ANNUAL REPORT 2003

SAINT-GOBAIN

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Enriched by a long history beginning in France in 1665 with the formation of Manufacture Royale des Glaces de Miroirs, Saint-Gobain has developed and diversified over the years, while being consistently at the forefront of successive technological revolutions. The Group's present configuration is the fruit of a sweeping transformation and strategic reworking of its business operations and structures that started in the 1990s.

These fundamental changes are being carried out in tandem with continued concentration on the Group's historic businesses of Flat Glass, Containers, Insulation, Pipe, and Building Materials. In each of these businesses, Saint-Gobain enjoys various strengths that translate into a solid base for profitable growth powered by constant renewal of technological expertise, worldwide or European leadership, strong free cash flow, and substantial growth potential in key emerging markets.

The Group's new businesses (Building Materials Distribution, Ceramics & Plastics, Abrasives, and Reinforcements) have provided additional strengths, such as higher average organic growth, less of a capital intensive focus, and a host of opportunities for external expansion in markets that are still highly fragmented. These businesses have played a large part in transforming Saint-Gobain. They now account for 53% of Group sales compared with 25% in 1996 and represent some 75% of the Group's acquisition spending over the past seven years.

Saint-Gobain in figures

€29,590 million in sales

€1,039 million in net income

172,811 employees

A manufacturing or retail presence in **46** countries

Chairman's Statement

Operating objectives met once again and a strengthened financial position

Saint-Gobain delivered a resilient performance in 2003 despite the sluggish global economy. Consolidated sales climbed by 2.5% on a comparable basis. This rate, which was significantly higher than global economic growth, was fueled by a fifth consecutive year of across-the-board increases in sales prices. Growth was further underpinned by strong momentum in the Housing Products Sector and in emerging countries.

Thanks to this expansion, and despite increases in raw materials costs, the Group posted a further 1% growth in operating income at constant exchange rates, which was in line with the objective set at the start of the year.

The Group's business model continues to prove its worth. Its resilience is assured by a balanced spread of historic and new businesses (Ceramics and Composites and Building Materials Distribution), market sectors (construction, industrial investment and consumer spending) and geographic regions. Thanks to its strategy, the Group has been able to improve its resistance to business cycles and has proved its capacity for growth through a three-year downturn. We regularly generate high levels of cash flow from operations, reporting some €2.5 billion in 2003. The combination of tightly controlled capital spending, sharply reduced working capital requirements, and the disposal of non-strategic activities such as Terreal, resulted in a further reduction in net debt, which was cut to €5.7 billion at the end of 2003, from €7 billion a year earlier.

Our improved financial position will allow us to step up the pace of expansion

More than ever, our growth hinges upon our capacity to accelerate development in emerging countries. This not only enables us to lower our production costs, but also to take advantage of the robust growth prospects in these countries. Between 1997 and 2003, Saint-Gobain achieved a fivefold increase in sales in emerging economies at constant exchange rates. Each year, the Group devotes almost one-fifth of its capital expenditure to emerging regions of the world.

To sustain its growth trajectory, the Group is leveraging high-potential acquisition opportunities. Alongside Building Materials Distribution and High-Performance Materials, our acquisition strategy will also focus on opportunities in emerging markets, particularly for the historic businesses.

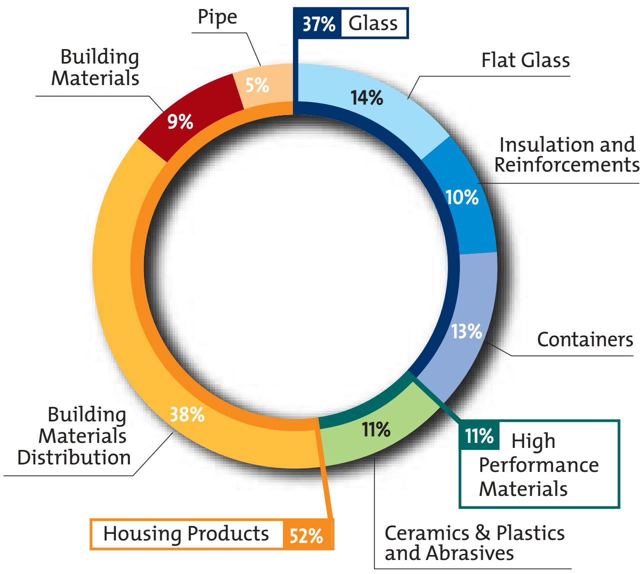
Another key driver of growth is the dynamism and expansion of the Building Materials Distribution Division. As the leading distributor of building materials in Europe, serving a customer base of contractors and tradesmen, the Division now operates almost 3,000 outlets. It is being bolstered by the development of specialized trading banners as well as by the rapid roll-out of new sales formats, such as La Plateforme du Bâtiment.

Backed by the trust of our shareholders and customers, and the commitment and dedication of our worldwide employees and executives, the Saint-Gobain Group is well-placed to benefit fully from the opportunities presented by an economic recovery in 2004.

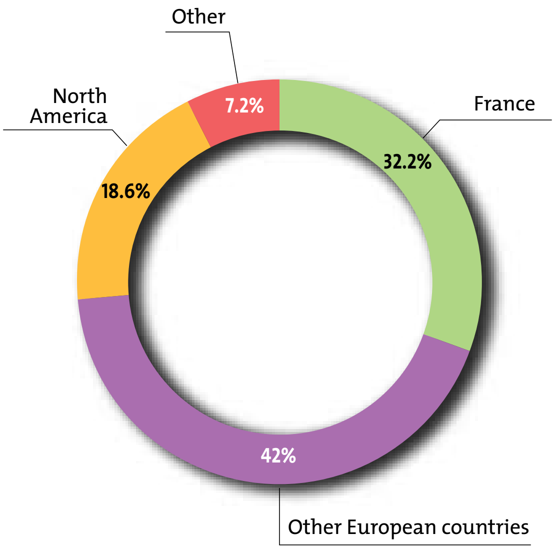
Jean-Louis Beffa
Chairman and Chief Executive Officer

Key figures 2003

Sales by Sector and Division



Sales by geographic region



2003 Annual Report

This “Document de Référence” was filed with the Autorité des Marchés Financiers on April 19, 2004 (N°D.04-0526), in accordance with Regulation 98-01. 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 English-language version of this annual report is a free translation of the original French text. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version which is the authentic text. The auditors' report applies to the French version of the Management Report and the financial statements.

Contents

I • Saint-Gobain **today**

The results of a long-term strategy

The origins of the Saint-Gobain Group go back to the founding in France of the *Manufacture Royale des Glaces de Miroirs* (Royal Mirror Glass Works) in 1665. Over the course of its development and diversification in intervening years, the Group has consistently been at the forefront of successive technological revolutions. Saint-Gobain's present configuration is the fruit of a sweeping transformation of its business operations and structures which began in the 1990s and went on to fundamentally reshape the Group's strategic focus.
Today, Saint-Gobain operates as a manufacturer and provider of high-technology materials and associated services. Its mission is to produce, process and distribute the most advanced materials and to deliver sustained profitable growth by leveraging its strong leadership positions.

A retooled group

The first stage in Saint-Gobain's reorganization was to dispose of historic businesses in which the Group did not have any specific technological advantage or a market leading position either in Europe or the world. The other principal landmarks of the Group's restructuring have been:

• the acquisition of Norton (1990);
• the acquisition of the Poliet Group (1996);
• a refocusing of historic businesses on downstream activities and services, alongside expansion into emerging countries.

Together, these developments have opened up new avenues for the Group's long-term growth. The acquisition of Norton marked a new departure by giving Saint-Gobain a foothold in businesses with a higher technological content. Similarly, its purchase of Poliet heralded a new approach to marketing and services. At the same time, Saint-Gobain began focusing on moving its semi-finished goods businesses "downstream", i.e. closer to end customers, enabling the Group to better serve their requirements.

These fundamental changes are being carried out in tandem with continued concentration on the Group's historic businesses of Flat Glass, Containers, Insulation, Pipe, and Building Materials. In each of these businesses, Saint-Gobain enjoys various strengths that translate into a solid base for profitable growth powered by constant renewal of technological expertise, worldwide or European leadership, strong free cash flow, and substantial growth potential in key emerging markets.

The Group's new businesses (Building Materials Distribution, Ceramics & Plastics, Abrasives, and Reinforcements) have provided additional strengths, such as higher average organic growth, less of a capital intensive focus, and a host of opportunities for external expansion in markets that are still highly fragmented. These businesses have played a large part in transforming Saint-Gobain. They now account for 53% of Group sales compared with 25% in 1996 and represent some 75% of the Group's acquisition spending over the past seven years.

Saint-Gobain has doubled its global revenue footprint over the last six years. External growth operations have played a significant role in this expansion. For example, in the Building Materials Distribution Division, major acquisitions such as UK-based Jewson and Graham and Germany-based Raab Karcher have driven a 30% increase in sales over the period 2000 to 2003. In High-Performance Plastics (Ceramics & Plastics) and glass reinforcement fabrics (Reinforcements), the same figures are 50% and 20% respectively.

At the same time, Saint-Gobain has pressed ahead with international expansion. To build upon its already diversified presence in Europe and Latin America, the Group has strengthened its presence in North America, Central Europe and more recently, Asia.

This geographical expansion has involved all divisions and businesses: Flat Glass in Asia and Central Europe, Insulation in Eastern Europe, Reinforcements in Asia, Eastern Europe and Latin America, Containers in North and South America, Ceramics and Abrasives (all continents), Pipe in Europe and China, and Building Materials in South America. Building Materials Distribution, which was initially restricted to France, is now the leading European player in its field* and has gained a strong foothold in Brazil.

** Source: Saint-Gobain.*

At constant exchange rates, consolidated sales have multiplied four-fold in emerging countries over the last five years.
Having retooled the Group's structure and reach, Saint-Gobain can confront the economic challenges that lie ahead.

A balanced growth strategy

The Group has in recent years implemented a strategy to achieve sustainable profitable growth based on three objectives: developing genuine leadership in all of its businesses, improving its medium-term growth potential, bolstering its technological and sales capabilities, sharply reducing its exposure to cyclical changes and market fluctuations, and increasing profitability and free cash flow. Thanks to its business model – which is based on these objectives – despite a challenging economic environment, Saint-Gobain was able to achieve an increase in operating income on a comparable exchange rate basis in 2003, in line with the objectives set at the beginning of the year.

This strategy also applies to the three pillars of the Group's operations: the Historic Businesses, High-Performance Materials and Building Materials Distribution.

In *the Historic Businesses* the Group is focusing on optimizing its manufacturing and marketing performance by concentrating its major new investment programs in emerging countries, while at the same time modernizing its existing manufacturing base in Western Europe and the United States. These businesses are also aiming to achieve full production capacity as well as sustained productivity and technological improvements. The pursuit of these objectives will also require tight control of capital expenditure and increased free cash flow, which is characteristically high in these businesses. The worth of the Group's policy has been borne out by the results achieved.

Despite the market downturn suffered in *High-Performance Materials* between 2001 and 2003, the sector's strategic model is still effective as prices tend to resist well in these highly specialized businesses, even in the most challenging of economic conditions. The Group's positioning in these specialty markets is therefore key to growth and to the extent possible, it is anticipating customers' needs by investing in cutting edge research and development. There are still opportunities to seize for consolidation in these extremely fragmented markets provided the locations of the Group's manufacturing facilities are optimized. At the same time, in order to rapidly adapt to market slowdowns these sectors have pursued efforts to reduce production costs, while relocating certain production capacity, particularly to countries where growth has remained strong, such as China. Against this backdrop, the Group has been able to maintain its ambitious objectives for these businesses: strong medium-term organic growth in the region of 5% per year, combined with a sustained high level of return on capital employed thanks to their lower level of capital intensity.

The business model for *Building Materials Distribution* is fully focused on profitable growth, to be achieved through a combination of marketing and service innovations, bolt-on acquisitions and extending geographic reach. Innovation efforts have led to new store concepts, such as La Plateforme, new supplier partnerships, an own brands policy, and specific solutions for entering markets in new countries based on tailored local offerings. The geographic growth strategy includes opportunities for bolt-on acquisitions, which are not limited to France. There are possibilities available for Jewson in the United Kingdom, Raab Karcher in Germany as well as in emerging countries where demand for new formats is strong. The La Plateforme concept is also contributing to the Group's drive for international expansion and has already been rolled out to seven countries. Building Materials Distribution therefore provides sustained high growth potential, building on a system which is less capitally intensive than the Group's other activities. In 2003, *Building Materials Distribution* posted strong growth in Europe's challenging markets, thanks particularly to the high volume of acquisitions during the year which are expected to contribute additional annual sales of almost €1 billion. The largest major acquisition was that of PUM Plastiques – a specialist distributor of plastic products – which represented approximately one fifth of total sales acquired.
This strategy has brought with it a proper balance of risks and opportunities for all of the Group's activities over recent years. Since 1994, the manufacturing companies

have maintained operating margin levels of over 10% while GDP in the OECD nations fluctuated significantly during the period, with a substantial fall in 2001 and challenging economic conditions in 2002 and 2003. Against this backdrop, the Group confirmed its capacity to generate strong organic growth, reporting a 2.5% like-for-like increase (including 1.7% volume growth), which is higher than the GDP performance. This organic growth enabled the Group to achieve a slight increase in earnings in 2003 on a comparable exchange rate basis, despite the sharp rise in raw materials costs which hit particularly hard in the first half of the year.

Thanks to sales and earnings growth, combined with tight control over capital spending, the Group was able to significantly strengthen its balance sheet structure during the year by stepping up the pace of debt reduction. Net debt fell from €7 billion at December 31, 2002 to €5.7 billion at year-end 2003.

In 2003, as in 2001 and 2002, Saint-Gobain's business model once again proved its worth. Faced with economic conditions which are still difficult the Group will maintain its strategy for 2004, particularly focusing on organic growth. Going forward, the significant debt reduction in 2003 will enable the Group to have more room for maneuver for financing purposes, allowing for possible further external growth transactions in certain areas and particularly for the new businesses and emerging countries.

Ten-year consolidated financial highlights

(in euro millions)	**2003**	2002	2001	2000	1999	1998	1997	1996	1995	1994
Net sales	**29,590**	30,274	30,390	28,815	22,952	17,821	16,324	13,931	10,719	11,357
Gross margin	**7,327**	7,604	7,698	8,146	6,851	4,573	4,118	3,374	2,664	2,697
Operating income	**2,442**	2,582	2,681	2,693	2,314	1,776	1,593	1,434	1,187	1,112
Income before tax and before profit on sales of non-current assets	**1,722**	1,848	1,988	1,947	1,821	1,393	1,220	1,124	1,070	808
Net income before minority interests	**1,065**	1,074	1,174	1,642	1,389	1,182	970	767	716	724
Net income	**1,039**	1,040	1,134	1,517	1,226	1,097	858	659	642	553
Earnings per share (in €)	**2.99**	12.20, 3.05*	13.30	17.80	14.05	12.15	9.62	7.61	7.69	6.81
Net income excluding profit on sales of non-current assets	**1,020**	1,051	1,057	1,026	883	790	656	636	613	413
Earnings per share excluding profit on sales of non-current assets (in €)	**2.93**	12.32 3.08*	12.40	12.04	10.12	8.75	7.35	7.34	7.34	5.09
Cash flow from operations	**2,471**	2,673	2,733	2,643	2,360	1,912	1,693	1,628	1,404	1,237
Capital expenditure	**1,351**	1,431	1,430	1,722	1,712	1,288	1,353	1,169	852	576
Total investment outlay (1)	**1,911**	2,061	2,246	4,694	3,479	3,019	2,447	3,034	1,448	997
Net equity	**11,310**	11,542	12,348	11,724	11,151	9,924	9,959	9,082	7,017	6,422
Net debt	**5,657**	7,012	7,792	8,217	6,306	3,885	2,668	2,249	600	383
Non-current assets	**17,237**	18,840	19,678	19,530	16,909	14,033	13,139	12,103	8,463	7,661
Working capital	**5,247**	3,951	3,075	3,222	2,612	1,838	2,262	1,757	2,499	2,990
Employees (as of Dec. 31)	**172,811**	172,357	173,329	171,125	164,698	117,287	107,968	111,701	89,852	80,909

** After the four-for-one stock split carried out on June 27, 2002.*

(1) Capital expenditure on plant and equipment plus investments in securities, excluding Saint-Gobain shares bought back.

Saint-Gobain's businesses

As a result of the redeployment of operations, three core Sectors have gradually emerged, each of which includes several operating divisions. Saint-Gobain is a global or European leader in all three sectors. Each sector has built up an array of fast-growth businesses and has the necessary resources to grasp opportunities for development.

The **Glass Sector** includes Flat Glass, Insulation and Reinforcements, and Containers. By harnessing the extensive synergies between these market-leading businesses, Saint-Gobain has become the **number one glass manufacturer worldwide**. This leading position is unrivalled as none of the Group's competitors operate across the full spectrum of the glassmaking market. The Sector draws upon a powerful presence in Europe, North America and Latin America, as well as new positions in Asia. The end-user markets for the Sector's products are construction and renovation, the automotive industry, industrial machinery and household appliance manufacturers, as well as packaging. It is developing into new segments where Saint-Gobain's specific technology allows it to design innovative products with high added value, and is pursuing growth opportunities in emerging countries.

The **High-Performance Materials Sector** comprises two divisions: High-Performance Ceramics & Plastics, and Abrasives. The Sector is the **world leader in Abrasives*** and in thermal and mechanical applications of Ceramics. Since the acquisition of Furon in 1999, the Sector has also captured **the number one position in High-Performance Plastics.** Operations are evenly spread between Europe, America and Asia. They are highly innovation-oriented, are often in niche markets, and enjoy strong growth momentum.

The **Housing Products Sector** includes the Building Materials, Building Materials Distribution and Pipe divisions. The Pipe Division is the **number one supplier worldwide** of ductile cast iron pipes used for water distribution. The Building Materials Division is **joint world leader for roofing products and indoor and outdoor wall facings**, and is the European leader for industrial mortars. The Building Materials Distribution Division is **number one in Europe** in its field since the acquisition of Meyer International in the United Kingdom and Raab Karcher in Germany. With manufacturing operations in Europe, Latin America, Asia and South Africa and significant sales volumes in distant export markets, the Pipe Division also has considerable international reach.

Saint-Gobain's structure has therefore been optimized to enable a worldwide strategy to be rolled out across all businesses. Its development towards downstream activities, the most recent chapter in its refocusing, has brought the dual benefit of reduced exposure to cyclical downturns and closer knowledge of buying trends among end-user consumers.

Review by Sector and by Division

Net sales *(in euro millions)*	**2003**	2002	2001	2000
Flat Glass	**4,298**	4,423	4,478	4,478
Insulation and Reinforcements	**3,110**	3,329	3,274	3,274
Containers	**3,869**	4,076	4,070	4,070
(Internal sales)	**(11)**	(10)	(9)	(9)
Glass	**11,266**	11,818	11,813	11,813
Ceramics & Plastics and Abrasives	**3,256**	3,637	4,018	4,018
High-Performance Materials	**3,256**	3,637	4,018	4,018
Building Materials	**2,824**	3,074	3,184	3,184
Building Materials Distribution	**11,305**	10,953	10,521	10,061
Pipe	**1,516**	1,344	1,397	1,782
(Internal sales)	**(283)**	(269)	(278)	(203)
Housing Products	**15,362**	15,102	14,824	14,824
(Internal sales)	**(294)**	(283)	(265)	(265)
TOTAL	**29,590**	**30,274**	**30,390**	**30,390**

Pro forma accounts have been prepared for 2001, following the transfer, as from January 1, 2002, of the Pipe Division's distribution operations to the Building Materials Distribution Division.

** Source: Saint-Gobain.*

Glass

Flat Glass

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Basic Flat glass products	■ Clear and colored glass, layered glass	■ Pilkington (United Kingdom) ■ Asahi (Japan) ■ Guardian (United States) ■ PPG (United States)	
■ Processing and distribution Building industry	■ Construction, building industry, interior design, furniture		■ European leader and No. 2 worldwide
■ Automotive glass	■ Clear and safety products for the automotive industry, glass for replacement parts Aeronautics and mass transit		
■ Specialty glass	■ Fireproof glass, nuclear safety, industrial optics, home appliances, industrial refrigeration, glass for electronics	■ Schott (Germany)	

Insulation and Reinforcements

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Glass wool ■ Rock wool ■ Soundproof ceilings ■ Insulating foam ■ Metal frames and ceilings	■ Thermic and acoustic insulation of buildings, technical facilities, rolling materials Hydroponic cultivation	■ Owens Corning (United States, China) ■ Johns-Manville (United States) ■ Rockwool (Europe) ■ Uralita (Europe) ■ Knauf (United States, Europe) ■ Armstrong (United States, Europe)	■ Insulation: world leader
■ Glass threads (TD,TPA,Tx, etc.)	■ Automotive, mass transit, construction, industrial and consumer machines, electrical and electronics industries	■ Owens Corning (United States) ■ PPG (United States) ■ Johns-Manville (United States) ■ Nippon Electric Glass (Japan)	■ Reinforcements: world leader
■ Processing (glass, carbon, polyester and Kevlar® glass grids and reinforcing fabrics)	■ Building industry, industrial materials, technical composites	■ Nitto-Boseki (Japan)	■ Leader in external insulation grids for buildings

Containers

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Bottles and jars	■ Food packaging (for drinks and miscellaneous food products)	■ Owens Illinois (United States, Europe, Latin America) ■ Vitro (Mexico) ■ Anchor Glass (United States) ■ BSN Glass Pack (Europe) ■ Rexam (Europe, United States)	■ Joint world leader ■ European leader (all businesses combined)
■ Flasks	■ Fragrances, pharmaceutical and medical products	■ Pochet (France) ■ Rocco Bormioli (Italy) ■ Gerresheim (Germany, United States) ■ Wheaton (United States)	■ World leader
■ Plastic pumps and dispensers	■ Cleaning products, health and beauty care products ■ Fragrances and pharmaceuticals	■ Continental AFA (United States) ■ Crown Cork (Europe) ■ Guala (Italy) ■ Aptar (Europe, United States) ■ Rexam (Europe) ■ Coster (Italy)	■ World leader/joint leader (all businesses combined)

** Source: Saint-Gobain.*

High-Performance Materials

Ceramics & Plastics

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Industrial Ceramics	■ Refractories for glassmaking, ceramics, metallurgy and power generation furnaces Ceramic pellets and powders for industrial abrasives, refractories, ceramics and other industrial applications. Catalysts used in the petrochemicals industry	■ Cookson (United Kingdom) ■ Morgan Crucible (United Kingdom) ■ Washington Mills (United States) ■ RHI (Austria)	■ World leader for thermal and mechanical applications
■ Specialty ceramics (including crystals)	■ Equipment and components for semiconductor manufacturing. Fine and structural ceramics for applications in home appliances, automotive, aeronautics and aerospace components, telecommunications, nuclear power, oil and petrochemicals	■ Kyocera (Japan) ■ Toshiba Ceramics (Japan) ■ Asahi (Japan) ■ Coorstek (United States) ■ Ceramtech (Germany) ■ NGK (Japan)	■ No. 2 worldwide in specialty ceramics
■ High-Performance Plastics	■ Fluid systems Plummer blocks and seals Technical films and fabrics Specialty elastomers	■ Entegris (United States) ■ Trelleborg (Sweden) ■ DuPont (United States) ■ 3M (United States)	■ No. 1 or No. 2 worldwide in all High-Performance Plastics business lines

Abrasives

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Grinding wheels	■ Roughing, precision grinding, sharpening of tools and materials for the aeronautics, automotive, metals processing, mechanical bearings and iron and steel industries	■ Milacron (United States) ■ Carbo plc (United Kingdom) ■ Noritake (Japan) ■ Tyrolit (Austria)	■ World leader for all business lines
■ Thin grinding wheels	■ Cutting and trimming, metals processing, maintenance, energy, iron and steel, construction and home improvement	■ SAIT (Italy, United States) ■ Tyrolit (Austria) ■ Comet (Slovenia)	
■ Coated abrasives	■ Surface treatments, sanding: aeronautics, automotive, furniture, portable machines, steel, jewelry, watchmaking, biomedical industries	■ 3 M (United States) ■ Hermes (Germany) ■ Klingspor (Germany) ■ SIA (Switzerland)	
■ Superabrasives	■ Precision work for the aeronautics, automotive, cutting tools, mechanical bearings, electronics and composite materials industries. Glass products Construction materials and stone cutting tools	■ Asahi (Japan) ■ Diamant Boart (Belgium) ■ Noritake (Japan) ■ Wendt Boart (Belgium)	

** Source: Saint-Gobain.*

Housing Products

Building Materials Distribution

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Distribution of building materials for new construction and renovation ■ Industrial carpentry	■ Market for houses and apartments Home equipment: kitchens, carpentry, bathrooms, heating	■ Wolseley (United Kingdom/France) ■ CRH (Ireland, Netherlands) ■ Travis Perkins (United Kingdom)	■ European leader in building materials distribution and world leader in ceramic tile distribution

Building Materials

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ PVC indoor and outdoor sidings (United States) ■ Roofing products (United States) ■ Concrete products ■ Composite materials, mortars	■ New construction and renovation of existing homes Wall coatings, glues and joints for tiling Road-building and utilities Civil engineering Urban furniture Materials for gardens and landscaping	■ Materis (France) ■ Owens Corning (United States) ■ Trex (United States) ■ GAF (United States) ■ Elk (United States) ■ James Hardie (Australia) ■ Etex (Belgium) ■ Wienerberger (Austria) ■ Royal Group (Canada) ■ Bonna-Sabla (France)	■ European leader for industrial mortars ■ Among the world leaders in wall facings and coatings ■ Joint world leader for roofing products

Pipe

Businesses and products	Key uses	Key competitors	Competitive ranking*
■ Entire systems of ductile cast iron pipes and accessories for multi-material pipe systems	■ Drinking water supply Irrigation Wastewater networks Fire protection Rainwater drainage	■ US Pipe (United States) ■ Mac Wane (United States) ■ Kubota (Japan) ■ Xinxing (China) ■ Buderus (Germany) ■ Tyco (United States)	■ World leader in ductile cast-iron pipes
■ Ductile cast iron and steel roadwork components	■ Access to wet and dry networks	■ Norinco (France)	■ World leader in ductile cast iron roadwork components
■ Entire pipe systems for wastewater and rainwater drainage for the construction industry	■ Pipes for buildings		■ European leader in cast iron components for the construction industry

** Source: Saint-Gobain.*

The Saint-Gobain share

Stock Exchange Information

At December 31, 2003, Saint-Gobain ranked twenty-first in France as regards market capitalization (€13,495 million) and eighteenth as regards the volume of shares traded on the Premier Marché of Euronext Paris SA (ISIN code: FR 0000 125007), with an average of 2,145,475 shares traded daily in 2003. Saint-Gobain stock is also traded on the principal European stock exchanges of Frankfurt, London, Zurich (since 1987), Amsterdam, and Brussels (since 1988). The average transaction volume on these foreign markets was also large, notably on the London Stock Exchange. The Saint-Gobain share is also included in the Dow Jones "Sustainable Development" indexes (DJS World Index and DJS European Index) and in the DJ Euro Stoxx 50 index of 50 leading European stocks.

The Saint-Gobain share forms part of the support shares on the traded options market of the Paris Stock Exchange (MONEP) and of the London Stock Exchange. The number of option transactions on the Paris Stock Exchange in Saint-Gobain shares was 3,471,495 lots in 2003, against 2,576,045 in 2002.

Highest and lowest share prices

(source: Euronext Paris SA)

Year *(in euros)*	High	Low	Year-end price
1999	189.90	103.10	186.70
2000	195.70	116.50	167.30
2001	180.00	128.20	169.50
2002*	49.05	18.57	27.96
2003	39.10	22.40	38.81

(*) After the four-for-one stock split of June 27, 2002.

Dividends

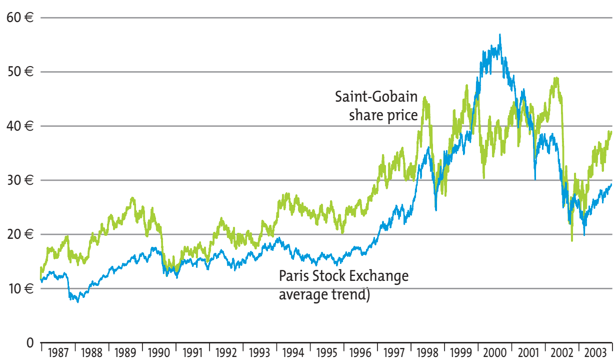
Year	Number of shares on which dividends paid	Income per share: Dividend	+	Income per share: tax credit	Total income in euros	Yield based on closing price for the year
2001	85,258,628 shares	4.50		2.25	6.75	3.98%
2002*	341,010,680 shares	1.13		0.565	1.695	6.06%
2003	347,824,967 shares	1.15		0.575	1.725	4.44%

(*) After the four-for-one stock split of June 27, 2002.

Dividends which are not claimed within five years of the date of payment become statute-barred and are then paid to the State.

Share Price

After the four-for-one stock split of June 27, 2002



Total Shareholder Return

- **Since the Company's privatization in December 1986: 11.5% per year, of which:**

  7.2% in share price gains

  4.3% in gross dividends

  (including the 50% avoir fiscal tax credit)

The calculation breaks down as follows:

- IPO price: FRF 310, or €11.81 per share (after the four-for-one stock split of June 27, 2002)
- payment of dividends in cash in 1987 and 1988
- "reinvestment" of dividends in shares between 1989 and 1997
- payment of dividends in cash between 1998 and 2003
- share price at December 31, 2003: €38.81

- **Over 10 years – from December 31, 1993 to December 31, 2003: 10.3% per year, of which:**

  5.9% in share price gains

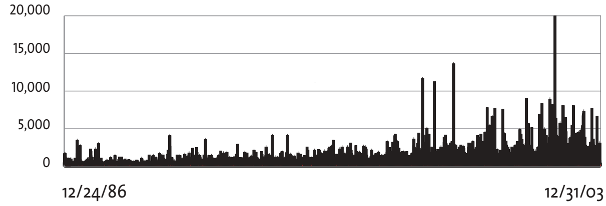
  4.4% in gross dividends (including the 50% avoir fiscal tax credit)

The calculation breaks down as follows:

- share price at December 31, 1993: FRF 576, or €21.96 (after the four-for-one stock split of June 27, 2002)
- "reinvestment" of dividends in shares between 1994 and 1997
- payment of dividends in cash between 1998 and 2003
- share price at December 31, 2003: €38.81

Number of shares traded

after the four-for-one stock split (in thousands)



Transactions since October 2002

(source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in € thousands)	High (in €)	Low (in €)
2002				
October	80,463,477	1,822,070	27.13	18.57
November	56,958,538	1,491,420	31.18	20.60
December	34,672,358	990,520	32.20	26.11
TOTAL	172,094,373	4,304,010		
2003				
January	46,259,716	1,250,287,844	30.00	24.02
February	46,353,884	1,290,644,974	29.90	25.60
March	51,029,911	1,326,886,711	28.51	22.40
April	46,885,398	1,358,141,538	32.38	24.35
May	48,611,896	1,518,054,946	32.65	30.01
June	77,139,163	2,583,227,235	36.01	30.66
July	45,698,281	1,569,977,371	36.56	32.30
August	29,956,970	1,065,037,198	37.30	34.30
September	44,445,984	1,531,172,032	37.00	30.73
October	45,673,234	1,570,622,810	36.41	31.22
November	34,998,971	1,276,670,025	38.00	34.91
December	30,042,609	1,136,720,146	39.10	36.88
TOTAL	547,096,017	17,477,442,830		
2004				
January	33,912,190	1,348,062,400	42.00	38.15
February	30,532,612	1,283,670,018	43.68	40.16
March	39,932,504	1,629,243,034	44.09	38.31

Transactions since October 2002

(source: London Stock Exchange)

London Stock Exchange	Volume of shares	Value (in £ thousands)
2002		
October	19,653,921	286,529
November	5,186,619	80,913
December	2,634,878	47,797
TOTAL	27,475,418	415,239
2003		
January	1,251,522	21,716
February	3,995,148	74,812
March	2,211,276	37,689
April	2,453,039	49,932
May	1,990,244	43,715
June	3,700,091	87,855
July	12,662,688	303,744
August	9,895,310	246,003
September	11,291,452	269,719
October	13,283,555	317,368
November	9,975,818	252,256
December	11,775,611	312,028
TOTAL	84,485,754	2,016,837
2004		
January	16,447,200	457,122
February	12,807,680	365,023
March	13,202,242	360,849

A total of 225,800 shares were traded on the Frankfurt Stock Exchange in 2003 (source: Datastream).

In 2001, the Group issued successful public tender offers for the minority interests in a Spanish subsidiary and three Brazilian subsidiaries and these four companies were delisted. In 2002, the Group issued a public buyback offer for the shares which it did not already own in Lapeyre, followed by a compulsory buyout. Further to these transactions, the only Group companies, other than Compagnie de Saint-Gobain, which are currently listed are Saint-Gobain Oberland, listed on the Frankfurt, Munich and Stuttgart stock exchanges, Hankuk Glass Industries, listed in Seoul, and Grindwell Norton and Saint-Gobain Sekurit India Ltd, listed in Mumbai.

OCÉANES bonds (convertible into either new or existing shares)

In February 2002, Compagnie de Saint-Gobain issued five-year "Océane" bonds that are convertible into either new or existing shares, for a total amount of €920 million. These securities have been listed on the Premier Marché of Euronext Paris SA since February 18, 2002.

Transactions since October 2002

(source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in € thousands)	High (in €)	Low (in €)
2002				
October	12,267	2,380,748	210.1	185.0
November	49,283	9,505,568	200.5	188.0
December	3,431	684,114	204.9	198.6
TOTAL	64,981	12,570,430		
2003				
January	64,054	12,772,685	213.00	196.21
February	34,298	6,966,413	206.00	203.00
March	46,182	9,508,792	206.75	205.00
April	9,852	2,065,342	212.20	202.00
May	9,970	2,138,213	215.50	212.00
June	969	209,351	218.10	215.00
July	39,887	8,750,159	221.00	216.00
August	7,323	1,598,372	222.00	215.00
September	6,481	1,402,360	222.00	215.50
October	16,013	3,479,788	218.50	215.00
November	25,109	5,517,943	221.00	216.80
December	6,123	1,355,911	224.50	220.50
TOTAL	266,261	55,765,327		
2004				
January	29,826	6,518,225	220.40	215.00
February	11,954	2,664,581	224.15	217.00
March	11,866	2,647,069	240.00	220.25

Non-voting participating securities

In June 1983, Compagnie de Saint-Gobain issued non-voting participating securities for FRF 700 million with an attached warrant giving the right to subscribe to an additional FRF 700 million of non-voting participating securities. In all, 1,288,299 securities of FRF 1,000 have been issued. Their par value now stands at €152.45 following the conversion into euros carried out in 1999.

Since their issue the remuneration of the non-voting securities has always reached the maximum permitted under the terms of the prospectus, i.e. 125% of the average rate of interest on bonds (TMO). Based on the 2002 results, the remuneration in 2003 should be at the same level. The remuneration is set at between 75% and 125% of TMO, based on the consolidated results of the Saint-Gobain Group. The amount paid per security in 2003 in respect of the 2002 fiscal year was €9.80.

Transactions since October 2002

(source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in € thousands)	High (in €)	Low (in €)
2002				
October	1,832	259,784	150.0	131.0
November	5,781	814,712	154.0	134.6
December	4,145	584,430	146.7	135.0
TOTAL	11,758	1,658,926		
2003				
January	851	122,415	155.00	140.10
February	1,286	179,626	151.90	132.00
March	1,957	283,526	149.00	140.00
April	2,015	294,008	149.00	143.00
May	962	147,803	160.00	148.00
June	1,727	265,905	156.00	152.00
July	3,175	493,917	162.00	148.00
August	2,140	326,630	153.50	149.50
September	535	83,506	165.50	152.10
October	765	121,552	164.00	154.90
November	1,249	197,193	165.50	151.10
December	1,917	307,702	179.00	155.30
TOTAL	18,579	2,823,782		
2004				
January	3,084	514,385	170.00	162.00
February	3,196	539,313	169.80	167.00
March	8,906	1,594,780	192.90	168.80

In April 1984, non-voting participating securities amounting to ECU 100 million were issued together with a warrant giving the right to acquire an equivalent number of participating securities in ECUs. In all, 194,633 securities of ECU 1,000 have been issued. Their par value is now €1,000.

The remuneration of the non-voting participating securities in ECUs comprises a fixed portion of 7.5% per annum applied to 60% of the par value of the security and a variable amount on the remaining 40% based on the consolidated net income of the previous year within the limits set by the prospectus. The total remuneration varies, depending on consolidated net income, between the average rate of interest on bonds (TMOE) less 0.50% and the TMOE plus 1.75%. The amount paid by security in 2003 was €69.70, paid in two installments.

Transactions since October 2002
(source: Euronext Paris SA)

Paris Stock Exchange	Volume of shares	Value (in € thousands)	High (in €)	Low (in €)
2002				
October	309	47,548	154.9	152.0
November	200	30,405	152.1	152.0
December	340	51,393	152.7	151.0
TOTAL	**849**	**129,346**		
2003				
January	31	4,670	152.00	150.00
February	149	22,682	153.00	151.00
March	75	11,545	154.00	153.52
April	32	4,940	155.00	154.00
May	279	42,971	155.00	153.50
June	37	5,699	154.50	154.00
July	340	52,474	158.00	149.20
August	0	0	0.00	0.00
September	117	17,784	153.00	150.00
October	50	7,785	156.80	155.00
November	228	35,592	158.36	155.00
December	324	50,001	158.00	152.00
TOTAL	**1,662**	**256,142**		
2004				
January	98	15,528	163.51	156.01
February	227	36,671	164.00	161.10
March	148	25,232	173.00	161.20

There are no other Compagnie de Saint-Gobain securities traded on a market other than shares, "OCÉANE" bonds and non-voting participating securities.

Shareholders

Capital stock

At December 31, 2003, the capital stock of Compagnie de Saint-Gobain amounted to €1,391,299,868 breaking down into 347,824,967 ordinary shares (after the four-for-one stock split of June 27, 2002) with a par value of €4 each, compared to 341,010,680 shares at December 31, 2002. The increase in the number of shares reflects the issue of 6,499,407 shares subscribed by employees under the Group Savings Plan and the issue of 314,880 shares following the exercise of the same number of stock options.

Ownership structure

	December 31, 2003		December 31, 2002		March 1, 2002	
	% interest	Voting rights	% interest	Voting rights	% interest	Voting rights
Group Savings Plan	7.4%	11.7%	6.3 %	9.6 %	6.5 %	9.4 %
Caisse des Dépôts et Consignations	4.2%	4%	4.6 %	4.4 %	4.6%	4.3 %
BNP Paribas Group	0.6%	1.2%	1.0 %	1.8 %	2.1 %	4.0 %
AXA Group	1.1%	1.2%	2.4 %	3.8 %	1.9 %	3.3 %
Treasury stock	3.3%	0	1.5 %	0	1.4 %	0
Other shareholders	83.4%	81.9%	84.2 %	80.4 %	83.5 %	79.0 %
TOTAL	**100%**	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

The breakdown of ownership and voting rights has changed considerably in recent years. As a result of the policy of unwinding cross-shareholdings, Suez and Saint-Gobain have not had any capital ties since 1998 and Vivendi Universal has not held a stake in Saint-Gobain since May 2002. Institutional investors such as Caisse des Dépôts et Consignations have gradually taken over the role previously occupied by these two historic shareholders. Lastly, the Group Savings Plan has considerably increased both its ownership interest and its voting rights over the last few years and has been the Company's leading shareholder since 2000.

During 2003, Caisse des Dépôts et Consignations informed the Company that it had (i) crossed the disclosure threshold of 5% of the Company's capital by increasing its interest, (ii) crossed the disclosure threshold of 5% of the Company's voting rights by increasing its voting rights and finally (iii) crossed these two thresholds by reducing its interest (Notification numbers 203C0864, 950 and 990 dated June 10, and June 25, and July 2, 2003 issued by the Conseil des Marchés Financiers). To the best of the Company's knowledge, there are no pacts concerning the capital stock and the major shareholders mentioned above do not act in concert.
Saint-Gobain does not hold any of its own shares other than those held in treasury stock mentioned above.
According to the December 31, 2003 identification of holders of bearer shares, the number of shareholders is estimated to be around 230,000.

Since 1987, the Company's bylaws have provided that fully paid up shares registered for two years in the name of the same shareholder carry double voting rights. In addition, when the capital is increased by the capitalization of reserves, profits or issue premiums, a right to a double vote is granted on issue to each bonus share distributed free of charge to a shareholder owning shares giving rise to this right. Any share converted into bearer form or whose ownership is transferred loses the right to a double vote. Nevertheless, transfers resulting from an inheritance or from the liquidation of the joint estate of a husband and wife or donations inter vivos in respect of a husband, wife or parent entitled to share in the estate of an intestate, do not result in the loss of the right and do not interrupt the two-year period referred to above.

At December 31, 2003 the number of voting rights was 357,368,824 for 347,824,967 shares. Given the 4,073,400 outstanding stock options at that date, the potential capital would be made up of 351,898,367 shares assuming all rights were to be exercised and not taking into account any conversion into new shares of the Océane bonds in issue. If all of those bonds were to be converted, the Company's capital would be made up of 369,422,179 shares.
The percentage of the share capital held personally by members of the Board of Directors is below 0.5%. The same applies to Group Management.

