expenditure and financial investments (down 19% on 2011), particularly in the second half (down 39% on second-half 2011). Focusing primarily on strategic growth drivers, namely Asia and fast-growing countries, energy efficiency and energy markets, and consolidation of the Group's strengths in Construction Products and Building Distribution;
- entering a new phase in its strategy of refocusing on its habitat business, with the signature of an agreement concerning the sale of Verallia North America at a very good price (USD 1.7 billion,or 6.5 x EBITDA). This transaction also enables the Group to reinforce its balance sheet and consolidate its financial strength. Accordingly, taking into account this disposal and on a pro forma basis at December 31, 2012:
  - the gearing ratio (net debt to equity) falls from 47% to 41%,
  - the net debt to EBITDA ratio falls from 1.92 to 1.77;
- increasing its R&D expenditure by 11.1% to €479 million.

(1) Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

Capital expenditure and financial investments

Capital expenditure (excluding finance leases)

(in € millions)	2012	2011	2010
By Sector and Activity			
Innovative Materials – Flat Glass	459	682	413
Innovative Materials – High-Performance Materials	236	198	149
Construction Products	535	553	422
Interior Solutions	339	330	194
Exterior Solutions	196	223	228
Building Distribution	233	210	187
Packaging	282	267	261
Other	28	26	18
GROUP TOTAL	**1,773**	**1,936**	**1,450**
By geographic area			
France	300	313	290
Other Western European countries	435	547	427
North America	314	295	201
Fast-growing countries and Asia	724	781	532
GROUP TOTAL	**1,773**	**1,936**	**1,450**

Financial investments

(in € millions)	Investment	Estimated full-year net sales
2012 acquisitions		
Innovative Materials – Flat Glass	82	NA*
Innovative Materials – High-Performance Materials	18	7
Construction Products	54	143
Building Distribution	200	775
Packaging	0	
Holding companies	0	
TOTAL ACQUISITIONS	**354**	**925**
of which in fast-growing markets and Asia-Pacific	*39*	

* In start-up phase.

2011 Acquisitions		
Innovative Materials - Flat Glass	122	46
Innovative Materials – High-Performance Materials	168*	131
Construction Products	139	119
Building Distribution	266	455
Packaging	6	7
Holding companies	1	
TOTAL ACQUISITIONS	**702**	**758**
of which in fast-growing markets and Asia-Pacific	*292*	

Of which €35 million acquired by the holding companies.

DIVIDENDS

Year	Number of shares with dividend rights	Net dividend per share *(in €)*	Adjusted yield based on year-end share price
2010	524,491,350 shares(a)*	1.15	2.99%
2011	521,209,840 shares(b)*	1.24	4.18%
2012	526,953,077 shares(c)**	1.24	3.8%

Dividends not claimed within five years are time-barred and are paid over to the State.

** The number of shares with dividend rights is determined after deducting shares held in treasury on the dividend payment date.*
*** Estimated at January 31, 2013.*
(a) Based on 530,836,441 shares outstanding (capital stock at December 31, 2010) less 6,345,091 treasury shares held on the dividend payment date.
(b) Based on 535,563,723 shares outstanding (capital stock at December 31, 2011) less 9,540,000 shares cancelled on May 31, 2012 and 4,813,883 treasury shares held on the dividend payment date.
(c) Based on 531,125,642 shares (capital stock at December 31, 2012) less 4,172,565 treasury shares held at January 31, 2013.

At its meeting on February 20, 2013, the Board of Directors decided to recommend to the Annual General Meeting on June 6, 2013, that the 2012 dividend should be set at €1.24 to be paid in stock at the election of each shareholder.

For the stock dividend, the Board of Directors of Compagnie de Saint-Gobain will recommend setting the issue price at the average of the opening prices quoted for Compagnie de Saint-Gobain over the 20 trading days preceding the Annual General Meeting on June 6, **less a 10% discount**, and less the net dividend.

RESULTS BY SECTOR

Innovative Materials Sector

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[a]	9,485	9,596	9,283	7,792
Operating income	726	1,130	1,024	370
EBITDA	1,226	1,605	1,506	843
Capital expenditure[c]	695	880	562	456

(a) Sales data by Sector include inter-sector sales.
(c) Excluding finance leases.

Innovative Materials sales contracted by 1.2% over the year on a reported basis, and by 4.4% like-for-like (on a comparable structure and currency basis).
The Sector's operating margin fell to 22% for the year from 25% in 2011.

Innovative Materials Sector – Flat Glass

Contribution to the Group	2012	2011	2010	2009
% of net sales	12%	13%	13%	12%
% of operating income	4%	14%	14%	7%

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[b]	5,130	5,460	5,218	4,572
Operating income	104	478	439	155
EBITDA	437	793	746	444
Capital expenditure[c]	459	684	413	326

(b) Sales data by Activity include inter-activity sales.
(c) Excluding finance leases.

2012 business review

Flat Glass sales were down 6% in 2012, with the financial crisis driving down volumes in most markets and countries, and prices beginning to stabilize in the second half of the year.

Sales of commodity products (float glass) shrank in both volume and price terms in Europe. Two additional float lines were shut down in 2012, bringing the total number of halted lines to four. In Latin America, volumes and prices were stable overall in comparison to 2011. Asia lost ground due to the construction industry crisis in South Korea and the shutdown of the building glass line in China. Emphasis was placed on developing high value-added products.

Building Transformation sales also declined during the year, despite a slightly improved price mix. Several countries, including Poland, did however see an increase in volumes.

Prices in the solar business tumbled due to stiff competition, while volumes were anemic in Europe.

Sekurit saw a smaller decrease in 2012 sales than the construction markets in general. In Europe sales did decline in step with automobile manufacturing, but in Asia they improved significantly in India, China and Thailand. In Latin America, Brazil experienced a temporary softening, while Mexico enjoyed a robust increase fuelled by the United States market.

As a result, Flat Glass operating income was weaker than in 2011, impacted in particular by soaring factor costs. Measures to improve industrial performance and reduce overheads were pursued, particularly in the West, and began to pay off during the year. Capital expenditure and working capital requirement were also contained and reduced to a minimum outside fast-growing countries and the electrochromic glass program.

Outlook for 2013

The general trends observed in 2012 should continue in 2013, with weak growth in the West led by Eastern Europe and more vigorous expansion in fast-growing countries. However, growth is expected to remain below prior year levels.

Purchases – particularly raw materials and energy – remain exposed to inflationary pressure.

The Flat Glass Activity's strategic priorities will remain the same, namely:

- implement cross-functional measures to cut fixed costs in and outside Europe and reduce production costs through the World Class Manufacturing (WCM) program and purchasing action plans;
- raise prices and improve the product mix by developing high value-added products – in particular with the start-up of series production at the electrochromic glass plant – while enhancing their added value;
- continue to keep a tight rein on new investment and working capital requirement.

Research and development spending will remain relatively high, to enable the Flat Glass Activity to consolidate its position at the forefront of innovation, particularly in energy-saving solutions for the habitat and construction markets and the automotive market.

Innovative Materials Sector – High-Performance Materials

Contribution to the Group	2012	2011	2010	2009
% of net sales	10%	10%	10%	9%
% of operating income	22%	19%	19%	10%

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[(b)]	4,376	4,163	4,088	3,240
Operating income	622	652	585	215
EBITDA	789	812	760	399
Capital expenditure[(c)]	236	198	149	130

(b) Sales data by Activity include inter-activity sales.
(c) Excluding finance leases.

2012 business review

High-Performance Materials sales edged down 1.7% like-for-like in 2012. In a difficult, uncertain environment, sales improved for Performance Plastics and Adfors (textile solutions), but decreased slightly for Ceramic Materials and Abrasives.

The Ceramic Materials business experienced mixed market environments in 2012, with swiftly rising demand in the catalyst substrate and proppant segments, and for liquid crystal display (LCD) glass furnaces in the refractories segment, contrasting with tougher conditions in the solar, metallurgy and traditional glass furnace segments.

Abrasives continued to enjoy strong sales in the United States – led in particular by the bonded abrasives and superabrasives segments – and in South America, while holding firm in Europe. Performances were uneven in the Asia-Pacific region, with growth in Japan, South Korea, Thailand and the Philippines and weaker trading in China and Australia. The integration of Abrasivos Argentinos, acquired in late 2011, strengthened Saint-Gobain's production and marketing base in South America.

Performance Plastics continued to grow in all markets and save the Solar segment, particularly in transportation, medical equipment, habitat and construction, lifted by new products and an intense joint-development drive in cooperation with our customers. The acquisition at the end of third-quarter 2011 of Solar Gard, which develops, manufactures and distributes coated films, brought to light a number of synergies with the Flat Glass Activity.

Adfors (formerly Textile Solutions) saw growth in 2012, reaping the full-year effects of European anti-dumping tariffs applied to certain Asian imports and the successful start-up of its glass furnace in the Czech Republic.

The Sector's operating margin was impacted by declining volumes in Abrasives, Grains, Particulate Filters and Refractories, with Adfors and Performance Plastics proving more resilient.

All in all, the combined effect of upbeat prices and ongoing cost and structural adjustments, particularly to reduce overheads, enabled the various Activities within the High-Performance Materials Sector to maintain an operating margin of 14% in a difficult environment.

A conservative approach to acquisitions and capital expenditure was pursued in 2012. Two small acquisitions, concerning Abrasives in China and Performance Plastics in the US medical industry, helped to strengthen positions in these segments. Capital expenditure was higher than in the two previous years, with a series of targeted investments involving Ceramic Materials (specifically proppants and crystals) in the United States, Performance Plastics and Abrasives in China, and Ceramic Materials and Abrasives in India.

Outlook for 2013

In 2013, the High-Performance Materials Activity will focus on consolidating its market shares in a still uncertain environment in mature markets and on implementing growth initiatives in fast-growing markets, while pursuing the cost control practices adopted during the crisis.

The Activity has a strong presence in growth regions and fast-growing countries, such as India, China and South America. Its operations in Western Europe will continue to feel the effects of the debt crisis and the softening of the automotive, steel and other industrial markets.

Inflation should be weaker than in 2012, but energy prices will continue to rise, by more than 15% in some countries. Wherever possible, increases in raw material and energy costs will be passed on in the Activity's sales prices.

In this context, Operational excellence programs (World Class Manufacturing and Impact 300 Purchasing) and structural cost controlling will be pursued in 2013.

Capital expenditure will be carefully managed, while the necessary programs will be implemented to prepare the future. New investment in mature regions will be directed towards manufacturing base upgrades and markets experiencing solid expansion, particularly the US energy market (proppants).

All businesses will strenghten their positions in fast-growing markets, led by the Ceramic Materials and Abrasives businesses in India and China.

Construction Products Sector

Contribution to the Group	2012	2011	2010	2009
% of net sales	27%	27%	27%	28%
% of operating income	34%	32%	34%	44%

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[(a)]	11,709	11,426	10,940	10,414
Operating income	974	1,087	1,064	985
EBITDA	1,481	1,590	1,584	1,494
Capital expenditure[(c)]	535	554	422	364

(a) Sales data by Sector include inter-sector sales.
(c) Excluding finance leases.

2012 business review

In 2012, Construction Products sales showed a slight decrease of 1.3% at constant exchange rates. Faced with tough markets in Europe, particularly in the Mediterranean and Central European countries, the Sector leveraged its product quality and innovation strategy to raise prices, thereby offsetting the effect of inflation on its costs. The North American building industry showed some very encouraging signs that allowed some of the Sector's Activities to significantly increase their prices, while also boosting volumes. In fast-growing markets, the Sector leveraged its assertive strategy and its capital expenditure program to significantly raise volumes and prices, particularly in Brazil, Southeast Asia, Russia, Turkey and the Middle East. In China, financing difficulties and the slowing construction market put a damper on the various businesses despite improved cost discipline and industrial efficiency.

In an impaired economic environment, factor costs posed a major challenge to the different Activities. Cost increases were smaller than expected in raw materials and energy, and the Sector maintained its margin at a high level. Operational excellence programs and projects to streamline the manufacturing base helped lessen the impact of falling production volumes in Western Europe and China.

In line with the Sector's development and excellence targets, capital expenditure was sustained at 2011 levels. The main projects were designed to foster growth in fast-growing countries and to maintain and improve Western Europe's manufacturing base. Supporting this development strategy, cash management remained a priority objective for the Sector, which achieved significantly higher net cash from operations than in 2011.

Outlook for 2013

2013 should be shaped by uncertainty concerning the economic situation in Europe and government spending in China, as well as by the upturn in the North American construction market. In this environment, productivity gains and price increases will be pursued – particularly in countries where projected growth rates are modest – and priority focus will remain on expanding in fast-growing countries and strengthening positions in North America on the back of the positive signs observed in 2012.

The Sector will stay on the look-out for acquisition opportunities, while also keeping a tight rein on overheads and debt. Commitments to innovation will be maintained, in connection with energy-saving and sustainable development objectives.

Interior solutions

Gypsum

2012 business review

2012 was a mixed year for the Gypsum Activity, which saw stable sales despite the worsening crisis in Europe. Growth in fast-growing countries and in the United States led to overall sales expansion of 3% at constant exchange rates. Price discipline, in an environment of heightened competitive pressure, was the primary contributor to the improvement. In addition, innovation expenditure was sustained and helped shift the product and services offering upmarket.

In Western Europe, the Mediterranean countries and Ireland remained mired in recession. The downturn continued on the Iberian Peninsula, while the crisis intensified in Greece and Italy. The year got off to a promising start in Northern Europe but subsequently lost momentum. Trading in the United Kingdom showed remarkable resilience in an unfavorable market, while volumes in France were held back by the construction market crisis. The European market's decline revived competitive pressure, fuelled primarily by certain manufacturers seeking to improve capacity utilization at their new plants. The Activity's average prices climbed nevertheless, mainly due to initiatives to develop high value-added lineups that fed into a large number of new product launches.

In Eastern Europe, despite stark contrasts between them, all countries were exposed to tough price pressure. Sales advanced in Poland, Bulgaria and Romania, but difficulties faced by the other countries led to a stable sales performance for the region as a whole.

A considerable improvement was achieved in the United States, mainly attributable to significantly higher prices and, as from the second half, an increase in sales volumes that reflected the homebuilding market's comeback. The start-up of a new plant in Roxboro, North Carolina was well timed to leverage the recovery.

Markets in fast-growing countries remained buoyant, particularly in Asia and Latin America. Another challenging year was experienced in South Africa, while political instability hindered growth in Egypt.

Mainly present in Europe and North America, the Ceiling business enjoyed further growth in sales during the year and also maintained a good level of profitability.

Operational excellence campaigns were pursued throughout the year, notably in manufacturing through the World Class Manufacturing (WCM) program to improve production processes and reduce waste. In addition, initiatives were pursued to cut costs and to align capacity with demand in the most vulnerable countries.

Outlook for 2013

In 2013, the anticipated decline in volumes should be offset by a more favorable shift in prices and product mix as a direct result of the Activity's innovation strategy. At the same time, structural and production capacity adjustments will be made to adapt the organization to the changing demand landscape.

However, barring global contagion from the European debt crisis, the Gypsum Activity is expected to reap the benefits of its growth drivers in the United States and fast-growing countries. The construction market should continue to recover in the United States, lifting both volumes and prices. Fast-growing countries will enjoy positive momentum in their respective economies, with Gypsum solutions and products gaining a larger market share.

In this uncertain environment, the Gypsum Activity will continue to focus on efficiently managing prices, containing costs and pursuing initiatives to move up the price curve and broaden the product offering. The innovation drive will be stepped up in order to develop products that respond more effectively to the growing needs arising from new environmental, energy efficiency and comfort standards in the habitat and construction market. Expansion will be pursued in fast-growing markets, primarily through capacity-boosting capital expenditure, which will enable the Activity to meet increasing demand in the regions concerned and enter new markets where its presence is currently limited. For example, the first plasterboard plant in Russia and the third in China will be brought on stream in 2013.

Insulation

2012 business review

2012 was shaped by a degree of recovery in the North American construction market and by declining revenues in Western Europe, where construction markets slowed down and tighter government budget policies created a "wait-and-see" atmosphere.

The Insulation Activity continued on its growth trajectory in Eastern Europe, led by a robust improvement in Russia, while making substantial revenue gains in Latin America and Turkey. All in all, the Activity's like-for-like sales were on a par with 2011.

In Western Europe, trading weakened in the second and third quarters. This was in spite of sustained first-quarter growth, particularly in the Nordic countries and in France, attributable to new thermal regulations (RT 2012 in France) and building developments underway since 2011. Although business picked up in the fourth quarter, a contraction in demand was plainly observed over the full year in most countries in the region, including Spain, Italy, the United Kingdom (where the CERT insulation subsidy program came to an end) and the Netherlands. In certain cases, the decrease was offset by an enhanced product mix. France, for instance, saw growth in sales of products designed in compliance with "Grenelle de d'Environnement" sustainable development standards. In manufacturing, two major furnace relining projects were undertaken in Orange, France and Ladenburg, Germany.

Organic growth was more robust in Eastern Europe as a whole. The improvement in sales was chiefly led by a satisfactory performance in Russia, where 2012 was also defined by two major developments: (i) the Activity strengthened its presence in stone wool applications, with the integration of Linerock during the year following its July 2011 acquisition; (ii) Saint-Gobain raised its interest in Isoroc in September 2012, creating with it a joint venture dedicated to selling insulation solutions for industrial and technical applications. More challenging conditions were faced in the other Eastern European countries, with a slowdown of trading in Poland and the Czech Republic, and a generally difficult situation continuing to affect Romania.

As in 2010 and 2011, particular attention was given to closely managing sales prices in Europe. While this paid off, it was not enough to fully offset the effects of commodity and energy cost inflation.

In the United States, the construction markets showed initial signs of recovery and the Canadian market continued to prove more dynamic. Price management remained a priority in the interest of improving the Activity's margins. 2012 was the first year in which the manufacturing base operated at reduced capacity.

With the exception of Brazil, which had to face a tougher competitive landscape and more moderate growth in some of its markets, robust expansion continued in the fast-growing countries of Latin America, helped by a healthy level of exports.

Revenue growth in Asia was driven by Japan. Sales were down sharply in China and to a greater extent in South Korea, reflecting the slowing of China's construction market and the crisis that hit South Korea's construction market in 2012.

The Insulation Activity stepped up its initiatives to reduce costs and adjust production capacity in certain countries as necessary. The World Class Manufacturing (WCM) cost reduction program was deployed as part of this process and will be strengthened in 2013.

Outlook for 2013

2013 is expected to be a year of contrasts. The insulation markets will expand in the United States, Japan, Russia and Turkey, as well as in fast-growing markets and Latin America. The sales outlook in Europe is less certain in light of recent construction market trends, despite the positive impact of new regulations.

In this environment, in 2013 the Insulation Activity will continue to focus on efficiently managing prices to offset inflation, containing costs – supported by a stepped-up WCM program – and pursuing a leadership strategy supported by the roll-out of the Isover Inside program. Campaigns will be led to enhance and extend the product portfolio, helped in particular by the recent acquisition of Celotex, a leading UK manufacturer of high-performance insulating foam.

Measures to adjust production capacity will be taken in countries where this proves necessary. Research and Development spending will be maintained, notably to renew and broader the offering. Ongoing work concerns the comfort range of glass wool products, blown glass wool and thin insulation solutions as well as green binding agents and industrial process optimization.

Exterior solutions

Exterior Products

2012 business review

2012 was a better year for the construction market and the US economy in general. Estimated at more than 750,000, building starts were up dramatically on 2011, reaching their highest level since 2008. The increase was accompanied by favorable trends in housing prices, demand for newbuilds and interest rate levels. The number of foreclosures was at its lowest point in five years, due to US government measures and bank policies aimed at reducing household default rates. The positive effects of job creation in the private sector during the latter months of the year were partly cancelled out by job losses in the public sector caused by budget cuts.

Nevertheless, uncertainty regarding fiscal policy and government spending was still palpable after the presidential elections.

Echoing the general trend, the Exterior Products Activity had a good year compared to initial estimates. Favorable weather early in the year led to a sharp rise in demand, which softened subsequently as distributors sought to adjust their inventories. In some regions, measures were taken to adjust capacity to fading demand, with for example the closure of the siding plant in Joplin, Missouri.

As a result, sales and operating income targets were reached despite higher-than-anticipated factor costs.

Outlook for 2013

The construction market is expected to pick up in 2013, with an increase in building starts.

The 2013 outlook is positive for all Exterior Products businesses. In Roofing Solutions, sales volumes should grow in step with the construction market's recovery. In Sidings, as well as in Piping and Foundation Products, volumes are expected to rise in line with the market's expansion.

Pipe

2012 business review

2012 was a difficult year for the Pipe Activity, despite its resilience in the 2009 crisis, 2010 and, to a lesser extent, 2011. With the exception of Brazil, sales were down in all the main markets.

Hopes of moderate growth in Europe were dashed by a further deterioration mainly in South Europe. Adding to the impact of budget cuts and a restricted lending environment, Pipe customers became increasingly vulnerable. Conditions were still highly varied between countries. In France, the Activity was able to limit the decline in sales after a strong 2011, while tapping growing demand for Blutop® pipes. In the United Kingdom, the Municipal Castings and Construction Systems businesses performed well in both volume and price terms. Despite new product offers, earnings in Germany were weaker than expected due to a persistently low level of public spending. Satisfactory earnings were reported in the other Northern European countries, namely Belgium, Finland, Norway and Sweden. In Southern Europe, Italian sales were maintained at an appropriate level thanks to major projects, while the impact of a further drop in Spain's sales on Saint-Gobain PAM España's earnings was limited by exceptional cost-cutting measures. In Eastern Europe, exports to the Balkans helped to partly offset stallingsales in Poland.

Overall sales to large export markets continued to be held back by political unrest in Arab countries, with the most stable governments now placing priority on social rather than capital spending. Demand was still strong, with many potential contracts on the horizon. Large volumes of small orders partly made up for the lack of major projects.

Momentum continued to build in Brazil as sales rose rapidly over the year, supported by the strategy to diversify into industry and distribution. Higher import duties were introduced at the end of the year, which will boost the domestic market.

In China, the year was marked by difficult economic conditions, with a drop in public infrastructure spending and a general shortage of financing. The Activity's earnings were improved in the second half of the year by placing priority focus on pipe sales prices and major cost reduction plans.

From an operational standpoint, the Pipe Activity once again demonstrated its strengths, namely:

- sales & marketing excellence, with improved price/cost spread in sluggish markets and diversification campaigns to boost sale;
- innovation capacity and technological leadership, with new offerings accounting for nearly 30% of global sales;
- manufacturing excellence, with an ability to adapt plants to lower outputs while also achieving a high level of industrial efficiency;
- cost control, with a reduction in overheads achieved without loss of team expertise, motivation or efficiency;
- cash flow management, in a more difficult economic and financial environment.

Outlook for 2013

In Europe, the Pipe markets will remain at near-2012 levels. The Activity is expected to feel the benefits of non-European exports, improved margins in China and a still buoyant market in Brazil.

In sales and marketing, the priority will be to maintain the price/cost spread in an environment shaped by commodity price volatility, while carrying out innovation-led growth initiatives.

In manufacturing, further cost savings and production cost reductions in Europe will remain the focus.

Industrial Mortars

2012 business review

Due to the unfavorable economic situation across Western Europe, revenue for the region was down on 2011. Nevertheless, the increase in sales prices was stronger than last year.

In Eastern Europe, sales decreased slightly as a result of adverse economic conditions in many countries in the region, while sales prices held firm during the year.

Sales growth was once again particularly strong in Latin America. The Activity continued to expand significantly in Asia, the Middle East and Turkey, enjoying an uptrend in both volumes and sales prices.

Expanded Clay Pellet sales decreased in 2012 due to the Division's relatively high level of dependence on Western European markets. Also affected by tough economic conditions in Europe, the Equipment Division's sales lost ground in 2012. However, revenue in emerging markets improved significantly compared with 2011.

While overall capital spending was scaled back in 2012, fast-growing countries such as Brazil, Russia and Thailand continued to be an investment priority.

Outlook for 2013

Due to the current crisis in Europe, volumes are expected to continue falling in 2013 in Western Europe and in certain Eastern European countries, but by lesser amounts than in 2012. The decrease should be mostly offset by volume growth forecast for fast-growing markets, with unit sales expected to continue rising significantly in Asia, the Middle East and Latin America.

2013 will be shaped by a slightly smaller increase in sales prices than 2012, particularly in Europe. However, the rise in raw material costs will be much less substantial.

The Industrial Mortars Activity will continue to invest in fast-growing markets to support the business's expansion in these geographies. In 2013, they will account for over half of the Activity's capital expenditure budget.

Building Distribution Sector

Contribution to the Group	2012	2011	2010	2009
% of net sales	45%	44%	43%	45%
% of operating income	26%	22%	19%	19%

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[a]	19,233	18,492	17,326	17,101
Operating income	761	768	578	412
EBITDA	1,035	1,040	851	698
Capital expenditure[c]	233	210	187	155

(a) Sales data by Sector include inter-sector sales.
(c) Excluding finance leases.

2012 business review

In 2012, the Building Distribution Sector's sales rose 4% to €19.2 billion. This performance reflected not only the resilience of the Sector's main businesses, but also the successful integration of Brossette and Build Center in France and the United Kingdom following their acquisition from UK-based Wolseley announced in July 2011.

In terms of organic growth, sales for the year were down 2%[1], reflecting a downward trend that picked up speed in April 2012 across Europe despite a temporary improvement in 2011 when the Sector broke with three consecutive years of declining business with organic sales growth of 5.5%[1].

By geography, performances were very mixed, as in 2011. Sales of solutions designed for building professionals were solid in France, Germany and the Nordic countries, but sales reached a low point in Southern Europe, Eastern Europe and the Netherlands, marked by structurally depressed markets.

In France, where the Sector generates somewhat less than half of its business, overall growth came in at 4.9% for 2012. Market share gains[2] achieved in 2012 in both large structural works and specialized formats helped offset the decline in the market as a whole. This was the case in particular for the Point.P generalist builders' merchants, while La Plateforme du Bâtiment and the specialist brands confirmed the solid growth achieved in 2010 and 2011.

Also in France, the Brossette network was integrated into the Plumbing and Heating business in 2012, enabling Point.P to double its size in this segment, with a total of 2,577 employees and 349 branches added to its network as from April 2012.

In the United Kingdom, growth in sales was supported by the integration of Build Center as from November 2011.

All of the Sector's UK teams were mobilized to ensure the successful, diligent integration of Build Center into the Jewson generalist network. Completed at the end of September, the integration process involved 126 branches and 1,337 employees.

Germany enjoyed a more favorable economic environment, with sales reaching a record high in 2012 due to further market share gains, even as growth in newbuilds leveled off.

In contrast, the Netherlands hit a low point in 2012 after experiencing a lull in 2011. The construction market was particularly badly hit and sales dropped significantly as a result.

Despite the lagging Swedish and Danish markets, the Nordic countries reported record sales in 2012, leveraging as they did in 2011 the plan to give new impetus to the generalist brands and the development of new marketing concepts, as well as substantial market share gains. Performances were robust in Norway, Finland and the Baltic countries, while the business revitalization initiative continued in Denmark in a still lackluster construction market. In Switzerland, Sanitas Troesch had a good year even though its flagship business slowed to a certain degree.

In Eastern Europe, sales continued to drop in 2012 after stabilizing in 2011 to hit a record low in a still significantly shrinking building materials market, particularly in Hungary and, to a lesser extent, in the Czech Republic. However, despite the adverse macroeconomic environment, Hungary achieved noticeable market share gains. Poland continued to implement its marketing and organizational restructuring plan.

In Spain, the Sector continued to face a very challenging economic environment, although specialist merchants were less affected than general builders' merchants.

Outside Europe, Telhanorte in Brazil and Barugel Azulay in Argentina reported sharp rises in sales.

In North America, benefiting from a slight uptick in US construction and the thorough revision of its sales offering, Norandex recovered during the year to deliver significant growth on a comparable structure basis. Meyer Decorative Surfaces, a sales format aimed more at interior solutions customers, achieved double-digit organic growth.

Contributions from acquisitions in 2012 mainly included 10 months of revenues from Build Center (consolidated since November 2011) in the United Kingdom and nine months of revenues from Brossette at Point.P (consolidated since April 2012) in France, and represented a total positive impact on 2012 sales of €898 million. As a result of these acquisitions, 360 new outlets were integrated into the network during the year.

(1) On a comparable structure and currency basis.
(2) Source: www.iplusc.com

In the household consumer segment, Lapeyre had a more difficult year, due chiefly to a contraction in sales caused by hesitancy among end consumers.

In this environment, the Sector's operating income was virtually stable overall compared to 2011. However, as a percentage of sales, it was down by nearly 0.2 point to 4%. This performance was largely obtained, despite shrinking volumes, thanks to a slight improvement in gross margin and strict cost discipline resulting from initiatives taken in the second quarter of 2008 and stepped up since 2009.

Outlook for 2013

After weathering a generally lackluster year in 2012, the Sector is expecting to face a difficult macro-economic environment in 2013, with volumes down in the market. Operational priorities will still be to increase market share through commercial initiatives, improve gross margin, tighten cost control and enhance purchasing and cash management. The year will also be devoted to deploying organization-enhancing IT and logistics projects while also optimizing the integration of Build Center and Brossette.

Packaging Sector

Contribution to the Group	2012	2011	2010	2009
% of net sales	9%	9%	9%	9%
% of operating income	14%	13%	14%	20%

Key Consolidated Figures

(in € millions)	2012	2011	2010	2009
Net sales[a]	3,792	3,628	3,553	3,445
Operating income	414	448	434	437
EBITDA	657	685	669	657
Capital expenditure[c]	282	267	261	259

(a) Sales data by Sector include inter-sector sales.
(c) Excluding finance leases

2012 business review

In 2012, Verallia's sales advanced 3.5% like-for-like. In a difficult macro-economic climate, volumes grew by 0.4%, mainly due to healthy sales in the United States and Latin America. In keeping with prior-year trends, the increase in sales prices was significant but not sufficient to offset rising raw material and energy costs in Europe and Latin America.

In Western Europe, volumes were heavily impacted by the downturn in domestic markets, but were resilient in end products for export markets, despite a particularly unfavorable macro-economic situation on the Iberian Peninsula and in Italy.

The region's flat volumes and resulting overcapacities put pressure on prices. Overall earnings were nevertheless lifted by good performances in France, particularly in wines and cognac. However, the year was challenging for Eastern Europe, where Verallia's sales were hampered by waning consumption of strong spirits in a context of increasingly strict regulations and still aggressive, volatile competition. Good trading in the United States was mainly attributable to dynamic sales in the Wines segment and performances achieved in the Beer segment, with the successful launch of Bud Platinum blue bottles and the rising popularity of craft beers. Lastly, sales in Latin America were fuelled by domestic demand in Brazil and strong performances in Argentina's wine industry.

Dedicated to partnering customers continuously as they develop their businesses, Verallia inaugurated its thirteenth design laboratory in 2012, devoted to its upscale Selective Line brand. With thirteen products awarded innovation prizes in 2012, Verallia once again demonstrated its ability to create differentiating, value-enhancing products for brands and services adapted to its customers' needs. In addition, the business continued to roll out its range of EcoVa eco-designed bottles, successfully launching the lineup in Germany in 2012 and stepping up its development in all other markets.

In a continuation of the prior-year trend, 2012 saw a strong rise in factor costs, mainly for energy and raw materials, that could not be fully passed on in sales prices due to the time lag before contractual indexation clauses apply and to competitive pressure caused by flat volumes in certain regions.

Operating income was down on the previous year at €414 million, representing 10.9% of sales versus 12.3% in 2011. The decline was mainly due to significantly higher factor costs and difficulties to raise prices in a depressed macro-economic environment in Southern Europe, with the related repercussions on domestic demand for the Activity's end products.

Capital expenditure was slightly higher than in 2011, and continued to target furnace relining as well as plant maintenance and improvement programs both in fast-growing and mature markets. For example, Verallia celebrated the relining of its furnace in Montblanc, Spain in 2012. A disciplined approach was applied to capital projects in order to optimize cash flow management, enabling Verallia to maintain a satisfactory EBITDA/Capex ratio in a particularly difficult macroeconomic environment, albeit lower than in 2011.

Verallia inaugurated a third glass furnace at its plant in Mendoza, Argentina, allowing it to meet demand in a booming local wine industry with particularly strong exports.

Lastly, Verallia pursued its initiatives to reduce the environmental footprint of its activities and raised standards at its facilities, notably in the United States, where two plants were certified ISO 14001-compliant and three were granted the "Energy Star" label by the Environmental Protection Agency (EPA). Its long-term sustainable development drive was stepped up in all host countries, focusing on four main areas: glass recycling, optimized energy consumption and increased reliance on non-fossil fuels, lower CO_2 emissions and reduced water use.

Overall, in a particularly adverse macro-economic environment, notably in Europe, Verallia's results were down on 2011. However, with a high operating margin of 10.9% and cash flow generation of €374 million (corresponding to EBITDA – Capex), the Activity demonstrated resilience in a period of crisis.

Outlook for 2013

Verallia's 2013 performance should be helped by the potential to pass on cost increases to customers, recovery in Eastern Europe and more stable conditions in Southern Europe.

Leveraging its glass expertise and innovation capabilities, Verallia will continue to work alongside its customers in 2013 to develop products aligned with changing market needs, while at the same time placing sustainable development at the heart of its strategy.

An initial step was taken by Saint-Gobain in January 2013 to withdraw from the Packaging industry. Saint-Gobain accepted Ardagh's offer to purchase Verallia North America for an enterprise value of $1,694 million (roughly €1,275 million), representing 6.5 x 2012 EBIDTA (around $261 million). The transaction will be subject to authorization by the United States anti-trust authorities.

OUTLOOK AND OBJECTIVES FOR 2013

After a difficult year in 2012 marked by the sharp decline in the Flat Glass markets and the slowdown in European economies, the outlook for 2013 appears very uncertain for the time being. However, the year should see an ongoing economic recovery in North and South America and Asia, although significant uncertainties will remain in Europe.

Against this backdrop, the Group expects the following trends in its main markets:

- **In North America**, the gradual upturn in the residential new-build and renovation markets should continue, while industrial output should remain at a good level.
- **In Asia and fast-growing countries**, trading overall should get back into positive territory, although trends are likely to differ widely from one country to the next, with moderate growth in Brazil and China, a slowdown in India and stability in Eastern Europe.
- **In Western Europe**, industrial markets and particularly automotive, should continue to contract, while construction market trends remain very uncertain for the time being. Regulatory measures promoting energy efficiency in new and existing buildings should shore up demand, however, and allow the Group to outperform its underlying markets.
- Lastly, **household consumption markets** should hold firm overall.

In the face of persistently unsettled markets, in 2013 **Saint-Gobain will continue to demonstrate its extensive capacity to adapt to changes in its markets**, by **swiftly implementing the necessary adjustments** in countries and/or businesses where trading continues to suffer (in particular Flat Glass and Southern Europe), but also by **continuing to pursue its strategic goals**, namely development in high-growth countries and on energy efficiency and energy markets, and consolidation in Building Distribution and Construction Products. Profitability will be a constant focus, underpinned by strict financial discipline.

Its action priorities will be to continue:

- **increasing sales prices**, with the aim of passing on the rise in raw material and energy costs;
- **stepping up its cost-cutting measures** in order to achieve savings of **€1,100 million** in 2013 (calculated on the 2011 cost base);
- keeping a **close watch** on cash management and **financial strength**;
- continuing to **pursue its strategic goals**, through a selective investment policy (capex and financial investments);
- pursuing its **R&D efforts**.

FOR 2013, THE GROUP IS THEREFORE ANTICIPATING:

- **its operating income to recover in the second half**, after having bottomed out between mid-2012 and mid-2013;
- **a high level of free cash flow**, namely as a result of a €200 million reduction in capital expenditure;
- **a robust balance sheet, strengthened by the disposal of Verallia North America**.

Given the deterioration in the global (and particularly European) economic environment in 2012 and the high degree of uncertainty weighing on the short-term macro-economic outlook, the Group's 2015 financial targets set in 2010 are unlikely to be met at this date. However, aside from the current lack of visibility, the Group is firmly pursuing its strategy, underpinned by **two growth drivers: high value-added products** for **mature** markets in the environment and energy efficiency sectors, and the **growth of habitat markets in Asia and emerging countries**.

In the second half of 2013, the Group will present its outlook for the mid to long-term taking into account the economic environment.

The Group will also maintain **strict financial discipline**, by continuing to apply stringent financial criteria (to capital expenditure, disposals and acquisitions, and restructuring operations) and by pursuing its **shareholder-focused** policy defined in 2010 (dividend to remain stable or to increase from one year to the next, and to be paid as soon as possible in cash and the number of shares comprising the share capital gradually stabilizing, at a level close to today's figure of around 530 million shares).

SHARE INFORMATION

Compagnie de Saint-Gobain shares are traded on the NYSE Euronext Paris market (ISIN FR 0000 125007). As of December 31, 2012, the Company represented the twenty-first largest market capitalization, at €17,111 million, and the seventeenth most actively traded stock on this market, with an average daily trading volume of 2,322,992 shares during the year. Saint-Gobain shares are also traded on the Frankfurt, London and Zurich stock markets (since 1987) and on the markets in Amsterdam and Brussels (since 1988). Trading volumes on these markets were also high in 2012, particularly on the London Stock Exchange.

Compagnie de Saint-Gobain is included in the DJ Euro Stoxx 50 index and the Global Dow, a 150-stock index of the most innovative, vibrant and influential corporations from around the world.

It is also included in the STOXX® Global ESG Leaders, Vigeo Europe 120, Vigeo France 20, Aspi Eurozone and FTSE4Good sustainable development indices and has been selected to be part of the Ethibel Excellence Register.

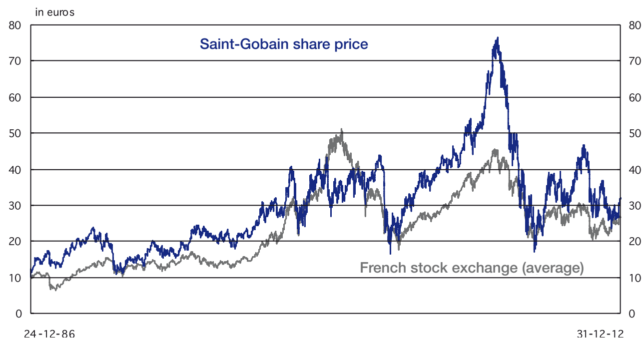
In addition, Saint-Gobain equity options are traded on the options markets in Paris (Monep) and London (Liffe), with Monep trading volume representing 604,671 contracts in 2012 versus 815,578 in 2011.

High and low share prices

Year	High	Low	Year-end price
2010	40.540	27.810	38.500
2011	47.640	26.070	29.665
2012	37.625	23.900	32.220

(Source: Nyse Euronext)

Share price[(1)]



Total Shareholder Return

Since the December 1986 privatization: 9.5% per year

Of which: 4.4% price appreciation
5.1% dividend yield
(including the 50% *avoir fiscal* tax credit until 2004)

Calculated as follows:

- IPO price: €10.559[(1)]
- 1987 and 1988 cash dividends
- 1989-1997 stock dividends
- 1998-2008 cash dividends
- 2009 and 2010 stock dividends
- 2011 and 2012 cash dividends
- December 31, 2012 share price: €32.220

Over ten years, from December 31, 2002 to December 31, 2012: 8.8% per year

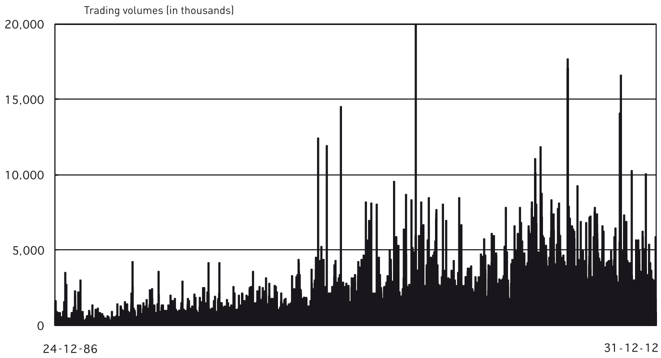
Of which: 2.4% price appreciation
6.4% dividend yield
(including the 50% *avoir fiscal* tax credit until 2004)

(1) Adjusted for the effects of the March 1994 and February 2009 rights issues.

Calculated as follows:
- December 31, 2002 share price: €25.402[1]
- 2003-2008 cash dividends
- 2009 and 2010 stock dividends
- 2011 and 2012 cash dividends
- December 31, 2012 share price: €32.220

Trading volumes (in thousands)[2]

Trading volume adjusted for the 4-for-1 stock-split in June 2002.



(Source: Nyse Euronext)

Trading volume since September 2011

(Source: Nyse Euronext Paris)

Paris Stock Exchange ISIN FR0000125007	Number of shares	Amount €	High €	Low €
2011				
September	71,793,913	2,169,164,471	35.500	26.070
October	60,121,204	1,943,286,788	35.735	26.550
November	60,325,517	1,834,144,215	33.650	26.705
December	49,918,706	1,535,399,973	32.690	27.030
TOTAL	**242,159,340**	**7,481,995,447**		
2012				
January	46,063,339	1,501,733,669	35.795	29.030
February	45,884,374	1,640,945,159	37.625	33.875
March	46,282,768	1,624,247,321	37.390	33.005
April	58,776,836	1,832,062,386	34.240	29.460
May	56,857,636	1,729,729,667	32.785	28.215
June	65,867,490	1,818,960,007	29.570	25.770
July	59,441,913	1,602,346,888	30.300	24.170
August	42,953,683	1,145,279,453	28.785	23.900
September	49,987,611	1,451,311,192	30.560	26.620
October	47,365,943	1,293,226,047	28.625	25.950
November	41,851,235	1,206,081,578	31.110	26.935
December	33,353,007	1,048,293,854	32.785	30.105
TOTAL	**594,685,835**	**17,894,217,221**		
2013				
January	38,883,581	1,231,870,434	33.580	30.030
February	46,624,198	1,423,149,051	32.390	29.200

The London Stock Exchange has not provided details of trading volumes since October 2007.

A total of 665,400 shares were traded on the Frankfurt Stock Exchange in 2012 (source: Datastream).

The other Group companies whose shares are traded on a regulated market are Saint-Gobain Oberland (Frankfurt, Munich and Stuttgart Stock Exchanges), Hankuk Glass Industries (Seoul Stock Exchange), Grindwell Norton and Saint-Gobain Sekurit India (Mumbai Stock Exchange), Izocam (Istanbul Stock Exchange) and Compañía Industrial El Volcán (Santiago de Chile Stock Exchange).

Bonds

In 2012, Compagnie de Saint-Gobain carried out the following debt management transactions to extend the average maturity of debt while reducing average borrowing costs.

- Bond issues:

  - March 28, 2012: a 10-year bond issue for an amount of €750 million with an annual coupon of 3.625% due in 2022.

  - June 15, 2012: a 9-year bond issue for an amount of €750 million with an annual coupon of 3.625% due in 2021.

  - October 9, 2012: a 17-year bond issue for an amount of GBP 250 million with an annual coupon of 4.625% due in 2029, swapped for euros at approximately 4.31%.

- Tap issues:

  - The €750 million bond issue due 2019 was increased to €950 million through three tap issues carried out on January 18 and 19, 2012 for a total of €200 million.

  - The €750 million bond issue due 2022 was increased to €900 million through two tap issues carried out on May 16, 2012 for a total of €150 million.

- Private placements:

  - January 13, 2012: a 1.9% 5-year private placement notes issue due 2017, for JPY 5 billion.

  - June 4, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €90 million.

  - June 28, 2012: two 12-year private placement notes issues due 2024, for a total of €95 million indexed to the 10-year CMS rate (swapped for a fixed rate of approximately 4.1%).

  - October 8, 2012: two 4% 20-year private placement notes issues due 2032, for €30 million and €20 million respectively.

  - October 9, 2012: a 3.6% 10-year private placement notes issue due 2022, for €100 million.

On April 11, 2012, Compagnie de Saint-Gobain redeemed a €1,250 million bond issue that had reached maturity.

(1) Adjusted for the effects of the February 2009 rights issue.
(2) Adjusted for the effects of the March 1994 and February 2009 rights issues.

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities with a face value of FRF 1,000, converted to €152.45 in 1999 following the introduction of the euro.

Interest on the securities varies according to Saint-Gobain's results and ranges from 0.75 to 1.25 times the average French corporate bond rate (known as the "TMO" rate). Interest paid in 2012 amounted to €6.82 per security.

Trading volume since September 2011 (First tranche)

(Source: NYSE Euronext Paris)

Paris Stock Exchange ISIN FR0000140030	Number of securities	Amount €	High €	Low €
2011				
September	772	114,515	151.500	140.000
October	560	82,266	152.000	143.000
November	2,593	382,428	150.000	144.000
December	3,701	546,498	149.000	145.050
TOTAL	**7,626**	**1,125,707**		
2012				
January	1,370	207,019	155.000	148.000
February	4,361	667,685	155.000	150.000
March	3,483	530,122	154.100	140.150
April	5,921	883,233	153.000	130.000
May	2,002	300,379	153.000	148.150
June	2,701	404,166	153.800	146.050
July	3,217	480,815	154.950	144.550
August	15,437	2,257,226	148.350	130.500
September	1,816	264,322	147.000	142.650
October	3,220	468,170	149.150	139.200
November	5,946	861,761	147.000	140.250
December	6,909	981,257	147.000	133.650
TOTAL	**56,383**	**8,306,154**		
2013				
January	2,947	431,593	147.450	143.000
February	2,487	360,648	148.000	143.450

Trading volume since September 2011 (Second tranche)

(Source: NYSE Euronext Paris)

Paris Stock Exchange Code ISIN FR0000047607	Number of securities	Amount €	High €	Low €
2011				
September	76	10,472	140.500	133.910
October	22	2,860	130.000	130.000
November	98	12,600	130.000	128.000
December	285	36,312	128.000	123.000
TOTAL	**481**	**62,244**		
2012				
January	72	8,667	121.000	120.000
February	14	1,708	122.010	122.010
March	179	23,861	134.000	125.700
April	27	3,483	129.010	129.010
May	36	4,619	129.000	128.000
June	35	4,521	129.300	129.050
July	76	9,598	128.010	126.000
August	123	15,429	125.980	125.000
September	587	73,004	125.000	123.750
October	426	52,461	124.100	120.010
November	101	12,227	121.770	121.010
December	226	27,389	122.000	121.010
TOTAL	**1,902**	**236,967**		
2013				
January	480	60,069	128.000	122.970
February	298	36,665	123.330	122.100

In April 1984, 194,633 non-voting participating securities were issued with a face value of ECU 1,000, now €1,000.

Investor remuneration on these securities is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor. Depending on the level of the consolidated net income, it ranges from 4.5% to 6.75% if the average corporate bond rate at issue (TMOE) is less than 5% or TMOE plus 175 bps if the TMOE is higher than 5%. Remuneration for 2012 amounted to €65.80 per security, paid in two installments (€32.25 and €33.55).

Trading volume since September 2008

(Source: Luxembourg Stock Exchange)

Luxembourg Stock Exchange ISIN LU0002804531	Number of securities	Amount €	High €	Low €
2008				
May	2	2,342	1,173.50	1,168.50
June	10	11,568	1,163.50	1,150.00
TOTAL	**12**	**13,910**		
2009		**No trades**		
2010				
November	1,999	2,298,850	1,150.00	1,150.00
2011		**No trades**		
2012				
September	6	5,575	950.00	900.00
TOTAL	**6**	**5,575**		

These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

Some of the securities have been bought back over the years. At December 31, 2012, 606,883 securities included in the 1983 issue were outstanding, representing a total nominal amount of €92.5 million, and 77,516 securities included in the 1984 issue, representing a total nominal amount of €77.5 million.

No other securities issued by Compagnie de Saint-Gobain were traded on a stock market in 2012.

OWNERSHIP STRUCTURE

Capital stock

At December 31, 2012, Compagnie de Saint-Gobain's capital stock amounted to €2,124,502,568, represented by 531,125,642 common shares with a par value of €4 compared with 535,563,723 shares at the previous year-end. During 2012, the capital was reduced by 4,438,081 shares (i) 643,155 shares were awarded under the 2009, 2010 and 2011 performance share plans (ii) 4,387,680 shares offered to members of the Group Savings Plan (iii) 9,540,000 cancelled and (iv) 71,084 shares issued upon exercise of the same number of stock options.

Ownership structure

	December 31, 2012		December 31, 2011		December 31, 2010	
(in %)	Capital stock	Voting rights	Capital stock	Voting rights	Capital stock	Voting rights
Wendel	17.3	26.8	17.1	26.8	17.5	26.3
Employees, through the Group Savings Plan	8.4	12.1	8.0	11.8	7.8	10.7
Caisse des Dépôts et Consignations	2.5	3.0	2.6	3.2	2.9	3.5
Cogema	1.1	1.8	1.1	1.8	1.1	1.9
Groupama	1.9	1.5	1.9	1.5	1.9	1.6
Predica	0.1	0.1	0.6	0.5	0.7	1.2
Treasury stock	0.8	0.0	1.7	0	0.9	0
Others	67.9	54.7	67.0	54.4	67.2	54.8
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**

To the best of the Company's knowledge, there are no liens on Compagnie de Saint-Gobain shares.

To the best of the Company's knowledge, there are no shareholders' pacts and none of the main shareholders mentioned above are acting in concert. No member of the Board of Directors or senior executive of the Group personally holds shares representing more than 0.5% of the capital stock.

Saint-Gobain does not hold any of its own shares except for the treasury stock mentioned above. Based on the most recent survey of identifiable holders of bearer shares, carried out at December 31, 2012, the Company has approximately 240,000 shareholders.

Since 1987, the Company's bylaws have included a clause (Article 18, paragraphs 16 and 17) giving double voting rights to fully paid-up shares that have been registered in the name of the same holder for at least two years. In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights.

Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an inter vivos donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of calculating the two-year qualifying period.

At December 31, 2012, a total of 681,120,454 voting rights were attached to the 531,125,642 shares outstanding (including non-exercisable rights attached to treasury stock).

The agreements signed with Wendel and announced on May 26, 2011[1] were approved by the June 7, 2012 Annual General Meeting in its fourth resolution concerning related-party agreements[2]. The commitments made under these agreements will apply for a 10-year period as from the June 9, 2011 Annual General Meeting.

(1) See 2011 Registration Document, pages 58 to 60.
(2) See 2011 Registration Document, page 88.

Notifications received under disclosure threshold rules in 2012

On July 3, 2012, the French securities regulator (Autorité des Marchés Financiers – "AMF") was notified by Amundi Asset Management, manager of the Saint-Gobain PEG France corporate mutual fund, that said fund's interest in the capital of Compagnie de Saint-Gobain had been increased to above the 10% disclosure threshold of voting rights, such that Amundi Asset Management held 7.56% of the capital and 10.28% of the voting rights on the fund's behalf at that date.

In addition, Amundi disclosed, in the name and on behalf of the Saint-Gobain PEG France corporate mutual fund, that the fund:

- acquired the Saint-Gobain shares via the transfer of the assets of the 2012 Saint-Gobain Relais corporate mutual fund to its Saint-Gobain compartment;
- acts independently;
- does not intend to purchase more Saint-Gobain shares, although this position could change given that it is an open-end fund;
- does not intend to acquire control of the Company;
- does not intend to change the Company's strategy or carry out any of the transactions listed in Article 223-17 I 6 of the AMF's General Rules;
- has not entered into any temporary disposal agreements concerning the Company's shares and/or voting rights;
- has one seat on the Company's Board of Directors and does not intend to request any additional seats.

In addition, the Company received several notifications during the year in respect of the obligation set out in the Company's bylaws to disclose any and all changes in interest to above or below half a percentage point of the capital or voting rights, or any multiple thereof. In particular, Wendel notified the Company that it had increased its voting rights to above the 26.5% threshold on May 31, 2012.