Changes in capital in the last five years

	Capital	Number of shares	
1-99	€1,376,550,410	90,295,788	Conversion into euros of capital stock
6-99	€1,307,722,916	85,781,000	Cancellation of 4,514,788 shares
6-99	€1,372,496,000	85,781,000	Increase in the par value to €16
6-99	€1,391,283,744	86,955,234	Group Savings Plan: issue of 1,174,234 shares (at €97)
12-99	€1,395,788,000	87,236,750	Subscription to 281,516 shares by the exercise of as many stock options
6-00	€1,342,036,944	83,877,309	Cancellation of 3,359,441 shares
9-00	€1,373,336,528	85,833,533	Group Savings Plan: issue of 1,956,224 shares (at €106)
11-00	€1,361,990,544	85,124,409	Cancellation of 709,124 shares
12-00	€1,363,412,208	85,213,263	Subscription to 88,854 shares by the exercise of as many stock options
6-01	€ 1,377,862,608	86,116,413	Group Savings Plan: issue of 903,150 shares (at €133)
11-01	€1,362,189,600	85,136,850	Cancellation of 979,563 shares
12-01	€1,364,138,048	85,258,628	Subscription to 121,778 shares by the exercise of as many stock options
6-02	€1,382,951,632	86,434,477	Group Savings Plan: issue of 1,175,849 shares (at €135.50)
6-02	€1,383,404,272	86,462,767	Subscription to 28,290 shares by the exercise of as many stock options
6-02	€1,383,404,272	345,851,068	Four-for-one stock split (par value of shares reduced from €16 to €4)
11-02	€1,363,589,440	340,897,360	Cancellation of 4,953,708 shares
11-02	€1,364,000,000	341,000,000	Subscription to 102,640 shares by the exercise of as many stock options
12-02	€1,364,042,720	341,010,680	Subscription to 10,680 shares by the exercise of as many stock options
7-03	€1,390,164,428	347,541,107	Group Savings Plan: issue of 6,499,407 shares (at €21.14) and subscription to 31,020 shares by the exercise of as many stock options
12-03	€1,391,299,868	347,824,967	Subscription to 283,860 shares by the exercise of as many stock options

Financial authorizations

Following resolutions adopted by the Company's shareholders at the Ordinary and Extraordinary General Meeting of June 5, 2003, the Board of Directors has been granted the following financial authorizations:

- an authorization until December 2004 to buy back and possibly resell a maximum of 33,550,000 shares with a maximum purchase price of €40 each and a minimum sale price of €16 each.
- Until June 2005, 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 twenty-four month period does not exceed 10% of the Company's capital, and to reduce the capital accordingly.

- Until August 2005, authorization to:

– issue debt securities with a maximum face value of € 3 billion.

– increase the Company's capital stock, either through the issue – with pre-emptive subscription rights for existing shareholders – of shares or share equivalents, or through the capitalization of additional paid-in capital, reserves, income or other capitalizable items, by a maximum of €760 million (par value of shares) or €3 billion (debt securities).

– increase the Company's capital stock, through the issue – without pre-emptive subscription rights for existing shareholders – of shares or share equivalents, including if applicable securities to be issued by subsidiaries, by a maximum of €760 million (par value of shares) or €3 billion (debt securities).

The €760 million ceilings on the par value of shares mentioned in these authorizations may not be aggregated.

– carry out employee share issues for members of the Group Savings Plan, representing a maximum aggregate par value of €64 million. The shares issued under this authorization may not be offered at a discount of over 20% of the average of the opening share prices quoted over the twenty trading days preceding the date of the decision made by the Board of Directors.

– grant stock purchase or subscription options to the employees or officers of Saint-Gobain. The purchase or subscription price of the shares must be at least equal to 100% of the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the date of grant. The total number of stock options granted may not entitle beneficiaries to purchase or subscribe to a number of shares representing over 3% of Compagnie de Saint-Gobain's capital stock at the date of the Shareholders' Meeting.

Issue of OCÉANE bonds

In February 2002, Compagnie de Saint-Gobain issued "Océane bonds" that are convertible into either new or existing shares, for a total amount of €920 million, at an annual interest rate of 2.625%. These bonds, maturing on January 1, 2007, have a nominal value of €52.50 each (taking into account the stock split). They have been listed on the Premier Marché of Euronext Paris SA since February 18, 2002 (see page 13) and carry an early repayment option that can be exercised by the issuer as from February 18, 2005 if the Saint-Gobain share price exceeds 31.25% of the bond issue price, taking into account the stock-split. If all of the bonds were to be converted, this would give rise to the issue of 17,523,812 new Saint-Gobain shares. At December 31, 2003 no conversion requests had been received.

Group Savings Plan

The Group Savings Plan (PEG) is a key feature of the social contract within the Group. It represents an excellent means of including employees in the Company's successes and resulting profits.

In 2003, the Group Savings Plan offered employees the standard options of five- and ten-year terms as well as an option with a five-year term leverage effect. 6,499,407 were subscribed by the PEG in 2003, for a total of €137.4 million (2002: 4,703,396 shares for €159 million).

In France, over 60% of employees have subscribed to the PEG through company mutual funds. The PEG has been extended to employees in twenty other European countries and seven countries on other continents. In all, about 37,000 Group employees have participated in the PEG.

At December 31, 2003, the Group Savings Plan held 7.4% of the Company's capital stock and 11.7% of its voting rights. A new plan was launched in January 2004 offering employees the standard options of five- and ten-year terms, with a ceiling of six million five hundred thousand shares (see prospectus dated February 5, 2004 approved by the AMF under visa no. 04-0082).

Saint-Gobain stock option plans

Stock option plans have been approved by the Board of Directors every year since 1987; the plans for the years from 1987 to 1994 inclusive are now terminated, as the maximum term to exercise these options had been set at five years up to 1991, eight years up to 1998 and then ten years subsequently.

Saint-Gobain stock option plans are decided by the Board of Directors following a review of proposals presented by the Appointments Committee. In 2003, this committee was chaired by Bernard Esambert and subsequently Gérard Mestrallet and the other members were Daniel Bernard and Bruno Roger.

In addition to Group Management (9 persons), the options granted in November 2003 concerned three categories of recipients:

- Category A includes the Presidents of the Divisions, the General Delegates, and Functional Directors who are part of the Group Coordination Committee (17 persons);
- Category B includes the main operational and functional managers of the Divisions and General Delegations (888 persons);
- Category C includes high-potential executives as well as managers or employees who have achieved superior performance (479 persons).

The total number of beneficiaries of the November 2003 plan was 1,393, on a par with 2002 when they numbered 1,368. In each of the above categories, the number of options granted is individually tailored according to responsibilities handled and performance achieved. The total number of options granted in 2003 was 3,717,700 (compared with 3,785,500 in 2002), which represented 1.1% of capital stock at December 31, 2003.

Until 1996 and in 2003, these plans involved subscription options on new shares. Between 1997 and 2002 they involved purchase options on existing shares held in treasury stock for this purpose.

All discounts on the average share price for the period immediately preceding the date of grant of the options were discontinued in 1999; the exercise price was therefore set at 100% of this average price, i.e. €35.67 for the November 2003 plan.

The main general conditions set by the Board for the exercise of these options are the following:

- options must be exercised within ten years of the date of grant ;
- the minimum period before the options vest is either three or four years;
- all rights to options are forfeited if the employee terminates employment with the Group, unless expressly agreed otherwise by the Chairman of the Board and the Appointments Committee.

Specific exercise conditions are attached to some categories of beneficiaries. For instance, as in 2002, the Board of Directors has made the vesting of half of the options granted to Group Management and Category A recipients in November 2003 conditional upon the Saint-Gobain share price outperforming the exercise price by more than 20% at the end of the minimum vesting period.

Further, in accordance with an internal rule instituted by the Board of Directors in 1997, Group Management and Category A persons who are members of the Group Coordination Committee and benefit from stock options were required at the end of 2003, if they had more than five years' seniority in their current function, to own at least 3,200 registered Saint-Gobain shares and to increase their holdings by at least 400 shares per annum; Category B beneficiaries are required to own at least 400 registered shares at all times.

The following three tables summarize key data on unexpired stock option plans at December 31, 2003, with the latter two dealing with the stock options of corporate officers and of the ten largest recipients.

Date of Shareholders' Meeting authorizing the plan	6/13/1995	6/13/1995	6/25/1997	6/25/1998	6/24/1999	6/24/1999	6/28/2001	6/28/2001	6/5/2003
Date of Board of Directors' Meeting	11/16/1995	11/21/1996	11/20/1997	11/19/1998	11/18/1999	11/16/2000 (***)	11/22/2001	11/21/2002	11/20/2003
Type of options	Subscription	Subscription	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Subscription
Number of beneficiaries	121	161	182	218	393	780	1,351	1,368	1,393
Total number of shares which may be obtained (*)	835,160	1,214,760	1,187,460	1,287,980	1,750,900	2,696,500	3,774,800	3,785,500	3,717,700
Of which:									
Number of shares that Group Management may obtain	335,200	484,800	550,400	548,000	538,000	810,400	924,800	936,200	914,800
Number of corporate officers concerned	14	20	19	19	19	20	18	18	17 (**)
Start of exercise period	11/16/1997	11/21/1998	11/20/1999 or 11/20/2002	11/19/2001 or 11/19/2003	11/18/2002 or 11/18/2004	11/16/2003 or 11/16/2005	11/22/2004 or 11/22/2005	11/22/2005 or 11/22/2006	11/21/2006 or 11/21/2007
Expiry date	11/15/2003	11/20/2004	11/19/2005	11/18/2006	11/17/2009	11/15/2010	11/21/2011	11/21/2012	11/20/2013
Subscription/ Purchase price (*)	17.53€	21.42€	28.47€	29.54€	40.63€	37.72€	40.22€	23.53€	35.67€
Discount on average share price	20%	20%	10%	5%	0	0	0	0	0
Options outstanding at December 31, 2003 (*)	0	335,700	773,874	1,038,880	1,670,900	2,637,700	3,694,800	3,703,900	3,717,700

** As the Company carried out a four-for-one stock split in June 2002, all numbers of shares relating to dates prior to June 2002 have been multiplied by four to facilitate comparisons. The same applies to the options outstanding at December 31, 2003, for which the exercise/subscription prices have been divided by four.*

*** The list of the 17 members of the Group Management is provided on pages 31 and 32.*

**** In addition, a specific grant of 20,000 purchase options at an exercise price of y33.11 was carried out on March 30, 2000.*

▶ Stock purchase options granted to each corporate officer and options exercised in 2003

	Number of options granted	Exercise price	Expiry date
Stock options granted to each corporate officer and options exercised in 2003			
• Jean-Louis Beffa	240,000	€35.67 (*)	November 2006
• Gianpaolo Caccini	40,000	€35.67 (*)	November 2006
Options exercised in 2003 by each corporate officer			
• Jean-Louis Beffa	28,000	€28.47	November 2005
	144,000	€29.54	November 2006
• Gianpaolo Caccini	12,000	€17.53	November 2003
	3,000	€21.42	November 2004

▶ Stock options granted to the ten largest recipients other than corporate officers and options exercised by these individuals

	Number of options granted/Number of shares subscribed or purchased	Unit price
Options granted in 2003 by the issuer and any Group company granting options, to the ten largest recipients of options among employees of the issuer or any other Group company granting options (aggregate figure)	570,000	€35.67 (*)
Exercise in 2003 of options granted by the issuer and any Group company granting options, to the ten largest recipients of options among employees of the issuer or any other Group company granting options (aggregate figure)	91,100	Average weighted price €21.27

(*) As mentioned above, the vesting of half of the options is conditional upon the Saint-Gobain share price outperforming the exercise price by more than 20% on the exercise date.

There are no other outstanding stock option plans or any other options on shares in Group companies in France or abroad, whether publicly traded or not.

Saint-Gobain share buybacks and cancellations

In the course of 2003, the Company bought back 6,784,000 of its own shares in accordance with the authorizations granted by the Ordinary and Extraordinary General Meetings of June 6, 2002 (prospectus dated May 7, 2002 bearing COB approval no. 02-527) and June 5, 2003 (prospectus dated May 6, 2003, bearing COB approval no. 03-386). The shares were purchased for a total of €238.2 million and no derivative instruments were used for the buybacks. During the same period, 304,430 Saint-Gobain shares were sold to option holders on the exercise of their options, for a total of €8.8 million. No shares were canceled in 2003. However, in January 2004, the Board of Directors canceled 6,799,832 treasury shares reducing the number of shares making up the Company's capital from 347,824,967 at December 31, 2003 to 341,025,135 at January 29, 2004.

Information policy

The Investor Relations department is responsible for implementing the Group's information policy with the financial community, investors and shareholders. The Department – which is headed by Florence Triou-Teixeira (Tel.: +33 (0)1 47 62 33 33 - Fax: +33 (0)1 47 62 50 62) – answers requests for information about the Group and regularly issues a Letter to Shareholders, as well as a Shareholder's Handbook.

Saint-Gobain
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In 2003, Saint-Gobain organized several meetings with its shareholders in France – in Marseille in March, Rouen in June, Versailles in September, and Grenoble and Nancy in December. The Company also took part, for the sixth time, in the Salon Actionaria event held in November in Paris. In addition to the two annual meetings with analysts and journalists held in January and July in Paris and London at the time of the publication of estimated results, several other information meetings took place during the year in the European cities where the Company's shares are listed, as well as in the United States and Japan.

Information on the Group can also be obtained from the Compagnie de Saint-Gobain website as can presentations to financial analysts: **www.saint-gobain.com**

The following e-mail address has also been set up for shareholders: **actionnaires@saint-gobain.com**

A Minitel service 3615 code GOBAIN (€0.15/min), (a video-text system operated by France Telecom) is also available for shareholders, financial analysts, stockbroking firms, portfolio managers and individuals. This provides current information regarding the Group and the market price of its shares and enables shareholders to contact Saint-Gobain correspondents directly.

Through BNP Paribas, Compagnie de Saint-Gobain makes available to its shareholders a number of complementary services to improve the administration of their fully registered shares. For full details, please contact Compagnie de Saint-Gobain's Investor Relations Department, or:

BNP Paribas
Les Collines de l'Arche
GIS - EMETTEURS
75450 Paris Cedex 09 - France
Toll-free number (in France): 0 800 03 33 33
Toll-free fax (in France): 0 800 77 25 85

2004 financial calendar

2003 estimated results:	January 29, 2004, after close of trading on the Paris Bourse
2003 results:	March 25, 2004, after close of trading on the Paris Bourse
First-quarter 2004 sales:	April 27, 2004, after close of trading on the Paris Bourse
General Meeting:	3:00 p.m. on June 10, 2004 at the Palais des Congrès (Porte Maillot), Paris
Dividend payment date:	June 24, 2004
First-half 2004 results:	July 29, 2004
Sales for the first nine months of 2004:	October 26, 2004, after close of trading on the Paris Bourse

Corporate Governance

Board of Directors

Compagnie de Saint-Gobain upholds the principles of corporate governance defined by the Committees chaired by Marc Viénot and Daniel Bouton, and implements in full the recommendations that they have issued, which have been brought together in the October 2003 report issued by AFEP-MEDEF entitled "The Corporate Governance of Listed Companies".

Board of Directors

At March 1, 2004, the membership of the Board of Directors of Compagnie de Saint-Gobain was as follows:

Jean-Louis Beffa

Chairman and Chief Executive Officer

Jean-Louis Beffa, 62, is also Vice-Chairman of the Board of Directors of BNP Paribas, a Director of the Bruxelles Lambert Group, a member of the Supervisory Board of Le Monde S.A. and Société Editrice du Monde S.A., President of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is the Company's permanent representative on the Board of Saint-Gobain PAM, a Director of Saint-Gobain Cristaleria and Saint-Gobain Corporation, and joint Chairman of the corporate foundation, Saint-Gobain Center for Economic Research. He is also Vice-Chairman of the Supervisory Board of the Pension Reserve Fund. Jean-Louis Beffa owns 210,000 Saint-Gobain shares.
Les Miroirs, 92096 La Défense Cedex, France

Daniel Bernard

Chairman and Chief Executive Officer of Carrefour

Daniel Bernard, 58, is also a Director of Alcatel. Within the Carrefour group, Daniel Bernard is Chairman of G S, Vice-Chairman of Dia S.A., a Director of Eterco, Grandes Superficies de Colombia, Presicarre, Centros Comerciales Carrefour and Finiper, as well as Chief Executive Officer of Carrefour Americas Ltda, Chief Operating Officer of SISP and Vice-President of Vicour.
Daniel Bernard owns 4,400 Saint-Gobain shares.
6 avenue Raymond Poincaré - 75769 Paris Cedex 16, France

Isabelle Bouillot

Isabelle Bouillot, 55, is a member of the Supervisory Board of Accor and a Director of La Poste. Within the Caisse des Dépôts group, she has held positions of Chairman, Supervisory Board member or permanent representative on the Board of Directors or the Supervisory Board at various subsidiaries and affiliates of CNCE and CDC Finance – CDC Ixis, positions she stepped down from in the second half of 2003.
She owns 1,200 Saint-Gobain shares.
26-28 rue Neuve Tolbiac - F-75658 Paris Cedex 13, France

Rolf-E. Breuer

Chairman of the Supervisory Board of Deutsche Bank AG

Rolf-E. Breuer, 66, of German nationality, is also Chairman of the Supervisory Board of Deutsche Börse AG, a member of the Supervisory Boards of E.ON AG and Bertelsmann AG, and a Director of Landwirtschaftliche Rentenbank and Kreditanstalt fûr Wiederaufbau (KfW). He is a member of the Consultative Committee of C.H. Boehringer Sohn, and Chairman of Bundesverband Deutsche Banken e.V. In 2003, Rolf-E. Breuer was also Vice-Chairman of the Supervisory Board of Siemens AG and a member of the Supervisory Board of Deutsche Lufthansa AG, but he stood down from these positions during the year.
He owns 4,516 Saint-Gobain shares.
Taunusanlage 12, D-60262 Frankfurt am Main, Germany

Paul A. David

Professor of Economics at the Universities of Stanford and Oxford

Paul A. David, 69, a U.S. citizen, is Professor of Economics at Stanford University (USA), and Emeritus Professor of Economics and Economic History at the University of Oxford (United Kingdom). He does not hold any other directorships.
He owns 800 Saint-Gobain shares.
Stanford University, Department of Economics, Stanford, CA 94305-6072, United States of America

Jean-Martin Folz

Chairman of the Management Board of Peugeot SA

Jean-Martin Folz, 57, is also a Director of Solvay (Belgium). Within the PSA group, he is Chairman of the Board of Directors of Automobiles Peugeot and Automobiles Citroën, and a Director of Banque PSA Finance, Peugeot Citroën Automobiles and Faurecia.
He owns 1,200 Saint-Gobain shares.
75 avenue de la Grande-Armée -75116 Paris, France

Sylvia Jay

Director General of the British Food and Drink Federation

Lady Jay, 57 a British citizen, is also a Director of Carrefour.

She is a lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, a trustee of the Pilgrim Trust and the Entente Cordiale Scholarships Scheme and a member of the Council of Food from Britain and the Franco-British Council. She owns 800 Saint-Gobain shares.
6 Catherine Street, London WC2B 5JJ, United Kingdom

Pierre Kerhuel

President of the Saint-Gobain Employees' and Former Employees' Shareholders' Association and Chairman of the Supervisory Board of the Group Savings Plan Mutual Funds
Pierre Kerhuel, 60, is Director in charge of the Building Materials division of Saint-Gobain. Up until March 31, 2003 he also held the position of Deputy Chief Operating Officer at Saint-Gobain Terreal. He owns 800 Saint-Gobain shares.
Les Miroirs - 92096 La Défense Cedex, France

José Luis Leal Maldonado

Chairman of the Spanish Banking Association
José Luis Leal Maldonado, 64, of Spanish nationality, is also a Director of CEPSA, Alcatel España and Renault España, as well as Saint-Gobain Cristalería.
He owns 4,000 Saint-Gobain shares.
C/Velasquez, 64-6e E-28001 Madrid, Spain

Sehoon Lee

Co-Chairman of Hankuk Glass Industries and Hankuk Sekurit (South Korea)
Sehoon Lee, 54, of South Korean nationality, is also Chairman of the Board of Directors of Saint-Gobain Hanglas Asia and SL Investment Ltd.
He owns 1,000 Saint-Gobain shares.
Youngpoong Building, 33 Seorin-dong, Jongno-gu, Seoul 100-752 (Korea)

Gérard Mestrallet

Chairman and Chief Executive Officer of Suez
Gérard Mestrallet, 54, is also a member of the Supervisory Boards of AXA and Taittinger, and a Director of Crédit Agricole and Pargesa Holding. Within the Suez group, Gérard Mestrallet is the Chairman of Suez-Tractebel (Belgium) and of Hisusa (Spain), Vice-Chairman of Sociedad General de Aguas de Barcelona and a Director of Electrabel (Belgium). In 2003 he was also Chairman of Société Générale de Belgique and Tractebel, Vice-Chairman of Hisusa and a non-voting Director of Casino.
He owns 840 Saint-Gobain shares.
16 rue de la Ville-l'Evêque - 75008 Paris, France

Michel Pébereau

Chairman of the Board of Directors of BNP Paribas
Michel Pébereau, 62, is also a Director of Lafarge and Total, a member of the Supervisory Boards of AXA and Dresdner Bank, and a non-voting Director of Galeries Lafayette. Within the BNP Paribas group, he is a Director of BNP Paribas UK. In addition, he is Vice-Chairman of the International Monetary Conference, a member of the International Advisory Panel of the Monetary Authority of Singapore and the International Capital Markets Advisory Committee of the Federal Reserve Bank of New York.
He owns 820 Saint-Gobain shares.
3, rue d'Antin – 75002 Paris, France

Denis Ranque

Chairman and Chief Executive Officer of Thales
Denis Ranque, 52, is also Chairman of the Board of Directors of l'Ecole Nationale Supérieure des Mines de Paris and of the Cercle de l'Industrie, a Director of the Fondation de l'Ecole Polytechnique, and a member of the Advisory Committee of the Banque de France. He owns 800 Saint-Gobain shares.
45, rue de Villiers - 92526 Neuilly-sur-Seine, France

Bruno Roger

President of Lazard Frères SAS
Bruno Roger, 70, is also a Director of Cap Gemini Ernst & Young and Sofina (Belgium), and a member of the Supervisory Boards of AXA and Pinault Printemps Redoute. Within the Lazard Group, he is a member of the Supervisory Board of Eurazeo (having been Chairman until July 2003).
He owns 48,040 Saint-Gobain shares.
121 Boulevard Haussmann – 75008 Paris, France

Eric d'Hautefeuille, *who was appointed Director of Compagnie de Saint Gobain in June 1999, passed away on January 17, 2004. Holding the title of "Ingénieur en chef des Mines", he took the helm of Saint-Gobain's Insulation Division in 1982 before going on to head the Flat Glass Division in 1992. He was subsequently appointed Chief Operating Officer of Compagnie de Saint-Gobain in 1996 and held this office until 2000 when he retired. He remained a Director until his death earlier this year. The Chairman and the Board of Directors gratefully acknowledge the contribution he made over the years to the Group.*

Chief Operating Officer:

Gianpaolo Caccini

Gianpaolo Caccini, 65, is also Director of Nexans and JM Huber Corporation. Within the Saint-Gobain Group he is a

Director of Saint-Gobain Corporation. He owns 4,820 Saint-Gobain shares.

At its meeting of November 20, 2003, the Board of Directors appointed **M. Christian Streiff** as Chief Operating Officer, with effect from April 1, 2004.

A graduate of the Ecole des Mines de Paris, Christian Streiff, 49, was previously Senior Vice-President of Compagnie de Saint-Gobain and had also been President of the Group's Ceramics and Plastics and Abrasives Divisions since October 2001. Within the Group he held in 2003 the positions of Chairman of SEPR and Saint-Gobain Abrasives, Chairman and Chief Executive Officer of Saint-Gobain Advanced Ceramics Corp., Chairman of the Board of Directors of Carborundum Ventures Inc., Saint-Gobain Ceramics & Plastics Inc. and Saint-Gobain Performance Plastics Corp., Managing Director of Saint-Gobain KK, and a Director of Grindwell Norton Ltd. He owns 3,200 Saint-Gobain shares.

Secretary to the Board of Directors:
Bernard Field, Corporate Secretary of Compagnie de Saint-Gobain.

Membership of the Board of Directors

Acting upon a recommendation presented by the Appointments Committee, in 2003 the Board of Directors once again reviewed the independence of each Director in compliance with the criteria established in the AFEP-MEDEF report on corporate governance issued in September 2002. It was subsequently concluded that in accordance with the above criteria, the following are independent Directors: Daniel Bernard, Isabelle Bouillot, Paul Allan David, Jean-Martin Folz, Sylvia Jay, Gérard Mestrallet and Denis Ranque. This corresponds to seven Directors out of fourteen at March 1, 2004 (taking into account the vacant position on the Board as Eric d'Hautefeuille passed away on January 17, 2004). The Board does not include any Director elected by employees (although does include a Director representing employee shareholders), or non-voting Directors. In accordance with the Company bylaws, each Director must own at least 800 shares.

Renewal of the board of directors

The dates on which Directors were first elected are as follows:
- Jean-Louis Beffa and Bruno Roger: February 1987;
- Rolf-E. Breuer and Michel Pébereau: June 1993;
- Gérard Mestrallet: November 1995;
- Isabelle Bouillot and José-Luis Leal Maldonado: June 1998;
- Daniel Bernard: June 2000;
- Jean-Martin Folz: March 2001;
- Paul A. David and Sylvia Jay: June 2001;
- Sehoon Lee: November 2002;
- Pierre Kerhuel, Gérard Mestrallet and Denis Ranque: June 2003.

The Ordinary and Extraordinary General Meeting of June 5, 2003 reduced the duration of Directors' terms of office from six to four years. This reduction applies to terms of office granted on or after June 5, 2003 and not to those in force at that date. The dates on which Directors' terms of office expire are therefore as follows:
- Jean-Louis Beffa, Isabelle Bouillot, Sylvia Jay and José Luis Leal Maldonado: 2004 Annual Meeting;
- Rolf-E. Breuer, Jean-Martin Folz, Michel Pébereau and Bruno Roger: 2005 Annual Meeting;
- Daniel Bernard: 2006 Annual Meeting;
- Paul A. David, Pierre Kerhuel, Sehoon Lee, Gérard Mestrallet and Denis Ranque: 2007 Annual Meeting.

Acting upon a recommendation of the Appointments Committee, the Board of Directors will be submitting for approval at the next Annual General Meeting, scheduled to take place on June 10, 2004, the renewal of the terms of office of Jean-Louis Beffa, Isabelle Bouillot, Sylvia Jay and José-Luis Leal Maldonado for a period of four years.

Jean-Louis Beffa, 62, is Chairman and Chief Executive Officer of Compagnie de Saint-Gobain. He graduated from the Ecole Polytechnique, the Ecole Nationale Supérieure du Pétrole and the Institut d'Etudes Politiques de Paris. He also holds the title of "Ingénieur en chef des Mines". After starting his career at the Oil Division of the French Ministry of Industry, Jean-Louis Beffa joined the Saint-Gobain Group in 1974 as Vice President Corporate Planning. In 1978 he was appointed Chief Executive Officer of Pont-à-Mousson before going on to become Chairman of that company and President of the Group's Pipe and Mechanics Division in 1979. He joined the Group's General Management team in 1982 and was appointed Chairman and Chief Executive Officer of Saint-Gobain in January 1986. His term of office as director was renewed for six years in June 1992 and again in June 1998.
In July 2002, in accordance with the Loi sur les nouvelles regulations économiques, the Board of Directors decided that he should continue to be responsible for the general

management of Compagnie de Saint-Gobain and therefore retain the title of Chairman and Chief Executive Officer.
Jean-Louis Beffa is also Vice-Chairman of the Board of Directors of BNP Paribas, a director of the Bruxelles Lambert Group, a member of the Supervisory Board of Le Monde S.A. and Société Editrice du Monde S.A., President of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is the Company's permanent representative on the Board of Saint-Gobain PAM, a director of Saint-Gobain Cristaleria and Saint-Gobain Corporation, and joint Chairman of the corporate foundation, Saint-Gobain Center for Economic Research. He is also Vice-Chairman of the Supervisory Board of the Pension Reserve Fund. Jean-Louis Beffa owns 210,000 Saint-Gobain shares.

Isabelle Bouillot, 55, is a member of the Supervisory Board of Accor and a director of La Poste. She holds a degree in public law and graduated from the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration. She started her public career within the French Budget Department before being appointed Cabinet Director for the Employment Minister in 1982 and going on to work as Deputy Cabinet Director for the Economy and Finance Minister between 1983 and 1984. She then held the post of Chairman at l'Union des Banques à Paris between 1985 and 1986 before becoming a Government Representative for the Department for the Control of Financial Operations between 1986 and 1989 (Mission de contrôle des activités financiers). She was an economic advisor to the French President between 1989 and 1991 and then the Budget Director of the Economy and Finance Ministry from 1991 to 1995. In June 1995, she joined Caisse des Dépôts et Consignations as Deputy Chief Operating Officer where she was responsible for managing banking and finance activities. She went on to become Chairman of the Management Board of CDC Finance-CDC IXIS, before standing down from the position in the second half of 2003. She has also resigned from her positions as Chairman, member of the Supervisory Board or permanent representative on the Board of Directors or Supervisory Board which she held in various subsidiaries and affiliates of CNCE and CDC Finance - CDC Ixis within the Caisse des Dépôts Group.
Isabelle Bouillot was a member of the Financial Markets Council from 1997 until October 2003.
She owns 1,200 Saint-Gobain shares.
Isabelle Bouillot was elected as a director of Compagnie de Saint-Gobain in June 1998.

Sylvia Jay, 57, is a British citizen and is the Director General of the British Food and Drink Federation.
She has previously held several positions as a senior British civil servant, in the Overseas Development Administration (ODA) and in secondment to the French Ministry of International Cooperation, the French Treasury and the European Bank for Reconstruction and Development (EBRD).
Sylvia Jay is also a director of Carrefour. She is a lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, trustee of the Pilgrim Trust and the Entente Cordiale Scholarships Scheme, and a member of the Council of Food from Britain and the Franco-British Council. Sylvia Jay owns 800 Saint-Gobain shares.
She was elected as a director of Compagnie de Saint-Gobain in June 2001.

José Luis Leal Maldonado, 64, is a Spanish citizen. He has a law degree from the University of Madrid and a Political Sciences degree from the University of Geneva. He also has a degree in Statistics and a doctorate in economics from the University of Paris.
After lecturing at the University of Nanterre for five years, he went on to work at the OECD for a further five-year period.
In September 1977 he was appointed as Director General for economic policy in Spain, a post he held until February 1978 when he became Secretary of State for economic co-ordination and planning. In April 1979 he was appointed as Spain's Minister of the Economy, a position he held until September 1980.
Between 1981 and 1990 José Luis Leal Maldonado acted as an economic advisor for Banco de Vizcaya and held the position of Vice Chairman at Banco Bilbao Vizcaya. He is currently Chairman of the Spanish Banking Association.
He is a director of Saint-Gobain Cristaleria, a Spain-based Group subsidiary, and of CEPSA, Renault (Spain) and Alcatel (Spain). He is also the Chairman of "Dialogo", an association to promote Franco-Spanish amity, and of Accion Contra el Hambre. He is Vice-Chairman of Fundacion Abril Martorell and a member of Real Patronato del Museo del Prado and Fundacion Duques de Soria. José Luis Leal Maldonado owns 4,000 Saint-Gobain shares.
He was elected as a director of Compagnie de Saint-Gobain in June 1998.

At the General Meeting of June 10, 2004 shareholders will also be invited to elect Gianpaolo Caccini as a Director, to replace Eric d'Hautefeuille who passed away earlier this year. Subject to shareholder approval, his term of office will correspond to the remainder of Mr d'Hautefeuille's term, expiring at the close of the Annual General Meeting to be called in 2005.

Gianpaolo Caccini was born in 1938 and is an Italian citizen. He has a doctorate in Chemistry from the University of Pavia in Italy. He joined the Saint-Gobain Group in 1973 as Sales Director for the Insulation Division of the Italian subsidiary, Balzaretti Modigliani. He was appointed as Director of the Sealings Division of that company in 1980, before going on to become Chief Executive Officer of Vetrotex Italia in 1983 and a director of Vitrofil in 1986 (two companies within the Group's Reinforcements Division). He was then appointed Chairman and Chief Executive Officer of Saint-Gobain Desjonquères (Containers Division) in 1988, President of the Insulation Division in 1991 and also of the Reinforcements Division in 1993. In 1996 he became Senior Vice-President of Compagnie de Saint-Gobain and General Delegate for North America. Then in 2000, he went on to become Chief Operating Officer of Compagnie de Saint-Gobain, a position he held until his retirement on April 1, 2004.
Gianpaolo Caccini is also a director of Nexans and JM Huber Corporation (United States) and Chairman of the Italian Association of Glass Manufacturers.
He owns 4,820 Saint-Gobain shares.

Operational structure of the Board of Directors

Pursuant to the *Loi sur les nouvelles regulations économiques*, the Board of Directors decided in July 2002 that Jean-Louis Beffa, Chairman of the Board of Directors, would continue to be responsible for the general management of Compagnie de Saint-Gobain for the term of his directorship, with the title of Chairman and Chief Executive Officer. Acting upon the recommendation of the Chairman and Chief Executive Officer, the Board of Directors subsequently decided that Gianpaolo Caccini would continue to exercise the duties of Chief Operating Officer.
In accordance with the recommendations of the AFEP-MEDEF report on corporate governance dated September 2002, the Board of Directors issued internal rules of operation in the course of 2003.

The purpose of the **Internal Rules of the Board of Directors** is to establish an organizational and operational framework for the Board, as summarized below.

■ *Board meetings.* At least seven ordinary meetings should be held annually, including one at a different Group site each year. The Directors may attend meetings by means of videoconferencing technology to the extent allowed by law.

■ *Provision of information to Directors prior to meetings and on a continuing basis.* The notice of each meeting should be accompanied by a selection of financial analyses and press articles concerning the Group. In addition, the texts of statements and presentations featured on the agenda, the draft annual report, and draft consolidated and Company financial statements should be sent to the Directors prior to the meetings at which they are to be discussed. The information pack provided at each meeting should include an analysis of Group operating income and net indebtedness, as determined at the month-end preceding the meeting. Between meetings, the Directors should systematically receive all press releases issued by the Group and, where appropriate, all useful information concerning significant events or operations for the Group. In general, the Directors are entitled to request any additional information deemed necessary for the conduct of Board Meetings, and to ask to meet key members of Group management without the corporate officers being present, after consulting with the Chairman of the Board.

■ *Deliberations of the Board.* In addition to the deliberations related to its duties under the applicable laws and regulations and the Company's bylaws, the Board reviews and finalizes the Saint-Gobain Group's corporate strategy at least once annually. The prior approval of the Board is required for investments, restructuring programs, acquisitions, and the purchase and divestment of equity stakes with a unit value in excess of €150 million, as well as for any significant transaction outside the Group's stated strategy. The operation of the Board should be discussed at least once each year, and a formal evaluation of its organization and operation should be performed on a regular basis under the supervision of the Appointments Committee. Based on the report submitted by the Appointments Committee, the Board reviews the independence of each Director in compliance with the criteria established in the AFEP-MEDEF report dated September 2002. The Directors may meet without the presence of the corporate officers to evaluate said officers' performance and to consider the general management of the Group in future.

■ *Board committees*. The work and deliberations of the Board of Directors are prepared by the Financial Statements Committee and the Appointments Committee, whose members are appointed by the Board. The committees may commission technical appraisals by outside experts at the expense of Compagnie de Saint-Gobain and confer with members of Group Management, after consulting with the Chairman of the Board. The Internal Rules governing the Board of Directors establish the terms of reference of the Financial Statements Committee and the Appointments Committee, notably concerning their respective duties. Said duties are presented below in the sections concerning the individual committees.

■ *Dealing in Compagnie de Saint-Gobain shares by Directors*. Without prejudice to legal and regulatory provisions concerning insider trading, periods are defined annually during which the Directors are required to abstain from carrying out any direct, indirect or derivative transactions relating to Saint-Gobain shares. These periods cover the 45 days preceding the Board meetings at which the estimated annual consolidated financial statements and the interim consolidated financial statements are discussed, the 15 days preceding the meeting dealing with the final version of the annual consolidated financial statements and the day following each of said meetings[1].

■ *Attendance fees*. The Internal Rules specify the allocation of attendance fees among the Directors. The rules governing said allocation are presented below in the corresponding section.

■ *Various provisions* of the Internal Rules provide for the possibility of further training for Directors with regard to business lines and sectors, and the accounting, financial and operational aspects of the Group. They also deal with the attendance of Directors at shareholders' meetings, and establish the duty of confidentiality binding upon Directors in respect of documents, information and the deliberations of the Board.

Evaluation of the operation of the Board of Directors

As in 2000[2], the Board commissioned a formal evaluation of its operation during 2003. The evaluation was overseen by the Appointments Committee and was performed by consulting firm Egon Zehnder International, whose consultants held individual discussions with each Director on the basis of responses to a prior, detailed questionnaire covering the structure, operation and effectiveness of the Board. These discussions led to the formulation by the consultants of comments and recommendations on the operation of the Board of Directors, which were included in a report by the Appointments Committee that was examined and discussed at a Board meeting. The consultants found that the Directors held a unanimously positive view of the Group's management and the operation of the Board and that a limited number of improvements and new procedures were deemed necessary. These changes relate to the strengthening of the Board's industrial and scientific know-how, the presentation of and submission deadlines for information provided prior to meetings, the organization of discussions, the development of interaction between Directors and non-executive management, the organization of the strategy formulation process and the involvement of the Board in the work of the Appointments Committee on Chairman succession planning.

(1) The Group's top executives and employees with access to "sensitive" information are also subject to these restrictions.

(2) 2000 Annual Report, page 55.

In 2003, in application of Commission des Opérations de Bourse (COB) recommendation 2002-01, the Company published on the COB website declarations by the Group's Directors and corporate officers with regard to transactions in the second half of 2002 and the first half of 2003 concerning the subscription, purchase or sale of Saint-Gobain shares (excluding stock options) and any forward financial instruments relating to Saint-Gobain shares. According to these declarations, no such transactions had taken place.

The Board of Directors held seven meetings during fiscal 2003. The overall attendance rate was 88%.

Board of Directors' committees

Financial Statements Committee

Michel Pébereau, Chairman
Isabelle Bouillot
Gérard Mestrallet (until June 2003)
Jean-Martin Folz (since June 2003)

Two-thirds of the Committee is composed of independent directors (see page 23).

The Internal Rules of the Board of Directors define the duties of the Financial Statements Committee as follows.

The main responsibility of the Financial Statements Committee is to ensure the relevance and consistency of the accounting methods used to prepare the financial statements and to verify that the internal procedures used to gather and control the related data provide a guarantee of such relevance and consistency. To this end, the Committee:

- examines the annual and interim consolidated financial statements and the annual accounts of the Company submitted to it by General Management, prior to their examination by the Board of Directors;

- considers the scope of consolidation and, where appropriate, the reasons for the exclusion of any companies from the consolidation process;

- examines significant risks and off-balance sheet commitments, and receives a related explanatory report from the Finance Director;

- gives its opinion on the organization of the internal audit function, is informed of the internal audit work schedule and receives a summary internal audit report on a regular basis;

- reviews the audit plan of the Company's Statutory Auditors and the findings of their audits, and receives a report from the Statutory Auditors on key audit findings and the accounting methods selected;

- conducts the process for the selection of the Company's Statutory Auditors, forms an opinion on the amount of fees charged for the performance of statutory audits and submits the results of the selection process to the Board of Directors;

- examines, in compliance with applicable standards, the advisory and other services directly related to their engagement that the Statutory Auditors and their network are authorized to provide to the Company and to other companies in the Saint-Gobain Group;

- is informed annually by the Statutory Auditors of the amount and allocation of fees for audit, advisory and other services paid by the Saint-Gobain Group to the Statutory Auditors and the members of their network during the past fiscal year, and submits its findings to the Board of Directors, together with its opinion on the independence of the Statutory Auditors.

The Committee met five times in 2003. The overall attendance rate at meetings was 100%.

At the first three meetings, the Committee reviewed issues with Group Management, the Finance Department and the Statutory Auditors, and performed a prior, in-depth examination of the estimated annual consolidated financial statements (January), the annual Company and consolidated financial statements (March), as well as the interim consolidated financial statements (July).

On each of these occasions, a summary of the main points raised by the Statutory Auditors with the Finance Department during the preparation of the financial statements was reviewed in the presence of the Statutory Auditors, notably concerning significant risks and off-balance sheet commitments.

A status report on asbestos-related litigation in the United States was presented regularly to the Committee. In conjunction with the Statutory Auditors, the Committee conducted a detailed review of the financial impact and accounting implications of asbestos-related litigation on the U.S. subsidiaries concerned and the Group as a whole. The findings of this review were subsequently presented to the Board of Directors.

The Committee was further informed by each of the Statutory Auditors of the amount of fees received from Group companies during 2002 in relation to statutory audits, legal and tax services, and advisory services. The sole significant fees concerned the implementation of ERP (Enterprise Resource Planning) systems at non-French subsidiaries by the consulting entity of PricewaterhouseCoopers (PwC), which left the PwC network upon its disposal effective September 30, 2002. At a subsequent meeting, the Committee approved a procedural rule that strictly defines the services that may be commissioned from the Statutory Auditors and members of their network by Saint-Gobain Group companies and services that are prohibited. This procedural rule came into force throughout the Group on October 1, 2003.

In addition, the Committee reviewed the budget for 2003 and considered several issues relating to changes in accounting standards. It also reviewed the reports on central treasury operations for the year ended December 31, 2002 and the treasury operations of the Scandinavian Delegation in 2002, the Internal Audit Department's 2002 activity report and audit schedule for the first half of 2003, as well as Doctrine briefs issued by the Finance Department in 2003.

The Committee also met individually and privately with the deputy finance director in charge of financial control and consolidation operations, the deputy finance director in charge of treasury and financing operations and the head of the internal audit department, in compliance with the recommendations of the AFEP-MEDEF report dated September 2002.

The Committee examined, approved and launched the competitive bidding process for the selection of the Company's Statutory Auditors.

The Committee presented its conclusions to the Board of Directors at meetings held on January 23, March 20, July 24, September 18, and November 20, 2003.

Appointments Committee

Bernard Esambert (until June 2003)
Gérard Mestrallet (since June 2003), Chairman
Daniel Bernard
Bruno Roger

Two-thirds of the Committee is composed of independent directors (see page 23).

The Appointments Committee also performs the work of a remunerations committee, as provided for in the AFEP-MEDEF reports on corporate governance.