Changes in capital over the last five years

Date	Capital stock	Number of shares	
12-07	€1,496,864,608	374,216,152	Issuance of 226,195 shares upon exercise of the same number of options
05-08	€1,529,956,396	382,489,099	Group Savings Plan: issuance of 8,272,947 shares (at €51.751)
12-08	€1,530,287,940	382,571,985	Issuance of 82,886 shares upon exercise of the same number of options
03-09	€1,962,356,788	490,589,197	Allocation of 382,571,985 stock warrants exercisable on the basis of seven warrants for two new shares at a price of €14 per share
05-09	€1,996,350,296	499,087,574	Group Savings Plan: issuance of 8,498,377 shares (at €15.80)
06-09	€2,051,573,976	512,893,494	Stock dividend: issuance of 13,805,920 shares (at €22.83)
12-09	€2,051,724,064	512,931,016	Issuance of 37,522 shares upon exercise of the same number of options
05-10	€2,071,700,020	517,925,005	Group Savings Plan: issuance of 4,993,989 shares (at €28.70)
06-10	€2,123,145,492	530,786,373	Stock dividend: issuance of 12,861,368 shares (at €28.58)
12-10	€2,123,345,764	530,836,441	Issuance of 50,068 shares upon exercise of the same number of options
05-11	€2,141,336,852	535,334,213	Group Savings Plan: issuance of 4,497,772 shares (at €33.42)
12-11	€2,142,251,560	535,562,890	Issuance of 228,677 shares upon exercise of the same number of options
12-11	€2,142,254,892	535,563,723	Allocation of 833 performance shares to employees
03-12	€2,144,819,736	536,204,934	Allocation of 641,211 performance shares to employees
05-12	€2,162,370,456	540,592,614	Group Savings Plan: issuance of 4,387,680 shares (at €28.59)
05-12	€2,124,210,456	531,052,614	Capital reduction: cancellation of 9,540,000 shares to employees
12-12	€2,124,218,232	531,054,558	Allocation of 1,944 performance shares
12-12	€2,124,502,568	531,125,642	Issuance of 71,084 shares upon exercise of the same number of options

Financial authorizations

At the Annual General Meeting of June 9, 2011, the Board of Directors was given the following financial authorizations:

- *Authorizations valid until August 2013:*
  - Authorization to issue up to €425 million worth of shares with pre-emptive subscription rights.
  - Authorization to issue debt securities, without pre-emptive subscription rights but with a compulsory priority period for subscription for shareholders, giving access to shares in the Company or its subsidiaries, or to shares in the Company to which entitlement would be granted by securities to be issued, where applicable, by subsidiaries. The aggregate par value of shares issued under the authorization is capped at €212 million and the aggregate nominal value of debt securities at €1.5 billion. The Board of Directors may increase the number of securities to be issued by a maximum of 15% if an issue is oversubscribed.
  - Authorization to issue shares in payment for shares or share equivalents of another company. The number of shares issued under this authorization may not exceed the equivalent of 10% of the issued capital.
  - Authorization to increase the capital by up to €106 million by capitalizing additional paid-in capital, reserves, income or other eligible items.

The amounts specified in these four authorizations are not cumulative.

- Authorization to issue up to €53.08 million worth of shares (excluding premiums), without pre-emptive subscription rights, to the Group Savings Plan. The shares may not be offered at a discount of more than 20% on the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision.
- Authorization to cancel all or some of the Saint-Gobain shares bought back by the Company provided that the total number of shares cancelled within any 24 month period does not exceed 10% of the Company's capital, and to reduce the capital accordingly.

At the Annual General Meeting of June 7, 2012, the Board of Directors was given the following financial authorizations:

- *Authorization valid until December 2013:*

  Authorization to issue warrants while a takeover bid for the Company is in progress. The aggregate par value of shares issued on conversion of the warrants may not exceed €536.25 million.

- *Authorizations valid until August 2014:*
  - Authorization to grant performance stock options to employees and officers, exercisable at a price at least equal to the average of the prices quoted for the Company's shares over the twenty trading days preceding the Board's decision. The options may not be exercisable for shares representing more than 1% of the capital, i.e. around €21.245 million.
  - Authorization to make performance share grants to employees and officers representing up to 0.8% of the capital stock, i.e. around €17 million.
  - The 1% ceiling on performance stock options apply to both authorizations.

In 2012, the following authorizations were used:

- Group Savings Plan: 4,387,680 shares were issued under the plan.
- Stock options: 253,000 options were granted.
- Performance share plan: 542,370 shares were granted.

Information that could have a bearing on a takeover bid

French legislation adopted in application of the European takeover directive stipulates that the Registration Document must include any information that could have a bearing on a takeover bid. In the case of Saint-Gobain, the disclosures required under this legislation at December 31, 2012 are as follows:

- as explained above, the Board of Directors has been authorized by shareholders to issue stock warrants exercisable for up to €536.25 million worth of shares while a takeover bid for the Company is in progress. The current authorization expires in December 2013;
- in the case of a change of control of Compagnie de Saint-Gobain:

- several U.S. subsidiaries' deferred compensation and defined benefit pension plans would be terminated immediately and the rights of beneficiaries would become due within twelve months. The total potential cost was USD 174.7 million at December 31, 2012,
- the bonds issued by the Company since 2006 could become redeemable and accrued interest on the bonds could become immediately due under certain conditions. At December 31, 2012, the amounts concerned were as follows: €700 million under the May 2006 issue; GBP 600 million under the November 2006 issue; a second €1,250 million tranche due 2017 out of a total of €2,500 million under the April 2007 issue, following redemption of the first €1,250 million tranche in April 2012; €605 million under the September 2008 issue; €686 million under the January 2009 issue; €575 million under the May 2009 issue; €200 million under the June 2009 issue; €750 million under the October 2010 issue and the two tranches of the September 2011 issue, one of €1,000 million and the other of €750 million, increased to €950 million through the January 2012 tap issue; JPY 5 billion under the January 2012 issue; €750 million under the March 2012 issue, increased to €900 million through the May 2012 tap issue; €935 million under the June 2012 issue in five separate transactions of €750 million, €45 million, €50 million, €75 million and €15 million; GBP 250 million and €150 million in three separate transactions of €100 million, €30 million and €20 million under the October 2012 issue.
  In addition, the agreements relating to the syndicated lines of credit for general corporate purposes set up in December 2010 (€2,500 million down from an initial €3,000) and December 2012 (€1,500 million) as well as a €155 million bank loan repaid in January 2013 all contain change of control clauses.

Group Savings Plan

The Group Savings Plan *(Plan d'Épargne du Groupe – PEG)* is a key feature of Saint-Gobain's social contract. It represents an excellent means of giving employees a stake in the Group's success and profits.

In 2012, 4,387,680 shares were issued under a standard plan with a five and ten-year lock-up, for a total of €125.4 million (2011: 4,497,772 shares and €150.4 million).

In France, 46.5% of employees invested in the PEG through corporate mutual funds *(Fonds Communs de Placement d'Entreprise – FCPE)*. With employees in twenty-four other European countries and seventeen countries outside Europe also given the opportunity to take part, in all, more than 32,000 Group employees participated in the PEG during 2012.

At December 31, 2012, the corporate mutual funds together held 8.4% of the Company's capital and 12.1% of the voting rights.

A new plan will be launched in 2013, giving employees the opportunity to acquire up to 5.3 million shares with a five and ten-year lock-up.

Share buybacks

In 2012, the Company bought back directly on the market 5.94 million shares (with an aggregate par value of €23.76 million) for €196.6 million including transaction costs of €39 thousand. A total of 744,007 Saint-Gobain shares were sold during the year upon exercise of stock options, for a total of €15.8 million.

On May 31, 2012, the Company cancelled 9,540,000 shares held in treasury in order to offset the dilutive effect of shares issued in 2011 and 2012 under the 2011 and 2012 Group Savings Plans, share grants made to all Group employees under the 2009 performance share plan and share grants made to certain managers and officers of the Group under the 2009 performance plan.

Article L.225-209 of the French Commercial Code requires disclosure of the number of shares held in treasury. At December 31, 2012, 4,148,565 shares representing 0.78% of the capital were held in treasury for the following purposes: for allocation on exercise of stock options, for allocation under performance share plans, for allocation or sale as part of a Group Savings Plan or for allocation to employees in any other form, as follows:

Plans	Number of shares	Purchase price *(in €)*
2009 Stock Option Plan	1,410,802	53,787,297
2012 Performance Share Plan	504,404	15,930,087
Shares not yet allocated	2,233,359	92,355,006

Shares held in treasury at December 31, 2012 were acquired at an average cost of €39.07 and shares sold during the year upon exercise of stock options were acquired at an average cost of €53.11.

In November 2007, the Company entered into an agreement with Exane to provide liquidity for the Saint-Gobain share. As required by French securities regulations, the agreement complies with the code of ethics issued by the *Association Française des Entreprises d'Investissement* that was approved by the French securities regulator *(AMF)* on March 25, 2005. Under the terms of the agreement, Exane is mandated to maintain a liquid market in Compagnie de Saint-Gobain shares and ensure that prices are regularly quoted for the shares, so as to avoid price fluctuations that are not justified by market trends.

When the agreement came into effect on December 3, 2007, Compagnie de Saint-Gobain deposited €50 million in the liquidity account, which was reduced to €30 million on May 27, 2009 and to €6.6 million on April 19, 2012. At December 31, 2012, 12,500 Saint-Gobain shares were held in the account along with €6,377,350 in cash.

INFORMATION POLICY AND FINANCIAL CALENDAR

INFORMATION POLICY

The Investor Relations Department is responsible for implementing the Group's information policy with the financial community, investors and shareholders. The head of Investor Relations is Florence Triou-Teixeira (Phone: +33 (0) 1 47 62 33 33 – Fax: +33 (0) 1 47 62 50 62). The Department answers requests for information about the Group and issues regular Shareholder Newsletters and the Shareholders' Guide. These documents can be obtained from:

Saint-Gobain
Investor Relations Department
Les Miroirs
92096 La Défense Cedex - France
Toll free number 0800 32 33 33
(calls originating in France only)

Documents can also be downloaded from the corporate website, www.saint-gobain.com

In 2012, the Company offered its private shareholders a diverse program of on-site visits, stock market courses and meetings with the Group's executives. It also organized meetings with shareholders in Annecy, Orleans, Nice and Montpellier, as well as a conference during the Salon Actionaria in Paris in November, representing the fifteenth year in a row that the Company has taken part in this retail investor fair.

Numerous meetings were also organized throughout the year with various members of the international financial community, including analysts, institutional investors and journalists. In addition to the annual and interim results presentations held in Paris, London, New York and Boston in February and July, several dozen roadshows were organized in various European financial centers.

Detailed information about the Group and its businesses, and webcasts of analyst meetings are available on the Saint-Gobain website:

www.saint-gobain.com

The Investor Relations team can be contacted by e-mail at the following address:

actionnaires@saint-gobain.com

Compagnie de Saint-Gobain also makes additional services available to holders of registered shares through its registrar, BNP Paribas, to improve the management of their shares. For more information, contact the Investor Relations Department or:

BNP Paribas Securities Services
BP2S/GCT – Émetteur Adhérents Euroclear 30
Immeuble GMP – Europe
9, rue du Débarcadère – 93761 Pantin Cedex – France
By phone: Toll free number 0 800 03 33 33
(calls originating in France only)
By fax: +33 (0) 1 55 77 34 17
Online, at:
www.planetshares.bnpparibas.com

2013 FINANCIAL CALENDAR

2012 final results: February 20, after the market closes

First quarter 2013 sales: April 25, after the market closes

Annual General Meeting: June 6 at 3:00 p.m. at Palais des Congrès (Porte Maillot), Paris 17

Dividend:
- Ex-dividend date: June 12
- Record date: June 11
- Dividend payment date: July 5

First-half 2013 results:
July 24, after the market closes

Sales for the first nine months of 2013:
October 24, after the market closes

2014 FINANCIAL CALENDAR

Annual General Meeting: June 5

CORPORATE GOVERNANCE

Bylaws

The Company was registered in the company and trades register on July 21, 1954.

Compagnie de Saint-Gobain is a French société anonyme governed by articles L.210-1 et seq. of the French Commercial Code. Its head office is at Les Miroirs, 18 avenue d'Alsace, 92400 Courbevoie (phone: +33 (0) 1 47 62 30 00) and it is registered in Nanterre under no. 542039532. Its APE business identifier code is 741J and its Siret code is 54203953200040.

The Company's overall corporate purpose is to conduct and manage, in France and internationally, any and all industrial, commercial, financial, securities and real estate transactions related to its manufacturing and contracting activities, through French or foreign subsidiaries or affiliates or otherwise (article 3 of the bylaws). Its fiscal year runs from January 1 to December 31. Its term will end on December 31, 2040, unless it is wound up before that date or its term is extended.

Official documents concerning the Company may be consulted at the head office, Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie (Investor Relations Department). They may also be downloaded from the Company's website, www.saint-gobain.com.

Special clauses in the bylaws

Special clauses contained in the bylaws are as follows:

Disclosure thresholds

The bylaws require shareholders to disclose to the Company, within five trading days, any increase in their interest to above 0.50% of the capital or voting rights or any multiple thereof, or any reduction in their interest to below any of these thresholds.

This disclosure requirement applies when a direct, indirect or joint holding falls below one of these thresholds.

Failure to comply with these disclosure rules may result in the undisclosed shares being stripped of voting rights for a period of two years from the date when the non-disclosure is remedied, at the request of one or more shareholders representing at least 3% of the capital or voting rights, as recorded in the minutes of the General Meeting. These disclosure thresholds were decided by the Annual General Meetings of June 23, 1988, June 15, 1990 and June 10, 2004.

In addition, the Company may request disclosure of information about its ownership structure and ownership of its shares in application of the relevant laws and regulations.

Board of Directors

The Company is administered by a Board of Directors with at least three members and no more than sixteen members (Annual General Meeting of June 5, 2008), including one director representing employee shareholders (Annual General Meeting of June 6, 2002).

Directors are elected for a four-year term. The age limit for holding office as a director is 70, or 68 for the Chairman of the Board. The Board may decide to combine the functions of Chairman of the Board and Chief Executive Officer. The age limit for holding office as Chairman and Chief Executive Officer is 65, the same as for the Chief Executive Officer and the Chief Operating Officer(s) (Annual General Meetings of June 6, 2002 and June 5, 2003).

A director, the Chairman of the Board or the Chairman and Chief Executive Officer who reaches the age limit is required to step down at the close of the Annual General Meeting called to approve the financial statements for the year of his or her 70th, 68th or 65th birthday, as applicable.

The Board of Directors determines the Company's overall strategy and examines any issues related to the efficient operation of the business (Annual General Meeting of June 6, 2002).

The Board's activities are organized and led by the Chairman (Annual General Meeting of June 10, 2004).

Board meetings may be held using videoconference or other interactive telecommunication technologies, to the extent permitted by law (Annual General Meeting of June 28, 2001).

Each director is required to hold at least 800 Compagnie de Saint-Gobain shares (Annual General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General Meetings

Shareholders may participate in General Meetings in person or by giving proxy, provided that they submit proof of their identity and evidence of ownership of the shares as specified in the notice of meeting, at least three business days before the Meeting date, in accordance with legal requirements concerning participation in General Meetings. Where decided by the Board, shareholders may be called to and vote at a General Meeting by any form of electronic communication. Shareholders may give proxy to another person or entity to represent them at a General Meeting subject to the applicable legal provisions. Corporate shareholders are represented by their legal representative or by any person designated by the legal representative (Annual General Meeting of June 3, 2010).

At all General Meetings, voting rights are exercisable by the beneficial owner of the shares. Each shareholder has a number of voting rights corresponding to the number of shares held, without limitation.

However, double voting rights are allocated to fully paid-up shares registered in the name of the same holder for at least two years.

In addition, in the case of a bonus share issue paid up by capitalizing reserves, profits or additional paid-in capital, bonus shares allocated in respect of registered shares with double voting rights also carry double voting rights from the date of issue (Annual General Meeting of February 27, 1987).

Double voting rights are forfeited when the shares are converted to bearer form or sold. However, double voting rights are not forfeited when title is transferred by way of an inheritance or as a result of the liquidation of the marital estate or an inter vivos donation to a spouse or a relative in the direct line of succession, and the transfer is not taken into account for the purpose of calculating the two-year qualifying period.

Shareholders may vote by post in accordance with the applicable laws and regulations.

Appropriation of income

Each year, 5% of net income for the year less any losses brought forward from prior years is credited to the legal reserve, until such time as the legal reserve represents 10% of the capital. If the capital is increased, the same transfer requirement applies until the legal reserve represents 10% of the new capital.

Distributable income corresponds to net income for the year less any losses brought forward from prior years and less any amounts to be credited to reserves in application of the law or the Company's bylaws, plus retained earnings.

The Annual General Meeting may appropriate:

1. All or part of this amount to any contingency or special reserves or to retained earnings, based on a recommendation of the Board of Directors.
2. If these appropriations do not absorb the total amount of distributable income, shareholders are paid a non-cumulative first dividend equal to 5% of the paid-up par value of shares.
3. If any funds remain after paying the first dividend, they are used to pay a second dividend.

The Annual General Meeting may decide to offer shareholders the option of receiving all or part of the dividend (or any interim dividend) in cash or in shares.

Compagnie de Saint-Gobain's bylaws are available for consultation on the website www.saint-gobain.com and at the Company's Legal Department. Copies may be obtained from the Nanterre Commercial Court *(Greffe du Tribunal de Commerce de Nanterre)*.

CORPORATE GOVERNANCE

Compliance with the AFEP-MEDEF corporate governance code for listed companies

Compagnie de Saint-Gobain complies with the principles of corporate governance set out in the AFEP-MEDEF corporate governance code for listed companies in France (the "AFEP-MEDEF code")[1].

Board of Directors

Membership of the Board of Directors

Directors are elected for a four-year term, in accordance with the recommendations of the AFEP-MEDEF code (article 9 of the bylaws).

Details of the members of the Board of Directors of Compagnie de Saint-Gobain are as follows:

The following information is correct as of April 1, 2013.

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

Pierre-André de CHALENDAR, 54, was appointed Chief Operating Officer of Compagnie de Saint-Gobain by the Board of Directors on May 3, 2005 and was elected to the Board of Directors by the General Meeting of June 8, 2006, becoming Chief Executive Officer on June 7, 2007 and Chairman and Chief Executive Officer on June 3, 2010. He is also a director of two other listed companies, Veolia Environnement and BNP Paribas. Within the Saint-Gobain Group, he is Chairman of the Board of Directors of Verallia and a director of Saint-Gobain Corporation and GIE SGPM Recherche. He owns 103,174 Saint-Gobain shares.
Business address: Les Miroirs - 92096 La Défense Cedex (France)

Isabelle BOUILLOT
Chairman of China Equity Links

Isabelle BOUILLOT, 63, is a director of Umicore, as well as the Managing Partner of IB Finance.
She owns 1,542 Saint-Gobain shares.
Business address: 42, rue Henri Barbusse - 75005 Paris (France)

Gerhard CROMME
Chairman of the Supervisory Board of Siemens AG

Gerhard CROMME, 70, a German citizen, is also a member of the Supervisory Board of Axel-Springer AG (until April 2014). He owns 800 Saint-Gobain shares.
Business address: Siemens AG, Wittelsbacher Platz 2 - D-80333 Munich (Germany)

Jean-Martin FOLZ
Chairman of the Board of Directors of Eutelsat Communications

Jean-Martin FOLZ, 66, is also a director of Société Générale, Alstom, Axa and Solvay. He owns 1,653 Saint-Gobain shares.
Business address: Les Miroirs - 92096 La Défense Cedex (France)

(1) For information about the number of independent directors, see page 75.

Bernard GAUTIER

Member of the Management Board of Wendel

Bernard GAUTIER, 53, is also Chairman of Winvest International SA SICAR and Oranje-Nassau Développement SA SICAR, Chairman of the Management Advisory Board of Winvest Conseil, Legal Manager of Materis Parent, a director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratiekantor II, Stahl Groep II, Trief Corporation, Wendel Japan KK, Winvest Part BV, member of the Supervisory Board of Altineis, Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BJPG Assets and Sweet Investment Ltd. He owns 1,102 Saint-Gobain shares.
Business address: 89, rue Taibout - 75009 Paris (France)

Anne-Marie IDRAC

Consultant

Anne-Marie IDRAC, 61, is also a member of the Supervisory Board of Vallourec and a director of Mediobanca, Total and Bouygues. She owns 800 Saint-Gobain shares.
Business address: Les Miroirs - 92096 La Défense Cedex (France)

Sylvia JAY

Chairman of L'Oréal UK & Ireland

Lady JAY, 66, a British citizen, is also a director of Alcatel Lucent, Lazard Limited and the Casino Group, Chairman of the Pilgrim Trust, and Trustee of the Entente Cordiale Scholarship Scheme and the Prison Reform Trust. She owns 1,030 Saint-Gobain shares.
Business address: 255 Hammersmith Road, London W6 8 AZ (United Kingdom)

Frédéric LEMOINE

Chairman of the Management Board of Wendel

Frédéric LEMOINE, 47, is also Chairman of the Supervisory Board of Oranje-Nassau Groep BV, Chairman of the Board of Directors of Trief Corporation, Vice-Chairman of the Board of Directors of Bureau Veritas, and a director of Legrand. He owns 800 Saint-Gobain shares.
Business address: 89, rue Taibout - 75009 Paris (France)

Gérard MESTRALLET

Chairman and Chief Executive Officer of GDF Suez

Gérard MESTRALLET, 63, is also a director of Pargesa Holding S.A and a member of the Supervisory Board of Siemens AG. Within the GDF Suez Group, he is Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Electrabel, and Energy Management Trading (former GDF Suez Belgium), Chairman of GDS Suez Rassembleurs d'Energies SAS, Vice-Chairman of Sociedad General de Aguas de Barcelona and a director of International Power. He owns 840 Saint-Gobain shares.
Business address: 1, Place Samuel de Champlain – Faubourg de l'Arche – 92930 Paris-La-Défense (France)

Michel PÉBEREAU

Honorary Chairman of BNP Paribas

Michel PÉBEREAU, 71, is also a Director of BNP Paribas, Axa, Total, Pargesa Holding, EADS and BNP Paribas Suisse, a non-voting director of Galeries Lafayette, as well as a member of the Supervisory Board of Banque Marocaine pour le Commerce et l'Industrie and Institut Aspen France. He is also Chairman of the BNP Paribas Foundation and the Management Board of Institut d'Etudes Politiques de Paris, and member of the Académie des Sciences Morales et Politiques, the Executive Council of the MEDEF and the Strategy Committee of the Institut de l'Entreprise. He owns 1,100 Saint-Gobain shares.
Business address: 3, rue d'Antin - 75002 Paris (France)

Jacques PESTRE

Senior Vice President of Point.P, Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund

Jacques PESTRE, 56, also holds the following positions within the Saint-Gobain Group: Chairman and Chief Executive Officer of BMSO, BMCE, SONEN and Docks de l'Oise, Chairman of the Board of Directors of Comasud, Chairman of BMRA SAS, MBM SAS, Cibomat SAS, Boch Frères SAS, Dépôt Services Carrelages SAS and Thuon SAS and permanent representative of Point.P Développement on the Board of Directors of Nouveaux Docks. He owns 1,800 Saint-Gobain shares.
Business address: Le Mozart – 13/15 rue Germaine Tailleferre – 75940 Paris Cedex 19 (France)

Olivia QIU

Global Head of Strategic Industries, Alcatel-Lucent

Olivia QUI, 46, does not hold any other directorships. She owns 800 Saint-Gobain shares.
Business address: 3, avenue Octave Gréard – 75007 Paris (France)

Denis RANQUE

Chairman of the Board of Directors of EADS

Denis RANQUE, 61, is also Chairman of the Board of Directors of the Paris Tech Foundation and a Director of Sciblab Entreprises. He owns 800 Saint-Gobain shares.
Business address: 37, boulevard de Montmorency - 75016 Paris (France)

Gilles SCHNEPP

Chairman and Chief Executive Officer of Legrand

Gilles SCHNEPP, 54, is also Chairman and Chief Executive Officer of Legrand France and Chairman and Chief Executive Officer, Chairman of the Board of Directors, Chairman or member of the Supervisory Board or a director or permanent representative of the Board of Directors of various Legrand Group subsidiaries. He owns 800 Saint-Gobain shares.
Business address: 128, avenue du Maréchal de Tassigny - 87045 Limoges Cedex (France)

Jean-Dominique SENARD

Chief Executive Officer of Michelin

Jean-Dominique SENARD, 60, is also a director of SEB. He owns 1,770 Saint-Gobain shares.
Business address: 23, Place des Carmes Déchaux - 63040 Clermont-Ferrand Cedex 9 (France)

Jean-Cyril SPINETTA
Chairman and Chief Executive Officer of Air France-KLM

Jean-Cyril SPINETTA, 69, is also Chairman of the Supervisory Board of Areva and a director of Alcatel-Lucent and Alitalia CAI. He owns 1,114 Saint-Gobain shares.
Business address: 2, rue Robert Esnault Pelterie – BP 90112 – 75326 Paris Cedex 07 (France)

Board secretary: **Antoine VIGNIAL**, **Corporate Secretary of Compagnie de Saint-Gobain**

Directors' independence/gender parity/ representation of employee shareholders

In early 2013, as in prior years, the Board reviewed each director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, based on a report prepared by the Appointments and Remuneration Committee. Based on this review, the Board concluded that as of February 1, 2013, all of these criteria were met by seven (44%) of the sixteen directors – Anne-Marie Idrac, Jean-Martin Folz, Sylvia Jay, Olivia Qiu, Denis Ranque, Jean-Dominique Senard and Jean-Cyril Spinetta – and that these seven directors could therefore be qualified as independent. This proportion is lower than recommended in the AFEP-MEDEF code, due to the presence on the Board of three directors representing Wendel, which owns 17.3% of the Company's capital. It reflects the fact that Compagnie de Saint-Gobain is neither a widely-held corporation in which "independent directors should account for half the members of the Board", nor a controlled company, in which "independent directors should account for at least a third" according to the code.

The terms of Gerhard Cromme, Michel Pébereau, Jean-Cyril Spinetta, Jean-Martin Folz and Gilles Schnepp expire at the upcoming Annual General Meeting. Gerhard Cromme and Jean-Cyril Spinetta have informed the Board that they do not wish to stand for re-election, and Michel Pébereau will have reached the age limit for holding office as a director as specified in the bylaws(1). The Board of Directors therefore decided at its meeting on February 20, 2013, in line with the Appointments and Remuneration Committee's recommendation, to propose at the Annual General Meeting (i) the election as directors of Philippe Varin, Chairman of the Managing Board of PSA Peugeot Citroën, Agnès Lemarchand, Executive Chairman of Steetley Dolomite Ltd, and Pamela Knapp, Chief Financial Officer and HR Director of GfK SE and member of the GfK Management Board, and(ii) the re-election of Jean-Martin Folz and Gilles Schnepp.
The Board has determined that Mr. Varin, Ms. Lemarchand and Ms. Knapp each fulfill all of the independence criteria listed in the AFEP-MEDEF code. Accordingly, as from June 6, 2013, provided that the related resolutions are adopted by the shareholders, eight(2) of the sixteen members of the Board of Directors will be independent (50%), complying with the recommendation in the AFEP-MEDEF code.

As of February 1, 2013, four of the sixteen Board members were women (25%), a proportion in line with the recommendation of the AFEP-MEDEF code and the requirements of the French Act of January 27, 2011 on gender equality on companies' boards of directors. After the June 6, 2013 Annual General Meeting, provided that the above candidates are elected to the Board, six of the sixteen Board members will be women, a ratio of 37.5%.

The Board also includes a director, Jacques Pestre, who represents employee shareholders. Mr. Pestre is concerned by all the provisions of the law and the Company's bylaws applicable to Board members and is entitled to vote at Board meetings in the same way as other directors.

In addition, two members of the Works Council (M-L Daveau and B. de Bengy) have been elected by the members of the Works Council and employee representatives to attend Board meetings in a consultative capacity.

The Company's bylaws (article 9) stipulate that each director must hold at least 800 shares.

Jean-Louis Beffa, who stepped down from the Board after the Annual General Meeting of June 7, 2012 because he had reached the age limit for serving as a director specified in the bylaws, has been named Honorary Chairman of Compagnie de Saint-Gobain.

Re-election of Directors

The dates on which the current directors were first elected to the Board and the starting dates of their current terms are as follows:

• Michel Pébereau	June 1993	June 2009
• Gérard Mestrallet	November 1995	June 2011
• Isabelle Bouillot	June 1998	June 2012
• Jean-Martin Folz	March 2001	June 2009
• Sylvia Jay	June 2001	June 2012
• Denis Ranque	June 2003	June 2011
• Gerhard Cromme	June 2005	June 2009
• Jean-Cyril Spinetta	June 2005	June 2009
• Pierre-André de Chalendar	June 2006	June 2010
• Bernard Gautier	June 2008	June 2012
• Frédéric Lemoine	April 2009	June 2012
• Gilles Schnepp	June 2009	June 2009
• Anne-Marie Idrac	June 2011	June 2011
• Jacques Pestre	June 2011	June 2011
• Olivia Qiu	June 2011	June 2011
• Jean-Dominique Senard	June 2012	June 2012

The current directors' terms expire as follows:

- Gerhard Cromme, Jean-Martin Folz, Michel Pébereau, Gilles Schnepp and Jean-Cyril Spinetta: 2013 Annual General Meeting(3).
- Pierre-André de Chalendar: 2014 Annual General Meeting.
- Anne-Marie Idrac, Olivia Qiu, Jacques Pestre, Gérard Mestrallet and Denis Ranque: 2015 Annual General Meeting.
- Isabelle Bouillot, Bernard Gautier, Sylvia Jay, Frédéric Lemoine and Jean-Dominique Senard: 2016 Annual General Meeting.

(1) See page 72
(2) If Mr Folz is re-elected to the Board in 2013 he will no longer qualify as an independent director.
(3) See opposite

Other directorships and positions held by members of the Board of Directors in the years prior to 2013

(other than that of a director of Compagnie de Saint-Gobain)

Director's name and current main position (as of April 1, 2013)(1)	2012	2011	2010	2009	2008
Isabelle BOUILLOT Chairman of China Equity Links	• Chairman of China Equity Links • Director of Umicore • Managing Partner of IB Finance • Director of Dexia (until May 2012)	• Chairman of China Equity Links • Director of Umicore • Managing Partner of IB Finance • Director of Dexia	• Chairman of China Equity Links • Director of Umicore • Managing Partner of IB Finance • Director of Dexia	• Chairman of China Equity Links • Director of Accor, Umicore • Managing Partner of IB Finance • Observer on the Board of Directors of Dexia	• Chairman of China Equity Links • Director of Accor, Umicore • Managing Partner of IB Finance
Pierre-André de CHALENDAR Chairman and Chief Executive Officer of Compagnie de Saint-Gobain	• Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Director of Veolia Environnement and BNP Paribas • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and GIE SGPM Recherche • Chairman of the Board of Directors of Verallia	• Chairman and Chief Executive Officer of Compagnie de Saint-Gobain • Director of Veolia Environnement • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and GIE SGPM Recherche • Chairman of the Board of Directors of Verallia	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and GIE SGPM Recherche	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and GIE SGPM Recherche	• Chief Executive Officer of Compagnie de Saint-Gobain • Within the Saint-Gobain Group, Director of Saint-Gobain Corporation and SG Distribution Nordic AB
Gerhard CROMME Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE (until August 2012) and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG	• Chairman of the Supervisory Board of ThyssenKrupp AG • Member of the Supervisory Board of Allianz SE and Axel-Springer AG • Chairman of the Supervisory Board of Siemens AG
Jean-Martin FOLZ Chairman of the Board of Directors of Eutelsat Communications	• Chairman of the Board of Directors of Eutelsat Communications • Director of Société Générale, Alstom, Axa and Solvay • Member of the Supervisory Board of ONF Participations SAS. (until December 31, 2012)	• Director of Société Générale, Alstom, Axa, Carrefour and Solvay • Member of the Supervisory Board of ONF Participations SAS.	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of Axa and ONF Participations SAS.	• Chairman of AFEP • Director of Société Générale, Alstom and Solvay • Member of the Supervisory Board of Axa and Carrefour	• Chairman of AFEP • Director of Société Générale, Alstom, Carrefour and Solvay • Member of the Supervisory Board of Axa
Bernard GAUTIER Member of the Management Board of Wendel	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR and Oranje-Nassau Développement SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Legal Manager of Materis Parent • Director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratiekantoor II, Stahl Groep II, Trief Corporation, Wendel Japan KK, Winvest Part BV and Sofisamc • Vice Chairman of the Board of Directors of Deutsch Group SAS • Member of the Supervisory Board of Altineis • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BPJG Assets and Sweet Investment Ltd	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Legal Manager of Materis Parent • Director of Communication Media Partner, Stahl Holdings BV, Stahl Group SA, Stahl Lux2, Stichting Administratiekantoor II, Stahl Groep II, Trief Corporation, Wendel Japan KK and Winvest Part BV • Member of the Management Committee of Deutsch Group	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Member of the Supervisory Board of Legron BV and Materis Parent • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation and Wendel Japan KK • Member of the Supervisory Board of Altineis • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BPJG Assets and Sweet Investment Ltd	• Member of the Management Board of Wendel • Chairman of Winvest International SA SICAR • Chairman of the Management Advisory Board of Winvest Conseil • Director of Communication Media Partner, Stahl Holdings BV and Group BV, Trief Corporation and Wendel Japan KK • Member of the Management Committee of Deutsch Group SAS • Member of the Supervisory Board of Altineis (SCIP) • Legal Manager of BG Invest, BJPG Conseil, SCI La République, La Cabane Saint-Gautier, BJPG Participations, BPJG Assets and Sweet Investment Ltd	• Member of the Management Board of Wendel • Vice Chairman of the Supervisory Board of Editis Holding • Director of Communication Media Partner, Stahl Holdings BV and Group BV, and Winvest International SA SICAR • Legal Manager of Winvest Conseil • Member of the Supervisory Board of Altineis, Altineis 2 and Altineis 3 • Legal Manager of BG Invest, BJPG Conseil, SCI La République and La Cabane Saint-Gautier

(1) For the up-to-date list of directorships and other positions held as of April 1, 2013, see pages 73 to 75.

Director's name and current main position (as of April 1, 2013)[1]	2012	2011	2010	2009	2008
Anne-Marie IDRAC Consultant	• Member of the Supervisory Board of Vallourec • Director of Mediobanca, Total and Bouygues	• Director of the Robert Schuman Foundation • Member of the Advisory Board of HEC	• Secretary of State for Foreign Trade • Director of the Robert Schuman Foundation • Member of the Advisory Board of HEC	• Secretary of State for Foreign Trade • Director of the Robert Schuman Foundation • Member of the Advisory Board of HEC	• Secretary of State for Foreign Trade • Chairman of SNCF • Member of the Conseil Economique et Social • Director of the Robert Schuman Foundation • Member of the Advisory Board of HEC
Sylvia JAY Chairman of L'Oréal UK & Ireland	• Chairman of L'Oréal UK & Ireland • Director of Alcatel Lucent, Lazard Limited and the Casino Group • Chairman of the Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme and the Prison Reform Trust.	• Chairman of L'Oréal UK & Ireland • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and the Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation	• Vice Chairman of L'Oréal UK • Director of Alcatel Lucent and Lazard Limited • Chairman of the Pilgrim Trust and Food from Britain • Trustee of the Entente Cordiale Scholarship Scheme, the Prison Reform Trust and The Body Shop Foundation
Frédéric LEMOINE Chairman of the Management Board of Wendel	• Chairman of the Management Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Veritas • Director of Legrand	• Chairman of the Managing Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Veritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS	• Chairman of the Managing Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Veritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS	• Chairman of the Managing Board of Wendel • Chairman of the Supervisory Board of Oranje-Nassau Groep BV • Chairman of the Board of Directors of Trief Corporation • Vice-Chairman of the Board of Directors of Bureau Veritas • Director of Flamel Technologies, Groupama and Legrand • Chairman of Winbond SAS	• Chairman of the Supervisory Board of Areva • Legal Manager of SARL LCE • Director of Groupama and Chairman of the Audit and Accounts Committee • Director of Flamel Technologies • Member then non-voting member of the Supervisory Board of Générale de Santé • Member of the Supervisory Board of Wendel
Gérard MESTRALLET Chairman and Chief Executive Officer of GDF Suez	• Chairman and Chief Executive Officer of GDF Suez • Director of International Power and Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Electrabel and GDF Suez Belgium • Chairman of GDF Suez Rassembleurs d'Energies SAS • Vice-Chairman of Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of GDF Suez • Director of International Power (from February 3, 2011) and Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, GDF Suez Belgium and Suez-Tractebel (until January 25, 2011) • Chairman of GDF Suez Rassembleurs d'Energies SAS (from October 27, 2011) • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of Axa • Director of Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Suez Environment Company, Suez-Tractebel (Belgium), GDF Suez Belgium and Hisusa (Spain) • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of Axa • Director of Pargesa Holding SA • Chairman of the Board of Directors of GDF Suez Energie Services, Hisusa, Suez Environment Company and Suez Tractebel • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona	• Chairman and Chief Executive Officer of Suez (until July 22, 2008) • Chairman and Chief Executive Officer of GDF Suez • Member of the Supervisory Board of Axa • Director of Pargesa Holding SA • Chairman of the Board of Directors of Suez-Tractebel, Suez Environment Company, Electrabel, Suez Energie Services and Hisusa • Vice-Chairman of Electrabel and Sociedad General de Aguas de Barcelona

(1) For the up-to-date list of directorships and other positions held as of April 1, 2013, see pages 73 to 75.

Director's name and current main position (as of April 1, 2013)(1)	2012	2011	2010	2009	2008
Michel PEBEREAU Honorary Chairman of BNP Paribas	• Honorary Chairman of BNP Paribas • Director of BNP Paribas, AXA, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Member of the Supervisory Board of *Banque Marocaine pour le Commerce et l'Industrie and Institut Aspen France* • Non-voting Director of Galeries Lafayette • Chairman of the BNP Paribas Foundation and the Management Board of *Institut d'Etudes Politiques de Paris* • Member of the *Académie des Sciences Morales et Politique*, the Executive Council of the MEDEF and the Strategy Board of the *Institut de l'Entreprise*	• Chairman of the Board of Directors of BNP Paribas • Director of Axa, Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Chairman of the Supervisory Board of *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of Galeries Lafayette • Chairman of the European Financial Round Table, the Investment Banking Commission of the *Fédération Bancaire Française*, the Management Board of the *Institut d'Etudes Politiques de Paris* • Member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Education*, the Executive Council of the MEDEF, the *Institut International d'Etudes Bancaires*, the International Advisory Panel of the Monetary Authority of Singapore, and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Chairman of the Supervisory Board of Axa and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of Galeries Lafayette • Chairman of the Investment Banking Commission of the *Fédération Bancaire Française* • President of *Institut de l'Entreprise* • Chairman of the Management Board of *Institut d'Études Politiques de Paris* • Chairman of the Supervisory Board of *Institut Aspen France* • Member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Education*, the Executive Council of the MEDEF, the *Institut International d'Etudes Bancaires*, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Chairman of the Supervisory Board of Axa and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of Galeries Lafayette • Chairman of the Investment Banking Commission of the *Fédération Bancaire Française* • President of *Institut de l'Entreprise* • Chairman of the Management Board of *Institut d'Études Politiques de Paris* • Chairman of the Supervisory Board of *Institut Aspen France* • Member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Education*, the Executive Council of the MEDEF, the *Institut International d'Etudes Bancaires*, the European Financial Round Table, the International Advisory Panel of the Monetary Reserve Bank of Singapore and the International Business Leaders' Advisory Council for the Mayor of Shanghai	• Chairman of the Board of Directors of BNP Paribas • Director of Lafarge, Total, Pargesa Holding, EADS and BNP Paribas Suisse • Chairman of the Supervisory Board of Axa and *Banque Marocaine pour le Commerce et l'Industrie* • Non-voting director of Galeries Lafayette • Chairman of the *Fédération Bancaire Européenne*, the Investment Banking Commission of the *Fédération Bancaire Française* • President of *Institut de l'Entreprise* • Chairman of the Management Board of *Institut International d'Etudes Bancaires* and *Institut d'Études Politiques de Paris* • Chairman of the Supervisory Board of *Institut Aspen France* • Member of the *Académie des Sciences Morales et Politiques*, the *Haut Conseil de l'Education*, the Executive Council of the MEDEF, the European Financial Round Table, the International Advisory Panel of the Federal Reserve Bank of Singapore and of the International Business Leaders' Advisory Council for the Mayor of Shanghai
Jacques PESTRE Senior Vice-President of Point.P	• Senior Vice-President of Point.P • Chairman and Chief Executive Officer of BMSO, BMCE, SONEN and *Docks de l'Oise* • Chairman of the Board of Directors of Comasud • Chairman of BMRA SAS, MBM SAS, Cibomat SAS, Boch Frères SAS, *Dépôt Services Carrelages SAS* and Thuon SAS • Permanent representative of Point.P Développement on the Board of Directors of *Nouveaux Docks* • Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund (Saint-Gobain Group savings plan)	• Senior Vice-President of Point.P Group • Chairman of the Board of Directors, Chairman and Chief Executive Officer or Director of the following Saint-Gobain Building Distribution companies: BMRA, Comasud, Cibomat, *Dépôt Services Carrelages*, La Plateforme, Boch Frères, Thuon, *Distribution Aménagement et Isolation*, Asturienne • Chairman of the Supervisory Board of the Saint-Gobain PEG France corporate mutual fund (Saint-Gobain Group savings plan)	• Regional Vice-President of Point.P Group • Chairman and Chief Executive Officer or Director of the following Saint-Gobain Building Distribution companies: BMRA, Comasud, Cibomat, *Dépôt Services Carrelages*, La Plateforme, Boch Frères • Alternate Member of the Supervisory Board of FCPE Saint-Gobain PEG France (the mutual fund for the Saint-Gobain Group Savings Plan)	• Regional Vice-President of Point.P Group • Chairman and Chief Executive Officer or Director of the following Saint-Gobain Building Distribution companies: BMRA, Comasud, Cibomat, *Dépôt Services Carrelages*, La Plateforme, Boch Frères • Alternate Member of the Supervisory Board of FCPE Saint-Gobain PEG France (the mutual fund for the Saint-Gobain Group Savings Plan)	• Regional Vice-President of Point.P Group • Chairman and Chief Executive Officer or Director of the following Saint-Gobain Building Distribution companies: BMRA, Comasud, Cibomat, *Dépôt Services Carrelages*

(1) For the up-to-date list of directorships and other positions held as of April 1, 2013, see pages 73 to 75.

Director's name and current main position (as of April 1, 2013)(1)	2012	2011	2010	2009	2008
Olivia QIU Global Head of Strategic Industries, Alcatel-Lucent	• Global Head of Strategic Industries Alcatel-Lucent	• Global Head of Strategic Industries Alcatel-Lucent	• Regional Vice President, East Asia • Chief Executive Officer of Alcatel-Lucent Shanghai Bell • Director of Alcatel-Lucent Shanghai Bell • Vice Chairman of the Board of Directors of Alcatel-Lucent Qingdao Telecommunications • Chairman of the Board of Directors of Alcatel-Lucent Shanghai Bell Enterprise Communications Co., Ltd, Alcatel- Lucent Sichuan Bell Communication System Co. Ltd, Lucent Technologies Qingdao Telecommunications Enterprise Co. Ltd, Lucent Technologies Information & Communications of Shanghai Ltd	• Regional Vice President, East Asia • Chief Executive Officer of Alcatel-Lucent Shanghai Bell • Director of Alcatel-Lucent Shanghai Bell • Vice Chairman of the Board of Directors of Alcatel-Lucent Qingdao Telecommunications • Chairman of the Board of Directors of Alcatel-Lucent Shanghai Bell Enterprise Communications Co., Ltd, Alcatel- Lucent Sichuan Bell Communication System Co. Ltd, Lucent Technologies Qingdao Telecommunications Enterprise Co. Ltd, Lucent Technologies Information & Communications of Shanghai Ltd	• Regional Vice President, East Asia • Chief Executive Officer of Alcatel-Lucent Shanghai Bell • Director of Alcatel-Lucent Shanghai Bell • Vice Chairman of the Board of Directors of Alcatel-Lucent Qingdao Telecommunications • Chairman of the Board of Directors of Alcatel-Lucent Shanghai Bell Enterprise Communications Co., Ltd, Alcatel- Lucent Sichuan Bell Communication System Co. Ltd, Lucent Technologies Qingdao Telecommunications Enterprise Co. Ltd, Lucent Technologies Information & Communications of Shanghai Ltd
Denis RANQUE Chairman of the Board of Directors of EADS	• Chairman of the Board of Directors of Technicolor • Chairman of the Board of Directors of Scilab Entreprises • Director of CMA-CGM and CGG Veritas • Chairman of the Board of Directors of *Mines Paris Tech*, *Cercle de l'Industrie* and *Association Nationale Recherche et Technologie*	• Chairman of the Board of Directors of Technicolor • Chairman of the Board of Directors of Scilab Entreprises • Director of CMA-CGM and CGG Veritas • Chairman of the Board of Directors of *Mines Paris Tech*, *Cercle de l'Industrie* and *Association Nationale Recherche et Technologie*	• Director of Technicolor • Chairman of the Board of Directors of *Mines Paris Tech*, *Cercle de l'Industrie* and *Association Nationale Recherche et Technologie* • Director of CMA-CGM	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *Ecole Nationale Supérieure des Mines de Paris* and the *Cercle de l'Industrie* • First Vice-Chairman of GIFAS • Director of the Fondation de l'*Ecole Polytechnique* • Director of CMA-CGM	• Chairman and Chief Executive Officer of Thales • Chairman of the Board of Directors of the *Ecole Nationale Supérieure des Mines de Paris* and the *Cercle de l'Industrie* • First Vice-Chairman of GIFAS • Director of the Fondation de l'*Ecole Polytechnique*
Gilles SCHNEPP Chairman and Chief Executive Officer of Legrand	• Chairman and Chief Executive Officer of Legrand • Chairman of the Board of Directors, President, Legal Manager, Director or permanent representative of Legrand subsidiaries	• Chairman and Chief Executive Officer of Legrand • Chairman of the Board of Directors, Chairman of the Supervisory Board, Director or permanent representative of Legrand subsidiaries	• Chairman and Chief Executive Officer of Legrand France • Chairman of the Board of Directors, Chairman or Member of the Supervisory Board, President, Legal Manager, Director or permanent representative of Legrand subsidiaries	• Chairman and Chief Executive Officer of Legrand France • Chairman of the Board of Directors, Chairman or Member of the Supervisory Board, Director or permanent representative of Legrand subsidiaries	• Chairman and Chief Executive Officer of Legrand France • Chairman of the Board of Directors, Chairman or Member of the Supervisory Board, Director or permanent representative of Legrand subsidiaries
Jean-Dominique SENARD Chief Executive Officer of Michelin	• Chief Executive Officer of Michelin • Director of SEB	• Non-General Managing Partner of Michelin • Director of SEB	• Non-General Managing Partner of Michelin • Director of SEB	• Non-General Managing Partner of Michelin • Director of SEB	• Non-General Managing Partner of Michelin
Jean-Cyril SPINETTA Chairman and Chief Executive Officer of Air France-KLM	• Chairman and Chief Executive Officer of Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel-Lucent and Alitalia CAI	• Chairman of the Board of Directors of Air France and Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel-Lucent and Alitalia	• Chairman of the Board of Directors of Air France and Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel-Lucent and Alitalia	• Chairman of the Board of Directors of Air France and Air France-KLM • Chairman of the Supervisory Board of Areva • Director of Alcatel-Lucent and Alitalia	• Chairman and Chief Executive Officer of Air France-KLM • Chairman and Chief Executive Officer of Air France • Director of Alcatel-Lucent, La Poste and GDF-Suez

(1) For the up-to-date list of directorships and other positions held as of April 1, 2013, see pages 73 to 75.

To the best of Compagnie de Saint-Gobain's knowledge, as of the date of this registration document, there are no family relationships between the Company's directors and, in the last five years, no director has been found guilty of fraud, been associated with a bankruptcy, sequestration or liquidation, been incriminated by or subject to an official public sanction issued by a statutory or regulatory authority, or been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer of securities or from taking part in managing or conducting an issuer's business.

To the best of the Company's knowledge, there are no conflicts of interest between Compagnie de Saint-Gobain and the personal and professional activities of the members of its Board of Directors and there are no service contracts between any members of the Board and either Compagnie de Saint-Gobain or any of its subsidiaries.

Board organization and practices

At its meeting on June 3, 2010, the Board of Directors of Compagnie de Saint-Gobain decided to recombine the functions of Chairman and Chief Executive Officer by appointing Pierre-André de Chalendar as Chairman and Chief Executive Officer and naming Jean-Louis Beffa as Honorary Chairman, effective from the date of the meeting. The roles of Chairman and Chief Executive Officer were separated in June 2007 to ensure a smooth handover of powers from Jean-Louis Beffa – then reaching the age limit for the position of Chief Executive Officer – and Pierre-André de Chalendar. Combining the two roles helps to ensure more responsive and efficient corporate governance and strategic management of Compagnie de Saint-Gobain. It is particularly advantageous in a period of challenging economic conditions. Moreover, the decision to combine the two roles once again was in line with the Group's longstanding management tradition.

In line with the guidelines in the AFEP-MEDEF code, the Board of Directors adopted a set of internal rules in 2003, which have since been updated several times. The version applicable as of February 1, 2013 was approved by the Board of Directors during its meeting of February 25, 2010.

The **Internal Rules of the Board of Directors** describe the Board's organization and practices. They can be summarized as follows:

I - *Board meetings*
The Board holds seven scheduled meetings each year. The minutes of each meeting are sent to the directors at the same time as the agenda for the next meeting. They are approved at that meeting and the final minutes are then sent with the agenda for the following meeting.
Except for the meetings held to approve the annual financial statements of the Company and the Group and the registration document, directors who take part using videoconference or other telecommunication technologies without any break in transmission, enabling them to be identified and to participate actively in the discussion, are deemed to be present for the calculation of the quorum and voting majority.

II – *Information for directors*
When each meeting is called, as well as the agenda, directors are provided with various financial analyses, press cuttings about the Saint-Gobain Group published in the period since the last Board meeting, and copies of the presentations to be made during the meeting. The information file for the meeting to approve the annual financial statements also includes the draft registration document, consolidated financial statements and Company financial statements, while the file for the meeting to approve the interim financial statements includes the draft interim consolidated financial statements and Company financial statements.
The information file handed out to the directors at each meeting includes an analysis of the Group's year-to-date operating income and its net debt at the previous month-end, plus details of Saint-Gobain's share performance compared with the CAC 40 and an industry index. One Board meeting is held at a different site each year, to give the directors an opportunity to also visit the site concerned. Between meetings, the directors receive copies of all press releases issued by the Company, along with relevant information about events or transactions that are material for the Group. The directors have the right to ask for all other documents that they consider necessary to make an informed contribution to the Board's discussions; the request is made to the Chairman of the Board of Directors who may submit the request to the Board for a decision. Directors may also ask to meet senior executives of the Group and to request that no executive directors are present; in the latter case, the request is made to the Chairman of the Board of Directors who may submit the request to the Board for a decision.

III - *Board activities*
The Board examines all issues that fall within its remit as specified in the applicable laws and regulations and the Company's bylaws. In addition, a meeting is held at least once a year to review and decide on the Group's overall strategy. All capital expenditure, restructuring, acquisition and financial investment and divestment projects individually representing over €150 million must be submitted to the Board for prior approval, along with any material transactions that fall outside the Group's stated strategy. For urgent matters where there is not enough time to call a Board meeting, the Chairman of the Board provides the directors with all relevant information by the most efficient method in order to obtain their opinion.

The Board's practices are reviewed during at least one meeting each year and formal assessments of its organization and practices are conducted periodically with the guidance of the Appointments and Remuneration Committee. The results of the assessment are reviewed at the next Board meeting. Every year, the Board also reviews each director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, based on a report prepared by the Appointments and Remuneration Committee. The results of the review are reported to shareholders in the registration document. Lastly, the non-executive directors may meet during or after one Board meeting without the executive director being present, so that they can assess the executive director's performance and consider the Group's future senior management line-up.

IV – *Committees of the Board*

Three committees of the Board – the Financial Statements Committee, the Appointments and Remuneration Committee and the Strategy Committee (which was set up in June 2008) – prepare presentations of the issues submitted to the Board in their respective areas. These committees, whose members are appointed by the Board, may commission technical reports by outside experts – the costs of which are paid by Compagnie de Saint-Gobain – and consult Group executives after notifying the Chairman and Chief Executive Officer. The Board's internal rules also cover the duties and practices of the three committees of the Board. A description of their duties is provided below in the section on each committee.

V - *Directors' obligations and duties*

Under French securities regulations, directors are qualified as permanent insiders and as such are required to comply with the laws and regulations concerning insider trading. Directors are also prohibited from trading directly or indirectly in Compagnie de Saint-Gobain's shares or in derivative instruments that have Compagnie de Saint-Gobain's shares as the underlying, during the 45 days preceding the Board meetings at which the annual and interim consolidated financial statements are reviewed and the day after these meetings (referred to as "negative windows")[1].

As well as complying with the duty of discretion imposed by law, directors are required to treat as strictly confidential all documents and information submitted to the Board and all matters discussed during Board meetings, for as long as they have not been made public.

Directors must also avoid any actual or potential conflicts of interest, whether direct or indirect, and if any such conflicts of interest should arise, they must inform the Chairman and Chief Executive Officer and refrain from participating in discussions and votes on the topics concerned.

In accordance with French securities legislation, directors must disclose to the *Autorité des Marchés Financiers* details of all of their transactions in Compagnie de Saint-Gobain shares.

VI - *Attendance fees*

The Board's internal rules also specify the basis on which attendance fees are to be allocated among the directors. For further information, see the relevant section[2].

VII - *Other provisions of the internal rules*

The internal rules also allow for directors to receive additional training about the Group's businesses and the accounting, financial and operational aspects of its activities. They also stipulate that directors must attend General Meetings of shareholders.

Board assessments

Assessments of the Board's performance are carried out each year, in accordance with its internal rules. These assessments are conducted with the assistance of outside consultants[3] every three years and by the Appointments and Remuneration Committee in intermediate years, based on a questionnaire sent to each director by the Committee Chairman[4].

The organization of the 2012 assessment was decided by the Board at its meeting of March 22, 2012, based on the recommendation of the Appointments and Remuneration Committee. Directors were given the choice between filling out a questionnaire and discussing the Board's performance during a one-to-one meeting with the Chairman of the Appointments and Remuneration Committee.