In accordance with the Internal Rules of the Board of Directors, the duties of the Appointments Committee are as follows.

- The Committee is charged with making recommendations to the Board of Directors whenever a directorship becomes vacant or expires. The Committee organizes a selection procedure for future independent directors, in compliance with the criteria laid down in the AFEP-MEDEF report dated September 2002.

- Each year, the Committee reviews the independence of each Director in compliance with the criteria established in the AFEP-MEDEF report dated September 2002 and presents its conclusions to the Board of Directors.

- It considers and makes recommendations to the Board regarding the appointment of the Chairman of the Board of Directors, whatever the reason for the vacancy.

- It considers the recommendation(s) of the Chairman of the Board regarding the appointment of a Chief Executive Officer and/or of one or several Chief Operating Officers, and reports accordingly to the Board.

- It makes recommendations to the Board of Directors regarding the amount and conditions of compensation, particularly the criteria governing the variable portion, and pension benefits awarded to the Chairman of the Board, and other arrangements relating to the status of Chairman.

- It likewise makes recommendations regarding the compensation of the Chief Executive Officer and/or of the Chief Operating Officer(s).

- It reviews the Group's general stock options policy, including the choice between share subscription options and share purchase options, and considers the recommendations of General Management concerning the granting of share subscription or purchase options to employees of the Saint-Gobain Group.

- It formulates recommendations regarding the granting of share subscription or purchase options to the Chairman of the Board of Directors and to other members of Group Management.

- It submits corporate governance issues for examination by the Board of Directors, and conducts a periodic evaluation of the organization and operation of the Board of Directors.

The Committee met three times in 2003. The overall attendance rate at meetings was 100%

The Committee's first task was to address the issue of appointments to be recommended at the General Meeting to fill expiring directorships and submitted its proposals at a subsequent Board meeting. It examined and approved draft amendments to the bylaws with a view to reducing directors' terms of office from six years to four years and the establishment of an age limit for the Chairman and Chief Executive Officer, Chief Executive Officer, Chief Operating Officer and the Chairman of the Board of Directors(3). The Committee's findings were reported to the Board.

The Committee further examined the new recommendations put forward in the AFEP-MEDEF report dated September 2002 and submitted its related proposals to the Board of Directors. It commissioned a formal evaluation of the operation of the Board of Directors by the consulting firm

(3) The functions of Chairman and Chief Executive Officer, Chief Executive Officer and Chief Operating Officer come to an end no later than the close of the General Meeting called to approve the financial statements for the year during which the incumbents reach the age of 65. The functions of Chairman of the Board of Directors come to an end no later than the close of the General Meeting called to approve the financial statements for the year during which the incumbent reaches the age of 68 (Articles 14 and 15 of the bylaws).

Egon Zehnder International and presented the findings to the Board (see below).

The Committee was also advised of the draft Internal Rules of the Board of Directors and arranged the examination by the Board of the director independence criteria laid down in the AFEP-MEDEF report dated September 2002.

As is the case each year, the Committee reviewed Saint-Gobain's stock options[4] policy and finalized its recommendations to the Board of Directors concerning the number of beneficiaries and their breakdown and the nature of options granted, as well as the general and specific conditions for exercising the options and the performance conditions to which a proportion of these options is subject. Prior to presenting them to the Board, the Committee reviewed the proposed allocations of stock options based on the objectives as defined and finalized its proposals for options to be granted to Group Management[5].

The Committee further made recommendations to the Board concerning the criteria to be applied to determine the variable portion of corporate officers' compensation for 2003 (see below).

After conducting individual interviews, the Committee finalized its recommendation to the Board concerning the replacement of Gianpaolo Caccini by Christian Streiff as Chief Operating Officer from April 1, 2004.

The Committee presented its conclusions to the Board of Directors at the meetings of March 20, September 18 and November 20, 2003.

Remuneration of Directors

The Ordinary and Extraordinary General Meeting of June 28, 2001 set the annual amount of attendance fees payable to Directors at €500,000.

The Board of Directors decided to allocate the amount according to the following rules:

- The Chairman of the Company does not receive attendance fees.

- Each of the other members of the Board of Directors is allocated an annual lump sum of €16,000, to which is added €2,200 for each meeting attended.

- In addition, each Director who is a Chairman or member of the Financial Statements Committee or Appointments Committee is respectively allocated an annual lump sum of €4,600 or €1,600, to which is added €1,600 for each Committee meeting attended.

- Lump-sum amounts are paid on an accruals basis when terms of office begin or end in the course of the period.

- Payments are made in arrears at the end of each half-year and any remaining balance in the allocated annual amount is distributed at the outset of the following year proportionally to attendance at Board meetings during the previous year.

Attendance fees paid for fiscal 2003 amounted to €500,000, unchanged from the previous year.

The net[6] individual amounts of attendance fees paid by the Company to its Directors (including both lump-sum and variable payments) for 2003 were as follows: Daniel Bernard €33,361, Isabelle Bouillot €44,719, Rolf-E. Breuer €19,649, Paul A. David €25,385, Bernard Esambert [7] €20,931, Jean-Martin Folz €38,460, Eric d'Hautefeuille €23,649, Sylvia Jay €25,385, Pierre Kerhuel[8] €16,811, José Luis Leal Maldonado €25,385, Sehoon Lee €25,385, Jean-Maurice Malot[7] €17,093, Gérard Mestrallet €40,399, Michel Pébereau €45,169, Bruno Roger €41,010, Denis Ranque[8] €16,810.

Remuneration of Corporate Officers

The gross fixed remuneration, as well as compensation in kind, paid for fiscal 2003 to Jean-Louis Beffa, Chairman and Chief Executive Officer, and to Gianpaolo Caccini, Chief Operating Officer, by Group companies[9] was unchanged from 2002, i.e. respectively €980,000 and €490,000.

Two-thirds of their gross variable remuneration for 2003 is based on a quantitative criterion in the form of a predetermined earnings per share target. The remainder is conditioned by qualitative considerations that are defined and

(4) A description of the stock options policy and details of existing plans are given on pages 17 to 19.

(5) See pages 31 and 32.

(6) After deduction of the 25% withholding tax for Messrs. Breuer, David and Leal Maldonado, and Lady Jay, whose tax residence is outside France.

(7) For the period covering January 1 to June 5, 2003, the date on which Messrs. Esambert and Malot's term of office came to an end.

(8) For the period covering June 5, 2003, the date of appointment, to December 31, 2003.

(9) The total gross remuneration paid by Group companies to Jean-Louis Beffa and Gianpaolo Caccini during 2003 amounted respectively to €1,665,000 and €898,000. These amounts include remuneration for both 2002 and 2003.

assessed by the Appointments Committee. The gross variable remuneration may not be more than 1.6 times the amount of the gross fixed remuneration. The estimated gross variable amount which should be paid for 2003 by Group companies comes to €1,070,000 for Jean- Louis Beffa (€660,000 for 2002) and €535,000 for Gianpaolo Caccini (€330,000 for 2002)[1].

Messrs. Beffa and Caccini do not receive any attendance fees for their functions as corporate officers carried out in Group companies.

Remuneration of Group Management

Attendance fees paid by the subsidiaries of Compagnie de Saint-Gobain to Directors representing the Group, particularly Group Management, are either transferred by the individual to the company which employs him or her, or are paid directly to the company.

For companies in which the Group has interests but which are not members of the Group, attendance fees paid to the Chairman of Compagnie de Saint-Gobain are fully repaid to the Company.

(1) The total gross remuneration paid by Group companies to Jean-Louis Beffa and Gianpaolo Caccini during 2003 amounted respectively to €1,665,000 and €898,000. These amounts include remuneration for both 2002 and 2003.

Remuneration levels for members of Group Management are set with the dual aim, on the one hand of placing them on a par with remuneration levels in comparable industrial groups and on the other, structuring them in a way that ensures that the personal work of these individuals contributes to growth in the Group's results.

To define a remuneration structure meeting these two criteria, Group Management commissioned specialized consultants to produce specific studies.

Remuneration for members of Group Management has for several years included a variable portion which is directly linked to the individual's personal involvement in leading an organization. This principle is gradually being rolled out to all European countries which requires the development of pay schemes taking into account quantifiable data such as return on assets (ROA) or return on investment (ROI), as well as more qualitative objectives such as the development of a specific business line or the setting up of Group operations in a new country.

The remuneration of members of Group Management is now clearly tied to management by objectives, requiring intense personal commitment on their part, with the possibility of significant changes in pay from one year to the next according to results.

The total direct and indirect remuneration received in 2003 from French and foreign Group companies by Group Management, as presented below, amounted to €12.7 million (the amount for 2002 was €13 million), of which the variable portion represented €4.5 million (€4.6 million in 2002).

Group Management

The members of Group Management were as follows **at December 31, 2003:**

Executive Management

Jean-Louis Beffa
Chairman
and Chief Executive Officer

Gianpaolo Caccini
Chief Operating Officer

Jacques Aschenbroich
Senior Vice-President

Pierre-André de Chalendar
Senior Vice-President

Philippe Crouzet
Senior Vice-President

Emile François
Senior Vice-President

Jean-François Phelizon
Senior Vice-President

Christian Streiff
Senior Vice-President

Bernard Field
Corporate Secretary

Executive Comittee

Jean-Louis Beffa

Gianpaolo Caccini

Philippe Crouzet

Bernard Field

Secretary to
the Executive Committee
Laurent Guillot

Functional Management

Jean-Claude Lehmann
Vice-President, Research

Nicole Grisoni-Bachelier
Vice-President, External Relations

Laurent Guillot
Vice-President, Corporate Planning

Sonia Sikorav
Vice-President, Purchasing

Presidents of the Divisions

Jacques Aschenbroich
President, Flat Glass Division

Roberto Caliari
President, Reinforcements Division

Pierre-André de Chalendar
President, Building Materials
Distribution Division

Peter Dachowski
President, Insulation Division

Martin Ellis
President, Building
Materials Division

Jérôme Fessard
President, Containers Division

Claude Imauven
President, Pipe Division

Christian Streiff
President, Ceramics
& Plastics Division
President, Abrasives Division

General Delegates

Olivier du Boucheron
General Delegate to Benelux

Jean-Claude Breffort
General Delegate to Brazil and
Argentina

Roberto Caliari
General Delegate to Italy and Greece

Gilles Colas
General Delegate to the Asia-Pacific
region

Jean-Pierre Floris
General Delegate to Spain, Portugal
and Morocco

Jean Laronze
General Delegate to Poland, Ukraine
and Moldavia

Niels Christian Lärsen
General Delegate to the Nordic
Countries and the Baltic States

Anand Mahajan
General Delegate to India

Paul Neeteson
General Delegate to Germany
and Central and Eastern Europe

Jean-François Phelizon
General Delegate to
the United States and Canada

Guy Rolli
General Delegate to Mexico,
Venezuela and Colombia

Patrick Roux-Vaillard
General Delegate to the United
Kingdom and the Republic of Ireland

Group Management

Christian Streiff having been appointed Chief Operating Officer with effect **from April 1, 2004** to replace Gianpaolo Caccini, who has retired, the composition of Group Management was as follows at that date:

Executive Management

Jean-Louis Beffa
Chairman and Chief Executive Officer

Christian Streiff
Chief Operating Officer

Jacques Aschenbroich
Senior Vice-President

Jean-Claude Breffort
Senior Vice-President

Roberto Caliari
Senior Vice-President

Pierre-André de Chalendar
Senior Vice-President

Philippe Crouzet
Senior Vice-President

Jérôme Fessard
Senior Vice-President

Emile François
Senior Vice-President

Claude Imauven
Senior Vice-President

Jean-François Phelizon
Senior Vice-President

Bernard Field
Corporate Secretary

Executive Comittee

Jean-Louis Beffa

Christian Streiff

Philippe Crouzet

Bernard Field

Secretary to the Executive Committee
Isabel Marey-Semper

Functional Management

Jean-Claude Lehmann
Vice-President, Research

Nicole Grisoni-Bachelier
Vice-President, External Relations

Isabel Marey-Semper
Vice-President, Corporate and Strategic Planning

Sonia Sikorav
Vice-President, Purchasing

Presidents of the Divisions

Jacques Aschenbroich
President, Flat Glass Division

Jean-Philippe Buisson
President, Reinforcements Division

Roberto Caliari
President, Ceramics & Plastics Division

Pierre-André de Chalendar
President, Building Materials Distribution Division

Peter Dachowski
President, Insulation Division

Américo Dénes
President, Abrasives Division

Martin Ellis
President, Building Materials Division

Jérôme Fessard
President, Containers Division

Claude Imauven
President, Pipe Division

General Delegates

Olivier du Boucheron
General Delegate to Benelux

Roberto Caliari
General Delegate to Italy and Greece

Benoît Carpentier
General Delegate to Spain, Portugal and Morocco

Gilles Colas
General Delegate to the Asia-Pacific region

Jean-Pierre Floris
General Delegate to Brazil and Argentina

Jean Laronze
General Delegate to Poland, Ukraine and Moldavia

Niels Christian Lärsen
General Delegate to the Nordic Countries and the Baltic States

Anand Mahajan
General Delegate to India

Paul Neeteson
General Delegate to Germany and Central and Eastern Europe

Jean-François Phelizon
General Delegate to the United States and Canada

Guy Rolli
General Delegate to Mexico, Venezuela and Colombia

Patrick Roux-Vaillard
General Delegate to the United Kingdom and the Republic of Ireland

Report of the Chairman of the Board of Directors

On the organization and preparation of the work of the Board , the internal control procedures implemented by Compagnie de Saint-Gobain and possible limitations on the powers of the Chief Executive Officer.

This report has been prepared in accordance with Article 117 of the Financial Security Act (Loi de sécurité financière) of August 1, 2003.

I – Organization and preparation of the work of the Board of Directors

All of the information required by law concerning the organization and preparation of the work of the Board of Directors is presented above in the sections dealing with the membership, renewal, operational structure and committees of the Board of Directors (pages 36 to 41), referred to herein.

II – Internal control procedures implemented by Compagnie de Saint-Gobain

The internal control procedures implemented by Compagnie de Saint-Gobain represent a body of principles and rules that are intended to ensure the security of the transactions carried out by the Company and thereby the achievement of the Company's objectives in terms of performance, profitability and the safeguarding of assets. The procedures further ensure that the accounting, financial and management information communicated to the Company's governing bodies accurately reflects the Company's operations and financial position, and that the prevailing laws and regulations are complied with.

General organization of the internal control system of Compagnie de Saint-Gobain

1. Internal control structures

Compagnie de Saint-Gobain's internal control system is founded on the Group's matrix organization comprising Divisions (business units) and General Delegations (geographic regions), and on functional departments that are directly or indirectly assigned to the internal control of risk management mechanisms. The principal functional departments are presented below.

a) Internal Audit Department

The role of the Internal Audit Department is to verify the existence and effective operation of risk management mechanisms at all Group companies. Internal Audit staff are partly assigned to the Company's head office and partly to the Group's principal General Delegations. The Department carries out about 180 engagements each year that are the subject of summary reports submitted to the Group's General Management and to the Financial Statements Committee of the Board of Directors.

The Department's reports are also submitted in their entirety to the Group's Statutory Auditors, who in turn report to the Internal Audit Department following audits and assessments of internal control, environmental risks and the computer system. This close co-operation between the Internal Audit Department and the Statutory Auditors is based on respect for the independence of each party and is one of the cornerstones of Saint-Gobain's internal control system.

The Internal Audit Department's mandate includes general reviews and reviews of specific processes. Risk identification is conducted jointly by the Company's Internal Audit Department, the Divisions and the General Delegations. Each year, the internal audit plan is submitted for review to the Group's General Management and to the Financial Statements Committee of the Board of Directors.

The findings of each audit are recorded in a report that states the objectives and scope of the audit. In the case of general reviews, a graded evaluation of the level of internal control is performed. Observations made during the audit and the responses received from the audited company give rise to conclusions, recommendations and an action plan to which the audited company must adhere. A particular person is designated to follow up each recommendation and a deadline for implementation is established.

A progress report on the implementation of the action plan is submitted on a half-yearly basis to the Internal Audit Department and the Divisions until all recommendations have been fully implemented.

After the implementation period, the Internal Audit Department performs a follow-up audit to assess the progress made by companies whose initial grade was unsatisfactory.

b) Environment, Health and Safety Department

The Environment, Health and Safety (EHS) Department formulates and coordinates the Group's policy in respect of the environment, and health and safety. The EHS Department has produced a Reference Manual, referred to below, that must be complied with by the management of the industrial units. The Department assesses the application of the recommended procedures by means of in-depth audits that take place at the discretion of the Divisions and operating units or following a decision from the parent company. The evaluation grid spans 20 stages. Audits are conducted by auditors from the Group who also play an operational role in environmental, health and safety compliance and have received appropriate training in audit techniques. The process is doubly rigorous in that sites are assessed by auditors from a different Division of the Group.
During 2003, a total of 133 EHS audits were performed within the Group, in five countries.
Adherence to EHS procedures is also verified by the Internal Audit Department during general reviews. The communication of the findings of these audits within a formal framework helps the EHS Department and the Internal Audit Department to coordinate their actions.
The EHS Department also actively promotes the development of self-diagnostic techniques within the Group.

c) Information Systems Department

In addition to its general functions concerning information systems, the Information Systems Department is charged with formulating the Group's policy in respect of the security of information systems and computer networks.
A body of rules and best practices concerning information systems and networks has been assembled in the form of general principles and technical standards, which are regularly updated in parallel with technological advances.
The Information Systems Department formulates and coordinates an annual self-diagnostic plan based on ISO 17799. The plan aids the evaluation of progress made by Group companies and triggers corrective measures, as needed. A total of 361 sites performed self-diagnostic tests during 2003.

d) Risks and Insurance Department

The Risks and Insurance Department defines the Group's industrial risk management policy. The Department issues guidelines on cover, referred to below, and organizes visits to key sites (about 180 in 2003) by external audit engineers. Upon completion of each assignment, a report is issued with recommendations that enable site management to craft an action plan.
To cover the risks of the industrial and commercial units in respect of property damage and third-party liability, the Risks and Insurance Department directly contracts and manages a number of international insurance policies. The Department also evaluates the quality of other policies in force.

e) Treasury and Financing Department

The Treasury and Financing Department defines the financing policy for the entire Group (Company, General Delegations and subsidiaries).
Treasury operations are monitored regularly:

- The Company's Treasury and Financing Department is audited on an annual basis. This audit reviews treasury transactions carried out during the year, even those completed at December 31, and looks at content and the related risks incurred, where appropriate. The Statutory Auditors also examine treasury transaction records as part of their annual audit.
New information systems are audited upon entry into service or subsequently. The Statutory Auditors may also review systems in place to assess the level of internal security.

- Each year, the Internal Audit Department reviews the treasury transactions of the General Delegations on a rotating basis to assess compliance with the Treasury and Financing Department's policy and the quality of internal controls.

- In the case of subsidiaries, the internal control of treasury transactions is an integral part of the general reviews performed by the Internal Audit Department. It is also included in the examinations performed by the subsidiaries' Statutory Auditors.

At Group level, the treasury position is monitored monthly based on the calculation of gross and net indebtedness. A detailed analysis is performed by currency, interest rate and maturity, before and after the impact of any derivative financial instruments used. Issues of commercial paper or treasury notes, which raise funds to meet the Group's short-term financing needs, are also reported on a monthly basis. Given the special role played by Compagnie de Saint-Gobain in the Group's financing, the structure of its debt, broken down between active and passive positions, is likewise analyzed monthly. Each month, the Treasury and Financing Department also reports to the Finance Department on the treasury transactions performed during the month, with a particular emphasis on derivative financial instruments.

f) Financial Control
The Financial Control function performs in-depth analyses of the financial impact of investments, acquisitions, divestments, mergers and corporate actions proposed by the Divisions, irrespective of the amounts involved. Financial Control staff also receive the opinions of the departments and the General Delegation concerned on related legal, tax and social issues. Their findings are then forwarded through the Company's Finance Department to the Group's General Management for decision-making.

2. Internal control procedures at Compagnie de Saint-Gobain

Compagnie de Saint-Gobain has developed a large body of internal control procedures governing its own organization and that of its subsidiaries. Key procedures are presented below.

a) Group Doctrine
The financial, administrative and management procedures applicable to Group companies are the responsibility of Compagnie de Saint-Gobain's Doctrine Department. They together compose a body of rules, methods and procedures enshrined in roughly 600 texts that can be accessed on the Group's intranet.
These rules, methods and procedures are organized into broad sections:
- organization, management and administration;
- financial information system;
- Group consolidation;
- accounting and tax;
- financial reporting;
- financial reporting;
- International Financial Reporting Standards.

The Doctrine Department establishes rules for the entire Group that serve as the basis for Group companies' own internal procedures.

The formulation and validation of Doctrine briefs are subject to a procedure that brings together the functional departments concerned. The next stage is initial validation by the Doctrine Committee, composed of Finance Directors at the Division and Delegation levels, as well as the Company's functional managers. The final validation is performed by the Finance Committee, composed of the Company's Finance Director, the principal Finance Directors at the Division and Delegation levels, and the Company's functional managers.

b) Environment, Health and Safety Reference Manual
The EHS Reference Manual explains the action to be taken to meet the Group's general objectives in terms of respect for the environment and the prevention of accidents and occupational illnesses. The approach is based on key risk identification stages, the implementation of preventive measures, and effectiveness monitoring and evaluation.

The EHS guidelines are available on the Group's intranet and are circulated to all Group establishments.

c) General rules and procedures governing the security of information systems
In conjunction with the Company's Doctrine Department, the Information Systems Department keeps an up-to-date record of general and detailed rules and procedures that prescribe best practices in the field of information system management and communication.
The self-diagnostic plan includes references to Doctrine rules.

d) Industrial risk prevention manual
The risk prevention manual developed by the Risks and Insurance Department provides guidance for site managers and their teams concerning the necessary preventive measures to be taken in an industrial context. The manual prescribes the rules to be applied, instructions for the conduct of site visits by insurance engineers, preventive and protective measures, post-incident feedback, safety mechanisms to be incorporated into future projects, and operating procedures and methods.

This methodical approach enables sites to progress towards the implementation of procedures and the deployment of the appropriate preventive measures.

e) Internal operating procedures of the Company, Divisions, and General Delegations
The activities of the Company's departments – in particular, the Treasury and Financing Department, the Accounting and Securities Department and the Consolidation Department – are governed by internal operating procedures. Thus, for each member of staff at the central Treasury and Financing Department or within the Group's other treasury-related services, the field of competence, duties, obligations and authorized financial instruments are set out in a Doctrine brief. Other Doctrine briefs deal with, for example, responsibilities, powers and control, the treatment of comfort or guarantee letters and the management of bank accounts.

The Divisions and Delegations have developed internal procedures to meet their specific needs, alongside the principles prescribed by the Group Doctrine.

Organization of internal control for the preparation and processing of the financial and accounting information made available to shareholders

1. Parent company accounts

Financial information must be provided to shareholders, partners and third parties in accordance with French legal requirements. This process is underpinned by defined accounting standards and principles, including the generally accepted principles of going concern, consistent application of accounting methods, equality between opening shareholders' equity and closing shareholders' equity at the previous period-end, matching of costs with revenues, segregation of accounting periods and substance over form.

a) Organization of the accounting function

The organization of the accounting function is based on the rules, methods and procedures prescribed in Group Doctrine briefs.

It is intended to facilitate the monthly reconciliation and justification of accounts, with the related events reconstructed to form an audit trail. The occurrence of significant events should be anticipated and the most suitable accounting entry recorded for each case. Early error detection and prevention are also central concerns.

The chart of accounts is linked to the Group's financial information system and is adapted in line with transaction classification requirements. The principle of materiality is observed.

Each item of data is entered once in a specific, integrated module of the SAP software.

b) Internal control

In addition to control of compliance with payment procedures and the dual signature requirement for secure payment methods, the Accounting Department's role in internal control includes guaranteeing the fulfillment of the responsibilities defined by General Management and enshrined in responsibility centers called "cost centers".

To this end, the Department sends monthly schedules to the heads of the cost centers to enable them to verify that costs incurred pursuant to payment orders signed by them have, indeed, been dealt with and to compare actual monthly and aggregate expenditure with the initial budget.

A summary version of these documents is sent to the Finance Department and General Management each month.

Any errors are identified and corrected in the following month.

2. Group consolidated financial statements

The consolidated financial statements are prepared by the Group Consolidation and Reporting Department. This Department is also charged with the updating of consolidation procedures, the consolidation of subsidiaries, the processing of reporting data and the maintenance of consolidation tools.

a) Group accounting standards

The consolidated financial statements are prepared in accordance with French generally accepted accounting principles. These principles are laid down in the Group Doctrine. The Consolidation Department provides information and periodic training for the subsidiaries, in consultation with the Divisions and Delegations. For this purpose, the Department has a consolidation manual, an intranet site and training software in French and English.

In the light of the Group's adoption of IFRS effective January 1, 2005, a large amount of resources has been earmarked to meet the greater need for training and information system adaptations in 2004.

b) Organization of the Group consolidation process

The Group consolidation process involves consolidation groups and sub-groups that are hierarchically accountable to the Divisions and functionally accountable to the Group Consolidation and Reporting Department. This process, which mirrors the Group's organization based on Divisions (business units) and General Delegations (geographic regions), is intended to ensure the reliability of accounting data through the monitoring and processing of information close to operational staff.

c) Processing of information and control of accounting data

Each subsidiary submits its reporting package in accordance with a schedule fixed by the Company. The data are checked and processed at the level of each Division, reviewed by the appropriate General Delegation and then passed up to the Consolidation Department, which examines all packages and makes the necessary consolidation adjustments.

The consolidated financial statements are subsequently examined by the Statutory Auditors in accordance with professional standards. Subsidiaries' accounts are examined by their local auditors, who adapt procedures in keeping with local legal requirements and the size of the companies concerned.

d) Consolidation tools

The software used for the preparation of the accounts is equipped with a powerful and efficient database that is matrix-based like Saint-Gobain itself. The software can handle database information at the various consolidation levels and centralizes all data contained in the Group database in a transparent manner.

The consolidation software also feeds into a communication tool that transmits information to General Management, Divisional Management and the General Delegations, thereby providing internal control of information output.

e) Reliability of accounting data underpinned by the reporting process

The reporting process ensures the reliability of the information contained in the Group's interim and annual financial statements.

Pre-closing procedures are applied ahead of the June 30 and December 31 period-ends. Pre-closing meetings are held at which the principal financial and tax managers of the Company, Divisions and General Delegations perform a thorough examination of each consolidated company's estimated income statement and balance sheet, in the presence of the Finance Manager and Tax Manager concerned. Companies' accounts are thus analyzed in detail from an accounting and tax standpoint, prior to final closing. This procedure enables the early detection of errors and the adoption of corrective measures during the normal closing phases.

This interaction between the Company, Divisions and General Delegations is a key element of the Group's internal control system governing the financial and accounting information provided to shareholders.

A detailed, consolidated report is sent to the Company's General Management on a monthly basis. These monthly results are supplemented by comments and analyses submitted by the Consolidation Department.

III – Possible limitations on the powers of the Chief Executive Officer

As the Chairman of the Board of Directors continues to be responsible for the general management of Compagnie de Saint-Gobain, there are no limitations on the powers associated with the role of Chief Executive Officer.

Statutory auditors of the Company

As of December 31, 2003, the Statutory Auditors of the Company were:

■ PricewaterhouseCoopers Audit, 32 rue Guersant, 75017 Paris, France, represented by Pierre Coll and Christian Marcellin, reappointed on June 25, 1998 for a term of six years expiring at the 2004 Annual General Meeting.

■ La Société d'Expertise Comptable Economique et Financière (SECEF), 3 rue de Turique, 54000 Nancy, France, represented by Jacques Tenette and Francis Vallet, reappointed on June 29, 2000 for a term of six years expiring at the 2006 Annual General Meeting. After consultation with the Company's General Management, SECEF has decided to resign as from the Annual General Meeting of June 10, 2004.

As stated above (see the section on the Financial Statements Committee on pages 26 to 28), following the competitive bidding process launched in September 2003 under the supervision of the Financial Statements Committee, the Board of Directors decided in March 2004 to recommend to shareholders at the Annual General Meeting of June 10, 2004 the reappointment and appointment respectively as the Company's Statutory Auditors of:

A PricewaterhouseCoopers Audit,
32 rue Guersant 75017 Paris, France
represented by Pierre Coll and Christian Marcellin

B KPMG Audit, a department of KPMG S.A.,
1, Cours Valmy 92923 Paris-La-Défense, France
represented by Jean Gatinaud and Gilles Salignon

The Board of Directors will also recommend at the same Annual General Meeting the appointment as the Company's Substitute Statutory Auditors of:

C Yves Nicolas, 32,rue Guersant, 75017 Paris, France

D Jean-Paul Vellutini, 1, Cours Valmy
92923 Paris-La-Défense, France

Yves Nicolas and Jean-Paul Vellutini will replace respectively Daniel Chauveau, 11 Rue Margueritte, 75017 Paris, France, whose term of office will expire at the close of the Annual General Meeting of June 10, 2004, and Pierre-Henri Scacchi et Associés, 8-10 Rue Pierre Brossolette, 92300 Levallois-Perret, France, whose resignation will take effect as from the Annual General Meeting of June 10, 2004.

In accordance with Articles L. 225-228 and L. 820-3 of the French Commercial Code, the above-mentioned auditors have provided the following information:

PricewaterhouseCoopers Audit

For the purpose of the renewal of its term of office as Statutory Auditors, PricewaterhouseCoopers Audit has informed Compagnie de Saint-Gobain of its membership of the PricewaterhouseCoopers international network, whose activity is not confined to statutory audits and whose members have a common economic interest. PricewaterhouseCoopers Audit has also informed Compagnie de Saint-Gobain of the total amount of fees received by the network for services provided to Compagnie de Saint-Gobain and its subsidiaries that were not directly related to statutory audits.

The fees paid by Compagnie de Saint-Gobain and its subsidiaries to PricewaterhouseCoopers Audit and members of its network are presented in the table below:

	2003		2002	
(in € millions)	Amount	%	Amount	%
Audit				
• Statutory audit and contractual audits				
France	2.8	20%	2.9	13%
Outside France	7.7	55%	8.0	36%
TOTAL	**10.5**	**75%**	**10.9**	**49%**
• Other engagements	1.7	12%	1.1	5%
SUB-TOTAL	**12.2**	**87%**	**12.0**	**54%**
Other services				
• Legal and tax advisory services				
France	–	–	–	–
Outside France	1.7	12%	1.7	8%
TOTAL	**1.7**	**12%**	**1.7**	**8%**
• Information technology [(a)]				
France	–	–	0.1	0%
Outside France	–	–	8.4	38%
TOTAL	**–**	**–**	**8.5**	**38%**
• Internal audit	–	–	–	–
• Other	0.1	1%	0.1	0%
SUB-TOTAL	**1.8**	**13%**	**10.3**	**46%**
TOTAL	**14.0**	**100%**	**22.3**	**100%**

(a) Corresponding to services relating to the implementation of Enterprise Resource Planning systems carried out by the network's consulting entity, prior to its disposal on September 30, 2002.

In the past two years, PricewaterhouseCoopers Audit has not examined the merger or transfer transactions carried out by Compagnie de Saint-Gobain or companies controlled by it within the meaning of paragraphs I and II of Article L. 233-16 of the French Commercial Code.

KPMG S.A.

KPMG S.A. is an accounting and audit firm with a Management Board and a Supervisory Board, and is a member of KPMG International. KPMG International is a cooperative incorporated under Swiss law and provides no services to clients. All services are provided by the member firms of KPMG International, which are independent legal entities.

In the past two years, KPMG S.A. has not examined the merger or transfer transactions carried out by Compagnie de Saint-Gobain or companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code.
KPMG S.A. does not breach any of the conflict-of-interest restrictions provided for by the French Commercial Code.
The fees paid by Compagnie de Saint-Gobain and its subsidiaries to the member firms of KPMG International are presented in the table below:

	2003		2002	
(in € millions)	Amount	%	Amount	%
Audit				
• Statutory audit and contractual audits				
France	0.3	10%	0.3	14%
Outside France	1.8	62%	1.7	77%
TOTAL	**2.1**	**72%**	**2.0**	**91%**
• Other engagements	0.1	3%	–	–
SUB-TOTAL	**2.2**	**76%**	**2.0**	**91%**
Other services				
• Legal and tax advisory services	0.4	14%	0.2	9%
• Information technology	–	–	–	–
• Internal audit	–	–	–	–
• Other	0.3	10%		
SUB-TOTAL	**0.7**	**24%**	**0.2**	**9%**
TOTAL	**2.9**	**100%**	**2.2**	**100%**

Bylaws

Saint-Gobain is a French public company regulated by Articles L. 210-1 et seq. of the French Commercial Code, with its head office at Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie, France. It is registered with the Nanterre corporate register under reference 542039532 (activity code APE 741J), Siret number 54203953200040.
The Company's corporate purpose may be summarized as the carrying out and management in France and elsewhere of all industrial, business, financial, plant, equipment and property operations related to industrial and commercial activities, notably through its French and foreign subsidiaries and affiliated companies (Article 3 of the bylaws). The financial year of the Company is from January 1 to December 31. The Company's legal term will expire on December 31, 2040 unless the Company is dissolved prior to that date or an extension is obtained.

The official documents concerning the Company may be consulted at the head office, Les Miroirs, 18, avenue d'Alsace, 92400 Courbevoie, France, Financial Communications Department.

Special clauses in the bylaws

These are summarized below.

Capital stock

The bylaws require the disclosure to the Company of each fractional direct or indirect holding of 0.50% of the capital or voting rights or any multiple of this percentage. The same obligation exists when a direct or indirect holding falls below one of these thresholds. Violation of this obligation can be sanctioned by the withdrawal of voting rights exceeding the undeclared fraction, for a period of two years from the date of disclosure of the undeclared

holding, if one or more shareholders holding at least 3% of share capital or voting rights so request and this is included in the minutes of the General Meetings (Decisions of the General Meetings of June 23, 1988 and June 15, 1990).
Furthermore, the Company can request information relating to the composition of shareholdings and the owners of its shares in accordance with legislation and regulations in force.

Board of directors

The Company has a Board of Directors made up of at least three members and not more than fifteen.
Each director must own at least eight hundred Company shares (Ordinary and Extraordinary General Meetings of June 24, 1999, June 28, 2001 and June 5, 2003).

General meetings

Any shareholder may attend a general meeting in person or be represented by proxy, subject to providing proof of identity and evidence of ownership of shares as indicated in the notice of meeting, at least five days before the date of the General Meeting and in accordance with legal requirements concerning the attendance of shareholders at a general meeting. However, the Board of Directors may decide to shorten or waive this mandatory lead time provided the change is applied to all shareholders equally.
A shareholder may be represented only by his/her spouse or by another shareholder. Legal entities that hold shares may be represented at meetings by their legal representatives or by any other person so designated by the legal representative.
The voting rights attached to each share belong to the beneficial owner at all shareholders' general meetings. Each shareholder has the right, without any limitation, to the number of votes attached to or represented by the shares held.
However, double voting rights are granted in respect of all fully paid-up shares registered for two years in the name of the same shareholder. In addition, when the capital is increased by the capitalization of reserves, profits or issue premiums, a right to a double vote is granted on issue to each bonus share distributed free of charge to a shareholder owning shares giving rise to this right (Decision of the General Meeting of February 27, 1987).
Any share converted into bearer form or whose ownership is transferred loses the right to a double vote. Nevertheless, transfers resulting from an inheritance or from the liquidation of the joint estate of a husband and wife, or donations inter vivos in respect of a husband, wife or parent entitled to share in the estate of an intestate do not result in the loss of the right and do not interrupt the two-year period referred to in the previous paragraph.
Voting by mail is subject to the conditions and restrictions laid down in legal and regulatory provisions.

Appropriation of net income

An amount of at least 5% of net income, less losses of prior years if applicable, will be appropriated so as to set up the legal reserve required by law. This appropriation ceases to be obligatory when the legal reserve is 10% of the capital. Further appropriations must be made if the reserve falls below 10% of the capital.
Distributable income is comprised of the net income for the year, less losses brought forward from prior years and any amount to be appropriated to reserves as a result of legal or statutory requirements, plus any retained earnings.
Out of distributable income, the General Meeting appropriates successively:
1. Amounts judged appropriate by the Board of Directors to set up contingency or extraordinary reserves, or to be carried forward to the following year;
2. From any remaining balance, the amount necessary to pay shareholders a preliminary dividend of 5% on their fully paid-up and non-redeemed shares, without, however, conferring a right, if the profit of a year does not permit such a distribution, to claim any such unpaid amounts in future years;
3. Amounts available after such appropriations to be distributed to shareholders.
The General Meeting which approves the financial statements for the year has the power to grant to each shareholder, in respect of all or part of a dividend or an interim dividend to be distributed, the choice of payment in cash or in shares.

Regulated agreements entered into during the year

No new regulated agreements were entered into in 2003.

Statutory Auditor's report

Prepared in accordance with the final paragraph of Article L.225-235 of the French commercial code, on the report of the Chairman of the Board of Directors of Compagnie de Saint Gobain on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the shareholders,

In our capacity as the Statutory Auditors of Compagnie de Saint-Gobain and in accordance with the final paragraph of Article L. 225-235 of the French Commercial Code, 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, 2003.

Under the responsibility of the Board of Directors, it is for the Company's management to determine and implement appropriate and effective internal control procedures. The Chairman is required to report on the conditions governing the preparation and organization of the work of the Board of Directors and the internal control procedures implemented within the Company.

Our responsibility is to provide you with our observations on the information and disclosures contained in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our procedures in accordance with the professional guidelines applicable in France. Those guidelines require that we carry out the necessary procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures included:

a. acquiring an understanding of the objectives and general organization of the internal control system, as well as of the internal control procedures applicable to the preparation and processing of financial and accounting information, as set out in the Chairman's report; and,

b. acquiring an understanding of the work underlying the information presented in the Chairman's report.

Based on these procedures, we have no matters to report in respect of the information provided concerning the Company's internal control procedures relating to the preparation and processing of financial and accounting information, as presented in the report of the Chairman of the Board of Directors, prepared in accordance with the provisions of the final paragraph of Article L. 225-37 of the French Commercial Code.

Paris, March 25, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit		SECEF	
Pierre Coll	Christian Marcellin	Jacques Tenette	Francis Vallet

Special report of the Statutory Auditors on regulated agreements

To the shareholders,

In our capacity as the Statutory Auditors of Compagnie de Saint-Gobain, we are required to present a report on regulated agreements that have been disclosed to us. Our responsibility does not include identifying any undisclosed agreements.

We have not been advised of any new agreements governed by Article L. 225-38 of the French Commercial Code entered into during the year.

Paris, March 25, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit		SECEF	
Pierre Coll	Christian Marcellin	Jacques Tenette	Francis Vallet

II • 2003 Management Report

Satisfactory 2003 results in a challenging global economy

With global GDP growth at 3%, 2003 was an average year for the world economy. Overall performance was not as good as hoped for at the end of 2002, but better than feared at the beginning of 2003. Spurred by the firm US economy and buoyant Asian markets, business began to pick up around the globe, with capital flowing back into the financial markets after the stock market fallout of the previous two years.

Against a background of geopolitical tension, the **US economy** stayed the course, warding off the threat of deflation. Businesses swung back to profit and started spending again, while consumer morale and household spending remained high despite widening public deficits. All of this led to a slide in the dollar; which in turn, further spurred growth.

After a period of quarantine following the outbreak of SARS, the **Asian markets** posted a robust performance. Growth was led primarily by China, which was the world's economic driver, fuelled by the undervaluation of the yuan. Meanwhile, Japan began its long awaited turnaround.

The **European economy** failed to capitalize on the worldwide upturn, reporting its weakest figures in the post-war period. After bordering on recession in the first half of 2003, it began to show slight signs of improvement in the summer, in the wake of a brighter international picture. However, industrial output was flat, capital spending continued to contract, and domestic demand tapered off. At the same time, risks of inflation continued to linger. Monetary and fiscal policy remained cautious and European competitiveness was – and still is – threatened by the strong euro.

■ In **France**, economic activity shifted to an upward trend in the summer of 2003 after a disappointing first half. This turnaround was powered solely by exports, however, as domestic demand remained lackluster. Consequently, at the end of the year, GDP growth figures were among the lowest since the end of the second world war.

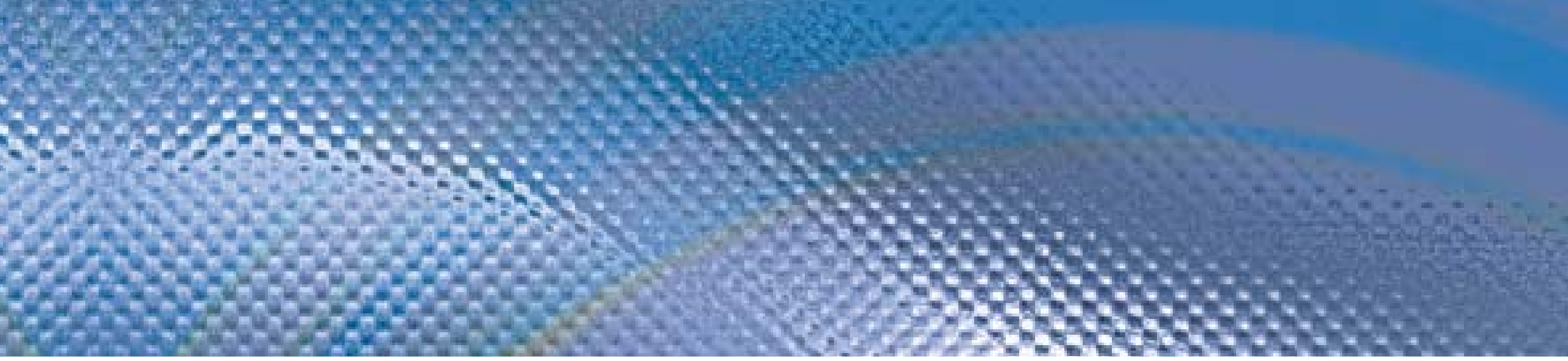
■ The **German economy** was mired in recession in the first half of 2003, dragging down average performance for the Eurozone. Although German exports were given a boost by the healthier international outlook, consumer spending stagnated. There were tentative signs of an improvement in the building industry, however, which should be affirmed in the coming months.

■ In **the United Kingdom,** manufacturing activity remained limp and companies continued to hold off on capital expenditure. Conversely, consumer confidence was high, buoyed by the wealth impact of the hike in real-estate prices.

■ **Italy** experienced a contraction in economic activity in the first two quarters, before also benefiting from an upturn in exports. Capital spending was flat however, due to high production overcapacity and the termination of certain tax breaks. Meanwhile, households tightened their purse strings due to low employment levels and continuing inflation.

■ **Spain** once again turned in the best showing in Europe. The bright picture was nevertheless marred by the strong euro, which hurt competitiveness, as well as a property price bubble sparked by the overheating of the real-estate market.

In **Japan**, the strong export-led recovery helped to improve the business climate. GDP annual growth rate for fiscal 2003, ending on March 31, 2004, could exceed 2%. That said, the country is finding it difficult to reduce its structural deficit and despite a gradual upturn in consumer spending is still suffering from falling prices and the onslaught of deflation.



In **Latin America,** Argentina continued to get its finances under control. On the other hand, Mexico – and particularly the *maquiladoras* – lost ground to growing Chinese competition. Despite a changing political landscape, the Brazilian government kept a tight rein on the economy and set about restoring public finances to a solid footing. This had an unfavorable impact on growth, with exports being the sole driver.

Eastern European countries proved to be star performers, boosted by domestic demand and strong export showings in some cases – notably Poland.

The construction industry

2003 was another banner year for the housing market in the **United States**, with record figures both for construction starts and purchases of existing properties. Conversely, though, the non-residential market continued to contract.

After two years of decline, the housing market in **Europe** leveled off, with performance stronger for renovations than new construction starts. Property investors were attracted by the combination of low mortgage rates and tax incentives, such as those introduced by the Robien Act in France.

■ **Spain** continued to lead the European pack, with a steep rise in house prices both for new build and existing constructions.

■ In **France**, the residential market showed no signs of softening, posting an upswing in the second half of the year. Residential construction starts and building permits turned in a sustained performance, marked by higher growth figures for apartment blocks than individual homes. The renovation market reported stable volumes.

■ Residential housing starts in **Germany** rallied from September, but not enough to prevent the construction market from contracting for the eighth year in a row.

The Automotive Sector [1]

Across **Europe**, sales of new cars reached 14.2 million in 2003, down 1.3% compared with 2002. Only Spain and the United Kingdom recorded an upturn, rising 3.8% and 0.6% respectively. Sales of new vehicles in France fell by a sharp 6.3%, and dropped for the fourth straight year in Germany, the Sector's main European market. They also dipped in Italy by 1.2%, reflecting the end of incentive measures that had kept the market on an even keel in 2002. Meanwhile, Japanese and Korean auto-makers continued to win market share.

New vehicle registrations in the **United States** eased back 1% to 16.7 million. Auto-makers – particularly the country's three major ones – opted to apply a looser pricing policy and grant discounts in order to keep up sales levels.

In **Latin America**, the Brazilian market contracted 3.5%, although the country's auto manufacturing output rose 2% to 1.83 million vehicles, spurred by exports. The Argentinian market, which practically ground to a halt in 2002, surged 87% to 148,600 sales of new vehicles.

In **Japan**, new vehicle registrations climbed 1.5% to 4.03 million, fuelled by a large number of launches and high export levels driven by the weak yen.

The Electronics Sector [2]

International sales of semiconductors grew 9% in 2003 in volume turns, marking the turnaround awaited since 2001. This recovery – which began vigorously at the end of the third quarter before slightly running out of steam towards the latter part of the year – was felt in all geographic regions, particularly in Japan and the rest of Asia.

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(1) Source: automobile manufacturers.

(2) Source: World Semi-conductor Trade Statistics.

Results in line with targets

Saint-Gobain's solid fundamentals and effective business model were once again successfully put to the test in 2003. Against a bleak economic backdrop, the Group met its target of achieving a slight increase in operating income, excluding the currency effect. Performance was particularly robust in the second half of 2003, significantly up on the first half.

Operating results were strong in 2003. Like-for-like sales climbed 2.5% and operating income edged up 0.1%. Operating margin was 8.3%, or 10.1% not including Distribution activities. Excluding capital gains on the disposal of non-current assets, net income decreased by a modest 2.9%. Based on the number of shares in circulation at December 31, 2003 (i.e. excluding treasury stock), earnings per share excluding capital gains dipped by a restrained 3.2% to €3.03 from €3.13 in 2002.

At €1,039 million, consolidated net income was on a par with the prior-year figure of €1,040 million. Consolidated earnings per share (excluding treasury stock) amounted to €3.09 versus €3.10 in 2002.

These sound results also reflect Saint-Gobain's **stronger balance sheet structure.** Over the year, the Group scaled back net debt and interest expense by 19% while continuing to generate strong free cash flow (cash flow from operations less capital expenditure), which came in at €1,189 million excluding capital gains tax.

The Group's performance was achieved in a harsh operating context. The year saw a substantial rise in energy costs and some commodity prices, as well as unfavorable exchange rates – notably for the Brazilian real, the U.S. dollar and pound sterling – combined with further worsening of trading conditions in a number of the Group's key markets. For instance, the construction industry continued to contract in Germany, and capital spending remained subdued throughout the majority of 2003 – only picking up towards the end of the year – hurting the Ceramics & Plastics and Abrasives Divisions, and, albeit to a lesser extent, Reinforcements. This challenging backdrop was, however, lightened by a number of positive factors, such as a firm showing from residential construction starts and strong consumer spending in the United States, stable performance from new build and a modest rise in the renovation market across Europe, combined with strong growth in most emerging countries.

Rising to the challenge of these mixed conditions, Saint-Gobain met its price-strengthening objective, lifting sales prices by an average 0.8% for the full year. The Flat Glass Sector stayed the course, Building Materials performed well as did Containers, and Building Materials Distribution continued to make headway. Other performance factors, in addition to sharply lower net debt and interest expense, included control over capital spending and working capital.

The Group made no major acquisitions in 2003, preferring to continue supplementing growth with bolt-on acquisitions. These mainly concerned Building Materials Distribution. Several non-core businesses were sold, primarily in the Building Materials and Ceramics and Abrasives Divisions.

In millions of euros	**2003**	2002	2001
Net sales	**29,590**	30,274	30,390
Operating income	**2,442**	2,582	2,681
Income before profit on sales of non-current assets and taxes	**1,722**	1,848	1,988
Net income before minority interests	**1,065**	1,074	1,174
Net income	**1,039**	1,040	1,134
Cash flow from operations	**2,471**	2,673	2,733
Cash flow excluding capital gains	**2,540**	2,688	2,765
Capital expenditure	**1,351**	1,431	1,430

Including the currency effect, Group sales dipped 2.3%. Excluding the exchange-rate impact, however, they climbed 4.1% on an actual structure basis and 2.5% based on a comparable structure. Currency effects had a 6.1 point negative impact on sales for the year, particularly due to the significant depreciation of the US dollar, pound sterling and Brazilian real against the euro (down 16%, 9% and 20% respectively). Sales volumes climbed 1.7% spurred by a recovery in the second half of the year. At the same time, prices increased 0.8%.

Among the sectors, Housing Products recorded the highest like-for-like rise, posting a 3.9% gain. The increase was due to the 14.2% leap in sales by the Pipe Division on the strength of major distant export contracts. Sales in the Glass Sector advanced 1.5% like-for-like, reflecting healthy results from the Flat Glass, Insulation and Containers Divisions which were partially offset by a contraction in Reinforcements, mainly triggered by lower sale prices. Like-for-like sales in the High-Performance Materials Sector edged up by a subdued 0.5%, due to slow capital spending which did not show any signs of recovery until the end of the year.

On a like-for-like basis, sales were up in all geographic areas except Europe (excluding France), which was on a par with the 2002 figures. Sales in France and North America rose 2.7% and 2.8%, respectively, and all other countries reported a surge of 17.4%.

Operating income decreased 5.4% at current exchange rates. Excluding the currency effect, it increased 1% on an actual structure basis and 0.1% based on a comparable structure. Operating margin inched down from 8.5% to 8.3%, primarily on account of the strong increase in energy costs and some commodity prices which impacted profitability in the Containers, Building Materials, Insulation and Pipe Divisions. In the High-Performance Materials Sector, however, operating margin climbed to 8.4% from 6.7% in 2002, spurred mainly by cost reduction programs implemented since 2001. Operating margin for the Building Materials Distribution Division further increased, coming in at 5%, despite continuing difficult market conditions in Germany and the Netherlands.

Profitability in North America and European countries excluding France and the United Kingdom was hit by the sharp increase in energy and commodity prices. Profitability in the Group's other operating countries, including France and the United Kingdom, improved over the year, however.

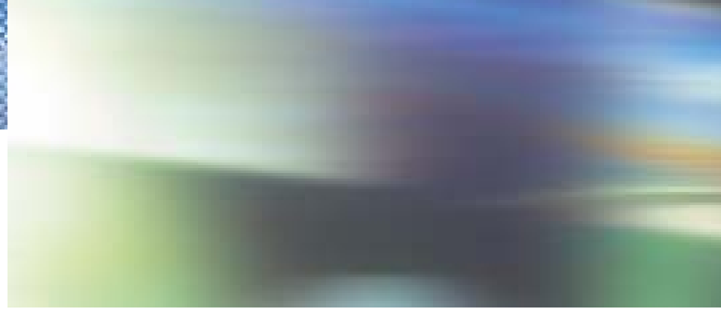
The Group's overall resilience with regard to operating income was rooted in the twin drivers of higher prices and volumes, as well as in continued efforts to contain costs. Headcount was reduced by 2.2% in the Group's manufacturing operations. This, combined with slightly higher sales volumes, generated a 4% increase in productivity compared with the 2.7% rise recorded for the year ended December 31, 2002.

Other contributors to the Group's results include a 9.3% reduction in net interest expense and other financial charges, significantly improving the interest cover ratio. Net debt was scaled back for the fourth year in a row, down 19% year-on-year to stand at €5.7 billion at December 31, 2003. The Group's gearing ratio also improved, coming in at 49.3% at the year-end despite the negative currency effect on shareholders' equity.

The debt paydown is attributable to two reasons. First, ongoing efforts to generate high free cash flow. Cash flow from operations declined 7.6% to €2,471 million, including tax on capital gains from asset disposals. Due to the currency effect, capital expenditure was slightly down on the prior year, representing 4.6% of sales compared with 4.7% in 2002. Free cash flow stood at €1,120 million, or €1,189 million excluding capital gains tax. The second explanatory factor is continued headway made in reducing working capital.

At €789 million, investments in securities remained on a par with 2002. This figure included €454 million for bolt-on acquisitions in the Building Materials Distribution and Ceramics & Plastics Divisions, and €229 million for share purchases.

Overall, the Group's financial results in 2003 reflect how Saint-Gobain strengthened its capital base while holding firm against the dismal economic climate. This performance was achieved by increasing sales volumes, raising sales prices, continuing to deliver productivity gains, and keeping a tight control over working capital. At the same time, operating income was in line with the Group's objective.



(in millions of euros)	2003	2002	2001
Net sales	**11,266**	11,818	11,813
Operating income	**1,178**	1,325	1,357
Cash flow from operations	**1,406**	1,614	1,560
Capital expenditure	**891**	869	827

Internal sales are deducted from sales data by Sector and by Division.

Flat Glass

Flat Glass manufactures, processes and markets glass and glazing products for two major markets, the building and automotive industries. Its four main business lines are flat glass manufacturing; processing and distribution for the building industry; production of automotive glass; and specialty glass, which includes products for home appliances, fireproof glass, nuclear safety glass and glass for electronics.

Glass is manufactured in large industrial units known as float-glass lines. These lines produce different types of flat glass, ranging from basic grades in clear and colored varieties, through to more sophisticated glass grades incorporating specific coatings or metallic oxides, which are used in many different applications, for example for thermal insulation or sun control. The Division operates in 36 countries and has 29 flat glass floats, of which 11 are jointly owned. In addition, there are two floats currently under construction – one in Brazil and the other in India.

Before being sold, two-thirds of the glass produced by Saint-Gobain's Flat Glass plants is further processed, notably for the building industry. This market is served by a network of downstream processing and distribution businesses which supply an entire range of applications, from structural glazing and wall facings for major construction projects and urban amenities through to glazing products for industrial carpentry, furniture, bathroom fixtures and interior decoration. All of these applications have led to major innovations, such as low-emission, electrochrome or electrically-controlled glass, as well as shatterproof glass.

The Division is also a manufacturer of automobile parts. It delivers front and back windshields, side windows, glass sun-roofs and other ready-to-assemble modules to major European and global car manufacturers. Whether laminated, colored, treated or specially coated for high-performance applications, the different types of flat glass are sophisticated high-technology products. The pace of change is extremely rapid in this field, to keep up with consumer expectations of ever greater safety and comfort through increased visibility, insulation and acoustic comfort. In addition to automotive markets, the aeronautics and mass-transit industries are another significant end-use market for the Division's product expertise.

Lastly, the Division includes under the heading of Specialty Glass a number of companies offering specific capabilities in markets such as home appliances (Euroveder, Eurokera), fireproof glass (Saint-Gobain Vetrotech International), industrial optics, and industrial refrigeration. Another specialist subsidiary, Saint-Gobain Display Glass, produces and markets flat glass products for electronic displays.

To meet the needs of its various markets, the Division has adopted a customer-focused organization, with:
– Saint-Gobain Glass for basic products;
– Vitrages de Saint-Gobain for processing and distributing flat glass for the building industry;
– Saint-Gobain Sekurit for the automotive and mass transit markets;
– Saint-Gobain Specialty Glass.

International expansion is a constant priority for the Flat Glass Division. Adding to its longstanding presence in all of the major glazing markets in Western Europe, the Division has made inroads into Brazil, Argentina and Chile as well as in Eastern Europe, Mexico and Korea. More recently it has made significant investments in China and India. Moreover, sales offices have been established in a number of countries, including Japan and the United States, in order to boost sales of flat glass products in these markets.

Glass

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**14%**	15%	15%
% of operating income	**19%**	19%	21%
% of cash flow from operations	**22%**	23%	22%

Key consolidated data

(in millions of euros)	2003	2002	2001
Net sales	**4,298**	4,423	4,478
Operating income	**471**	495	551
Cash flow from operations	**548**	622	613
Capital expenditure	**364**	377	361

Internal sales are deducted from sales data by Sector and by Division.

Flat Glass sales dipped 2.8% year-on-year to €4.3 billion. The decrease was primarily due to a 5.2% negative currency effect following the fall in the Brazilian real, the Mexican peso, the Korean won and the pound sterling.

Changes in Group structure had a positive impact in 2003, primarily due to the purchase of Jaroszowiec, a Poland-based screen-printing glass company. On a like-for-like basis, Flat Glass sales climbed 1.9% compared with 2002, although the picture was mixed across business lines and regions.

The European market in glass for the building industry remained stable compared with 2002, with no growth observed The significant increase in Southern Europe (Spain and Italy) and Eastern European countries (Poland, the Czech Republic, Hungary and Slovakia) could not fully offset the ground lost in Germany, France and Scandinavia. Saint-Gobain Glass's sales in this market therefore dipped 1% year-on-year.

Overcapacity arising from four competitor float lines which came onstream in 2002 continued to weigh on price levels, despite efforts made to adapt production to lower demand by reducing output.

Outside Europe, the two regions in which the Division operates turned in contrasting performances, excluding the currency effect which was negative across the board. Sales volumes stagnated in Latin America due to the slow-down in the Brazilian economy and in spite of an improved

Torre Optima III in Mexico

showing from Argentina and Colombia – although the basis of comparison was lower for these two countries. Nevertheless, the overall contraction on 2002 was limited by a policy implemented in all countries except Chile to strengthen prices. In Asia, sales volumes soared 36% year-on-year, driving an increase in net sales against a backdrop of unfavorable currency effects and a strong price decline in Korea due to Chinese imports. Every country in the region contributed to the rise in sales volumes, including Korea, China – through SGH Nanjing –, Japan, through the Albarino photovoltaic glass, and India.

The processing/distribution subsidiaries posted a decrease in net sales in 2003. While partly stemming from unfavorable exchange-rate effects relating to the pound sterling, the decline was mainly due to a fall in prices of processed products which was even more marked than for float products and which particularly hurt the German and Austrian sales networks.

Sekurit's sales output in Europe was up slightly on 2002, led by higher sales of front windshields and sun-roofs, which more than offset the contraction in side windows and back windshields. All told, net sales rose significantly, powered by an increase in sales of high value-added products, particularly athermic windshields, laminated glass roofs and side windows, as well as heated and soundproof windows, mainly in France, Spain, the Czech Republic and Poland.

Sekurit's net sales outside Europe advanced significantly, based on constant exchange rates. Brazil reported stronger prices and increased exports (including to Europe), helping to offset the somewhat lackluster domestic market. China also posted strong results, on the strength of vigorous growth in the local automobile production market which resulted in the country's two encapsulation plants being used to full capacity. Thailand likewise made major strides, thanks to a large-scale delivery of automotive glass to a Japanese client. Conversely, sales were flat in Korea and contracted in Mexico.

Sales in the Transport business line were hurt by the decline in the aeronautics industry. This was, however, partially offset by the launch of two new plants: one for windshields for heavy goods vehicles in Italy and the other for treated glazing in Poland – to which Germany's manufacturing activities in this area have been transferred. Meanwhile, the Autover line continued to notch up gains in all of its markets, except the United States.

Saint-Gobain Specialty Glass, which includes the ceramic glass player Eurokera, posted a further increase in sales volumes both in the United States and Europe. Nevertheless, total sales retreated due to the rise in the euro against the dollar and price decreases. Euroveder, specialized in home

Renault Mégane coupé

appliances, recorded an increase in sales in Brazil and Mexico, but came up against difficult operating conditions in Italy and Poland. Sales leveled off at Vetrotech – a manufacturer of fireproof products – following many years of strong growth. Subsidiaries of Korea-based Hanglas, turned in a strong showing for sales of microwave glass trays, exported from China. This segment– along with neon tubes – have been hurt by Asian competition.

All told, operating income for the Flat Glass Division came to €471 million in 2003, representing 11% of sales, against €495 million, or 11.2% of sales, in 2002. At 2002 exchange rates, this corresponds to €506 million. Operating income was negatively impacted by the currency effect in Brazil, Mexico, Korea and Poland.

At constant exchange rates, operating income was up on the prior year, fuelled by higher net income from Sekurit, Saint-Gobain Glass (excluding Europe) and Specialty Glass. These increases offset the decline in net income from the European Building Materials operations and from Vitrages de Saint-Gobain.

Outlook for 2004

Sales volumes are expected to rise in all of the Division's business lines and geographic regions, although the picture will likely be mixed across the board.

The positive factors of this growth will be offset by two adverse factors:

- Negative exchange-rate effects envisaged for Brazil, Mexico and the United Kingdom;
- A decrease in average sale prices in the European construction market.

The Division intends to rise to these challenges by pursuing its strategy of enhancing the product mix – particularly for the Automotive market – and expanding its presence in countries with the highest growth potential.

Insulation and Reinforcements

The operations of the **Insulation Division**, born of the development of glass technology, include glass wool (TEL process), rock wool, and distribution of soundproof ceilings and insulation foams, which are developed in partnership with major chemical companies.

The Division's corporate mission is to deliver effective insulation solutions, based on the Isover brand, which combine comfort with safety and are environmentally friendly. Insulation products are marketed as rolls, panels or molded insulation. They are mainly designed for the new construction and renovation markets, for fitting on roofs, walls and flooring, to reduce heating costs or noise with a view to providing maximum comfort. Thermal and acoustic insulation standards in the building industry have been introduced in a large number of countries, providing a solid basis for growth.

In addition to these uses in the building industry, a portion of sales derives from technical insulation for some of the most complex industrial facilities, or niche markets such as soil-less (hydroponic) cultivation.

In Europe, one house out of three is insulated with the Division's products, and the proportion in the United States is one in every five. The Division ranks number one in mineral fiber* insulation products, and has operations across the globe, either as a direct producer or via its licensees.

Its offering is being increasingly focused on supplying sophisticated systems that meet ever higher performance standards, by drawing on its recognized expertise in thermal insulation, fire-proofing and acoustic comfort. In this latter area the development of sound-proof ceilings is delivering on its promises, thanks to the brands Ecophon. Eurocoustic, API and Gabelex.

The Division is structured based on the world's major regions, aimed at fostering manufacturing and marketing synergies between countries and enabling it to respond promptly to market needs. The aim is to maintain a steady growth rate across all markets.

In industrial countries where it enjoys a long-standing leadership position*, the Division is developing new systems with high added value. Isover has gained a strong foothold in emerging economies for all its products, successfully tapping the growth opportunities generated by the climate itself and a growing demand for comfort. The new facility in Russia is a prime example of this.

The overall strategy adopted by the Division hinges around its world brand, Isover, and is underpinned by several goals:
- bolster its leading position* in sophisticated thermal, acoustic and fireproof insulation systems;
- step up its expansion in glass wool, its core offering;
- showcase the environmentally friendly aspects of its products;

** Source: Saint-Gobain.*

Glass fiber radome

- develop a range of technical, logistic and commercial services, drawing on all the profitable resources made available by new technology, with a view to heightening the Division's value added services.

The **Reinforcements Division** has manufacturing operations in nineteen countries, and is dedicated to serving customers throughout the world. The current strategy of this Division is to extend its low-cost production platforms beyond Europe, grouping its two core activities – threads and textile processing. Glass thread production is the Reinforcement Division's historic business. It was expanded in 1998 to include processing. This downstream activity has strong growth potential, with current sales representing over a third of total sales generated by the Division.

The glass threads business, carried out under the Saint-Gobain Vetrotex trade name, groups a Plastics Division specialized in products for reinforcing thermoset and thermoplastic composite materials and a Textile Division specialized in manufacturing threads that are designed to be woven. The key markets served are the automotive and mass transit industries for vehicle bodywork, interior or motor parts, as well as the building industry, leisure equipment (sports goods, boats etc.), the electrical and electronic industries, and the civil and military aeronautics industries.

Textile-processing operations are grouped into a dedicated *Saint-Gobain Technical Fabrics* business unit focused on weaving, coating and manufacturing finished and semi-finished products intended for highly diversified markets. Operations are structured around three worldwide markets: the building industry, industrial materials and technical composites. In 2003, the Glass Mat business was combined into the Construction department in order to leverage synergies that already existed between the two product lines.

Overall, the Reinforcements Division currently generates 50% of sales in Eastern and Western Europe, 37% in North and South America and 13% in Asia, with the latter region offering the highest growth potential.

Within an environment that is becoming ever more competitive, the Reinforcements Division aims to leverage its leading position* in order to:

- deliver added value and excellent customer service quality through its preferential positioning in specialized businesses, an increased Research and Development drive, and continued focus on downstream activities and distribution;
- further contain costs, by capitalizing on its production platforms that are located in countries with low labor costs, and by standardizing best practices;
- consolidate its global organization structure focused on multicultural teams that strive for excellence, with a view to broadening the talent pool.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**10%**	11%	11%
% of operating income	**11%**	14%	15%
% of cash flow from operations	**14%**	16%	16%

Key consolidated data

(in millions of euros)	2003	2002	2001
Net sales	**3,110**	3,329	3,274
Operating income	**265**	351	402
Cash flow from operations	**354**	436	448
Capital expenditure	**232**	198	229

Internal sales are deducted from sales data by Sector and by Division.

In 2003, the **Insulation Division** turned in a very mixed performance, marked by declining sale prices offset by growth in sales volumes. The successful launch of the new TEL glass wool plant in Russia drove a surge in business at the end of the year, while sales in both Europe and the United States rebounded strongly in the last four months of 2003. Sales advanced in Europe, led by a strongly positive volume impact which was only slightly eroded by the restrained negative effect of lower prices.

Following several years of decline, the German market bottomed out, while business in France and Spain remained at satisfactory levels and buoyant conditions prevailed in Eastern Europe and Russia.

Production of rock wool starts at the Yegorievsk plant in Russia

The ceilings business continued to grow, mainly in Germany, the Benelux countries, Russia and Denmark, boosted by external growth in metallic frames with the acquisition of Gabelex in Portugal.

In the United States, sales remained fairly high despite a slight dip compared to 2002, as pricing pressures offset the benefits of higher volumes.

Unfavorable euro-to-dollar exchange rates had a strong impact on Division sales in 2003, causing the figure to fall slightly below its 2002 level, masking sales growth based on constant exchange rates.

The **Reinforcements Division**, experienced difficult market trends, marked by low volume growth and price erosion, mainly as a result of growing Chinese exports to Europe and the United States. A moderate recovery was, however, noticeable in the fourth quarter and is expected to continue in 2004, mostly in the textiles and electronics businesses.

In the Plastics Division, sales remained satisfactory in Europe where the Group enjoys a leadership position and robust demand for specialized products such as UNIFILO® and TWINTEX®. In the Americas, growing demand in South America, including particularly vigorous results in Brazil, made up for a disappointing showing in the United States.

**Source: Saint-Gobain.*

In Mexico, the Division began work on the Violet plant, a joint venture with Owens-Corning that will specialize in producing high-end rovings. In Asia, development continued at a rapid pace. A new furnace was built in Hangzhou, China; the Korean and Japanese subsidiaries were redeployed; and Thailand and India posted good results. Expanded capacity in China already allows the Division to supply the Japanese market.

In the Textile business, prices that had been contracting since 2001 seemed to have bottomed out at the end of 2003. Early signs of a moderate recovery were visible at the beginning of 2004, especially in Asia. Against this backdrop, the Division has chosen to redeploy its capabilities into specialty markets and away from commodities. Toward this end, the Xicoh plant in Mexico will be ramping up its production and a new furnace was commissioned in Hodonice, Czech Republic, to produce textile threads for use in markets other than electronics.

Saint-Gobain Technical Fabrics remained on a satisfactory growth path in the Czech Republic and Asia, but saw its progress halted in the building industry and composites markets in the U.S. This business line has put in place a global organization, around its three specializations of Construction, Composites and Industry. European and U.S. glass mat operations were included in the Construction department. A glass mat production line was built in Litomysl in the Czech Republic.

Outlook for 2004

Growth is expected to return to insulation markets in 2004, driven by new environmental-protection and energy-saving standards. However, the Division remains cautious in its forecasts and is aiming for slight sales growth and price stability.

The Reinforcements Division, for its part, is aiming to boost its profitability by using to the fullest extent its low-cost integrated platforms and further restructuring its other factories. It will expand its capabilities in China in order to supply its downstream operations in the country. It will also further develop a project to build a new low-cost platform in Russia.

Containers

The Containers Division is a front-ranking international player in all three of its business lines. These comprise:

- Glass bottles and jars for food products and beverages (soft drinks, juices, sauces and miscellaneous food products);
- Glass flasks for perfume and pharmaceutical products;
- High-performance plastic pump dispensers for beauty, personal care and cleaning products.

To meet the diverse needs of both global and locally based clients, the Division operates glass bottle and jar manufacturing units in Europe (France, Germany, Italy, Spain and Portugal), the United States, South America (Brazil, Argentina), and China.

In the food and beverages sector the Division is present in all market segments. These include still wines, champagnes and sparkling wines, beer, liquor, aperitifs, fruit juices, soft drinks, mineral water, oils, baby food, instant food and drinks, yogurts, desserts, etc.

The Division's expertise in creating new product designs, combined with its flexible manufacturing processes and locally based plants have enabled it to capture the top spot in Europe and the number two position in the United States*.

The Flasks business serves worldwide perfume and pharmaceutical makers from locations in Europe and the Americas. As the world's largest manufacturer of flasks, its design flair, wide array of glass finishes, and the excellence of its process controls and quality assurance methods, which are used as benchmarks for all its operations, are widely recognized within the industry.

Bottles manufactured by Saint-Gobain Emballage and decorated by Saga Décor

Source: Saint-Gobain.

The third Containers business line, plastic pump dispensers, manufactures a core catalogue of products for global markets and has production facilities in Europe, the United States, Latin America and China. As in its other core businesses, the Division enjoys a strong reputation for the quality and performance of its products as well as for its process controls and quality assurance standards.

In each of the Division's packaging businesses, the strategic focus is on ever-enhancing product and service quality to respond swiftly to client needs and expectations.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**13%**	13%	13%
% of operating income	**18%**	19%	15%
% of cash flow from operations	**20%**	21%	18%

Key consolidated data

(in millions of euros)	2003	2002	2001
Net sales	**3,869**	4,076	4,070
Operating income	**442**	479	404
Cash flow from operations	**504**	556	499
Capital expenditure	**265**	294	237

Internal sales are deducted from sales data by Sector and by Division.

The Division's net sales contracted 5.1% compared to 2002. There was no material change in the scope of consolidation, but unfavorable exchange-rate effects had a strong impact, canceling out 2.7% sales growth on a constant exchange-rate basis. The main currencies involved were the U.S. dollar and the Brazilian *real*.

In Bottles and Jars, Europe recorded slow growth overall, although market conditions were more buoyant in Southern Europe.

In the United States, the Bottles and Jars business made strong gains compared to 2002, based on constant exchange rates. Growth was also satisfactory in Latin America, in spite of the economic and monetary turmoil that has wracked the region.

Sales from Flasks were practically level with 2002, as demand from the pharmaceutical industry weakened.

Lastly, the plastic pumps business made major strides (excluding exchange-rate effects), posting a strong performance, especially in Europe.

As most markets have tended to become more difficult, the Division's sales growth (based on constant exchange rates) is attributable to its policy of focusing on quality and seeking customer satisfaction, with comprehensive sales offerings that are constantly being expanded and leading-edge industrial capabilities.

Although the Division's 2003 operating income was hard hit by rising energy prices, notably natural gas in the United States, it contracted by only 1.9% based on constant exchange rates, compared to a historically high 2002 figure. This solid performance was the result of continuing productivity drives in each company, and of the payoff from the streamlining measures undertaken in Bottles and Jars in the United States and Spain and by Calmar in Europe.

Cash flow remains at the high level of €504 million, the decrease from the €556 million recorded in 2002 being essentially due to unfavorable exchange-rate effects.

Outlook for 2004

Despite continuing economic uncertainty in the regions where it is based, the Division is aiming – barring any major incident, particularly with regard to energy prices and exchange rates – to keep up its moderate growth, with high-level performance. It is also reviewing certain development opportunities in emerging countries.

Burberry's "Brit" Eau de Toilette

High-Performance Materials

Ceramics & Plastics

In 2003 – as in 2002 – the Ceramics & Plastics Division continued to be organized along the same lines as the Abrasives Division within the High-Performing Materials Sector, in a bid to strengthen synergies – particularly in the area of research and innovation.

The Ceramics & Plastics Division currently breaks down into four business lines: Ceramic Pellets and Powders; Ceramic Products; High-performance Plastics; and Crystals, which features a specific organization structure to cater to the segment's growth potential. This overall structure is built around Saint-Gobain's core businesses of Ceramics and Refractories, as well as around the core businesses of Norton, Furon and Chemfab, Holz and Magic, acquired in 1990, 1999 and 2000 respectively. No major acquisitions were made in 2003, except for the purchase of a majority interest in SGTM, a Japan-based fused-cast refractories company.

Through these global business lines the Division generates 36% of sales in Europe, 52% in North America, 4% in South America and 8% in the Asia-Pacific region.

Ceramic Pellets and Powders are used for abrasives, refractories, ceramics and products for catalyst carrying in the petrochemicals industry. In 2003, this business line stepped up its plan to sharpen its competitive edge, primarily by setting up operations in countries with low production costs. The Division turned in satisfactory profits during the year.

Ceramic Products covers the manufacturing of materials and parts which draw upon the thermal and mechanical properties of both traditional and advanced ceramics (resistance to very high temperatures, to abrasion and to corrosion). In 2003, the business line experienced flat demand for refractories and fused-cast ceramics, while recording improved performance for fine and structural ceramics.

The High-Performance Plastics business line processes engineered polymers and elastomers, particularly fluoropolymers, silicons and thermo-setted plastics, that meet stringent requirements of purity, precision forming and resistance to corrosion or high temperatures. It enjoys high growth and profitability, and is structured around four core product families:

Silicon tubes for the pharmaceutical industry

- advanced Films and Fabrics, which covers films, adhesive tapes and special fabrics for aeronautic, electrical , architectural and safety applications;
- specialty Elastomers, which supplies flexible foams for sealing and vibration-proof foams for cars, manufacturing and the building industry;
- fluid Systems, including pipes, couplings and tubes for manufacturing, automotive, food processing, pharmaceuticals, chemicals and semiconductors;
- precision Bearing and Rings, which manufactures self-lubricating bearings and rings for cars, home appliances, machine tools and airplanes, along with composite parts for the aeronautics industry.

High-Performance plastics lifted earnings despite overall slack manufacturing demand, on the back of restructuring programs that were continued throughout the year.

Crystals are produced for the medical, nuclear, safety, oil and petrochemical markets. The business line's structure was heavily retooled in 2003 to enable it to meet demand generated by these markets' strong growth potential. All products geared to the semiconductor industry were hit by weak demand and low prices. There were, however, slight signs of an upturn towards the end of the year.

Following ten years of acquisitions, the Division is now focused on organic growth.

As in 2002, restructuring and integration processes were rolled out during the year, with a view to further enhancing the Division's competitive advantage. The focus for the future will be on strengthening its presence in countries with low production costs, as well as selectively undertaking research and development programs that are tailored to its businesses.

Overall, the Division's strategy is rooted in speeding up organic growth with a view to becoming number one or number two in the bulk of its businesses. It also intends to strengthen its reach in Asia – particularly in China and Japan – primarily through partnering major customers. The Division has also continued to seek out operating synergies and enhance asset turnover.

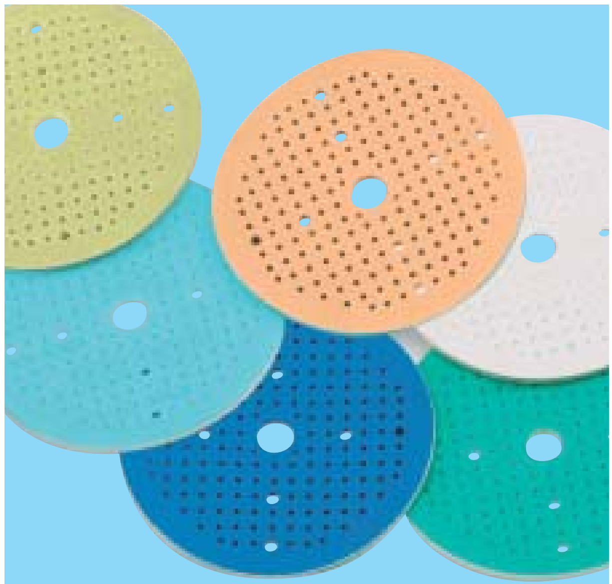
The **Abrasives** Division, which was originally acquired as part of Norton in 1990, has steadily built up a world leadership position* thanks to organic and external expansion both in Europe and the United States.

The Division's unparalleled product coverage makes it the only supplier capable of offering customers a comprehensive range of finishing system solutions, from roughing and surface finishing through to polishing, cutting and precision grinding. Its extensive experience enables it to provide solutions for each stage in the process in terms of both products and technical know-how.

The Division is also the only global manufacturer with capabilities in all types of abrasives using mineral granules made of aluminum oxide, silicon carbide or diamonds.

■ *Grinding wheels* incorporate natural or synthetic abrasives which have been bonded with a vitrified or organic binder. Their size can vary from the miniature wheels used by lapidaries through to 12-tonne wheels for wood pulping in the paper industry. Most of the products in this business segment are made to measure.

* Source: Saint-Gobain.


Abrasive disks

■ *Thin grinding wheels* are formed from bonded abrasives which have been reinforced with fiberglass mesh. These products are standardized and their production is the most heavily automated. End-use markets include building and home improvement and industrial users.

■ *Coated abrasives* are made of abrasive granules which are coated with a layer of adhesive and affixed to paper, cloth fiber or synthetic backing. They are sold in strips, discs, rolls or sheets and are used for a wide range of applications such as polishing reactor turbine rotor blades or in surface finishing for industry and the home. Coated abrasives range in size from the equivalent of a small coin up to sheets several meters wide.

■ *Superabrasive* grinding wheels and tools combine a grinding surface made from diamond or cubic boron nitride with a resin or metal bonding system. Their performance in demanding, high-precision grinding jobs and their long-lasting reliability make them indispensable for a wide array of sectors, such as auto manufacturing and aeronautics, as well as construction. In certain electronics applications they can approach nanometer-level precision.

The Division operates manufacturing facilities in some thirty countries and has built up an extensive presence in Asia and South America alongside its established operations throughout Europe and the United States. To meet demand in its various markets and satisfy a broad spectrum of customer requirements, it markets custom solutions directly to industrial clients and supplies large-run products to distributors who serve the trade and mass market. The Division has also made significant investments in e-business tools in order to deliver optimal levels of customer service.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**11%**	12%	13%
% of operating income	**11%**	9%	15%
% of cash flow from operations	**12%**	9%	12%

Key consolidated data

(in millions of euros)	2003	2002	2001
Net sales	**3,256**	3,637	4,018
Operating income	**273**	244	392
Cash flow from operations	**291**	246	330
Capital expenditure	**108**	160	173

Internal sales are deducted from sales data by Sector and by Division.

Sales of the High-Performance Materials Sector as a whole declined significantly in euro terms in 2003 because of unfavorable dollar-to-euro exchange rates, which impact 50% of the Sector's operations.

Operating income, on the other hand, rose substantially to €273 million from €244 million, thanks to restructuring efforts begun in 2002, which continued in 2003.

Although markets for grinding and finishing products remained tense in 2003, the Ceramic Pellets and Powders business line enjoyed a good year. Volumes dipped slightly, but profitability and the return on investment advanced significantly.

In 2003, the Division further implemented its plans for industrial streamlining and geographical and technical development. There has been extensive capacity-building capital expenditure in the field of pellets for fracturing gas deposits and in fine silicon carbide powders used in pollution-abatement filters for diesel engines. These investments do not only serve the expansion of these business lines, but also allow the marketing of new products that come from the work of the R&D departments.

In *Ceramics Products,* all markets suffered in 2003 as a result of industrial activity remaining in the doldrums. The restructuring of Saint-Gobain Céramiques Avancées Desmarquest, which discontinued its medical products business, should allow the specialty ceramics line to focus on markets where the Division holds or is building a leadership position. Industrial ceramics recorded a slight improvement in operating income thanks to an upturn in repairs of glassmaking furnaces. The particulates filters factory in Courtenay, France, operated as a joint venture with the Japanese group Ibiden, has reached full capacity and supplies all silicon carbide-based filters installed on PSA Peugeot-Citroën diesel engines. A second production line will come on stream in the summer of 2004.

The *High-Performance Plastics* business grew its operating income despite sales remaining stable in the food and automotive industries. To adapt to changes in these markets, the Division closed two manufacturing sites in north-eastern United States and is continuing its aggressive drive to streamline production at the remaining sites. It has expanded its presence in the still-growing healthcare market. In Research and Development, the pooling of teams in Northboro in the United States is now fully completed and operational, and this center has been substantially expanded. The new R&D center at Cavaillon, in south-eastern France, also opened its doors in 2003, following capital expenditure of €15 million. With these two research centers, maintaining close contacts with the Abrasives center in Worcester, the Division now has a consistent high-level structure in which to imagine, develop and market the ceramics and plastics of the future.

In the course of 2003, ceramics operations serving the semiconductors market were brought together with *crystals operations* for diagnostic imaging or microlithography. This year was the lowest ebb in the cyclical semiconductor business and the Division's results reflect this. Large-scale restructuring was launched, especially in the United States, which should enable this business to turn around once the market becomes favorable again.

Sales of the Abrasives Division declined compared to 2002 because of negative exchange-rate effects and the disposal on January 1, 2003 of its Stone business. Based on a comparable structure and constant exchange rates, sales inched up 0.6%.

The backdrop for these results was a depressed industrial environment, with contraction in the markets served by the Division in Europe and the United States, due to sluggish growth trends in these economies and to relocation of many industrial operations in countries with low labor costs.

Saint-Gobain Abrasives successfully expanded its product distribution, making applied abrasives, thin grinding wheels and diamond-tipped tools available at major retailers and in automotive supply stores in Europe and North America, by designing new products and ensuring high-quality service.

Performance was more mixed in industrial markets. Significant growth in applied abrasives for wood and particle panels, in bonded and applied abrasives for the foundry industry and in vitrified grinding wheels for finishing ball bearings offset more lackluster performance in products for the aeronautics and automotive markets, which shrank in 2002.

Sales in Asia rose at a very satisfactory pace, both in the Northeast (China and South Korea, mainly) and in Southeast Asia (Vietnam, Philippines, Singapore, Malaysia). These vigorous results were mostly attributable to a strategy based on penetrating these markets through a few specific areas, and to the quality of the products coming out of the Saint-Gobain Abrasives plants in China and Indonesia.

Saint-Gobain Abrasives continued to implement its strategy of building its leadership in thin grinding wheels, by further automating its factories that have high labor costs and transferring products with low added value to low-labor-cost plants, mainly in China. The Division also acquired Rasta at the end of 2003.

Strong marketing performances and substantial productivity gains, achieved thanks to capital expenditure on automating industrial processes in recent years, have led to higher sales and have boosted the Division's operating income, more than offsetting cost inflation. Major restructuring operations have been undertaken in Europe and North America to raise the price competitiveness of Saint-Gobain Abrasives.

Capacity-building investment in low-labor-cost countries was maintained, as was capital expenditure on automating processes in countries with high labor costs. Information systems were also upgraded, to allow Saint-Gobain Abrasives to fully benefit from its worldwide scope and from the complementary strengths of its facilities.

Lastly, Saint-Gobain Abrasives also finalized in 2003 the sale of its Stone business to Wheelabrator Allevard, in order to be able to further develop in the businesses where it enjoys a leadership position.