The consultation process took place between April 3 and May 2, 2012 with all directors taking part; six chose to fill out the questionnaire and the eight others opted for one-to-one meetings, in six cases by telephone.

The directors all considered that further advances had been made since the last assessment in the areas of organization and the choice of matters discussed at Board meetings, and they all rated the current situation as satisfactory. Their suggestions concerning topics to be looked at in more detail or more regularly will be taken into account.

All of the directors also rated favorably the way that the Chairman fulfills his role and organizes and leads Board discussions.

In addition, they considered that the 2010 decision to combine the roles of Chairman and Chief Executive Officer was and remained appropriate, although one director stated that this did not rule out the possibility of revisiting the decision at a future date.

(1) The ban on trading in the Company's shares during these negative windows also applies to senior executives and other employees with access to inside information.
(2) See page 85
(3) 2000 Annual Report, page 55 ; 2003 Annual Report, page 26 ; 2006 Annual Report, page 26; 2010 Annual Report, page 74.
(4) For details of the 2011 assessment, see 2011 Annual Report , page 74.

Overall, the directors considered that Compagnie de Saint-Gobain's Board of Directors is of a very high quality and has made significant advances, particularly with the organization of the strategy seminar in response to recommendations made at previous self-assessments.

The results of the assessment were communicated to the Board members and discussed during the Board meeting of May 24, 2012.

Director induction process

The Board of Directors meets once a year at one of the Group's plants or research centers. This year, it was the turn of the Saint-Gobain Research Center in Aubervillliers to play host. Each new director may ask for training on the topic of his or her choice and visit the Group's plants, distribution facilities or research centers.

Board meetings

The Board of Directors met ten times in 2012, with an average attendance rate of 88%. Seven of the seventeen directors participated in all of the meetings (the Board has sixteen members, but one director's term expired during the year and he was replaced). Eight missed just one meeting, one missed two meetings and one missed three.

At each meeting, the Board reviewed changes in the Group's situation since the last meeting. At four of the seven meetings, including a half-day seminar devoted to presentations by the Sector Presidents, the Board discussed and approved the Group's strategic goals or a specific aspect of the strategy (such as China, the Solar business, disposals or acquisitions in progress, or the impact on the Group of various economic scenarios), where appropriate after hearing the comments of the member of senior management responsible for the Activity concerned.

In line with its statutory role, the Board approved the annual and interim financial statements of the Company and the Group, as well as the various reports issued with the financial statements, after hearing the comments of the Financial Statements Committee and the auditors. The Board decided on the fixed and variable compensation to be paid to Pierre-André de Chalendar. It approved the resolutions to be tabled at the Annual General Meeting as well as the various reports and documents containing financial projections. It discussed the Company's gender equality and equal pay policies, renewed the authorizations to issue bonds and guarantees, and decided to cancel shares held in treasury stock.

In line with the recommendations in the AFEP-MEDEF code, it assessed its practices. It also assessed the situation of each director in relation to the independence criteria included in the AFEP-MEDEF code and made proposals regarding the election of five directors at the Annual General Meeting on June 6, 2013.

The Board examined the situation of the Company and the Group in relation to certain risks, procedures, claims, and regulatory changes, and reviewed implementation of the Group's Compliance program as well as the changes made to this program.

It decided on the stock option and performance share plans to be set up for certain categories of employees, including the applicable performance criteria, and approved in principle the creation of a long-term incentive plan. Lastly, as part of the ongoing drive to promote employee share ownership, the Board decided to launch a new employee rights issue for current and former employees, corresponding to just under 1% of the Company's capital.

Committees of the Board

Financial Statements Committee

Chairman:

Mr. Michel PÉBEREAU
(Honorary Chairman of BNP Paribas)

Members:

Mr. Jean-Dominique SENARD
(Chief Executive Officer of Michelin)

Mr. Jean-Martin FOLZ
(Chairman of the Board of Directors of Eutelsat Communications)

Mr. Frédéric LEMOINE
(Chairman of the Management Board of Wendel)

Mr. Denis RANQUE
(Chairman of the Board of Directors of EADS)

As of February 1, 2013, three of the five Committee members (60%) were independent directors. No executive directors sit on the Committee. By virtue of their current or past positions, each Committee member has considerable experience and high-level expertise in financial and accounting matters.

In line with the Board of Directors' internal rules in force at end-February 2013, the Financial Statements Committee:

- oversees the following matters without encroaching on the role specifically vested in the Board of Directors:

  - the processes used to prepare financial information,

  - the effectiveness of internal control and risk management systems,

  - the work performed by the auditors on the financial statements of the Company and the Group,

  - the auditors' independence;

- ensures that any questions relating to the preparation and control of accounting and financial information are followed up, that the accounting policies used to prepare the financial statements are both appropriate and applied consistently from one period to the next, and that the internal procedures used to collect and control accounting and financial information provide the necessary assurance in this regard;

- reviews the interim and annual financial statements of the Company and the Group, as presented by senior management, prior to their examination by the Board of Directors;

- reviews the scope of consolidation and the reasons why any companies have been excluded;

- reviews material risks and off-balance sheet commitments, based on an explanatory report prepared by the Chief Financial Officer;

- receives updates from senior management on the organization and operation of the risk management system;

- reviews the Group's internal control action plan and receives updates at least once a year on the plan's results;

- makes recommendations concerning the organization of the internal audit function and receives a copy of the internal audit program as well as executive summaries of the internal audit reports;

- reviews the external auditors' work plan and conclusions as well as the post-audit report prepared by the auditors concerning their main observations and the accounting options selected for the preparation of the financial statements;

- conducts the auditor selection process, expresses an opinion on the proposed statutory audit fee budget, submits the results of the selection process to the Board and puts forward candidates to be appointed by the shareholders;

- reviews the advisory and other services that the auditors and the members of their network are authorized to provide to Compagnie de Saint-Gobain and other Group entities under auditor independence rules;

- obtains from the auditors the breakdown of the fees paid to them and to the members of their network by the Group over the past year, by category of service, and reports to the Board its opinion concerning the auditors' independence.

The Financial Statements Committee met three times in 2012, in February, July and September, with an attendance rate of 100%. Two of these meetings, held in February and July, were devoted to reviewing in detail the financial statements of the Company and Group for the year ended December 31, 2011 and the six months ended June 30, 2012 and discussing these accounts with the Chief Executive Officer, the Chief Financial Officer and the auditors.

At both of these meetings, the Committee discussed with the auditors the main audit issues raised with the Finance Department during the accounts closing process, particularly the key risk exposures and material off-balance sheet commitments described in the Chief Financial Officer's explanatory report to the Committee.

During the year the Committee received regular updates of the situation concerning asbestos litigation in the United States. It discussed in detail with the auditors the financial and accounting consequences of this litigation for the American subsidiaries and the Group, in order to present a report on this issue to the Board at subsequent meetings.

The Committee also obtained information from each of the auditors concerning the amount of fees paid to them by Group companies in 2012 for statutory audit work and other services. The auditors' fees for 2011 and 2012 are presented on page 97. A procedure issued in 2003 clearly defines the services that may be provided by the Group's auditors and the members of their networks, and the services that are prohibited.

In 2012, the Committee also reviewed (i) the draft report of the Chairman on internal control and risk management, (ii) the Group's internal control framework, (iii) a report prepared by the auditors on cash management transactions, (iv) the Internal Audit and Internal Control department's activity report for 2011, its 2012 audit program and its report on major fraud incidents, and (v) the activity report of the Doctrine Department.

During the year, the Committee held one-on-one discussions with the auditors, the Vice-President – Financial Management, the Vice-President – Treasury, Financing, Risks & Insurance, the Senior Vice-President in charge of Internal Audit & Internal Control, and the Chief Financial Officer, in accordance with the recommendations of the AFEP-MEDEF code.

The Financial Statements Committee reported to the Board on its activities during the Board meetings of February 16, July 26 and September 20, 2012.

Appointments and Remuneration Committee

Chairman:

Mr. Jean-Martin FOLZ
(Chairman of the Board oF Directors of Eutelsat Communications)

Members:

Mr. Bernard GAUTIER
(Member of the Management Board of Wendel)

Mrs. Sylvia JAY
(Chairman of L'Oréal UK and Ireland)

Mr. Jean-Cyril SPINETTA
(Chairman and Chief Executive Officer of Air France-KLM)

As of February 1, 2013, three of the Committee's four members, including the Chairman, were independent directors.

The Appointments and Remuneration Committee fulfills the duties of both a remunerations committee and a nominations committee provided for in the AFEP-MEDEF code.

The Committee's remit, as defined in the Board of Directors' internal rules in force at end-February 2013, is to:

- make proposals to the Board in all cases where one or more seats on the Board fall vacant or the terms of one or more directors are due to expire. The Committee organizes the procedure to select candidates for election as independent directors, based on the independence criteria set out in the AFEP-MEDEF code;
- review annually each director's situation in relation to the independence criteria set out in the AFEP-MEDEF code, and report its conclusions to the Board;
- recommend candidates to the Board in the event that the position of Chairman of the Board falls vacant for whatever reason;
- review proposals by the Chairman of the Board for the appointment of a Chief Executive Officer and/or one or more Chief Operating Officers, and report its conclusions to the Board;
- make recommendations to the Board concerning the Chairman's compensation package, including pension benefits, and the criteria to be applied to determine his bonus, as well as the other aspects of his position;
- make recommendations on the same issues for the Chief Executive Officer and/or the Chief Operating Officer(s);
- discuss the Group's overall stock option policy and whether the options should be exercisable for new or existing shares, and review senior management's proposals concerning stock option plans for Group employees;
- make recommendations concerning stock option grants to the Chairman of the Board and the members of senior management;
- the Committee also makes presentations to support the Board's consideration of corporate governance issues and leads periodic assessments of the Board's organization and practices.

The Appointments and Remuneration Committee met three times in 2012, in February, September and November, with an average attendance rate of 92%. The Committee made recommendations to the Board on Pierre-André de Chalendar's 2011 bonus, as well as on the amount of his salary for 2012 and the performance criteria to be applied to determine his 2012 bonus (see page 87).

It reviewed issues arising from the fact that the terms of five directors were due to expire at the Annual General Meeting of June 6, 2013 and, with the assistance of a firm of consultants, launched a search for candidates to fill two of the three vacant seats, subject to shareholder approval.

The Committee also discussed (i) the performance unit plan to be set up by the Chairman and Chief Executive Officer and the performance stock option and performance share plans[1] to be set up by the Board – all consisting of deferred, variable compensation payable to certain employees subject to performance criteria being met – and (ii) the performance units and performance stock options to be granted to the Chief Executive Officer. It reviewed the proposed plan terms, decided on the performance criteria that it considered should be applied, and also decided to recommend that the performance units, shares or stock options should be forfeited if the grantee were to leave the Group before the end of the vesting period.

The Appointments and Remuneration Committee reported to the Board on its activities during the Board meetings of February 16, September 20 and November 22, 2012.

(1) The Group's stock option policy and the characteristics of the current stock option and performance share plans are presented on pages 85 to 86.

Strategy Committee

Chairman:

Mr. Jean-Cyril SPINETTA
(Chairman and Chief Executive Officer of the Air France-KLM Group)

Members:

Mr. Pierre-André de CHALENDAR
(Chairman and Chief Executive Officer of Compagnie de Saint-Gobain)

Mr. Frédéric LEMOINE
(Chairman of the Management Board of Wendel)

As of February 1, 2013, the Strategy Committee was chaired by an independent director.

In accordance with the Board of Directors' internal rules in force at end-February 2013, the Strategy Committee is responsible for examining and identifying improvements to the Group's business plan as well as reviewing any strategic issues proposed by its members.

The Strategy Committee met five times in 2012, with an attendance rate of 100%. During these meetings, the Committee discussed the 2012 budget, the outlook and development of the Group's business in China, developments in the Group's solar business, acquisitions and disposals in progress and the potential impact on the Group of various economic scenarios.

The Committee reported to the Board on its activities during the Board meetings of March 22, May 24, June 7, September 20 and November 22, 2012.

Directors' Compensation

At the Annual General Meeting of June 8, 2006, shareholders awarded attendance fees of €800,000 per year to directors. This amount has remained unchanged since then.

On March 19, 2009, the Board decided to allocate this amount as follows, for 2009 and subsequent years:

- the Chairman and Chief Executive Officer does not receive any attendance fees;
- the other directors each receive a fixed amount of €22,500 per year plus €3,000 for each Board meeting attended during the year;
- in addition, the Chairmen and members of the Financial Statements Committee, the Appointments and Remuneration Committee and the Strategy Committee (excluding Pierre-André de Chalendar) each receive a fixed amount of €5,000 and €2,500 per year, respectively, plus €2,000 for each Committee meeting attended during the year;
- for directors who are elected or retire/resign from the Board during the year, the fixed fee is prorated to the actual period served;
- the fees are paid in two half-yearly installments in arrears, with any balance available from the annual amount distributed at the beginning of the next year based on each director's attendance rate at the prior year's Board meetings.

The total fixed and variable fees paid to each individual director in respect of 2012 are shown in table 3 below.

Stock option plans – Performance share plans – Principles and rules decided by the Board of Directors – Performance unit plan

Stock option plans have been set up by the Board of Directors every year since 1987. The option exercise periods for the plans set up between 1987 and 2002 have expired, meaning that these plans are now terminated.

Options granted under the 2003-2007 plans are exercisable for new shares. For plans set up between 2008 and 2011, the Board decided that the origin of the shares (new shares or treasury stock) would be determined at the latest on the day preceding the start of the exercise period. If any options were to be exercised before the Board made its decision, the grantees would receive new shares. Options granted in 2012 are exercisable for new shares.

Performance share plans have also been approved by the Board of Directors every year since 2009.

All of the above plans were approved by the Board after they had been reviewed and recommended for approval by the Appointments and Remuneration Committee.

At its meeting on November 22, 2012, the Board of Directors decided to set up a stock option plan (exercisable for new shares) and a performance share plan (with shares to be allocated out of treasury stock). The Board also approved in principle the creation of a long-term incentive plan based on performance units to be implemented by the Chairman and Chief Executive Officer.

The plans concern 1,753 grantees corresponding to high-potential managers and managers who have performed exceptionally well (164 grantees), the key corporate and line executives in the Sectors and Delegations (1,545 grantees), members of the Group Coordination Committee excluding the senior executive team (33 grantees) and Group Executive Management (11 grantees). In all, the grantees represent 50 different nationalities and are based in 49 different countries.

The plans involve a total of 253,000 stock options, 542,370 performance shares for grantees located outside France and 536,400 performance units for grantees in France.

Performance units entitle the grantees to a long-term cash incentive payable between November 22, 2016 and November 21, 2022 provided that they are still employed by the Group when they apply to cash in the units and the performance conditions are met. The cash incentive per unit is equal to the Saint-Gobain share price on the reference date (corresponding to the trading day following the date of receipt of the request to cash in the units) plus all dividends paid or other distributions made between November 22, 2016 and the reference date. The performance units constitute an operating expense that is adjustable each year, but they do not lead to any dilution of existing shareholders' interests because they are settled in cash and not in shares.

The members of the Group Coordination Committee received a combination of stock options and performance units (Committee members in France) or stock options and performance shares (Committee members outside France). The other grantees received only performance shares or performance units, depending on their country of residence.

The performance conditions attached to the stock options, performance shares and performance units are as follows:

- **the grantee** must be an employee or officer of a Saint-Gobain company throughout the period up to the exercise date of the stock options and/or throughout the vesting period of the performance shares or throughout the period until the performance units are cashed in, except in a number of defined specific cases such as death, category 2 or 3 disability, no-fault dismissal, mutually-agreed contract termination, retirement, intra-Group transfer, or sale of the grantee's host company to an external entity;

- **exercise of the stock options** is contingent on Saint-Gobain's stock market performance compared with a reference stock market index which is based for 50% on the CAC 40 and for 50% on a sample of eight listed companies[1] operating in one or more of Saint-Gobain's businesses (with each accounting for 1/8th of the 50%). The performance shares and performance units will vest based on the achievement of the average ROCE[2] target set for the Group.

The applicable performance conditions are as follows:

a) For the stock options, Saint-Gobain's stock market performance will be calculated by comparing average prices for Saint-Gobain shares for the six months to November 22, 2012 with the average prices for the six months to November 22, 2016. Based on this comparison, at the end of the four-year vesting period the options will be exercisable as follows:

- if Saint-Gobain's stock market performance exceeds that of the reference index by at least 10%, all of the options will be exercisable,
- if Saint-Gobain's stock market performance is between 10% higher and 20% lower than that of the reference index, the number of exercisable options will be calculated by the following formula:

([Saint-Gobain's stock market performance/ performance of the index] -80%) / (110% - 80%)

- if Saint-Gobain's stock market performance is 20% or more below that of the reference index, none of the options will be exercisable;

b) For the performance shares, the performance condition is based on the Group's average ROCE for the years 2013, 2014 and 2015, adjusted to exclude the effect of any changes in accounting principles:

- if average ROCE is at least 10.5%, all of the performance shares will vest,
- if average ROCE is between 8.5% and 10.5%, the proportion of shares that vest will be calculated by the following formula:

(Average ROCE – 8.5%) / (10.5% - 8.5%)

- If average ROCE is 8.5% or lower, none of the performance shares will vest.

However, the first 100 shares allocated to each garantee are exempt from performance conditions (except for shares allocated to Coordination Committee members which are all subject to performance conditions);

c) For the performance units, the performance condition is based on the Group's average ROCE for the years 2013, 2014 and 2015, adjusted to exclude the effect of any changes in accounting principles:

- if average ROCE is at least 10.5%, all of the performance units will vest,
- if average ROCE is between 8.5% and 10.5%, the proportion of units that vest will be calculated by the following formula:

Number of performance units x (average ROCE – 8.5%) / (10.5% - 8.5%)

- if average ROCE is 8.5% or lower, none of the performance units will vest.

The exercise price of the options granted in November 2012 was set at the average of the prices quoted for Saint-Gobain shares over the 20 trading days preceding the grant date, i.e. €27.71.

There are no other stock option plans in progress and no other options on the shares of French or foreign listed or unlisted Group companies.

(1) NSG, 3M, Imerys, CRH, Travis Perkins, Wolseley, Owens Corning and Rockwool.
(2) Return On Capital Employed.

Compensation and benefits of the Chairman and Chief Executive Officer

The principles and rules governing the compensation and benefits of the Chairman and Chief Executive Officer for 2012 were decided by the Board at its meetings on February 16 and November 22, 2012, based on the recommendations of the Appointments and Remuneration Committee, as follows:

Salary and bonus

Pierre-André de Chalendar's compensation as decided by the Board on February 16, 2012, comprised an annual salary of €1,100,000 and a variable bonus of up to 1.5 time salary.

- Sixty percent of the bonus was based on four financial indicators – the Group's return on capital employed (ROCE), operating income, earnings per share and operating free cash flow – each counting for one quarter of the 60%.
- The other 40% was based on qualitative objectives related to the Group's strategic development, implementation of the main lines of the strategic plan presented to investors on November 15, 2010, the Group's responsiveness to changes in raw materials and energy costs and effective governance by the Board.

Stock options and performance shares

- At its meeting of November 22, 2012, the Board granted 50,000 stock options (but no performance shares) to Pierre-André de Chalendar. The performance and other conditions attached to the options are described above, page 86.
- As provided for in article L.225-185 of the French Commercial Code, the Board decided that 50% of the net capital gain (after deducting payroll taxes and other personal taxes) realized by Pierre-André de Chalendar on the sale of shares acquired upon exercise of the options granted to him must be reinvested in Saint-Gobain shares until such time as he steps down from the position of Chairman and Chief Executive Officer. This obligation will cease to apply if and when the total number of Saint-Gobain shares held personally by Mr. de Chalendar in registered form represents the equivalent of five years' gross salary.

  In order to calculate the number of years, months and days of gross salary that Mr. de Chalendar's registered shares represent, the total number of Saint-Gobain shares that he holds personally in registered form will be multiplied by the opening price quoted for Saint-Gobain shares on the option exercise date and compared with the amount of his gross salary applicable at that time.

Details of the compensation paid to Pierre-André de Chalendar are provided in tables 1 and 2 below.

Performance units

- At its meeting of November 22, 2012, the Board also granted 60,000 performance units to Pierre-André de Chalendar. The performance and other conditions attached to the units are described above, page 86.
- The value of these performance units, as determined by the method used in preparing the consolidated financial statements, is €1,159,200.

Concerning termination benefits awarded to executive directors whose disclosure is required by law (article L.225-42-1 of the Commercial Code), at the Annual General Meeting of June 3, 2010, shareholders approved the Board's decision to modify the commitment previously given to Pierre-André de Chalendar in his capacity as Chief Executive Officer, as follows:

- Compensation for loss of office will be paid to Pierre-André de Chalendar if and only if:

a) he is removed from office or his appointment as Chief Executive Officer is not renewed other than as a result of gross or willful misconduct or serious misconduct not related to his duties as Chief Executive Officer, or

b) he is forced to resign within the twelve months following the date of approval by the shareholders of a merger or demerger affecting Compagnie de Saint-Gobain, or the date on which a third party or group of third parties acquires control of the Company, or the announcement by Compagnie de Saint-Gobain's management bodies of a significant shift in the Group's strategy leading to a major change in its business.

- In the event of termination of his duties as Chief Executive Officer in the circumstances described above, Pierre-André de Chalendar will be entitled to compensation for loss of office of up to two times the sum of his most recent annual salary as Chief Executive Officer on the day of said termination plus his average annual bonus as Chief Executive Officer for the last three years (or, if he has been Chief Executive Officer for less than three years, for the number of full years that have elapsed since his appointment as Chief Executive Officer).

(1) Cash Flow Libre d'Exploitation

Payment of the compensation for loss of office will be subject to fulfillment of a performance condition evidenced by the Board of Directors' decision to award him an average bonus at least equal to one half of the average maximum bonus for the last three years (or, if he has been Chief Executive Officer for less than three years, for the number of full years that have elapsed since his appointment as Chief Executive Officer).

No compensation for loss of office will be due if Pierre-André de Chalendar leaves Compagnie de Saint-Gobain (i) at his own initiative in circumstances other than those described above, or (ii) in one of the circumstances described above, if he would have been eligible to retire during the following twelve months and to receive a pension under the SGPM defined benefit plan.

- Shareholders at the Annual General Meeting of June 3, 2010 also ratified the Board's decision according to which, in the event of termination of Pierre-André de Chalendar's duties as Chief Executive Officer in circumstances qualifying him for compensation for loss of office, the Board of Directors may decide, on the recommendation of the Appointments and Remuneration Committee, to maintain or to cancel his rights to all or some of the Saint-Gobain stock options and performance shares granted to him up to the termination date that have not yet expired or have not yet been delivered, as applicable, provided that the performance conditions specified in the plan rules have been fulfilled.
- As Chief Executive Officer, Pierre-André de Chalendar will continue to be fully covered by the SGPM defined benefit pension plan, in the same way as all other plan participants[1]. His pension will be based on his final year's salary and his years of service will be calculated as from October 1, 1989. If he were to leave after completing the maximum number of pensionable years' service under the SGPM plan, he would be entitled to total pension benefits (including benefits paid under the compulsory basic and supplementary pension schemes) representing a guaranteed replacement rate of approximately 47% of his final year's salary. The seniority-based supplementary pension benefits under the SGPM plan that would be paid by Compagnie de Saint-Gobain would therefore correspond to the difference between the guaranteed total benefits and the benefits paid under the compulsory basic and supplementary pension schemes.

The Annual General Meeting also:

- approved the signature of a non-compete agreement in which Pierre-André de Chalendar has given an irrevocable undertaking not to participate in, acquire or hold any interest in any competitor (as defined in the agreement) of Compagnie de Saint-Gobain or any Saint-Gobain Group company during a period of one year from the date on which his functions as Chief Executive Officer are terminated in circumstances qualifying him for compensation for loss of office. The indemnity that would be payable to Pierre-André de Chalendar under the non-compete agreement is set at the equivalent of one year's total gross compensation. For the purpose of this agreement, his gross annual compensation is considered as comprising the same fixed and variable amounts used to calculate his compensation for loss of office referred to above. Under no circumstances will the sum of the indemnity under the non-compete agreement and the compensation for loss of office exceed two times Mr. de Chalendar's total gross annual compensation;
- approved the signature of addenda to the URPIMMEC group death, disability and health insurance policy in which the persons covered by the policy and riders are defined as employees with an employment contract and executive directors *(mandataires sociaux assimilés aux salariés)* as defined in Article L.311-3 12° of France's Social Security Code.

Pierre-André de Chalendar tendered his resignation under his employment contract on June 3, 2010. He had the use of a chauffeur-driven company car in 2012. Pierre-André de Chalendar does not receive any directors' attendance fees from Compagnie de Saint-Gobain or from any Saint-Gobain subsidiary.

The following tables have been prepared in accordance with the recommendations contained in the AFEP-MEDEF code and the AMF's December 2008 recommendation on the information about management compensation to be disclosed in the registration document.

(1) The SGPM pension plan covers all employees who joined Compagnie de Saint-Gobain before January 1, 1994 and who retire at 60 or over on a full pension under the compulsory government-sponsored schemes after contributing to the SGPM plan for at least 15 years. Benefits under the plan are determined so that retirees receive a guaranteed total income in retirement. The guaranteed amount depends on the retiree's years of service (up to 35 years), and is determined on a declining scale for each tranche of gross annual compensation excluding exceptional or temporary payments. Benefits received by the retiree under other basic and supplementary pension plans during the period are deducted from the guaranteed amount for the purpose of calculating the plan benefits. The seniority-based supplementary pension benefit corresponds to the difference between the total guaranteed income and the deductible benefits. As of December 31, 2012, 245 retired former employees of Compagnie de Saint-Gobain were receiving benefits under the plan and a further 67 active employees would be entitled to benefits on retirement.

1. Total compensation, stock options and performance shares awarded to the Chairman and Chief Executive Officer

(in euros, before payroll taxes and income tax)	2012	2011
Pierre-André de CHALENDAR, Chief Executive Officer		
Compensation for the year (see Table 2 for details)	1,938,880	2,332,265
Value of stock options granted during the year (see Table 4 for details)	174,500	167,000
Value of performance shares granted during the year (see Table 6 for details)	0	567,600
TOTAL	2,113,380	3,066,865

2. Compensation and benefits awarded to the Chairman and Chief Executive Officer

(in euros, before payroll taxes and income tax)	2012		2011	
Pierre-André de CHALENDAR, Chairman and Chief Executive Officer	Amount due	Amount paid	Amount due	Amount paid
Salary	1,101,328	1,101,328	1,102,013	1,102,013
Bonus	834,900	1,227,600	1,227,600	1,460,137
Exceptional bonus	0	0	0	0
Directors' attendance fees	0	0	0	0
Benefits in kind: - Accommodation - Company car	2,652	2,652	2,652	2,652
TOTAL	1,938,880	2,331,580	2,332,265	2,564,802

The performance units granted in 2012 have not yet vested and no payments will be due in respect of the units until November 22, 2016 at the earliest. Information about these units, including the performance and other conditions, is provided on pages 85 to 86.

3. Directors' attendance fees and other compensation received by non-executive directors (gross amounts)

Non-executive directors		Gross amounts paid (in €)	
		For 2012	For 2011
Jean Louis BEFFA (1)	Directors' attendance fees Pension benefits	21,242 248,767	46,728 570,620
Isabelle BOUILLOT	Directors' attendance fees	48,685	54,169
Robert CHEVRIER	Directors' attendance fees		15,207
Gerhard CROMME	Directors' attendance fees	41,613	49,255
Bernard CUSENIER	Directors' attendance fees		27,103
Jean-Martin FOLZ	Directors' attendance fees	64,935	77,788
Bernard GAUTIER	Directors' attendance fees	57,758	59,542
Anne-Marie IDRAC	Directors' attendance fees	45,435	20,854
Sylvia JAY	Directors' attendance fees	51,936	56,907
Frédéric LEMOINE	Directors' attendance fees	70,258	77,286
Gérard MESTRALLET	Directors' attendance fees	41,613	40,935
Michel PEBEREAU	Directors' attendance fees	56,436	56,772
Jacques PESTRE	Directors' attendance fees	49,258	23,593
Olivia QIU	Directors' attendance fees	49,258	20,854
Denis RANQUE	Directors' attendance fees	57,758	54,169
Gilles SCHNEPP	Directors' attendance fees	45,436	49,046
Jean-Dominique SENARD (2)	Directors' attendance fees	25,621	
Jean-Cyril SPINETTA	Directors' attendance fees	72,758	69,792
TOTAL **TOTAL**	**DIRECTORS' ATTENDANCE FEES** **OTHER COMPENSATION**	800,000 248,767	800,000 570,620

(1) Up to June 7, 2012.
(2) From June 7, 2012.

None of the non-executive directors received any other compensation from Compagnie de Saint-Gobain or any Saint-Gobain subsidiary for 2011 or 2012.

4. Stock options granted during the year to the Chairman and Chief Executive Officer

Name	Plan date	Options exercisable for new or existing shares	Value (based on method used to prepare the consolidated financial statements)	Number of options granted during the year	Exercise price	Exercise period
Pierre-André de CHALENDAR	November 22, 2012	New shares	174,500	50,000	€27.71	November 22, 2016 to November 21, 2022

The performance and other conditions applicable to these stock options are described on page 86.

5. Stock options exercised during the year by the Chairman and Chief Executive Officer

Name	Plan date	Options exercisable for new or existing shares	Number of options exercised during the year	Exercise price
Pierre-André de CHALENDAR	-	-	0	-

6. Performance shares granted during the year to the Chairman and Chief Executive Officer

Name	Plan date	Number of performance share rights granted during the year	Value (based on method used to prepare the consolidated financial statements)	End of vesting period	End of lock-up period	Performance conditions
Pierre-André de CHALENDAR		0	0	-	-	-

7. Performance shares delivered during the year to the Chairman and Chief Executive Officer

	Plan date	Number of performance shares delivered during the year	End of lock-up period
Pierre-André de CHALENDAR	November 19, 2009	7	March 31, 2014

8. Historical information about stock option plans

YEAR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Date of General Meeting	June 7, 2012	June 4, 2009	June 4, 2009	June 4, 2009	June 7, 2007	June 7, 2007	June 9, 2005	June 9, 2005	June 5, 2003	June 5, 2003
Date of Board of Directors' meeting							Feb. 27, 2006			
	Nov. 22, 2012	Nov. 24, 2011	Nov. 18, 2010	Nov. 19, 2009	Nov. 20 2008	Nov. 22, 2007	Nov. 16, 2006	Nov. 17, 2005	Nov. 18, 2004	Nov. 20, 2003
Total shares under option	253,000	482,150	1,144,730	1,479,460	3,551,900	3,673,000	4,025,800	3,922,250	3,881,800	3,717,700
Adjustment to number of shares under option (*)	N/A	N/A	N/A	N/A	375,614	383,133	420,314	397,330	383,963	282,934
Cumulative number of cancelled or forfeited options	0	0	0	493,154(3)	773,932(2)	652,962(1)	138,460	248,460	80,000	58,500
Adjusted number of exercisable options	253,000	482,150	1,144,730	986,306	3,153,582	3,403,171	4,307,654	4,071,120	4,185,763	3,942,134
Of which: options granted to corporate officers										
Jean-Louis Beffa	0	0	0	0	*46,856*(5)	*55,288*(4)				
Pierre-André de Chalendar	50,000	100,000	130,000	133,333(6)	*109,331*(5)	*110,575*(4)				
Starting date of exercise period	Nov. 22, 2016	Nov. 25, 2015	Nov. 19, 2014	Nov. 20, 2013	Nov. 21, 2012	Nov. 23, 2011	Nov. 17, 2009 or Nov. 17, 2010	Nov. 18, 2008 or Nov. 18, 2009	Nov. 19, 2007 or Nov. 19, 2008	Nov. 21, 2006 or Nov. 21, 2007
Expiry date of exercise period	Nov. 21, 2022	Nov. 23, 2021	Nov. 17, 2020	Nov. 18, 2019	Nov. 19, 2018	Nov. 21, 2017	Nov. 15, 2016	Nov. 16, 2015	Nov. 17, 2014	Nov. 19, 2013
Exercise price(*)	€27.71	€31.22	€35.19	€36.34	€25.88	€64.72	€52.52	€41.34	€39.39	€32.26
Number of shares acquired	0	0	0	400	73,236	0	1,200	19,939	230,669	1 222 763
Options outstanding at December 31, 2012	253,000	482,150	1,144,730	985,906	3,080,346	3,403,171	4,306,454	4,051,181	3,955,094	2,719,371

(*) Following the March 23, 2009 capital increase for cash carried out by issuing and allocating stock warrants, the number of options per grantee and the exercise price were adjusted in accordance with the applicable regulations (Article R228-91 of the French Commercial Code) in order to preserve the grantees' rights. The new exercise price was determined by taking into account the number of shares issued per existing share (2 new shares for 7 existing shares), the issue price of the new shares (€14) and the cum rights share price (€24.58, corresponding to the weighted average price for the three trading days preceding the rights issue, i.e. March 18, 19 and 20, 2009).
On this basis, the original exercise price was multiplied by 0.904363 to calculate the new price and the number of options was multiplied by 1.10575 so that the total value of option holders' rights (number of options multiplied by the exercise price) was the same before and after the adjustment.

(1) Including 514,502 options forfeited because the performance condition was not met (performance condition attached to half of the options granted in November 2007 to the 38 members of senior management).
(2) Including 718,644 options forfeited because the performance condition was only partly met (performance condition attached to all the options granted in November 2008 to the Chairman and Chief Executive Officer and half of the options granted in November 2008 to the 176 members of senior management).
(3) Including 493,154 options forfeited because the performance condition was only partly met (performance condition attached to all the options granted in November 2009).
(4) After deducting the one half of the options granted that are not exercisable because the related performance condition was not met.
(5) After deducting the one half of the options granted that are not exercisable because the related performance condition was only partly met.
(6) After deducting the options granted that are not exercisable because the related performance condition was only partly met.

9a. Options granted to the ten employees who received the greatest number of options

	Number of options granted	Unit price
In 2012	102,000	€27.71
In 2011	209,100	€31.22

9b. Options exercised by the ten employees who exercised the greatest number of options

	Total number of options exercised	Weighted average exercise price	O/w options granted on Nov. 22, 2001	O/w options granted on Nov. 21, 2002	O/w options granted on Nov. 20, 2003	O/w options granted on Nov. 18, 2004	O/w options granted on Nov. 17, 2005	O/w options granted on Nov. 20, 2008
In 2012	85,111	€22.30		66,316				18,795
In 2011	130,174	€33.97	68,116	22,023	14,751	23,444	1,840	

9c. Performance share rights granted to the ten employees who received the greatest number of rights

	Number of shares granted	Unit price
In 2012	48,800	-
In 2011	60,790	-

9d. Performance shares delivered to the ten employees who received the greatest number of shares

	Total number of shares delivered	Share price on the grant date	O/w performance share rights granted on Nov. 19, 2009
In 2012	26,300	€33.39	26,300
In 2011	0	-	-

10. Historical information about performance share plans

Year	2012	2011	2010	2009	2009 (*)
Date of General Meeting	June, 7, 2012	June 4, 2009	June 4, 2009	June 4, 2009	June 4, 2009
Date of Board of Directors' meeting	Nov. 22, 2012	Nov. 24, 2011	Nov. 18, 2010	Nov. 19, 2009	Nov. 19, 2009
Type of shares to be delivered	Treasury shares		New shares		
Total number of performance share rights initially granted[1]	**542,370**	**942,920**	**737,550**	**622,790**	**1,359,960**
of which, rights under plans with a two-year vesting period and a two-year lock-up period (2+2 plan)[2]		415,560	325,060	260,400	**430,150**
of which, rights under plans with a four-year vesting period and no lock-up period(4+0 plan)	542,370	527,360	412,490	362,390	**929,810**
Cumulative number of shares delivered under the 2+2 plan[2]	0	740	590	245,320	393,610
Cumulative number of shares delivered under the 4+0 plan			700	1,500	42
Number of rights forfeited under the 2+2 plan(**)	0	4,270	10,040	15,080	36,540
Number of rights forfeited under the 4+0 plan(**)		8,800	18,950	15,730	0
Outstanding rights under the 2+2 plan	542,370	410,550	314,430	0	0
Outstanding rights under the 4+0 plan	0	518,560	392,840	345,160	929,768
Total outstanding performance share rights at January 1, 2012	**542,370**	**929,110**	**707,270**	**345,160**	929,768
Number of rights forfeited in 2012 because the performance condition was only partly met - France		238,313	126,565		
- outside France		279,634	143,320		
Outstanding performance share rights at December 31, 2012[3]	**542,370**	**411,163**	**437,385**	**362,390**	**929,768**
[1]o/w rights granted to the Chairman and the Chief Executive Officer - Jean-Louis Beffa - Pierre-André de Chalendar	 0 0	 0 30,000	 0 20,000	 0 0	 7 7
[2]o/w shares delivered to the Chairman and the Chief Executive Officer - Jean-Louis Beffa - Pierre-André de Chalendar	 0 0	 0 0	 0 0	 0 0	 7 7
[3] o/w outstanding rights granted to the Chairman and the Chief Executive Officer - Pierre-André de Chalendar	0	9,500	10,000	0	0

(*) Global plan providing for the granting of seven performance share rights to each grantee.
(**) Rights forfeited because the grantee left the Group before the end of the vesting period.

11. Transactions involving Compagnie de Saint-Gobain shares disclosed to the AMF by the Chairman and Chief Executive Officer

In 2012, the Chairman and Chief Executive Officer disclosed the following transactions in Saint-Gobain securities to the AMF:

	Type of securities	Type of transaction	Transaction date	Unit price	Total
Pierre-André de CHALENDAR	Units in the FCPE PEG Saint-Gobain corporate mutual fund (equivalent to 4,517 shares)	Purchase of new units	May 15, 2012	€28.59	€129,141 (*)

(*) of which €4,141 matching payment, net of CSG/CRDS.

12. Other information about the Chairman and Chief Executive Officer

During 2012	Employment contract (suspended for duration of term)		Supplementary pension plan		Termination benefits(1)		Non-compete indemnity(2)	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre-André de CHALENDAR **Chairman and Chief Executive Officer**	Terminated on June 3, 2010		X		X		X	

Pierre-André de Chalendar's pension will be based on his final year's salary and his years of service with the Group, calculated as from October 1, 1989.

If he were to leave after completing the maximum number of pensionable years' service under the SGPM plan, he would be entitled to total pension benefits (including benefits paid under the compulsory basic and supplementary pension schemes) representing a guaranteed replacement rate of approximately 47% of his final year's salary. The seniority-based supplementary pension benefits under the SGPM plan that would be paid by Compagnie de Saint-Gobain would therefore correspond to the difference between the guaranteed total benefits and the benefits paid under the compulsory basic and supplementary pension schemes. (See page 88).

Management Compensation

In Group companies other than Compagnie de Saint-Gobain, attendance fees awarded to directors representing the Group – particularly members of Group senior management – are either transferred to the company that employs them or paid directly to that company. In other companies of which the Group is a shareholder, attendance fees awarded to the Chairman of Saint-Gobain's Board in his capacity as a director of these companies are paid in full to the Company.

The compensation paid to members of senior management is set at a level consistent with compensation packages offered by comparable companies, based on the results of specific surveys commissioned by senior management from specialized consultants.

All members of senior management receive a variable bonus designed to reflect their personal contribution towards the Group's business and earnings growth. Target bonuses are set at an amount that is reasonable in relation to the overall compensation package.

The principle of performance-related pay has now been extended to all managerial staff. The performance targets used are based on financial indicators including return on investment (ROI) and return on capital employed (ROCE), as well as personal objectives such as developing a certain type of business or entering a new geographic market.

In this way, management compensation is clearly linked to performance and a system of management by objectives that promotes a high level of personal commitment. Each manager's compensation can fluctuate significantly from one year to the next, based on the results achieved.

Gross compensation received by the members of senior management, directly and indirectly from Group companies within and outside France, totaled €12.6 million in 2012 (2011: €13.9 million), including variable bonuses of €4.6 million (2011: €4.7 million) and termination benefits of €0 million (2011: €1.3 million).

(1) See pages 87 and 88
(2) See page 88

GROUP MANAGEMENT

GROUP MANAGEMENT as of February 1, 2013

SENIOR MANAGEMENT

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge of International Development

Gilles COLAS
Senior Vice-President in charge of Strategic Developments[1]

John CROWE
Senior Vice-President, General Delegate for North America[2]

Jérôme FESSARD
Senior Vice-President in charge of the Packaging Sector

Jean-Pierre FLORIS
Senior Vice-President in charge of the Innovative Materials Sector

Claude IMAUVEN
Senior Vice-President in charge of the Construction Products Sector

Claire PEDINI
Senior Vice-President in charge of Human Resources

Jean-François PHELIZON
Senior Vice-President in charge of Internal Audit and Internal Control

Antoine VIGNIAL
Corporate Secretary, Senior Vice-President in charge of Sustainable Development

Laurent GUILLOT
Chief Financial Officer

CORPORATE DEPARTMENTS MANAGEMENT

Gérard ASPAR
Vice-President, Marketing

Sophie CHEVALLON
Vice-President, Communications

François MICHEL
Vice-President, Corporate Planning

Didier ROUX
Vice-President, Research and Development, and Innovation

SECTOR MANAGEMENT

Benoît BAZIN
President, Building Distribution Sector

Jérôme FESSARD
President, Packaging Sector

Jean-Pierre FLORIS
President, Innovative Materials Sector (Flat Glass and High-Performance Materials)

Claude IMAUVEN
President, Construction Products Sector

GENERAL DELEGATES as of February 1, 2013

Dominique AZAM
General Delegate for Mexico, Central America, Venezuela, Colombia, Ecuador and Peru

John CROWE
General Delegate for North America

Javier GIMENO
General Delegate for the Asia-Pacific region

Peter HINDLE
General Delegate for the United Kingdom, Ireland and South Africa

Benoît d'IRIBARNE
General Delegate for Brazil, Argentina and Chile

Thierry LAMBERT
General Delegate for the Nordic Countries and Baltic States

Anand MAHAJAN
General Delegate for India, Sri Lanka and Bangladesh

François-Xavier MOSER
General Delegate for Poland, Bulgaria and Romania

Paul NEETESON
General Delegate for Central Europe

Gonzague de PIREY
General Delegate for Russia, Ukraine and the C.I.S.

Ricardo De RAMON GARCIA
General Delegate for Spain, Portugal and Morocco

Tomas ROSAK
General Delegate for the Czech Republic, Slovakia, Hungary and the Eastern Adriatic countries

Gianni SCOTTI
General Delegate for Italy, Greece, Egypt and Turkey

(1) Until June 30, 2013.
(2) Since January 1, 2013.

SAINT-GOBAIN GROUP COMMITTEES as of February 1, 2013

EXECUTIVE COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Laurent GUILLOT
Chief Financial Officer

Claire PEDINI
Senior Vice-President in charge of Human Resources

Antoine VIGNIAL
Corporate Secretary and Senior Vice-President in charge of Sustainable Development

The Executive Committee meets once a week.

SENIOR MANAGEMENT COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoît BAZIN
Senior Vice-President in charge of the Building Distribution Sector

Jean-Claude BREFFORT
Senior Vice-President in charge of International Development

Gilles COLAS
Senior Vice-President in charge of Strategic Developments(1)

John CROWE
Senior Vice-President, General Delegate for North America(2)

Jérôme FESSARD
Senior Vice-President in charge of the Packaging Sector

Jean-Pierre FLORIS
Senior Vice-President in charge of the Innovative Materials Sector

Laurent GUILLOT
Chief Financial Officer

Claude IMAUVEN
Senior Vice-President in charge of the Construction Products Sector

Claire PEDINI
Senior Vice-President in charge of Human Resources

Jean-François PHELIZON
Senior Vice-President in charge of Internal Audit and Internal Control

Didier ROUX
Vice-President, Research and Development, and Innovation

Antoine VIGNIAL
Corporate Secretary and Senior Vice-President in charge of Sustainable Development

The Senior Management Committee meets once a month.

COORDINATION COMMITTEE

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

The members of the Senior Management Committee

The General Delegates

The heads of the following businesses:

Saint-Gobain Glass (Houchan SHOEIBI), Saint-Gobain Sekurit (Patrick DUPIN), SGG Solutions (Jean-Marie VAISSAIRE), Abrasives (Patrick MILLOT), Ceramic Materials (Guillaume TEXIER), Performance Plastics (Thomas KINISKY), Pipe (Vincent LEGROS), Gypsum (Claude-Alain TARDY), Insulation (Emmanuel NORMANT), Industrial Mortars (Jean-Luc GARDAZ), Point P (Patrice RICHARD), Lapeyre (Patrick BERTRAND), SGBD Deutschland (Udo BRANDT), SGBD Nordics (Kare O.MALO), Packaging US (Joseph GREWE).

Vice-President, Information Systems and Group Purchasing (Frédéric VERGER).

Vice-President, Group Marketing (Gérard ASPAR).

The Coordination Committee meets three times a year.

(1) Until June 30, 2013
(2) Since January 1, 2013

AUDITORS

EXTERNAL CONTROL OF THE COMPANY

As of December 31, 2012, the Company's auditors were:

- PricewaterhouseCoopers Audit[(1)], 63 rue de Villiers, 92208 Neuilly-sur-Seine, represented by Pierre Coll and Jean-Christophe Georghiou, reappointed on June 3, 2010, for a six-year term expiring at the 2016 Annual General Meeting.
- KPMG Audit, Department of KPMG S.A.[(1)], 1 Cours Valmy, 92923 La Défense, represented by Jean-Paul Vellutini and Philippe Grandclerc, reappointed on June 7, 2012 for a six-year term expiring at the 2018 Annual General Meeting.

The substitute auditors are:

- Yves Nicolas, 63 rue de Villiers 92208 Neuilly-sur-Seine, appointed on June 3, 2010 for a six-year term expiring at the 2016 Annual General Meeting.
- Fabrice Odent, 1 Cours Valmy 92923 La Défense, appointed on June 7, 2012 for a six-year term expiring at the 2018 Annual General Meeting.

Fees paid by the Group to the Auditors and the members of their network for 2012

(in € millions)	PricewaterhouseCoopers Audit				KPMG			
	Amount		%		Amount		%	
	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
Statutory and contractual audits								
Compagnie de Saint-Gobain	0.6	0.6	5%	5%	0.6	0.6	5%	6%
Fully-consolidated subsidiaries	10.4	10.1	84%	83%	9.6	9.7	89%	87%
TOTAL	**11.0**	**10.7**	**89%**	**88%**	**10.2**	**10.3**	**94%**	**93%**
Other audit-related services								
Compagnie de Saint-Gobain	0.3	0.7	2%	6%	0.1	0.4	1%	3%
Fully-consolidated subsidiaries	0.9	0.5	7%	4%	0.5	0.3	5%	3%
Subtotal	**1.2**	**1.2**	**9%**	**10%**	**0.6**	**0.7**	**6%**	**6%**
TOTAL	**12.2**	**11.9**	**98%**	**98%**	**10.8**	**11.0**	**100%**	**99%**
Other services provided by members of the network to fully-consolidated subsidiaries								
Legal and tax advice	0.2	0.2	2%	2%	0.0	0.0	0%	0%
Other (fees representing over 10% of the audit fees)	0.0	0.0	0%	0%	0.0	0.1	0%	1%
Subtotal	**0.2**	**0.2**	**2%**	**2%**	**0.0**	**0.1**	**0%**	**1%**
TOTAL	**12.4**	**12.1**	**100%**	**100%**	**10.8**	**11.1**	**100%**	**100%**

RELATED PARTY AGREEMENTS

Related-party agreements entered into during the year

No related-party agreements were entered into in 2012.

(1) Members of Compagnie Régionale des Commissaires aux Comptes, Versailles.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code *(Code de commerce)*, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments to be submitted for the approval of the Annual General Meeting on June 6, 2013

We were not informed of any agreement or commitment to be submitted for approval at the Annual General Meeting pursuant to the provisions of the article L.225-38 of the French Commercial Code.

Agreements and commitments previously approved by the Annual General Meeting

Agreements and commitments approved in previous years

a) which were implemented during the year

Pursuant to article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved in previous years by the Annual General Meeting, were implemented during the year.

Nature and date of approval by the Annual General Meeting	Person(s)/entity(ies) concerned	Implementation in the year ended December 31, 2012
Agreements authorized as part of the initial public offering of Verallia on the regulated market of NYSE Euronext in Paris, and the postponement of the initial public offering *Approved by the Annual General Meeting of:* June 7, 2012 (Statutory Auditors' special report of March 9, 2012)	*Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and Chairman of the Board of Directors of Verallia:* Pierre-André de Chalendar	The nature and terms of such contracts and agreements and co-contractors are presented in the appendix to this report.
Agreement with Wendel, a shareholder of Compagnie de Saint-Gobain *Approved by the Annual General Meeting of:* June 7, 2012 (Statutory Auditors' special report of March 9, 2012)	Wendel, shareholder with an interest of over 10% in Compagnie de Saint-Gobain. *Directors:* Frédéric Lemoine, Chairman of the Management Board of Wendel and Bernard Gautier, Member of the Management Board of Wendel.	These agreements, which were entered into on May 26, 2011 for a ten-year term, and which set out the principles and objectives of the long-term cooperation between Wendel and Saint-Gobain, have not given rise to any payment and mainly concern corporate governance, voting rights and changes in Wendel's interest in the capital of the Company.
Group health and personal risk insurance contract for employees and corporate officers *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Chairman and Chief Executive Officer:* Pierre-André de Chalendar	Payment of €6,453 made by the Company to URRPIMMEC for Pierre-André de Chalendar's insurance coverage.
Agreement relating to the lease for the apartment occupied by Jean-Louis Beffa *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Director:* M. Jean-Louis Beffa	Jean-Louis Beffa remained as a Director until June 7, 2012.
Bank bond and counter-guarantee for the payment of the fine imposed by the European Commission concerning the automotive glass industry *Approved by the Annual General Meeting of:* June 4, 2009 (Statutory Auditors' special report of March 19, 2009)	*Directors:* MM. Jean-Louis Beffa and Michel Pébereau	BNP Paribas received a total sum of €3.5 million from the Company in relation to this guarantee.
Defined benefit pension plan *Approved by the Annual General Meeting of:* June 5, 2008 (Statutory Auditors' special report of April 7, 2008)	*Director:* M. Jean-Louis Beffa	Jean-Louis Beffa remained as a Director until June 7, 2012 and has received a total sum of €248,767 in relation to this agreement.

b) which were not implemented during the year

Furthermore, we were informed that the following agreements and commitments, already approved by an Annual General Meeting in previous years, remained in force but were not implemented during the year.

Nature and date of approval by the Annual General Meeting	Person(s)/entity(ies) concerned
• Commitments concerning the payment of compensation and termination benefits, in certain cases, on the termination of the Chairman and Chief Executive Officer's duties • Non-compete agreement valid in certain cases on the termination of the Chairman and Chief Executive Officer's duties • *Approved by the Annual General Meeting of:* June 3, 2010 (Statutory Auditors' special report of March 26, 2010)	*Chairman and Chief Executive Officer:* M. Pierre-André de Chalendar
• Defined benefit pension plan for the Company's Chairman and Chief Executive Officer Approved by the Annual General Meeting of: June 5, 2008 (Statutory Auditors' special report of April 7, 2008)	*Chairman and Chief Executive Officer:* M. Pierre-André de Chalendar

Neuilly-sur-Seine and Paris La Défense, March 1, 2013

The statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Pierre Coll   Jean-Christophe Georghiou   Jean-Paul Vellutini   Philippe Grandclerc

APPENDIX TO THE STATUTORY AUDITORS' SPECIAL REPORT

ON RELATED PARTY AGREEMENTS AND COMMITMENTS

Nature and Purpose	Co-contracting parties	Main terms and conditions of implementation at December 31, 2012
Transitional Services Agreement and its amendment	Compagnie de Saint-Gobain acting in its name and on its behalf as well as in the name and on behalf of other companies of the Saint-Gobain Group (hereinafter collectively referred to as "Saint-Gobain") on the one hand, and Verallia and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	These agreements set out the conditions under which Saint-Gobain will continue to provide Verallia with services during a transitory period. The duration of this period varies according to the type of services concerned: financial, human resources, IT and telecommunications, legal, tax and insurance and real-estate services. The annual compensation or the compensation per assignment were set out in the agreements for each service and each beneficiary. The compensation is revised every year subject to a mutual agreement. Under this agreement, Saint-Gobain billed Verallia €14,922 thousand including €705 thousand in the name of Compagnie de Saint-Gobain, for the year ended December 31, 2012.
Technical and Research Agreement and its amendment	Compagnie de Saint-Gobain acting in its name and on its behalf as well as in the name and on behalf of other companies of the Saint-Gobain Group (hereinafter collectively referred to as "Saint-Gobain") on the one hand, and Verallia and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	This agreement sets out the conditions under which Verallia will continue to benefit from (i) the development of certain entities of the Saint-Gobain Group responsible for technical development and research in glassmaking, (ii) the implementation of the cross-licensing between Saint-Gobain and Verallia of the trademarks necessary for the performance of their activities, and (iii) the right to participate in Saint-Gobain's cross-cutting strategic research and development programs. This agreement has a five-year term which began on June 1, 2011. Under this agreement, Saint-Gobain billed Verallia €4,343 thousand for the year ended December 31, 2012. Compagnie de Saint-Gobain did not bill any amounts in its own name.
Trademark License Agreement and its amendment	Compagnie de Saint-Gobain and Verallia on the one hand, and the companies in the Packaging Sector (hereinafter collectively referred to as "Verallia") on the other hand	This agreement sets out the conditions under which Verallia will continue to benefit from its right to the free use of the Saint-Gobain brand for its company names, material, property, plant and equipment, and domain names as well as the trademarked abbreviation "SG" and for a transitory period from the date on which Compagnie de Saint-Gobain no longer holds, directly or indirectly, more than 50% of Verallia's capital or voting rights.