Outlook for 2004

Based on a forecast of slight expansion in its markets in 2004, particularly in semiconductors, the Ceramics & Plastics Division is aiming for volume growth, backed by the launch of new products from its R&D programs in all of its business lines. The Division's operating margin is also expected to rise again. The drive to optimize its industrial capabilities will continue in 2004, and there will be substantial capital expenditure to follow up on the development of certain key markets, particularly in Asia. Research and development efforts will focus on a few major projects for which there are large growth prospects.

For the Abrasives Division, assuming stable market conditions, priorities for 2004 will be growing retail sales, maintaining strong positions in industrial markets and driving sales growth in Eastern Europe and Asia. On the manufacturing front, the focus will be on further enhancing competitiveness and optimizing industrial capabilities, to generate productivity gains and faster asset rotation.

For the High-Performance Materials Sector as a whole, currency trends, especially concerning the U.S. dollar, are a source of uncertainty in results forecasts for 2004.

Multi-Air® process
for air and dust suction

Housing Products

(in millions of euros)	2003	2002	2001
Net sales	**15,362**	15,102	14,824
Operating income	**976**	1 004	915
Cash flow from operations	**714**	814	768
Capital expenditure	**380**	401	429

Internal sales are deducted from sales data by Sector and by Division.

Building Materials Distribution

The Building Materials Distribution Division is the leading distributor of building materials in Europe and the top distributor of ceramic tiles worldwide*. It serves the home building, renovation and interior decoration markets. Customers include building contractors, tradesmen and architects, as well as home owners.

Ever since it was founded in 1996, the Division has enjoyed strong growth, combining organic and external expansion. It first began to develop in France through Point.P and Lapeyre, then in the United Kingdom through Jewson and Graham, and subsequently in Germany, the Netherlands and Eastern Europe, through Raab Karcher.

An unrivalled sales network in Europe

With over 2,800 outlets in 14 countries, the Building Materials Distribution Division boasts an unrivalled distribution network within Europe. Its success is due to the diversity and strategic fit of its brands. Each of these has its own specific features and market position, whether geared to trade specialists or the domestic consumer market, contributing to the sales strength of the network as a whole while meeting the needs of local markets. This proactive organization structure means that the Division can offer clients a full array of customized solutions, meeting their diverse needs in terms of products, services and style trends.

Strong brands with an excellent strategic fit

Point.P, which is the market leader in France, is targeted at building professionals and modeled on the cash and carry principle. It has a network of over 1,400 outlets structured around brands for the general public and for trade specialists. For example, Point.P Matériaux de Construction is geared to domestic consumers, whereas Cedeo, Dupont Sanitaire Chauffage and Sem Angles are targeted at plumbing, heating and air conditioning specialists, SFIC is focused on insulation professionals, Asturienne is intended for roofing specialists, and Point.P Travaux Publics is channeled to the public works market. Point.P and its various brands cover the whole of France, meeting customer needs in the construction and renovation markets. This brand has now been rolled out to Spain.

Lapeyre is a specialist in home decoration, covering four essential product "destinations": fitted kitchens, fitted bathrooms, interior carpentry and exterior carpentry. Its offerings are closely tailored to the domestic consumer market. Lapeyre has an extensive presence in France, and also has operations in Belgium and Switzerland. The company's operating presence in São Paulo, Brazil through Telhanorte, has given an additional boost to its international development. Lapeyre and its related brands have a network of 300 stores with sales surface areas ranging from 50 sq.m. to 4,000 sq.m. in order to tailor the offering to local customers.

In the United Kingdom, the Division operates through a network of over 670 outlets, split between general and specialized retailers. Its two main banners are Jewson, which is Britain's biggest building materials merchant, and Graham, a specialist in plumbing and heating. Both are firmly focused on providing proactive local service to small contractors and tradespeople. They are currently strengthening their market position through bolt-on acquisitions and by honing their sales and marketing techniques.

Raab Karcher is the leading building materials distributor for trade customers in Germany, the Netherlands, Hungary and the Czech Republic. This brand has also been rolled out to Poland. Raab Karcher manages some 400 sales outlets and holds a leadership position in the German market as a distributor of ceramic tiles.

La Plateforme du Bâtiment – a distribution concept launched by the Building Materials Distribution Division in France in 1998 – is geared to helping small contractors and tradespeople "save time and money", thus enabling them to meet ever tighter deadlines. La Plateforme du

** Source: Saint-Gobain.*

Bâtiment is a sales outlet dedicated exclusively to all trade specialists. Based on the cash & carry principle, it offers a specific range of products tailored to the seven main business areas of the construction industry, whose supply and net prices are guaranteed all year round. It offers, under one and the same roof, a comprehensive range of advisory and additional services. Operating in each major French city, La Plateforme has proven extremely successful. Building on this success, the same business model has been rolled out internationally, adapted to each different country and local market. La Plateforme now counts over thirty sales outlets and has operations in seven countries – including the United Kingdom, Hungary, Spain, Mexico and Brazil – and aims to further its expansion drive.


World leader in tile distribution

Sharing know-how to strengthen each banner

The Building Materials Distribution Division seeks to promote useful synergies among its banners through the pooling of know-how, while ensuring that it preserves the distinctive character of each one. The Division has set up cross-functional departments, harmonized product ranges, rolled out innovative sales concepts and new services to the entire network, generated synergies in logistics, developed partnerships with the best suppliers, set up a common information technology platform and provided for transfers of staff among the various entities. Leveraging the power of its network and the nimbleness of its teams within each banner, the Building Materials Distribution Division intends to continue to expand in Europe and beyond.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**38%**	36%	33%
% of operating income	**23%**	21%	18%
% of cash flow from operations	**16%**	15%	12%

Key consolidated data

(in millions of euros)	2003	2002	2001 *pro forma*	2001
Net sales	**11,305**	10,953	10,521	10,061
Operating income	**560**	534	475	490
Cash flow from operations	**398**	414	321	339
Capital expenditure	**213**	227	252	247

Internal sales are deducted from sales data by Sector and by Division.

Pro forma data for 2001 include Pipe distribution operations to reflect their transfer to the Building Materials Distribution Division.

Sales based on a comparable structure and constant exchange rates were up 2.5% compared to 2002.

The Division's external growth continued at a rapid pace, with 38 acquisitions that contributed full-year sales of €993 million and brought 271 sales outlets into the network. Newly acquired companies accounted for €496 million of 2003 sales, and the disposal in 2002 of part of the distribution network for melamine-coated products in the United States caused a €94 million decrease in sales. Thus the net effect of changes in scope on 2003 sales was €402 million, or 3.7% growth.

On the other hand, the strengthening of the euro had a negative impact on the translation of sales of companies outside the euro zone. Total sales of the Division amounted to €11,305 million, up 3.2% from the €10,953 million achieved in 2002.

In France, where the Division generates more than 50% of its sales, the renovation and home improvement market again experienced a small year-on-year contraction in volume. In new construction, housing starts of individual houses grew by a slight 0.3%. These two markets are mostly served by tradespeople and small and medium-sized companies, the key clienteles for Point.P and La Plateforme. Conversely, the number of housing starts in collective housing jumped 10.5% between end-2002 and end-2003.

Overall, in a market in which volumes traded were practically unchanged, sales of the Division's French businesses again grew based on a comparable structure. Driving this growth were expanded product and service offerings for all customer categories, as well as the opening of four new Plateforme and three "Lapeyre, la Maison" sales outlets.

Adding to this organic growth were sales of €260 million from 21 acquisitions (which represent full-year sales of €632 million and contributed 208 sales outlets). Two large-scale acquisitions took place at the end of 2003 and therefore did not contribute to 2003 results. The first, Dubois Matériaux, had 2003 sales of €211 million from 17 sales outlets specialized in wood, panels, carpentry and interior design. The second, PUM Plastiques, is a specialized distributor of plastic products for the drinking water and wastewater markets, which had 2003 sales of €234 million and brings a network of 127 outlets, including 14 in Poland, Spain and Belgium.

In the United Kingdom, where its market remains buoyant, Saint-Gobain Building Distribution consolidated its positions and recorded sales growth based on a comparable structure and constant exchange rates, partly thanks to the opening of 3 new Plateforme outlets and 30 Graham stores for plumbing and heating products. Small bolt-on acquisitions also took place, to strengthen Jewson's general building materials merchant network and develop specialized distribution operations, in plumbing and heating, wood and tiling. Twelve companies were acquired in 2003, representing full-year sales of €234 million and bringing 41 sales outlets. The actual contribution of new acquisitions to 2003 sales was €148 million. However, the negative pound-to-euro currency impact was a €261 million reduction in sales.

In Germany, where the building industry is still very depressed, the Division further streamlined its network by bringing specialized distribution operation in tiling and piping under the Raab Karcher banner. It also strengthened its position in trading of roofing and insulation products, through two acquisitions that brought 19 outlets and €99 million in sales.

In the Netherlands, the construction market abruptly deteriorated in 2003, particularly for new construction. Raab Karcher, the Division's main company in this market, weathered this difficult environment by opening three new exhibition rooms for product recommenders and architects, under the heading of "Inspiration". Raab Karcher also acquired the distribution subsidiary of the Heijmans construction group, which generated full-year sales of €12 million, half of this in kitchen, plumbing and tiling products.

In Spain, Point.P rounded out the customer base of its 19 outlets in Catalonia with two acquisitions that represent €16 million in sales. It also opened two new Plateforme outlets in Barcelona, following the Madrid opening in 2002.

In Eastern Europe, sales were satisfactory in the Czech Republic and Hungary but weak in Poland, despite a good start for the two Plateforme outlets in Warsaw and Katowice and a return to growth for OKFENS which produces PVC windows and fittings.

Outside Europe, Lapeyre vigorously developed Telhanorte in Brazil, opening two new outlets in the suburbs of São-Paulo, bringing to 16 the number of stores in its regional network. A Plateforme concept, called Telhanorte Pro, was also launched successfully. In Mexico City, two additional Plateforme outlets were set up, following the first one in 2002.

Despite a lackluster environment and the cost of stepping up the creation of new outlets, the Division's operating income rose to €560 million from €534 million in 2002, bringing operating margin to 5% versus 4.9% in 2002.

French market leader in Building materials Distribution

Outlook for 2004

In 2004, based on the expectation that the European building industry should be experiencing a cyclical upturn, except perhaps in Germany and the Netherlands, the Division is aiming for further like-for-like sales growth. The growth drivers will be the momentum generated by the banner networks, synergies among the companies of the Division and the opening of new outlets at an accelerated pace, in addition to the full impact of the acquisitions carried out in 2003.

Building Materials


External thermal insulation

The Building Materials Division is one of the world leaders* in its market and has strong leadership positions in the United States, Europe and Latin America.

The Division provides complete offerings for the outside of the home, in both construction and renovation segments: vinyl and cement products for wall facings and sidings on individual homes in the United States; roofing materials; concrete products for roadworks and utilities; mortars for wall facings and glues for tiles.

The Division's global presence does not preclude a strong local dimension in products and solutions that cater to local preferences while serving the traditional needs of the building industry. In each market and region, homes have specific architectural features – for example, wall facings and coating vary from one country to another in Europe, while windows are different in many regions of the United States. More than half of the Division's sales are generated in the Americas, yet its vast product offerings are available in twenty-three countries.

CertainTeed spearheads the mainly U.S.-based operations of PVC products for wall facings and outdoor design of the home (sidings, windows, gutters, railings and fittings for terraces) and roofing materials (asphalt shingles).

Saint-Gobain Weber, the world leader in tiling adhesives and seals*, heads the Division's global mortars business and is actively expanding its geographic reach. It is the European leader in wall facings* and the market leader in Europe and Brazil for industrial mortars*.

The Group's subsidiary, Brasilit, ranks number one in Brazil's roofing products market*. Fiber cement roofing products, strengthened by plastic threads, are primarily a Brazil-based business, as this material is particularly suited to the country's traditional rustic-style housing market.

Industrial concrete, a France-based business operated by Saint-Gobain Stradal, manufactures concrete products used in road construction and utilities, as well as in civil engineering projects (railway ties, arch stones, supports). Over the year, this business line continued to actively branch out into urban furniture, floor slabs and paving stones, gardening and landscaping items.

The Division's main strategic goals are bolstering its positioning in core market segments and sub-segments, such as the United States, Central Europe and Brazil, while speeding up expansion into new markets in China and Eastern Europe.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**9%**	10%	10%
% of operating income	**11%**	13%	11%
% of cash flow from operations	**7%**	9%	11%

Principales données consolidées

(in millions of euros)	2003	2002	2001
Net sales	**2,824**	3,074	3,184
Operating income	**265**	335	294
Cash flow from operations	**172**	247*	297
Capital expenditure	**117**	135	134

** After a pre-tax charge of €100 million concerning asbestos-related claims..*
Internal sales are deducted from sales data by Sector and by Division.

** Source: Saint-Gobain.*

Based on a comparable structure and excluding exchange-rate impacts, the Division's sales rose 4.9%, following a strong 2002. U.S. operations were the main contributors to this favorable trend, as they enjoyed both rising volumes and higher prices compared to 2002. The Mortars business also made progress, mostly in Southern Europe, Central Europe and the United Kingdom.

Based on an actual structure and with exchange-rate impacts, however, sales contracted 8.1% due to unfavorable trends for the U.S. dollar and Brazilian real, and to the disposal of CertainTeed Ventilation in the United States and of the Terreal group in France, which took place at the end of March 2003 and the end of October 2003, respectively.

Operating income, based on constant exchange rates and a comparable structure, declined by 10.5% compared to 2002, as a result of substantial increases in the cost of asphalt, PVC resin and natural gas in the United States, which could only partly be passed on to sale prices. Based on an actual structure, operating income fell 20.9% compared to 2002.

The Division contributed to reducing Group debt through its two major disposals, as well as by reducing its working capital and keeping tight control over its capital expenditure and free cash flow.

New Prestige line of ornamental fencing

It also maintained its innovation drive and designed fiber cement products reinforced with polypropylene fibers, produced in Brazil. The manufacturing of PVC windows is developing in the United States, and work began on a new factory in Indiana in the second half of 2003.

Outlook for 2004

For 2004, the outlook remains favorable for the U.S. building industry, and in Europe markets now seem to have stabilized. Prices of raw materials are also expected to remain stable at or near their current levels.

The Division should nevertheless be able to make headway in volume in most of its businesses, drawing the benefits of its continuing productivity gains and of its products' strong positioning. It will continue its policy of prudent capital expenditure and control over working capital.

Pipe

The Pipe Division has operated in the water-supply industry for over a century, providing comprehensive expert solutions that meet the highest possible demands.

It focuses on designing and selling:
- complete systems of ductile cast iron pipes for drinking water, irrigation, purification and rainwater drainage.
- pipe systems for industrial general circuits, including pressurized water, waste water and cooling systems;
- pipe systems for fire prevention (pipes, couplings, valves and stand pipes);
- full ranges of valves, sprinklers, and connectors for water and purification systems, as well as fire prevention and irrigation devices;
- complete cast-iron pipe systems for the building industry (waste water and rainwater drainage);
- roadworks components made of ductile cast iron and steel for accessing pipe systems.

With a view to ensuring a local footprint, the Pipe Division is structured internationally into three business lines: Water and Purification, Roadworks and Utilities, and Construction.

By drawing on new product ranges and constantly seeking out technical improvements, the Pipe Division can cater to changes in the water market, as well as to new needs of local government agencies, and position itself within new market segments. The pipe systems sold by the Division enjoy a worldwide reputation for superior quality and cutting-edge technology, thanks to their strength, excellent compliance with public health and environmental requirements, and endurance which reduces network maintenance costs.

The Pipe Division is the world's leading producer and exporter of ductile cast-iron pipe systems and supplies for roadworks and utilities*. It also holds the top slot in Europe* for cast-iron waste water drainage systems.

In the international Pipe system market, players face competition not only from other manufacturers of cast-iron products, but also from other materials such as plastics, steel, concrete and sandstone. The Division has responded to this challenge by setting itself apart from its rivals in terms of product quality, customer service and providing a diverse offering.

The Pipe Division has operations in around one hundred countries, representing all of the world's major markets. Its historic markets, which encompass France, Germany, Spain, the United Kingdom, Italy and Brazil, have recently been rounded out by new capacity in Colombia, China, South Africa and the Czech Republic.

Sales and marketing efforts are carried out within each of the Division's manufacturing companies, as well as through sales subsidiaries in Portugal, Belgium, the Netherlands, the Czech Republic, Poland, Norway, Finland, Greece, Austria, Ireland, Argentina, Chile, Peru, the West Indies and Hong Kong. A major sales force network and sales delegations located within reach of the Division's main export markets complete the line up.

Operations in 2003

Contribution to the Group	2003	2002	2001
% of net sales	**5%**	4%	6%
% of operating income	**6%**	5%	5%
% of cash flow from operations	**6%**	6%	5%

Key consolidated data

(in millions of euros)	2003	2002	2001 *pro forma*	2001
Net sales	**1,516**	1,344	1,397	1,782
Operating income	**151**	135	146	131
Cash flow from operations	**144**	153	150	132
Capital expenditure	**50**	39	43	48

Pro forma data for 2001 exclude Pipe distribution operations to reflect their transfer to the Building Materials Distribution Division.

Checking the settings while loading large-diameter pipes

2003 was a good year for the Pipe Division. Sales jumped 12.8% and operating income surged by 11.9%, mainly thanks to execution throughout the year of the Abu Dhabi contract – the largest ever signed by the Division – and of other large-scale Distant Export contracts, notably in the Dominican Republic.

However, the year also saw a sharp rise in the cost of the main raw materials used by the Division, which weighed down production costs. This explains why, in spite of rapid sales growth, operating margin did not exceed the 2002 level of 10%.

In Europe, the Division's sales were on a par with those of 2002 based on actual exchange rates, but rose based on constant exchange rates. This slight growth, following two years of contraction, was the result of solid sales in France, a sharp upturn in demand in Italy where expenditure on public-works programs has resumed, and further development in the Division's Eastern European markets. The British and Spanish markets remained on the same level as in 2002, which in the case of Spain was high. However, the Division's sales were hampered by a further decline in the German construction and public-works market, even though there were signs of a bottoming-out towards the

** Source: Saint-Gobain.*

end of the year, and by an abrupt slowdown in sales in Portugal. Sale prices rose only slowly, and price concessions had to be made for some products and in some markets.

In all European markets, the Division continued in 2003 to pursue its strategy based on innovation and sales differentiation. It developed new product lines, including the new range for gravity-based wastewater networks and the new Irrigal pipe developed for the Spanish irrigation market. The Natural range, which has become the high-end standard for European drinking water networks, was further deployed with launches in Spain and Germany. The Utilities and Valves product ranges were also renewed and new models were developed in the field of connectors and for the building industry.

In Brazil, sales continued to decline against the backdrop of a strict policy to control government spending. In China, conversely, rapid sales growth continued apace, buoyed by fast market growth, but also by market share gains that followed the commissioning of the Division's new capabilities, especially the new Xuzhou plant.

In Distant Export markets, deliveries under the exceptional Abu Dhabi contracts and the substantial Dominican Republic contract helped make 2003 a record-breaking year for the Division. Deliveries for these contracts took place smoothly, and allowed the Division to demonstrate its specific expertise in managing this type of contract. The sharp drop in the value of the dollar over the year had only a limited impact thanks to the currency hedges which the Division had set up.

In manufacturing, steps to boost productivity continued in 2003. At the end of 2003, the Division closed its centrifuge unit for building industry products in Liverdun (France), to optimize the use of available capacity. In connectors, the development of products manufactured in Brazil and the Czech Republic helped boost competitiveness. Work also began in 2003 on a new foundry in China, which should come on stream in 2004, to serve the vast local market and provide a new competitive source for supplying connectors within the Division. Lastly, the Division has continued its efforts to align all factories' technical performance with its best practices, as a way of not only lowering production cost, but also stimulating product innovation and standing out from the competition.

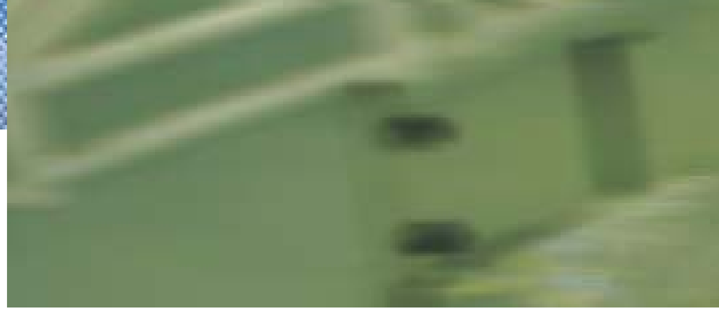
Overall, exceptional volumes in Distant Exports and productivity gains more than offset the impact of higher raw materials prices.

Capital expenditure was on an upward trend, essentially in China, Brazil and the Czech Republic.

Outlook for 2004

The outlook for 2004 is less favorable for the Division, owing to a number of uncertainties, concerning business volumes in Distant Exports after deliveries under the Abu Dhabi contract draw to a close in the first quarter; concerning raw materials price trends, with a strong likelihood of continuing imbalances in world demand, because of high demand from China to fuel its economic growth; and concerning trends in the value of the dollar. A decrease in the value of the dollar would have a favorable effect on the cost of most raw materials, which are more or less correlated with the dollar, but would undermine profitability of Distant Exports business, even though the Division strives to minimize such impacts through the geographic diversity of its production sites and the variety of its sourcing.

To face these uncertainties, the Division can draw upon key strengths, namely its powerful presence in Europe, reinforced by its policy of innovation and product differentiation; the growth potential in drinking water supply markets, in which unmet needs remain huge, or in wastewater treatment markets, where the Division holds a weaker share than do other materials; and the development of its presence in China, a fast-growing market.



(In millions of euros)	2003	2002	2001
R & D expenditure	**306**	312	320

Saint-Gobain has constantly been at the forefront of technological change in all of its businesses. In a rapidly changing global competitive environment, maintaining a worldwide leadership position increasingly requires a technological edge in all fields, as well as a process of ongoing innovation.

The Group's global R&D organization works towards three goals. The first of these is to develop a steady stream of innovation for Saint-Gobain's historic industrial businesses. In this area, initiatives are focused on designing processes to meet ever-changing standards of efficiency, quality, reliability and environmental compliance and on developing high-functionality, high-value products that respond to emerging needs in the Group's markets. The self-cleaning glass that has recently been brought to market reflects this aim. Saint-Gobain and its researchers have received a number of awards for this product, including the Chéreau-Lavet award in France. Other examples include new products for the automotive industry, such as windshields in ever-more-complex shapes and with sunproofing built in, and even an electrochrome glass roof offering variable transparency, or new cement-reinforcing fibers for roofing products in the Brazilian building materials market.

Its second task is to create products that meet demands in high-growth markets and allow Saint-Gobain to bring its expertise to bear in ensuring their commercial development. New products have been designed in the field of environmental applications, water transportation and treatment, renewable energy (particularly solar and wind energy), filtering of particulate emissions from diesel engines, information technology and communications (such as printed circuit manufacturing equipment or substrates for flat-screen displays), optoelectronics, lighting through semiconductive diodes and more.

Thirdly, to enable the entire Group to benefit from the complementary expertise developed on a wide range of materials: Glass, Ceramics, Plastics, Metals, Cements and Mortars. Toward this end, a substantial part of research operations on ceramics, polymers and abrasives was brought together in Northboro in 2003.

The breadth and depth of expertise in each of Saint-Gobain's product groups opens the door to unique combinations, yielding unrivalled capabilities and performance.

The Group's 16 principal R&D centers in Europe and the United States are responsible for pursuing an ambitious program of research initiatives and are supported in their efforts by around 100 smaller-sized development units, which are spread across the world, wherever the Group has manufacturing operations.

At the core of R&D processes, several sites play a key coordinating role:

- Aubervilliers (France) includes SGR, the Group's largest research center on Glass, an R&D unit specialized in Building Materials, and a glass-furnace design unit.
- Cavaillon (France) which is a center of excellence for Ceramics research in Europe.
- The sites of Northboro and Worcester in Massachusetts bring together a key section of research in Ceramics, polymers and Abrasives.

Research: a key growth driver

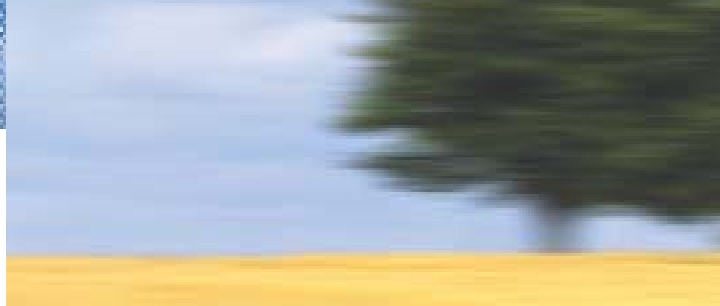
The table below summarizes the Group's R&D centers and their capabilities.

Saint-Gobain Recherche (SGR)	All Glass divisions	Aubervilliers (France)
Centre de Recherche et d'Etudes Européen (European Research & Engineering Center)	Ceramics	Cavaillon (France)
Northboro R&D Center	Ceramics, Plastics and Abrasives	Northboro (United States)
R&D Center	Abrasives	Worcester (United States)
Solon Development Center	Crystals and Detectors	Solon (United States)
Centre de Développement Industriel	Flat Glass	Thourotte (France)
Sekurit Saint-Gobain (ZAF)	Flat Glass	Herzogenrath (Germany)
Centro de Investigacion y Desarrollo	Flat Glass	Avilés (Spain)
Centre Recherche/Développement (CRIR)	Insulation	Rantigny (France)
Technology Center	Insulation/Building Materials	Blue Bell (United States)
Vetrotex R&D Center	Reinforcements	Chambéry (France)
Development Center of Wichita Falls	Reinforcements	Wichita Falls (United States)
Process & Product Development	Pipe	Pont-à-Mousson (France)
Chalon Technical Center	Containers	Chalon sur Saône (France)
Vinyl Siding & Windows	Building Materials	Jackson (United States)
Bayex Development Center	Technical Fabrics	Saint Catharines (Canada)

Saint-Gobain's R&D community represents a highly interactive and mobile group of individuals.
The various communication and knowledge-sharing forums made available to researchers enable them to pool talents, cross-fertilize and innovate together. Saint-Gobain has forged partnerships with leading university research laboratories, particularly in Europe and North America. In France, it has set up two mixed research centers in conjunction with CNRS, France's national research council. The center in Aubervilliers (north of Paris) studies glass surfaces and their interfaces and the second, currently being set up in Cavaillon (south-eastern France), will focus on ceramics.

Researchers are strongly encouraged to move between R&D and other Group operations, as well as to pursue cross-business line and international experience. Such exchanges not only enrich the Group, but also help to empower and provide incentives for staff members.
R&D operations play a central role in the growth of all Saint-Gobain Group business lines. The Group's nearly 250 new patent applications filed in 2003, in addition to 2,500 applications for international extension, reflect its ongoing design of new products offering constantly upgraded performance. Saint-Gobain's R&D organization brings original solutions to rapidly-changing markets and mobilizes a highly varied mix of skills worldwide.

2003
Management report



In defining its strategy and the conduct of its operations, Saint-Gobain is mindful of its responsibility of working towards sustainable development. The Group realizes that its financial performance depends on how well it handles a number of internal and external challenges for which several action programs have been drawn up.

This realization has led to ***a policy of responsible development*** that applies equally to business transactions, in-house management or relations with outside partners such as customers, suppliers or local authorities. The first application of this policy lies in the Principles of Conduct and Action, which are rolled out, implemented and monitored throughout the Group. The second concerns contributing to local development and to overall economic growth. The third involves maintaining standards of corporate governance that match the market's recommended best practices, to ensure that appropriate checks and balances are in place and maximize the quality of decision-making. This chapter will deal with the first two aspects of this policy, while the third is discussed in the chapter on Corporate Governance.

The second part of this sustainable development policy aims to ***build a human community*** in which each person can find the conditions for personal fulfillment. This means promoting the arising of future leaders, particularly in new countries, who will be able to achieve sustainable performance; developing employees' skill-sets to raise their employability, their motivation and the long-term value of their knowledge; adapting human resources policies and working methods to technological and economic changes; and lastly, engaging in active dialogue with employee representatives that encourages everyone to support the Group's strategy, within the framework set by the legal and cultural environment of each country where the Group has operations.

Saint-Gobain's commitment to responsible stewardship then translates into ***caring for the environment.*** The development of its operations must not only take into account the health and safety of its employees and of all persons residing near Group sites, but also avoid impacting the environment. Over the past several years, Saint-Gobain has implemented procedures to provide a safe and healthy work environment for its employees, to prevent industrial risks and to monitor and minimize the impact of its manufacturing operations.

Finally, a growing number of Saint-Gobain's products and services help ***provide answers to overall sustainable development challenges.*** Some of them make it possible to reduce the energy consumption of buildings and thereby their emissions of greenhouse gases, while others contribute to generating renewable energy, recycling or reusing waste, or developing clean technology, and others still offer solutions to the drinking water needs of major urban centers in developing countries.

I - Saint-Gobain's policy of responsible development

The Saint-Gobain Group's policy of responsible development has been applied in the drafting and implementation of Principles of Conduct and Action, and in subsidiaries' involvement in their social environment.

1. The Saint-Gobain Group's Principles of Conduct and Action

a) The Principles in brief

The Board of Directors of Compagnie de Saint-Gobain adopted the Saint-Gobain Group's *Principles of Conduct and Action* in January 2003.

Although the core of these Principles had guided the activities of the Group for many years, giving them written expression made it easier to roll them out and strengthen their application within the Group, based on the global scope that it has today.

They can be summarized as including the following:

- five Principles of individual conduct:
    - Professional commitment
    - Respect for others
    - Integrity
    - Loyalty
    - Solidarity

and

- four Principles of professional action:
  - Respect for the law
  - Caring for the environment
  - Worker health and safety
  - Employee rights

The application of these Principles is a requirement for belonging to the Saint-Gobain Group.

The full text of the Principles was published in the 2002 annual report and can be found on the www.saint-gobain.com website.

b) Implementation

Saint-Gobain has made it a priority to ensure that all Group employees take these Principles on board, adopting them as shared values that transcend national differences.

■ Distribution

The Principles have been translated into 12 languages and were sent to Group managers in English, French or their national language. The package included a confirmation of receipt form by which the addressees acknowledged that they had been informed of the Principles.

In addition to this distribution, each Delegation set up its own communication plan, using the means of its choosing and setting the pace that it deemed suitable, to allow all employees to buy into these Principles.

In the course of the resulting exchanges, the reasons for the Group's initiative were explained, feedback was gathered and the participants were able to reflect on what issues may be sensitive and on how to apply these Principles on a daily basis, within the local context.

■ Training and education

There is already extensive awareness of the Principles among Group managers. In some cases, managers were informed by their direct superiors, or in more formal meetings, or simply through the distribution to all employees of the text of the Principles in the local language. The Group Training Department is also designing specific training modules on the meaning of the Principles, that will be included in the international management development seminars that it organizes, and has created a seminar entitled "Ethical and Legal Dimensions of the Company" for use in France.

■ Tailoring to local conditions

In several countries, the introduction of the Principles meant that some local charters or guidelines had to be revised. The "Code of Ethics and Business Conduct Guidelines" of Saint-Gobain Corporation in the U.S. was reworked to include the full text of the Principles of Conduct and Action. The same is true, to varying degrees, for several companies in Germany and Scandinavia. The Mexican Delegation, for its part, is planning to revise all the individual charters of its subsidiaries (which state objectives as well as quality and service commitments) for greater consistency with the Principles, and to design standard references to the Principles to be used in dealings with customers and suppliers.

Some business lines or functions have also found it useful to round out the Principles with additional guidelines that are specific to the daily running of their operations. One such example is the new Purchasing Charter, intended for the purchasing managers of Group subsidiaries and for any person whose responsibilities can include dealing with one or more suppliers. Similar projects are underway for the information technology and environment, health and safety functions.

The Principles represent the bedrock of values applicable to the Group as a whole, on which more precise rules or guidelines can be built, to take into account specific situations or responsibilities.

■ Implementation

Following this first phase in which the Principles were made known and distributed, the Group is determined to ensure that they will be applied.

That is why the Internal Auditing guidebook includes twelve review points on the implementation of the Principles by the subsidiaries being audited. The findings from these audits are reported to Group General Management. To take an example from another area, in Benelux and in Mexico the forms for the annual performance reviews of managers have been redesigned to include an explicit reference to the Principles.

2. The Group's involvement in its social environment

With the parent company's encouragement, Saint-Gobain subsidiaries contribute to the economic vigor of the regions where they are based, whether through local initiatives or by taking part in national or international programs.

a) Active involvement in local communities

In the countries where they are based, Group subsidiaries build close links with professional organizations and local government authorities, while their Delegations are in contact with chambers of commerce, industry associations and national government agencies. This network of relationships allows Saint-Gobain subsidiaries to develop their operations in the best possible conditions, while public authorities gain better knowledge of the needs of industrial companies, which allows them to make their regions more attractive to industrial investment.

As an example, in 2003 the Polish Delegation contributed to creating the Polish association of glass manufacturers, which now takes part in talks with the national environmental agency. In France, where Saint-Gobain has deep roots, a dedicated structure was set up in 1979 to handle such involvement in local economic life. With its three regional delegations, Saint-Gobain Développement is a permanent contact point for local and regional officials.

b) Initiatives to promote economic development at the local level

Going beyond this first form of involvement in local economic life, Group companies play a direct role in the development of the regions in which they are based, to promote the establishment of a welcoming economic environment and the building of high-quality infrastructure.

In France, where the Group has its densest presence, one of the key tasks that Saint-Gobain Développement has been charged with is helping to revitalize the job market around Group sites, by offering various types of services to local small and medium-sized businesses – providing job creation help, making low-interest loans without requiring collateral, contributing technical assistance on industrial organization issues – as part of a long-term partnership. In 2003, Saint-Gobain Développement supported the creation of nearly 450 jobs outside the Group and took part in the running or launch of five Alizé local-development programs, in which large corporations, local authorities and national government agencies pool their technical and financial resources to support the growth and job creation of small businesses in a given region. Saint-Gobain Développement is also taking part in the Platô project in the region of Béziers in southern France, where a transfer of know-how is being organized between some fifteen large groups and about one hundred small and medium-sized companies, based in seven workshops. Over a period of two years, monthly meetings take place in which the large corporations share their experience and best practices with the small businesses. Following on from this exchange, Saint-Gobain Développement decided to provide direct support for the development of two companies in the region, through a low-interest loan in one case and through technical advice on organizing production in the other.

Although Saint-Gobain Développement has carried out a few one-time assignments outside France, notably in Canada and Poland, economic support to non-Group companies is generally the responsibility of Delegations. For example, in 2003 the Belgian Delegation started a spinoff program as part of an initiative organized by the Economic Bureau of Namur Province. The Chinese Delegation also helps small French businesses that are setting up in China. In other countries, subsidiaries' contributions to local economic life can take the form of helping build infrastructure, such as bus shelters, public lighting, water piping and more.

c) Initiatives in support of education

In their various operating regions, Group subsidiaries support education at all levels, with a view to helping train a high-quality workforce.

To help improve the overall training of the population, Saint-Gobain Glass India sponsored the building of two primary schools. In Brazil, in addition to the Group's gifts of equipment to schools, 270 employees benefit from free access to evening classes that allow them to round out their basic knowledge. And in the United States, helping the underprivileged gain access to education is one of the two prime objectives of the Saint-Gobain Corporation Foundation (see below).

Many partnerships have also been created with universities and other institutions of higher learning. Local universities and vocational schools often ask Group specialists to teach certain technical subjects or to mentor a class. A number of students receive partial financing of their studies (in Brazil especially, Group subsidiaries take on part of the cost of training some of their young executives). This allows companies to help tailor the training of young people to the technical and managerial needs of their future jobs.

In addition to supporting academic training, outreach programs for young people who are finishing their studies are a major focus of the Group's employment policy. Many subsidiaries bring in young workers each year as part of work-study or vocational training programs. The beneficiaries of such "youth contracts" accounted for 1.9% of employees in 2003, slightly more than in 2002. In Germany, the country which traditionally has the largest proportion of work-study programs, 845 young people benefited from this type of work experience. In France, there were 764 participants, 18% more than in 2002, mostly in Flat Glass and Building Materials Distribution. More than 80% of these young people had apprenticeship or vocational training contracts, which are the two most valuable types of work-study programs. Such preprofessional support was also provided to some 300 young workers in Brazil and 121 in the United Kingdom.
After having had a first extended experience within a company, these young people are better equipped to enter the workforce.

In France, the "PAM Foundation" provides young people experiencing social or financial difficulties with both financial support and the moral support of a mentor from the Saint-Gobain PAM staff. The PAM Foundation was established three and a half years ago and has now become part of the company's corporate culture. Twenty-one young people have already benefited from its help.
Other companies, particularly in Belgium and Brazil, are also very active in this field and have designed initiatives to help young people enter professional life.

d) Grants to charities and cultural organizations

Group companies often support the charitable work of non-governmental organizations, either through financial contributions or through donations of building materials or information technology equipment.
The causes for which support is provided are mainly medical or related to helping the most needy. The amounts involved vary greatly from one company to another. In Brazil, Saint-Gobain subsidiaries take part in a broad range of projects, from financing day-care centers, to donating materials and funds to local governments or associations, organizing conferences on medical education for employees' families or providing assistance to the elderly. For the past two years, the Brazilian Delegation has contributed to the full renovation of a retirement home in São Paulo, while subsidiaries of the Flat Glass and Abrasives divisions help finance health insurance for their former employees. Outreach programs in Brazil represent a total amount of €400,000 – including the educational and vocational training projects mentioned above. Saint-Gobain Glass India took part in building a medical center next to its plant in 2002, and this facility is now used for vaccination campaigns aimed at inhabitants of the neighboring villages.

The U.S. Delegation has set up the Saint-Gobain Corporation Foundation, which donated $1.7 million in 2003, through its three programs, Corporate Direct, Matching Gifts and Plant Community. Through Corporate Direct, the Foundation provides grants to charities and cultural organizations, as a first priority in the regions where the Delegation's sites are based. Matching Gifts allows employees or retired former employees to support organizations they care about, and to have the Foundation double the amount of their contribution. Lastly, those facilities taking part in the Plant Community Program are granted an annual charitable contributions budget based on their number of employees, and they are free to make donations to the organizations of their choice.
In addition to donating building materials, in 2003 CertainTeed contributed the help of its own employees, on their working hours, to Habitat for Humanity, an organization aiming to provide needy families with decent housing.

Support for charitable causes by European companies tends to be less institutionalized, and it often results from employee initiatives that build cohesion among the staff, such as the idea to donate to UNICEF the amount that would have gone into a year-end gift (in Italy), or sponsoring annually the training of seeing-eye dogs in Belgium.
As part of the "Together" project launched at the end of 2002, employees of Jewson and Graham organized 400 sporting and community events with the help of suppliers and customers, which generated €400,000 for a charity that helps sick children. This project brought employees together around a cause and strengthened their feeling of belonging to the Group.

(1) Data concerning youth contracts are based on 71 % of total Group staff.

In addition to many cultural and intellectual initiatives taking place at the local level, the following are particularly significant.
For the past six years, Compagnie de Saint-Gobain has provided support, as part of a multi-year agreement, for the Louvre museum's acquisition of paintings of the Northern European School, in recognition of the Group's long-standing presence in Germany and Scandinavia. The Group also supports the Friends of the Georges Pompidou Center association and often takes part in renovation projects, mainly by providing glass products.
Several Group Delegations take an active part in promoting economic and cultural exchanges between their countries and France, through extensive work with French chambers of commerce or associations of French companies.
Finally, most of Saint-Gobain's research centers work closely with university institutes and government research agencies, such as CNRS in France. Thanks to exchanges with scientists outside the Group and to the financing of thesis work, Saint-Gobain is able to maintain and develop its knowledge of areas that can be strategic both for the Group and for the technological development of the countries where it is based.
In the same spirit of intellectual exchange, the Group created the Saint-Gobain Center for Economic Research – co-chaired by Robert Solow, winner of the Nobel Prize in Economics, and Jean-Louis Beffa – whose mission is to support research in this field.

In sponsoring charities and cultural organizations, as with all its outreach activities, the Group focuses primarily on local projects and on initiatives that tie in with its operations, in order to make its involvement in society an extension of its corporate culture and strategy.

II - A human community

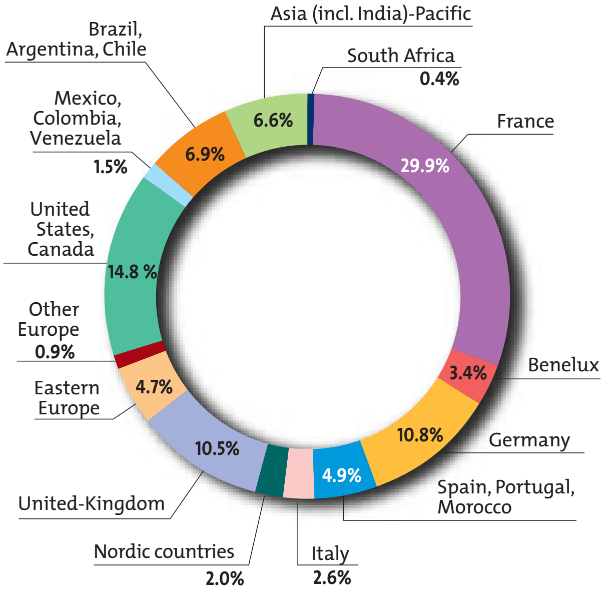
Saint-Gobain's Human Resources management policy is a major component of Group strategy. Its purpose is to anticipate the needs of the organizations that make up the Group, create the conditions that cause employees to support company objectives, and meet employee needs by taking into account their career projects and providing satisfactory work conditions. Ultimately, it serves a vision of Saint-Gobain as a community of men and women linked by ties of solidarity.

Toward this ambitious end, 868 managers direct the work of a well-structured global organization that is based on the twofold Division/Delegation principle. HR teams are close to employees at the local level, yet they also apply a common management framework defined by the Group.