INTERNAL CONTROL

Report on internal control and risk management systems

Report of the Chairman of the Board of Directors on certain aspects of corporate governance, on Compagnie de Saint-Gobain's internal control and risk management systems and on any restrictions on the Chief Executive Officer's powers.

This report has been drawn up in application of article L.225-37 of France's Commercial Code and has been approved by the Board of Directors.

Corporate governance

Under French law, the Chairman is required to report to shareholders on certain aspects of corporate governance. The required disclosures concern the composition of the Board, its organization and practices, the Company's compliance with and implementation of a recognized corporate governance code, the formalities for participating in General Meetings, the principles and rules applied by the Board to determine the compensation and benefits awarded to executive directors and any other information that could have a bearing on a takeover bid for the Company.

This information is provided in the following sections of this registration document: Membership of the Board of Directors, Re-election of Directors, Board organization and practices, Committees of the Board, Corporate governance, Bylaws, Directors' compensation and benefits, Information that could have a bearing on a takeover bid for the Company (pages 69 to 88), which are incorporated by reference in this report of the Chairman.

Compagnie de Saint-Gobain's internal control and risk management system

Saint-Gobain's internal control and risk management system is based on the internal control and risk management framework issued by the French securities regulator (Autorité des Marchés Financiers – AMF), as updated in July 2010, and complies with the legal requirements applicable to companies listed on the Paris Stock Exchange.

Supported by a continuous improvement process and an internal control reference base, the Saint-Gobain Group's internal control and risk management system is a set of resources, behaviors, procedures and initiatives tailored to each company's specific characteristics that:

- contributes to the control of the business, the effectiveness of operations and the efficient use of resources;
- enables the Company to appropriately address material operational, financial, compliance and other risks.

It is specifically designed to provide assurance concerning:

- the Company's compliance with the applicable laws and regulations, in particular regarding anti-corruption measures and economic sanctions;
- application of senior management's instructions and guidelines;
- the efficiency and effectiveness of internal operating, industrial, marketing, financial and other processes;
- the protection of tangible and intangible assets; in particular the prevention of fraud.
- the reliability of financial information.

Deployed in all subsidiaries, the Saint-Gobain Group's internal control and risk management system is therefore more than just a set of procedures and it extends beyond accounting and financial processes.

Internal control fundamentals

The fundamentals of an efficient and effective internal control system include:

- adherence to the values and behavioral rules set out in the Saint-Gobain Principles of Conduct and Action (see page 34), which are distributed to all employees;
- clearly defined organization and allocation of responsibilities, supported by written procedures and ensuring effective segregation of tasks;
- delegations of signature authority and other powers that are aligned with the allocation of responsibilities and supported by controls over their use;
- human resources management policies aimed at ensuring that new hires have the knowledge and skills needed to fulfill their responsibilities and that existing employees are helped to improve their knowledge;
- written internal procedures distributed in an appropriate manner to employees;
- secure information systems with access rights granted on the basis of allocated roles and responsibilities, to maintain effective segregation of tasks. Subsidiaries have an obligation to comply with the basic security rules issued by the Group Information Systems Department.

Internal control and risk management process

Within Saint-Gobain, internal control is a continuous process that integrates risk management procedures and involves (i) analyzing the main identifiable risks, (ii) developing controls that are proportionate to the risks involved, (iii) communicating control objectives to employees and (iv) implementing basic controls and (v) oversight controls and regularly checking the process's effectiveness. The process is described in the internal control reference base and applies to all Group subsidiaries.

Oversight controls and effectiveness checks may lead to corrective action being taken, to ensure that the internal control and risk management system evolves as needed.

Implementation of the internal control and risk management process within Group entities

Saint-Gobain Group units implement the internal control and risk management process and adapt it to their own organization by identifying any operational risks specific to their entity that are not covered by the controls provided for in the internal control reference base. The Senior Vice-Presidents of the Group's operating units and the heads of the shared service centers follow a five-step process:

- check that the fundamentals of internal control have been deployed;
- implement the controls described in the internal control reference base;
- lead the internal control process within their unit and identify any risks not covered by the controls provided for in the internal control reference base;
- deploy the internal control system in all of the unit's or center's facilities;
- oversee the internal control system and organize regular internal control reviews by the unit's Management Committee, in particular for the purposes of the compliance statement.

Compliance statement

Compliance statements are used to periodically assess units' compliance with a limited number of internal control reference base fundamentals.

Since 2009, the Senior Vice-Presidents of the operating units and the heads of the Shared Service Centers report annually to the Group Chief Executive Officer on the level of internal control within their unit or center, by filling out a questionnaire relating to the internal control reference base. They also commit to taking all necessary action to remedy any cases of non-compliance with the reference base.

The compliance statements and action plans are centralized and tracked by the Internal Control unit which also prepares an executive summary of the information. They are reviewed with the heads of the Activities, General Delegations and corporate departments and are the subject of an annual report to the Group Chief Executive Officer and to the Financial Statements Committee of the Board of Directors.

The compliance statement comprises 60 questions covering three main areas – the control environment, internal control procedures and internal control activities.

Monitoring action plans

A database is used to centralize information about the measures implemented to remedy any non-compliance issues identified during the compliance statement process, and about the action plans drawn up following audits performed by the Internal Audit unit.

This means that each Group company has access to a centralized platform that it can use to manage its action plans by reporting the corrective measures taken and the progress made compared with the predefined implementation schedule. The Group finance, human resources and IT departments can also use the system to monitor these action plans.

Organization of the internal control and risk management system

Everyone within the organization has some responsibility for internal control, from senior management down to the employees of the individual units.

Board of Directors

In 2012, a report on the Group Compliance Program, mainly focusing on internal control and risk management, was submitted to the Board of Directors after being reviewed by the Financial Statements Committee.

Senior management

Group senior management oversees implementation of the internal control system and the existence and appropriateness of internal control and risk management monitoring systems within the subsidiaries.

Internal Audit and Internal Control Department

The Internal Audit and Internal Control Department organizes oversight of internal control and risk management systems based on the compliance statement, the results of internal audits, the action plan tracking system and the incident monitoring system. The Internal Audit and Internal Control Department plays a key role in the Group Compliance Program.

On the instructions of senior management, the Internal Control unit is responsible for designing the Group's internal control system and coordinating its deployment, working with the corporate departments, the General Delegations and the Sectors. Its main responsibilities are to:

- develop and maintain the internal control reference base;
- communicate and provide training on internal control and risk management;
- lead the annual compliance statement process;
- analyze incidents, the compliance statements and the results of audits, and propose upgrades to the internal control system;
- monitor implementation of the action plans decided following these exercises;
- monitor internal control indicators on a scorecard.

In 2012, some 400 managers and senior managers of the Group received training in internal control, risk management and fraud prevention.

The Internal Audit unit is tasked with deploying a systematic and methodical approach designed to provide assurance concerning the appropriateness and effectiveness of the internal control systems and issuing recommendations for improvement. Its main responsibilities are to:

- check that compliance statements and action plans drawn up by the units to achieve the required level of compliance are appropriate;
- audit internal control systems in order to check their compliance with the rules set by the Group and their effectiveness considering the situation of the audited unit;
- monitor compliance with recommendations through to execution of action plans.

The Internal Audit unit also conducts value-added research into cross-functional issues, on behalf of a Sector or the Company, with the aim of improving performance.

The research and audits are planned by the Internal Audit and Internal Control Department based on the overall internal audit program approved by senior management and communicated to the Financial Statements Committee of the Board of Directors.

The internal audit program is based on the annual proposals of the Senior Vice Presidents responsible for the Sectors, the General Delegates and the heads of the corporate departments. The Internal Audit and Internal Control Department may also be asked to perform unscheduled audits during the year.

The internal auditors are based at the Company's head office and in the main General Delegations. They are hired internally and externally according to a rigorous selection procedure. Some 200 internal audits were carried out in 2012. Copies of the auditors' reports were given to senior management as well as to the Sector Senior Vice-Presidents and General Delegates concerned. A report is issued at the end of each audit, describing the internal auditors' observations. The audited unit is given the opportunity to respond to these observations, after which a set of recommendations is issued, together with an action plan that the audited unit is required to implement within a fixed timeframe.

In May 2012, the Chairman and Chief Executive Officer and the Vice-President of the Internal Audit and Control Department signed an internal control charter based on the Saint-Gobain Principles of Conduct and Action and professional practice standards. It outlines the rules governing relationships between auditors and the audited.

The external auditors are given copies of all internal audit reports, and the Internal Audit and Internal Control Department receives copies of the external auditors' reports, as well as summary descriptions of their internal control and information systems reviews.

An executive summary is sent to the Financial Statements Committee of the Board of Directors.

In line with the anti-fraud policies defined by senior management, the Fraud Prevention Officer is responsible for verifying the effectiveness of prevention measures, investigating incidents of fraud reported by Group entities and reporting to senior management on a monthly basis.

His role is to preserve and secure the Group's assets, reduce the risk of a recurrence of fraud and take corrective action where process weaknesses are identified.

In this capacity, he regularly updates the Group's fraud prevention policies and tracks incidents on a fraud risk map. He also defines, leads and coordinates training and awareness-building initiatives that are integral to a successful fraud prevention program.

Corporate departments

The corporate departments are responsible for setting up an internal control organization and defining internal control strategies and procedures in their area. To this end, they:

- identify and analyze the main risks associated with their internal processes;
- define appropriate controls based on those described in the internal control reference base;
- inform and train the employees responsible for internal controls within their area;
- analyze any internal control weaknesses or incidents and the results of internal audits.

The corporate departments are also responsible for the internal control system within Compagnie de Saint-Gobain units.

Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department leads and coordinates Group policy in these areas. It has produced a reference manual (see below) describing the EHS management system requirements that all site managers are expected to comply with.

The EHS Department checks application of the reference manual procedures through detailed audits commissioned by the Company, the General Delegations or the Sectors roughly every three years.

The audits are based on a 12 or 20-step plan for manufacturing units. They are performed by staff working in the operating units – often in the area of EHS or in plant management – who have received specific training in auditing techniques.

Audits are assigned to staff from a different Sector on a priority basis, with the aim of ensuring that the process is doubly rigorous. All three areas are covered – environmental protection, health and safety – in an integrated process. The audit standards comply with OSHAS 18001 and ISO 14001.

A specific, customized audit plan has been developed for the Building Distribution Sector to replace the 12-step plan used previously. Known as ESPR for Environment, Safety and Prevention of Risks, the plan also includes a section on equipment safety and business interruption risk. The majority of ESPR auditors belong to the Building Distribution Sector.

In 2012, 68 twelve-step audits, 184 twenty-step audits and 214 ESPR audits were carried out within the Group.

To enable unit managers to quickly and easily obtain an overview of their unit's performance in relation to Saint-Gobain EHS management system criteria, a self-assessment tool has been developed, comprising a detailed list of questions and a measurement scale. There are two types of self-assessment packs for small units (less than 50 employees), one for industrial operations and the other for distribution operations.

Information Systems Department

In addition to its general responsibilities with regard to information systems, the Information Systems Department is tasked with drawing up Group systems and network security policies.

The department's Information Systems Security unit leads and coordinates yearly self-assessment exercises in these areas, supported by a reporting system that provides a basis for measuring the advances made by the various units and initiating any necessary action.

Risks and Insurance Department

The Risks and Insurance Department defines the Group's policies for managing industrial and distribution risks. It issues risk prevention and insurance guidelines, supported by a self-assessment tool for managers of manufacturing and distribution units, and organizes visits to key sites by external risk prevention auditors. In 2012, around 492 such visits took place. At the end of each audit, recommendations are issued to enable site managers to draw up an action plan. In addition, training sessions are organized on-site – with 24 held in 2012 – to equip operational managers with the technical skills they need to implement prevention policies at their respective locations and the ability to test and update their business continuity plans.

In addition to helping to reduce the risk of accidents, the audits serve to align insurance coverage with potential risks by setting appropriate limits on claims.

Since 2004, property and casualty risks at the manufacturing and distribution units, except in Algeria, Brazil and Morocco, are insured by a wholly-owned captive insurance company, with a cap of €12.5 million per claim in the Innovative Materials, Construction Products and Building Distribution Sectors. The use of a captive insurance company facilitates risk prevention decisions.

The subsidiaries' property & casualty and liability insurance programs are managed by the Risk and Insurance Department either directly or indirectly through the General Delegations.

Treasury and Financing Department

The Treasury and Financing Department defines financing policies for the entire Group (Compagnie de Saint-Gobain, the General Delegations and the subsidiaries).

Cash management transactions are subject to periodic controls.

At Group level the cash position is monitored on a daily basis and gross and net debt are analyzed in detail on a monthly basis by currency, maturity and type of interest rate (fixed or variable), before and after hedging. Due to Compagnie de Saint-Gobain's central role in the Group's financing, its debt structure is monitored through a specific monthly reporting system.

The Internal Audit unit performs periodic reviews, on a rotating basis, of transactions by the General Delegations' cash management units, to check their compliance with Treasury and Financing Department policies and the quality of internal control.

Internal controls over cash management transactions are an integral part of internal audit plans for the subsidiaries and are also examined by the subsidiaries' external auditors.

The Group's risk factors are described on pages 110 to 116. The Treasury and Financing Department has drawn up a set of procedures for managing these risks which is updated on a regular basis and applies to the subsidiaries and General Delegations. The Department also performs compliance controls on financial market transactions carried out by the Corporate Treasury unit.

In addition, the Company's external auditors carry out the following reviews and audits of the Treasury and Financing Department:

- a half-yearly review and an annual audit covering (i) the type of treasury transactions carried out, (ii) the accounting treatment used for these transactions and (iii) the underlying risks;
- an annual review of the security of information systems used by the Department for conducting its operations.

Management and Financial Control Departments

The Management Control Department is responsible for carrying out controls over the Group's earnings and operating performance. It participates in drawing up the budget and the quarterly budget reviews and oversees the monthly earnings figures of the subsidiaries and Sectors and the Group as a whole. It also plays an active role in operational performance improvement projects and controls their costs and cost effectiveness. The Financial Control Department is responsible for validating capital expenditure, acquisition, divestment and merger projects and corporate actions prepared by the Sectors, following a detailed analysis of their financial impacts. The validation process also includes consulting the corporate departments and the General Delegation concerned about the project's legal, tax and employment aspects. The financial controllers' analyses are submitted by the Finance Department with the authorization request to Group senior management for a decision.

Sectors and Activities

The heads of the Sectors and Activities are responsible for distributing the internal control reference base to their various units and for ensuring compliance with Group instructions. They are also responsible for managing the specific risks associated with their business.

General Delegations

The General Delegates are responsible for distributing the internal control reference base to the companies in their Delegation and for ensuring compliance with Group instructions. Working with the Sector and Activity heads, they determine any specific conditions in which the controls defined by the Group are implemented so that local particularities can be taken into account, and deploy any additional controls that are necessary due to the specific risks associated with operations in the countries covered by the Delegation.

Standards and procedures

Compagnie de Saint-Gobain has developed numerous internal control and risk management procedures for its own needs and those of its subsidiaries.

Internal control reference base

The internal control reference base describes the Group's internal control and risk management system and presents, in a manual, all the mandatory controls to be implemented by all subsidiaries.

The internal control manual is organized around the following areas: Senior Management, Research & Development, Marketing, Sales & Customer Service, Inventories & Purchasing Logistics, Manufacturing & Plant Operations, Risk Prevention & Insurance, Environment, Health & Safety, Human Resources, Communication, Information Systems, Legal, Tax, Cash Management & Financing, Accounting & Non-current Financial Assets, Financial Management & Consolidation and Shared Services. It lists the main risks to which the Group is exposed in each of these areas and describes the controls that need to be performed to contain them. A risk/control matrix is also provided in the manual, and each chapter is broken down into sub-processes.

Each unit is required to incorporate these controls in its internal procedures, with any adjustments that may be necessary depending on the unit's own organization.

The internal control reference base was enhanced in 2012 with the addition of Chapter 18 on Shared Service Centers and a number of controls relating to the Group Compliance Program, in particular those concerning the deployment of anti-corruption measures and the economic sanctions and embargos compliance program. In addition, a list of the 100 programmed or semi-programmed controls needed to strengthen internal control within SAP systems was drawn up in liaison with the Information Systems Department.

Checklists are added to the reference base as necessary to help the Group's different entities clearly understand how to implement internal control rules. Four such checklists have been published to date, concerning: (i) delegations of signature authority and other powers, (ii) confidentiality management, (iii) segregation of tasks and (iv) gap analysis.

Group financial, administrative and management procedures

The Doctrine Department is responsible for preparing all financial, administrative and management procedures applicable to Group companies. Together, they compose a body of rules, methods and procedures enshrined in some 250 documents accessible on the Group's intranet, that can be used by the individual units as a basis for developing their own internal procedures. The rules, methods and procedures are organized in four chapters, Group Organization & Procedures, Financial Reporting, News & Meeting Reports, and Issues Specific to France.

Doctrine briefs are prepared by the corporate and/or operational departments concerned, and are then approved by the Doctrine Committee made up of representatives of the Sectors and General Delegations and the Vice-Presidents in charge of the corporate departments.

Reports on the Doctrine Department's activities are prepared three times a year for the Financial Statements Committee of the Board of Directors.

- around sixty doctrine briefs are issued or updated each year and made available on an intranet;
- Doctrine Newsletters are sent by e-mail to some 1,000 finance executives within the Group and various other communication media are used to highlight specific financial developments;
- training sessions, seminars and meetings are also organized on issues examined by the Doctrine Department;
- the Doctrine Department also provides guidance on accounting issues, examining over 400 questions submitted directly by Group companies in 2012.

Environment, Health and Safety (EHS) reference manual

The EHS reference manual describes the approach to be followed by all units to meet the Group's overall objectives in terms of environmental protection and the prevention of workplace accidents and occupational diseases. The approach is organized around the core processes of identifying risks, implementing preventive action and assessing and monitoring the system's effectiveness.

The EHS reference manual is accessible on the Group intranet and is distributed to all sites. In 2012, the manual was updated in alignment with new standards, changing EHS management practices and the Group's World Class Manufacturing (WCM) program. Due for publication in 2013, the new version will be implemented gradually.

The EHS Department and its network of correspondents have also drawn up EHS standards describing the methods to be applied to resolve specific environmental, health and safety issues. Implementation guides, procedures, training packs and computer applications have been developed to support application of the standards. These tools help to ensure that risks are measured and controlled according to the same preventive base at all Group units, whatever the country and the local laws and regulations.

NOS (NOise Standard) is a standard for identifying, assessing and managing potential exposure to noise in the workplace. Developed in 2004, it was rolled out to the entire Group in 2005, including units outside Europe.

TAS (Toxic Agents Standard) serves to identify, assess and manage potential exposure to toxic agents in the workplace. A trial version of the standard was launched in 2005 in the form of a guide to using crystalline silica, which is now being applied. The TAS framework document dated November 29, 2006 describes the background to the TAS, its objectives and how its application guides and dedicated tools should be used. Since the pilot crystalline silica project, three new TAS application guides have been developed concerning: construction, renovation and maintenance of smelting furnaces, the handling of nanomaterials at the research and development centers (updated in 2008) and the use of fibrous materials. The guides are updated regularly – generally every three years – to keep pace with regulatory changes and improved understanding of industrial health and safety risks.

A new SAFHEAR (SAFety and HEAlth Risk assessment tool) tool for managing toxic, mechanical, electric and other risks, based on internal and external best practices, is being deployed at all of Saint-Gobain's manufacturing facilities. The toxic risk assessment module was successfully tested at nine pilot sites in November 2011 and rolled out to all other sites in 2012. Due for deployment in 2013, the health and safety module helps manufacturing facilities manage risks other than toxic risks while also ensuring that they comply with local regulations. The overall policy and related resources are designed to ensure uniform prevention of health risks for all employees and product users.

The standard dealing with the implementation of a broad-based approach to assessing industrial risks covers the identification and measurement of potential health and safety risks at Group sites, in order to set priorities and develop action plans for reducing and controlling those risks.

The accident analysis standard defines the criteria needed to analyze the causes of accidents.

Safety standards have been drawn up concerning work at height, the management of outside contractors working on site, work permits and commissioning/decommissioning procedures.

Two safety standards were deployed in 2010, concerning lifting equipment and lift trucks, followed by another three in 2011, dealing with confined spaces, vehicle and pedestrian safety, and warehouses and unloading operations. In addition, a standard on road risks was deployed in 2012.

Lastly, the SMAT (Safety MAnagement Tool) standard was updated in 2012.

Information systems security

The Information Systems Department compiles rules and best practices concerning information systems and networks, based on four sets of compulsory minimum security rules in the following areas:

- infrastructure, with 15 minimum security rules (22 control points, 267 units) and SGTS Security Reporting (34 control points, 16 SGTS covering 329 units);
- manufacturing systems, with 14 minimum security rules (20 control points, 306 units with critical or large manufacturing IT systems);
- research and development systems, with seven minimum security rules (11 control points, 12 units);
- applications, with 17 minimum security rules (35 control points, 50 skills centers).

Technical standards are also issued and updated to keep pace with technological advances.

In addition, the ITAC guide was published in 2012 to complement the internal control reference base.

It describes the programmed and semi-programmed controls used for five key processes: Purchasing, Sales, Inventories, Cash Management and Accounting.

Different versions of ITAC are to be developed for each of the Group's main information systems.

Thus far, we have developed ITAC100, describing 100 controls that will gradually be integrated in all of the Group's SAP systems, and ITAC85, describing 85 controls that are integrated in the Innovative Materials Sector's EXACT system.

In 2012, ITAC100 was adapted for use in six SAP systems, for a total of 10,000 SAP users.

Organization of internal control processes related to the preparation and processing of financial and accounting information for shareholders

Parent company financial statements

The Accounting Department is responsible for producing financial information for shareholders, partners and other third parties in accordance with French legal requirements. This information is prepared in accordance with generally accepted accounting principles, including the going concern principle, the principles of consistent application of accounting policies, alignment of the opening balance sheet with the prior-period closing balance sheet, recognition of expenses in the same period as the revenue to which they relate, segregation of accounting periods and substance over form.

Accounting organization

The accounting organization is based on the rules, methods and procedures set out in the Group's doctrine briefs. It facilitates the monthly reconciliation and substantiation of the accounts and the creation of an audit trail. The organization also acts in an advisory capacity, working to anticipate events and regulatory changes that are likely to have a material impact on the Company's financial statements.

The chart of accounts is aligned with the Company's needs in terms of transaction classifications and complies with the materiality principle. It is linked to the Group's financial information system. Internal control

In addition to performing controls over compliance with payment procedures and the double signature rule for secure payment media, the Accounting Department contributes to internal control through a cost accounting system that tracks expenses by cost center. Cost center managers receive monthly schedules listing the expenses incurred under their signature, allowing them to check these expenses and also to compare actual and year-to-date expenses with the budget.

A summary of these cost accounting reports is sent to the Finance Department and Group senior management at the end of each month.

Consolidated financial statements

The consolidated financial statements are prepared by the Group Consolidation and Reporting Department. This department is responsible for updating consolidation procedures, training the financial reporting teams of newly acquired subsidiaries and integrating these subsidiaries in the consolidation process, processing information, and utilizing, maintaining and developing consolidation systems and the Financial Information System for the Group and all the Sectors.

Consolidation standards

The Consolidation Department is responsible for providing information and training to subsidiaries through the Sectors and General Delegations, using the consolidation manual, data input manuals, the intranet site and an online training application in French and English. Consolidation instructions are issued for each closing, describing the changes compared with the previous period-end and enhancements to reporting systems, standards and procedures.

In 2012, the Group continued its training programs concerning the reporting system and IFRS, notably as part of the process to set up shared accounting services centers and integrating them into the financial information system. Each year, the Consolidation Department organizes an average of ten such training sessions.

Organization of the consolidation process

The Group has consolidation teams at the level of each direct subgroup and indirect subgroup. These teams report to the head of their Sector or General Delegation and have a dotted-line reporting relationship with the Group Consolidation and Reporting Department. This organization, which is based on the Group's organization by business (Sectors) and by region (General Delegations), is designed to guarantee the reliability of the consolidated financial statements while also ensuring that information is processed and overseen at a level as close as possible to operations staff.

Processing and control of accounting information

Each subsidiary submits its consolidation package in accordance with the timeline set by the Group. The packages are checked and processed at Sector level, reviewed by the General Delegation concerned, then transmitted to the Consolidation Department which performs an overall review of the Group accounts and records the necessary consolidation adjustments. These consolidated accounts are submitted to Group senior management every month.

The consolidated financial statements are examined by the auditors in accordance with professional auditing standards. The subsidiaries' financial statements are audited by local auditors, who apply local auditing standards and tailor their procedures to the size of the audited unit.

Consolidation systems

The consolidated financial statements are prepared using consolidation software equipped with a powerful, efficient and secure database that is aligned with the Group's matrix management structure. The software is regularly updated to guarantee the financial information system's sustainability. The latest update was in 2011, on which occasion a highly controlled access procedure was set up to enhance system security.

The software is capable of managing a database with several levels of consolidation and of transparently centralizing data in the database.

It feeds data into a secure reporting system accessible on the Group's intranet for Group senior management and the management of the Sectors and General Delegations, contributing to internal control of information output.

A reporting process that contributes to financial statement reliability

The monthly reporting process contributes to the reliability of the annual and interim consolidated financial statements. Hard closes are performed at May 31 and October 31, to reduce the workload at June 30 and December 31. Hard close results and balance sheets are reviewed by finance executives from the Finance Department, the Sectors and the General Delegations in the same detail and in accordance with the same principles as the annual and interim financial statements. Their review also covers projected actual results to June 30 and December 31. The hard close is also reviewed by the auditors. This procedure helps to ensure early detection of any errors and their adjustment during the actual close.

Since 2006, forecasts have been adjusted at quarterly intervals to reflect differences in actual year-to-date results compared with the budget. This cross-checking by head office teams, the Sectors and the General Delegations represents a key element of the Group's system of internal control over financial and accounting information for shareholders.

Each month, a consolidated report is prepared for Group senior management, supported by discussions and analyses of material events and issues of the period.

Restrictions on the Chief Executive Officer's powers

On June 3, 2010, Pierre-André de Chalendar was appointed as Chairman and Chief Executive Officer, following a Board decision to once again combine these two positions, which had been segregated on June 7, 2007. He has the powers vested in him by law, as there are no restrictions on his powers in the bylaws or imposed by the Board.

STATUTORY AUDITORS' REPORT

Statutory auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Compagnie de Saint-Gobain

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris La Défense, February 20, 2013.

The statutory Auditors

PricewaterhouseCoopers Audit		KPMG Audit *Department of KPMG S.A.*	
Pierre Coll	Jean-Christophe Georghiou	Jean-Paul Vellutini	Philippe Grandclerc

RISK FACTORS

Macroeconomic and industry risks

Most of the Group's markets are cyclical in nature. A significant portion of revenues depends on the level of investment in the construction market, which generally closely follows economic trends. Consequently, the Group's earnings are highly sensitive to national, regional and local economic conditions.

The sovereign debt crisis that began in mid-2011 accentuated the global economy's vulnerabilities.

A further deterioration in the global economic environment and in financial market conditions could have a material adverse effect on the Group's sales, earnings, cash flow and outlook.

Operational risks

Risks associated with the Group's international operations

With over two-thirds of revenues generated outside France, the Group is exposed to the inherent risks of doing business internationally, including economic, political and operational risks. These risks could have a negative effect on the Group's business, results and financial position. Future changes in the political, legal or regulatory environment could have an adverse effect on the Group's assets, its ability to do business and its profitability in the countries concerned. The Group's businesses are exposed to various operational risks that could lead to operations being interrupted, or to the loss of customers or to financial losses.

In 2012, nearly 20% of consolidated sales were realized in emerging markets and Asia, where risks arising from falling GDP, exchange controls, changes in exchange rates, inflation and political instability may be greater than in developed economies.

Innovation risks

The emergence of new technologies is driving rapid change in some of the Group's markets. The Group has to keep pace with these changes and integrate the new technologies in its product offer, in order to respond effectively to customers' needs. This requires spending on research and development, with no guaranteed return on investment. The Group's sales and operating margin may be affected if it fails to invest in appropriate technologies or to rapidly bring new products to market, or if competing products are introduced or the Group's new products do not adequately respond to customers' needs.

Intellectual property risks

The Group uses manufacturing secrets, patents, trademarks and models and relies on applicable laws and regulations to protect its intellectual property rights. If the Group failed or was unable to protect, preserve and use its intellectual property rights, this could result in the loss of its exclusive right to use technologies and processes, with a material adverse effect on earnings. In addition, the laws in some of the Group's host countries may not protect intellectual property rights to the same degree as in other countries such as France and the United States. The Group may take legal action against third parties suspected of breaching its rights. Any such lawsuits may give rise to significant costs and hamper growth in sales of the products manufactured using the rights concerned.

Risk of being unable to raise prices to reflect higher costs

The Group's businesses may be affected by fluctuations in the prices and availability of feedstocks and/or energy (such as natural gas). Its ability to pass on these cost increases or decreases to customers depends to a large extent on market conditions and practices. If the Group's ability to pass on increases in feedstock and/or energy costs were limited, this could have a material adverse effect on its financial position and earnings.

Risks associated with the integration of acquisitions

Historically, the Group has grown notably through acquisitions. The benefits of acquisitions depend in part on the realization of cost synergies and the seamless integration of the acquired businesses There is no guarantee that these objectives will be met.

Restructuring risks

The Group has undertaken a variety of cost-cutting and restructuring initiatives. While further savings are planned, there is no guarantee that the forecast reductions will be achieved or that the related restructuring costs will not be more than originally budgeted. In particular, certain restructuring operations and other initiatives may cost more than expected, or the cost savings may be less than expected or take longer than expected to achieve. An increase in restructuring costs and/or the inability of the Group to achieve the expected savings could have a material adverse effect on the Group's outlook and earnings.

Market risks (liquidity, interest rate, foreign exchange, energy, raw materials and credit risks)

Liquidity risk on financing

In a crisis environment, the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.

There is also no guarantee that the Company's credit rating will remain at the current level.

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the national delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over at maturity and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital market issues are spread over time.

Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However it also uses perpetual bonds, participating securities, bank borrowings and lease financing.

Short-term debt is composed mainly of borrowings under French Commercial Paper *(Billets de Trésorerie)* programs and, from time to time, Euro Commercial Paper and US Commercial Paper programs, but also includes receivables securitization programs and bank overdrafts. Financial assets comprise marketable securities and cash equivalents.

Compagnie de Saint-Gobain's liquidity position is secured by various confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 20 to the consolidated financial statements. The amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 20.

Saint-Gobain's long-term debt issues have been rated BBB with a negative outlook by Standard & Poor's since October 29, 2012 and Baa2 with a negative outlook by Moody's since November 12, 2012.

Liquidity risk on investments

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

Interest rate risks

The Group's overall exposure to interest rate risk on consolidated debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is generally Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimizing annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, cross-currency swaps, options – including caps, floors and swaptions – and forward rate agreements.

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in euro interest rates at the balance sheet date would lead to an €11 million increase in net income, while a 50-basis point increase in euro and pound sterling interest rates at the balance sheet date would lead to a €6 million increase in equity.

Foreign exchange risk

The currency hedging policies described below could be inadequate to protect the Group against unexpected or sharper-than-expected fluctuations in exchange rates resulting from economic and financial market conditions.

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries set up options generally through the Group's parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts are for periods of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system that captures the foreign exchange positions taken by subsidiaries. At December 31, 2012, 97% of the Group's foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2012:

In millions of euro equivalents	Long	Short
EUR	1	7
USD	4	19
Other currencies	1	3
TOTAL	**6**	**29**

Based on a sensitivity analysis at December 31, 2012, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following impact on net income:

Impact in € millions	Net gain or loss
EUR	(0.7)
USD	(1.5)

A 10% fall in exchange rates would have a positive impact in the same amounts, assuming that all other variables were unchanged.

Energy and raw materials risk

The Group is exposed to changes in the price of raw materials used in its products and in energy prices. Its energy and raw materials hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the prevailing financial and economic environment.

The Group limits its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases. The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of natural gas and fuel oil purchases are managed by steering committees comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats) and the relevant delegations.

Hedges of energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are generally arranged by the Group Treasury and Financing Department (or with the delegations' treasury departments) in accordance with instructions received from SGA.

Hedges other than those mentioned above are not managed by a Group-level steering committee because:

- the volumes involved are not material, or
- there are no international price indexes used by local players and transactions are therefore based on either administered prices or strictly national indexes.

In both cases, local purchasing units manage energy risk primarily through fixed-price purchases.

The Group may from time to time enter into contracts to hedge purchases of other commodities, in accordance with the principles outlined above for energy purchases.

Credit risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of these counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. However, credit risks arising from transactions with financial counterparties can escalate rapidly and a high credit rating is no guarantee that an entity will not experience a rapid deterioration of its financial position. Consequently, there is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department only deals with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risk are closely monitored to ensure that they remain at reasonable levels.

Note 21 to the consolidated financial statements provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

Other risks

Customer credit risk

The Group's exposure to customer credit risk is limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked whenever necessary (see Note 10 to the consolidated financial statements). Nevertheless, changes in the economic situation could lead to an increase in customer credit risk.

Consumer credit risk

The Group's exposure to consumer credit risk is also limited due to its wide range of businesses, global presence and very large customer base. Past-due receivables are regularly analyzed and provisions are booked where necessary. In 2013, changes in the economic situation could lead to an increase in consumer credit risk.

Employee benefit plan risks

The Group has set up pension and other post-employment benefit plans, mainly in France, Germany, the Netherlands, the United Kingdom, the United States and Canada. Most of these plans are closed to new entrants.

The funded status of the plans (which had assets of €6.8 billion at December 31, 2012) may be affected by unfavorable changes in the actuarial assumptions used to calculate the projected benefit obligation, such as a reduction in discount rates, an increase in life expectancy or higher inflation, or by a fall in the market values of plan assets, consisting mainly of equities and bonds.

At December 31, 2012, the total projected benefit obligation was €10.0 billion. The obligation increased by €0.2 billion over the year and the fair value of plan assets rose by around €0.2 billion. These figures take into account the reclassification to assets and liabilities held for sale of Verallia North America's benefit obligation and plan assets, in the amount of €1.0 billion and €0.7 billion, respectively.

Risk of impairment of property, plant and equipment and intangible assets

Brands and goodwill make up a significant proportion of the Group's intangible assets, representing €2.8 billion and €10.9 billion, respectively. In line with Group accounting policies, goodwill and certain other intangible assets with indefinite useful lives are tested for impairment periodically and whenever there is an indication that their carrying amount may not be fully recoverable. Goodwill and other identified intangible assets may become impaired as a result of worse-than-expected performance by the Group, unfavorable market conditions, unfavorable legal or regulatory changes or many other factors. The recognition of impairment losses on goodwill could have an adverse effect on consolidated net income. Property, plant and equipment (€13.7 billion) represent roughly one third of total assets and may become impaired in the event of a downturn in business.

Industrial and environmental risks

The Group may be exposed to capital costs and environmental liabilities as a result of its past, present or future operations. The main industrial and environmental risks result from the storage of hazardous substances at certain sites.

Five of the Group's plants are considered as representing "major technological risks" under European regulations, and are subject to specific legislation and close supervision by the relevant authorities.

In 2012, five Saint-Gobain plants in Europe were considered as classified installations under the EU Seveso II Directive. Three of these are classified as "lower-tier" under the directive: Conflans Sainte-Honorine (Abrasives) in France, which stores phenolic resin; Neuburg (Packaging) in Germany, which stores liquefied petroleum gas; and Avilès (Flat Glass) in Spain, which stores propane (C_3H_8) and oxygen (O_2). The other two are classified as "upper tier": Bagneaux-sur-Loing (Flat Glass) in France, which stores arsenic (AS_2O_3) and Carrascal del Rio (Flat Glass) in Spain, which stores hydrofluoric acid (HF), amongst other substances.
In application of France's Act of July 30, 2003 on the prevention of technological and natural risks and the remediation of contaminated sites, specific risk prevention and safety policies have been implemented at all of the French sites listed above, with particular emphasis on "upper tier" Seveso sites. After having identified accident risks and their potential impact on the environment, preventive measures were implemented, covering the design and construction of storage areas, as well as the manner in which they are used and maintained. Internal contingency plans have been developed to respond to incidents. Liability for personal injury and damage to property arising from the operation of the plants is covered by the current insurance program, except for the Bagneaux-sur-Loing plant, which is insured under a specific policy taken out by the joint venture that operates the facility. In the event of a technological accident, compensation payments to victims would be organized jointly by the joint venture, the insurance broker and the insurer.

Saint-Gobain also has to deal with risks relating to chronic pollution. Ninety-eight Group sites are classified as IPPC[1] installations and are subject to integrated pollution prevention and control regulations.

Legal risks

The Group is not subject to any specific regulations that could have an impact on its financial position, although its manufacturing subsidiaries are generally required to comply with specific national laws and regulations that vary from country to country. In France, for example, Group plants are subject to the laws and regulations applicable to classified sites. The Group is not dependent on any other companies for its technical or commercial operations, is not subject to particular confidentiality restrictions and has full access to the assets required to operate its business.

The regulations applicable to the Group may change in a manner that may be favorable or unfavorable. The introduction of stricter regulations or more diligent enforcement of existing regulations may, in some cases, open up new growth opportunities for the Group, but may also change the way the Group conducts

(1) The purpose of Directive 2008/1/EC concerning integrated pollution prevention and control (IPPC Directive) is to ensure a high level of protection for the environment by using an integrated approach to prevent and control pollution from a wide range of industrial and agricultural activities.

its business, possibly leading to an increase in operating expenses or restrictions on the scope of the business or, more generally, acting as a brake on business growth.

Compagnie de Saint-Gobain has elected to be taxed under the group relief scheme provided for in articles 223A *et seq.* of France's General Tax Code.

The Group's main legal risks concern asbestos-related litigation in France and, above all, the United States, and competition issues.

There can be no guarantee that there will be no unforeseen or significant regulatory changes in the future with a material adverse effect on the Group's business, financial position or earnings.

There are no other governmental, legal or arbitration proceedings in progress, pending or threatened of which the Company is aware which may have, or have had in the past 12 months, significant effects on the Group's financial position or profitability.

Asbestos-related litigation in France

- **Inexcusable fault lawsuits**

  In France, further individual lawsuits were filed in 2012 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 759 such lawsuits have been issued against the two companies since 1997.

  At December 31, 2012, 684 of these 759 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 some €1.3 million in compensation in settlement of these lawsuits.

  Concerning the 75 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2012, the merits of nine have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 33 of these 75 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

  Out of the 33 remaining lawsuits, at December 31, 2012 the procedures relating to the merits of 26 cases were at different stages, with three in the process of being investigated by the French Social Security authorities and 23 pending before the Social Security courts. The final seven suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

  In addition, as of December 31, 2012, 183 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

  At that date, 123 lawsuits had been completed. In 51 of these cases, the employer was held liable for inexcusable fault.

  The companies were held liable to pay a total amount of some €0.6 million in compensation in settlement of these lawsuits.

  For the 60 suits outstanding at December 31, 2012, arguments were being prepared by the French Social Security authorities in six cases, 35 were being investigated – including 24 pending before the Social Security courts, 10 before the Courts of Appeal and one before the Court of Cassation – and nine had been completed in terms of liability but not in terms of quantum, of which eight pending before the Courts of Appeal and one before the Court of Cassation. The final 10 suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time within a two-year period.

- **Anxiety claims**

  Four French companies in the Group that currently operate or previously operated "asbestos facilities" in France are facing legal action different from that described above.

  In France, "asbestos facilities" are plants – currently in operation or closed – that once either manufactured materials containing asbestos or used asbestos-containing equipment for protection and insulation, and which, by ministerial order, are included in a list of sites whose former or current employees are eligible for the asbestos workers' early retirement benefit (ACAATA).

  As of December 31, 2012, 145 lawsuits had been filed by employees or former employees of such facilities – not affected by asbestos-related occupational illness and benefiting or not from ACAATA – with the aim of obtaining compensation for damages arising from their alleged exposure to asbestos. Out of the 145 suits, 49 have been completed, with three cases dismissed outright. Concerning the other 46 suits, where exposure to risk was recognized, claimants were allowed to recover damages solely in compensation for anxiety, resulting in a total settlement of €629,500. Out of the remaining 96 suits, 30 are pending before the Courts of Appeal, two of which were filed by claimants and 28 by the companies in question, and 66 are before Labor Relations Boards.

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.

- **Developments in 2012**

  About 4,000 new claims were filed against CertainTeed in 2012, compared to about 4,000 in 2011, 5,000 in 2010, 4,000 in 2009 and 5,000 in 2008. Over the last five years the number of new claims has remained relatively stable.

  Almost all of the claims against CertainTeed are settled out of court or dismissed. Approximately 9,000 of the pending claims were resolved in 2012, compared to 8,000 in 2011, 13,000 in 2010 and 8,000 in 2009 and 2008. In addition, roughly 4,000 claims (primarily in Texas) were transferred to inactive dockets further to court rulings, as plaintiffs did not meet certain minimum medical criteria. Taking into account the 52,000 outstanding claims at the end of 2011, new claims that arose during the year and claims settled or placed on the inactive docket, some 43,000 claims were outstanding at December 31, 2012. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

- **Impact on the accounts**

  The Group recorded a €90 million charge in 2012 to cover future developments in relation to claims involving CertainTeed. This amount is identical to that recorded in 2011, less than the €97 million recorded in 2010 and higher than the €75 million recorded in 2009 and 2008. At December 31, 2012, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €417 million (USD 550 million), compared with €389 million (USD 504 million) at December 31, 2011, €375 million (USD 501 million) at December 31, 2010, €347 million (USD 500 million) at December 31, 2009 and €361 million (USD 502 million) at December 31, 2008.

- **Cash flow impact**

  Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2012 but only paid out in 2012, and those fully resolved and paid in 2012, and compensation paid (net of insurance) in 2012 by other Group businesses in connection with asbestos-related litigation, amounted to €52 million (USD 67 million), compared to €59 million (USD 82 million) in 2011, €78 million (USD 103 million) in 2010, €55 million (USD 77 million) in 2009 and €48 million (USD 71 million) in 2008.

Situation in Brazil

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 brought by former employees (or persons claiming through them) were outstanding at December 31, 2012, and they do not currently represent a material risk for the companies concerned.

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

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 based on acts committed between 1998 and 2003, and fined them €896 million. Compagnie de Saint-Gobain was held 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 General Court of the European Union.

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.

The hearing before the General Court of the European Union in Luxembourg took place on December 11, 2012. The ruling is expected to be handed down within six to twelve months.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,098 million at December 31, 2012.

Insurance - coverage of potential risks

The Group transfers its risks to the insurance market when this is the most efficient solution. Default by one or more of the Group's insurers could therefore lead to financial losses.

The Group implements preventive programs and purchases insurance cover to protect its assets and revenue. The policy is determined, coordinated and overseen by the Risks and Insurance Department based on conditions in the insurance market. It defines insurance criteria for the most significant risks, such as property & casualty, business interruption, and business and product liability.

For other types of cover, such as automobile fleet insurance, the Risks and Insurance Department advises the individual operating units on policy content, broker selection and which market to consult. These represent high frequency risks, for which claims are monitored internally and appropriate action taken. The 2011 policies were renewed in 2012 and the captive insurance company set up to cover property risks delivered real benefits.

Companies acquired during the year have been integrated into existing insurance programs.

Property & casualty and business interruption insurance

The Group's non-excluded property & casualty risks and business interruption risks arising from accidental damage to insured assets are covered by two worldwide insurance programs, one for the Group excluding the Packaging Sector and one for the Packaging Sector alone. They do not cover operations in Brazil, which are insured by two local programs, one for the Group's Brazilian entities excluding the Packaging Sector and one for its Brazilian Packaging Sector entities alone. These insurance programs come under the Risk and Insurance Department's supervision.

The programs meet the insurance criteria laid down by the Department:

- All policies are «all risks» policies with named exclusions.
- Claims ceilings are based on worst-case scenarios where safety systems operate effectively.
- Deductibles are proportionate to the size of the site concerned and cannot be qualified as self-insurance.

These criteria take into account current insurance offerings, which exclude certain risks, such as computer viruses and their impact on operations, and cover natural disasters like floods, storms or earthquakes only up to a certain amount.

In extreme scenarios, such events could have a substantial uninsured financial impact in terms of both reconstruction costs and lost production costs.

The Risks and Insurance Department's policy is based on the findings of the annual audits carried out by independent prevention experts recognized by the Group's insurers. These audits give a clear picture of the main sites' risk exposure in the event of a fire or other incident and provide an estimate of the financial consequences in a worst-case scenario.

Individual claims in excess of €12.5 million are transferred to the insurance market for all Group subsidiaries, excluding the Packaging Sector and Brazil.

Claims representing less than this amount are self-insured through the Group's captive insurance company, which purchases reinsurance cover against increases in frequency or severity rates.

Liability insurance

Two programs provide coverage for third-party personal injury and property damage claims: one for Group subsidiaries, excluding the Packaging Sector, and one for the Packaging Sector. The programs are similarly structured, with each comprising several programs for the lower tranches of claims.

The first covers all subsidiaries except those located in the geographic area covered by the United States & Canada Delegation and has a coverage limit of €50 million. The program's exclusions are consistent with market practice and concern in particular potentially carcinogenic substances and gradual pollution.

In order to satisfy local regulatory requirements, a policy is taken out in each country in which the Group has a significant presence. Local policies are backed up by first line insurance issued in Paris, which can be activated when local cover proves inadequate.

The second program covers subsidiaries located in the geographic area covered by the United States & Canada Delegation and has a coverage limit of USD 50 million. This program is structured differently to deal with the specific nature of liability risks in the United States. It is divided into several lines of coverage, allowing it to be placed on the London insurance market. Exclusions are in line with current market practice in the United States and primarily concern contractual liability, pollution and third party consequential loss.

In addition to the two above-described programs, a number of supplementary programs have been set up in order to bring the total coverage limit to a level considered compatible with the Group's businesses.

Within the operating units, action is taken to raise awareness of liability risks. In the case of a claim, the deductible is paid directly by the unit concerned, representing an added incentive to contain these risks. Deductibles do not, however, constitute self-insurance. Saint-Gobain also runs a risk prevention program at its operating units with the support of the Environment, Health and Safety Department.

Exceptions

Joint ventures and companies not controlled by the Group are excluded from the above programs and purchase separate insurance coverage.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

ASSETS *(in EUR millions)*	Notes	Dec. 31, 2012	Dec. 31, 2011
Goodwill	(4)	10,936	11,041
Other intangible assets	(5)	3,196	3,148
Property, plant and equipment	(6)	13,696	14,225
Investments in associates	(7)	206	167
Deferred tax assets	(16)	1,236	949
Other non-current assets	(8)	359	347
Non-current assets		**29,629**	**29,877**
Inventories	(9)	6,133	6,477
Trade accounts receivable	(10)	5,017	5,341
Current tax receivable	(16)	204	182
Other receivables	(10)	1,425	1,408
Assets held for sale	(3)	936	0
Cash and cash equivalents	(20)	4,179	2,949
Current assets		**17,894**	**16,357**
TOTAL ASSETS		**47,523**	**46,234**

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

EQUITY AND LIABILITIES *(in EUR millions)*	Notes	Dec. 31, 2012	Dec. 31, 2011
Capital stock	(11)	2,125	2,142
Additional paid-in capital and legal reserve		5,699	5,920
Retained earnings and net income for the year		10,334	10,654
Cumulative translation adjustments		(523)	(476)
Fair value reserves		(15)	(22)
Treasury stock	(11)	(181)	(403)
Shareholders' equity		**17,439**	**17,815**
Minority interests		412	403
Total equity		**17,851**	**18,218**
Long-term debt	(20)	9,588	8,326
Provisions for pensions and other employee benefits	(15)	3,465	3,458
Deferred tax liabilities	(16)	792	893
Other non-current liabilities and provisions	(17)	2,171	2,143
Non-current liabilities		**16,016**	**14,820**
Current portion of long-term debt	(20)	1,732	1,656
Current portion of other liabilities	(17)	457	733
Trade accounts payable	(18)	6,143	6,018
Current tax liabilities	(16)	70	165
Other payables and accrued expenses	(18)	3,408	3,562
Liabilities held for sale	(3)	497	0
Short-term debt and bank overdrafts	(20)	1,349	1,062
Current liabilities		**13,656**	**13,196**
TOTAL EQUITY AND LIABILITIES		**47,523**	**46,234**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	2012	2011
Net sales	(33)	43,198	42,116
Cost of sales	(23)	(33,046)	(31,763)
Selling, general and administrative expenses including research	(23)	(7,271)	(6,912)
Operating income		**2,881**	**3,441**
Other business income	(23)	116	69
Other business expense	(23)	(1,013)	(864)
Business income		**1,984**	**2,646**
Borrowing costs, gross		(627)	(559)
Income from cash and cash equivalents		40	43
Borrowing costs, net		**(587)**	**(516)**
Other financial income and expense	(24)	(137)	(122)
Net financial expense		**(724)**	**(638)**
Share in net income of associates	(7)	12	8
Income taxes	(16)	(476)	(656)
Net income		**796**	**1,360**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**766**	**1,284**
Minority interests		30	76

Earnings per share *(in EUR)*			
Weighted average number of shares in issue		526,399,944	526,274,931
Basic earnings per share	(26)	1.46	2.44
Weighted average number of shares assuming full dilution		528,692,847	530,333,380
Diluted earnings per share	(26)	1.45	2.42

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR millions)	2012	2011
Net income	**796**	**1,360**
Items that may be subsequently reclassified to profit or loss		
Translation adjustments	(65)	(108)
Changes in fair value	7	21
Tax on items that may be subsequently reclassified to profit or loss	(24)	(6)
Items that will not be reclassified to profit or loss		
Changes in actuarial gains and losses	(922)	(704)
Tax on items that will not be reclassified to profit or loss	293	240
Income and expense recognized directly in equity	**(711)**	**(557)**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE YEAR	**85**	**803**
Attributable to equity holders of the parent	74	742
Minority interests	11	61

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR millions)	Notes	2012	2011
Net income attributable to equity holders of the parent		**766**	**1,284**
Minority interests in net income	(*)	30	76
Share in net income of associates, net of dividends received	(7)	(6)	(1)
Depreciation, amortization and impairment of assets	(23)	1,988	1,892
Gains and losses on disposals of assets	(23)	(60)	(1)
Unrealized gains and losses arising from changes in fair value and share-based payments		(23)	48
Changes in inventories	(9)	252	(551)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(10)(18)	429	18
Changes in tax receivable and payable	(16)	(118)	(6)
Changes in deferred taxes and provisions for other liabilities and charges	(15)(16)(17)	(696)	(374)
Net cash from operating activities		**2,562**	**2,385**
Purchases of property, plant and equipment [2012: (1,773), 2011: (1,936)] and intangible assets	(5)(6)	(1,883)	(2,028)
Increase (decrease) in amounts due to suppliers of fixed assets	(18)	(67)	18
Acquisitions of shares in consolidated companies [2012: (338), 2011: (688)], net of cash acquired	(2)	(323)	(666)
Acquisitions of other investments	(8)	(15)	(8)
Increase in investment-related liabilities	(17)	46	0
Decrease in investment-related liabilities	(17)	(8)	(17)
Investments		**(2,250)**	**(2,701)**
Disposals of property, plant and equipment and intangible assets	(5)(6)	83	90
Disposals of shares in consolidated companies, net of cash divested	(2)	81	8
Disposals of other investments	(8)	1	2
Divestments		**165**	**100**
Increase in loans and deposits	(8)	(85)	(38)
Decrease in loans and deposits	(8)	58	53
Changes in loans and deposits		**(27)**	**15**
Net cash from (used in) investing activities		**(2,112)**	**(2,586)**
Issues of capital stock	(*)	127	158
(Increase) decrease in treasury stock	(*)	(162)	(186)
Dividends paid	(*)	(646)	(603)
Transactions with shareholders of parent company		**(681)**	**(631)**
Minority interests' share in capital increases of subsidiaries		13	4
Acquisitions of minority interests without gain of control		(1)	(6)
Disposals of minority interests without loss of control		5	0
Changes in investment related liabilities following the exercise of put options of minority		(69)	(20)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(55)	(20)
Transactions with minority interests		**(107)**	**(42)**
Increase (decrease) in bank overdrafts and other short-term debt		296	64
Increase in long-term debt	(**)	2,808	2,069
Decrease in long-term debt	(**)	(1,515)	(1,055)
Changes in gross debt		**1,589**	**1,078**
Net cash from (used in) financing activities		**801**	**405**
Increase (decrease) in cash and cash equivalents		**1,251**	**204**
Net effect of exchange rate changes on cash and cash equivalents		(16)	(20)
Net effect from changes in fair value on cash and cash equivalents		(4)	3
Cash and cash equivalents classified as assets held for sale	(3)	(1)	0
Cash and cash equivalents at beginning of year		**2,949**	**2,762**
Cash and cash equivalents at end of year		**4,179**	**2,949**

(*) Refer to the consolidated statement of changes in equity.
(**) Including bond premiums, prepaid interest and issue costs.
Income tax paid amounted to €730 million in 2012 (2011: €668 million). Interest paid net of interest received amounted to €571 million (2011: €484 million).
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 year	Cumulative translation adjust-ments	Fair value reserves	Treasury stock	Share-holders' equity	Minority interests	Total equity
At January 1, 2011	**530,836,441**	**525,722,544**	**2,123**	**5,781**	**10,614**	**(383)**	**(43)**	**(224)**	**17,868**	**364**	**18,232**
Income and expenses recognized directly in equity			0	0	(470)	(93)	21	0	(542)	(15)	(557)
Net income for the year					1,284				1,284	76	1,360
Total recognized income and expense for the year			**0**	**0**	**814**	**(93)**	**21**	**0**	**742**	**61**	**803**
Issues of capital stock											
Group Savings Plan	4,497,772	4,497,772	18	132					150		150
Stock option plans	229,510	229,510	1	7					8		8
Other									0	4	4
Dividends paid (EUR 1.15 per share)					(603)				(603)	(21)	(624)
Treasury stock purchased		(10,180,347)						(418)	(418)		(418)
Treasury stock sold		5,936,217			(7)			239	232		232
Forward purchases of treasury stock					(197)				(197)		(197)
Share-based payments					39				39		39
Changes in Group structure					(6)				(6)	(5)	(11)
At December 31, 2011	**535,563,723**	**526,205,696**	**2,142**	**5,920**	**10,654**	**(476)**	**(22)**	**(403)**	**17,815**	**403**	**18,218**
Income and expenses recognized directly in equity			0	0	(652)	(47)	7	0	(692)	(19)	(711)
Net income for the year					766				766	30	796
Total recognized income and expense for the year			**0**	**0**	**114**	**(47)**	**7**	**0**	**74**	**11**	**85**
Issues of capital stock											
Group Savings Plan	4,387,680	4,387,680	18	107					125		125
Stock option plans	714,239	714,239	3	(1)					2		2
Other									0	13	13
Dividends paid (EUR 1.24 per share)					(646)				(646)	(54)	(700)
Treasury stock purchased		(8,727,221)						(280)	(280)		(280)
Treasury stock sold		3,854,183			(19)			137	118		118
Treasury stock canceled	(9,540,000)		(38)	(327)				365	0		0
Forward purchases of treasury stock					197				197		197
Share-based payments					14				14		14
Changes in Group structure					20				20	39	59
AT DECEMBER 31, 2012	**531,125,642**	**526,434,577**	**2,125**	**5,699**	**10,334**	**(523)**	**(15)**	**(181)**	**17,439**	**412**	**17,851**

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 consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union at December 31, 2012, corresponding to the IFRS issued by the International Accounting Standards Board (IASB).

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2011, except for the application of the new standards and interpretations described below. The 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.

The standards, interpretations and amendments to published standards applicable for the first time in 2012 (see the table below) do not have a material impact on the Group's consolidated financial statements.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for accounting periods beginning on or after January 1, 2013 (see the table below). The estimated impact of applying the amendment to IAS 19 – Employee Benefits on the 2013 consolidated financial statements would be as follows:

- Financial expenses would be approximately €150 million higher, as a result of calculating the return on plan assets using the discount rate applied to the projected benefit obligation instead of the expected rate of return.
- Consolidated equity would be €26 million lower, due to the immediate recognition of cumulative past service cost at January 1, 2013.

These consolidated financial statements were adopted by the Board of Directors on February 20, 2013 and will be submitted to the Shareholders' Meeting for approval. 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 in the prevailing deteriorated economic and financial environment which makes it difficult to predict future business performance. 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 15), provisions for other liabilities and charges (Note 17), asset impairment tests (Note 1), deferred taxes (Note 16), share-based payments (Notes 12, 13 and 14) and financial instruments (Note 21).

Summary of new standards, interpretations and amendments to published standards

Standards, interpretations and amendments to existing standards applicable in 2012:

Amendments to IFRS 7	Disclosures – Transfers of financial assets

Standards, interpretations and amendments to existing standards early adopted in 2012:

Amendment to IAS 1	Presentation of items of other comprehensive income
Amendments to IAS 12	Deferred taxes: recovery of underlying assets and incorporation into the standard of SIC-21 income taxes – recovery of revalued non-depreciable assets
Amendments to IAS 19	Employee benefits
Amendment to IAS 27	Separate financial statements
Amendment to IAS 28	Investments in associates and joint ventures
Amendment to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters
Amendments to IFRS 7	Disclosure of offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IFRIC 20	Stripping costs in the production phase of a surface mine

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**

Scope and methods of consolidation

Scope

The Group's 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 2012 are presented in Note 2 and a list of the principal consolidated companies at December 31, 2012 is provided in Note 34.

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, and has maintained the proportionate consolidation method.

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

The Group's share of the profit of companies accounted for by the equity method is recognized in the income statement under "Share in net income of associates".

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 in accordance with the previous versions of IFRS 3 and IAS 27.

Goodwill

When an entity is acquired by the Group, the identifiable assets and assumed 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 12 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 deferred consideration (referred to as "contingent consideration"), is determined in the 12 months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this 12-month period are recorded in the income statement. Since January 1, 2010, all costs directly attributable to the business combination, i.e. costs that the acquirer incurs to effect a business combination such as professional 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, since January 1, 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.

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 (partial goodwill method) or at their fair value at the acquisition date (full goodwill method). As the Group generally applies the partial goodwill method, goodwill calculated by the full goodwill method is not material.

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.

Step acquisitions and partial disposals

When the Group acquires control of an entity in which it already held an equity interest, the transaction is treated as a step acquisition (an acquisition in stages), as follows: (i) as a disposal of the previously-held interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the entire interest, with recognition of the corresponding goodwill (on both the old and new acquisitions).

When the Group disposes of part of an equity interest, leading to the loss of control (with a minority interest retained), the transaction is also treated as both a disposal and an acquisition, as follows: (i) as a disposal of the entire interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the retained non-controlling (minority) interest, measured at fair value.

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 equity attributable to equity holders of the parent. Any subsequent changes in the fair value of the liability are recognized by adjusting equity.

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 equity 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 and liabilities that are immediately available for sale and for which a sale is highly probable are classified as non-current assets and liabilities 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 and liabilities held for sale 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 three to five 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 five 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 whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions or in the event of a sudden or gradual deterioration in site conditions. 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 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 material 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 5-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU). The Group's reporting segments are its 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 36 CGUs had been identified at December 31, 2012.

Goodwill is allocated mainly to the Gypsum CGU (€3,264 million at December 31, 2012), the Industrial Mortars CGU (€1,991 million at December 31, 2012) and the Building Distribution CGUs (€3,435 million at December 31, 2012) primarily in the United Kingdom, France and Scandinavia. Details of goodwill and unamortizable brands by sector are provided in the segment information tables in Note 33.

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 both 2012 and 2011) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2012 and 2011 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.

Tests performed in 2012 led to the recognition of a €45 million impairment loss on Building Distribution Sector goodwill, along with impairment losses on various items of property, plant and equipment held by the other Sectors, particularly the solar businesses. The breakdown of asset impairments by Sector and by Activity for 2012 and 2011 is provided in the segment information tables in Note 33.

A 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs would lead to approximately €30 million in additional write-downs of intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs would result in additional write-downs of less than €100 million.

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. No account is taken in the inventory valuation process of the impact of below-normal capacity utilization rates.

Operating receivables and payables

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

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate.

Trade and other accounts receivable are mainly due within one year, with the result that their carrying amount approximates fair value.

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 on 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. 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, with the exception of derivatives that are held as hedges of debt. 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 (i.e. generally with maturities of less than three months), 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 20.

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 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 fair value of another recent and similar transaction, 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 in 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-option plans

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 of extreme share price volatility 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 effect of any stock market performance conditions, which is taken into account in the initial measurement of the plan cost under IFRS 2.

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 5- or 10-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 the Saint-Gobain Group, 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 5- or 10-year consumer loan repayable at maturity.

Leveraged plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the plans is recognized in full at the end of the subscription period.

Performance share and performance unit grants

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, while since 2009, performance share plans have been established for certain categories of employees. These plans are subject to eligibility criteria based on the grantee's period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 14 – and the lock-up feature. They are 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.

Since 2012, performance unit plans have been set up for certain employees in France. These plans are also subject to eligibility criteria based on the grantee's period of service with the Group and to certain performance criteria. The costs calculated under IFRS 2 therefore take into account these factors, as well as the fact that the units are cash-settled. IFRS 2 stipulates that for cash-settled share-based payment transactions, the granted instruments are initially measured at fair value at the grant date, then remeasured at each period end, with the cost adjusted accordingly pro rata to the rights that have vested at the period-end. The cost is recognized over the vesting period of the rights.

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 year

Retained earnings and net income for the year 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.

Forward purchases of treasury stock are treated in the same way.When a fixed number of shares is purchased forward at a fixed price, this amount is recorded in "Other liabilities" and as a deduction from equity under "Retained earnings and net income for the year".

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.

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 and any subsequent changes in the fair value of minority shareholder puts are recognized by adjusting equity.

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 of tax 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. In determining whether to recognize deferred tax assets for tax loss carryforwards, the Group applies a range of criteria that take into account the probable recovery period based on business plan projections and the strategy for the long-term recovery of tax losses applied in each country.

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

In accordance with former 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 26) 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 recurring net income is explained in Note 25.

Performance indicators

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 25.

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 25.

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 and losses and non-recurring provisions is explained in Note 25.

Segment information

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management. The Group has chosen to present segment information by Sector and Activity, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in 2012 compared with prior years.

NOTE 2 Changes in Group structure

Changes in the number of consolidated companies

	France	Outside France	Total
Fully consolidated companies			
At January 1, 2012	173	768	941
Newly consolidated companies	2	18	20
Merged companies	(7)	(66)	(73)
Deconsolidated companies	(1)		(1)
Change in consolidation method	(1)	(1)	(2)
At December 31, 2012	**166**	**719**	**885**
Proportionately consolidated companies			
At January 1, 2012	2	27	29
Newly consolidated companies			0
Deconsolidated companies		(1)	(1)
Change in consolidation method	1	(3)	(2)
At December 31, 2012	**3**	**23**	**26**
Companies accounted for by the equity method			
At January 1, 2012	6	71	77
Newly consolidated companies		3	3
Merged companies			0
Deconsolidated companies	(2)		(2)
Change in consolidation method		4	4
At December 31, 2012	**4**	**78**	**82**
TOTAL AT JANUARY 1, 2012	**181**	**866**	**1,047**
TOTAL AT DECEMBER 31, 2012	**173**	**820**	**993**

Significant changes in Group structure

2012

On January 17, 2013, after consulting the Works Council which expressed its support for the plan, Saint-Gobain accepted an offer received from Ardagh to acquire Verallia North America. Consequently, Verallia North America's assets and liabilities were reclassified as held for sale in the consolidated balance sheet at December 31, 2012. Details of assets and liabilities held for sale are presented in Note 3.

On June 8, 2012, Saint-Gobain signed an agreement for the acquisition of the Celotex Group, one of the UK's leading manufacturers of high-performance insulating foam. The transaction was completed in the second half of the year and Celotex was consolidated from September 1, 2012.

On March 30, 2012, Saint-Gobain completed the acquisition of Brossette from Wolseley, after the transaction was approved by France's competition authorities on March 23. Brossette is a distributor of plumbing-heating-sanitaryware products in France. It has been consolidated as from April 1, 2012.

2011

On November 30, 2011, the Group's Abrasives Activity expanded its presence in South America by acquiring Abrasivos Argentinos S.A. and Dancan S.A. and their subsidiaries. The two groups are specialized in the production of coated abrasives and masking tapes. They have been consolidated as from December 1, 2011.

On August 11, 2011, the Group signed an agreement with Belgian group Bekaert for the acquisition of 100% of its Specialty Films subsidiaries. This business, operating under the name Solar Gard, is specialized in the development, manufacturing and distribution of coated films used in the habitat market, the automotive market and various industrial applications. The Solar Gard subsidiaries have been consolidated as from November 1, 2011.

On July 25, 2011, the Group signed an agreement with UK building materials distributor Wolseley for the acquisition of its British Build Center network. This business has been consolidated as from November 1, 2011.

On May 31, 2011, Saint-Gobain announced that it had signed an agreement to acquire Sezal Glass Limited's float glass business in India. This business has been consolidated as from June 30, 2011.

In first-half 2011, Saint-Gobain signed an agreement for the buy-out of Alver by the Group's Packaging Sector (Verallia). A former state-owned company, Alver is one of Algeria's leading glass packaging manufacturers and distributors. It has been consolidated as from the second half of 2011.

On June 20, 2011, Saint-Gobain announced the postponement of the initial public offering of a minority interest in Verallia due to very adverse market conditions.

Impact on the consolidated balance sheet

The impact on the balance sheet at December 31, 2012 of changes in Group structure and in consolidation methods was as follows:

(in EUR millions)	Companies consolidated for the first time	Companies removed from the scope of consolidation	Total
Impact on assets			
Non-current assets	343	(45)	298
Inventories	147	(22)	125
Trade accounts receivable	131	(15)	116
Other current assets excluding cash and cash equivalents	37	(3)	34
	658	**(85)**	**573**
Impact on equity and liabilities			
Shareholders' equity and minority interests	25	44	69
Provisions for pensions and other employee benefits	18	(1)	17
Non-current liabilities	20	(1)	19
Trade accounts payable	131	(8)	123
Other payables and accrued expenses	76	(5)	71
	270	**29**	**299**
Enterprise value of consolidated companies acquired/divested (a)	**388**	**(114)**	**274**
Impact on consolidated net debt*			
Impact on cash and cash equivalents	(15)	0	(15)
Impact on net debt excluding cash and cash equivalents (b)	65	(33)	32
	50	**(33)**	**17**
Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b)	**323**	**(81)**	**242**

(*) Corresponding to the debt, short-term credit facilities and cash and cash equivalents of acquired/divested companies.

NOTE 3 Assets and liabilities held for sale

On January 14, 2013, Saint-Gobain entered into exclusive negotiations with the Ardagh Group concerning the latter's offer to acquire Verallia North America. The binding and irrevocable offer is not conditional upon financing being arranged. The balance sheet accounts of Verallia North America at December 31, 2012 have therefore been combined and reported in the consolidated balance sheet, under "Assets held for sale" and "Liabilities held for sale", except for debt towards other Group companies and equity.

In accordance with IAS 12, a deferred tax asset relating to the cumulative reserves carried in respect of Verallia North America was recognized in 2012 for an amount of €20 million.

Assets and liabilities held for sale

(in EUR millions)	Dec. 31, 2012
Goodwill and other intangible assets	195
Property, plant and equipment, net	449
Other non-current assets	12
Inventories, trade accounts receivable and other accounts receivable	279
Cash and cash equivalents	1
Total assets held to sale	**936**
Provisions for pensions and other employee benefits	348
Deferred tax liabilities and other non-current liabilities	6
Trade accounts payable, other payables and accrued expenses, and other current liabilities	143
Short-term debt and bank overdrafts	0
Total liabilities held for sale	**497**

Commitments

Verallia North America's off-balance sheet commitments have been excluded from the Group's off-balance sheet commitments at December 31, 2012. They concern future minimum lease payments due under non-cancellable operating leases and other commitments for approximately €50 million (Note 27).

Employees

The average number of employees of Verallia North America (4,416 in 2012) is included in the average number of Group employees for the year (Note 32).

NOTE 4 Goodwill

(in EUR millions)	2012	2011
At January 1		
Gross value	11,903	11,560
Accumulated impairment	(862)	(530)
Net	**11,041**	**11,030**
Movements during the year		
Changes in Group structure	143	248
Reclassification to assets held for sale	(191)	0
Impairment	(67)	(309)
Translation adjustments	10	72
Total	**(105)**	**11**
At December 31		
Gross value	11,765	11,903
Accumulated impairment	(829)	(862)
Net	**10,936**	**11,041**

In 2012, movements in goodwill mainly arose from changes in the scope of consolidation, with the acquisition of Celotex by the Construction Products Sector and Brossette by the Building Distribution Sector, and the reclassification as "Assets held for sale" of the remaining Verallia North America goodwill (Note 3).

In 2011, movements in goodwill mainly corresponded to (i) changes in the scope of consolidation, with the acquisition of Solar Gard by the Innovative Materials Sector and Build Center by the Building Distribution Sector, and (ii) the write-down of Gypsum assets in North America and of Building Distribution goodwill.

NOTE 5 Other intangible assets

(in EUR millions)	Patents	Non-amortizable brands	Software	Develop-ment costs	Other	Total
At January 1, 2011						
Gross value	124	2,747	798	60	301	4,030
Accumulated amortization and impairment	(104)		(642)	(42)	(175)	(963)
Net	**20**	**2,747**	**156**	**18**	**126**	**3,067**
Movements during the year						
Changes in Group structure and reclassifications	13		10		24	47
Acquisitions	3		59	19	11	92
Disposals			(1)			(1)
Translation adjustments		31	(1)	1		31
Amortization and impairment	(3)		(70)	(6)	(9)	(88)
Total movements	**13**	**31**	**(3)**	**14**	**26**	**81**
At December 31, 2011						
Gross value	141	2,778	834	80	334	4,167
Accumulated amortization and impairment	(108)		(681)	(48)	(182)	(1,019)
Net	**33**	**2,778**	**153**	**32**	**152**	**3,148**
Movements during the year						
Changes in Group structure and reclassifications	(4)	(1)	11	2	11	19
Reclassification to assets held for sale			(4)			(4)
Acquisitions	3		62	36	9	110
Disposals			(2)		(2)	(4)
Translation adjustments		29	(1)		(2)	26
Amortization and impairment	(4)		(64)	(17)	(14)	(99)
Total movements	**(5)**	**28**	**2**	**21**	**2**	**48**
At December 31, 2012						
Gross value	140	2,806	870	118	342	4,276
Accumulated amortization and impairment	(112)		(715)	(65)	(188)	(1,080)
Net	**28**	**2,806**	**155**	**53**	**154**	**3,196**

The “Other” column includes amortizable manufacturing brands totaling €54 million at December 31, 2012 (December 31, 2011: €45 million).

NOTE 6 Property, plant and equipment

(in EUR millions)	Land and quarries	Buildings	Machinery and equipment	Assets under construction	Total
At January 1, 2011					
Gross value	2,397	8,338	21,047	1,042	32,824
Accumulated depreciation and impairment	(394)	(4,333)	(14,327)	(43)	(19,097)
Net	**2,003**	**4,005**	**6,720**	**999**	**13,727**
Movements during the year					
Changes in Group structure and reclassifications	22	126	94	(4)	238
Acquisitions	73	100	333	1,448	1,954
Disposals	(31)	(29)	(38)	(4)	(102)
Translation adjustments	8	(33)	(59)	(13)	(97)
Depreciation and impairment	(33)	(296)	(1,161)	(5)	(1,495)
Transfers		132	812	(944)	0
Total movements	**39**	**0**	**(19)**	**478**	**498**
At December 31, 2011					
Gross value	2,462	8,529	21,660	1,518	34,169
Accumulated depreciation and impairment	(420)	(4,524)	(14,959)	(41)	(19,944)
Net	**2,042**	**4,005**	**6,701**	**1,477**	**14,225**
Movements during the year					
Changes in Group structure and reclassifications	29	45	(3)	44	115
Reclassification to assets held for sale	(10)	(66)	(338)	(35)	(449)
Acquisitions	65	97	432	1,197	1,791
Disposals	(14)	(17)	(32)	(7)	(70)
Translation adjustments	(13)	(2)	(48)	(31)	(94)
Depreciation and impairment	(43)	(311)	(1,407)	(61)	(1,822)
Transfers		239	948	(1,187)	0
Total movements	**14**	**(15)**	**(448)**	**(80)**	**(529)**
At December 31, 2012					
Gross value	2,512	8,697	21,377	1,500	34,086
Accumulated depreciation and impairment	(456)	(4,707)	(15,124)	(103)	(20,390)
Net	**2,056**	**3,990**	**6,253**	**1,397**	**13,696**

Acquisitions of property, plant and equipment during 2012 included assets acquired under finance leases for an amount of €18 million (2011: €18 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At December 31, 2012, total property, plant and equipment acquired under finance leases amounted to €109 million (December 31, 2011: €119 million) (see Note 27).

NOTE 7 Investments in associates

(in EUR millions)	2012	2011
At January 1		
Equity in associates	129	120
Goodwill	38	17
Investments in associates	**167**	**137**
Movements during the year		
Changes in Group structure	31	31
Translation adjustments	2	(3)
Transfers, share issues and other movements	0	0
Dividends paid	(6)	(6)
Share in net income of associates	12	8
Total movements	**39**	**30**
At December 31		
Equity in associates	157	129
Goodwill	49	38
Investments in associates	**206**	**167**

Investments in associates include shares in Compania Industrial El Volcan, which is listed on the Santiago de Chile stock exchange. At December 31, 2012, the market value of the shares was higher than the carrying amount of the Group's equity in the company's net assets.

Annual net sales recorded in the individual financial statements of associates totaled €984 million in 2012 (2011: €858 million) and their aggregate net income totaled €32 million (2011: €27 million). At December 31, 2012, total assets and liabilities of these companies amounted to €1,082 million and €535 million, respectively (December 31, 2011: €941 million and €489 million).

NOTE 8 Other non-current assets

(in EUR millions)	Available-for-sale and other securities	Capitalized loans and deposits	Pension plan surpluses	Total
At January 1, 2011				
Gross value	43	218	37	298
Provisions for impairment in value	(18)	(8)		(26)
Net	**25**	**210**	**37**	**272**
Movements during the year				
Changes in Group structure	8	(1)		7
Increases/(decreases)	(4)	70	14	80
Movements in provisions for impairment in value	(1)	(1)		(2)
Translation adjustments		(8)	1	(7)
Transfers and other movements	1	(4)		(3)
Total movements	**4**	**56**	**15**	**75**
At December 31, 2011				
Gross value	48	273	52	373
Provisions for impairment in value	(19)	(7)		(26)
Net	**29**	**266**	**52**	**347**
Movements during the year				
Changes in Group structure	1	1		2
Increases/(decreases)	14	27	4	45
Movements in provisions for impairment in value		1		1
Translation adjustments		(3)	1	(2)
Transfers and other movements	(3)	(31)		(34)
Total movements	**12**	**(5)**	**5**	**12**
At December 31, 2012				
Gross value	59	266	57	382
Provisions for impairment in value	(18)	(5)		(23)
Net	**41**	**261**	**57**	**359**

The change in impairment provisions on other non-current assets in 2012 reflects €1 million in additions (2011: €3 million) and €2 million in reversals (2011: €1 million).

Verallia North America assets classified as held for sale amounted to €12 million and are included in the above table under “Transfers and other movements”.

As discussed in Note 1, available-for-sale and other securities are measured at fair value.

NOTE 9 Inventories

(in EUR millions)	Dec. 31, 2012	Dec. 31, 2011
Gross value		
Raw materials	1,463	1,634
Work in progress	249	279
Finished goods	4,910	5,027
Gross inventories	**6,622**	**6,940**
Provisions for impairment in value		
Raw materials	(134)	(132)
Work in progress	(10)	(8)
Finished goods	(345)	(323)
Provisions for impairment in value	**(489)**	**(463)**
Net	**6,133**	**6,477**

In 2012, cost of sales came to €33,046 million (2011: €31,763 million).

Impairment losses on inventories recorded in the 2012 income statement totaled €174 million (2011: €138 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €130 million in 2012 (2011: €111 million) and were recorded as a deduction from impairment losses for the year.

NOTE 10 Trade and other accounts receivable

(in EUR millions)	Dec. 31, 2012	Dec. 31, 2011
Gross value	5,512	5,821
Provisions for impairment in value	(495)	(480)
Trade accounts receivable	**5,017**	**5,341**
Advances to suppliers	621	550
Prepaid payroll taxes	20	25
Other prepaid and recoverable taxes (other than income tax)	351	380
Other	438	456
Less:		
France	94	100
Other Western European countries	165	168
North America	22	19
Emerging countries and Asia	157	169
Provisions for impairment in value	(5)	(3)
Other receivables	**1,425**	**1,408**

The change in impairment provisions for trade accounts receivable in 2012 reflects €107 million in additions (2011: €87 million) and €98 million in reversals (2011: €101 million) – resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption, for €71 million (2011: €94 million).

Net past-due trade receivables amounted to €874 million at December 31, 2012, after deducting provisions of €436 million (December 31, 2011: €843 million, after deducting provisions of €411 million), including €206 million over three months past due (December 31, 2011: €198 million).

NOTE 11 Equity

Number of shares outstanding

At December 31, 2012, Compagnie de Saint-Gobain's capital stock comprised 531,125,642 shares of common stock with a par value of €4 each, all in the same class (December 31, 2011: 535,563,723 shares).

During 2012, 4,387,680 new shares were issued to members of the 2012 Group Savings Plan at a price of €28.59, representing total proceeds of €125 million.

At the Annual General Meeting of June 9, 2011, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- issue, on one or several occasions, up to 106,250,000 new shares with pre-emptive subscription rights for existing shareholders and debt securities without pre-emptive rights but with a priority subscription right (10th to 14th resolutions/26-month authorization commencing June 9, 2011);
- issue, on one or several occasions, up to 13,270,000 new shares to members of the Group Savings Plan (15th resolution/26-month authorization commencing June 9, 2011). The authorization was used to grant 4,387,680 shares under the 2012 Group Savings Plan.

At the Annual General Meeting of June 7, 2012, shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- grant performance stock-options exercisable for shares representing up to 1% of capital stock on the Meeting date, i.e. 5,310,526 options exercisable for the same number of shares (14th resolution/26-month authorization commencing June 7, 2012);

- Make performance share grants representing up to 0.8% of the capital stock on the Meeting date, i.e. grants of 4,248,420 shares (15th resolution/26-month authorization commencing June 7, 2012). If this authorization were to be used, the performance shares would be deducted from the shares available for the stock-option plan authorized in the 14th resolution.

The Board of Directors used this authorization on November 22, 2012 to grant 542,370 performance shares and 253,000 performance stock-options.

If all outstanding stock-options were to be exercised, with the issue of new shares, this would potentially have the effect of increasing the number of shares outstanding to 557,630,521. In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to 677,277,997.

At the Annual General Meeting of June 7, 2012, the Board of Directors was also authorized to issue stock warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (16th resolution). Under this authorization, the Group may issue up to €536 million worth of stock (excluding premiums), representing 134,100,000 shares.

Treasury stock

Saint-Gobain shares held or controlled by Compagnie de Saint-Gobain and Saint-Gobain Corporation are shown as a deduction from shareholders' equity under "Treasury stock" at historical cost. At December 31, 2012, 4,691,065 shares were held in treasury (December 31, 2011: 9,358,027). In 2012, 8,727,221 shares were bought back on the market (2011: 10,180,347) and 3,854,183 shares were sold (2011: 5,936,217). In 2012, 9,540,000 shares were cancelled.

The liquidity contract set up with Exane BNP Paribas on November 16, 2007 was rolled over in 2012 and 2011. In addition, for the purposes of a compensation plan set up in January 2008 for certain employees in the United States, Compagnie de Saint-Gobain shares are held by a trust administered by Wachovia Bank, National Association. These shares are treated as being controlled by Saint-Gobain Corporation in the consolidated financial statements.

NOTE 12 Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees.

Stock options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no stock options have been granted at a discount to the average price.

Since the November 2007 plan, all stock-options are subject to a 4-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for tax residents. Options must be exercised within 10 years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

The options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For plans launched between 2008 and 2011, the origin of the shares is determined at the latest at the end of the vesting period, with any options exercised before said decision is made being exercised for new shares. The options granted in 2012 are exercisable for new shares.

Until 2008, options were subject to a performance condition for certain categories of grantees only. Since 2009, the plans are subject to a performance condition for all grantees.

For options granted under the 2012 plan, the value used to calculate the 30% *contribution sociale tax* due by grantees employed by French companies in the Group is €3.49 per option.

Movements relating to stock-options outstanding in 2011 and 2012 are summarized below:

	EUR 4 par value shares	Average exercise price *(in EUR)*
Options outstanding at December 31, 2010	**28,748,648**	**41.27**
Options granted	482,150	31.22
Options exercised	(724,853)	33.84
Options forfeited	(2,706,502)	38.97
Options outstanding at December 31, 2011	**25,799,443**	**41.54**
Options granted	253,000	27.71
Options exercised	(815,091)	21.68
Options forfeited*	(855,949)	30.13
Options outstanding at December 31, 2012	**24,381,403**	**42.46**

(*) Including 362,795 options under the 2002 plan which expired on November 20, 2012 and 493,154 options under the 2009 plan that were cancelled due to the performance targets being only partly met.

Stock-option expense recorded in the income statement amounted to €2 million in 2012 (2011: €14 million). The fair value of options granted in 2012 amounted to €1 million.

The table below summarizes information about stock-options outstanding at December 31, 2012, after taking into account the partial fulfillment of the performance criteria attached to certain plans:

Grant date	Options exercisable			Options not exercisable		Total options outstanding	Type of options
	Exercise price *(in EUR)*	Number of options	Weighted average contractual life *(in months)*	Exercise price *(in EUR)*	Number of options	Number of options	
2003	32.26	2,719,371	11			2,719,371	Subscription
2004	39.39	3,955,094	23			3,955,094	Subscription
2005	41.34	4,051,181	35			4,051,181	Subscription
2006	52.52	4,306,454	47			4,306,454	Subscription
2007	64.72	3,403,171	59			3,403,171	Subscription
2008	25.88	3,080,346	71			3,080,346	Subscription
2009			83	36.34	985,906	985,906	Subscription or purchase
2010			95	35.19	1,144,730	1,144,730	Subscription or purchase
2011			107	31.22	482,150	482,150	Subscription or purchase
2012			119	27.71	253,000	253,000	Subscription
TOTAL		**21,515,617**			**2,865,786**	**24,381,403**	

At December 31, 2012, 21,515,617 stock-options were exercisable (at an average price of €43.56) and 2,865,786 options (average price €34.26) had not yet vested.

NOTE 13 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 Chairman and 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 2012, the Group issued 4,387,680 shares with a par value of €4 (2011: 4,497,772 shares) to members of the PEG, for a total of €125 million (2011: €150 million).

In some years, as well as the standard plans, leveraged plans are offered to employees in countries where this is allowed under local law and tax rules.

Standard plans

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or 10-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 10 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 5- or 10-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 €0 in 2012 (2011: €6.7 million), net of the lock-up cost for employees of €18.7 million (2011: €20.6 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2012 and in 2011:

		2012	2011
Plan characteristics			
	Grant date	26 March	28 March
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in EUR)	35.73	41.77
	Purchase price (in EUR)	28.59	33.42
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	17.60%	22.50%
	Employee investments (in EUR millions)	125.4	150.3
	Total number of shares purchased	4,387,680	4,497,772
Valuation assumptions			
	Interest rate paid by employees*	6.35%	6.50%
	5-year risk-free interest rate	1.75%	2.86%
	Repo rate	0.40%	0.40%
(b)	Lock-up discount (in %)	20.18%	16.97%
	Total cost to the Group (in %) **(a-b)**	-2.58%	5.53%

(*) A 0.5-point decline in borrowing costs for the employee would have no impact on the 2012 cost as calculated in accordance with IFRS 2.

Leveraged plans

No leveraged plans were set up in 2012 or in 2011.

NOTE 14 Performance share and performance unit plans

Various performance share plans have been set up by Saint-Gobain since 2009 and one performance unit plan was set up in 2012.

As of December 31, 2012, five performance share plans and one performance unit plan were outstanding:

- A worldwide plan authorized by Saint-Gobain's Board of Directors on November 19, 2009 whereby eligible employees and officers of the Group in France and abroad were each awarded seven performance shares. The shares were subject to a performance condition, which was met, and would have been forfeited if the grantee had left the Group before the end of the vesting period. In all, 1,359,960 performance shares vested under the plan, as follows:
  - for eligible Group employees in France, Spain and Italy, the vesting period ended on March 29, 2012 and the shares were delivered on March 30, 2012. The vesting period has been followed by a 2-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability;
  - for eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.

- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 19, 2009. The shares were subject to a performance condition, which was met, and would have been forfeited if the grantee had left the Group before the end of the vesting period. In all, 622,790 performance shares were awarded, as follows:
  - for eligible Group employees in France, the vesting period ended on March 29, 2012 and the shares were delivered on March 30, 2012. The vesting period has been followed by a 2-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability;
  - for eligible Group employees in all other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014. No lock-up period will apply.

- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 18, 2010. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, an estimated 737,550 performance shares may vest under the plan, as follows:
  - for eligible Group employees in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013. The vesting period will be followed by a 2-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability;
  - for eligible Group employees outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015. No lock-up period will apply.
- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 24, 2011. The shares are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. In all, 942,920 performance shares may vest under the plan, as follows:
  - for eligible Group employees in France, the vesting period will end on March 29, 2014 and the shares will be delivered on March 30, 2014. The vesting period will be followed by a 2-year lock-up, such that the shares may not be sold until March 31, 2016 except in the case of the grantee's death or disability;
  - for eligible Group employees outside France, the vesting period will end on March 30, 2016 and the shares will be delivered on March 31, 2016. No lock-up period will apply.
- A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group outside France authorized by the Board of Directors on November 22, 2012. Eligibility is based on the grantee's period of service with the Group and on a performance criterion. The plan involves a total of 542,370 performance shares. Grantees will be allocated existing shares of the Company. The vesting period will end on November 21, 2016 and the shares will be delivered on November 22, 2016. No lock-up period will apply.
- A long-term incentive plan involving the award of performance units for certain eligible managers and senior executives of the Saint-Gobain Group in France authorized by the Board of Directors on November 22, 2012, that will be implemented by the Chairman and Chief Executive Officer of Compagnie de Saint-Gobain. In all, 536,400 performance units may be awarded. The units are subject to a performance condition and will be forfeited if the grantee leaves the Group before the end of the vesting period. Vested units will entitle the grantees to a long-term cash incentive determined by reference to the Saint-Gobain share price. The exercise period for the units will run from November 22, 2016 to November 21, 2022. The performance units will not give rise to the issue of any new shares or the allocation of any exiting shares.

The table below shows changes in the number of performance share rights:

	Number of rights
Number of performance share rights at December 31, 2010	**2,720,300**
Performance share rights granted in November 2011	942,920
Shares issued/delivered	(833)
Lapsed and canceled rights	0
Number of performance share rights at December 31, 2011	**3,662,387**
Performance share rights granted in November 2012	542,370
Shares issued/delivered	(641,669)
Lapsed and canceled rights	(897,242)
Number of performance share rights at December 31, 2012	**2,665,846**

The fair value of the performance shares corresponds to the Saint-Gobain share price on the grant date less (i) the value of dividends not payable on the shares during the vesting period, and (ii) as for the Group Savings Plan, less the discount on restricted stock (i.e. stock subject to a 4-year lock-up), which has been estimated at around 30%. The compensation cost is recognized over the two or four-year vesting period of the performance shares.

The cost recorded in the income statement for the two plans amounted to €12 million in 2012 (2011: €18 million).

The following table shows the expected dates when vested performance shares will be issued/delivered under the five plans, except in the case of the grantee's death or disability or departure from the Group before the end of the vesting period:

Grant date	Number of rights at December 31, 2012	End of the vesting period	Type of rights
November 19, 2009	929,768	March 2014	transmitting
November 19, 2009	345,160	March 2014	transmitting
November 18, 2010	437,385	March 2015	transmitting
November 24, 2011	**411,163**	March 2016	transmitting
November 22, 2012	542,370	November 2016	existing
TOTAL	**2,665,846**		

NOTE 15 Provisions for pensions and other employee benefits

(in EUR millions)	December 31, 2012	December 31, 2011
Pensions	2,526	2,544
Length-of-service awards	292	237
Post-employment healthcare benefits	502	504
Total provisions for pensions and other post-employment benefit obligations	**3,320**	**3,285**
Healthcare benefits	27	46
Long-term disability benefits	23	29
Other long-term benefits	95	98
Provisions for pensions and other employee benefits	**3,465**	**3,458**

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

(in EUR millions)	December 31, 2012	December 31, 2011
Provisions for pensions and other post-employment benefit obligations	3,320	3,285
Pension plan surpluses	(57)	(52)
Net pension and other post-employment benefit obligations	**3,263**	**3,233**

Changes in pension and other post-employment benefit obligations are as follows:

(in EUR millions)	Pension and other post-employement benefit obligations	Fair value of plan assets	Other	Net pension and post-employment benefit obligations
At January 1, 2011	**8,892**	**(6,224)**	**38**	**2,706**
Movements during the year				
Service cost	180			180
Interest cost/expected return on plan assets*	438	(415)		23
Contributions to pension		(239)		(239)
Employee contributions		(19)		(19)
Actuarial gains and losses and asset ceiling	595	112	(3)	704
Currency translation adjustment	236	(159)		77
Benefit payments	(451)	362		(89)
Past service cost**	(86)			(86)
Changes in Group structure	2			2
Curtailments/settlements	(22)	5		(17)
Other	36	(16)	(29)	(9)
Total movements	**928**	**(369)**	**(32)**	**527**
At December 31, 2011	**9,820**	**(6,593)**	**6**	**3,233**
Movements during the year				
Service cost	188			188
Interest cost/expected return on plan assets*	439	(403)		36
Contributions to pension		(470)		(470)
Employee contributions		(14)		(14)
Actuarial gains and losses and asset ceiling	1,212	(300)	10	922
Currency translation adjustment	2	(24)		(22)
Benefit payments	(493)	393		(100)
Past service cost**	(194)			(194)
Changes in Group structure	39	(23)		16
Curtailments/settlements	(5)			(5)
Other	8	(4)	(2)	2
Reclassification to liabilities held for sale	(977)	648		(329)
Total movements	**219**	**(197)**	**8**	**30**
AT DECEMBER 31, 2012	**10,039**	**(6,790)**	**14**	**3,263**

(*) The actual return on plan assets came to €703 million for the year (2011: €303 million).

(**) Including the changes in reference and calculation assumptions in the United Kingdom explained in the paragraphs on actuarial assumptions.

The following tables show the funded status of pension and other post-employment benefit obligations by geographic area:

December 31, 2012

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Defined benefit obligation - funded plans	479	5,730	2,444	147	8,800
Defined benefit obligation - unfunded plans	310	386	500	43	1,239
Fair value of plan assets	(285)	(4,769)	(1,619)	(117)	(6,790)
Deficit/(surplus)	**504**	**1,347**	**1,325**	**73**	**3,249**
Asset ceiling					14
Insured plans					0
Net pension and other post-employment benefit obligations					**3,263**

December 31, 2011

(in EUR millions)	France	Other Western European countries	North America	Rest of the World	Net total
Defined benefit obligation - funded plans	403	5,210	3,026	139	8,778
Defined benefit obligation - unfunded plans	227	268	507	40	1,042
Fair value of plan assets	(182)	(4,363)	(1,942)	(106)	(6,593)
Deficit/(surplus)	**448**	**1,115**	**1,591**	**73**	**3,227**
Asset ceiling					6
Insured plans					0
Net pension and other post-employment benefit obligations					**3,233**

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. Effective March 1, 2012, a new defined benefit plan complying with Article L.137-11 of France's Social Security Code was set up by Compagnie de Saint-Gobain.

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 defined benefit 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 €145 million at December 31, 2012 (December 31, 2011: €173 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 defined 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.

The Group's total pension and other post-employment benefit obligations amounted to €10,039 million at December 31, 2012 (December 31, 2011: €9,820 million).

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 €470 million in 2012 (2011: €239 million). The actual return on plan assets came to €703 million for the year (2011: €303 million).

The fair value of plan assets – which came to €6,790 million at December 31, 2012 (December 31, 2011: €6,593 million) – is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (42%) and bonds (41%), with the remaining 17% invested in other asset classes.

Projected contributions to pension plans for 2013 are estimated at around €155 million.

Actuarial assumptions used to measure defined 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 2012 for the Group's main plans were as follows:

(in %)	France	Other European countries Euro zone	Other European countries United Kingdom	United States
Discount rate	3.25%	3.25%	4.15%	3.75%
Salary increases	2.50%	2.00% to 2.60%	2.00%*	3.00%
Expected return on plan assets	5.00%	4.00% to 5.25%	5.85%	8.75%
Inflation rate	1.90%	1.75% to 2.00%	1.65%	2.00%

(*) A cap applies to the reference salaries used to calculate benefit entitlements.

The assumptions used in 2011 for the Group's main plans were as follows:

(in %)	France	Other European countries Euro zone	Other European countries United Kingdom	United States
Discount rate	4.75%	4.75%	4.65%	4.50%
Salary increases	2.40%	1.80% to 2.60%	3.30%	3.00%
Expected return on plan assets	5.00%	4.00% to 5.25%	5.85%	8.75%
Inflation rate	1.80%	1.50% to 2.00%	1.80%	2.10%

Discount rates were set by region or country based on observed bond rates at December 31, 2012.

A 0.5-point decrease (increase) in the discount rate would lead to an increase (decrease) in defined benefit obligations of around €200 million for the North American plans, €200 million for the euro-zone plans and €325 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in defined benefit obligations of €485 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's defined benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 7.78% per year. A 1-point increase in this rate would lead to an increase in the related defined benefit obligation of around €50 million.

Since December 31, 2011, the inflation rate used by the Group to adjust pension benefits in the United Kingdom has been based on the Consumer Price Index (CPI).

In addition, calculation assumptions in the United Kingdom have been partly modified by the introduction, in 2012, of a cap on reference salaries and the adjustment of benefit entitlements for employees taking early retirement or retiring for health reasons. The resulting reduction in the related benefit obligation, for the amount of £140 million in 2012, has been recognized under "Past service cost" in the table analyzing changes in pension and other post-employment benefit obligations.

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. In 2012, firm equity and bond markets led to a €703 million increase in plan assets versus an estimated €403 million based on the expected return on the assets. A 50 bps change in the estimated return on plan assets would have a roughly €35 million impact on profit for the year.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling. In 2012, €922 million was recognized in equity (increase in provisions). This amount corresponds to €1,212 million in actuarial differences, including a €60 million experience adjustment (corresponding to the effects of differences between previous actuarial assumptions and what has actually occurred), €10 million due to the raising of the asset ceiling, and a €300 million increase in plan assets.

The defined benefit obligation, asset ceiling and experience adjustments recognized in the last five years are as follows:

(in EUR millions)	2012	2011	2010	2009	2008
Defined benefit obligation	10,039	9,820	8,892	7,999	6,803
Fair value of plan assets	(6,790)	(6,593)	(6,224)	(5,384)	(4,976)
Plan (surplus)/deficit	3,249	3,227	2,668	2,615	1,827
Experience actuarial gain (loss) as a % of the defined benefit obligation	0.6	0.1	(0.4)	(0.5)	0.4

Plan surpluses and the asset ceiling

When plan assets exceed the defined benefit obligation, the excess is recognized in other non-current assets under "Plan surplus" (see Note 8) provided that it corresponds to future economic benefits. The asset ceiling corresponds to the maximum future economic benefit. Changes in the asset ceiling are recognized in equity.

Contributions to insured plans

This item corresponded to amounts payable in the future to insurance companies under the externally funded pension plans for Group employees in Spain. These amounts were fully repaid at June 30, 2011.

Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

In accordance with IFRS 5, the provisions for pensions and other post-employment benefits for employees of Verallia North America were classified as liabilities held for sale at December 31, 2012, for an amount of €329 million. Including provisions for other long-term benefits in the amount of €19 million, the total amount reclassified as "Liabilities held for sale" was €348 million (Note 3).

Employee benefits expense

The cost of the Group's pension and other post-employment benefit plans (excluding other employee benefits) is as follows:

(in EUR millions)	2012	2011
Service cost	188	180
Interest cost	439	438
Expected return on plan assets	(403)	(415)
Curtailments and settlements	(199)	(103)
Pensions, length-of-service awards and other post-employment benefits	**25**	**100**
Employee contributions	(14)	(19)
TOTAL	**11**	**81**

Additional information about defined contribution plans

Contributions to defined contribution plans for 2012 represented an estimated €681 million (2011: €645 million), including €473 million for government-sponsored basic pension schemes (2011: €453 million), €138 million for government-sponsored supplementary pension schemes, mainly in France (2011: €141 million), and €70 million for corporate-sponsored supplementary pension plans (2011: €51 million).

NOTE 16 Current and deferred taxes

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

(in %)	2012	2011
Net income	796	1,360
Less:		
Share in net income of associates	12	8
Income taxes	(476)	(656)
Pre-tax income of consolidated companies	**1,260**	**2,008**

Income tax expense breaks down as follows:

(in EUR millions)	2012	2011
Current taxes	**(612)**	**(662)**
France	(151)	(106)
Outside France	(461)	(556)
Deferred taxes	**136**	**6**
France	60	(12)
Outside France	76	18
Total income tax expense	**(476)**	**(656)**

The effective tax rate breaks down as follows:

(in %)	2012	2011
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(3.8)	(5.9)
Impact of 2011 Finance Law in France (add-in 5%)	1.7	1.7
Impact of 2012 Finance Law in France	1.6	0.0
Capital gains and losses and asset impairments	4.3	3.8
Provisions for deferred tax assets	4.3	0.8
Effect of changes in future tax rates	(3.7)	(1.1)
Research tax credit	(1.6)	(0.7)
Other deferred and miscellaneous taxes	0.6	(0.3)
Effective tax rate	**37.8**	**32.7**

In the balance sheet, changes in net deferred tax asset and liability break down as follows:

(in EUR millions)	Net deferred tax assets/(liability)
At January 1, 2011	**(209)**
Deferred tax (expense)/benefit	6
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 15)	240
Translation adjustments	25
Impact of changes in Group structure and other	(6)
At December 31, 2011	**56**
Deferred tax (expense)/benefit	136
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 15)	293
Translation adjustments	(19)
Impact of changes in Group structure and other	(22)
At December 31, 2012	**444**

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

(in EUR millions)	Dec. 31, 2012	Dec. 31, 2011
Deferred tax assets	1,236	949
Deferred tax liabilities	(792)	(893)
Net deferred tax	**444**	**56**
Pensions	935	948
Brands	(781)	(799)
Depreciation & amortization, accelerated capital allowances and tax-driven provisions	(1,005)	(1,182)
Tax loss carryforwards	748	584
Other	547	505
TOTAL	**444**	**56**

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 €1,236 million were recognized at December 31, 2012 (December 31, 2011: €949 million). They include deferred tax assets of €702 million in the United States that are expected to be recovered within the maximum utilization period of 20 years, and €174 million in Germany, where the “Organschaft” group relief system allows deferred tax assets to be recovered within a short period. Deferred tax liabilities recognized at December 31, 2012 amounted to €792 million (December 31, 2011: €893 million), including €291 million in France and €197 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 €261 million at December 31, 2012 (December 31, 2011: €190 million) and are fully accrued.

In France, the *taxe professionnelle* local business tax has been replaced, from 2010, by the *Contribution Economique Territoriale* (CET), a two-part tax. In accordance with IAS 12, 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, because it is assessed on revenues net of expenses, particularly in the Building Distribution sector which represents roughly 50% of the Group's revenue in France.

NOTE 17 Other current and non-current liabilities and provisions

(in EUR millions)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Total provision for other liabilities	Investment related liabilities	Total
At January 1, 2011									
Current portion	100	37	117	45	100	113	512	15	527
Non-current portion	1,338	137	120	47	157	286	2,085	143	2,228
Total	**1,438**	**174**	**237**	**92**	**257**	**399**	**2,597**	**158**	**2,755**
Movements during the year									
Additions	151	18	87	23	119	88	486		486
Reversals	(1)	(13)	(32)	(13)	(34)	(77)	(170)		(170)
Utilizations	(102)	(9)	(100)	(24)	(90)	(66)	(391)		(391)
Changes in Group structure			1			(1)	0	9	9
Other (reclassifications and translation adjustments)	15	(1)	(10)	(5)	3	23	25	162	187
Total movements	**63**	**(5)**	**(54)**	**(19)**	**(2)**	**(33)**	**(50)**	**171**	**121**
At December 31, 2011									
Current portion	117	33	93	36	113	137	529	204	733
Non-current portion	1,384	136	90	37	142	229	2,018	125	2,143
Total	**1,501**	**169**	**183**	**73**	**255**	**366**	**2,547**	**329**	**2,876**
Movements during the year									
Additions	157	8	151	24	95	88	523		523
Reversals	(7)	(2)	(37)	(8)	(24)	(53)	(131)		(131)
Utilizations	(97)	(13)	(112)	(18)	(66)	(77)	(383)		(383)
Changes in Group structure			5	1		4	10		10
Other (reclassifications and translation adjustments)	(6)	(11)	(5)	(5)	(4)	9	(22)	(245)	(267)
Total movements	**47**	**(18)**	**2**	**(6)**	**1**	**(29)**	**(3)**	**(245)**	**(248)**
At December 31, 2012									
Current portion	102	16	98	32	105	102	455	2	457
Non-current portion	1,446	135	87	35	151	235	2,089	82	2,171
Total	**1,548**	**151**	**185**	**67**	**256**	**337**	**2,544**	**84**	**2,628**

Provisions for claims and litigation

In 2012, provisions for claims and litigation covered potential costs arising from investigations by the competition authorities involving the Flat Glass business and from asbestos-related litigation. These provisions are described in further detail in Note 28.

Provisions for environmental risks

Provisions for environmental risks cover costs relating to environmental protection measures, as well as site rehabilitation and clean-up costs.

Provisions for restructuring costs

Provisions for restructuring costs came to €185 million at December 31, 2012 (December 31, 2011: €183 million), including net additions of €114 million during the year. The provisions primarily concern Benelux (€42 million), Germany (€44 million), France (€31 million) and the United Kingdom (€28 million).

Provisions for personnel costs

These provisions primarily cover indemnities due to employees that are unrelated to the Group's reorganization plans.

Provisions for customer warranties

These provisions cover the Group's commitments under the warranties granted to customers in the United States and other markets. They are determined on a statistical basis using a range of criteria and take into account contractual warranty payments made in prior years in the business and region concerned. In addition, specific provisions may be set aside for identified risks.

Provisions for other contingencies

At December 31, 2012, provisions for other contingencies amounted to €337 million and mainly concerned France (€124 million), Germany (€97 million), Latin America (€43 million), Italy (€23 million) and the United States (€15 million).

Investment-related liabilities

Changes in investment-related liabilities primarily resulted from the settlement and delivery of forward purchases of treasury stock.

NOTE 18 Trade and other accounts payable and accrued expenses

(in EUR millions)	Dec. 31, 2012	Dec. 31, 2011
Trade accounts payable	**6,143**	**6,018**
Customer deposits	795	791
Payable to suppliers of non-current assets	298	374
Grants received	125	99
Accrued personnel expenses	1,173	1,177
Accrued taxes other than on income	408	434
Other	609	687
- France	89	119
- Germany	57	51
- United Kingdom	120	111
- Other Western European countries	109	135
- North America	32	60
- Emerging countries and Asia	202	211
TOTAL OTHER PAYABLES AND ACCRUED EXPENSES	**3,408**	**3,562**

Trade and other accounts payable are due mainly within one year, with the result that their carrying amount approximates fair value.

NOTE 19 Risk factors

Market risks (liquidity, interest rate, foreign exchange, energy and credit risks)

Liquidity risk on financing

In a crisis environment, the Group could be unable to raise the financing or refinancing needed to cover its investment plans on the credit market or the capital market, or to obtain such financing or refinancing on acceptable terms.

There is also no guarantee that the Company's credit rating will remain at the current level.

The Group's overall exposure to liquidity risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Except in special cases, all of the Group companies' long-term financing needs and the majority of their short-term financing needs are met by Compagnie de Saint-Gobain or by the Delegations' cash pools.

The main objective of liquidity risk management processes is to guarantee that the Group's financing sources will be rolled over and to optimize annual borrowing costs. Long-term debt therefore systematically represents a high percentage of overall debt. At the same time, the maturity schedules of long-term debt are set in such a way that replacement capital markets issues are spread over time.

Medium-term notes are the main source of long-term financing used by the Group, along with bonds. However it also uses perpetual bonds, participating securities, bank borrowings and lease financing.

Short-term debt is composed mainly of borrowings under French Commercial Paper *(Billets de Trésorerie)* programs and, from time-to-time, Euro Commercial Paper and US Commercial Paper programs, but also includes receivables securitization programs and bank overdrafts. Short-term financial assets comprise marketable securities and cash equivalents.

To maintain secure sources of financing, Compagnie de Saint-Gobain has various confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 20. The amounts, currencies, and acceleration clauses of the Group's financing programs and confirmed credit lines are also discussed in Note 20.