1. Human resources: a constantly evolving picture

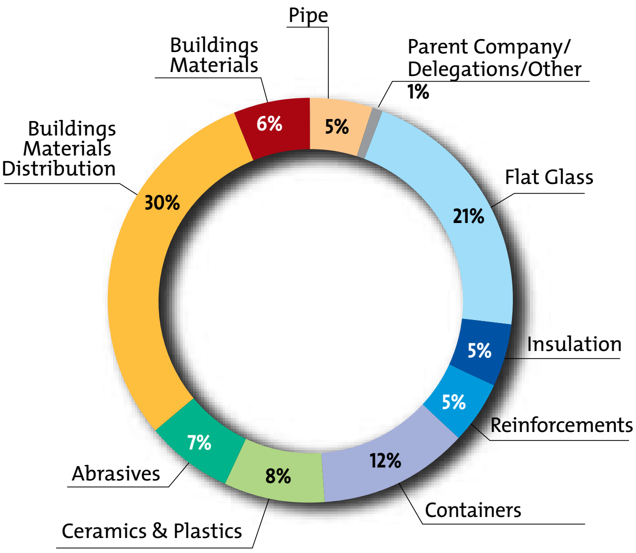
At December 31, 2003, the Group had 172,811 employees in 46 countries . Of this total, 30% worked in Building Materials Distribution and 70% in the industrial businesses. The breakdown by division and by country reflects some of the dynamics currently at play in the Group's development. The historic businesses of Flat Glass, Containers, Insulation, Pipe and Building Materials are steadily automating their processes to raise productivity and generate free cash flow that is then invested in the new businesses (Ceramics & Plastics, Abrasives, Reinforcements and Building Materials Distribution) and in emerging countries.

Breakdown by region of employee headcount



**Data concerning numbers of employees are based on 100% of the Group's scope.*

Breakdown by division of employee headcount



a) Employment trends

At December 31, 2003, the Group had 454 more employees than at the 2002 year-end. This near-stability is attributable to a 1.5% expansion in headcount from the Group's external growth operations, offset by a 1.2% decline in the number of employees based on a comparable Group structure.

Despite the disposal of Saint-Gobain Terreal in October 2003, the net effect of changes in scope was an addition of 2,524 new employees. Three-quarters of employees brought in through acquisitions were in the Building Materials Distribution division, which is continuing to pursue external growth, in line with Saint-Gobain's policy of investing in its new businesses.

The 1.2% decrease in headcount based on a comparable Group structure, following a similar dip in 2002, was mainly due to persistently lackluster economic conditions, particularly for the businesses of Ceramics and Composites.

The Abrasives and Ceramics & Plastics divisions, which have been hard hit by the industrial slowdown in their markets since 2001, kept up their drive to streamline their operations. However, thanks to an upturn in their operating margins and to a turnaround in some of their market segments, both were able to slow down the contraction in their numbers of employees. They recorded decreases in headcount of 5.4% and 3.4% respectively based on a comparable structure, versus falls of 6.4% and 6.9% last year.

The Reinforcements business, which had created jobs in 2002, was strongly affected by flat capital spending and falling prices in its markets, and had to shrink its staff by 5.5% based on a comparable structure.

Trends were more mixed in the historic businesses, reflecting both the response to the market context and the Group's determination to streamline its manufacturing capabilities in Western Europe and North America in order to generate the free cash flow needed to develop operations in emerging countries.

Flat Glass and Containers further rationalized their production and downsized by 1.2% and 1.8% respectively on a comparable basis. Flat Glass, however, increased its employee numbers in its new markets of Eastern Europe and Asia.

Despite cutbacks in Germany, the Building Materials Division's numbers were practically unchanged, with only a 0.7% dip, similar to the 0.2% decline in 2002.

Insulation and Pipe, on the other hand, reversed the downward trends they had experienced in 2002. Insulation staff grew by a slight 0.3%, following a 5.2% decrease in 2002, as development in new countries, particularly the opening of the Yegorievsk plant in Russia, offset downsizing in other countries. The Pipe division was a net creator of jobs, especially in China, the Czech Republic and Brazil. In this last country, large-scale recruitments resulted from the winning of a major contract in the Dominican Republic. Overall, headcount in the Pipe division rose 1.2%, versus a 1.5% contraction in 2002.

Based on a comparable structure, Building Materials Distribution remained as buoyant on the hiring front as in 2002, in spite of having had to restructure the German and Dutch subsidiaries that suffered from the crisis in the building industry. Total staff numbers rose 0.7%. Most of the Division's subsidiaries experienced organic growth, but "La Plateforme du Bâtiment" deserves a particular mention. At December 31, 2003, this chain had 30% more employees than a year earlier, to support its continuing development. In all, this new retailing concept has allowed the creation of nearly 2,000 new jobs in eight countries since its launch in 1998.

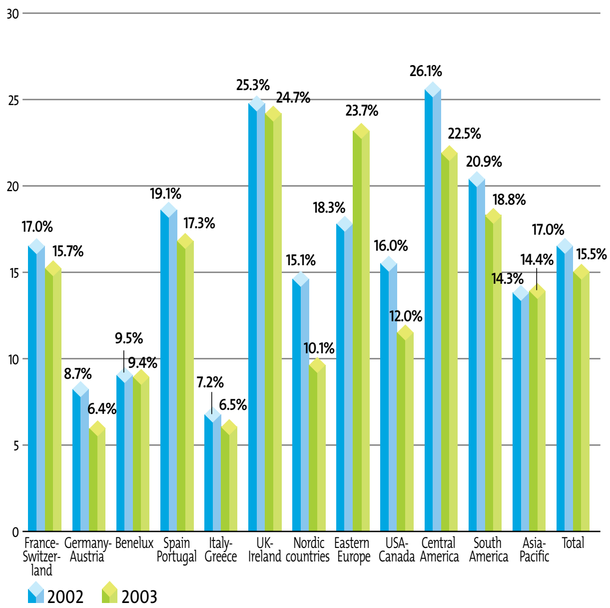
In 2003 most Western countries, except France, reduced their numbers of employees, due to the persistent market slowdown and to the Group's determination to automate manufacturing processes. In Germany, where the economic situation was particularly unfavorable, teams shrank by a significant 5.2%. The Nordic countries also downsized by more than 5% because of difficulties encountered in several divisions. France, for its part, experienced net job growth, after having maintained its staff numbers in 2002, thanks to the large footprint and rapid development of Building Materials Distribution in the country.

Group subsidiaries in emerging countries, riding favorable market trends and boosted by Saint-Gobain's strategy, were also on an upward trend: up 1% in Central America, 1.8% in South America, 2.1% in the Asia-Pacific region and 4.6% in Eastern Europe.

b) Hires and departures*

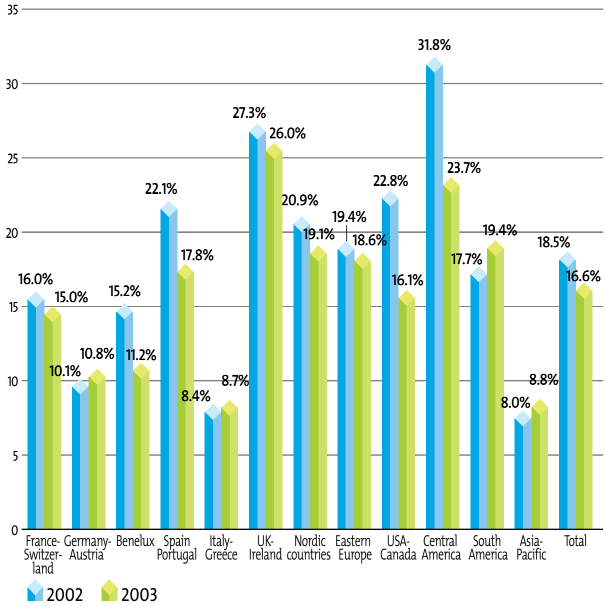
The hiring rate fell by 1.5 points, to 15.5%, while the departure rate was down 1.9 points, to 16.6%. These figures mainly reflect lower turnover in most divisions, though this rate remains higher in Building Materials Distribution than in the industrial divisions. Staff replacements also tend to happen more rapidly in countries where the job market is most buoyant and in those where the Group is launching greenfield operations. In the latter case, there is always a ramp-up period until stable teams have been set up. In this context, the improvement in staff turnover rates in Mexico, where there had been some difficulty in building stable teams, reflects genuine progress.

Recruitment Rate
based on a comparable Group structure



** Data concerning rates of recruitment and departure are based on 83% of total Group staff.*

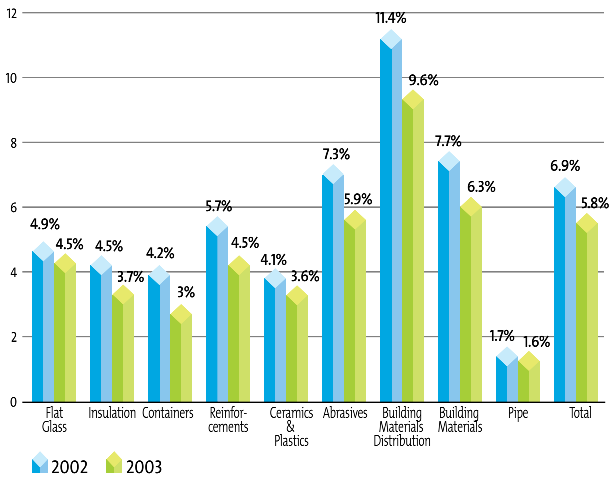
Departure Rate
based on a comparable Group structure



c) Reasons for departures**

The attrition rate for 2003 was 2.1%. There are more retirements in Europe and the United States than in Asia or Latin America, where Saint-Gobain's operations have started more recently and where the overall population is younger. For the Group as a whole, the resignation rate fell by one percentage point, to 5.8%. It has been reduced in all divisions, but remains higher in Building Materials Distribution and in countries where staff rotation is traditionally higher than the Group average.

Resignation Rate
based on a comparable Group structure



*** Data concerning reasons for departures are based on 94% of Group staff.*

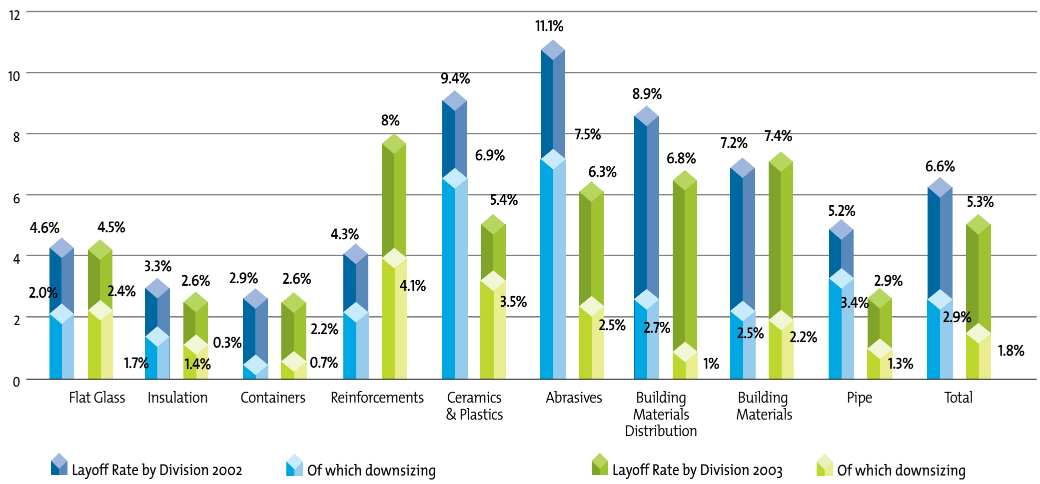
Layoffs affected 5.3% of total staff, 1.3 percentage points below the 2002 rate, in line with the overall decrease in departure rates. Layoffs for economic reasons also declined, from 2.9% of staff to 1.8%.

The Reinforcements division downsized through restructuring plans and, in some countries, through early retirement plans.

In Abrasives and Ceramics & Plastics, however, the downward trend bottomed out and the rates of layoffs for economic reasons declined by 5 and 3.4 percentage points respectively.

Lastly, the Building Materials Distribution and Building Materials divisions continue to have high layoff rates due to stronger employee turnover, related to the nature of the business for the first and to a strong presence in the United States for the other.

Layoff Rate by Division



d) Programs to preserve jobs

The Group carries out downsizing or restructuring programs only when these are unavoidably required for the economic health of the subsidiary or division concerned. In such cases the Group's size is undeniably an advantage, since it is often possible, in almost all countries where the Group is based, to offer employees a new position in another subsidiary, if they so wish. In several countries, Group companies also provide many types of outplacement help to employees affected by redundancies.

In France, Saint-Gobain Développement offers personal support to the employees concerned, taking into account, for each person, the professional, material, psychological and family consequences of the redundancy. This way all can benefit, according to their needs, from additional training, assistance for relocating and outplacement for the spouse, or support for implementing a personal project, and more.

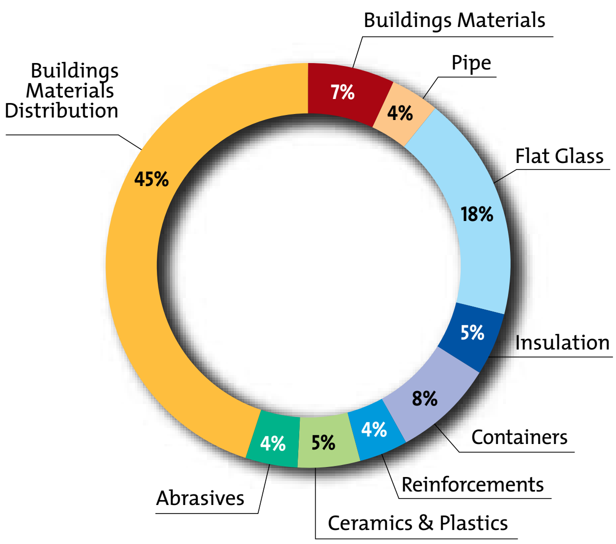
e) Recruitment*

To make up for these departures and to drive Group growth, nearly 25,400 people had the opportunity of joining the Group in 2003. Building Materials Distribution led the field with over 11,200 recruitments, followed by Flat Glass with 4,600 and, to a lesser degree, Containers and Building Materials with over 2,000 and over 1,500 new employees respectively.

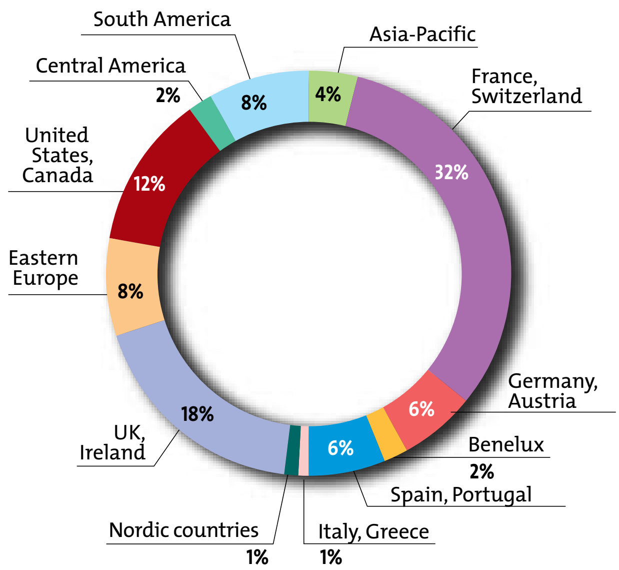
Western countries were still at the forefront of hiring, particularly France, the United Kingdom and the United States, with 7,700, 4,500 and 3,100 new employees respectively in 2003. Subsidiaries in high-growth areas, particularly South America and Eastern Europe, were also active recruiters and brought on board more than 5,700 new people.

** Data concerning recruitment cover 95% of Group staff in 2003.*

Breakdown of 2003 Recruitment by Division



Breakdown of 2003 Recruitment by Region



f) Use of temporary workers and contractors

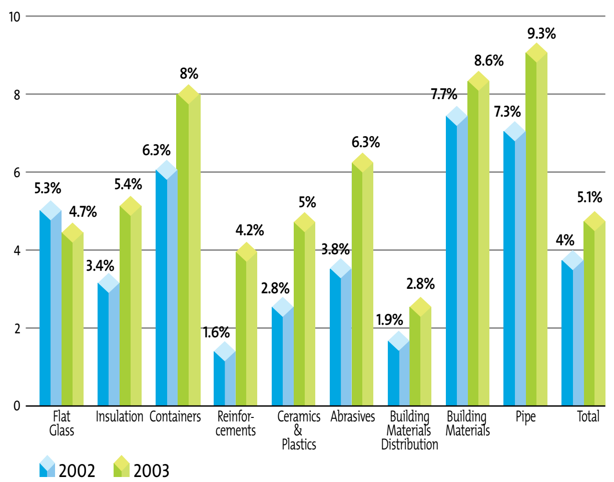
● **Temporary work**

When future orders are hard to forecast, if recruitment is hampered by temporary difficulties, or if a missing employee needs to be replaced, Group subsidiaries may call upon temporary workers.

Absenteeism was up slightly in 2003, reaching 4.3% of hours worked, from 3.9% in 2002. Its causes broke down as follows: illness accounted for 72%, work accidents for 6%, maternity leave for 8% and miscellaneous causes for 14%(1).

The services of temporary work agencies are particularly well suited when there is little advance notice and the duration of the need is unknown, therefore they are used to replace absent employees or to make a temporary transition. They also sometimes make it possible to meet a large need for staff with very little lead time, while a recruitment process would necessarily be more time-consuming. The proportion of temporary worker hours within total hours worked, was 5.1%(2) in 2003, up one percentage point on 2002. This increase applied to all business lines. In Reinforcements, the ramp-up of Mexican operations created a strong need for personnel, which was initially satisfied by hiring temporary workers. In Ceramics & Plastics, several French companies underwent restructuring which affected their production, when employees were exempted from serving their notice periods or were rapidly transferred to another position, hence the use of temporary staff. Within the Containers Division, French subsidiaries specialized in glass painting recruited temporary staff to help handle the volume of non-recurring orders. In Pipe, the increase in this type of work was related to the need for additional staff brought on by the major water-supply contract in Abu Dhabi. Lastly, in Poland, temporary workers were chosen by several subsidiaries as the best solution to handle seasonal peaks in demand.

Proportion of Temporary Workers

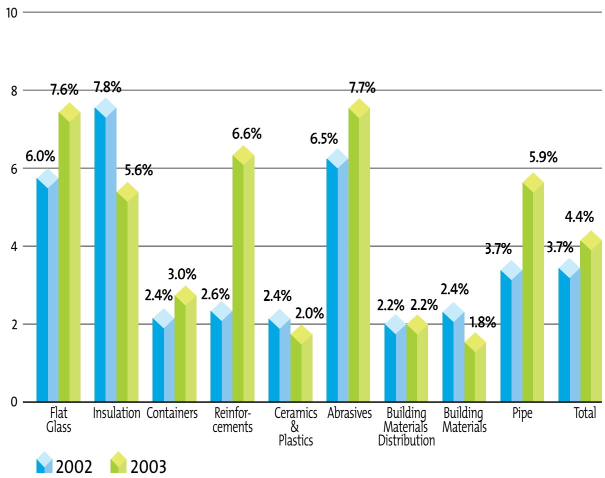


(1) Data concerning absenteeism are based on 79% of total Group staff and 92% of non-U.S. staff.

(2) Data concerning temporary workers are based on 71% of total Group staff and 83.5% of non-U.S. staff.

Fixed-term employment contracts are better suited for assignments spanning several months, such as replacements of workers on maternity leave or extended sick leave, or large-scale orders. At December 31, 2003, 4.4% of Group employees had fixed-term contracts, up 0.7 percentage points compared to 2002, the result of varying trends from one Division to another. The proportion of fixed-term contracts declined in Insulation and Building Materials, remained level in Building Materials Distribution and Ceramics & Plastics, and increased in the other businesses. The rise in the number of fixed-term contracts in Flat Glass, Reinforcements, Abrasives and Pipe is partly due to the inclusion of additional data concerning the Group's Chinese subsidiaries. Further, when new plants came on stream in China (Flat Glass and Reinforcements), Mexico (Reinforcements) and the Czech Republic (Pipe), employees were initially recruited under contracts of a few months before being hired for an indefinite period. The same applies to certain countries such as the Netherlands, in which short-term contracts are often used as probationary periods. Thus, although 28.9% of hires take place under temporary work contracts – and even up to 60% in Insulation and Pipe – the proportion of such contracts which are then turned into indefinite contracts is statistically equivalent to 35% of the total number of workers with temporary contracts at December 31, 2003[1].

Percentage of Employees on Fixed-Term Contracts at December 31



(1) All data presented concerning temporary work contracts are based on between 92% and 95% of total Group staff.

(2) Data concerning employee categories are based on 92% of Group staff.

● Use of contractors

In all countries where the Group has operations, other companies are called upon to perform work that does not match the Group subsidiary's expertise. Two types of work can be outsourced in this way. The most common are ancillary tasks such as security, maintenance, cleaning, catering, medical services and, for smaller units, payroll services, information technology or accounting. Other tasks that are sometimes outsourced are packaging, and handling or shipping of products. Although related to the manufacturing and distribution of products, such tasks remain outside the Group's core business.

Before signing an outsourcing contract, Saint-Gobain subsidiaries are required to verify that the partner company's operations and work contracts comply with all applicable regulations. Since site managers can be held responsible for any health or security matters affecting an individual working on their site, the employees of contractors called upon to work at Group sites are subject to the same rules as Group staff. In a certain number of cases, they receive specific training on health and safety issues.

2. Human resources policies that match Group strategy

a) Changes in employee categories[2]

Saint-Gobain employees can be divided into three broad categories: executives and managers; clerical staff, technicians and supervisors; and blue-collar workers

● Executives and managers

The proportion of executives and managers within total staff was 11.1%, on a par with the figure for 2002. Western countries tend to have a slightly higher proportion of executive-band personnel, 12% of staff, than do the new countries of Latin America and especially Asia and Eastern Europe, where executives account for 7.2% of employees. This difference is mainly attributable to the greater number of head offices and research and development centers in the countries where the Group has a long-standing presence.

● Clerical staff, technicians and supervisors

This category, which accounts for 35.2% of employees, includes administrative staff, technicians, supervisors and sales personnel. Two-thirds of Building Materials Distribution employees are part of this category since, except for workers in Lapeyre factories and Point P facilities, all non-executive staff is composed of stockroom attendants, sales staff, cashiers and similar functions. In the industrial divisions, the proportion of employees in this category varies from 16.4% to 30.5% of staff, depending on the size of sales teams, the way in which work is organized or the level of technical complexity of the business.

- **Blue-collar workers**

The proportion of blue-collar workers within total staff remained stable, at 53.7% in 2003, with the same variation from one division to another as in 2002. 24.6% of Building Materials Distribution Division employees are blue-collar workers, mainly within Lapeyre factories, since few employees of sales outlets are classified in this category. In industrial divisions, blue-collar workers represent 65.8% of the workforce, a percentage that varies according to the size of the teams not directly related to manufacturing, such as the sales force or research and development centers.

b) Working conditions, an evolving framework

- **Organization of work**

■ Working hours(1)

Work is organized in shifts in many manufacturing activities, to meet technical requirements. Distribution operations do not have this type of work. In industrial operations 50.6% of employees perform shift work, and the proportion rises to about two-thirds in Reinforcements and Containers. These proportions are basically unchanged compared to 2002.

Each workstation can have two or three shifts, or even more in some cases, when work takes place 24/7, in uninterrupted production. The latter schedule concerns one-third of employees doing shift work within the industrial companies, mainly in glass production lines.

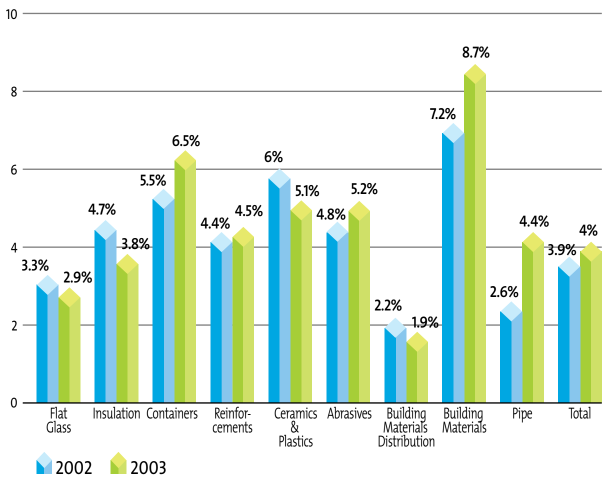
Throughout the Group, any uninterrupted production takes place in cycles, alternating between working and rest & recuperation periods. Overall, in all countries the number of hours worked annually by shift workers is lower than that of workers who have a daily schedule.

■ Overtime(2)

To meet a temporary increase in their workload, some Group companies sometimes need to ask their employees to work overtime. On average, these overtime hours represented 4% of hours worked in 2003, as in 2002. The proportion rose in Containers and Building Materials, where it reached 6.5% and 8.7% respectively. This increase was mostly noticeable in the United States and was due to the inclusion of additional data concerning certain facilities, to temporary overload in the order books and to the commissioning of a new plant in CertainTeed's windows business. In the Pipe Division, the major contracts for water-supply piping in the Dominican Republic and Abu Dhabi led to overtime work for Brazilian and British employees.

Building Materials Distribution, which mostly includes outlets with set opening and closing hours, still has the lowest overtime rate in the Group, at 1.9%.

Overtime Rate



■ Part-time work(3)

Part-time work is not very well suited to industrial work patterns, and it concerns only 2.9% of Group employees, 10.3% of women and 1.2% of men. The overall rate rose 0.5 percentage points compared to 2002, an increase that mostly concerned women.

- **Compensation policy**

■ Wages

The Group's compensation policy aims to be fair, motivating and transparent. Basic wages are set in each country and each economic sector in relation to market conditions. In Western countries, wages increase at least in line with the inflation rate, to at least maintain employees' purchasing power. In emerging countries, wages rise regularly as new skills are called upon, which leads to a higher standard of living.

Within this general framework, each subsidiary sets employees' wages based on conditions in its business line and its financial position and human resources situation. In all Group companies, the average wage for blue-collar workers is higher than the domestic minimum.

(1) Data concerning working hours are based on 88.5% of total Group staff.
(2) Data concerning overtime are based on 93% of total Group staff.
(3) Data concerning part-time work are based on 91% of total Group staff.

In France, the average annual wage of blue-collar workers rose 2.3% in relation to 2002[1]. Payroll taxes amounted to 43.4% of direct remuneration in Building Materials Distribution and 51.3% in the industrial divisions[2].
Executives' wages include a variable portion for which rules are set at Group level and tailored to each region based on local conditions.
Also, to encourage teamwork and ensure that the fruits of success are shared by all, the Group encourages its subsidiaries to sign collective employee incentive profit-sharing agreements whenever possible.
In France 87.5% of subsidiaries have signed these agreements, which cover nearly 95.5% of employees in the country. In 2003, these companies paid €52.4 million to their employees as profit-sharing bonuses, which represented 3.8% of total wages.

■ Employee benefits

The development, since 1988, of the Group Savings Plan (PEG) reflects Saint-Gobain's determination to involve its employees more closely in the future of the company, by offering them the opportunity of becoming shareholders under very favorable terms.
Thanks to this program, which is active in 27 countries, any employee with at least three months' seniority (six months in some countries) can purchase shares under favorable conditions with a discount on the stock market price (throughout the Group) and, in France only, a very attractive offer by which the Company supplements each employee's investment. The savings generated under this plan, amounting to an average of €3,500 per year per employee, including the Company's matching of employee input, generally become available after a period of five to ten years. The Group Savings Plan mutual funds held 7.4% of Compagnie de Saint-Gobain capital stock at the end of 2003, and 11.7% of voting rights. Other information concerning the PEG is provided on page 17.

In most countries where the Group is based, whether in Europe, Asia or Latin America, Group subsidiaries give their employees supplementary benefits in addition to those provided by law (e.g. additional medical cover, pensions or life insurance), as well as grants for meals and sometimes for commuting. In France, in all companies with over 50 employees, 1.1% of the payroll is earmarked for activities to benefit employees, managed by the Works Councils[3].

(1) Data concerning average annual wages of blue-collar workers in France are based on 84% of total French staff (on a comparable structure basis).

(2) Data concerning payroll taxes are based on a representative sample of companies covering 25% of total staff in France.

(3) Data concerning employee benefit activities by Works Councils are based on 81% of French staff.

c) The importance of dialogue with employee representatives

The Saint-Gobain Group attaches a great deal of importance to the quality of its dialogue with employee representatives. Because of the need to raise performance within a perpetually changing environment, the Group frequently has to make rapid changes in organization and working conditions, drawing upon consultations with employee representatives. In each region, therefore, the General Delegations coordinate employee relations, to ensure that specific local features are adequately taken into account.

In 2003 as in 2002, 66% of employees had an employee representative body within their work establishment[4]. The lack of an employee representative body is generally attributable either to the size of the company or to particular local practices. In fact, the divisions in which the rate of representation is highest are Containers (85%) and Pipe (87%), where facilities are largest, whereas divisions where most facilities are small (Building Materials, Building Materials Distribution and Ceramics & Plastics) have rates that are below the Group average, ranging from 48% to 53%. The lack of employee representation can also be due to the fact that there are no trade unions or individuals who are in a position to take on this function, or to specific national features. Whenever they have interlocutors within a legal framework, Saint-Gobain site managers endeavor to pursue a lively and respectful dialogue with the employee representatives that the staff have chosen.

A total of 900 agreements were signed with employee representatives in the Group in 2003. The change in this number compared to 2002 is not particularly significant, as in several countries agreements cover several years. These agreements dealt with wages (37%), working conditions (24%), and, to a lesser degree, employment (7%), vocational training (4%) or other issues[5].

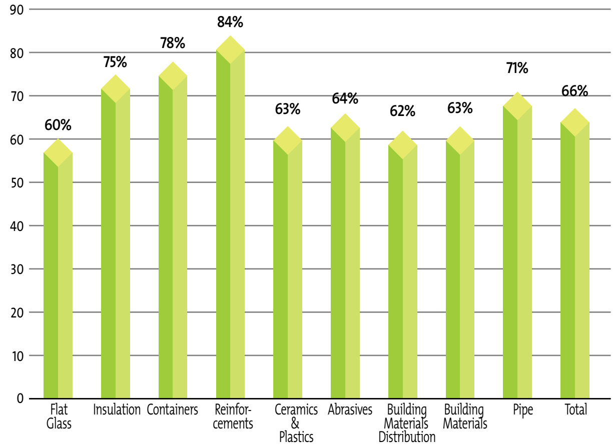
Lastly, 66% of Group employees, and 100% in France, are covered by a collective-bargaining agreement[6].

(4) In order to more closely reflect the day-to-day reality of employees, the indicator concerning the existence of an employee representative body was shifted in 2003 from the level of the employee's company to the establishment of employment. Data concerning employee representatives are based on 88.5% of total Group staff.

(5) Data concerning the total number of agreements signed are based on 90% of total staff and the breakdown by subject is based on 72.5%.

(6) Data concerning collective-bargaining agreements are based on 72% of total Group staff.

Proportion of Staff Covered by a Collective-bargaining Agreement at December 31, 2003



In addition to a Group Works Committee and central employee representative coordinators for all of France, Saint-Gobain has since 1988 set up a European-level forum for employee relations, based on the recognition that Europe constitutes a socially homogenous zone of convergence. A plenary meeting has been held each year since 1992 as part of the Collective Agreement on European Employee Consultation. It brings together 70 employee representatives from European Union countries, Switzerland and Norway. During this meeting the Chairman of Saint-Gobain exchanges views with employee representatives concerning the Group's strategy and various economic, financial and social issues of interest to all European subsidiaries. Saint-Gobain is currently working on how to integrate the countries that are about to join the European Union.

A permanent secretariat in charge of the year-long follow-up with European employee representatives keeps up regular exchanges with Human Resources management at Group and Delegation levels. This secretariat includes eight members of seven different nationalities – German, French, British, Spanish, Italian, Dutch and Norwegian. Their status was made official in a specific agreement, signed on March 4, 2004, that gives them technical resources and allots a specific number of hours for the performance of their duties, which are clearly defined. In addition, Group executive management has undertaken to keep the members of the permanent secretariat informed "of changes in Group scope or structure whenever such changes have an impact on employment, and will affect, or may affect, the Group as a whole or at least two Group companies based in two European countries." This new agreement therefore gives the permanent secretaries an official recognition, and as such it represents a new milestone in the development of dialogue with employee representatives at the European level.

3. Human resources management with a view to the future

a) Recruiting for tomorrow's needs

• Bringing in a new generation

The average age of Group employees is 40, six months higher than in 2002[1]. It has remained fairly stable in all divisions. In Insulation, Containers, Pipe and Ceramics & Plastics, where seniority is also higher than the Group mean, the average age is over 42.

Age distribution data show that employees tend to be older and have more seniority in Europe and the United States, where the Group has a long-standing presence. The industrial subsidiaries pay particular attention to bringing in a new generation, as the baby-boomers are reaching retirement age. Several countries have focused specifically on recruiting workers under 25 in 2003[2]. These young employees accounted for 48% of hires in Germany, 42% in Spain and 50% in the Nordic countries.

This issue is not a concern for companies based in the emerging countries of Eastern Europe, Latin America and Asia, where the Group presence has developed more recently. The average age in these regions is 35 and a half, and seniority averages about seven years[3].

Workers under 25 accounted for 36.4% of total Group recruitments in 2003, one percentage point higher than in 2002. In addition to the deliberate effort by certain companies to rebalance their age distribution, this figure varies based on different countries' traditions in terms of higher education and according to how buoyant the job market is for this age group.

• Attracting top talent

Saint-Gobain seeks to attract top talent through public relations campaigns aimed at the student body and by building special relationships with universities and programs that teach the skills the Group needs. In 2003, the Group took part in university forums in Germany, Spain, Italy, Sweden, Poland, China and in the United States, in addition to ten such events in France. The Company has also built many ties with business and engineering

(1) Data concerning the average age of employees are based on 93.6% of total Group staff.

(2) Data concerning the hiring of employees under 25 are based on 78% of total Group staff and 92% of staff outside North America.

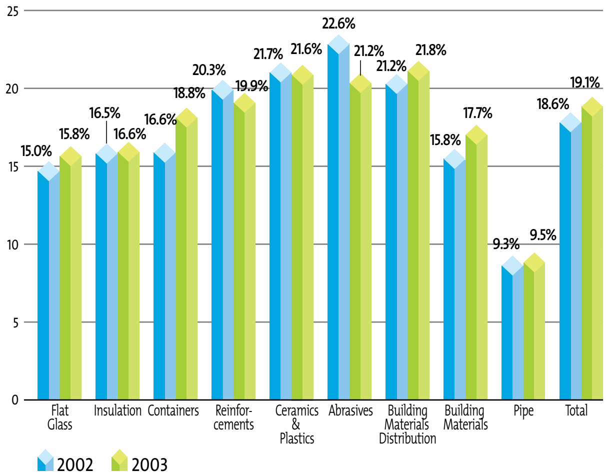
(3) Data concerning seniority are based on 90% of Group staff.

schools, from sponsoring a specialized program or class to personalized support for individual students. In France, the Group co-finances an average of 5 or 6 theses per year, as part of CIFRE agreements (industrial agreements on training through research). Since this joint financing system was set up with the French Ministry of Research in 1981, about 150 students have done thesis work at Saint-Gobain. Of those who were at Saint-Gobain Recherche, 75% subsequently began their careers within the Group.
The recruitment section of the Saint-Gobain website receives about 12,000 applications per year, of which 30% are then redistributed to the divisions and subsidiaries. The Group also uses the French job search engine "Keljob", to give its job offers maximum exposure.
Locally, each Delegation and company conducts its own recruitment strategy, generally using its own website. Based on their needs, they build relationships with nearby schools and universities, welcome interns, sponsor programs and organize factory visits to introduce the company to students.
In Belgium, as an example, the Group takes part in the DREAM program, under which it organizes open days for students who are finishing secondary school, to allow them to discover its businesses. Saint-Gobain Glass India, for its part, finances the engineering studies of several students. The "Become a global player" program in Germany is further developing and expanding to Austria. It allows high-potential young people of all nationalities to carry out three six-month assignments in two countries before taking up a permanent position in Germany. This helps integrate them into the global Group and improves their ability to work within multi-cultural teams. Nine out of ten participants in the first graduating class were hired, therefore the Delegation is aiming to build on this success and recruit a new class.
The Building Materials Distribution companies Jewson and Graham in the United Kingdom and Point.P in France have even set up their own work-study training programs which allow them both to provide the young trainees with a nationally recognized qualification and to train salespeople in their products and methods.

b) Raising the proportion of women[1]

The proportion of women in total staff was 19.1% at December 31, 2003, slightly higher than in 2002. Women fill 27.6% of non-factory work positions and account for 20.3% of new hires.
The proportion of women is slightly higher in the new businesses, where they represent over 20% of total staff, a share that has remained stable. The proportion has also remained basically unchanged in Flat Glass, Pipe and

Proportion of Female Employees at December 31



Insulation, at levels that are below the Group average, but has increased in Containers and Building Materials. These trends mostly reflect different local traditions and company policies in the various countries where each of the divisions are based. For cultural reasons, there is a higher proportion of women within the staff in Nordic countries, in Eastern Europe and in the United States than in the rest of the Group. The proportion is lower, but rising more rapidly, in Germany, Spain and Italy, because these countries have deliberately implemented policies to address this imbalance. In Germany, even though women represent 18.4% of total staff, they account for 26.2% of new hires.
Women receive 13.7%[2] of total wages, because they occupy a less substantial share of executive functions, particularly in senior management, because more of them work part-time, and because they tend to be younger and have less seniority (their average seniority is 2 years lower than men's).
The Group is determined to achieve a better balance between men and women at the management level. The aim is to ensure, in recruitment and access to functions wielding responsibility, equal opportunity that is compatible with the nature of the work involved. Increasingly feminine leadership should promote a greater variety of approaches and better awareness of different sensitivities, both in managing staff and in conducting relations with outside partners.
This change is happening slowly: 14% of management are women, up from 13% in 2002 and 10% in 1997[3]. Women

(1) Data concerning the proportion of women are based on 95% of total Group staff – 92% for hiring data.

(2) Data concerning the proportion of women in Group staff are based on 66% of total Group staff and 78% of the total outside North America.

(3) Data concerning the proportion of women in management are based on the management database that included some 15,900 individuals at December 31, 2003.

are found mostly in finance (27% of the staff), human resources (38%) and tax and legal functions (47%), but remain fairly rare in manufacturing-related work and in general management of facilities or companies.

c) Offering attractive career development prospects

Mobility of management staff between regions and functions is one of the essential building-blocks of Saint-Gobain's development. Because increasingly international teams are an integral part of its competitiveness, the Group seeks to encourage a multicultural outlook among all its managers. This policy translates into numerous international meetings where the sharing of feedback builds a common corporate culture, and frequent assignments of employees outside their home country, particularly at the outset of their career. As a result, 7% of executives work in international postings(1).

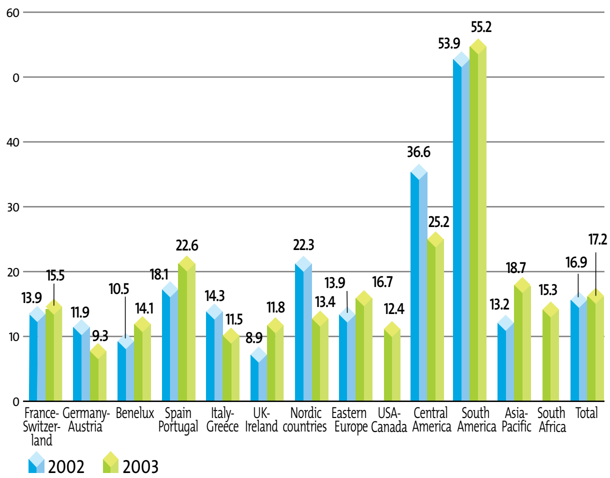
The systematic roll-out of annual performance evaluations and the posting of job offers on the Intranet have helped fuel sustained interest in mobility options. By taking individuals' wishes into account and laying down clear, transparent criteria governing expatriate positions, the Group has helped ensure that international mobility fulfills employees' expectations at the same time as it serves the company's interest. The rate of mobility for executives in 2003, calculated using all movements in which an executive changed work facility at least once in 2003, divided by the total number of executives, came to 7%.

In managing careers, one of the Group's aims is to bring about the emergence of high-level leaders who can operate in an international environment and bring teams to sustainable strong performance. Toward this end, Saint-Gobain has set up a specific program to identify and train the future leaders that will carry Saint-Gobain's strategy and management methods into the future. The profile of promising executives is analyzed based on open criteria applied consistently throughout all Group companies, in which "people skills" such as listening ability, the sharing of knowledge or the understanding of other cultures play a large part. Their career is then tailored to their initial training and to the abilities they wish to build. Through a variety of experiences in different countries, different divisions and different functions, they are prepared to take on substantial responsibilities. Thanks to regular reviews of their results, they can adapt their training from one year to the next, based on the Group's needs and their own character.

d) Building skills through training

In 2003, each employee received 17 hours of training on average(2), for a total cost equivalent to 1.7% of payroll(3). These figures are on a par with those of 2002, and include data for North America for the first time.

Average Number of Training Hours per Employee



There have been new developments along three avenues for improvement:

- **Creating a common reference framework for skills development**

During the first half of 2003, an international working group defined three levels of training indicators that will be set up gradually:

– The record-keeping level brings together the minimal data, e.g. on hours of training and on expenditure, that are already being gathered within the Group.

– The management level is designed to provide a deeper analysis and understanding of training programs, to assess their effectiveness and tailor them to needs. This second category of indicators was launched in 2003. It includes information on training programs and their application, and on the content of seminars.

– The strategic level, which will be implemented gradually, will allow a qualitative assessment of how training programs contribute to strategic development objectives.

Using this common reference framework, each subsidiary

(1) Data concerning executives are based on the management database that included some 15,900 individuals at December 31, 2003.

(2) Data concerning hours of training are based on 92.5% of total Group staff.