Saint-Gobain's long-term debt issues have been rated BBB with a negative outlook by Standard & Poor's since October 29, 2012 and Baa2 with a negative outlook by Moody's since November 12, 2012.

Liquidity risk on investments

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity or volatility risk, whenever possible, the Group invests in money market and/or bond funds.

Interest rate risks

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. Where subsidiaries use derivatives to hedge interest rate risks, their counterparty is generally Compagnie de Saint-Gobain, the Group's parent company.

The Group's overall exposure to interest rate risk on consolidated debt is managed primarily with the objective of fixing the cost of medium-term debt and optimizing annual borrowing costs. According to Group policy, the derivative financial instruments used to hedge these risks comprise interest rate swaps, cross-currency swaps, options – including caps, floors and swaptions – and forward rate agreements.

Based on a sensitivity analysis of the Group's total net debt after hedging, a 50-basis point increase in euro interest rates at the balance sheet date would lead to an €11 million increase in net income and a 50-basis point increase in euro and sterling interest rates at the balance sheet date would lead to a €6 million increase in equity.

Foreign exchange risk

The currency hedging policies described below could be inadequate to protect the Group against unexpected or sharper than expected fluctuations in exchange rates resulting from economic and financial market conditions.

Foreign exchange risks are managed by hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries use options and forward contracts to hedge exposures arising from current and future commercial transactions. The subsidiaries generally set up options through the Group's parent company, Compagnie de Saint-Gobain, which then takes a reverse position on the market.

Most forward contracts have short maturities, of around three months. However, forward contracts taken out to hedge firm orders may have terms of up to two years.

Wherever possible, foreign exchange risks are hedged with Compagnie de Saint-Gobain upon receipt of the orders sent by the subsidiaries, or with the local Delegations' cash pools. In other cases, hedges are contracted with the subsidiaries' banks.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system which captures the foreign exchange positions taken by subsidiaries. At December 31, 2012, 97% of the Group's hedgeable foreign exchange position was hedged.

The net foreign exchange exposure of subsidiaries whose functional currency is not one of those presented below was as follows at December 31, 2012:

(in millions of euro equivalents)	Long	Short
EUR	1	7
USD	4	19
Other currencies	1	3
TOTAL	**6**	**29**

Based on a sensitivity analysis at December 31, 2012, a 10% increase in the exchange rates of the main currencies used by subsidiaries would have the following impact on net income:

(in EUR millions)	Net gain or loss
EUR	(0.7)
USD	(1.5)

A 10% fall in exchange rates would have a reverse impact in the same amounts, assuming that all other variables were unchanged.

Energy and raw materials risk

The Group is exposed to changes in the price of raw materials used in its products and in energy prices. The energy and raw materials hedging programs may be inadequate to protect the Group against significant or unforeseen price swings that could result from the prevailing financial and economic environment.

The Group may limit its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases.

The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of gas and fuel oil purchases are managed by a steering committee comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats - SGA) and the relevant Delegations.

Hedges of energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are generally arranged by the Group Treasury and Financing Department (or with the Delegations' treasury departments) in accordance with instructions received from SGA.

The steering committee does not manage hedges not mentioned above because:

- the volumes involved are not material, or
- there are no international price indexes used by local players and transactions are therefore based on either administered prices or strictly national indexes.

In both of these cases, local purchasing units manage energy risk primarily through fixed-price purchases.

The Group may from time to time enter into contracts to hedge purchases of other commodities, in accordance with the principles outlined above for energy purchases.

Credit risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, if any of its counterparties defaults on its obligations. Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings, in line with guidelines approved by the Board of Directors. However, credit risks arising from transactions with financial counterparties can escalate rapidly and a high credit rating is no guarantee that an institution will not experience a rapid deterioration of its financial position. As a result, there is no guarantee that this policy will be effective in entirely eliminating counterparty risk. Any default by a counterparty could have a material adverse effect on the Group's objectives, operating income and financial position.

To limit the Group's exposure to credit risk, the Treasury and Financing Department deals primarily with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's, with a stable outlook in both cases. Concentrations of credit risk are closely monitored to ensure that they remain at reasonable levels.

Note 21 provides details of the Group's interest rate and energy hedges, and the interest rates for the main items of debt. It also provides a breakdown of debt by currency and interest rate (fixed or variable), as well as the interest rate repricing schedule.

NOTE 20 Net debt

Long- and short-term debt

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

(in EUR millions)	December 31, 2012	December 31, 2011
Bond issues and Medium-Term Notes	8,989	7,620
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	374	347
Debt recognized at fair value under the fair value option	0	156
Fair value of interest rate hedges	22	0
Total long-term debt (excluding current portion)	**9,588**	**8,326**
Current portion of long-term debt	**1,732**	**1,656**
Short-term financing programs (US CP, Euro CP, *Billets de trésorerie*)	691	76
Bank overdrafts and other short-term bank borrowings	570	627
Securitizations	89	357
Fair value of derivatives not qualified as hedges of debt	(1)	2
Short-term debt and bank overdrafts	**1,349**	**1,062**
TOTAL GROSS DEBT	**12,669**	**11,044**
Cash and cash equivalents	(4,179)	(2,949)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**8,490**	**8,095**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €11.5 billion at December 31, 2012, for a carrying amount of €10.6 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 December 31, 2012 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	1,180	4,329	3,581	9,090
	GBP		367	668	1,035
	JPY		44		44
Perpetual bonds and participating securities	EUR			203	203
Other long-term debt including finance leases	All currencies	141	248	126	515
Debt recognized at fair value under the fair value option	EUR	155			155
Fair value of interest rate hedges	EUR			22	22
TOTAL, EXCLUDING ACCRUED INTEREST		**1,476**	**4,988**	**4,600**	**11,064**

At December 31, 2012, 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	477	1,239	888	2,604

Interest on perpetual bonds and participating securities is calculated through to 2032.

Bond issues

During 2012, Compagnie de Saint-Gobain carried out the following debt management transactions to extend the average maturity of debt while reducing average borrowing costs:

- Three bond issues:
- on March 28, 2012: placement of €750 million worth of 3.625% 10-year bonds due 2022;
- on June 15, 2012: placement of €750 million worth of 3.625% 9-year bonds due 2021;
- on October 9, 2012: placement of GBP 250 million worth of 4.625% 17-year bonds due 2029, swapped for euros at a fixed rate of approximately 4.31%.

- Tap issues:
- the €750 million bond issue due 2019 was increased to €950 million through three tap issues carried out on January 18 and 19, 2012 for a total of €200 million;
- the €750 million bond issue due 2022 was increased to €900 million through two tap issues carried out on May 16, 2012 for a total of €150 million.

- Private placements:
- on January 13, 2012: issue of JPY 5 billion worth of 1.90% 5 year private placement notes, due 2017;
- on June 4, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €90 million;
- on June 28, 2012: two 12-year private placement notes issues due 2024, for a total of €95 million indexed to the 10-year CMS rate (swapped for a fixed rate of approximately 4.1%);
- on October 8, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €50 million;
- on October 9, 2012: a 3.6% 10-year private placement notes issue due 2022, for €100 million.

On April 11, 2012, Compagnie de Saint-Gobain redeemed a €1,250 million 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. Interest paid in 2012 amounted to €85.68 per bond. These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

Up to December 31, 2012, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

Participating securities

In June 1983, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities with a face value of FRF 1,000. Their face value is now €152.45, following their conversion into euros in 1999.

Interest on the securities ranges from 75% to 125% of the average bond rate ("TMO"), depending on the level of Saint-Gobain's consolidated net income. Interest paid in 2012 amounted to €6.82 per security.

In April 1984, Compagnie de Saint-Gobain also issued 194,633 participating securities with a face value of ECU 1,000 (now €1,000).

Interest 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. In all, depending on the level of consolidated net income, the interest rate ranges from a minimum of 4.5% to a maximum of 6.75% if the TMOE rate is below 5% or TMOE + 175bps if the TMOE rate is above 5%. Interest for 2012 amounted to €65.80 per security, paid in two installments (€32.25 and €33.55).

These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

A certain number of securities have been bought back over the years. At December 31, 2012, 606,883 participating securities issued in 1983 were outstanding, for a total face value of €92.5 million, together with 77,516 participating securities issued in 1984, for a total face value of €77.5 million.

Financing programs

Compagnie de Saint-Gobain 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 December 31, 2012, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Maturities	Authorized program at Dec. 31, 2012	Outstanding issues at Dec. 31, 2012	Outstanding issues at Dec. 31, 2011
Medium Term Notes	EUR	1 to 30 years	12,000	9 246	7 951
US Commercial Paper	USD	Up to 12 months	1,000 *	0	0
Euro Commercial Paper	USD	Up to 12 months	1,000 *	0	0
Billets de Trésorerie	EUR	Up to 12 months	3,000	691	76

(*) Equivalent to €758 million based on the exchange rate at December 31, 2012.

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 has various confirmed syndicated lines of credit that are intended to provide a secure source of financing for the Group (including as additional backing for its US Commercial Paper, Euro-Commercial Paper and *Billets de Trésorerie* programs). They include:

- a €3 billion syndicated line of credit expiring in December 2015. The facility was obtained in December 2010 and its amount was reduced to €2.5 billion in December 2012. It is not subject to any hard covenants;
- a second €1.5 billion syndicated line of credit expiring in December 2017. When the facility was set up, in December 2012, the €1 billion facility expiring in June 2013 was canceled and the facility expiring in December 2015 was reduced from €3 billion to €2.5 billion as explained above. Based on Saint-Gobain's current credit rating for long-term debt issues, the facility is not subject to any hard covenants.

Neither of these confirmed lines of credit was drawn down at December 31, 2012.

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 a securitization program through its US subsidiary, Saint-Gobain Receivables Corporation.

The program, which can be rolled over annually, amounted to €89 million at December 31, 2012 (December 31, 2011: €177 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €2.5 million in 2012 (2011: €2.5 million).

A second program in the United Kingdom, which amounted to €180 million at December 31, 2011, was discontinued on March 6, 2012. Financial expense under the program came to €0.4 million in 2012 (2011: €1.6 million).

Collateral

At December 31, 2012, €62 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 21 Financial instruments

Derivatives

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

	Fair value at December 31, 2012			Fair value at Dec. 31, 2011	Nominal value broken down by maturity at December 31, 2012			
(in EUR millions)	Derivatives recorded in assets	Derivatives recorded in liabilities	Total		Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedges								
Forward foreign exchange contracts	2	(1)	1	(4)	163	34	0	197
Currency options			0	0				0
Currency swaps			0	0				0
Interest rate swaps			0	(10)			95	95
Cross-Currency Swaps		(22)	(22)	0			306	306
Energy and commodity swaps		(2)	(2)	(8)	60			60
Cash flow hedges - total	**2**	**(25)**	**(23)**	**(22)**	**223**	**34**	**401**	**658**
Derivatives not qualifying for hedge accounting								
Interest rate swaps			0	1	155			155
Currency swaps	3	(2)	1	(4)	1,332			1,332
Energy and commodity swaps			0	0				0
Forward foreign exchange contracts	1	0	1	1	78			78
Currency options	4	0	4		130			130
Derivatives not qualifying for hedge accounting - total	**8**	**(2)**	**6**	**(2)**	**1,695**	**0**	**0**	**1,695**
TOTAL	**10**	**(27)**	**(17)**	**(24)**	**1,918**	**34**	**401**	**2,353**
"o/w derivatives used to hedge net debt"	3	(24)	(21)	(12)				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.

Cross-currency swaps

The Group uses cross-currency swaps to convert foreign currency debt into euro debt.

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 energy (fuel oil, natural gas and electricity) purchases.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2012, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €15 million, mainly breaking down as follows:

- €14 million corresponding to the interest rate component of cross-currency swaps designated as cash flow hedges that are used to convert a bond issue into euros;
- €1 million corresponding to the remeasurement at fair value of other cash flow 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 represented a €6 million profit at December 31, 2012 (December 31, 2011: €2 million loss).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS.

At December 31, 2012, 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, cross-current swaps and interest rate swaps) was 4.7% at December 31, 2012 (December 31, 2011: 4.8%).

The average internal rates of return for the main components of long-term debt before hedging were as follows in 2012 and 2011:

Internal rate of return on long-term debt

(in %)	Dec. 31, 2012	Dec. 31, 2011
Bonds and Medium Term Notes	5.17	5.19
Perpetual bonds and participating securities	4.30	4.85

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at December 31, 2012, after giving effect to interest rate swaps, cross-currency swaps and currency swaps.

Gross debt denominated in foreign currencies

	After hedging		
(in EUR millions)	Variable rate	Fixed rate	Total
EUR	1,247	9,481	10,728
GBP	(241)	721	480
USD	193	5	198
NOK, SEK, DKK	295	2	297
Other currencies	490	189	679
TOTAL	**1,984**	**10,398**	**12,382**
	16%	84%	100%
Fair value of related derivatives			21
Accrued interest			266
TOTAL GROSS DEBT			**12,669**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at December 31, 2012 for gross debt after hedging:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Gross debt	3,504	4,875	4,290	12,669
Impact of interest rate swaps	(95)		95	0
GROSS DEBT AFTER HEDGING	**3,409**	**4,875**	**4,385**	**12,669**

NOTE 22 Financial assets and liabilities

Financial assets and liabilities are classified as follows in accordance with IFRS 7:

At December 31, 2011

		Financial instruments at fair value				Other financial instruments				Financial instrument at fair value hierarchy under IFRS 7			
Balance sheet headings and classes of instrument *(in EUR millions)*	Notes	Financial instruments through profit or loss	Derivatives designated as hedges	Assets and liabilities measured at fair value (fair value option)	Total financial instruments measured at fair value	Available-for-sale financial assets	Loans and receivables	Liabilities at amortized cost	Total financial instruments	Level 1: quoted prices and cash	Level 2: internal model using observable factors	Level 3: internal model using non observable factors	Total financial instruments measured at fair value
Trade and other accounts receivable	(10)				0		6,749		6,749				0
Loans and deposits	(8)				0		266		266				0
Available for sale and other securities	(8)				0	29			29				0
Derivatives recorded in assets	(20) (21)	6			6				6		6		6
Cash and cash equivalents	(20)			2,949	2,949				2,949	2,949			2,949
Total assets		**6**	**0**	**2,949**	**2,955**	**29**	**7,015**	**0**	**9,999**	**2,949**	**6**	**0**	**2,955**
Trade and other accounts payable	(18)				0			(9,580)	(9,580)				0
Long and short-term debt	(20)			(156)	(156)			(10,876)	(11,032)		(156)		(156)
Derivatives recorded in liabilities	(20) (21)	(8)	(10)		(18)				(18)		(18)		(18)
Total liabilities		**(8)**	**(10)**	**(156)**	**(174)**	**0**	**0**	**(20,456)**	**(20,630)**	**0**	**(174)**	**0**	**(174)**
TOTAL		**(2)**	**(10)**	**2,793**	**2,781**	**29**	**7,015**	**(20,456)**	**(10,631)**	**2,949**	**(168)**	**0**	**2,781**

At December 31, 2012

Balance sheet headings and classes of instrument *(in EUR millions)*	Notes	Financial instruments at fair value			Total financial instruments measured at fair value	Other financial instruments			Total financial instruments	Financial instrument at fair value hierarchy under IFRS 7			Total financial instruments measured at fair value
		Financial instruments through profit or loss	Derivatives designated as hedges	Assets and liabilities measured at fair value (fair value option)		Available-for-sale financial assets	Loans and receivables	Liabilities at amortized cost		Level 1: quoted prices and cash	Level 2: internal model using observable factors	Level 3: internal model using non observable factors	
Trade and other accounts receivable	(10)				0		6,442		6,442				0
Loans and deposits	(8)				0		261		261				0
Available for sale and other securities	(8)				0	41			41				0
Derivatives recorded in assets	(20) (21)	3			3				3		3		3
Cash and cash equivalents	(20)			4,179	4,179				4,179	4,179			4,179
Total assets		**3**	**0**	**4,179**	**4,182**	**41**	**6,703**	**0**	**10,926**	**4,179**	**3**	**0**	**4,182**
Trade and other accounts payable	(18)				0			(9,551)	(9,551)				0
Long and short-term debt	(20)			(155)	(155)			(12,493)	(12,648)		(155)		(155)
Derivatives recorded in liabilities	(20) (21)	(2)	(22)		(24)				(24)		(24)		(24)
Total liabilities		**(2)**	**(22)**	**(155)**	**(179)**	**0**	**0**	**(22,044)**	**(22,223)**	**0**	**(179)**	**0**	**(179)**
TOTAL		**1**	**(22)**	**4,024**	**4,003**	**41**	**6,703**	**(22,044)**	**(11,297)**	**4,179**	**(176)**	**0**	**4,003**

NOTE 23 Business income by expense type

(in EUR millions)	2012	2011
Net sales	**43,198**	**42,116**
Personnel costs		
- Salaries and payroll taxes	(8,431)	(7,955)
- Share-based payments [(a)]	(14)	(39)
- Pensions [(b)]	(5)	(76)
Depreciation and amortization	(1,550)	(1,511)
Other [(c)]	(30,317)	(29,094)
Operating income	**2,881**	**3,441**
Other business income [(d)]	116	69
Negative goodwill recognized in income	0	0
Other business income	**116**	**69**
Restructuring costs [(e)]	(285)	(167)
Provisions and expenses relating to claims and litigation [(f)]	(152)	(149)
Impairment of assets and other business expenses [(g)]	(505)	(469)
Other	(71)	(79)
Other business expense	**(1,013)**	**(864)**
Business income	**1,984**	**2,646**

(a) Details of share-based payments are provided in Notes 12, 13 and 14.

(b) Changes in pension costs are presented in Note 15 "Provisions for pensions and other employee benefits".

(c) This item corresponds to Building Distribution Sector cost of sales, supplier discounts and selling expenses, and to 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 gain of €13 million in 2012 (2011: net loss of €1 million). In 2012, research and development costs recorded under operating expenses amounted to €451 million (2011: €417 million).

(d) This item includes capital gains on disposals of property, plant and equipment and intangible assets.

(e) Restructuring costs in 2012 mainly consisted of employee termination benefits in an amount of €180 million (2011: €95 million).

(f) 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 17 and 28.

(g) Impairment losses on assets in 2012 included €67 million on goodwill (2011: €309 million), €371 million on property, plant and equipment and intangible assets (2011: €72 million). In addition, €2 million in impairment losses on financial assets and current assets were reversed (2011: recognition of a €2 million impairment loss).

The caption "Other" includes capital losses on asset disposals and scrapping for €56 million (2011: €68 million) and acquisition costs incurred in connection with business combinations for €13 million (€2011: 18 million).

NOTE 24 Net financial expense

Breakdown of other financial income and expense

(in EUR millions)	2012	2011
Interest cost - pension and other post-employment benefit obligations	(446)	(445)
Expected return on plan assets	403	415
Interest cost - pension and other post-employment benefit obligations - net	**(43)**	**(30)**
Other financial expense	(121)	(111)
Other financial income	27	19
Other financial income and expense	**(137)**	**(122)**

Recognition of financial instruments

Net financial expense amounted to €724 million in 2012 (2011: €638 million). Of this amount, €484 million (2011: €473 million) relates to instruments carried at amortized cost by Compagnie de Saint-Gobain and Saint-Gobain Nederland. Instruments measured at fair value by these two entities resulted in a positive impact of €2 million (2011: €3 million positive impact).

NOTE 25 EBITDA – Recurring net income – cash flow from operations

EBITDA amounted to €4,431 million in 2012 (2011: €4,952 million), calculated as follows:

(in EUR millions)	2012	2011
Operating income	2,881	3,441
Depreciation and amortization	1,550	1,511
EBITDA	**4,431**	**4,952**

Recurring net income totaled €1,126 million in 2012 (2011: €1,736 million). Based on the weighted average number of shares outstanding at December 31 (526,399,944 shares in 2012, 526,274,931 shares in 2011), recurring earnings per share amounted to €2.14 in 2012 and €3.30 in 2011.

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

(in EUR millions)	2012	2011
Net income attributable to equity holders of the parent	**766**	**1,284**
Less:		
Gains on disposals of assets	60	1
Impairment of assets and acquisition costs incurred in connexion with business combinations	(449)	(401)
Provision for competition litigation and other non-recurring provision charges	(96)	(123)
Impact of minority interests	2	(1)
Tax impact	123	72
Recurring net income attributable to equity holders of the parent	**1,126**	**1,736**

Cash flow from operations for 2012 amounted to €2,791 million (2011: €3,421 million). Excluding tax on capital gains and non-recurring provision charges, cash flow from operations came to €2,668 million in 2012 (2011: €3,349 million).

These amounts are calculated as follows:

(in EUR millions)	2012	2011
Net income attributable to equity holders of the parent	**766**	**1,284**
Minority interests in net income	30	76
Share in net income of associates, net of dividends received	(6)	(1)
Depreciation, amortization and impairment of assets	1,988	1,892
Gains and losses on disposals of assets	(60)	(1)
Non-recurring charges to provisions	96	123
Unrealized gains and losses arising from changes in fair value and share-based payments	(23)	48
Cash flow from operations	**2,791**	**3,421**
Tax on capital gains and losses and non-recurring charges to provisions	(123)	(72)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**2,668**	**3,349**

NOTE 26 Earnings per share

The calculation of earnings per share is shown below.

(in EUR millions)	Net income attributable to equity holders of the parent	Number of shares	Earnings per share *(in EUR)*
2012			
Weighted average number of shares outstanding	766	526,399,944	1.46
Weighted average number of shares assuming full dilution	766	528,692,847	1.45
2011			
Weighted average number of shares outstanding	1,284	526,274,931	2.44
Weighted average number of shares assuming full dilution	1,284	530,333,380	2.42

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,691,065 shares at December 31, 2012) from the average number of shares outstanding during the year.

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 consist of stock-options and performance share grants corresponding to a weighted average of 599,942 shares and 1,692,961 shares respectively in 2012.

NOTE 27 Commitments

Commitments related to shares in subsidiaries and associates

Puts granted to minority shareholders are carried in the balance sheet under investment-related liabilities. They are reviewed on a periodic basis and any subsequent changes in their fair value are recognized by adjusting equity.

Financing-related commitments

The Group's commitments related to debt and financial instruments are discussed in Notes 20 and 21, respectively.

Commitments related to operating activities

Obligations under finance leases

Non-current assets acquired under finance leases are recognized as an asset and a liability in the consolidated balance sheet.

At December 31, 2012, €28 million of future minimum lease payments due under finance leases concerned land and buildings. Total assets under finance leases recognized in consolidated assets amounted to €109 million at December 31, 2012 (December 31, 2011: €119 million).

(in EUR millions)	Dec. 31, 2012	Dec. 31, 2011
Future minimum lease payments		
Due within 1 year	21	25
Due in 1 to 5 years	43	46
Due beyond 5 years	10	10
Total	**74**	**81**
Less finance charge	(9)	(9)
Present value of future minimum lease payments	**65**	**72**

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 one to nine years. The commitment corresponding to total future minimum payments over the lease term is discounted. 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.

Rental expense was €861 million in 2012, including €559 million for land and buildings, and revenue from subleases was €19 million. Net rental expense was €842 million.

Future minimum payments due under non-cancelable operating leases are as follows:

(in EUR millions)	Total 2012	Payments due Within 1 year	Payments due in 1 to 5 years	Payments due Beyond 5 years	Total 2011
Operating leases					
Rental expense	3,022	752	1,560	710	3,028
Subletting revenue	(56)	(15)	(29)	(12)	(59)
TOTAL	**2,966**	**737**	**1,531**	**698**	**2,969**

Non-cancelable purchase commitments

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

(in EUR millions)	Total 2012	Payments due Within 1 year	Payments due in 1 to 5 years	Payments due Beyond 5 years	Total 2011
Non-cancelable purchase commitments					
Non-current assets	128	118	10	0	230
Raw materials and energy	1,096	339	635	122	845
Services	218	75	128	15	181
Investments and other	57	13	44	0	347
TOTAL	**1,499**	**545**	**817**	**137**	**1,603**

The €104 million decrease in non-cancelable purchase commitments in 2012 was mainly due to the completion of the Brossette acquisition.

Data for 2011 have been reclassified to take into account the reallocation of energy contracts.

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 December 31, 2012 (December 31, 2011: €101 million).

Commercial commitments

(in EUR millions)	Total 2012	Payments due Within 1 year	in 1 to 5 years	Beyond 5 years	Total 2011
Commercial commitments					
Security for borrowings	45	10	19	16	35
Other commitments given	163	82	23	58	216
TOTAL	**208**	**92**	**42**	**74**	**251**

At December 31, 2012, pledged assets amounted to €708 million (December 31, 2011: €301 million). The year-on-year increase mainly concerned fixed assets in the United Kingdom.

Guarantees given to the Group in respect of receivables amounted to €136 million at December 31, 2012 (December 31, 2011: €109 million).

Other commitments

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO_2 emissions per year. The 2012 and 2011 allowances are above the greenhouse gas emissions for those years and, consequently, no provision has been recorded in this respect in the Group accounts.

NOTE 28 Litigation

Asbestos-related litigation in France

"Inexcusable fault" proceedings

In France, further individual lawsuits were filed in 2011 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 759 such lawsuits have been issued against the two companies since 1997.

At December 31, 2012, 684 of these 759 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".

Compensation paid by Everite and Saint-Gobain PAM in settlement of these lawsuits totaled approximately €1.3 million.

Concerning the 75 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2012, the merits of nine have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 33 of these 75 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 33 remaining lawsuits, at December 31, 2012 the procedures relating to the merits of 26 cases were at different stages, with three in the process of being investigated by the French Social Security authorities and 23 pending before the Social Security courts. The final seven suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a 2-year period.

In addition, as of December 31, 2012, 183 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 123 lawsuits had been completed. In 51 of these cases, the employer was held liable for inexcusable fault. Compensation paid by the companies totaled approximately €0.6 million.

For the 60 suits outstanding at December 31, 2012, arguments were being prepared by the French Social Security authorities in six cases, 35 were being investigated – including 24 pending before the Social Security courts, ten before the Courts of Appeal and one before the Court of Cassation – and nine had been completed in terms of liability but not in terms of quantum or liability for paying the compensation, of which eight pending before the Courts of Appeal and one before the Court of Cassation. The final ten suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a 2-year period.

Anxiety claims

Four of the Group's French subsidiaries that operate or have operated facilities in France classified as presenting an asbestos hazard are the subject of damages claims that are different from those described above.

"Facilities classified as presenting an asbestos hazard" are defined as manufacturing facilities that have been closed or are still operating which previously manufactured materials containing asbestos or used asbestos protection and insulation equipment and are included on the official list of facilities whose current or former employees are entitled to the asbestos workers benefit (ACAATA).

At December 31, 2012 a total of 145 suits had been brought by current or former employees of facilities classified as presenting an asbestos hazard, claiming compensation for various damages suffered as a result of their exposure to asbestos. None of these plaintiffs were suffering from an asbestos-related disease and some of them were not receiving the ACAATA benefit. Of these 145 suits, 49 have been terminated. Three plaintiffs had their claims dismissed. For the 46 others, who were recognized as having been exposed to an asbestos risk, only the damage caused by anxiety was accepted, leading to payment of total compensation of €629,500. Of the remaining 96 suits, 30 are pending before the competent Courts of Appeal – including two where the appellants are the plaintiffs and 28 where the appellants are the companies concerned – and 66 before the competent labor tribunals.

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 which have been manufacturers, distributors, installers or users of products containing asbestos.

Developments in 2012

About 4,000 new claims were filed against CertainTeed in 2012, compared to about 4,000 in 2011, 5,000 in 2010, 4,000 in 2009, and 5,000 in 2008. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court or dismissed. Approximately 9,000 of the pending claims were resolved in 2012, compared to 8,000 in 2011, 13,000 in 2010, and 8,000 in 2009 and in 2008. In addition, approximately 4,000 claims (mainly in Texas) were designated as inactive as they did not meet required minimum medical impairment criteria and were on the court's "inactive docket." Taking into account the 52,000 outstanding claims at the end of 2011 and the new claims having arisen during the year, as well as claims resolved or designated as inactive, some 43,000 claims were outstanding at December 31, 2012. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

Impact on the Group's accounts

The Group recorded a €90 million charge in 2012 to cover future developments in relation to claims. This amount is identical to the amount recorded in 2011, lower than the €97 million recorded in 2010, and higher than the €75 million recorded in 2009 and 2008. At December 31, 2012, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €417 million ($550 million), compared with €389 million ($504 million) at December 31, 2011, €375 million, ($501 million) at December 31, 2010, €347 million, ($500 million) at December 31, 2009, and €361 million ($502 million) at December 31, 2008.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2012 but only paid out in 2012, and those fully resolved and paid in 2012, and compensation paid (net of insurance) in 2012 by other Group businesses in connection with asbestos-related litigation, amounted to €52 million ($67 million), compared to €59 million ($82 million) in 2011, €78 million ($103 million) in 2010, €55 million ($77 million) in 2009, and €48 million ($71 million) in 2008.

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 brought by former employees (or persons claiming through them) were outstanding at December 31, 2012, and they do not currently represent a material risk for the companies concerned.

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

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that actions carried out between 1998 and 2003 by 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 held 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 General Court of the European Union.

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.

The appeal was heard by the General Court of the European Union in Luxembourg on December 11, 2012 and the Court's ruling is due within six to 12 months.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,098 million at December 31, 2012.

NOTE 29 Related-party transactions

Balances and transactions with associates

(in EUR millions)	2012	2011
Assets		
Financial receivables	1	1
Inventories	0	0
Short-term receivables	3	10
Cash and cash equivalents	0	0
Provisions for impairment in value	0	0
Liabilities		
Short-term debt	2	3
Cash advances	0	0
Expenses		
Purchases	5	11
Income		
Sales	35	32

Revenue from transactions with proportionately consolidated companies

Transactions with proportionately consolidated companies are treated as transactions with external parties and the Group's share of revenue arising from such transactions is not eliminated on consolidation. In 2012, these revenues amounted to €23 million (2011: €16 million).

Transactions with key shareholders

Some Group subsidiaries, particularly in the Building Distribution Sector, carry out transactions with subsidiaries of the Wendel group. All of these transactions are on an arm's length basis.

NOTE 30 Joint ventures

The amounts recorded in the balance sheet and income statement corresponding to the Group's interest in its proportionately consolidated companies are as follows:

(in EUR millions)	2012	2011
Assets		
Non-current assets	277	380
Current assets	134	173
Liabilities		
Non-current liabilities	1	51
Current liabilities	90	107
Expenses		
Operating expenses	258	273
Income		
Sales	293	320

NOTE 31 Management compensation

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2012:

(in EUR millions)	2012	2011
Attendance fees	0.8	0.8
Direct and indirect compensation (gross):		
- fixed portion	8.0	7.9
- variable portion	4.6	4.7
Estimated compensation cost - pensions and other employee benefits (IAS 19)	2.2	2.0
Expense relating to stock options*	1.3	1.4
Termination benefits	0.0	1.3
TOTAL	**16.9**	**18.1**

(*) Including the impact of adjusting costs recorded in prior years due to performance targets being only partly met.

Employers' social security contributions relating to the above compensation represented an estimated €4.2 million.

Pension obligations for the Group's directors and corporate officers totaled €41.8 million.

NOTE 32 Employees

(Average number of employees)	2012	2011
Fully consolidated companies		
Managers	26,719	25,452
Administrative employees	80,662	76,904
Other employees	85,448	85,999
Total	**192,829**	**188,355**
Proportionately consolidated companies (*)		
Managers	118	119
Administrative employees	531	657
Other employees	969	910
Sub-total	**1,618**	**1,686**
TOTAL	**194,447**	**190,041**

(*) Proportion of headcount allocated to the Group.

At December 31, 2012, the total number of Group employees – including in proportionately consolidated companies – was 191,113 (December 31, 2011: 192,933).

NOTE 33 Segment information

Segment information by Sector and Activity

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. The column "Other" corresponds solely to holding companies and certain corporate support functions (tax, cash management, purchasing, etc.)

2012	Innovative Materials				Construction Products				Building Distribution	Packaging	Other*	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-segment eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment eliminations	Total				
External sales	5,079	4,264		9,343	5,260	5,558		10,818	19,229	3,792	16	43,198
Internal sales	51	112	(21)	142	587	357	(53)	891	4	0	(1,037)	0
Net sales	5,130	4,376	(21)	9,485	5,847	5,915	(53)	11,709	19,233	3,792	(1,021)	43,198
Operating income/(loss)	104	622		726	484	490		974	761	414	6	2,881
Business income/(loss)	(274)	535		261	408	386		794	613	387	(71)	1,984
Share in net income/(loss) of associates	0	1		1	7	0		7	1	2	1	12
Depreciation and amortization	333	167		500	321	186		507	274	243	26	1,550
Impairment of assets	301	25		326	44	9		53	53	6	0	438
Capital expenditure	461	236		697	343	198		541	243	282	28	1,791
Cash flow from operations				730				641	555	506	359	2,791
EBITDA	437	789		1,226	805	676		1,481	1,035	657	32	4,431
Goodwill, net				1,597				5,844	3,435	60	0	10,936
Non-amortizable brands				0				856	1,950	0	0	2,806
Total segment assets and liabilities**				7,577				12,388	8,495	1,921	163	30,544

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

(**) Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

2011 (in EUR millions)	Innovative Materials				Construction Products				Building Distribution	Packaging	Other*	Total
	Flat Glass	High Performance Materials	Intra-segment eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment eliminations	Total				
External sales	5,419	4,047		9,466	4,933	5,595		10,528	18,487	3,628	7	42,116
Internal sales	41	116	(27)	130	578	372	(52)	898	5		(1,033)	0
Net sales	5,460	4,163	(27)	9,596	5,511	5,967	(52)	11,426	18,492	3,628	(1,026)	42,116
Operating income/(loss)	478	652		1,130	450	636		1,086	768	448	9	3,441
Business income/(loss)	340	588		928	211	541		752	598	437	(69)	2,646
Share in net income/(loss) of associates	0	1		1	6			6	0	1		8
Depreciation and amortization	315	160		475	319	185		504	273	237	22	1,511
Impairment of assets	35	29		64	214	17		231	85	3		383
Capital expenditure	684	198		882	332	227		559	219	268	26	1,954
Cash flow from operations				1,102				888	566	512	353	3,421
EBITDA	793	812		1,605	769	821		1,590	1,041	685	31	4,952
Goodwill, net				1,551				5,828	3,408	254		11,041
Non-amortizable brands				0				847	1,931			2,778
Total segment assets and liabilities**				7,786				12,637	8,311	2,255	196	31,185

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

(**) Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2012						
Net sales	12,044	18,014	6,179	8,709	(1,748)	43,198
Total segment assets and liabilities	6,993	12,453	4,419	6,679		30,544
Capital expenditure	311	438	314	728		1,791

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
2011						
Net sales	11,802	18,049	5,505	8,643	(1,883)	42,116
Total segment assets and liabilities	7,027	12,726	4,713	6,719		31,185
Capital expenditure	327	548	295	784		1,954

NOTE 34 Principal fully consolidated companies

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

Principal fully consolidated companies at December 31, 2012		% interest (held directly and indirectly)
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	99.99%
Saint-Gobain Glass Deutschland GmbH	Germany	99.99%
Saint-Gobain Deutsche Glas GmbH	Germany	99.99%
Saint-Gobain Glass Benelux	Belgium	99.97%
Saint-Gobain Sekurit Benelux SA	Belgium	99.99%
Saint-Gobain Autover Distribution SA	Belgium	99.99%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brasil Ltda	Brazil	100.00%
Hankuk Glass Industries, Inc.	South Korea	81.07%
Hankuk Sekurit Limited	South Korea	90.43%
Saint-Gobain Cristaleria S.L.	Spain	99.83%
Saint-Gobain Glass India Ltd	India	98.71%
Saint-Gobain Glass Italia S.p.a	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Saint-Gobain Glass Mexico	Mexico	99.83%
Koninklijke Saint-Gobain Glass Nederland	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.99%
Saint-Gobain Sekurit Hanglas Polska Sp Zoo	Poland	97.68%
Glassolutions Saint-Gobain Ltd (Solaglas)	United Kingdom	99.99%
Saint-Gobain Glass UK Limited	United Kingdom	99.99%
High performance materials		
Saint-Gobain Abrasifs	France	99.97%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives GmbH	Germany	100.00%
Saint-Gobain Do Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives Canada, Inc.	Canada	100.00%
Saint-Gobain Abrasives, Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics, Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corporation	United States	100.00%
Saint-Gobain Solar Gard, LLC	United States	100.00%
Saint-Gobain Abrasivi S.p.a	Italy	99.97%
SEPR Italia S.p.a	Italy	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.99%
Saint-Gobain Adfors CZ S.R.O.	Czech Republic	100.00%

Principal fully consolidated companies at December 31, 2012		% interest (held directly and indirectly)
CONSTRUCTION PRODUCTS SECTOR		
Interior solutions		
Placoplatre SA	France	99.75%
Saint-Gobain Isover	France	100.00%
Saint-Gobain Rigips GmbH	Germany	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Construction Products Belgium	Belgium	100.00%
Saint-Gobain Construction Products South Africa Ltd	South Africa	100.00%
CertainTeed Gypsum Canada, Inc.	Canada	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
CertainTeed Corporation	United States	100.00%
CertainTeed Gypsum & Ceillings USA, Inc.	United States	100.00%
Gypsum Industries Ltd	Ireland	100.00%
Saint-Gobain PPC Italia S.p.a	Italy	100.00%
Mag-Isover K.K.	Japan	99.95%
BPB United Kingdom Ltd	United Kingdom	100.00%
BPB Plc	United Kingdom	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon AB	Sweden	100.00%
Thai Gypsum Products PLC	Thailand	99.66%
Izocam Ticaret VE Sanayi A.S.	Turkey	47.53%
Exterior solutions		
Saint-Gobain Weber	France	100.00%
Saint-Gobain PAM	France	100.00%
Saint-Gobain Weber GmbH	Germany	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain Do Brasil Ltda	Brazil	100.00%
Saint-Gobain Canalizaçao Ltda	Brazil	100.00%
Saint-Gobain (Xuzhou) Pipe Co., Ltd	China	100.00%
Saint-Gobain Pipelines Co., Ltd	China	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.83%
Saint-Gobain PAM España SA	Spain	99.83%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM Italia S.p.a	Italy	100.00%
Saint-Gobain PAM UK Ltd	United Kingdom	99.99%
Saint-Gobain Byggprodukter AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%

Principal fully consolidated companies at December 31, 2012		% interest (held directly and indirectly)
BUILDING DISTRIBUTION SECTOR		
Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Distribuiçao Brasil Ltda	Brazil	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Saint-Gobain Distribución Construcción, S.L.	Spain	99.83%
Norandex Building Material Distribution, Inc.	United States	100.00%
Optimera As	Norway	100.00%
Saint-Gobain Distribution The Netherlands B.V.	Netherlands	100.00%
Saint-Gobain Dystrybucja Budowlana Sp Zoo	Poland	99.99%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.99%
Saint-Gobain Building Distribution CZ, Spol S.R.O.	Czech Republic	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Sanitas Troesch Ag	Switzerland	100.00%
PACKAGING SECTOR		
Saint-Gobain Emballage	France	100.00%
Saint-Gobain Oberland Aktiengesellschaft	Germany	96.67%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers, Inc.	United States	100.00%
Saint-Gobain Vetri S.p.a	Italy	99.99%

NOTE 35 Subsequent events

On January 14, 2013, Saint-Gobain entered into exclusive negotiations with the Ardagh Group concerning the latter's offer to acquire Verallia North America. The binding and irrevocable offer is not conditional upon financing being arranged.

On January 17, 2013, after consulting the Works Council which expressed its support for the plan, the Group accepted Ardagh's offer to acquire Verallia North America.

STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- *Measurement of property, plant and equipment and intangible assets*

The Group regularly carries out impairment tests on its property, plant and equipment, goodwill and other intangible assets, and also assesses whether there is any indication of impairment of property, plant and equipment and amortizable intangible assets, based on the methods described in Note 1 to the consolidated financial statements (Impairment of property, plant and equipment, intangible assets and goodwill). We examined the methods applied in implementing these tests and the estimates and assumptions used, and we verified that the information disclosed in Note 1 to the consolidated financial statements is appropriate.

- *Employee benefits*

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (Employee benefits – defined benefit plans). These benefit obligations were reviewed by independent actuaries. Our work consisted of assessing the data and assumptions used, examining, on a test basis, the calculations performed and verifying that the information disclosed in Notes 1 and 15 to the consolidated financial statements is appropriate.

- *Provisions*

As specified in Note 1 to the consolidated financial statements (Other current and non-current liabilities and provisions), the Group books provisions to cover risks. The nature of the provisions recorded under "Other current and non-current liabilities and provisions" are described in Note 17 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods and data used to determine provisions, particularly relating to the European Commission's decision concerning the automotive glass industry, as well as the disclosures regarding said provisions provided in the notes to the consolidated financial statements, are appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, February 20, 2013

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Pierre Coll   Jean-Christophe Georghiou

Jean-Paul Vellutini   Philippe Grandclerc

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN (PARENT COMPANY)

INCOME STATEMENT

(in EUR thousands)		2012	2011
Operating revenue			
Royalties and license fees		98,756	107,351
Other services		76,919	68,951
NET REVENUE		**175,675**	**176,302**
Write-backs of depreciation, amortization, impairment and provisions		46,666	9,032
Expense transfers		1,840	11,748
Other operating income		556	200
	TOTAL I	224,737	197,282
Operating expenses			
Other purchases and external charges		(146,494)	(108,417)
Taxes other than on income		(6,023)	(6,873)
Wages and salaries		(42,248)	(43,413)
Payroll taxes		(24,756)	(18,973)
Depreciation, amortization, impairment and provisions		(44,809)	(12,075)
Other operating expenses		(2,267)	(2,635)
	TOTAL II	(266,597)	(192,386)
OPERATING INCOME (NOTE 2)		**(41,860)**	**4,896**
Share in profits/(losses) of joint ventures			
Profits	TOTAL III		
Losses	TOTAL IV		
Financial income			
Income from investments in subsidiaries and affiliates		565,822	825,143
Income from loans and other investments		642,346	628,290
Income from other non-current investment securities		11	9
Other interest income		26,529	47,039
Write-backs of impairment and provisions, expense transfers		66,913	5,054
Foreign exchange gains		45,210	5,818
Net income from sales of marketable securities		7,754	6,467
	TOTAL V	1,354,585	1,517,820
Financial expense			
Amortization, impairment and provisions		(54,574)	(40,462)
Interest expense		(556,666)	(554,417)
Foreign exchange losses		(41,023)	(3)
Net losses on sales of marketable securities			
	TOTAL VI	(652,263)	(594,882)
NET FINANCIAL INCOME (NOTE 3)		**702,322**	**922,938**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**660,462**	**927,834**

(in EUR thousands)		2012	2011
Exceptional income			
On revenue transactions		2,221	16,435
On capital transactions		30,313	19,808
Write-backs of depreciation, amortization, impairment and provisions		4,986	25,063
	TOTAL VII	37,520	61,306
Exceptional expense			
On revenue transactions		(8,585)	(7,788)
On capital transactions		(40,091)	(32,596)
Depreciation, amortization, impairment and provisions		(23,236)	(8,758)
	TOTAL VIII	(71,912)	(49,142)
NET EXCEPTIONAL (EXPENSE)/INCOME (NOTE 4)		**(34,392)**	**12,164**
INCOME TAXES (NOTE 5)	**TOTAL IX**	**135,663**	**145,386**
Total income		1,616,842	1,776,408
Total expenses		(855,109)	(691,024)
NET INCOME		**761,733**	**1,085,384**

BALANCE SHEET AT DECEMBER 31

ASSETS *(in EUR thousands)*		2012 Gross	2012 Depreciation, amortization and impairment	2012 Net	2011
NON-CURRENT ASSETS					
Intangible assets (Note 6)					
Goodwill [1]				–	–
Other intangible assets		47,291	(34,057)	13,234	3,290
Intangible assets in progress		1,529		1,529	11,158
Property and equipment (Note 7)					
Land		14,538		14,538	14,538
Buildings		17,232	(4,113)	13,119	13,975
Other		11,636	(7,180)	4,456	3,615
Assets under construction		2,562		2,562	1,382
Financial investments [2] (Note 8)					
Investments in subsidiaries and affiliates		12,808,154	(631)	12,807,523	12,368,857
Loans and advances to subsidiaries and affiliates		13,079,308		13,079,308	12,091,057
Other investment securities		54,003	(9,328)	44,675	307,638
Other loans		1,003,182		1,003,182	530,024
Other financial investments		588		588	486
	TOTAL I	27,040,023	(55,309)	26,984,714	25,346,020
CURRENT ASSETS (NOTE 9)					
Other receivables [3]		1,082,771		1,082,771	2,462,079
Marketable securities		2,637,917	(21,869)	2,616,048	985,330
Cash and cash equivalents		658,605		658,605	701,409
Accruals					
Prepayments [3]		3,928		3,928	3,006
	TOTAL II	4,383,221	(21,869)	4,361,352	4,151,824
Deferred charges	TOTAL III	130,758	–	130,758	135,622
Translation losses	TOTAL IV	–	–	–	–
TOTAL ASSETS		31,554,002	(77,178)	31,476,824	29,633,466
(1) including leasehold rights				–	–
(2) of which due within one year				4,203,707	2,260,883
(3) of which due beyond one year				7	194

SHAREHOLDERS' EQUITY AND LIABILITIES *(in EUR thousands)*		2012	2011
SHAREHOLDERS' EQUITY (Note 10)			
Capital stock		2,124,503	2,142,255
Additional paid-in capital		5,486,575	5,705,911
Revaluation reserve		55,532	55,532
Other reserves:			
- Legal reserve [a]		212,450	214,225
- Untaxed reserves		2,617,758	2,617,758
- Other reserves		301,428	301,428
Unappropriated retained earnings		3,930,282	3,491,199
Net income for the year		761,733	1,085,384
Untaxed provisions (Note 12)		15,817	13,605
	TOTAL I	15,506,078	15,627,297
OTHER EQUITY (note 11)			
Non-voting participating securities	TOTAL I bis	170,035	170,035
PROVISIONS (Note 12)			
Provisions for contingencies		90,759	85,846
Provisions for charges		91,317	80,956
	TOTAL II	182,076	166,802
LIABILITIES [1] (note 13)			
Bonds		10,026,402	8,677,922
Bank borrowings [2]		176,872	221,084
Other borrowings		5,273,103	4,668,324
Tax and social charges payable		94,493	52,772
Other payables		40,716	38,815
Accruals			
Deferred income		7,049	10,415
	TOTAL III	15,618,635	13,669,332
Translation gains	TOTAL IV		
TOTAL SHAREHOLDERS'EQUITY AND LIABILITIES		**31,476,824**	**29,633,466**
(a) of which long-term capital gains reserves		14,225	14,225
(1) of which due beyond one year		9,119,081	8,325,893
of which due within one year		6,499,554	5,343,439
(2) of which short-term bank loans and overdrafts		21,091	59,519

STATEMENT OF CASH FLOWS

(in EUR thousands)	2012	2011
Net income	761,733	1,085 384
Depreciation and amortization	29,922	23,597
Changes in provisions	(25,868)	(1,778)
Gains and losses on disposals of assets, net	9,202	1,845
Net cash from operations	774,989	1,109,048
(Increase) decrease in other receivables	1,379,309	(174,345)
(Increase) decrease in deferred charges and prepaid expenses	(22,147)	(8,685)
Increase (decrease) in taxes and social charges payable	41,721	272
Increase (decrease) in other payables	(1,465)	19,020
Net change in working capital	1,397,418	(163,738)
Net cash from/(used in) operating activities	2,172,407	945,310
Acquisition of intangible assets	(2,523)	(7,151)
Acquisition of property and equipment	(2,792)	(1,800)
Proceeds from disposals of property and equipment and intangible assets		
Acquisition of investments in subsidiaries and affiliates and other investment securities	(438,666)	
Acquisition of treasury stock	(196,569)	(198,646)
Proceeds from disposals of investments in subsidiaries and affiliates and other investment securities	30,313	19,808
(Increase) decrease in loans and advances to subsidiaries and affiliates	(988,251)	(879,287)
(Increase) decrease in long-term loans	(473,158)	116,897
(Increase) decrease in other financial investments	(101)	(54)
Net cash used in investing activities	(2,071,747)	(950,233)
Issues of capital stock	126,567	158,083
Dividends paid	(646,300)	(603,165)
Increase (decrease) in provisions for contingencies and charges	4,945	2,419
Increase (decrease) in short- and long-term debt	1,342,705	687,194
Increase (decrease) in bank overdrafts and other short-term debt	566,344	(82,876)
Decrease (increase) in marketable securities	(1,537,725)	175,182
Increase (decrease) in translation adjustments		–
Net cash from financing activities	(143,464)	336,837
Increase (decrease) in cash and cash equivalents	(42,804)	331,914
Cash and cash equivalents at beginning of year	701,409	369,495
Cash and cash equivalents at end of year	658,605	701,409
Analysis of cash and cash equivalents at December 31		
Cash at bank	658,605	701,409
Cash on hand	0	0
Total	658,605	701,409

NOTES
TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements cover the twelve-month period from January 1 to December 31, 2012.

The following notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on February 20, 2013.

NOTE 1 Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with the French Chart of Accounts, French law and accounting principles generally accepted in France.

They include the accounts of the Company's German branch.

Intangible assets

Purchased goodwill that is not legally protected is amortized over 25 years. Other intangible assets consist of computer software. They are measured at cost and amortized over a period of three, five or ten years.

Property and equipment

Property and equipment are stated at cost (purchase price plus incidental expenses), except for assets acquired prior to December 31, 1976 which have been revalued.

They are depreciated over their estimated useful lives using the straight-line or declining-balance method. The most commonly used useful lives are as follows:

• Buildings	40 to 50 years	Straight-line
• Improvements and additions	12 years	Straight-line
• Fixtures and fittings	5 to 12 years	Straight-line
• Office furniture	10 years	Straight-line
• Office equipment	5 years	Straight-line
• Vehicles	4 years	Straight-line
• Computer equipment	3 years	Straight-line or declining-balance

Investments in subsidiaries and affiliates, other investment securities and other financial investments

On initial recognition, investments in subsidiaries and affiliates are stated at cost excluding any incidental expenses. They are subsequently measured at the lower of cost and fair value. Fair value is estimated at each balance sheet date based on the Company's equity in the underlying net assets and the proportion of consolidated net assets represented by the investment. Specific impairment tests may be performed on a case-by-case basis to determine the net present value of future cash flows, excluding interest expense but after tax, based on business plans or long-term budget projections.

When the fair value of the investments falls below their cost (net book value), a provision is set aside for impairment. No unrealized capital gain is recorded if fair value exceeds cost, and unrealized capital gains and losses are not offset.

Compagnie de Saint-Gobain shares held by the Company at year-end for allocation upon exercise of stock options are recorded in the balance sheet under "Other investment securities". They are carried at the lower of cost, market price or the option exercise price when it is probable that the options will be exercised.

Receivables

Receivables are stated at the lower of their nominal value and recoverable amount.

Marketable securities

Marketable securities mainly include units in money-market funds (SICAV) and are stated at the lower of cost and market.

This item also includes Compagnie de Saint-Gobain shares held by the Company that are not classified as "Other investment securities".

Foreign currency transactions

Income and expenses in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables, payables and bank balances in foreign currencies are converted at the year-end exchange rate, along with the related hedging instruments, and the differences arising on translation are recorded in the balance sheet under "Translation gains" or "Translation losses". Provisions are booked for any translation losses that are not hedged.

Risk management/Financial instruments

Liquidity risk is managed with the main objective of ensuring that the Group's existing facilities are rolled over at maturity, while at the same time optimizing annual borrowing costs. For this reason, long-term debt consistently represents a significant proportion of total debt, while repayment profiles are designed to ensure that new debt issues are spread over several years.

Currency, interest rate, and commodity (energy and raw materials) price risks resulting from the Group's international activities are hedged by Compagnie de Saint-Gobain, mainly on behalf of subsidiaries.

Currency risks are hedged mainly by forward purchase and sale contracts and currency options. The hedged receivables and payables are recorded in the balance sheet at the hedging rate.

The portion of the gain or loss on currency options qualifying for hedge accounting that represents the extrinsic (time) value is taken to income, and the portion that represents the intrinsic value is recorded in the balance sheet. Unrealized losses on currency options that do not qualify for hedge accounting are recognized in the income statement, whereas unrealized gains are not recognized.

The Company uses interest rate swaps and cross-currency swaps to hedge its exposure to fluctuations in interest rates.

Financial income and expenses on interest rate swaps and cross-currency swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

The portion of the gain or loss on interest rate options qualifying for hedge accounting that represents the extrinsic (time) value is taken to income, and the portion that represents the intrinsic value is recorded in the balance sheet. Interest rate options that do not qualify for hedge accounting are recognized in the income statement at market value.

Subsidiaries' commodity price risks (energy and raw materials) are hedged by the Company, mainly by using swaps. Financial income and expenses on these swaps are recognized in the income statement on a symmetrical basis with the income and expenses on the hedged items.

Tax consolidation agreements

Compagnie de Saint-Gobain was previously assessed for income tax on its worldwide taxable income as provided for under Article 209 *quinquies* of the French Tax Code. The last period covered by the agreement was 2004-2006. The Company chose not to renew the agreement for the accounting period starting January 1, 2007.

A provision is recorded in the Company's accounts for the taxes that may be payable in future periods following the return to profit of members of the tax group whose tax losses have been used by the Company. Movements in this provision are recorded under exceptional items.

Since January 1, 2007, the Company has applied the group relief regime provided for in Articles 223 A *et seq.* of the French Tax Code.

Under the group relief agreements between Compagnie de Saint-Gobain and the subsidiaries, the subsidiaries record in their accounts the income tax expense or benefit that would have been incurred or received if they had been taxed on a stand-alone basis. Subsidiaries with taxable income transfer to Compagnie de Saint-Gobain the amount that would have been paid to the tax administration. When a loss-making subsidiary leaves the tax group, Compagnie de Saint-Gobain is not required to make any cash payment to them to cover the tax benefits obtained by utilizing their tax losses.

NOTE 2 Operating income

The Company ended 2012 with an operating loss of €41.9 million as opposed to operating income of €4.9 million the previous year. The €46.8 million unfavorable swing was mainly due to (i) the increase in actuarial differences on pension and other post-employment benefit obligations that resulted from a reduction in the discount rate (to 3.25% from 4.75% in 2011) and (ii) a decline in fees received from subsidiaries. Actuarial differences are recorded as a deduction from equity in the Group's consolidated financial statements.

NOTE 3 Net financial income

Net financial income declined by €220.7 million in 2012 to €702.3 million from €923 million the previous year, reflecting:

- the €259.3 million impact of the decrease in dividends received from subsidiaries and the lower profit transferred to the Company from the German branch in 2012;
- a €7.5 million decline in income from loans and investments, net of interest expense;
- a €1.6 million decrease in net foreign exchange gains (after the impact of provisions).

Changes in amortization and impairment of financial assets represented net income of €12.3 million in 2012 versus a net expense of €35.4 million the previous year, corresponding to a positive net impact of €47.7 million. This was due to:

- net reversals of provisions for impairment of Compagnie de Saint-Gobain shares held by the Company, versus net charges in 2011, representing a €52.8 million favorable impact that was partly offset by losses recorded in exceptional expense (see note 4);
- a €5.1 million increase in amortization of debt issuance costs and syndicated loan arrangement fees.

NOTE 4 Exceptional income and expense

The Company reported net exceptional expense of €34.4 million in 2012, primarily comprising:

- a €23.7 million loss on the sale of Compagnie de Saint-Gobain shares to employees upon exercise of stock options. The loss was offset by the reversal of a provision for impairment in value of the shares recorded in financial income (see note 3);
- exceptional income of €14.5 million, corresponding to losses incurred on the exercise of stock options that were rebilled to other Group companies. The loss is billed to the company that employed the option-holder on the option grant date in order to be able to deduct the loss from the tax base;
- €22.5 million in losses arising from the allocation to the 2012 performance share plan of Compagnie de Saint-Gobain shares held by the Company, partly offset by a €6.6 million provision reversal recorded in financial income (see Note 3);
- accelerated capital allowances of €2.2 million (net of reversals) recorded during the year.

NOTE 5 Income taxes

The Company recorded a net tax benefit of €135.7 million in 2012, corresponding primarily to:

- French group relief of €168 million for 2012 (Compagnie de Saint-Gobain reported a tax loss of €49.6 million on a stand-alone basis).
- a net tax benefit of €7.2 billion for the German branch;
- income tax of €36 million paid in France in settlement of tax reassessments related to prior years, partly offset by the reversal of €2.9 million in provisions;
- income tax adjustments of €3.6 million paid in France.

The French tax group generated a tax loss in 2012, giving rise to a tax loss carryforward. At December 31, 2012, future tax savings corresponding to unused tax loss carryforwards and research tax credits amounted to €142 million.

The German branch also reported a tax loss under the Organschaft group relief regime in 2012. At December 31, 2012, future tax savings corresponding to the branch's unused tax loss carryforwards amounted to €39.3 million.

No deferred tax assets have been recorded in the financial statements for these future tax savings.

NOTE 6 Intangible assets

	Intangible assets				Amortization			
(in EUR thousands)	Gross at January 1, 2012	Additions	Disposals	Gross at Dec. 31, 2012	Accumulated at January 1, 2012	Increases	Decreases	Accumulated at Dec. 31, 2012
Purchased goodwill	567	–	–	567	567	–	–	567
Other intangible assets	35,692	12,151	(1,119)	46,724	32,402	2,207	(1,119)	33,490
Greenhouse gas emissions allowances	–	–	–	–	–	–	–	–
Intangible assets in progress	11,158	729	(10,358)	1,529	–	–	–	–
	47,417	**12,880**	**(11,477)**	**48,820**	**32,969**	**2,207**	**(1,119)**	**34,057**

The negative amount shown on the "Intangible assets in progress" line under "Disposals" corresponds to the value of assets put into service during the year and reclassified to another intangible assets account.

NOTE 7 Property and equipment

	Property and equipment				Depreciation			
(in EUR thousands)	Gross at January 1, 2012	Additions	Disposals	Gross at Dec. 31, 2012	Accumulated at January 1, 2012	Additions	Disposals	Accumulated at Dec. 31, 2012
Land	14,538	–	–	14,538	–	–	–	–
Buildings	17,232	–	–	17,232	3,257	856	–	4,113
Other	10,319	1,612	(295)	11,636	6,704	771	(295)	7,180
Assets under construction	1,382	1,180	–	2,562	–	–	–	–
Prepayments	0	–	–	0	–	–	–	–
	43,471	**2,792**	**(295)**	**45,968**	**9,961**	**1,627**	**(295)**	**11,293**

NOTE 8 Financial investments

	Financial investments			
(in EUR thousands)	Gross at January 1, 2012	Additions	Disposals	Gross at December 31, 2012
Investments in subsidiaries and affiliates	12,369,488	871,153	(432,487)	12,808,154
Loans and advances to subsidiaries and affiliates	12,091,057	14,204,651	(13,216,400)	13,079,308
Other investment securities	377,245	166,785	(490,027)	54,003
Other loans	530,024	4,946,759	(4,473,601)	1,003,182
Other financial investments	486	307	(205)	588
	25,368,300	**20,189,655**	**(18,612,720)**	**26,945,235**

Changes in investments in subsidiaries and affiliates

(in EUR thousands)	Additions	Disposals
Purchase of shares in CertainTeed Gypsum & Ceilings USA, Inc. from Commatone LTD.	432,014	–
Participation in a share issue by SPAFI	438,664	–
Contribution of CertainTeed Gypsum & Ceilings USA, Inc. shares to SPAFI	–	432,014
Vertec/SG Compensation merger	473	–
Purchase of SG Compensation shares from SPAFI	2	–
Vertec/SG Compensation merger	–	473
TOTAL	**871,153**	**432,487**

Analysis of loans, receivables and other financial investments by maturity

(in EUR thousands)	Total	Due Within 1 year	Due Beyond 1 year
Loans and advances to subsidiaries and affiliates	13,079,308	3,200,531	9,878,777
Other loans	1,003,182	1,003,176	6
Other financial investments	588	–	588
TOTAL	**14,083,078**	**4,203,707**	**9,879,371**

Changes in other investment securities

(in EUR thousands)	Additions	Disposals
Compagnie de Saint-Gobain shares bought back for cancellation (see footnote 1 below)	166,785	–
Sales of Compagnie de Saint-Gobain shares	–	39,515
Compagnie de Saint-Gobain shares reclassified as marketable securities		85,080
Cancellations of Compagnie de Saint-Gobain shares held by the Company	–	365,432
TOTAL	**166,785**	**490,027**

Changes in Compagnie de Saint-Gobain shares classified as financial investments

	Number of shares held	Gross value (in EUR thousands)	Net (in EUR thousands)
At December 31, 2010	4,487,136	200,026	144,918
Shares purchased in 2011	4,500,000	198,646	198,646
Shares sold in 2011	(496,176)	(21,644)	(16,607)
Shares cancelled in 2011	–	–	–
Adjustments to provision for impairment in value	–	–	(19,456)
At December 31, 2011	8,490,960	377,028	307,501
Shares purchased in 2012 (1)	5,040,000	166,786	166,786
Shares sold in 2012	(744,007)	(39,515)	(15,833)
Shares canceled in 2012	(9,540,000)	(365,432)	(365,432)
Shares reclassified as marketable securities in 2012	(1,836,151)	(85,080)	(61,306)
Adjustments to provision for impairment in value	–	–	12,840
At December 31, 2012	1,410,802	53,787	44,556

(1) In 2012, the Company bought back directly on the market 5,940,000 shares (versus 4,500,000 shares in 2011) with a par value of €4 each, for €196.6 million, of which €23.8 million corresponded to the aggregate par value of the shares. Of the total, 5,040,000 shares were classified as financial investments held for cancellation (included in the shares cancelled on May 31, 2012) and 900,000 were classified as marketable securities.

- The **1,410,802** shares shown in the table above are held in connection with 2009 stock options.

The number of shares sold under stock option plans totaled 744,007 in 2012 compared with 496,176 in 2011.

The Company also holds:
- **12,500** of its own shares in connection with a liquidity agreement (see Note 9 “Marketable securities”),
- **2,737,763 shares** for employee share-based payment plans (see Note 9 “Marketable securities”), bringing the total number of own shares held to **4,161,065** at December 31, 2012.

NOTE 9 Current assets

Maturities of receivables reported under "Current assets"

(in EUR thousands)	Total	Due Within 1 year	Beyond 1 year
Other receivables	1,082,771	1,082,764	7
Prepayments	3,928	3,796	132
TOTAL	**1,086,699**	**1,086,560**	**139**
Provision for doubtful receivables	–	–	–

Analysis of "Other receivables"

(in EUR thousands)	2012	2011
Current account advances to subsidiaries	1,011,730	2,380,971
Accounts receivable – Group	43,875	29,194
Income tax prepayments	12,872	34,539
Mark-to-market adjustments to swaps and options (1)	6,155	3,057
Accruals for goods and services delivered but not yet invoiced	3,794	3,629
Accruals for income and credit notes receivable – Group	1,074	95
Prepaid and recoverable taxes	929	7,250
Dividends receivable	539	–
Prepayments to suppliers	183	985
Recoverable withholding tax	179	113
Other	1,441	2,246
TOTAL	**1,082,771**	**2,462,079**

(1) Mark-to-market adjustments to swaps and options that represent debit entries are recorded as assets under "Other receivables" and those representing credit entries are recorded as liabilities under "Other payables".

Marketable securities

Marketable securities amounted to €2,616 million at December 31, 2012.

The total included €2,523 million worth of units in money market funds, representing the investment of funds held by the cash pool managed by the Company on behalf of the Group and the carrying amount of 2,737,763 shares held for employee share-based payment plans.

On November 16, 2007, the Company entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the Code of Ethics adopted by the *Association Française des Entreprises d'Investissement* (AFEI), which is recognized by the *Autorité des Marchés Financiers* (AMF). It came into effect on December 3, 2007 for an initial period ending on December 31, 2007, since when it has been automatically renewable for successive one-year periods.

The assets held by the Company under the liquidity agreement are reported under "Marketable securities". At December 31, 2012, these assets comprised:
- €6.4 million worth of units in a euro-denominated money market fund, and
- 12,500 Compagnie de Saint-Gobain shares with a carrying value of €0.4 million.

During 2012, 2,702,027 shares were purchased under the contract (2011: 5,578,490 shares) and 3,096,476 shares were sold (2011: 5,440,041 shares).

Marketable securities are valued using the first in-first out (FIFO) method.

Deferred charges

(in EUR thousands)	2012	2011
Bond issuance costs	115,829	116,292
Syndicated credit facility arrangement fees	14,925	19,274
Other debt issuance costs	4	56
Deferred charges	130,758	135,622

In 2012, new debt issuance costs recorded under "Deferred charges" totaled €27 million and amortization for the year amounted to €32 million.

Refinancing transactions are presented in Note 13.

NOTE 10 Shareholders' equity

10.1 Changes in capital stock

Par value at December 31, 2011: 4 euros Par value at December 31, 2012: 4 euros	Number of shares	Amount *(EUR thousands)*
Capital stock at January 1, 2012	535,563,723	2,142,255
Stock grants made to all employees on March 30, 2012	393,561	1,574
Shares issued under the performance share plan on March 30, 2012	247,650	991
Shares issued under the Group Savings Plan on May 15, 2012	4,387,680	17,551
Shares cancelled on May 31, 2012	(9,540,000)	(38,160)
Shares issued upon exercise of stock options on December 31, 2012	71,084	284
Stock grants to all employees (December 31, 2012)	14	
Shares issued under the performance share plan on December 31, 2012	1,930	8
Capital stock at December 31, 2012	531,125,642	2,124,503

At December 31, 2012, capital stock amounted to **€2,124,503 thousand,** represented by **531,125,642 shares** of common stock with a par value of €4 each.

10.2 Statement of changes in shareholders' equity

(in EUR thousands)	Amount
Shareholders' equity at December 31, 2011 before appropriation of 2011 net income	15,627,297
Shares issued under the Group Savings Plan on May 15, 2012	124,727
Share cancellations on May 31, 2012	(365,433)
Payment in 2012 of the 2011 dividend	(646,300)
Shares issued upon exercise of stock options on December 31, 2012	1,840
Other changes – adjustments to the revaluation reserve and untaxed provisions	2,214
Net income for 2012	761,733
Shareholders' equity at December 31, 2012 before appropriation of 2012 net income	15,506,078

10.3 Main changes in shareholders' equity

The main changes in capital stock and shareholders' equity in 2012 were as follows:

- **641,211 new shares were issued in March 2012** under the 2009 stock grant plant for all employees and the 2009 management performance share plan (see Note 10.5). The shares were paid up by transferring €2,822 thousand from the additional paid-in capital account to the capital stock account.
- **4,387,680 new shares were issued in May 2012 under the Group Savings Plan at a price of €28.59.** The issue proceeds amounted to €125,444 thousand (€124,727 thousand net after deducting the issue costs, net of tax, from the premium).
- **9,540,000 shares were cancelled on May 31, 2012,** reducing the capital by a gross and net amount of €365,432 thousand.
- **1,944 new shares were issued in December 2012,** representing advance deliveries of shares under the 2009 stock grant plant for all employees and the 2009, 2010 and 2011 management performance share plans. The shares were paid up by transferring €8 thousand from the additional paid-in capital account to the capital stock account.
- **71,084 shares were issued during the year at an average price of €25.89** upon exercise of stock options granted under the 2003 and 2008 plans. The gross and net issue proceeds amounted to €1,840 thousand and the issues were placed on record in December 2012.

These various transactions had the effect of reducing **capital stock** by €17,752 thousand, the **legal reserve** by €1,775 thousand and **additional paid-in capital** by €219,337 thousand.

Changes in **unappropriated retained earnings** during the year were as follows (in EUR thousands):

• At December 31, 2011 (before appropriation of 2011 net income):	3,491,199
Appropriation of net income (3rd resolution of the AGM of June 7, 2012):	
• Net income for the year	1,085,383
• Less: final dividend taking into account the actual number of own shares held	–646,300
• At December 31, 2012 (before appropriation of 2012 net income):	3,930,282

10.4 Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees.

The options are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no discounts on the average price have been granted under these plans.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for residents. Options must be exercised within ten years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments Committee of the Board of Directors.

All options granted between 1999 and 2002 were exercisable for existing shares, while those granted between 2003 and 2007 were exercisable for new shares. For plans set up between 2008 and 2011, the Board decided that the origin of the shares (new shares or treasury stock) would be determined at the latest on the day preceding the start of the exercise period. If any options were to be exercised before the Board made its decision, the grantees would receive new shares. Options granted in 2012 are exercisable for new shares.

Until 2008, options were subject to a performance condition for certain grantees only. Since 2009, all options are subject to a performance condition without exception.

For options granted under the 2012 plan, the value used to calculate the 30% contribution sociale tax due by grantees employed by French companies in the Group is €3.49 per option.

The following table presents changes in the number of outstanding options:

	€4 par value shares	Average exercise price *(in EUR)*
Options outstanding at December 31, 2010	**28,748,648**	**41.27**
Options granted	482,150	31.22
Options exercised	(724,853)	33.84
Options forfeited	(2,706,502)	38.97
Options outstanding at December 31, 2011	**25,799,443**	**41.54**
Options granted	253,000	27.71
Options exercised	(815,091)	21.68
Options forfeited *	(855,949)	30.13
Options outstanding at December 31, 2012	**24,381,403**	**42.46**

(*) Including 362,795 options under the 2002 plan which expired on November 20, 2012 and 493,154 options under the 2009 plan that were canceled due to the performance target being only partly met.

The following table presents information about stock options outstanding at December 31, 2012, after taking into account the fact that the performance targets for certain plans were only partly met.

Grant date	Exercisable options			Options not yet exercisable		Total options outstanding	Type of options
	Exercise price *(in EUR)*	Number of options	Weighted average contractual life *(in months)*	Exercise price *(in EUR)*	Number of options	Number of options	
2003	32.26	2,719,371	11	–	–	2,719,371	Subscription
2004	39.39	3,955,094	23	–	–	3,955,094	Subscription
2005	41.34	4,051,181	35	–	–	4,051,181	Subscription
2006	52.52	4,306,454	47	–	–	4,306,454	Subscription
2007	64.72	3,403,171	59	–	–	3,403,171	Subscription
2008	25.88	3,080,346	71	–	–	3,080,346	Subscription
2009	–	–	83	36.34	985,906	985,906	See Note 10.4
2010	–	–	95	35.19	1,144,730	1,144,730	See Note 10.4
2011	–	–	107	31.22	482,150	482,150	See Note 10.4
2012	–	–	119	27.71	253,000	253,000	Subscription
TOTAL	**–**	**21,515,617**	**–**	**–**	**2,865,786**	**24,381,403**	**–**

At December 31, 2012, 21,515,617 stock options were exercisable (at an average price of €43.56) and 2,865,786 options (average exercise price €34.26) had not yet vested.

10.5 Performance share and performance unit plans

Various performance share plans have been set up by Saint-Gobain since 2009 and one performance unit plan was set up in 2012. All these plans are subject to performance conditions.

As of December 31, 2012, five performance share plans and one performance unit plan were outstanding:

- **A worldwide plan authorized by Saint-Gobain's Board of Directors on November 19, 2009** whereby eligible employees and officers of the Group in France and abroad were each awarded seven performance shares. The shares are subject to a performance condition, which has been met, and are forfeited if the grantee leaves the Group before the end of the vesting period.

In all, the plan concerns **1,359,960** performance shares, as follows:
- for eligible Group employees in France, Spain and Italy, the vesting period ended on March 29, 2012 and the shares were delivered on March 30, 2012 (393,568 shares delivered plus 42 shares delivered early, in 2011; 36,540 rights forfeited due to the grantees leaving the Group before the end of the vesting period). The vesting period has been followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability;
- for eligible Group employees in other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares still to be delivered: 929,768 after deducting 42 shares delivered early). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 19, 2009.** The shares are subject to a performance condition, which has been met, and are forfeited if the grantee leaves the Group before the end of the vesting period.

In all, the plan concerns **622,790** performance shares, as follows:
- for eligible Group employees in France, the vesting period ended on March 29, 2012 and the shares were delivered on March 30, 2012 (245,320 shares delivered; 15,080 rights forfeited due to the grantees leaving the Group before the end of the vesting period). The vesting period has been followed by a two-year lock-up, such that the shares may not be sold until March 31, 2014 except in the case of the grantee's death or disability;
- for eligible Group employees in other countries, the vesting period will end on March 30, 2014 and the shares will be delivered on March 31, 2014 (potential number of shares still to be delivered: 345,160 after deducting 1,500 shares delivered early and 15,730 rights forfeited due to the grantees leaving the Group before the end of the vesting period). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 18, 2010.** The shares are subject to a performance condition, which has been only partly met, and are forfeited if the grantee leaves the Group before the end of the vesting period.

In all, the plan concerns **737,550** performance shares, as follows:
- for eligible Group employees in France, the vesting period will end on March 29, 2013 and the shares will be delivered on March 30, 2013 (potential number of shares to be delivered: 187,865 after deducting 590 shares delivered early, 126,565 rights canceled due to the performance conditions being only partly met and 10,400 rights forfeited due to the grantees leaving the Group before the end of the vesting period). The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015 except in the case of the grantee's death or disability;
- for eligible Group employees outside France, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015 (potential number of shares to be delivered: 249,520 after deducting 700 shares delivered early, 143,320 rights canceled due to the performance conditions being only partly met and 18,950 rights forfeited due to the grantees leaving the Group before the end of the vesting period). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 24, 2011.** The shares are subject to a performance condition, which has been only partly met, and are forfeited if the grantee leaves the Group before the end of the vesting period.

In all, the plan concerns **942,920** performance shares, as follows:
- for eligible Group employees in France, the vesting period will end on March 29, 2014 and the shares will be delivered on March 30, 2014 (potential number of shares to be delivered: 172,237 after deducting 740 shares delivered early, 238,313 rights canceled due to the performance conditions being only partly met and 4,270 rights forfeited due to the grantees leaving the Group before the end of the vesting period). The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2016 except in the case of the grantee's death or disability;
- for eligible Group employees outside France, the vesting period will end on March 30, 2016 and the shares will be delivered on March 31, 2016 (potential number of shares to be delivered: 238,926 after deducting 279,634 rights canceled due to the performance conditions being only partly met and 8,800 rights forfeited due to the grantees leaving the Group before the end of the vesting period). No lock-up period will apply.

- **A performance share plan for certain eligible managers and senior executives of the Saint-Gobain Group in France and abroad authorized by the Board of Directors on November 22, 2012.** These shares are subject to a performance condition and are forfeited if the grantee leaves the Group before the end of the vesting period.

The plan involves a total of **542,370** performance shares and grantees will be allocated existing Saint-Gobain shares. The vesting period will end on November 21, 2016 and the shares will be delivered on November 22, 2016. No lock-up period will apply.

- **A long-term incentive plan based on performance unit awards for certain eligible managers and senior executives of the Saint-Gobain Group in France, approved in principle by the Board of Directors on November 22, 2012, to be implemented by the Chairman and Chief Executive Officer.** In all, the plan concerns 536,400 performance units that will entitle grantees to a long-term cash incentive based on Saint-Gobain share price provided that the performance criterion is met. The units will be exercisable between November 22, 2016 and November 21, 2022 and will be forfeited if the grantee leaves the Group before this period. The performance units will not result in any new or existing shares being allocated to grantees.

The table below shows changes in the number of performance share rights:

	Number of rights
Number of performance share rights at December 31, 2010	2,720,300
- performance share rights granted in November 2011	942,920
- vested shares delivered during the period	(833)
- rights forfeited or canceled during the period	0
Number of performance share rights at December 31, 2011	3,662,387
- performance share rights granted in November 2012	542,370
- vested shares delivered during the period	(641,669)
- rights forfeited or canceled during the period	(897,242)
Number of performance share rights at December 31, 2012	2,665,846

The following table shows the expected dates when vested performance shares will be issued/delivered, except in the case of the grantee's death or disability or departure from the Group before the end of the vesting period:

Grant date	Number of rights at Dec. 31, 2012			End of the vesting period			Type of shares
		End-March 2013	End-March 2014	End-March 2015	End-March 2016	End-November 2016	
Nov. 19, 2009	929,768		929,768				New shares
Nov. 19, 2009	345,160		345,160				-
Nov. 18, 2010	437,385	187,865		249,520			-
Nov. 24, 2011	411,163		172,237		238,926		-
Dec. 22, 2012	542,370					542,370	Existing shares
TOTAL	**2,665,846**	**187,865**	**1,447,165**	**249,520**	**238,926**	**542,370**	

10.6 Compagnie de Saint-Gobain 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 at least 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 less a 20% discount. The shares are subject to a five or ten-year lock-up, at the choice of employees. During the lock-up period the shares may be held directly or through the PEG corporate mutual fund. They may not be sold during this period except in the case of exceptional events.

In 2012, 4,387,680 shares with a par value of €4 were issued to employees under the Group Savings Plan at an average price of €28.59 (2011: 4,497,772 shares at an average price of €33.42).

10.7 Potential number of shares

At the **Annual General Meeting of June 9, 2011,** shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- issue, on one or several occasions, up to 106,250,000 new shares with pre-emptive subscription rights for existing shareholders and debt securities without pre-emptive subscription rights to be offered to shareholders on a priority basis (10th to 14th resolutions/26-month authorization commencing June 9, 2011);

- issue, on one or several occasions, up to 13,270,000 new shares to members of the Group Savings Plan (15th resolution/26-month authorization commencing June 9, 2011). This authorization was used in 2012 to issue 4,387,680 shares to Group Savings Plan members.

At the **Annual General Meeting of June 7, 2012,** shareholders authorized the Board of Directors of Compagnie de Saint-Gobain to:

- grant stock options exercisable for existing or new shares, subject to performance conditions, representing up to 1% of capital stock on the Meeting date, i.e. 5,310,526 options exercisable for the same number of shares (14th resolution/26-month authorization commencing June 7, 2012);
- make performance share grants, subject to performance conditions, representing up to 0.8% of the capital stock on the Meeting date, i.e. grants of 4,248,420 shares (15th resolution/26-month authorization commencing June 7, 2012). If this authorization were to be used, the performance shares would be deducted from the shares available for the stock option plan. Grantees would receive existing Saint-Gobain shares.

The Board of Directors used these authorizations on November 22, 2012 to grant 542,370 performance shares and 253,000 stock options (see Notes 10.4 and 10.5).

If all outstanding stock options were to be exercised, with the issue of new shares, this would potentially have the effect of increasing the number of shares outstanding to **557,630,521 shares.** In addition, if the authorizations described above were to be used in full, this would potentially have the effect of increasing the number of shares outstanding to **677,277,997 shares.**

At the **Annual General Meeting of June 7, 2012,** the Board of Directors was also authorized to issue stock warrants in the event of a public tender offer for the Company's shares, in accordance with the French Act of March 31, 2006 on takeover bids (16th resolution). Under this authorization, the Group may issue up to €536.25 million worth of stock (excluding premiums), representing 134.1 million shares.

NOTE 11 Other equity

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities with a face value of FRF 1,000, converted to €152.45 in 1999 following the introduction of the euro.

Interest on the securities ranges from 75% to 125% of the average corporate bond rate (TMO), based on the Group's consolidated earnings. Interest paid in 2012 amounted to €6.82 per security.

In April 1984, 194,633 non-voting participating securities were issued with a face value of ECU 1,000, now €1,000.

Investor remuneration on these securities is payable at a fixed rate of 7.5% on 60% of the securities' face value and at a variable rate on the remaining 40%. The variable rate is based on the prior year's consolidated net income and is subject to a cap and a floor. Depending on the level of Group income, it ranges from 4.5% to 6.75% if the average corporate bond rate at issue (TMOE) is less than 5% or TMOE plus 175 bps if the TMOE is higher than 5%. Remuneration for 2012 amounted to €65.80 per security, paid in two installments (€32.25 and €33.55).

These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

Some of the securities have been bought back over the years. At December 31, 2012, 606,883 securities included in the 1983 issue were outstanding, representing a total nominal amount of €92.5 million, and 77,516 securities included in the 1984 issue, representing a nominal amount of €77.5 million.

NOTE 12 Provisions

(in EUR thousands)	At January 1, 2012	Charge for the year	Write-backs of utilized provisions	Write-backs of surplus provisions	Other (transfers)	At December 31, 2012
Untaxed provisions						
Reinvested capital gains	6,427					6,427
Other	7,178	2,343	(131)			9,390
	13,605	2,343	(131)	0	0	15,817
Provisions for contingencies						
Provisions for taxes	81,925	4,606	(2,905)		4,950	88,576
Provisions for stock options	0					0
Provisions for other contingencies	3,921	285	(32)	(1,918)	(73)	2,183
	85,846	4,891	(2,937)	(1,918)	4,877	90,759
Provisions for charges						
Provisions for pensions and other post-employment benefit obligations [(1)]	80,471	40,953	(46,654)		124	74,894
Provisions for performance share plan costs		15,930				15,930
Provisions for other charges	485	76	(11)		(56)	494
	80,956	56,959	(46,665)	0	68	91,318
Provisions for impairment						
Investments in subsidiaries and affiliates	631					631
Other investment securities	69,607	6,633	(23,682)	(43,230)		9,328
Doubtful receivables	0					0
Marketable securities	0	21,869				21,869
	70,238	28,502	(23,682)	(43,230)	0	31,828
Impact on operating income		40,975	(46,665)			
Impact on net financial income		28,502	(23,682)	(43,230)		
Impact on exceptional items		23,218	(3,068)	(1,918)		

(1) The Company's obligations with respect to supplementary pension plans and other post-employment benefits are measured using the projected unit credit method based on end-of-career salaries and employees' vested rights at the measurement date.

Actuarial gains and losses arising in the year under defined benefit plans are recognized immediately in the income statement.

The discount rate used was 3.25% in 2012 and 4.75% in 2011.

NOTE 13 Debt and payables

Total debt and payables increased by a net amount of €1,949 million to €15,619 million at December 31, 2012. Bond debt increased by €1,348 million, bank borrowings were reduced by €44 million, tax and social charges payable increased by €42 million and other borrowings increased by €605 million.

Maturities of debt and payables

(in EUR thousands)	Total	Due Within 1 year	Due Beyond 1 year
Bonds [1]	10,026,402	1,387,478	8,638,924
Bank borrowings [(1) and (2)]	176,872	176,872	0
Other borrowings [(1) and (3]	5,273,103	4,795,172	477,931
Sub-total Debt	15,476,377	6,359,522	9,116,855
Tax and social charges payable	94,493	94,493	–
Other payables [3]	40,716	40,716	–
Deferred income	7,049	4,823	2,226
Total payables [4]	15,618,635	6,499,554	9,119,081
(1) New debt for the year Debt repaid during the year	3,877,030 1,979,910		
(2) Of which: – debt with original maturity of up to two years – debt with original maturity of more than two years	 21,872 155,000		
(3) Of which: – shareholders' loans – New loans from subsidiaries – Loans from subsidiaries repaid during the year	 None 0 0		
(4) Of which debt due beyond 5 years	4,392,041		

Analysis of long- and short-term debt

(in EUR thousands)	2012	2011
Medium and long-term debt		
Long-term portion		
Due between January 1 and December 31		
2013		1,755,441
2014	1,163,202	1,163,202
2015	1,000,000	1,000,000
2016	1,067,602	1,059,152
2017	1,494,010	1,450,000
2018	750,000	750,000
2019 and beyond	3,609,520	1,109,153
No fixed maturity	32,520	33,209
Total long- and medium-term debt excluding short-term portion	9,116,854	8,320,157
Short-term portion	1,984,092	1,438,085
Total	11,100,946	9,758,242
Short-term debt		
Borrowings from Group entities	3,658,735	3,666,008
Bank overdrafts and other short-term borrowings	21,091	59,519
Other	695,605	83,561
Total	4,375,431	3,809,088
TOTAL LONG- AND SHORT-TERM DEBT	15,476,377	13,567,330

Long-term debt can be analyzed as follows by currency:

(in EUR thousands)	2012	2011
Euros	10,008,120	9,031,030
US dollars	0	5,374
Pounds sterling	1,048,425	721,838
Yen	44,401	0
TOTAL	**11,100,946**	**9,758,242**

Debt issuance costs are amortized over the life of the debt, from the issue date. These costs are recorded in assets, under "Deferred charges" (see Note 9).

13.1 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. Interest paid in 2012 amounted to €85.68 per bond.

These securities are not redeemable and the remuneration paid to investors is qualified as interest expense.

At December 31, 2012, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

13.2 Main changes in bond debt in 2012

In 2012, Compagnie de Saint-Gobain carried out the following debt management transactions to extend the average maturity of debt while reducing average borrowing costs.

- Public placements:
- March 28, 2012: placement of €750 million worth of 3.625% 10-year bonds due 2022;
- June 15, 2012: placement of €750 million worth of 3.625% 9-year bonds due 2021;
- October 9, 2012: placement of GBP 250 million worth of 4.625% 17-year bonds due 2029, swapped for euros at approximately 4.31%.

- Tap issues:
- the €750 million bond issue due 2019 was increased to €950 million through three tap issues carried out on January 18 and 19, 2012 for a total of €200 million;
- the €750 million bond issue due 2022 was increased to €900 million through two tap issues carried out on May 16, 2012 for a total of €150 million.

- Private placements:
- January 13, 2012: issue of JPY 5 billion worth of 1.90% 5-year private placement notes, due 2017;
- June 4, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €90 million;
- June 28, 2012: two 12-year private placement notes issues due 2024, for a total of €95 million indexed to the 10-year CMS rate (swapped for a fixed rate of approximately 4.1%);
- October 8, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €50 million;
- October 9, 2012: a 3.6% 10-year private placement notes issue due 2022, for €100 million.

On April 11, 2012, Compagnie de Saint-Gobain redeemed a €1,250 million bond issue that had reached maturity.

13.3 Financing programs

Compagnie de Saint-Gobain 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 December 31, 2012, issuance under these programs was as follows:

Programs *(in millions of currency units)*	Currency	Maturities	Authorized program at December 31, 2012	Outstanding issues at December 31, 2012	Outstanding issues at December 31, 2011
Medium Term Notes	EUR	1 to 30 years	12,000 million	9 246	7 951
US Commercial Paper	USD	up to 12 months	1,000 million (*)	0	0
Euro Commercial Paper	USD	up to 12 months	1,000 million (*)	0	0
Billets de trésorerie	EUR	Up to 12 months	3,000 million	691	76

(*) Equivalent to €758 million based on the exchange rate at December 31, 2012.

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 has various confirmed syndicated lines of credit that are intended to provide a secure source of financing for the Group (including as additional backing for its US Commercial Paper, Euro-Commercial Paper and *Billets de Trésorerie* programs). They include:

- a €3 billion syndicated line of credit expiring in December 2015 that was obtained in December 2010 and reduced to €2.5 billion in December 2012. The facility agreement does not include any covenants based on financial ratios;
- a second €1.5 billion syndicated line of credit expiring in December 2017 that was obtained in December 2012. At the same time, the €1 billion line of credit expiring in June 2013 was canceled and the line of credit expiring in December 2015 was reduced from €3 billion to €2.5 billion as explained above. No minimum financial ratio requirements applied to this facility based on Saint-Gobain's current credit rating for its long-term debt issues.

Neither of these confirmed lines of credit was drawn down at December 31, 2012.

NOTE 14 Related party transactions

14.1 Transactions with related companies

(in EUR thousands)	Net amount concerning: Subsidiaries (1)	Other related companies (2)	Other companies	Net balance sheet amount at December 31, 2012
Balance sheet items				
Investments in subsidiaries and affiliates	12,807,336	187		12,807,523
Loans and advances to subsidiaries and affiliates	13,079,308			13,079,308
Other investment securities	44,556	119		44,675
Other loans	921,893		81,289	1,003,182
Other receivables	1,060,901	110	21,760	1,082,771
Marketable securities	86,820		2,529,228	2,616,048
Cash and cash equivalents			658,605	658,605
Bonds			10,026,402	10,026,402
Bank borrowings			176,872	176,872
Other borrowings	4,574,516	2,398	696,189	5,273,103
Tax and social charges payable			94,493	94,493
Other payables	12,374		28,342	40,716
Income statement items				
Income from investments in subsidiaries and affiliates	565,866	(44)		565,822
Income from loans and other investments	2		26,527	26,529
Other interest income	642,335	1	10	642,346
Interest expense	46,832	16	509,818	556,666

(1) Fully consolidated companies.
(2) Companies that are not fully consolidated.

14.2 Transactions with other related parties

There are no material transactions with other related parties not entered into on arm's length terms.

NOTE 15 Investment portfolio

	Country	Net book value	% interest	Number of shares
Spafi	France	5,768,287	100.00	251,014,613
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	1,723,712	100.00	85,916,100
Vertec	France	891,512	100.00	11,790,698
Saint-Gobain Benelux	Belgium	812,344	100.00	3,296,475
Saint-Gobain do Brasil	Brazil	220,001	55.31	78,404,824
Saint-Gobain Cristaleria	Spain	211,220	16.35	3,659,866
Saint-Gobain Building Distribution Deutschland	Germany	194,609	100.00	100,000,000
Saint-Gobain Glass Benelux SA	Belgique	160,880	16.19	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,800	99.91	3,197,027
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
Saint-Gobain Glass Deutschland GmbH	Germany	86,660	60.00	120,000,000
Saint-Gobain Autoglas GmbH	Germany	72,833	60.00	120,000,000
Saint-Gobain Vidros SA	Brazil	67,181	99.96	209,374,623
Saint-Gobain Emballage	France	61,553	20.52	331,964
Saint-Gobain Schleifmittel-Beteiligungen GmbH	Germany	61,151	100.00	20,000,000
SEPR	France	53,310	25.73	407,600
Saint-Gobain PAM	France	30,733	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
SCI Ile-de-France	France	3,428	–	–
Miscellaneous French companies		–	–	–
Miscellaneous foreign companies		1,100	–	–
Investments in subsidiaries and affiliates		12,807,523		
Cie de Saint-Gobain (treasury stock)	France	44,556	–	1,410,802
Cie de Saint-Gobain (treasury stock held for cancellation)	France	–	–	–
Miscellaneous French companies		119	–	–
Other investment securities		44,675	–	–
TOTAL TITRES		12,852,198	–	–

NOTE 16 Information about direct investments in subsidiaries and affiliates with a carrying amount representing over 1% of the Company's capital stock

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2012 net sales	2012 net income (loss)	Dividends received in 2012 *(EUR k)*
1 - SUBSIDIARIES At least 50%-owned by Compagnie de Saint-Gobain										**(1)**
Spafi 18. avenue d'Alsace 92400 Courbevoie	EURk 3,012,175	EURk 4,169,712	100.00	5,768,287	5,768,287	-		EURk 63	EURk 517,172	426,355
Partidis 18. avenue d'Alsace 92400 Courbevoie	EURk 1,193,509	EURk 525,296	100.00	2,065,919	2,065,919	1,355,000		EURk 5,577	EURk 137,883	79,985
S.G. Matériaux de Construction 18. avenue d'Alsace 92400 Courbevoie	EURk 1,310,221	EURk (805,372)	100.00	1,723,712	1,723,712	5,030,000		EURk 24,196	EURk (256,165)	-
Vertec 18. avenue d'Alsace 92400 Courbevoie	EURk 188,651	EURk 912,594	100.00	891,512	891,512	-		EURk -	EURk 76,282	166,152
Saint-Gobain Benelux Bouleverd de la Plaine 5 B 1050 Brussels	EURk 812,345	EURk 92,371	100.00	812,344	812,344	-		EURk -	EURk 30,902	-
Saint-Gobain Building Distrib Deutsch Hanauer Landstrasse. 150 D-60314 Frankfurt am Main	EURk 100,000	EURk 94,600	100.00	194,609	194,609	-		EURk 1,371,962	EURk 6,771	6,771
S. G. Glass Benelux SA Rue des Glaces Nationales. 169 B-5060 Sambreville	EURk 388,300	EURk 36,658	16.19	160,880	160,880	-		EURk 97,789	EURk (13,830)	-
S. G. Isover G+H AG Burgermeister-Grünzweig-Strasse 1 D-67059 Ludwigshafen	EURk 82,000	EURk 11,426	99.91	153,800	153,800	-		EURk 367,959	EURk 1,291	1,291
S. G. Vetrotex Deutschland GmbH Bicherouxstrasse 61 D-52134 Herzogenrath	EURk 23,008	EURk 139,936	100.00	153,669	153,669	-		EURk -	EURk 28,466	28,466
S. G. Glass Deutschland GmbH Viktoriaallee 3-5 D-52066 Aachen	EURk 102,258	EURk 32,899	60.00	87,197	86,660	-		EURk 316,087	EURk (190,553)	(202,079)
S G Do Brasil 482. avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRLk 1,417,564	BRLk 260,821	55.31	220,001	220,001	-		BRLk 2,774,529	BRLk 62,017	19,043
Saint-Gobain Autoglas GmbH Viktoriaallee 3-5 D-52066 Aachen	EURk 102,258	EURk 19,130	60.00	72,833	72,833	-		EURk -	EURk (1,621)	(3,708)
Saint-Gobain Schleifmittel-Beteiligungen GmbH Viktoriaallee 3-5 D-52066 Aachen	EURk 10,226	EURk 50,925	100.00	61,151	61,151	-		EURk -	EURk (4,050)	(4,049)
Saint-Gobain Vidros SA 482. avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRLk 371,159	BRLk 1,480	99.96	67,181	67,181	-		BRLk 423,173	BRLk 39,977	14,520

(1) The amount shown for subsidiaries of the German branch corresponds to 2012 profit or loss transferred under the group relief system.

Companies *(in thousands of euros or local currency)*	Capital stock	Reserves	% interest	Book value of shares held Gross *(EUR k)*	Book value of shares held Net *(EUR k)*	Loans and advances granted by the Company *(EUR k)*	Guarantees given by the Company *(EUR k)*	2012 net sales	2012 net income (loss)	Dividends received in 2012 *(EUR k)*
2 - AFFILIATES 10% to 50%-owned by Compagnie de Saint-Gobain										(1)
S. G. Cristalería Edificio Ederra Centro Azca Paseo de la Castellana 77 28046 Madrid	EURk 134,512	EURk 846,345	16.35	211,220	211,220	655,000		EURk 397,147	EURk (119,481)	0
Saint-Gobain Emballage 18. avenue d'Alsace 92400 Courbevoie	EURk 42,069	EURk 432,978	20.52	61,553	61,553			EURk 710,936	EURk 115,912	23,301
SEPR 18. avenue d'Alsace 92400 Courbevoie	EURk 63,361	EURk 6,348	25.73	53,310	53,310	10,000		EURk 191,956	EURk 27,092	8,604
OTHER COMPANIES										
Subsidiaries (over 50% owned)										
Total French companies				3,429	3,429					82
Total foreign companies				14,045	14,045		500,848			(137)
Affiliates (10 to 50%-owned)										
Total French companies										–
Total foreign companies				648	648					
Other investments				**31,071**	**30,879**	**975,000**				**1,225**
Treasury stock				**53,787**	**44,556**					
Treasury stock held for cancellation										
TOTAL				**12,862,158**	**12,852,198**	**8,025,000**	**500,848**			**565,822**

(1) The amount shown for subsidiaries of the German branch corresponds to 2012 profit or loss transferred under the group relief system.

NOTE 17 Off-balance sheet commitments

Off-balance sheet commitments given on behalf of consolidated companies

Off-balance sheet commitments given on behalf of consolidated companies	Date	Counterparty	2012 amount *(EURk)*	2011 amount *(EURk)*
Commitment related to the fine levied on the Flat Glass business by the European Commission (see Note 20 Litigation para. 20.2)	Indefinite	Multiple	1,075,396	1,028,228
Saint-Gobain Receivable Corporation securitization program	Indefinite	Citibank	88,883	176,521
Guarantee given on behalf of Saint-Gobain Isover (electricity purchases)	December 31, 2025	Exeltium	32,860	34,890
Commitment to employees of the German companies in the Group (early-retirement plan)	December 30, 2015	Sparkasse Aachen	9,354	11,753
Commitments towards other members of economic interest groupings (GIE)	Indefinite	Other GIE members	2,710	3,668
Employee-related commitments in Germany (guarantee fund)	2012	Eigene Bursch	190	190
Other commitments given	Multiple	Multiple	96	96

Financing-related off-balance sheet commitments

Financing-related off-balance sheet commitments given	Date	Counterparty	2012 amount *(EURk)*	2011 amount *(EURk)*
Guarantee for Saint-Gobain Nederland bond issue	May 25, 2014	BNP Paribas	500,848	500,848
Liquidity agreement guarantee	January 2013	Exane	484	878
Euro equivalent of forward foreign currency sale contracts	Multiple	Multiple	817	907
Euro equivalent of foreign currencies payable under currency swaps	Multiple	Multiple	1,798	1,876

Financing-related off-balance sheet commitments received	Date	Counterparty	2012 amount *(EURk)*	2011 amount *(EURk)*
Liquidity agreement guarantee	January 2013	Exane	803	956
Euro equivalent of forward foreign currency purchase contracts	Multiple	Multiple	828	907
Euro equivalent of foreign currencies receivable under currency swaps	Multiple	Multiple	1,806	1,872
2009-2013 undrawn line of credit	15/06/2013	Multiple		1,000,000
2010-2015 undrawn line of credit	08/12/2015	Multiple	2,500,000	3,000,000
2012-2017 undrawn line of credit	07/12/2017	Multiple	1,500,000	3,000,000

Financing-related off-balance sheet commitments given and received	Date	Counterparty	2012 amount *(EURk)*	2011 amount *(EURk)*
Interest rate swaps Fixed rate borrower/Fixed rate lender	Multiple	Multiple	308,135	
Interest rate swaps Variable rate borrower/Fixed rate lender	Multiple	Multiple	95,000	
Interest rate swaps Fixed rate borrower/Variable rate lender	Multiple	Multiple		1,250,000
Interest rate swaps Variable rate borrower/Variable rate lender	Multiple	Multiple	155,000	155,000
Commodity swaps Fixed rate buyer/Variable rate seller	Multiple	Multiple	41,713	46,459
Commodity swaps Variable rate buyer/Fixed rate seller	Multiple	Multiple	41,713	46,459

Operations-related off-balance sheet commitments

Operations-related off-balance sheet commitments given and received	Date	Counterparty	2012 amount *(EURk)*	2011 amount *(EURk)*
Forward purchases of Compagnie de Saint-Gobain shares	May 31, 2012	Multiple		196,569

Tax reassessments are covered by provisions recorded in the balance sheet. In exchange for a stay of payment of the additional tax claimed, Compagnie de Saint-Gobain has obtained tax bonds from its banks in the amount of €9,952 thousand and the tax administration has also been granted liens on assets in the amount of €10,592 thousand. In addition, Compagnie de Saint-Gobain has granted a lien on assets totaling €16,900 thousand in connection with a tax dispute involving a subsidiary.

NOTE 18 Fees paid to the Statutory Auditors

The total fees (excluding VAT) paid and payable to the auditors for 2012, as reflected in the income statement, include:

- Statutory audit fees of €1.2 million
- Fees for audit-related advice and services of €0.4 million.

NOTE 19 Employees

Number of employees

	2012	2011
Paris Head Office (Les Miroirs, La Défense)		
Managers	184	174
Supervisors	41	43
Administrative staff	6	7
Total	231	224
Of which, employees under fixed-term contracts	2	3

	2012	2011
German branch (Aachen)		
Managers	66	63
Supervisors	128	120
Administrative staff	1	1
Total	195	184
Of which, employees under fixed-term contracts	2	4

Statutory training entitlement

Unused vested training entitlements under Act no. 2004.391 of March 4, 2004 relating to lifelong learning amounted to 20,329 hours at December 31, 2012, representing an estimated cost of €413 thousand.

Management compensation

Compensation received by the Group's directors and officers directly and indirectly from Group companies within and outside France totaled €12.6 million in 2012 (2011: €13.9 million), including variable bonuses of €4.6 million (2011: €4.7 million). No termination benefits were paid to any directors or officers in 2012 (2011: €1.3 million).

Pensions and other post-employment benefits (defined benefit obligations in respect of retirement bonuses and pensions) accruing to the Group's directors and officers totaled €41.8 million at December 31, 2012 (2011: €46.7 million).

Attendance fees paid to directors for 2012 totaled €0.8 million (2011: €0.8 million). Other compensation paid to directors – corresponding to pension benefits – amounted to €0.2 million in 2012 (2011: €0.6 million).

NOTE 20 Litigation

20.1 Asbestos-related litigation

The lawsuits described below involve Group subsidiaries. The related costs and provisions are recorded in the accounts of the subsidiaries concerned.

Asbestos-related litigation in France

- **"Inexcusable fault" proceedings**

In France, further individual lawsuits were filed in 2012 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 759 such lawsuits have been issued against the two companies since 1997.

At December 31, 2012, 684 of these 759 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".

Compensation paid by Everite and Saint-Gobain PAM in settlement of these lawsuits totaled approximately €1.3 million.

Concerning the 75 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2012, the merits of 9 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 33 of these 75 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 33 remaining lawsuits, at December 31, 2012 the procedures relating to the merits of 26 cases were at different stages, with three in the process of being investigated by the French Social Security authorities and 23 pending before the Social Security courts. The final seven suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2012, 183 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 123 lawsuits had been completed. In 51 of these cases, the employer was held liable for inexcusable fault. Compensation paid by the companies totaled approximately €0.6 million.

For the 60 suits outstanding at December 31, 2012, arguments were being prepared by the French Social Security authorities in six cases, 35 were being investigated – including 24 pending before the Social Security courts, ten before the Courts of Appeal and one before the Court of Cassation – and nine had been completed in terms of liability but not in terms of quantum or liability for paying the compensation, of which eight pending before the Courts of Appeal and one before the Court of Cassation. The final ten suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

Anxiety claims

Four of the Group's French subsidiaries that operate or have operated facilities in France classified as presenting an asbestos hazard are the subject of damages claims that are different from those described above.

"Facilities classified as presenting an asbestos hazard" are defined as manufacturing facilities that have been closed or are still operating which previously manufactured materials containing asbestos or used asbestos protection and insulation equipment and are included on the official list of facilities whose current or former employees are entitled to the asbestos workers benefit (ACAATA).

At December 31, 2012 a total of 145 suits had been brought by current or former employees of facilities classified as presenting an asbestos hazard, claiming compensation for various damages suffered as a result of their exposure to asbestos. None of these plaintiffs were suffering from an asbestos-related disease and some of them were not receiving the ACAATA benefit. Of these 145 suits, 49 have been terminated. Three plaintiffs had their claims dismissed. For the 46 others, who were recognized as having been exposed to an asbestos risk, only the damage caused by anxiety was accepted, leading to payment of total compensation of €629,500. Of the remaining 96 suits, 30 are pending before the competent Courts of Appeal – including two where the appellants are the plaintiffs and 28 where the appellants are the companies concerned – and 66 before the competent labor tribunals.

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.

Developments in 2012

About 4,000 new claims were filed against CertainTeed in 2012, compared to about 4,000 in 2011, 5,000 in 2010, 4,000 in 2009 and 5,000 in 2008. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court or set aside. Approximately 9,000 of the pending claims were resolved in 2012, compared to 8,000 in 2011, 13,000 in 2010 and 8,000 in 2009 and 2008. In addition, around 4,000 claims (mainly in the State of Texas) were requalified as inactive because they did not meet the minimum criteria for medical treatment and had been transferred to the inactive docket by decision of the courts. Taking into account the 52,000 outstanding claims at the end of 2011 and the new claims having arisen during the year, as well as claims settled or requalified as inactive, some 43,000 claims were outstanding at December 31, 2012. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of them ultimately will be dismissed.

Impact on the accounts

The Group recorded a €90 million charge in 2012 to cover future developments in relation to claims involving CertainTeed. This amount is the same as that recorded in 2011, less than the €97 million recorded in 2010 and higher than the €75 million recorded in 2009 and 2008. At December 31, 2012, the Group reserve for asbestos-related claims against CertainTeed in the United States amounted to €417 million (USD 550 million), compared with €389 million (USD 504 million) at December 31, 2011, €375 million (€501 million) at December 31, 2010, €347 million (USD 500 million) at December 31, 2009 and €361 million (USD 502 million) at December 31, 2008.

Cash flow impact

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2012 but only paid out in 2012, and those fully resolved and paid in 2012, and compensation paid (net of insurance) in 2012 by other Group businesses in connection with asbestos-related litigation, amounted to €52 million (USD 67 million) compared to €59 million (USD 82 million) in 2011, €78 million (USD 103 million) in 2010, €55 million (USD 77 million) in 2009 and €48 million (USD 71 million) in 2008.

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 brought by former employees (or persons claiming through them) were outstanding at December 31, 2012, and they do not currently represent a material risk for the companies concerned.

20.2 Ruling by the European Commission following the investigation into the automotive glass industries

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that actions carried out between 1998 and 2003 by 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 held 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 General Court of the European Union.

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.

The appeal was heard by the General Court of the European Union in Luxembourg on December 11, 2012 and the Court's ruling is due within six to twelve months.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,098 million at December 31, 2012.

It is carried in the accounts of Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH.

NOTE 21 Subsequent events

No material events have occurred since the balance sheet date.

STATUTORY AUDITORS' REPORT
ON THE PARENT COMPANY FINANCIAL STATEMENTS

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de Commerce)* relating to the justification of our assessments, we bring to your attention the following matter:

As described in Note 1 to the financial statements on accounting principles and methods (Investments in subsidiaries and affiliates, other investment securities and other financial investments), the Company carries out impairment tests on a yearly basis for its financial investments and investments in subsidiaries and affiliates. Based on the information available at the time of our audit, we assessed the approach used by the Company and ensured that the estimates made by the Company at December 31, 2012 were reasonable.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code *(Code de commerce)* relating to remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, February 20, 2013

The Statutory Auditors

PricewaterhouseCoopers Audit		KPMG Audit Department of KPMG S.A.	
Pierre Coll	Jean-Christophe Georghiou	Jean-Paul Vellutini	Philippe Grandclerc

MANAGEMENT REPORT

FINANCIAL STATEMENTS OF COMPAGNIE DE SAINT-GOBAIN (*)

Compagnie de Saint-Gobain ended 2012 with net income of €761.7 million (2011: €1,085.4 million). The total consists mainly of dividends from subsidiaries and affiliates and the income of the subsidiaries of the German branch, which is a flow-through entity, in the amount of €565.8 million (2011: €825.1 million).