(3) Data concerning the portion of payroll devoted to training are based on 85% of total Group staff.

will be able to adapt its training efforts in line with its strategic priorities and with the benefit of other Group companies' experience. At a global level, Saint-Gobain will be able to drive the development of the skill-sets that underpin the success of its strategy.

● Supporting Group strategy

■ Strengthening competitiveness through technical training
In 2003, 56% of all training courses(1) focused on the development of technical skills and the deepening of expertise, which are crucial to the Group's performance.

The University of Glass provided training courses to 125 engineers and technicians from all divisions and all continents in 2003, who honed their knowledge of glassmaking processes in order to extend Saint-Gobain's technological edge. A glassmaking school created on the same model in Brazil has trained 305 participants since it opened its doors in 1997.

The companies of the Building Materials Distribution division also seek to raise the professionalism of their teams. In 2003, the Point.P School was able to train nearly 6,000 attendees, thanks to the ramp-up of the Arles campus. In order to provide a more structured approach to each participant's skill-sets, the School has defined specific training curricula for each type of position.

■ Developing the ability to generate organic growth
Organic growth requires an innovative spirit and attention to customers' needs. To build these qualities, the training department decided to give new impetus to marketing seminars. A new course deals with knowing and responding to the needs of the end-users of Group companies' products and services, and a second course focuses on strategies, tools and best practices of customer relationship management.

Similar steps are also taken at the local level. As an example, a specific seminar on the search for customer satisfaction was organized at Saint-Gobain Isover's Polish subsidiary, through theoretical teaching on the company's positioning, followed by practical case studies.

■ Assisting with the Group's international development
The parent company started in 2003 to organize training programs on Group ways and means in the countries where Saint-Gobain is growing rapidly. As a first step, the "Operating Management" seminar will be fashioned into a specific version tailored to the needs of fast-growing emerging countries. The first session will take place in China in 2004. The seminar will focus on the specific features of operating management in these regions and on the development strategy that the Group is pursuing there. Rolling out these programs locally will make it easier for local executives to take part, while allowing executives coming from countries where the Group has a long-standing presence to gain an understanding of the specific challenges that arise in these regions.

In new countries, training efforts are more extensive than in most Western countries. In Central America, following a major investment in training in 2002, expenditure in this area remains considerably higher than in the rest of the Group, with more than 25 hours per person. Argentina and Brazil reached 55 hours of training per person.

The Flat Glass division continued to develop its multimedia training software called MKT2, designed for the initial training of workers in floats, by adapting it in several countries. This system helps ensure greater consistency in the working practices in all factories, allowing the same manufacturing quality to be obtained in all facilities.

The divisions also continued to transfer expertise through assignments of executives and on-site training. As is often done when planning the commissioning of new facilities, several employees of the future Sekurit factory in Shanghai were sent for training to a Saint-Gobain Sekurit plant in Thailand. Similarly, in Reinforcements, two Chinese engineers spent two weeks at Syncoglass in Belgium to enhance their technical knowledge of the weaving of glass threads and to gain new skills in organizing production.

Language skills provide the necessary support system for the Group's international development. Overall, foreign language training accounts for 8% of training hours provided by the Group. A particularly significant effort is devoted to Central America and Eastern Europe, where languages take up 21% and 18% of training hours, respectively

● Training as a unifying factor for Saint-Gobain teams

■ Executive training
Both at Group level and within Delegations, innovative training programs have been designed, with the aim of turning out executives that can motivate their teams, achieve sustainable performance and disseminate the Group's corporate culture.

The first seminar on Sustainable Development, aimed particularly at site managers, was held in October 2003. It fits into a policy of training leaders that are aware of all aspects of management and are capable of defining a long-term strategy.

The Company has upgraded programs aimed at young managers, in order to create a more relevant connection between Group-level programs and local systems, and to focus efforts on key themes for Saint-Gobain, such as working in a multi-cultural environment, leadership in an inter-

(1) Data concerning the breakdown by subject of training hours are based on 82% of total Group staff.

national context and the fundamentals of management. Alongside this reorganization of the "management development" system at Group level, there has been a general reworking of the programs for executives in France, to take into account the different audiences involved, with different training curricula for executives, middle management and site managers.
In most countries, the Group continued to invest heavily in executive training in 2003. The Spanish Delegation made an outstanding contribution in this field, by renewing its DOC (Development of Organizational Competencies) system, which now places greater emphasis on personal development and relies on an in-house coaching system. In emerging countries, training efforts were even more substantial, reflecting the Group's determination to build local management. The Indian Delegation, as an example, held a 26-day seminar in April 2003, for 26 young executives representing more than 15% of Indian management, that dealt with all types of management issues. Overall, executives were given 37 hours of training in Eastern Europe, 46 in Central America and 57 in the Asia-Pacific region.

■ Integrating new recruits

In 2004 the Company undertook a thorough overhaul of the process of integrating new arrivals. Because the first few weeks within the Group are essential to the success of new employees, a new integration toolkit, to be offered to each new hire upon arrival, has been produced and is currently being tested in Spain, the United States and the Insulation division, before being rolled out to the entire Group in 2004. It includes a few key ingredients, such as a checklist for the employee's manager, a welcome booklet, a CD-ROM presenting Saint-Gobain products and, to be added shortly, an Internet-based training module presenting the history of the Saint-Gobain Group and its Principles of Conduct and Action. For executives, there are also seminars on "Knowing the Delegation", "Knowing the Division" or "Getting to Know the Group in France". This entire welcome process is specific to Saint-Gobain and will help broaden the awareness and corporate culture of all employees to a Group-wide perspective..

4. Helping people with disabilities enter professional life

Disabled employees represent 1.8% of all Saint-Gobain employees, and 3.6% in Germany, 3.6% in Norway, 3.1% in Italy, 2.2% in France and 2.6% in Brazil[(1)].
When an employee is affected by a new disability, Group companies attempt, as far as possible, to keep the person at their job. Some 300 workstations have been adapted for disabled persons, at 17.4% of Group companies[(2)], including 35% of French subsidiaries and 32.5% of German subsidiaries. In addition, nearly one-third of Group companies outside the United States[(3)], especially in most European countries, lend their support to specialized institutions. By ordering from these specialized institutions, subsidiaries help bring disabled employees into professional life in a setting that is specifically tailored to their situation, in terms of the nature of tasks performed, the pace at which the work is carried out and especially the training received by management teams.

(1) Data concerning employment of disabled persons are based on 77% of total Group staff.

(2) Data concerning adapting workstations to disabled workers are based on 65% of Group companies, representing 67.5% of headcount.

(3) Data concerning support for specialized institutions are based on 73% of total headcount and 70.5% of Group companies (86% of headcount outside the United States).

III - Environment, Health and Safety

1. The Group's policy

a) Overall objectives, translated at the local level

In its Principles of Conduct and Action (see pages 68 and 69), the Group requests that its subsidiaries "actively promote the protection of the environment" and "take particular care to adopt all measures necessary to ensure the best possible protection against health and safety risks in the workplace", both for Group employees and for contractors working at Group sites.

Against this backdrop, the Company has set a number of cross-functional objectives for the Group as a whole:

– Reaching for a rate of zero accident and zero occupational illness and holding this performance;

– Controlling ever more strictly the environmental impact of each site. This means, for all Group divisions, minimizing waste generation, including recycled materials in products, controlling the environmental impact of purchasing and, for businesses that use high-temperature processes, reducing atmospheric emissions of carbon dioxide (CO_2), nitrous oxides (NOx) and sulfur oxides (SOx).

The integrated Environment, Health and Safety (EHS) approach provides a comprehensive overview of these three inseparable subjects, leading to greater effectiveness.

From this overall policy stem specific objectives in all three areas, that are set by the divisions, the delegations and companies with the aim of achieving regular progress, taking into account the constraints of each situation.

b) Resources deployed

• A dedicated structure

Environment, Health and Safety issues are handled by a specific EHS structure that is matrix-based like Saint-Gobain itself and coordinated by a central department reporting directly to General Management.

In each Division one or more persons are in charge of designing an EHS policy tailored to the specific context of the Division's operations and implementing it. Similarly, within each General Delegation a coordinator, working with a team of correspondents within the various companies and facilities, is also responsible for overseeing the local implementation of Group and division EHS initiatives, and for ensuring compliance with national regulations.

These division- and delegation-level managers meet twice a year with the Group EHS Department as an EHS Committee, to review issues of interest to all Group companies and share feedback. In turn, these managers organize meetings with their own network of correspondents, which the Group EHS Director attends. As in the operational sphere, this matrix-based organization structure makes it possible to be close to business operations and aware of specific national circumstances, while keeping a consistency with the overall objectives.

Once a year, on the "Health & Safety Diamonds" awards day, the sites obtaining the best results in health and safety are recognized and share their best practices with the rest of the Group. This event promotes a healthy rivalry for higher performance and provides an opportunity for fruitful exchanges among all participants.

Through the Group's EHS intranet portal, the entire EHS organization can exchange information and feedback, and find in one place all the in-house documents related to the EHS policy, from the Reference Manual to the audit grids, the self-diagnostic tools, presentations on current topics, the list of training courses offered by the Company, and more. In the event of serious accidents, the portal is used to roll out very rapidly all relevant feedback and lessons learned, to prevent any re-occurrence of dangerous situations.

• An active contribution from the Research & Development departments

Saint-Gobain has two organizations that contribute to raising the Group's environmental performance:

– Saint-Gobain Conceptions Verrières, whose brief includes improving the environmental performance of glass manufacturing processes, in working on furnace design. In particular, two issues are the subject of in-depth work: optimizing combustion to reduce nitrous oxides (NOx) and developing energy-saving and carbon-dioxide (CO_2) reduction processes;

– Research & Development teams in 16 research centers and around 100 development units, which work on many environment-related issues.

In 2003, research expenditure directly related to environmental matters came to €11.8 million, up 7% on 2002. This sum represents the first step in the overall Research and Development investment. Each of the projects funded in this fashion is then followed by one or more development programs at division level, which require at least three times the amount invested initially. This outlay does not include the full amount of research work on particulates filters.

● Specific tools

Tools made available to industrial facilities

The Group EHS Department has designed a certain number of tools that it makes available to the various sites to help them implement their own actions in line with Group policy.

The EHS Reference Manual, which stems from the Group's Principles of Conduct and Action, represents the keystone of the whole system. It explains in very tangible steps how each site's management should organize operations to ensure continuing progress: defining an appropriate policy and setting concrete objectives, informing and training employees and monitoring the effectiveness of measures implemented.

A second tool offered by the Group is a self-diagnostic test. It is made up of a detailed list of questions and an evaluation grid to allow plant managers to review their site's situation against a variety of indicators. It also includes regulatory and technical information, and suggested corrective action.

Lastly, each division develops its own tools, for example the High-Performance Materials toolkit which was issued in 2003. This binder for facilities management provides concise step-by-step explanations of what is involved in an EHS management system and supplies many of the key practical documents, e.g. accident analysis methodology and forms, examples of safety forms, workshop internal audit methodology, advice on drafting an annual EHS plan.

Audits

EHS issues are now an integral part of Saint-Gobain's internal auditing process, which verifies the effectiveness of risk-management processes in several operational and functional areas. About 180 such audits took place in 2003. They are centralized by the parent company and are performed by a dedicated team that also follows up on audit findings. If an audit highlights the need for it, an in-depth EHS audit is then organized.

EHS audits themselves are carried out by members of the EHS organization. They are an indispensable tool to obtain a reliable assessment. They are launched at the discretion of divisions and operating units, but also, in some cases, following a decision from the parent company. The Group's size enables it to perform cross-division audits, with audit teams from outside the division that offer the necessary independence but also know Saint-Gobain's EHS policy thoroughly. This principle seems to work well with Saint-Gobain's corporate culture. Site managers accept the recommendations that are made to them, their results show improvements, and the auditors expand their own experience.

A total of 142 Health and Safety audits took place in 2003, in ten countries, which for the first time included Brazil, China and India. The most common recommendations concerned EHS management, technical solutions or the need for training. This program will be intensified in 2004, with the setting up of a post-audit tracking process. The medium-term aim is to audit each factory approximately every three years.

Although audits currently deal only with health and safety, a new audit grid including environmental issues was finalized in 2003. Several training courses on the subject have taken place since the end of 2003, and pilot audits testing the new process of simultaneously reviewing environmental, health and safety issues will take place in 2004.

Reporting

Monthly reporting on safety matters, centralized at Group level, has been implemented for more than 90% of the Group's staff. Reporting on health and environmental issues takes place on an annual schedule, at division level. All sites subject to permit requirements, as well as those whose operations do not require a permit but have been deemed to be concerned by these issues by their division, file the annual health and environmental reports requested by the Company. This scope covers the vast majority of Saint-Gobain's environmental impacts, even though it covers only some 60% of the Group facilities involved in safety reporting. Progress made in implementing the policy is thus easy to measure, with an overview of results at Group level.

A new reporting system bringing together all three aspects of the EHS process is currently being implemented throughout the Group. The technical software has been selected and the project was finalized in 2003, for deployment in 2004.

● Certification

At December 31, 2003, 13.8% of industrial sites included in the reporting process had obtained ISO 14000 and EMAS certification, and 50.8% of them were ISO 9000x certified. The Point.P and K par K sales outlets are also certified, on a collective basis.

Certification is not mandatory within the Saint-Gobain Group, as requirements only deal with implementing the policies outlined in the EHS Reference Manual discussed above. Sites mainly seek certification in response to a demand from their market, or at the subsidiary's own discretion

● Financial resources

Capital expenditure on environmental protection has been scheduled in a three-year plan, of which the first and largest phase was executed in 2002, for a total amount of

€70 million, reflecting a strong increase over 2001. The second phase of this plan was one of consolidation, which explains why total capital expenditure was lower in 2003, amounting to €52 million.
This figure covers four types of investment:
– Protective equipment, e.g. soundproofing, dust abatement, wastewater treatment plants, fireproof walls, waste storage areas;
– Recycling, e.g. systems for recycling raw materials, production scrap, water, calories, etc.
– Economizing, e.g. equipment for reducing consumption of raw materials or energy, primary measures;
– R&D expenditure to optimize product life-cycles.

Environment-related expenses followed a similar trend to that of capital expenditure, though to a lesser degree, declining 11% compared to 2002, to €127 million. This includes the wages of all individuals working in environmental protection, training costs, depreciation and amortization, insurance cover and guarantees, provisions for environmental risks and all other environment-related expenses. Charges to provisions for environmental risks amounted to €4.1 million in 2003.

- **Communication and training**

■ Training
EHS issues represent a major focus of training efforts, as training is one of the key levers for the Group's EHS policy. One-fifth of all Group employee training sessions concern this area. Since the fall of 2003, EHS matters have been among the main themes of the "Sustainable Development" seminar for the executive leadership of Group companies and their closest team members. Operational managers and members of the EHS organization are trained at division, delegation and parent company levels. The training sessions offered deal both with management issues and with such operational questions as risk assessment, industrial health or environmental methods, audits and the resulting feedback. EHS considerations have also been included in the course on "successful capital expenditure".
More and more senior executives are also being trained in management and in communication in crisis situations. All senior executives of the Flat Glass division in France were given specific training between June 2002 and December 2003, as well as a guidebook concerning the AGIR (Aide à la Gestion des Incidents à Risque) crisis-management methodology.
Training sessions for supervisors are organized locally, and these team leaders are then responsible for cascading the training to operators under their responsibility. The aim of these programs is to make employees aware of the health and safety issues involved in their daily behaviors, and of the effectiveness of the methods that are recommended to them.

■ Communication
In a special issue of the in-house magazine on Sustainable Development, all executives were reminded of how important EHS issues are to the Group's long-term growth. Some delegations, the Benelux countries and India especially, have created dedicated in-house newsletters that have reinforced this message. But communication is especially intense at the level of sites themselves because, like training, it is one of the keys for raising performance. Seven companies entered the Communications Stars awards, the in-house award for communications initiatives, with activities related to EHS issues.

c) Integrating outside contractors

The Principles of Conduct and Action emphasize that subsidiaries' health and safety policy applies "to their employees and to employees of outside contractors when the latter are working on a Group site".
As a result, reporting data include accidents involving these outside workers, and several years ago Saint-Gobain issued a specific booklet of health and safety recommendations for the staff of outside companies, setting out the responsibilities and obligations of the client company (the Group subsidiaries) as well as the duties of the outside company.

2. Health and safety

The Group's health and safety policy is based on respect for the individual. It sets ambitious targets for subsidiaries, namely reaching for a rate of zero accident and zero occupational illness.
This policy is implemented in several stages. Sites begin by identifying potential risks and assessing possible exposure to these risks. They then launch corrective action, to eliminate the risk if possible (e.g. by substituting a harmless product for a hazardous one or automating a handling operation) or at least minimize it as far as possible, using protective gear, procedures or better operator training.

a) Industrial health for employees: specifically-tailored answers

With high-temperature processes, the use of chemicals and handling work that is inherent to any physical labor, part of Saint-Gobain's employees are exposed to risks that industrial health initiatives seek to limit as far as possible.

● Muscular-skeletal ailments

The majority of known occupational health problems come from muscular-skeletal diseases or back pain due to the handling of heavy weights as well as from the physical labor that is inherent to the Group's various businesses.

Automation at Group plants, and in some cases the use of handling equipment, has gradually reduced the risks faced by employees.

In 2003, the Group selected a new risk-assessment method to study handling operations, the lifting of weights and posture at workstations. Based on employee involvement, this method makes it possible to assess the operator's movements with an evaluation grid taking into account each motion, its angle and width, in order to identify corrective action. It is currently being distributed to all EHS managers.

● Exposure to dust and fibers

In plants where there is a risk of inhaling dust or fibers, measurements are regularly taken to ensure that legal standards are complied with. In the vast majority of cases, dust and fiber levels are well below the maximum allowed by law.

Lapeyre plants in France continued to implement their dust abatement plan in 2003. By redesigning several sites, they were able to ensure that no employee is exposed to more than 5 mg per cubic meter of inhalable dust, the aim being to eliminate any exposure to more than 1 mg per cubic meter by 2005/2006. Alongside these preventive steps, a medical monitoring agreement has been drawn up with the plant doctors of the sites involved, to set up extra surveillance for individuals exposed to wood dust.

Beginning in 1996, the Ceramics & Plastics Division developed a dust abatement plan for crystalline silica, based on strict methodology, which it applied first in Europe, then worldwide. Samples are taken at all high-risk workstations, such as transportation of loads, grinding, polishing or maintenance, in order to assess exposure levels. If these samples are higher than 30% of the legal threshold, very precise recommendations are issued to the facility concerning collective safety equipment, substituting products for certain applications or other steps, and a new evaluation is planned within two years.

After having assessed risks, the Flat Glass division designed specific equipment, through cross-functional work, to protect employees during the firing up of furnaces. During this type of work, exposure to silica dust (and to a lesser degree to fibers) can rise to high levels and working conditions can become extremely difficult due to excessive heat, particularly near the furnace crown. This process is based on a system of air purification and distribution through a stainless-steel network. Operators are linked to the network through flexible hoses, and a vortex apparatus clipped to their belts allows them to decompress the air and lower its temperature very considerably, from 60°C to about 30°C (140°F to 86°F). This equipment, which allows the operator to breathe purified, decompressed and cooled air through his mask, was designed with the active participation of masons. It is now used in five furnaces (in France, Germany and Spain) and will be gradually rolled out to all the Division's furnaces as repairs become needed.

● Hazardous products

In 2004, the Group is planning to roll out best practices for the management of chemical risks based on recognized evaluation methods which have already been applied within the Group.

The method that was designed and developed over the past two years in the High-Performance Materials Sector involves drawing up a list of all products entering the site, regardless of their use, and itemizing all the substances that they contain. These substances are then classified into three categories, based on their degree of toxicity. Exposures are analyzed and split into three levels: work in a closed environment (no exposure), presence of an effective pollutant trap, or no collective protection system (individual protective gear required). Cross-referencing the level of hazardousness with the degree of exposure yields a measurement of risk, against which the necessary measures can be taken, such as product substitution or investing in collective protection equipment.

Lapeyre's policy on preventing risks from hazardous products has now reached a consolidation phase. All EHS managers have been trained in knowing and assessing such risks, and now common tools are being provided to all industrial sites concerned, to allow assessment of risks and management of those hazardous products for which no substitution was possible.

In the Flat Glass division, hazardous products are likely to be used in the composition of the glass itself or for surface treatments that increasingly serve to give the glass its added value, such as enameling, magnetron, chemical vapor deposition, high-temperature pulverization. Studies have been carried out early on in the development process in conjunction with the R&D centers, to minimize exposure to hazardous products and environmental impacts. The Division endeavors to replace hazardous products with less toxic substitutes. As an example, lead is gradually being eliminated from enameling processes. Other possibilities are also being considered, for example ways of making a product harmless through prior vitrification, using glass frit.

● **Noise**

Noise-related issues are managed locally. Site managers decide on investments in collective protection equipment. In the Flat Glass division, the practice of placing noise-proofing enclosures on glass before breaking is now very broadly established. In several subsidiaries, molded silicone hearing-protection equipment is produced for each operator. These hearing aids filter out the noise from machines but still allow operators to communicate verbally with their colleagues.

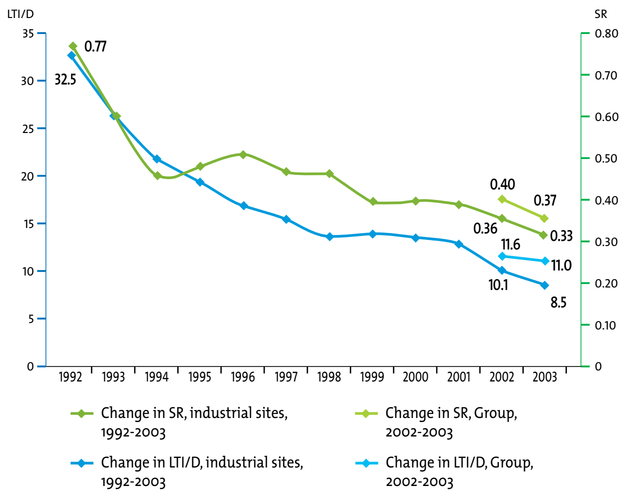
● **Biological risks**

Several Group companies launched preventive action in this field in 2003. A day of training was provided to Lapeyre EHS managers, giving them all the tools they need to assess risks at their facility and begin implementing preventive action. In the Flat Glass division, a detailed risk assessment was produced, with specific recommendations that gave rise, in 2003, to the drafting of an in-house reference document on the subject. Lastly, following the outbreak of an epidemic of Legionnaire's disease in France at the end of 2003, the Group asked all facilities in the country which could be at risk to take preventive measurements of legionella bacteria, with the instruction of contacting local authorities in case of abnormal results.

b) Safety: significant progress, but still not enough

The incidence rate of injuries with lost workdays (number of lost time injury/days, or LTI/Ds, for every million hours worked) for 2003 was 11.0, down 6% from 2002, and the severity rate (SR, number of person-days lost as a result of disabling injuries per thousand person-hours of exposure) fell to 0.37, down 10%. For the first time, these data include the Building Materials Distribution division.

Changes in Incidence Rate of Injuries with Lost Workdays (LTI/D) and Severity Rate (SR) – Group and Industrial Sites (Actual Structure)



Performance has deteriorated slightly in this Division, with a rise in LTI/Ds to 17.6 from 15.7 and an increase in the severity rate from 0.47 to 0.50. This lower performance was partly due to a change in reporting scope, as all the Division's sites were systematically included in 2003. Setting up safety management functions throughout the division is one of the priorities for 2004 in the Building Materials Distribution Division. This will be made easier thanks to the use of many Group tools that can be tailored to the specific needs of this business line, such as reference manuals and audit methodologies. Lapeyre began this policy in its sales outlets in 2003, training managers and launching a risk-assessment process.

Industrial facilities have confirmed their continuing performance improvement. In the industrial divisions, the incidence rate of injuries with lost workdays fell 16% over one year, to 8.5 in 2003, and has been divided by more than three in ten years. The severity rate has followed a similar trend, with a 17% improvement compared to 2002 and a 50% improvement since 1993. Thirty-three factories have even reached or exceeded a million hours worked without a lost-time injury caused by an accident. Among the industrial divisions, only Flat Glass has an incidence rate that remains higher than the Group average, particularly due to handling and glass-cutting operations in its subsidiaries producing glass for the building industry. The Division has nevertheless recorded a 23% improvement in this incidence rate.

Most Delegations have recorded improved results, except the Nordic countries that had experienced remarkable progress in 2002 and France because of the strong presence of the Building Materials Distribution division and the latter's full inclusion in the scope of reporting in 2003. Nevertheless, the incidence rates and severity rates of French industrial facilities have fallen very significantly thanks to the measures taken over the past two years and to the use of systematic audits.

Brazil, the Asia-Pacific region and India have reached LTI/Ds of less than 5. India's very proactive policy has borne fruit, with a 50% fall in its incidence rate and a severity rate that is now the lowest in the Group. Other remarkable improvements in LTI/Ds came from Central America, Germany and Italy, which recorded decreases of 50%, 30% and 25% respectively.

The Group deeply regrets ten fatal accidents and one case of heart failure in 2003, involving nine employees and two subcontractors working at Saint-Gobain sites. Of these accidents, five took place in industrial situations – including four during maintenance operations – and the five others were road accidents. For 2004, Group EHS management has specifically requested that all action plans emphasize raising awareness concerning the risks of road traffic and maintenance operations.

In-house procedures for responding to such fatal accidents were further tightened in 2003. The Group EHS manager or his deputy goes to the site of the accident to review its circumstances, and this procedure will now be directly overseen by Group or Division-level General Management. An in-depth analysis of these accidents is published on the EHS portal, so that facilities can immediately make use of the feedback that the accidents have caused.

3. Environment

Saint-Gobain's industrial operations pose relatively few technological risks. For the most part they process inorganic materials and require practically no explosive or environmentally hazardous substances. In fact, one third of the Group's sales comes from the distribution of building materials, a labor-intensive service activity that poses very few environmental risks.
One of the key focuses of the Group's environmental policy concerns optimizing the use of materials in its industrial processes. This involves controlling industrial waste, promoting in-house recycling and building end-of-life recyclability into products. Air pollution from the melting processes required to produce glass, cast-iron pipes, and some industrial ceramics is another of Saint-Gobain's concerns. These processes take place in furnaces where temperatures exceed 1,500°C (2,700°F), drawing upon substantial energy consumption and causing emissions of carbon dioxide (CO2) and other atmospheric pollutants such as nitrous oxides (NOx) and sulfur oxides (SOx). Lastly, the Group is watchful about managing its impact on natural balances, in the way it uses soils and in its sourcing policies.

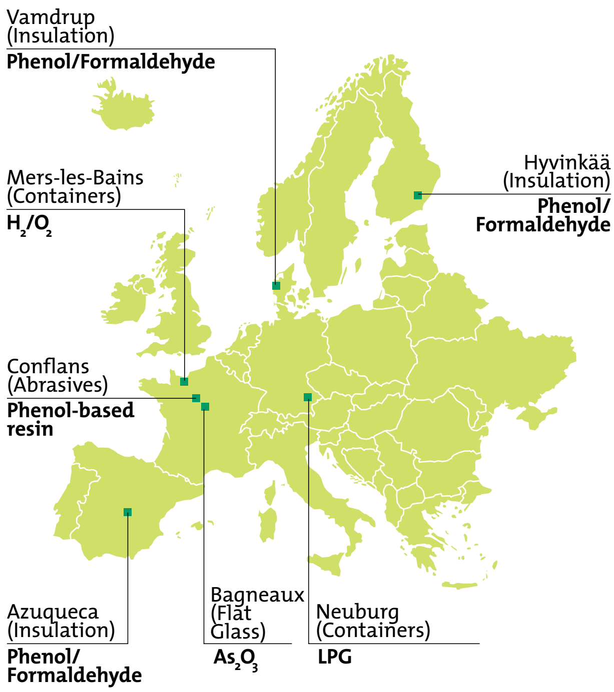
a) Limited and controlled industrial risks

● **Three levels of risk**

■ Eight sites subject to specific regulations

At December 31, 2003 seven facilities were regulated under France's "Seveso" legislation implementing the European Directive of December 9, 1996 on "controlling risks related to major accidents involving hazardous substances." The Directive calls for specific legislation to regulate facilities deemed to involve industrial risks. Three of these sites were concerned by the lower threshold and four by the upper threshold, relating not to their manufacturing processes, which are free of major industrial risks, but to the storage of explosive or toxic materials.
A study conducted in 2003 by the Group EHS Department showed that procedures and methods implemented by the various sites concerned were consistent from one country to the next. Storage sites are systematically managed under special conditions and compliance with the "Seveso" directive gives an additional focus to the facility's EHS policy.

▶ Location of "Seveso" classed sites



In the United States, the Lake Charles site is subject to similar legislation due to its use of vinyl chloride to produce PVC pellets used as raw materials for some of CertainTeed's construction materials, e.g. sidings, windows or garden furniture. This site is regulated by both the Risk Management Program Rule (RMP Rule) and the Emergency Planning and Community Right to know Act (EPCRA).

■ Sites subject to permit requirements

Most of the other industrial facilities are subject to permit requirements (administrative authorization in France) and must first and foremost comply with the terms of their permit.

■ Other sites

Sales outlets of the Building Materials Distribution division as well as smaller-sized industrial sites or plants that pose no significant risks – mainly the processing subsidiaries of the Flat Glass division and various sites of the Building Materials division – do not require a permit and therefore only need to address local community concerns.

Environmental disputes

In 2003, the Group did not have to pay any court-ordered damage settlements related to environmental matters. A few steps were taken to remedy environmental damage that had been caused, essentially the cleaning up of landfills and the remediation of industrial sites.

b) Optimizing consumption of materials

One of the key focuses of the Group's environmental policy is to make better use of materials by minimizing consumption of natural materials and promoting the recycling and reuse of waste products.

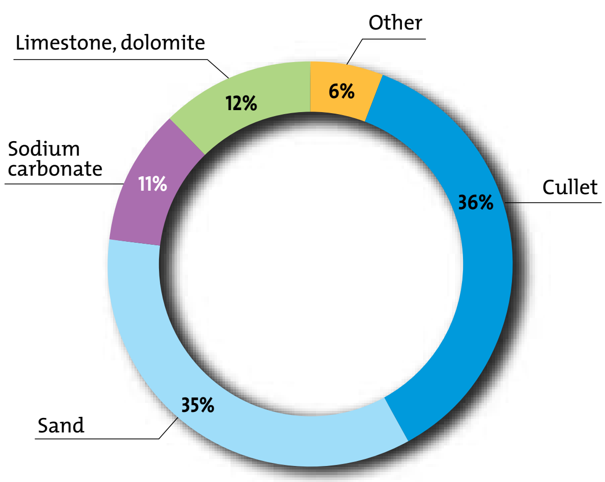
● Controlling consumption of raw materials

Consumption of raw materials has to be addressed differently for different types of operations. The paragraphs that follow list only Group sectors that consume a significant amount of non-renewable raw materials

■ Glass Sector

Glass sector businesses mainly decrease their consumption of raw materials by introducing cullet in their processes. In 2003, the Glass sector consumed 12.95 million metric tons of new materials and 6.2 million metric tons of cullet (produced both in-house and externally). Glass melted from cullet (produced both in-house and externally)

Main raw materials used in glassmaking



accounted for 44% of the Group's glass production. The Containers and Insulation divisions continued to raise the proportion of recycled materials used in their products, but the use of cullet is limited by technical constraints in the case of reinforcement fibers or glass for flasks and for the building and automotive industries.

■ Pipe

The Pipe Division uses two types of melting processes. In the first, known as "primary smelting", cast iron is obtained in blast furnaces, from iron ore. In the second process, known as "secondary smelting", the cast iron is produced from scrap metal and recovered cast iron, melted in cupola furnaces or less powerful furnaces. The choice of process depends on the types of markets served, the requirements of specific products, scheduling, market prices of primary and secondary raw materials, etc. In 2003, as a result of the major water-supply contract with Abu Dhabi for large-diameter pipes, primary smelting took the lion's share, and the Division consumed 60% of new materials and 40% of recycled materials.

In addition, the Pipe Division has focused a large part of its Research & Development efforts on optimizing the use of cast iron in its finished products, through continual enhancement of the centrifuge process and by designing ever-lighter pipes, and on controlling the amount of materials used for internal and external coatings on its products. For connectors, a process of coating by cataphoresis guarantees excellent regularity in the layer and keeps the amount of product used to a minimum. For the inner coating of pipes, a new process, currently being tested in Germany, will also allow savings of 20 to 30% in the amount of cement used.

● Minimizing waste and improving its recycling or reuse

Group companies produce three types of waste:

– For several divisions, production scrap can be returned into the manufacturing cycle fairly easily, since glass and cast iron are recyclable materials.

– Non-hazardous commercial waste is increasingly recycled or reused. Used sand serves in cement kilns, slag from blast furnaces or cupola furnaces is used as public works filler material, PVC waste can be included in lower-quality plastics, etc.

– The main types of hazardous waste produced are the following:

• Dust resulting from the melting of glass, made up of sulphates and possibly containing heavy metals, is collected at the bottom of regenerators or in furnace flues, as well as in fume filters. .

• Waste from the demolition of furnaces, composed principally of used refractories.

When such waste is not recyclable, it is disposed of by specialized professionals that also handle paints, solvents or used motor oils.

In all, the Group generated 1.8 million metric tons of waste in 2003, of which 31% were recycled or reused outside the Group and 68% were landfilled(1).

The Group will be devoting particular attention over the coming years to ways of reducing the amount of landfilled waste.

Not only will Group companies be expected to pursue continual progress in this area, each according to its own constraints and opportunities, but in 2003 Saint-Gobain also launched a number of framework agreements by country with solid-waste management specialists. In addition to streamlining the management of waste, the purpose of these contracts is to set up new avenues for recycling or reuse. The renewal of contracts in this area will be partly determined by each provider's search for and development of avenues for improvement. In Belgium, where this system was set up as early as the summer of 2003, new recycling options have been put in place. These early results lent support to the plan of developing the framework agreements, which are about to be signed in France and in the Netherlands, and are being negotiated in Germany, the United States and Spain.

In its new environmental policy, the Insulation Division has made waste minimization a priority. The Division requires its subsidiaries to reduce both the amount of mineral wool scrap they generate, through better efficiency, and the quantities landfilled, through greater in-house recycling. In the Reinforcements Division, the Italian company Revetex has specialized in finding uses for scrap from glass threads which, due to technical constraints, are difficult to re-inject into the production process. Uses have been found as reinforcements for road surfaces, sanitary ceramics or even certain types of thermoplastics.

c) Limiting atmospheric emissions

• CO_2 emissions and energy consumption

A priority focus of Saint-Gobain's environmental policy for the Glass Sector and the Pipe division is to minimize carbon dioxide (CO_2) emissions and to reduce the energy consumption of its furnaces – the two objectives being inseparable. In line with its membership of the French organization AERES, the Association of Companies for Reducing the Greenhouse Effect, the Group has undertaken a voluntary commitment to reduce its CO_2 emissions per ton of manufactured product by 15% by 2010, against a 1990 baseline.

In Europe, it is preparing for the introduction of emission quotas, which will concern some 80 factories in their first phase. The Group is actively involved in the negotiations on quota allocation and is pursuing exchanges of information and feedback among the different countries. In France, Saint-Gobain has also chosen to take part in testing the national emissions registry designed by Caisse des Dépôts et Consignations.

In 2003, Saint-Gobain emitted 10.8 million metric tons of CO_2, of which more than 90% came from glass melting operations and the Pipe division. Emissions from glass furnaces, which today represent an average of 581 kg of CO_2 per metric ton produced, have already decreased by 9.1% in relation to 1990. Emissions per ton produced can vary according to the type of glass manufactured, from 503 kg in Containers to 940 kg in Reinforcements. As part of the AERES agreements, emissions from the Flat Glass Division in France have been independently reviewed by Ernst & Young. The Pipe Division, which in 2003 emitted 1.04 metric ton of CO_2 per ton of cast iron produced, has for several years assessed its French sites using the carbon balance sheet methodology applied by the French steel federation (FFA).

In fulfilling the overall objective that it has set, the Group allows its subsidiaries to choose the most appropriate means of reducing their own emissions, which in all cases come from the burning of fossil fuels and, to a lesser degree, from the decarbonation of raw materials. Including recycled materials in production processes is a first emissions-reducing method. In glass operations, 255 to 300 kg of CO_2 emissions are avoided for each ton of cullet used. Most Group companies are also on a drive to reduce their energy consumption, through setting up heat-trapping systems, or through optimizing the design and yield of furnaces, or the volumes of raw materials melted at one time.

On average, producing one metric ton of glass requires 2,540 kWh and a metric ton of cast iron takes 3,710 kWh.

The Glass Sector's total energy consumption in 2003 amounted to 35,500 Gigawatts/hour (GWh), 6% more than in 2002, because of a 7% increase in the total volume of glass produced. Fuel oil and natural gas are the main energy sources. Electricity serves as the main energy source for 50% of the furnaces of the Insulation division, and serves as a backup power source for the other divisions.

(1) Data concerning the breakdown between recycled or reused waste and landfilled waste are based on more than 80% of the waste produced.

Within the Housing Products Sector, the Pipe Division consumed 6,360 GWh, 18% more than in 2002, mainly because it expanded its total output of cast iron, and also due to the increased use of primary smelting for its major export contracts. The main energy sources for this Division are coal coke (in blast furnaces and cupola furnaces), but also electricity and natural gas.

In the High-Performance Materials Sector, total energy use, mainly for making silicon carbide and fused-cast refractories, came to 3,700 GWh, up 5% on 2002.

● Emission of substances causing acid rain and nitrification

Saint-Gobain factories emit two types of substances that cause environmental acidification, sulfur oxides (SOx) produced as a result of burning fuel oil and coke and nitrous oxides (NOx) that are produced through high-temperature oxidation of combustion air and also cause nitrification. The sources of such emissions are mostly the Glass Sector and the Pipe Division.

Following or anticipating on increasingly strict legal requirements, the divisions concerned have been reducing their emissions of SOx for several years through the use of higher-quality fuel oil or coal, but also by reducing their energy consumption or setting up desulfuring processes.

The Glass Sector emitted a total of 24,000 metric tons of SO2 in 2003, down 11% compared to 2002, thanks to the use of less sulfur-rich fuels or by switching to natural gas. Emissions per metric ton of glass produced varied according to the manufacturing process used, from 0.8 kg in Insulation to 1.8 kg in Reinforcements and Flat Glass. The Pipe Division emitted 480 metric tons of SOx in 2003, representing 0.42 kg per metric ton of cast iron produced in primary smelting and 0.10 kg in secondary smelting.

Group companies have been endeavoring to reduce their NOx output for more than ten years, by focusing on primary measures that eliminate or at least limit the generation of these NOx gases, as opposed to secondary measures that require the consumption of reagents or additional energy. As an example, the FENIX (a French acronym for "low NOx emissions", Faibles Emissions de NOx) process applied in the Flat Glass division mainly involves optimizing combustion conditions within furnaces. The French ministerial order of 2003 on the glassmaking industry also highlights primary measures, by prescribing thresholds that these processes can reach.

Oxygen furnaces sometimes provide another interesting alternative since by displacing nitrogen in combustion air, they cause far less NOx emission. In Reinforcements, for example, nearly 30% of furnaces are now oxygen furnaces, but the economics of this technology make it difficult to apply to Flat Glass or Containers.

Saint-Gobain is today one of the world's best performing industrial groups for the reduction of nitrous oxides through primary measures.

The Glass sector emitted a total of 35,000 metric tons of NOx in 2003, through a variety of production processes that discharged from 1.21 kg per metric ton of glass produced in Insulation to 3.95 kg per ton in Reinforcements. The manufacturing of cast iron products caused the release of 1,150 metric tons of NOx, representing 0.75 kg per ton of cast iron produced.

● Emissions of substances causing photo-chemical pollution

The Group emits two types of substances that cause photo-chemical pollution: nitrous oxides (see above) and, to a lesser degree, volatile organic compounds (VOCs), which are created in certain product processing and finishing phases of specific operations.

VOCs are by-products of the various organic substances used for bonding of fibers and glass wool and sizing of abrasives (phenol and formaldehyde), for production of silicon carbide (particularly polycyclic aromatic hydrocarbons), for asphalt roof shingles (formaldehyde), as solvents used in coatings for cast-iron pipes, or in various products for wood protection and finishing at Lapeyre.

Releases of VOCs to the atmosphere generally entail a chemical risk for employees, therefore the increasingly common use of chemical risk assessments will allow the Group to study these emissions thoroughly, then to implement corrective action for reducing them.

In the High-Performance Materials Sector and in Lapeyre plants, such analyses have already led to the substitution of a certain number of hazardous products. The Pipe Division has designed solvent-free coating processes that use epoxy powder for taps and connectors, cataphoresis for connectors and, beginning in 2004, autophoresis chemical coating for supplies for roadworks and utilities. When using solvent-free paint is not an option, particularly for pipes, the solution lies in installing VOC-trapping equipment then oxidizing the VOCs on the manufacturing line.

● Dust emissions

The Group is also involved in an active dust-abatement drive. Particularly for its Glass operations, the Group has decided to use as a reference the new French standard (administrative decree on the Glass industry dated March 12, 2003) and to adapt it where possible to the constraints faced by other Saint-Gobain facilities throughout the world.

All Glass Sector furnaces and manufacturing lines generated a total of 6,200 metric tons of dust, which amounts to an average of 0.45 kg of particles per metric ton of glass produced. In 2003, the Pipe Division produced 920 metric tons of dust, or 0.54 kg per ton of cast iron produced.

● Heavy metals

Other hazardous substances emitted by the Group include heavy metals from impurities in raw materials used, particularly cullet. Although the quantities involved are small, monitoring is necessary and is being extended to all sites. Increasingly, dust particles from filtration, which sometimes contain traces of toxic metals, are recycled in furnaces or through appropriate channels. Only final waste that cannot be recycled is landfilled.