Shareholders' equity before appropriation of income for the year totaled €15,506.1 million at December 31, 2012 (December 31, 2011: €15,627.3 million).

Significant events of the year

Changes in shareholders' equity

The main changes in shareholders' equity during the year were as follows:

- On May 15, capital stock was increased by €124.7 million following the issue of 4,387,680 shares to employees at a price of €28.59 through the Group Savings Plan.
- On May 31, shareholders' equity was reduced by €365.4 million following the cancellation of 9,540,000 shares bought back at an average price of €38.31 per share.
- On June 14, the Company paid dividends representing a total payout of €646.3 million.

Financing programs

In 2012, Compagnie de Saint-Gobain carried out the following debt management transactions to extend the average maturity of debt while reducing average borrowing costs.

- Public placements:

- March 28, 2012: placement of €750 million worth of 3.625% 10-year bonds due 2022;
- June 15, 2012: placement of €750 million worth of 3.625% 9-year bonds due 2021;
- October 9, 2012: placement of GBP 250 million worth of 4.625% 17-year bonds due 2029, swapped for euros at approximately 4.31%.

- Tap issues:

- The €750 million bond issue due 2019 was increased to €950 million through three tap issues carried out on January 18 and 19, 2012 for a total of €200 million;
- The €750 million bond issue due 2022 was increased to €900 million through two tap issues carried out on May 16, 2012 for a total of €150 million.

- Private placements:

- January 13, 2012: issue of JPY 5 billion worth of 1.90% 5-year private placement notes, due 2017;
- June 4, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €90 million;
- June 28, 2012: two 12-year private placement notes issues due 2024, for a total of €95 million indexed to the 10-year CMS rate (swapped for a fixed rate of approximately 4.1%);
- October 8, 2012: two 4% 20-year private placement notes issues due 2032, for a total of €50 million;
- October 9, 2012: a 3.6% 10-year private placement notes issue due 2022, for €100 million.

On April 11, 2012, Compagnie de Saint-Gobain redeemed a €1,250 million bond issue that had reached maturity.

Other compulsory disclosures

Trade accounts payable at December 31, 2012 and 2011 by due date are as follows (disclosure made in application of Article D.441-4):

(in EUR thousands)	2012	2011
Total trade accounts payable	10,760	12,965
- Of which past due	*2,091*	*1,860*
- Of which not yet due	*8,669*	*11,105*
Of which due in 60 days	*8,662*	*11,068*
Of which due beyond 60 days	*7*	*37*

Compagnie de Saint-Gobain pays supplier invoices on a timely basis. The only invoices not paid on time are disputed invoices for which a credit note is pending and invoices received late.

(*) Based on French GAAP – see the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

(in EUR thousands)	2012	2011	2010	2009	2008
1 - Capital stock at year-end					
Capital stock	2,124,503	2,142,255	2,123,346	2,051,724	1,530,288
Number of common shares outstanding	531,125,642	535,563,723	530,836,441	512,931,016	382,571,985
2 – Results of operations					
Net sales	175,675	176,302	176,128	171,655	199,301
Income before tax, depreciation, amortization and provisions	630,125	962,144	1,056,117	908,322	1,119,557
Income tax	135,663	145,386	160,637	150,254	160,471
Net income	761,733	1,085,384	1,176,909	1,038,013	1,263,527
Total dividend	(1) 653,422	(2) 646 300	(3) 603,165	(4) 508 701	(5) 486 009
3 – Earnings per share (in EUR)					
Earnings per share before tax, depreciation, amortization and provisions	1.19	1.80	1.99	1.77	2.93
Net earnings per share	1.43	2.03	2.22	2.02	3.30
Net dividend per share	1.24	1.24	1.15	1.00	1.00
4 - Employee information (6)					
Average number of employees during the year	231	224	224	224	228
Total payroll for the year	28,122	29,664	26,796	21,302	26,082
Total benefits for the year	22,892	17,276	15,145	13,569	16,081

(1) Based on 531,125,642 shares (capital stock at December 31, 2012) less 4,172,565 treasury shares held at January 31, 2013.

(2) Based on 535,563,723 shares (capital stock at December 31, 2011) less 9,540,000 cancelled on May 31, 2012 and 4,813,883 treasury shares held on the dividend payment date, i.e. 521,209,840 shares net.

(3) Based on 530,836,441 shares (capital stock at December 31, 2010) less 6,345,091 treasury shares held on the dividend payment date, i.e. 524,491,350 shares net.

(4) Based on 512,931,016 shares (capital stock at December 31, 2009) less 4,230,266 treasury shares held on the dividend payment date, i.e. 508,700,750 shares net.

(5) Based on 382,571,985 shares (capital stock at December 31, 2008) plus 108,017,212 shares issued on March 23, 2009 less 4,580,419 treasury shares held on the dividend payment date, i.e. 486,008,778 shares net.

(6) Employee numbers only include staff at the Company's head office and exclude the German branch.

MAIN SUBSIDIARIES, BY COUNTRY AND DELEGATION

All of the subsidiaries are wholly owned, unless otherwise stated.
Amounts are converted to euros at the average exchange rate for 2012.

FRANCE

Saint-Gobain Glass France: flat glass and flat glass products. Sales: €265.8 million. Employees: 880. Subsidiaries:

- M.O. Pays de Loire, M.O. Armorique, Quantum Glass International, Société Verrière Française (SVF), Sovedys, Sivaq, SGGS Menuisiers Industriels, SG Solar Systems FR, SG Glass Solutions Paris-Normandie, SG Glass Solutions Sud-Ouest, Charles André, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Gobba Vitrage, Vitrages Isolants d'Auvergne, Alp'Verre, Verrerie Aurys, Pierre Pradel, Wehr Miroiterie, Techniverre. Construction glass products manufacturing and distribution. Employees of the subsidiaries: 2,649.
- Eurokera (50%). Employees: 135.
- Keraglass (50%): glass ceramic hobs. Employees: 105.
- Saint-Gobain Sovis: tempered glass for household appliances, industrial and scientific optics, anti-radiation glass. Employees: 85.
- Verrerie de Saint-Just: decorative glass. Employees: 39.
- Saint-Gobain Sully: flat glass for the train and aircraft industries. Employees: 509.
- Saint-Gobain Glass Logistics: transport.
- Saint-Gobain Recherche (34.5% owned by SG Glass and wholly owned by the Group): glass and building materials research center. Employees: 457.
- Samin: quarry operator. Employees: 124.

Eurofloat: float glass. Employees: 100.

Saint-Gobain Sekurit France: automotive glass products. Sales: €197.4 million. Employees: 734. These figures include Société Verrière d'Encapsulation: encapsulated automotive glass. Subsidiary:

- Saint-Gobain Autover: automotive glass products manufacturing and distribution. Sales: €30.4 million. Employees: 86.

SEPR - Société Européenne des Produits Réfractaires: fused-cast refractory products used mainly for glass furnaces and various special ceramic products (pellets, grains and powders). Sales: €162.2 million. Employees: 741. Subsidiaries:

- Savoie Réfractaires: special refractories. Sales: €36.4 million. Employees: 180.
- Saint-Gobain Cristaux et Détecteurs: optical crystals and artificial monocrystals for chemical analyses. Sales: €25.2 million. Employees: 116.
- Saint-Gobain Matériaux Céramiques: seeded gel abrasives. Sales: €13.5 million. Employees: 23. Subsidiary: Saint-Gobain Coating Solutions. Sales: €12.7 million. Employees: 28.
- Saint-Gobain Centre de Recherche et d'Etudes Européennes: European ceramics research center. Employees: 214.
- Valoref SA: recycling.

Saint-Gobain Performance Plastics Europe: holding company. Subsidiaries:

- Saint-Gobain Quartz SAS: silica parts for the chemical industry, silica crucibles and reactor tubes for the semi-conductor industry, silica wool and yarn for the space industry, Micaver insulating materials, piezoelectric ceramics. Sales: €13.1 million. Employees: 60.
- Saint-Gobain Performance Plastics France: manufacture and sale of high-performance plastics. Sales: €45.5 million. Employees: 319.
- Saint-Gobain Adfors France. Sales: €19.5 million. Employees: 14.

Saint-Gobain Abrasifs (France): coated abrasives, grinding wheels and superabrasives. Sales: €149.2 million. Employees: 505.

Saint-Gobain Isover: glass wool and stone wool insulation products. Sales: €396.4 million. Employees: 942. Subsidiaries:

- Saint-Gobain Eurocoustic: stone wool insulation products and ceiling tiles. Sales: €66.9 million. Employees: 187.
- Saint-Gobain Ecophon SA: acoustic ceilings. Sales: €4.2 million. Employees: 32.
- Plafométal: metal ceilings. Sales: €30.5 million. Employees: 94.

Placoplatre: plaster, plasterboard, insulation products and ceiling tiles. Sales: €573.4 million. Employees: 1,649.

Saint-Gobain Matériaux de Construction: holding company. Subsidiary:

- Saint-Gobain Weber: industrial mortars. Sales: €2.4 billion. Employees: 10,240. These figures include Weber and Maxit's subsidiaries in 48 countries, including countries that are listed below.

Saint-Gobain PAM: ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and sewer networks; cast-iron products for the building industry. Sales: €675.1 million. Employees: 2,594. Subsidiary:

- Saint-Gobain Seva: industrial equipment, glass molds, fiberglass plates for insulation, door fittings. Sales: €60.5 million. Employees: 293.

Partidis: building materials distribution. Sales: €8.2 billion. Employees: 30,986. Subsidiaries:

- Point.P: France, Belgium. Building materials distribution through:

- 11 regional companies (Brittany, Central France, Eastern France, Paris region, Loire region, Languedoc Midi-Pyrénées, Northern France, Normandy, Provence-Alpes-Côte d'Azur, Rhône-Alpes, South-West France);
- 8 national companies (Brossette, DSC, DAI, Asturienne, DMBP, PUM Plastiques, DMTP, Eurobéton) and a company in Belgium.

2,078 sales outlets (2,065 in France and 13 in Belgium).

- La Plateforme du Bâtiment: 54 platforms in France.
- Lapeyre: distribution of home improvement products under the following brands: Lapeyre-La Maison, DISTRILAP, K par K, GIMM, Cougnaud, Cordier, Lagrange, Poreaux, Pastural and Technifen (France), Contrumega-Megacenter (Brazil), 141 sales outlets (134 in France, 4 in Belgium, 3 in Switzerland).

Saint-Gobain Emballage: glass containers (bottles and industrial jars). Sales: €709.9 million. Employees: 1,877. Subsidiaries:
- VOA Verrerie d'Albi: glass containers (bottles). Sales: €99.9 million. Employees: 314.
- Saga Décor: decoration of bottles and jars. Sales: €11.7 million. Employees: 117.

Verallia: holding company.

Spafi: holding company.

Vertec: holding company.

CENTRAL AND NORTHERN EUROPE

Germany

Saint-Gobain Glass Deutschland GmbH: flat glass and flat glass products. Sales: €321.2 million. Employees: 967.

Saint-Gobain Deutsche Glas GmbH: holding company controlling various companies active in construction glass products manufacturing and distribution.
Sales: €262.1 million (including subsidiaries).
Employees: 1,600 (including subsidiaries).

Saint-Gobain Sekurit Deutschland Beteiligungen GmbH: management company for Saint-Gobain Sekurit Deutschland KG and other equity interests. Subsidiaries:
- Saint-Gobain Autover Deutschland GmbH which itself owns Freudenberger Autoglas GmbH.
- Faba Autoglas Technik GmbH: automotive glass products.

Saint-Gobain Sekurit Deutschland KG: automotive glass. Sales: €243.2 million. Employees: 1,353. These figures include those of Faba Autoglas Technik KG: tempered glass.

Saint-Gobain Autover Deutschland: replacement glass. Sales: €54.7 million. Employees: 157.

Avancis GmbH and Co. KG: photovoltaic modules. Employees: 414.

SEPR Keramik GmbH & Co. KG: holding company. Subsidiaries:
- Saint-Gobain Performance Plastics Isofluor GmbH: fluoropolymer pipes. Sales: €8.7 million. Employees: 67. Subsidiaries: - Saint-Gobain Performance Plastics Pampus GmbH: high-performance plastics for the medical and automotive industries, industrial equipment. Sales: €78.5 million. Employees: 353;
- Saint-Gobain PPL MG Sil. Sales: €14.6 million. Employees: 101.
- Saint-Gobain IndustrieKeramik Roedental: high-performance refractory products. Sales: €74.8 million. Employees: 639.
- Saint-Gobain Performance Plastics Cologne. Sales: €3.2 million.
- Saint-Gobain Ceramic Materials GmbH. Sales: €40.7 million. Employees: 40.

Saint-Gobain Schleifmittel GmbH/Saint-Gobain Abrasifs GmbH: industrial superabrasives and grinding wheels. Sales: €134.5 million. Employees: 741.

Saint-Gobain Isover G + H AG: mineral fibers and foams for thermal and acoustic insulation and fireproofing. Sales: €368 million. Employees: 1,182. These figures include Superglass Dämmstoffe GmbH: insulating materials distribution.

Saint-Gobain Rigips GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €281.4 million. Employees: 822.

Saint-Gobain PAM Deutschland GmbH: pipe systems for the building industry. Holding company. Sales: €105.1 million. Employees: 338. Subsidiary:
- Saint-Gobain HES GmbH: ductile cast-iron pipes. Sales: €31.9 million. Employees: 28.

Saint-Gobain Building Distribution Deutschland GmbH: building materials distribution (254 outlets). Sales: €2 billion. Employees: 5,423.

Schäfer: roofing materials distribution.

Saint-Gobain Oberland AG (96.7%): listed on the Frankfurt, Munich and Stuttgart stock exchanges: glass containers (bottles and industrial jars). Sales: €374.8 million. Employees: 1,512. Subsidiary:
- GPS Glas Produktions-Service: machines for the glass containers industry. Sales: €20.9 million. Employees: 86.

Austria

Eckelt Glas GmbH: flat glass products. Sales: €40.5 million. Employees: 214.

Glas Ziegler. Sales: €22.4 million. Employees: 115.

Saint-Gobain Adfors Austria GmbH: paintable wall coverings. Sales: €15 million. Employees: 73.

Saint-Gobain Isover Austria AG: insulating materials. Sales: €42.8 million. Employees: 176.

Rigips Austria GmbH: plaster, plasterboard, insulation products and ceiling tiles. Sales: €65.5 million. Employees: 225.

Belgium

Saint-Gobain Glass Benelux SA: flat glass and flat glass products. Sales: €98.9 million. Employees: 318. Subsidiaries:
- Hanin Miroiterie.
- Techniver. Sales: €2.9 million.
- Saint-Gobain Glass Solutions Belgium. Sales: €72.3 million.

Employees of subsidiaries: 377.

Saint-Gobain Sekurit Benelux SA: automotive glass products. Sales: €42.4 million. Employees: 247. Subsidiary:
- Saint-Gobain Autover Distribution SA. Sales: €98.9 million.

Employees: 116.

Saint-Gobain Abrasives NV. Sales: €10.2 million. Employees: 17.

Saint-Gobain Matériaux Céramiques Benelux SA: silicon carbide and corundum for the refractory and abrasives industries. Sales: €31.6 million. Employees: 30.

Saint-Gobain Performance Plastics Chaineux SA and Saint-Gobain Performance Plastics Kontich NV: manufacture and sale of high-performance plastics. Sales: €48.1 million. Employees: 223.

Saint-Gobain Construction Products Belgium NV: plaster, plasterboard and insulation products. Sales: €139.5 million. Employees: 212.

Saint-Gobain Pipe Systems Belgium: Sales: €38.3 million. Employees: 27.

Luxembourg

Saint-Gobain Abrasives SA (Luxembourg): diamond-tipped tools, disks and drills, asphalt cutters for the construction and civil engineering industries. Sales: €11.7 million. Employees: 95.

Saint-Gobain Solar Systems SA Luxembourg: solar solutions. Employees: 37.

Netherlands

Sas Van Gent Glasfabriek BV: reflective glass, enameled glass and tempered glass. Sales: €12.6 million. Employees: 88.

Koninklijke Saint-Gobain Glass NV: construction glass products manufacturing and distribution. Sales: €87.3 million. Employees: 384 (including subsidiaries).

Saint-Gobain Autover International BV: replacement automotive glass distribution. Sales: €25.8 million. Employees: 33.

Saint-Gobain Abrasives Nederland: holding company. Subsidiary:
- Saint-Gobain Abrasives BV: thin grinding wheels and coated abrasives. Sales: €108.5 million. Employees: 242.

Saint-Gobain Construction Products Nederland BV: plaster, plasterboard, insulation products, acoustic ceilings and paintable wall coverings. Sales: €147.1 million. Employees: 411.

Saint-Gobain Cultilène BV: glass wool and stone wool products for hydroponic (soil-less) cultivation. Sales: €33.2 million. Employees: 58.

Saint-Gobain Distribution The Netherlands BV: building materials distribution in the Netherlands (43 outlets). Sales: €339.6 million. Employees: 980.

Galvano Groothandel BV: plumbing and heating supplies distribution. Sales: €57.8 million. Employees: 130.

Van Keulen: interior solutions and fitted kitchens. Sales: €20.5 million. Employees: 61.

Saint-Gobain Nederland Beheer BV: holding company.

Saint-Gobain Nederland BV: finance company.

NORDIC COUNTRIES AND BALTIC STATES

Denmark

€1 = DKK 7.44377

Saint-Gobain Glass Nordic A/S: insulating and tempered glass. Sales: €28.2 million. Employees: 153.

Saint-Gobain Isover A/S: insulation products. Sales: €46.3 million. Employees: 194.

Saint-Gobain Ecophon A/S: acoustic products. Sales: €2.6 million. Employees: 17.

Gyproc A/S: plasterboard and ceiling tiles. Sales: €37.7 million. Employees: 141.

Finland

Saint-Gobain Glass Finland Oy: construction and automotive glass products manufacturing and distribution. Sales: €22.9 million. Employees: 143.

Saint-Gobain Construction Products Finland: plaster, insulation products, acoustic products. Sales: €110 million. Employees: 391.

Saint-Gobain Pipe Systems Oy: pipe systems. Sales: €13.9 million. Employees: 30.

Norway

€1 = NOK 7.47555

Saint-Gobain Böckmann A/S: insulating glass and replacement glass. Sales: €62.9 million. Employees: 323.

Saint-Gobain Ceramic Materials A/S: silicon carbide products. Sales: €50.1 million. Employees: 204.

Gyproc A/S: plaster and plasterboard products. Sales: €34.1 million. Employees: 77.

Saint-Gobain Byggevarer A/S: pipe systems and industrial mortars. Sales: €140.1 million. Employees: 282.

Optimera A/S: building materials distribution (77 outlets). Sales: €794.2 million. Employees: 2 376.

Sweden

€1 = SEK 8.70643

Saint-Gobain Emmaboda Glas AB: insulating and tempered glass. Sales: €34 million. Employees: 150.

Saint-Gobain Sekurit Scandinavia AB: tempered and laminated automotive glass. Sales: €64.5 million. Employees: 151.

Saint-Gobain Autover Direktglas AB: replacement glass. Sales: €15.6 million. Employees: 70.

Saint-Gobain Abrasives AB: abrasives. Sales: €18.8 million. Employees: 23.

Gyproc AB: plaster and plasterboard products. Sales: €49.8 million. Employees: 115.

Scanpac: plaster. Sales: €29.8 million. Employees: 51.

Saint-Gobain Isover AB: insulation products. Sales: €99.8 million. Employees: 378.

Saint-Gobain Ecophon AB: acoustic ceilings. Sales: €185.8 million. Employees: 403.

Saint-Gobain Distribution Nordic AB: plumbing and heating supplies distribution under the Dahl brand in Sweden, Norway, Denmark, Finland, Romania and Estonia (325 outlets). Sales: €2.8 billion. Employees: 5,272.

Estonia

Saint-Gobain Glass Eesti A/S: replacement windshields, construction glass products manufacturing and distribution. Sales: €54.7 million. Employees: 452.

Saint-Gobain Ehitustooted Eesti A/S: insulation products, plasterboard and industrial mortars. Sales: €24 million. Employees: 52.

Optimera Estonia: building materials distribution (15 outlets). Sales: €64.8 million. Employees: 442.

Latvia

€1 = LVL 0.69729

SIA-Saint-Gobain Celtniecibas Produkti: insulation products, plasterboard and industrial mortars. Sales: €8.9 million. Employees: 24.

Lithuania

€1 = LTL 3.4528

UAB Saint-Gobain Statybos Gaminiai: insulation products, plasterboard and industrial mortars. Sales: €10.3 million. Employees: 49.

POLAND, BULGARIA AND ROMANIA

Poland

€1 = PLN 4.18424

Saint-Gobain Glass Polska Sp zoo: flat glass, glass products for household appliances and photovoltaic glass. Sales: €162.3 million. Employees: 832.

Glaspol Sp zoo: construction glass and furniture glass products manufacturing and distribution. Sales: €79.3 million. Employees: 749.

Saint-Gobain Sekurit Hanglas Polska Sp Zoo: automotive and other transportation glass. Sales: €173.4 million. Employees: 1,565.

Saint-Gobain HPM Polska Sp Zoo: glass veil, high-performance plastics and abrasive grinding wheels. Sales: €104.8 million. Employees: 858.

Saint-Gobain Construction Products Polska: plaster, plasterboard, insulation products, ceiling tiles, piping systems and industrial mortars. Sales: €169.6 million. Employees: 912.

Saint-Gobain Dystrybucja Budowlana Sp Zoo: building materials distribution (108 outlets). Sales: €224.3 million. Employees: 1,169.

Bulgaria

€1 = BGL 1.9558

Saint-Gobain Construction Product Eood: plaster, plasterboard, insulation products and industrial mortars. Sales: €12.7 million. Employees: 90.

Romania

€1 = RON 4.45774

Saint-Gobain Glass Romania SRL: flat glass. Sales: €59.6 million. Employees: 252.

Saint-Gobain Construction Products Romania SRL: plaster, plasterboard and stone wool manufacturing and marketing, pipe distribution, industrial mortars manufacturing and marketing. Sales: €62 million. Employees: 488.

CZECH REPUBLIC, SLOVAKIA AND HUNGARY EAST-ADRIATIC

Czech Republic

€1 = CZK 25.14487

Saint-Gobain Sekurit CR Spol S.R.O.: laminated glass for the automotive industry. Sales: €79.1 million. Employees: 583.

Saint-Gobain Adfors CZ S.R.O.: Sales: €203.5 million. Employees: 1,490 (including subsidiaries).

Saint-Gobain Abrasives S.R.O.: abrasives distribution. Sales: €9 million. Employees: 33.

Saint-Gobain Construction Products CZ S.R.O.: plaster, plasterboard, insulation products, stone wool insulating materials and ceiling tiles. Sales: €151.8 million. Employees: 776.

Saint-Gobain PAM CZ S.R.O.: foundry. Sales: €23.2 million. Employees: 132.

Saint-Gobain Building Distribution CZ: building material, tile and sanitaryware distribution (52 outlets). Sales: €103 million. Employees: 537.

Slovakia

Nitrasklo A.S.: construction glass products manufacturing and distribution. Sales: €12.8 million. Employees: 97.

Saint-Gobain Construction Products Slovakia: manufacturing of plaster, plasterboard, insulation and ceiling tile products, pipe distribution, industrial mortars manufacturing and marketing. Sales: €51.8 million. Employees: 230.

W.A.W. Spol S.R.O.: tile and sanitaryware distribution (9 outlets). Sales: €6.9 million. Employees: 60.

Hungary

€1 = HUF 289.34619

Saint-Gobain Construction Products Hungaria: plaster, plasterboard, insulation products and industrial mortars. Sales: €33.7 million. Employees: 208.

Saint-Gobain Distribution of Construction Materials Hungary: building materials distribution (30 outlets). Sales: €39.2 million. Employees: 305.

RUSSIA, UKRAINE AND CIS COUNTRIES

Russia

€1 = RUB 39.92394

Saint-Gobain Construction Products Russia: insulation products, plaster, plasterboard and industrial mortars. Sales: €220.8 million. Employees: 757.

Zao Zavod Minplita: Sales: €30.5 million. Employees: 374.

Kavminsteklo Zao (94.9%): glass containers. Sales: €43.4 million. Employees: 621.

Kamyshinsky Steklotarny (95.5%): glass containers. Sales: €46.1 million. Employees: 632.

Ukraine

€1 = UAH 10.39097

Saint-Gobain Construction Products Ukraine: insulation products, plaster and plasterboard. Sales: €11.5 million. Employees: 50.

Consumers Sklo Zorya (96.7%): glass containers. Sales: €40.2 million. Employees: 570.

SPAIN, PORTUGAL, MOROCCO AND ALGERIA

Spain

Saint-Gobain Cristaleria SA: construction glass, automotive glass, insulation materials (glass wool and stone wool) and photovoltaic glass. Sales: €361.1 million. Employees: 1 196. Subsidiaries:
- Saint-Gobain Autover: replacement automotive glass distribution.
- Saint-Gobain Wanner: thermal and acoustic insulation. Sales: €18.8 million. Employees: 185.
- Industrias del Cuarzo (Incusa): sand quarry. Sales: €14.7 million. Employees: 48.
- La Venecia Iberiaglass S.L. Sales: €32.1 million. Employees: 185.

La Veneciana: flat glass product and mirror glass manufacturing, distribution and installation. Sales: €29.1 million. Employees: 172.

Saint-Gobain Abrasivos: abrasive grinding wheels. Sales: €30 million. Employees: 122.

Saint-Gobain Performance Plastics España: manufacture and sale of high-performance plastics. Sales: €5.1 million. Employees: 45.

Saint-Gobain Adfors España. Sales: €11.7 million. Employees: 63.

Saint-Gobain Placo Iberica SA: plasterboard. Sales: €106 million. Employees: 524.

Saint-Gobain Transformados: mineral wool transformation and production for the acoustic and hydroponics markets. Sales: €11.6 million. Employees: 40.

Saint-Gobain PAM España SA: ductile cast-iron pipes. Sales: €69.8 million. Employees: 244. Subsidiary:

- Saniplast: distribution of pipes and accessories. Sales: €31.5 million. Employees: 141.

Saint-Gobain Vicasa SA: glass containers (bottles and industrial jars). Sales: €322.4 million. Employees: 1,017. These figures include Saint-Gobain Montblanc SA: glass containers. Subsidiary:

- Vidrieras Canarias (41%): glass containers. Sales: €25.4 million. Employees: 88.

Portugal

Saint-Gobain Glass Portugal Vidro Plano SA: construction glass, construction glass products, glass for household appliances. Sales: €36.4 million. Employees: 26. Subsidiary:

- Covipor-CIA Vidreira do Norte, Covilis and EVI-Pruducao de Energia: construction glass products. Sales: €23.5 million. Employees: 138.

Saint-Gobain Sekurit Portugal Vidro Automovel SA: automotive glass products. Sales: €48.3 million. Employees: 205. Subsidiary:

- Saint-Gobain Autover Portugal (60%): replacement automotive glass distribution. Sales: €10.3 million. Employees: 102.

Saint-Gobain Abrasivos Lda: abrasives distribution. Sales: €6.9 million. Employees: 30.

Saint-Gobain PAM Portugal SA: pipe distribution. Sales: €9.5 million. Employees: 18.

Saint-Gobain Mondego SA: glass containers (bottles and industrial jars). Sales: €92.4 million. Employees: 238.

Morocco

€1 = 11.09376 MAD

Saint-Gobain Abrasivos Lda (85%): abrasives distribution. Sales: €9.1 million. Employees: 103.

Algeria

€1 = 99.7371 DZD

Alver Spa (99.4%): glass containers. Employees: 331.

UNITED KINGDOM, REPUBLIC OF IRELAND AND SOUTH AFRICA

United Kingdom

€1 = GBP 0.81113

Saint-Gobain Glassolutions Ltd: construction glass products manufacturing, distribution and installation (tempered glass, laminated glass, mirrors, insulating glass). Network of 25 sites, including 8 production facilities, throughout the UK. Sales: €139.6 million. Employees: 998.

Saint-Gobain Ceramics & Plastics Plc: holding company. Subsidiaries:

- Saint-Gobain Industrial Ceramics Ltd: high-temperature insulating fiber and refractory products. Sales: €10.3 million. Employees: 56.
- Saint-Gobain Performance Plastics Corby and Saint-Gobain Performance Plastics Tygaflor Ltd: heat-resistant hose, tubing and bundles for beverage-dispensing applications. Sales: €19.3 million. Employees: 45.

Rencol Tolerance Rings Ltd: Sales: €17.7 million. Employees: 124.

Saint-Gobain Abrasives Ltd. Sales: €45.1 million. Employees: 201. Bonded and coated abrasives, superabrasives (through various subsidiaries).

British Plaster Board (BPB Plc): plasterboard, construction plaster, other specialty plasters, insulation products and acoustic products. Sales: €547.4 million. Employees: 1,611 (including subsidiaries).

Celotex Group. Sales: €31.6 million. Employees: 170.

Saint-Gobain PAM Ltd: ductile cast-iron pipes and hydraulic connectors for water and sewer networks; hydraulic valves; cast-iron and steel municipal castings, cast-iron construction products. Sales: €92.4 million. Employees: 380.

Saint-Gobain Building Distribution Ltd.: building materials distribution (992 outlets in the United Kingdom and the Republic of Ireland). Sales: €2.8 billion. Employees: 12,290 (including subsidiaries).

Saint-Gobain Plc: holding company. Subsidiaries:

- Saint-Gobain Glass UK Ltd: flat glass and flat glass products. Sales: €85.5 million. Employees: 197.
- Saint-Gobain Technical Fabrics UK Ltd.

Republic of Ireland

Saint-Gobain Performance Plastics Ireland: PTFE and silicone-coated fabrics, adhesive tapes. Sales: €22.4 million. Employees: 79.

Gypsum Industries Ltd Ireland: manufacturing of plaster, plasterboard, ceiling tiles, manufacturing and marketing of insulation products . Sales: €44.5 million. Employees: 149.

South Africa

€1 = ZAR 10.55449

Saint-Gobain Abrasives Pty Ltd: coated abrasives, superabrasives, grinding wheels. Sales: €5.3 million. Employees: 98.

Saint-Gobain Construction Products South Africa Ltd: manufacturing of plaster, plasterboard, ceiling tiles, pipe systems and industrial mortars, manufacturing and marketing of insulation products. Sales: €144.9 million. Employees: 944.

Donn South Africa Ltd (66.7%): plasterboard and ceiling tiles. Sales: €19.8 million. Employees: 89.

Saint-Gobain Pipelines South Africa: cast-iron parts. Sales: €14.2 million. Employees: 198.

ITALY, GREECE, EGYPT AND TURKEY

Italy

Saint-Gobain Glass Italia SpA: flat glass and flat glass products. Sales: €81.9 million. Employees: 262.

Saint-Gobain Sekurit Italia S.R.L: automotive glass products. Sales: €59.9 million. Employees: 239. Subsidiaries:
- S.G. Autover Italia S.R.L.
- Sicurglass Sud. Combined sales of the two subsidiaries: €40.4 million. Employees: 220.

Saint-Gobain Euroveder Italia SpA: tempered glass for household appliances. Sales: €22.6 million. Employees: 140.

Saint-Gobain Abrasivi SpA: abrasive grinding wheels. Sales: €76.3 million. Employees: 321.

SEPR Italia SpA: fused-cast refractory products. Sales: €28.3 million. Employees: 149.

Saint-Gobain Adfors Italia: manufacturing. Sales: €2.9 million. Employees: 13.

Saint-Gobain PPC Italia SpA: insulation products and sealing products (roofing materials, glass veil siding), plaster, plasterboard, ceiling tiles and industrial mortars. Sales: €231.6 million. Employees: 696.

Saint-Gobain PAM Italia SpA: ductile cast-iron pipes. Sales: €60.5 million. Employees: 89.

Vemac S.R.L: building materials distribution (11 outlets). Sales: €38.6 million. Employees: 155.

Saint-Gobain Vetri SpA: glass containers (bottles and industrial jars). Sales: €538.6 million. Employees: 1,198. These figures include those of Ecoglass: cullet collection and processing.

Greece

Autover Hellas. Sales: €6 million. Employees: 34.

Saint-Gobain Hellas ABEE: plaster manufacturing and marketing and pipe distribution. Sales: €9.1 million. Employees: 53.

Egypt

€1 = EGP 7.80457

Saint-Gobain Glass Egypt (80%): flat glass and flat glass products. Employees: 314.

BPB Placo Egypt for Industrial Investments Sae: plaster. Employees: 384.

Turkey

€1 = TRY 2.31463

Doğaner Alci Madencilik Enerji: plasterboard products. Sales: €22.1 million. Employees: 103.

Izocam (47.5%): glass wool and stone wool. Sales: €141.6 million. Employees: 437.

Saint-Gobain Rigips Alci: plaster. Sales: €18.7 million. Employees: 105.

Saint-Gobain Weber Yapi: industrial mortars. Sales: €51.4 million. Employees: 259.

OTHER EUROPEAN COUNTRIES

Switzerland

€1 = CHF 1.20529

Vetrotech Saint-Gobain International AG: glass ceramic hobs and construction glass. Sales: €133.9 million. Employees: 291.

Rasta AG: Abrasives (thin grinding wheels). Sales: €18.5 million. Employees: 18.

Saint-Gobain Isover SA: insulation products manufacturing and marketing, fiberglass reinforcements distribution. Sales: €52 million. Employees: 164.

Rigips AG: plaster, plasterboard, insulation products and ceiling tiles. Sales: €71.5 million. Employees: 173.

KBS AG: industrial mortars. Sales: €31.8 million. Employees: 35.

Sanitas Troesch AG: fitted bathrooms and kitchens distribution (32 outlets). Sales: €479.6 million. Employees: 975.

International Saint-Gobain: holding company.

NORTH AMERICA

United States

€1 = USD 1.28576

Saint-Gobain Corporation: holding company.

CertainTeed Corporation: insulation products and building materials, including:
- Roofing shingles for the homebuilding and renovation market.
- Roofing products for the commercial building market.
- Siding.
- Roofing granules.
- PVC pipe and exterior products (fencing, decking and railings).

Subsidiary:
- CertainTeed Ceilings : acoustic ceiling distribution.

Sales: €2.1 billion. Employees: 4,391.
CertainTeed Corporation sales and employees include CertainTeed Reinforcement Glass Materials, CertainTeed Ceilings and GS Roofing.

Saint-Gobain Glass Corporation: holding company.
Subsidiaries:
- HCS Corporation, Vetrotech Saint-Gobain North America Inc. Total sales by the subgroup: €37 million. Employees: 98.

Sage Electrochromics Inc. (100%): electrochromic glass. Employees: 137.

Saint-Gobain Autover Inc: replacement glass. Total sales by the subgroup: €9 million. Employees: 13.

Eurokera North America (50%): glass ceramic hobs. Sales: €21.2 million. Employees: 51.

Saint-Gobain Abrasives, Inc.: bonded abrasives, coated abrasives and superabrasives. Sales: €598.2 million. Employees: 2,941. These figures include Saint-Gobain Universal Superabrasives, Inc. and its main subsidiaries in the United States, Canada, Mexico and New Zealand.

Saint-Gobain Ceramics & Plastics, Inc.: technical ceramics, chemical process products, high-performance plastics, fused-cast refractory products, special ceramic grains and silicon carbide products (businesses conducted directly or through subsidiaries). Sales: €1.2 billion. Employees: 4,377.

Saint-Gobain Adfors America: industrial reinforcements. Sales: €94.9 million. Employees: 330.

Norandex Building Materials Distribution: building materials distribution (104 outlets), vinyl siding production. Sales: €312.6 million. Employees: 806.

Meyer International Inc. Sales: €44.4 million. Employees: 184.

CertainTeed Gypsum & Ceilings USA: plaster, plasterboard and ceiling tiles. Sales: €296.1 million. Employees: 725.

Saint-Gobain Containers, Inc.: glass containers (bottles and jars). Sales: €1.3 billion. Employees: 4,277.
Subsidiary:
- GPS America. Sales: €26.6 million. Employees: 64.

Canada

€1 = CAD 1.28484

Saint-Gobain Adfors Canada Ltd: industrial door and window parts. Sales: €12.3 million. Employees: 59.

Saint-Gobain Ceramic Materials Canada Inc.: abrasive grains. Sales: €19.8 million. Employees: 35.

Decoustics: acoustic products. Sales: €15.4 million. Employees: 94.

CertainTeed Gypsum Canada, Inc.: plasterboard. Sales: €221 million. Employees: 537.

CertainTeed Insulation: insulation products. Sales: €37.9 million. Employees: 199.

MEXICO, COLOMBIA, ECUADOR, PERU AND VENEZUELA – CENTRAL AMERICA

Mexico

€1 = MXN 16.90812

Saint-Gobain Mexico: flat glass and flat glass products, automotive glass and tempered glass for household appliances. Sales: €252 million. Employees: 1,657.

Saint-Gobain America (Mexico): insect screens and coated abrasives. Sales: €65.2 million. Employees: 744.

Saint-Gobain Gypsum SA de CV: Sales: €9.1 million. Employees: 86.

Colombia

€1 = COP 2.31054

Saint-Gobain Sekurit de Colombia (94.8%): automotive and construction glass. Sales: €28.7 million. Employees: 239.

Saint-Gobain Abrasivos Colombia: coated abrasives and grinding wheels. Sales: €21.6 million. Employees: 83.

FiberGlass Colombia: glass wool for the building and manufacturing industries. Sales: €28.3 million. Employees: 194.

PAM Colombia SA: water supply pipe distribution. Sales: €7.4 million. Employees: 11.

Venezuela

€1 = VEF 5.52131

Saint-Gobain Sekurit: automotive glass distribution. Sales: €2.5 million. Employees: 2.

Saint-Gobain Abrasivos CA: coated abrasives and grinding wheels. Sales: €14.8 million. Employees: 87.

Saint-Gobain Materiales Ceramicos CA: silicon carbide. Sales: €11.4 million. Employees: 43.

Fibras Fivenglass SA: insulation products distribution. Sales: €3.6 million. Employees: 12.

BRAZIL, ARGENTINA AND CHILE

Brazil

€1 = BRL 2.50960

Saint-Gobain Do Brazil Ltda: construction and automotive glass and glass products, fiberglass insulation, reinforcement products, ceramic products, plastics, grains and powders, high-performance plastics, bonded and coated abrasives, refractory products, silicon carbide and tile adhesives. Sales: €1.1 billion. Employees: 6,011. Subsidiaries:
- Mineraçao Jundu (50%): quarry operator. Sales: €22.2 million. Employees: 161.
- Cebrace (50%): flat glass and flat glass products. Sales: €407.9 million. Employees: 1,038.

Placo Do Brazil (55%): plaster and plasterboard products. Sales: €55.2 million. Employees: 161.

Saint-Gobain Vidros SA: glass containers (bottles and industrial jars). Sales: €168.6 million. Employees: 725.

Saint-Gobain Canalização: ductile cast-iron pipes and connectors. Sales: €182.4 million. Employees: 1 332.

Saint-Gobain Distribuiçao Brasil Ltda: building materials distribution (38 outlets). Sales: €528.3 million. Employees: 3,478.

Argentina

€1 = ARS 5.84407

Vidriería Argentina (VASA) (49%): construction glass. Sales: €67.6 million. Employees: 177.

Saint-Gobain Abrasivos Argentina and Abrasivos Argentina: bonded abrasives, coated abrasives and masking tape. Sales: €54.6 million. Employees: 324.

Saint-Gobain Argentina SA: plaster, plasterboard, fiberglass insulation and reinforcement products, automotive glass distribution and pipe product and industrial mortar marketing. Sales: €127.9 million. Employees: 578.

Barugel Azulay: sanitaryware, tile and fitted kitchen distribution (7 outlets). Sales: €42.1 million. Employees: 232.

Rayen Cura Saic (60%): glass containers (bottles). Sales: €100.4 million. Employees: 365.

Chile

€1 = CLP 625.03041

Inversiones Float Chile Ltda (49%): flat glass and flat glass products. Subsidiary:
- Vidrios Lirquen (51.5%): flat glass and flat glass products. Sales: €25.7 million. Employees: 106.

Saint-Gobain Envases SA : glass containers (bottles). Sales: €24.7 million. Employees: 175.

ASIA-PACIFIC

Australia

1 € = AUD 1.24142

Saint-Gobain Abrasives Australia Pty Ltd: Sales: €72.5 million. Employees: 238.

China

€1 = CNY 8.10944

Saint-Gobain Hanglas Sekurit Shanghai Co. Ltd: automotive and photovoltaic glass products. Sales: €119.4 million. Employees: 817.

Nanjing New Nanwoo Glass Industries Co. Ltd: Sales: €40.7 million. Employees: 174.

Qingdao Saint-Gobain Hanglas Clfg Co. Ltd: Sales: €34.5 million. Employees: 206.

Eurokera Guangzhou Co. Ltd (50%): glass ceramic hob finishing products.

Kunshan Yongxin Glassware Co. Ltd (60%): Sales: €26.4 million. Employees: 391.

SEPR Beijing (87.8%): fused-cast refractory products. Sales: €26.6 million. Employees: 363.

Saint-Gobain PPL Shanghai: Sales: €58.9 million. Employees: 422.

Saint-Gobain Abrasives Shanghai and Saint-Gobain Abrasives Suzhou: abrasive grinding wheels. Sales: €105.8 million. Employees: 621.

Saint-Gobain Proppants Guanghan Ltd. Sales: €26.6 million. Employees: 208.

Saint-Gobain Ceramic Materials (Zhengzhou). Sales: €27 million. Employees: 253.

Saint-Gobain Zirpro Handan Co Ltd. Sales: €31.8 million. Employees: 189.

Saint-Gobain Gypsum (Changzhou): plaster. Sales: €28.1 million. Employees: 120.

Saint-Gobain Gypsum Materials Shanghai: plaster. Sales: €30.4 million. Employees: 176.

Saint-Gobain Isover Gu An: Sales: €7.8 million. Employees: 139.

Saint-Gobain Pipelines Co. Ltd.: ductile cast iron pipes. Sales: €163.7 million. Employees: 912.

Saint-Gobain Foundry Co. Ltd.: Sales: €11.3 million. Employees: 175.

DIP: ductile cast iron pipes. Sales: €56.1 million. Employees: 417.

Saint-Gobain (Xuzhou) Pipe Co. Ltd (Xuzhou General Iron and Steel Works): liquid cast iron production. Subsidiary:
- Xuzhou Everbright Ductile Iron Pipes Ltd.

Sales: €249 million. Employees: 2,015.

Saint-Gobain Pipelines (Xuzhou) Co. Ltd: Sales: €166.2 million. Employees: 647.

South Korea

€1 = KRW 1.44816

Hankuk Glass Industries Inc. (77.5%): listed on the Seoul stock exchange: flat glass. Sales: €178.5 million. Employees: 440. Subsidiaries:
- Hankuk Sekurit Limited (99.9%): automotive glass products. Sales: €124.6 million. Employees: 393.
- Hankuk Haniso. Sales: €54 million. Employees: 108.

Saint-Gobain PPL Korean Co. Ltd. Sales: €26.1 million. Employees: 70.

Indonesia

€1 = IDR 12,052.74688

PT Cipta Mortar Utama (51%): industrial mortars. Employees: 178.

PT Prima Rezeki Pertiwi (51%): industrial mortars. Employees: 138.

Saint-Gobain Winter Diamas (75%). Sales: €9.8 million. Employees: 264.

Saint-Gobain Abrasives Indonesia: Sales: €4.8 million. Employees: 63.

Japan

€1 = JPY 102.62952

Saint-Gobain K.K.: automotive glass, superabrasives, technical ceramics and high-performance plastics. Sales: €132.8 million. Employees: 244.

Saint-Gobain TM K.K. (60%): glass furnace refractories. Sales: €60.8 million. Employees: 175.

MAG Isover K.K. (99.9%): glass wool. Sales: €204.2 million. Employees: 404.

Malaysia

€1 = MYR 3.96902

Saint-Gobain Construction Products Malaysia Sdn: plaster. Sales: €30.3 million. Employees: 146.

Singapore

€1 = SGD 1.60623

Saint-Gobain (SEA) Pte Ltd.: Sales: €15.6 million. Employees: 51.

Rencol MMI Technology Pte Ltd (51%): high-performance plastics. Sales: €7.9 million. Employees: 24.

Thailand

€1 = THB 39.94416

Saint-Gobain Sekurit Thailand (95%): automotive glass products. Sales: €81.8 million. Employees: 568.

Saint-Gobain Abrasives Thailand Ltd. Sales: €14 million. Employees: 156.

Thai Gypsum Products Plc (99.7%): plaster and plasterboard. Sales: €72.9 million. Employees: 383. Subsidiary:
- Bpb Asia Ltd.

Vietnam

€1 = VND 26,848.10975

Saint-Gobain Construction Products Vietnam: plaster. Sales: €24.5 million. Employees: 139.

INDIA, SRI LANKA AND BANGLADESH

India

€1 = INR 68.62792

Saint-Gobain Glass India Ltd (98.7%): flat glass and flat glass products. Sales: €248.9 million. Employees: 1,481.

Saint-Gobain Sekurit India Ltd, listed on the Mumbai stock exchange: construction and automotive glass products. Sales: €15.6 million. Employees: 189.

Grindwell Norton Ltd (51.6%), listed on the Mumbai stock exchange: abrasives, ceramics and high-performance plastics. Sales: €136.6 million. Employees: 1,620.

SEPR Refractories India Ltd: fused-cast refractory products. Sales: €31.2 million. Employees: 538.

Saint-Gobain Crystals & Detectors India Ltd. Sales: €8 million. Employees: 94.

Saint-Gobain Gyproc India Ltd (99.8%): plaster and plasterboard. Sales: €75 million. Employees: 447.

STATEMENT

Statement by the person responsible for the Registration Document and the Annual Financial Report

"I hereby declare that, to the best of my knowledge, and having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and the undertakings in the consolidation taken as a whole, and that the management report (p. 45-116) includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

I obtained a statement from the Statutory Auditors at the end of their audit in which they confirm that they verified the information regarding the financial position and the accounts contained herein, and read the entire Registration Document."

Courbevoie,
March 27, 2013

Pierre-André de CHALENDAR

Chairman and Chief Executive Officer

TABLE OF CONCORDANCE

For the convenience of readers of this Registration Document, the following table provides an index to the main disclosures required by Annex 1 of European Commission Regulation (EC) 806/2004.

The following information is incorporated by reference in the Registration Document:

- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2011 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in Registration Document filed with the Autorité des Marchés Financiers on March 23, 2012 under no. D.12-0212.

- The consolidated financial statements and the parent company financial statements for the year ended December 31, 2010 and the Statutory Auditors' reports on the consolidated financial statements and the parent company financial statements for the same period, and the Group management report, which are contained in Registration Document filed with the Autorité des Marchés Financiers on March 29, 2011 under no. D.11-0189.

For the convenience of readers of the Annual Financial Report, the following table provides an index to the main disclosures required by article L.451-1-2 of the French Monetary and Financial Code.

COMPAGNIE DE SAINT-GOBAIN France Head Office	**Head office** Les Miroirs 18. avenue d'Alsace F-92400 Courbevoie Mailing address: Les Miroirs 92096 La Défense Cedex France Tel.: +33 (1) 47 62 30 00 www.saint-gobain.com
INNOVATIVE MATERIALS	**Flat glass** Tel.: +33 (1) 47 62 34 00 **High-Performance Materials** Tel.: +33 (1) 47 62 37 00
CONSTRUCTION PRODUCTS	Tel.: +33 (1) 47 62 45 00
BUILDING DISTRIBUTION	Tel.: +33 (1) 47 62 53 00
PACKAGING	Tel.: +33 (1) 47 62 38 00
CENTRAL EUROPE	**General Delegation** Viktoriaallee 3-5 52066 Aachen Germany Tel.: +49 (241) 51 60 www.saint-gobain.de
NORDIC & BALTIC COUNTRIES	**General Delegation** Robert Jacobsens Vej 62A 2300 Copenhagen Denmark Tel.: +45 70 300 688
UNITED KINGDOM REPUBLIC OF IRELAND & SOUTH AFRICA	**General Delegation** Saint-Gobain House Binley Business Park Coventry CV3 2TT United Kingdom Tel.: +44 (0) 2476 56 0700 www.saint-gobain.co.uk **Office in South Africa** Regional Head Office 77 Ostend Road Germiston South South Africa Tel.: +27 (0) 11 345 5300 www.saint-gobain.co.za
SPAIN, PORTUGAL & MOROCCO	*Address as of June 2013:* **General Delegation** C/ Principe de Vergara 132 28002 Madrid - Spain Tel.:+34 (91) 397 20 00
POLAND, ROMANIA, BULGARIA	**General Delegation in Poland** Iris Ul. Cybernetyki 9 02-677 Warsaw Poland Tel.: +48 (22) 653 79 00 www.saint-gobain.pl **Office in Romania** str Tipografilor 11 – 15, S-Park. Building B3 – B4, 3rd floor 013714 Bucharest Romania Tel.: + 40 21 207 57 00 www.saint-gobain.ro
CZECH REPUBLIC, SLOVAKIA,HUNGARY & EASTERN ADRIATIC REGION	**Office Czech Republic (Central Europe area)** Počernicka 272/96 Prague 108 03 Czech Republic Tel.: + 420 296 411 758 www.saint-gobain.cz

ITALY, EGYPT, GREECE & TURKEY

General Delegation
Via E. Romagnoli, 6
20146 Milan
Italy
Tél.: +39 (0) 2 42 431
www.saint-gobain.it

Office in Egypt
66, Cornish einil,
Zahret ElMaadi Tower,
Maadi - Heiwan
Egypt
Tél.: +202 (252) 88 070

RUSSIA, UKRAINE & CIS COUNTRIES

General Delegation
Lefort Business Centre
Street Elektrozavodskaya, 27 Bld. 3D.
107023 Moscow
Russia
Tél.: +7 (499) 929 55 70
www.saint-gobain.com

NORTH AMERICA

General Delegation
750 E Swedesford Road
PO Box 860
Valley Forge, PA 19482-0101
United States
Tél.: +1 (610) 341 70 00
www.saint-gobain-northamerica.com

BRAZIL, ARGENTINA & CHILE

General Delegation
Avenida Santa Marina, 482
Agua Branca
SP 05036-903 São Paulo
Brazil
Tél.: +55 (11) 2246 7622
www.saint-gobain.com.br

MEXICO, CENTRAL AMERICA,VENEZUELA, COLOMBIA, ECUADOR & PERU

General Delegation
Horacio no. 1855-502
Colonia Polanco
11510 Mexico DF
Mexico
Tél.: +52 (55) 52 79 16 00
www.saint-gobain.com.mx

ASIA-PACIFIC

General Delegation
1701, Ocean Tower
550 Yan An East Road
Shanghai 200001
People's Republic of China
Tél.: +86 (21) 63 61 88 99
www.saint-gobain.com.cn

Office in Japan
Saint-Gobain Bldg
3-7 Kojimachi, Chiyoda-ku
102-0083 Tokyo
Japan
Tél.: +81 (3) 32 88 63 10
www.saint-gobain.co.jp

Office in South Korea
Youngpoong Building 15th Floor,
33, Seorin-dong,
Jongno-gu
Seoul 110-752
South Korea
Tél.: +82 2 3706 9071
www.hanglas.co.kr

Office in Thailand (Southeast Asia)
127, Gypsum Metropolitan Tower
539/2, Si Ayutthaya Road,
Thanonphayathai, Ratchathewi
Bangkok 10400
Thailand
Tél.: +66 2 640 8721
www.saint-gobain.co.th

Office in Australia
15 Edgars Road,
Thomastown
VIC 3074 Australia
Tél.: +61 3 93 58 61 00
www.saint-gobain.com.au

INDIA, SRI LANKA & BANGLADESH

General Delegation
Level 5, Leela Business Park,
Andheri Kurla Road,
Andheri (East)
Mumbai - 400059
India
Tél.: + 91 (022) 40 21 21 21
www.saint-gobain.co.in

This document is available online at **www.saint-gobain.com**

Designed and produced by: eurokapi GROUPE.

PHOTOS CREDIT:

Cover: © Getty Images Alexander Hafemann – p.2 : © Hervé Desplanches/Take4 – p.11 : © NASA/JPL-Caltech – p.16 : © Ecophon – p.21: © SGDB – p.24 © DR – © Photo library Saint-Gobain, all rights reserved.

This document is printed on recyclable, biodegradable paper, made and bleached using chlorine-free processes at European plants compliant with ISO 9001 (on quality management), ISO 14001 (on environmental management), FSC and PEFC (on sustainable forestry) and EMAS (on environmental performance). The paper is certified to foodstuffs grade by ISEGA and is free of heavy metal (under 100 ppm).

SAINT-GOBAIN

COMMUNICATIONS DEPARTMENT
LES MIROIRS – 92096 LA DÉFENSE CEDEX - FRANCE
www.saint-gobain.com