● Noise and smells

Disturbances for neighbors of Group facilities in terms of noise or smells are very limited and are managed at the local level. If a specific problem arises, solutions can generally be found through dialogue with the local communities. These solutions can sometimes be as simple as a change in road traffic plans at the site.

d) Limiting impacts on natural balances

● Fauna and flora

The Group's main impacts on its environment come from atmospheric emissions, energy consumption and waste generation, but Saint-Gobain plants generally do not pose any threat to local fauna and flora. Impact studies are nevertheless performed in most countries prior to the siting of a new industrial facility.

● Soils

■ Contaminated soils

Whenever a site is acquired or disposed of, regulatory compliance tests are conducted and the quality of groundwater is monitored. If any contamination is detected, appropriate measures are implemented. For example, the Ceramics & Plastics Division discovered a landfill on the Japanese site of Toshiba Monofrax when it took it over, and it took all necessary measures to protect the environment at the site, notably by stabilizing the surface and covering it.

■ Quarries

The Group manages 37 quarries in France, the United States, Brazil, Italy, Spain and Portugal, from which it extracts raw materials for glass manufacturing, such as silica sand – the main ingredient in glass – , but also phonolite, dolomite, limestone and feldspath. In the United States, the Group extracts rhyolite, which is used to make roof shingles and novaculite, a hard stone used for its abrasive qualities. Other extracted minerals are quartz in Brazil, used in the making of mortars, and aggregates and gravel in France, for making tar and concrete.
In all these countries, materials are mined in accordance with applicable regulations. These operations are wholly ancillary, as the total amount of sales outside the Group accounts for less than 0.02% of Group sales.

● Purchases of tropical wood

The Building Materials Distribution Division purchases over 1.5 million cubic meters of wood, of which tropical woods account for less than 8%. Several of the Division's companies have embarked on policies based on controlling their purchases.
In the United Kingdom, Saint-Gobain Building Distribution UK (SGBD-UK) is a co-founder of the "Forests Forever" NGO, a member of WWF1995+ and a signatory of the Timber Trade Federation's charter. The company has set two goals: to ensure that its suppliers comply with applicable regulations and to develop on an ongoing basis its purchases of certified wood. SGBD-UK has decided to discontinue its purchases of Indonesian plywood, due to doubts about its origin, and estimates that more than 40% of its wood-paneling products come from sustainable and certified sources. The main difficulty in raising this percentage comes from the fact that there are still only a few certified providers. In addition, in 2003 19 SGBD-UK sales outlets obtained "Chain of Custody" certification guaranteeing the traceability of their wood products.
Eight Lapeyre industrial carpentry factories process wood, 30% of which comes from tropical deciduous trees. The Lapeyre group is committed to protecting forests and has implemented a sourcing policy that gives priority to wood from managed or certified forests. A forest is certified when it is managed in accordance with internationally recognized rules designed to protect the natural environment. Such rules define very specific conditions of operation based on essences, climate and soils, such as the minimum diameter of trees for cutting, the maximum yield of a plot, replanting requirements, steps to protect fauna and flora, and more. Between 2001 and 2003, the proportion of wood from managed or certified forests rose to 72% from 55%. It is expected to reach 80% in 2004, mainly as a result of replacing non-certified native essences with managed essences like pine and eucalyptus. Lapeyre also contributes to developing certification in Brazil through its membership of the Board of Directors of the Forest Stewardship Council (FSC) and of the related buyers' club.

Factories are also reducing their use of forest wood through better use of the raw materials, by developing the use of reconstituted wood and enhanced gluing processes. At December 31, 2003, two Lapeyre plants had received certification from the FSC and one from the PEFC (Pan-European Forest Certification Council), which allowed Lapeyre to market its first certified finished products, which were stairs in Brazilian tauari and Scandinavian pine.

Lastly, 8% of Point.P's wood imports come from Brazil or Africa. The Brazilian imports come from Lapeyre's local subsidiary, while for purchases of African wood the company has set up a partnership with Greenpeace that gives it better control over its purchasing, which it directs as a first priority towards suppliers that comply with local forestry regulations and commit to a code of ethics.

• Controlling consumption of water and limiting effluent

Practically none of the Group's manufacturing processes use water as a raw material. However, it is used in large volumes for cooling high-temperature processes. In most cases, this cooling water is recycled internally, which helps limit actual consumption considerably.

In 2003, the Group consumed 87.3 million cubic meters of water, 89% of which was used in glass furnaces, the Pipe Division and the High-Performance Materials Sector. Each metric ton of glass melted requires 2.1 cubic meters on average, with a range that goes from 1.1 cubic meters to 12.5 cubic meters in the particular case of the Reinforcements division. In Reinforcements, the bonding process demands heavy water inputs, as chemicals dissolved in water need to be deposited on glass fibers to give them all the required properties. The Pipe Division, for its cooling processes, consumed 20.1 cubic meters of water per metric ton produced in 2003, reflecting a 12% drop from 2002, the result of major programs to improve water management and reduce consumption. The new Archimedes cement-application process that is currently being tested in Germany will allow not only the savings of raw materials mentioned above, but also a substantial reduction in the amount of water needed to coat the inside of pipes and in the volume of effluent generated. The High-Performance Materials Sector used 14.3 million cubic meters of water in 2003, up from 11.4 million in 2002.

Liquid effluent to be discharged is generally treated prior to being re-injected into the municipal network or natural environment from which it came.

IV - Answers to overall sustainable development issues

1. Buildings that protect the environment

Saint-Gobain produces building materials that, once installed, save far more energy than was required for their manufacturing. They therefore contribute significantly both to energy savings and to reducing overall emissions of greenhouse gases. Such applications from the Flat Glass and Insulation divisions generate 11% of Group sales.
Low-emission double glazing offers three times better thermal insulation than standard double glazing, thanks to an invisible metallic layer applied to one of the two glass panes, which acts as a thermal barrier. It has been estimated that applying this double glazing to all residential housing in Europe would save 82 million metric tons of carbon dioxide (CO_2), representing 9% of emissions from housing sources and 2.7% of total European emissions. For households, the cost of this installation is recovered in less than two years thanks to savings on their heating bill. Considering that glazing has a useful life of about 30 years, these gains add up to a substantial amount for the user. The use of this type of glass should receive a boost from efforts to ensure compliance with the Kyoto Protocol.
Sun-control glass can also be included in the low-emission double glazing, to keep temperatures down in the summer.
Mineral wool is similarly efficient. It is estimated that within one month of insulating a house with glass or rock wool, the household has saved an amount of energy consumption and CO_2 emissions equivalent to what went into making the product.
In all, 36 million metric tons of CO_2 emissions would be avoided if all French residential housing and service-sector business facilities were suitably insulated with mineral wool and double glazing with reinforced thermal insulation.
Saint-Gobain materials also contribute to the soundproofing of buildings. Saint-Gobain Isover supplies specific systems for multiplex cinema complexes, while Ecophon and Eurocoustic acoustic ceilings meet the challenge of bringing better acoustics to classrooms and activity rooms while reducing overall noise levels. Saint-Gobain Glass also received the Golden Decibel Award for 2003 in France, for its new thermal and acoustic double glazing that offers excellent soundproofing while remaining thin and light.
Some products made by other Group divisions also contribute, though to a lesser degree, to better insulation of buildings. Saint-Gobain Weber's wall facings for thermal insulation of buildings from outside or Lapeyre's window fittings are increasingly effective for eliminating thermal channels.

2. Materials for renewable energy

The Pipe Division has a small business line that supplies pipes for the Norwegian market of micro hydraulic plants, and this is one among many products and R & D projects that contribute to the growth of renewable energy sources.
The Group manufactures glass threads and fabrics for reinforcing wind turbine blades. Because these blades have very precise specifications and require leading-edge quality and reliability, reinforcing them is a demanding application with high added value, for which glass threads offer an optimal solution. Saint-Gobain's sales in this area already amount to €27 million, as the Group continues to support the rapid development of this market, which has grown by 27% per year over the past ten years and should be ten times its current size by 2020.
In the field of solar energy, the Group offers glass panels for glass solar cells, which in Europe account for 90% of the market for thermal solar energy. These flat cells, made up of a rectangular box lined with absorbent material and covered with a glass pane causing a greenhouse effect within the box, transform solar radiation into household hot water or heating at the level of an individual building. The total installed surface in Europe now amounts to approximately one million square meters, but could reach 10 million sq. m. by 2010, thanks to the incentive policies implemented by governments.
Solar energy can also be converted into electricity through photovoltaic cells assembled in modules with transparent conductive glass. Each square meter of such modules installed anywhere in the world requires between one and three square meters of glass, depending on the type of cell and the encapsulation process used. Such modules, which can be set up in buildings, in cities, or in mobile applications, require very specific properties of great transparency, optimized transmissiveness and the ability to weather outdoor conditions. Saint-Gobain Glass has designed two specific qualities of glass that meet these specifications, the extra-clear "Diamant" glass and the "Albarino" textured glass which maximizes light transmission through a geometric effect. In Germany and Spain, Saint-Gobain Glass Solar assembles solar cells for

making custom-designed photovoltaic modules for use in architectural projects.

Driven by government incentives, technical progress and falling costs, the photovoltaic glass market, which represented about 4 million sq. m. in 2002, could reach 16 million sq. m. in 2010 and, according to some estimates, 100 million sq. m. in 2020.

Lastly, the Reinforcements and Ceramics & Plastics divisions are currently taking part in feasibility studies on the production of fuel cells for cars. These divisions could be producing several parts of these clean-burning motors of the future, including ion-exchange membranes, electrodes made of conductive composites and other components

3. Water supply materials in developing countries

By their very nature, the products of the Pipe Division contribute to sustainable development, by making it possible to carry drinking water and to evacuate waste water. The Division's first area of expertise was in the setting up of urban drinking water networks. Over the past twenty years, a new application has appeared. As the urban centers of developing countries expanded, their water supply had to be sought further and further afield. The Division produces large-diameter pipes, of up to two meters, that are used to ship drinking water over dozens, or even hundreds of kilometers, to major cities. In many countries, such pipes meet an essential need. Saint-Gobain PAM has won approximately ten major contracts in the Middle East, Latin America and Africa, for distances ranging from 43 km in El Salvador to 138 km for the water supply of Dakar, and involving up to 400,000 metric tons of piping (for the Suweihat project in Abu Dhabi).

The Group's products are particularly well suited for this new application, because cast iron is an exceptionally safe and durable material, as hundred-year-old pipes in Prague or Montevideo attest, requiring very little maintenance and which can be set up in all types of soils. In addition, because of their coupling design, Saint-Gobain pipes require very little technical skill for their installation.

The Division makes available to its client local governments the services of its financial engineering department, that assists them in dealing with banks, insurance companies and other financial institutions in order to seek and coordinate financing for such projects. This department also maintains an active presence with major global financial providers such as the World Bank, regional development banks and European or Arab funds and gives its clients the benefit of its up-to-date knowledge of these bodies and their procedures.

Overall, the drinking water supply and wastewater markets account for 6% of Group sales.

4. Recycling or reusing products at the end of their life-cycle

Most of the materials produced by the Group are recyclable, especially glass and cast iron, which makes them environment-friendly. Among the various services which Saint-Gobain offers its professional customers, recovering and processing materials at the end of their life-cycle is more and more in demand, since customers are now aware of the cost and complexity that landfilling these materials will soon involve.

In the Ceramics & Plastics Division, Valoref is already the European leader for recycling decommissioned glass furnaces. The company's all-inclusive offerings include selective demolition of furnaces, on-site sorting and removal of demolition waste, as well as advice and technical assistance. Each of its projects is based on extremely strict specifications, drawn up in close partnership with the industrial client. The company then offers its clients a full range of secondary raw materials or manufactured products. Valoref has successfully recycled most types of refractories, regardless of their nature, quality or level of pollution. In 2003, the company processed 31,500 metric tons of waste, with a 55% rate of recycling or reuse.

Consumption of cullet from in-house and external sources accounted for 42.6% of production in the Insulation Division and 54.1% in Containers. It is estimated that nine out of ten champagne bottles are produced from recycled glass. To meet its needs for cullet, the Group partly draws upon external sources. It has five glass-processing centers, in France, Germany and Italy, which mostly supply the furnaces of the Containers Division. In 2003, Saint-Gobain directly processed more than 700,000 metric tons of cullet. Glass recycling is limited by the ability to recover "clean" cullet that is free of contaminants. In France, Saint-Gobain Glass designed a new line of enameled glass in 2003, which contains no heavy metals and can therefore be recycled easily without introducing any contaminants. The Reinforcements Division decided in 2003 to take part in setting up the European Recycling Company (ERC), a company bringing together expertise from several different industries to develop and promote methods for recycling composite materials. This service would meet a genuine need for industrial clients. Similar

projects are currently being worked on in the Group's other industrial divisions.
In Building Materials Distribution, approximately 10% of Point.P outlets include waste recovery centers, where tradespeople can dispose of their construction waste before loading up their trucks with new construction materials. This ancillary service has also helped give Point.P a competitive edge.

5. Materials for clean technology

Glass threads serve to make composite materials, which are widely used in vehicle dashboards and interiors. Thanks to their lightness, which saves fuel and reduces CO_2 emissions, in addition to their rustproof properties and high resistance, these composites meet the highest standards for performance, safety and environmental soundness.

Saint-Gobain Sekurit's sunproof windshields are covered with a reflective metallic layer and include a sheet of absorbent PVB. Compared to a standard windshield, they allow savings of 20% on air conditioning and 3% on energy consumption. In a standard configuration, such a windshield reduces CO_2 emissions by 200 kg every 100,000 km. Approximately 21% of European vehicles are currently fitted with this type of windshield.
Further, the thin automotive glass now entering the market is lighter than traditional glass and helps car manufacturers meet their objectives of producing lighter vehicles that consume less fuel.
Lastly, the Group has a 35% stake in a joint venture with the Japanese company Ibiden, that manufactures particulate filters for diesel engines. Alongside strategies for advanced control of motor settings, these highly effective filters are helping to break new ground in improving the environmental performance of diesel engines.

Risk Management

Market risks: interest-rate, foreign currency and credit risks

Liquidity Risk

In 2003, Saint-Gobain scaled back net debt further from €7 billion to €5.7 billion.

The average life of its borrowings continued to lengthen, with long-term debt increasing from €6.2 billion to €6.5 billion in 2003. This rise would have been more significant excluding the impact of the conversion into euros of US dollar denominated debt. Additionally, €152 million worth of bonds reached maturity during the year and in April the Group issued€1 billion worth of new bonds maturing on April 16, 2010. As of year-end 2003, substantially all of the Group's long-term debt was composed of bond issues, amounting to €5.7 billion. The remaining amount comprised private issues, medium-term notes, perpetual loans and finance leases.

At the same date, the Group's short-term debt totaled €2.2 billion, versus €2.1 billion a year earlier. It mainly consisted of bank overdrafts, treasury notes, euro commercial paper and US commercial paper, and the portion of long-term debt maturing in 2004.

Total cash and cash equivalents amounted to €3 billion at year-end 2003, up from €1.3 billion at December 31, 2002. This rise reflects increases in marketable securities from €0.5 billion to €1.4 billion and cash on hand from €0.7 billion to €1.5 billion. The balance represents short-term loans, which remained stable at €0.1 billion.

In addition to the Group's recourse to US commercial paper, euro commercial paper, treasury notes and medium-term notes, Compagnie de Saint-Gobain has access to confirmed lines of credit (syndicated loans and bilateral lines) totaling €2.4 billion at December 31, 2003. None of the lines were drawn down in 2003.

A breakdown of long-and short-term debt is provided by type and maturity in Note 20 to the consolidated financial statements. Details of amounts, currencies, and early repayment terms and conditions of the Group's financing programs and confirmed credit lines are also discussed in this Note.

Interest-rate risk

Interest rate risk relating to the Group's total net indebtedness is managed by the Treasury Department of Compagnie de Saint-Gobain. Net indebtedness is determined by means of a reporting system in which subsidiaries provide a breakdown of debt between long- and short-term and fixed and variable rate, together with details on interest rates and hedging instruments by line of debt. Subsidiaries hedge risks on debt exclusively with Compagnie de Saint-Gobain, the Group parent company.

The main objective of managing overall interest rate risk on the Group's consolidated net debt is to fix the cost of the medium-term debt and to optimize annual borrowing costs. The Group's policy defines which derivative financial instruments can be used to hedge the debt. These instruments may include rate swaps (either in the same currency or cross-currency swaps), options and forward rate agreements. These instruments are traded over-the-counter with counterparties meeting minimum rating standards as defined in the Group's financial policy.

The weighted average interest rate on total debt after giving effect to hedging instruments (rate swaps and caps) was 4.3% for the year ended December 31, 2003 (4.7% in 2002 and 5% in 2001).

After giving effect to hedging instruments, at December 31, 2003, 97% of Group debt was at fixed rates of interest and the rest at variable rates. A 1% rise in interest rates would have a €6 million (1%) impact on net interest expense in 2004.

Net debt at December 31, 2003 after the effect of cross-currency swaps was 58% in EUR, 19% in USD and 19% in GBP, with the remaining amount in other currencies.

At that date, including the impact of hedging, €563 million of the Group's net debt was due within one year, €3,545 million was due between one and five years, and €1,549 million was due beyond five years.

Details concerning interest rates on the Group's main borrowings and hedging instruments (rate swaps and options) are provided in Note 21 to the consolidated financial statements, as are details of the Group's debt structure before and after using said hedging instruments, as well as the maturities of debt and cash and cash equivalents.

Foreign currency risk

The Group's policy on currency risk consists of hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries may use options and forward contracts to hedge exposure arising from commercial transactions. Options are set up exclusively with Compagnie de Saint-Gobain, the parent company of the Group, 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. Subsidiaries are authorized to enter into forward contracts with their banks for periods of less than two years.

The majority of transactions are hedged, invoice by invoice or order by order, with Saint-Gobain Compensation, the entity set up to manage the Group's currency risks. Saint-Gobain Compensation hedges these risks solely by means of forward purchases and sales of foreign currencies. This enables companies to hedge exposure arising from commercial transactions as soon as the risk emerges. Saint-Gobain Compensation reverses all its positions with Compagnie de Saint-Gobain and does not therefore have any open positions.

The exposure of other Group companies to currency risks is hedged with Compagnie de Saint-Gobain as soon as the latter receives orders sent by the subsidiaries or by cash pools of the National Delegations. Exposure may also be hedged with the banks of the subsidiaries concerned. Total unhedged transactions for these companies amounted to €24 million at December 31, 2003. If the euro dropped by 1 cent against the Group's trading currencies, the impact would be less than €1 million, which is not material at the level of the consolidated financial statements

Equity risk

The Group is not exposed to equity risk as it always favors money-market funds and/or bonds when purchasing mutual funds or equivalents, and is therefore not exposed to any equity risk on its short-term investments.

The Group previously held a portfolio of shares in listed companies. All of these shares have been sold, apart from 5.3 million Vivendi Universal shares. These shares are carried in the balance sheet at their historical cost of €13.88 per share, representing a total of €74 million.

Industrial and environmental risks

Substantially all of the Group's industrial and environmental risks represent one type of risk, stemming from the storage of certain types of hazardous materials.

Eight Group sites are classified as presenting "major technological risks" within the meaning of European and North American regulations, and are therefore subject to specific legislation that is carefully monitored by the regulatory authorities. In 2003, seven Saint-Gobain sites were classed in the "Seveso" category in Europe: Conflans Saint-Honorine (Abrasives), Mers-les-bains (Containers) and Bagneaux-sur-Loing (Flat Glass) in France, Neuburg (Containers) in Germany, Vamdrup (Insulation) in Denmark, Hyvinkää (Insulation) in Finland, and Azuqueca de Henarès (Insulation) in Spain.

Three of these sites store substances which fall within the low threshold category defined in the Seveso directive and four fall within the high threshold category. The site at Vrena (Insulation) in Sweden is no longer classed in the "Seveso" category as it was closed during 2003.

Of the sites that fall within the high threshold category, two store phenol and formaldehyde, one stores liquid petroleum gas, and the fourth stores arsenic in the form of arsenious anhydride.

In accordance with the law of July 30, 2003 relating to the prevention of technological and natural risks and the remediation of contaminated areas, specific risk prevention and safety measures have been put in place at each of these sites, with added emphasis on the high-threshold Seveso classed plants.

Once the plants identify the risk of accidents and the potential impact on the environment, they take preventive measures relating to the design and construction of storage facilities, as well as conditions of use and maintenance. Crisis plans have been set up or are being finalized. A full evaluation of safe storage and risk prevention methods carried out in 2003 showed that procedures were being consistently implemented at each of these units.

With the exception of the site at Bagneaux-sur-Loing – a joint venture covered by a separate policy – liability with respect to personal injury or property damage relating to the operation of these plants is covered by the Group's third-party liability insurance program.

In the event of an industrial accident, compensation payments to victims would be managed jointly by the company, the broker and the insurer.

A site based at Lake Charles in the United States falls under both the Risk Management Program Rule and the Emergency Planning and Community Right to Know Act, as it uses vinyl chloride.

The Group's other major industrial facilities are subject to a permits regime and are thus regularly monitored by local regulatory authorities.

Legal risks

The Group is not subject to any specific regulations which could have an impact on its situation, although companies running industrial sites are generally required to comply with specific national legislation and regulations that vary from country to country. In the case of France, for example, Group sites are subject to laws and regulations on regulated facilities (*installations classées*). The Group has no significant technical or commercial dependence on any other companies, is not subject to particular confidentiality restrictions, and has the assets it requires to run its operations.

Compagnie de Saint-Gobain is assessed for income tax on its consolidated fiscal income as provided for under article 209 quinquies of the French Tax Code (CGI) as well as the integrated tax (*Intégration Fiscale*) system as provided for under article 223 A *et seq*. of the CGI. The Group has applied to the tax authorities to renew the tax consolidation agreement for the fiscal years 2004 to2006.

The legal risk to which the Group is most exposed is asbestos-related litigation, both in France and – above all – in the United States.

In France, at December 31, 2003, 461 lawsuits based on "inexcusable fault" ("*faute inexcusable*") had been filed for asbestos-related occupational diseases against Everite and Saint-Gobain PAM, which in the past had carried out fiber-cement operations. At the end of 2003, 164 of these 461 lawsuits had been completed both in relation to liability and quantum. In addition, 71 suits based on inexcusable fault had been filed against nine other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces. At December 31, 2003 compensation due from the first two companies amounted to a total of €1.4 million (versus €4 million at end-2002).

Further details of these claims are provided in Note 31 to the consolidated financial statements.

In the United States, the total number of new asbestos-related claims filed – principally against CertainTeed – has increased significantly since 2001. The multiplication of class actions has driven an increase in the number of new claims, which amounted to 62,000 in 2003, 67,000 in 2002 and 60,000 in 2001. Almost all of the claims against CertainTeed are settled out of court. Some 54,000 such settlements were entered into in 2003 (versus 44,000 in 2002), leaving some 108,000 claims outstanding at December 31, 2003, compared with 107,000 a year earlier.

The average individual cost of settlement based on all claims settled rose from US$1,955 in 2002 to around US$2,100 in 2003. However, in view of the significant increase in the number of new claims filed over the last two years, the overall cost for the Group has risen considerably. Given all of these developments and taking into account insurance coverage available, the Group recorded a €100 million charge in 2003, as in 2002. At December 31, 2003 the Group's total cover for asbestos-related claims against CertainTeed in the United States amounted to €341 million, comprised of insurance coverage available at that date and the provision referred to above (2002: €426 million).

Further details on asbestos-related claims in the United States are provided in Note 31 to the consolidated financial statements.

To the best of the Company's knowledge, no other litigation or arbitration is pending or in progress that is likely to have a material impact on the financial position, assets and liabilities or results of Compagnie de Saint-Gobain or the Saint-Gobain Group.

Insurance – coverage of potential risks

In order to protect its assets and revenue streams, the Group relies on a policy of accident prevention and insurance coverage. This policy is embedded within a Group doctrine, which takes into account current conditions in the insurance market. Insurance coverage is coordinated and monitored centrally by the Risks and Insurance Department, which lays out the Group doctrine. This doctrine defines the applicable criteria for the coverage of substantial risks such as property damage and business interruption, as well as third-party liability insurance to protect against claims involving the Group's operations or products. For other types of cover, such as automobile insurance, the Risks and Insurance Department advises individual operating units on policy contents and choice of broker, as well as which market to consult. For these recurring risks, a procedure has been set up to monitor claims management and thus implement the appropriate preventive actions.

As many of the policies in force in 2003 span a number of years, there has been no significant change in the Group's overall coverage compared to 2002.

Newly acquired companies are integrated within the existing insurance programs as quickly as possible to allow the Group to keep a tight rein on guarantees and optimize insurance costs.

● **Property damage and business interruption:**
The Group is covered for non-excluded property damage and related business interruption arising from accidental damage to insured assets. This coverage is provided by a number of regional programs, which meet the policy criteria laid down by the Risks and Insurance Department:
– policies should be all risks (subject to named exclusions)
– coverage ceilings should be based on worst-case scenarios
– deductibles should be proportional to the size of the site concerned and cannot be considered as self-insurance.

These policy criteria take into account current insurance offerings, which exclude certain risks such as computer viruses and their impact on operations and set ceilings on coverage for natural disasters such as floods or storms. In extreme scenarios, such events could have a substantial non-insured financial impact, both in terms of reconstruction costs and losses linked to production stoppages.

A captive insurance company registered in Vermont in the United States was set up on January 1, 2003 to cover damage to property belonging to Saint Gobain's United States and Canadian subsidiaries. This has enabled the Group to reduce the impact of rising premiums while at the same time maintaining deductibles at an acceptable level.

With the same aim in mind, the Group set up another captive insurance company in Ireland on January 1, 2004 to cover damage to property owned by subsidiaries outside the United States and Canada.

Both of these insurance companies are wholly owned by Saint-Gobain.

When defining its policy towards insurance coverage, the Risk and Insurance Department relies on the conclusions drawn in the annual audits carried out by the insurance companies. These audits give a clear picture of the risks each principal subsidiary is exposed to in the event of an accident – particularly fire damage – and detail the financial implications that would arise in a worst-case scenario. This risk evaluation exercise extends to assessing the impact an earthquake in California would have on Saint Gobain's operating units in the region, enabling specific coverage to be arranged for this risk, which is generally excluded from insurance policies.

● **Third-party liability insurance:**
Two programs provide coverage for third-party personal injury and property damage claims. The first covers all subsidiaries, except for those located in the geographic area covered by the General Delegation to the United States and Canada. 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 complemented by central policies issued in Paris which can kick in when the local policy proves inadequate.

Altogether, the contracted lines of coverage correspond to a limit deemed sufficient for the Group's activity. Any exclusions carried by the program are consistent with current market practice, such as potentially carcinogenic substances and gradual pollution.

The second program covers subsidiaries located in the geographic area covered by the General Delegation to the United States and Canada. This program is structured differently to deal with the specific nature of third-party liability coverage in the United States. The program is divided into several lines of coverage so that it can be placed on insurance markets in both London and Bermuda. The coverage provided is deemed adequate for the Group's United States operations. The exclusions are in line with current market practice in America and concern matters such as contractual liability and third-party consequential loss.

As in 2002, personal injury arising from exposure to asbestos was excluded from coverage provided under both programs in 2003. Settlements on such claims paid out in the United States in 2003 related to policies taken out a number of years ago.

Awareness of the risk of third-party liability claims is heightened for the operating units and they have incentives to maintain tight control over the related costs as they have to bear the cost of deductibles under the insurance programs. These 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:**

Since local legislation prevents their inclusion, the programs discussed above do not handle risks specific to the Group's activities in India and Brazil. Insurance coverage is instead purchased locally under the supervision of the Risk and Insurance Department.

Joint ventures and companies not controlled by the Group are also not included in these programs. Again, separate insurance coverage is purchased based on the advice of the Risk and Insurance Department.

Outlook for 2004

Management forecasts for 2004 are based on a moderate economic recovery. This factors in an upturn in capital spending by companies in the United States, sustained high levels of consumer spending and a persistently buoyant growth trend in emerging countries. At the same time, new construction starts are expected to slow in North America in the second half of the year.

The European outlook is similar to 2003, with the construction industry expected to flag in Spain and the United Kingdom, positive trends being maintained in France and early signs of recovery still to be confirmed in Germany. The renovation market is expected to continue to grow right across Europe, but the automotive industry is likely to remain stable at best in comparison to 2002.

On the basis of this scenario, the Group's new businesses offer good potential for growth and increased profitability in 2004. High-Performance Materials and Reinforcements look set to enjoy a recovery in sales, and the Building Materials Distribution division is expected to gather momentum in terms of both organic and external growth. Meanwhile, the outlook is more mixed for the Group's historic businesses: the Containers division is expected to continue on its growth trajectory and the Insulation and Building Materials divisions should do well in the first half of the year, although there is a risk of a slow down in the United States in the second half. For the Flat Glass division, although the outlook remains encouraging in emerging countries, things look less certain in Europe in both the construction and automotive industries. Finally, the Pipe division will probably report a weaker performance in 2004 as deliveries on the Abu Dhabi contract were completed in the first quarter of the year.

In 2004, Saint-Gobain intends to continue focusing strategically on its business model, stepping up external growth and increasing capital spending in emerging markets. It will also pursue the restructuring operations necessary for it to retain its competitive edge. Taking into account the risks related to the strong euro and the increase in commodities and energy prices, in 2004 the Group will aim to outperform 2003 growth in operating income at constant exchange rates, and to maintain strong free cash flow levels.

Financial statements

III• Consolidated Financial Statements

IV• Financial Statements of Compagnie de Saint-Gobain (Parent Company)

III • Consolidated financial statements

Consolidated balance sheets at December 31

ASSETS *(in € millions)*	Notes	2003	2002	2001
Goodwill	(3)	4,902	5,521	6,065
Other intangible assets, net	(4)	1,836	1,914	1,805
		6,738	**7,435**	**7,870**
Property, plant and equipment	(5)	21,199	22,069	23,258
Less accumulated depreciation	(5)	(12,513)	(12,687)	(12,909)
		8,686	**9,382**	**10,349**
Investments in equity investees	(6)	75	114	169
Investments, at cost	(7)	139	144	171
Non-current marketable securities	(8)	78	175	176
Other non-current assets	(9)	1,521	1,590	943
		1,813	**2,023**	**1,459**
NON-CURRENT ASSETS		**17,237**	**18,840**	**19,678**
Inventories	(10)	4,509	4,664	5,075
Trade accounts receivable, net	(11)	4,240	4,264	4,552
Other accounts receivable	(12)	1,035	1,010	1,228
Short-term loans	(20)	160	162	245
Marketable securities	(8)	1,387	469	406
Cash and cash equivalents	(20)	1,527	739	958
CURRENT ASSETS		**12,858**	**11,308**	**12,464**
TOTAL ASSETS		**30,095**	**30,148**	**32,142**

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

LIABILITIES AND SHAREHOLDERS' EQUITY *(in € millions)*	Notes	2003	2002	2001
Capital stock (at Dec. 31, 2003: made up of 347,824,967 €4 par value shares; at Dec. 31, 2002: 341,010,680 €4 par value shares; at Dec. 31, 2001: 85,258,628 €16 par value shares)		1,391	1,364	1,364
Additional paid-in capital and legal reserve		2,381	2,264	2,249
Retained earnings and net income for the year		9,869	9,204	8,540
Cumulative translation adjustments		(2,241)	(1,438)	(161)
Treasury stock	(13)	(313)	(79)	(67)
SHAREHOLDERS' EQUITY		**11,087**	**11,315**	**11,925**
Minority interests	(14)	223	227	423
NET EQUITY OF CONSOLIDATED ENTITIES		**11,310**	**11,542**	**12,348**
Non-voting participating securities	(15)	170	391	391
Pensions and other post-retirement benefits	(16)	2,305	2,353	1,836
Deferred tax liability	(17)	599	696	685
Other liabilities	(18)	1,032	1,084	1,255
Long-term debt	(20)	6,518	6,238	5,247
SHAREHOLDERS' EQUITY AND NON-CURRENT LIABILITIES		**21,934**	**22,304**	**21,762**
Trade accounts payable		3,592	3,352	3,425
Other payables and accrued expenses	(19)	2,356	2,348	2,801
Current portion of long-term debt	(20)	550	487	991
Short-term debt and bank overdrafts	(20)	1,663	1,657	3,163
CURRENT LIABILITIES		**8,161**	**7,844**	**10,380**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,095**	**30,148**	**32,142**

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

Consolidated statements of income

(in € millions)	Notes	2003	2002	2001
Net sales		29,590	30,274	30,390
Cost of sales		(22,263)	(22,670)	(22,692)
Gross margin		**7,327**	**7,604**	**7,698**
Selling, general and administrative expenses including research	(22)	(4,626)	(4,712)	(4,774)
Other operating costs	(23)	(259)	(310)	(243)
Operating income		**2,442**	**2,582**	**2,681**
Dividend income		12	22	32
Interest and other financial charges, net	(24)	(457)	(504)	(603)
Non-operating costs	(25)	(275)	(252)	(122)
Income before profit on sales of non-current assets and taxes		**1,722**	**1,848**	**1,988**
Profit on sales of non-current assets, net	(26)	86	3	84
Provision for income taxes	(17)	(595)	(612)	(721)
Net operating income from consolidated companies before amortization of goodwill		**1,213**	**1,239**	**1,351**
Amortization of goodwill		(154)	(169)	(184)
Net operating income from consolidated companies		**1,059**	**1,070**	**1,167**
Share in net results of equity investees	(6)	6	4	7
Net income before minority interests		**1,065**	1,074	1,174
Minority interests in consolidated companies	(14)	(26)	(34)	(40)
NET INCOME		**1,039**	**1,040**	**1,134**
Earnings per share (in €)				
Weighted average number of shares in issue		337,226,640	336,727,133	334,139,384
Income before tax and minority interests per share		4.92	5.01	5.67
Basic earnings per share		3.08	3.09	3.39
Weighted average number of shares assuming full dilution		356,055,169	354,006,928	335,593,088
Income before tax and minority interests per share (diluted)		4.73	4.82	5.65
Diluted earnings per share		2.96	2.98	3.38
Number of shares in issue at December 31		347,824,967	341,010,680	341,034,512
Income before tax and minority interests per share		4.77	4.94	5.56
Earnings per share		2.99	3.05	3.33

The number of shares at December 31, 2001 has been multiplied by four to reflect the four-for-one stock split of June 27, 2002 in order to facilitate comparisons with the figures at December 31, 2002 and December 31, 2003.
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

(in € millions)	2003	2002	2001
Net income	**1,039**	**1,040**	**1,134**
Minority interests	26	34	40
Excess of income of equity investees over dividends	1	(1)	7
Depreciation and amortization	1,491	1,603	1,636
Profit on sales of non-current assets	(86)	(3)	(84)
Cash flows from operations	**2,471**	**2,673**	**2,733**
(Increase) decrease in inventories	(4)	97	(167)
(Increase) decrease in trade accounts and other accounts receivable	(24)	329	219
Increase (decrease) in trade accounts payable, other payables and accrued expenses	292	(63)	(92)
Changes in income taxes payable and deferred taxes	47	(120)	8
Other	(80)	(50)	(159)
Net change in working capital	**231**	**193**	**(191)**
CASH FLOWS FROM OPERATING ACTIVITIES	**2,702**	**2,866**	**2,542**
Purchases of property, plant and equipment	(1,351)	(1,431)	(1,430)
Acquisitions of businesses [in 2003: (528), in 2002: (599), in 201: (764)], net of cash acquired	(461)	(575)	(717)
Disposals of consolidated investments, net of cash	523	104	140
Disposals of investments at cost	125	19	379
Acquisitions of investments at cost	(32)	(31)	(52)
Disposals of property, plant and equipment, and intangible assets	162	201	141
(Increase) decrease in marketable securities	(1,156)	(100)	115
Other	16	(236)	(68)
CASH FLOWS FROM INVESTING ACTIVITIES/DIVESTMENTS	**(2,174)**	**(2,049)**	**(1,492)**
Issues of capital stock	144	164	129
Minority interests' share in capital stock increases of subsidiaries	5	15	13
Increases in treasury stock	(229)	(159)	(31)
Dividends paid	(379)	(378)	(357)
Dividends paid to minority shareholders of consolidated subsidiaries	(24)	(19)	(30)
(Increase) decrease in short-term loans	71	222	(16)
Increase (decrease) in long-term debt	648	777	(805)
Increase (decrease) in bank overdrafts and other short-term debt	57	(1,597)	335
CASH FLOWS FROM FINANCING ACTIVITIES	**293**	**(975)**	**(762)**
Net effect of exchange rate changes on cash and cash equivalents	(33)	(61)	4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**788**	**(219)**	**292**
Cash and cash equivalents at beginning of year	**739**	**958**	**666**
Cash and cash equivalents at end of year	**1,527**	**739**	**958**

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

Statements of changes in consolidated shareholders' equity

	(Number of shares)		(in € millions)					
	Issued	Excluding treasury stock	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the year	Cumulative translation adjustments	Treasury stock	Shareholders' equity
Balance at December 31, 2000	**85,213,263**	**83,216,292**	**1,363**	**2,270**	**7,760**	**(310)**	**(182)**	**10,901**
Issues of capital stock								
• Group savings plan	903,150	903,150	14	106				120
• Stock option plans	121,778	121,778	2	7				9
Net income for 2001					1,134			1,134
Dividends paid (per share: €1.075)*					(357)			(357)
Translation adjustments						149		149
Treasury stock purchased		(242,048)					(37)	(37)
Treasury stock canceled	(979,563)		(15)	(134)			149	0
Treasury stock sold		54,868			3		3	6
At December 31, 2001	**85,258,628**	**84,054,040**	**1,364**	**2,249**	**8,540**	**(161)**	**(67)**	**11,925**
Stock-split	255,775,884	252,162,120						
Issues of capital stock								
• Group savings plan	4,703,396	4,703,396	19	140				159
• Stock option plans	226,480	226,480	1	4				5
Net income for 2002					1,040			1,040
Dividends paid (per share: €1.125)					(378)			(378)
Translation adjustments						(1,277)		(1,277)
Treasury stock purchased		(5,403,148)					(162)	(162)
Treasury stock canceled	(4,953,708)		(20)	(129)			149	0
Treasury stock sold		107,976			2		1	3
At December 31, 2002	**341,010,680**	**335,850,864**	**1,364**	**2,264**	**9,204**	**(1,438)**	**(79)**	**11,315**
Issues of capital stock								
• Group savings plan	6,499,407	6,499,407	26	112				138
• Stock option plans	314,880	314,880	1	5				6
Net income for 2003					1,039			1,039
Dividends paid (per share: €1.130)					(379)			(379)
Translation adjustments						(803)		(803)
Treasury stock purchased		(6,784,000)					(238)	(238)
Treasury stock canceled								0
Treasury stock sold		304,430			5		4	9
AT DECEMBER 31, 2003	**347,824,967**	**336,185,581**	**1,391**	**2,381**	**9,869**	**(2,241)**	**(313)**	**11,087**

* The dividend paid per share for 2001 has been divided by four to reflect the four-for-one stock split of June 27, 2002, in order to facilitate comparisons with the figures for 2002 and 2003.

At December 31, 2003 the number of shares making up Compagnie de Saint-Gobain's capital stock totaled 347,824,967.

Under the stock option plan set up by the Board of Directors on November 21, 1996, 355,700 options are outstanding and exercisable before November 20, 2004 for the same number of shares with a par value of €4 each.

In accordance with the authorizations to increase capital stock granted by the Ordinary and Extraordinary Shareholders' Meeting of June 5, 2003, the Board of Directors may issue, in one or several stages, up to 190 million new shares with or without preemptive or priority subscription rights for Compagnie de Saint-Gobain shareholders (eleventh and twelfth resolutions), 16 million new shares offered for subscription by members of the Group Savings Plan (thirteenth resolution), and 10,230,320 stock options corresponding to 3% of the total shares making up the Company's share capital at the date of the authorization, exercisable for the same number of shares (fourteenth resolution).

As the Board of Directors used these authorizations to grant 3,717,700 stock options on November 20, 2003, if these options were exercised and the Board of Directors issued all of the remaining stock options available for grant under the authorization, the number of shares making up the Company's capital stock would be increased to 564,410,987.

The Board of Directors also used the authorization granted in the fifteenth resolution of the same meeting to cancel 6,799,832 shares on January 29, 2004, thus reducing the potential number of shares making up the Company's capital stock to 557,611,155.

If all of the Océane bonds in issue were converted or exchanged for shares, the total number of shares making up the Company's capital stock would be increased to 575,134,967.

Translation adjustments at December 31, 2003 include a net amount of €60 million (€61 million at December 31, 2002 and €62 million at December 31, 2001) in adjustments arising from the translation of the balance sheets of companies outside the euro zone. These adjustments will be taken to the statement of income in the event that the companies are sold.

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 presentation

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries (together "the Group") have been prepared in accordance with French generally accepted accounting principles.
The preparation of financial statements in conformity with French generally accepted accounting principles 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 expense or income during the year. Actual results may differ from those estimates.

Principles of consolidation

The consolidated financial statements include the financial statements of Compagnie de Saint-Gobain and all significant majority-owned subsidiaries, as well as subsidiaries in which the Group holds a controlling interest, either directly or indirectly. Non-consolidated companies represent less than 0.3% of consolidated net sales.
Companies that are jointly owned are proportionately consolidated.
Companies in which the Group exercises directly or indirectly a significant influence are consolidated by the equity method. Companies which are not material for the Group (external sales under €5 million) are accounted for by the equity method. The same applies to companies which are practically difficult to fully consolidate for reasons such as geographical distance or recent acquisition.
Investments in other companies, in which the Group does not exercise significant influence, are stated at cost. A provision is made where necessary to write down the cost to estimated net realizable value.
The results of companies acquired or disposed of during the year are included in the consolidated statement of income for the period after the date of acquisition or before the date of disposal, respectively.
Significant changes in the Group's structure for the year ended December 31, 2003 are shown in note 2. A summary list of significant consolidated companies as of December 31, 2003 is shown in note 34.
All significant intercompany accounts and transactions are eliminated in consolidation.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables, payables and bank balances in foreign currencies are generally translated at the year-end rate and the related exchange differences are recorded in the income statement.

Translation of the financial statements of foreign companies

Balance sheet items are translated using year-end exchange rates.
Income and expenditure items are translated using the average exchange rate for the year.
The Group's share of any translation gains and losses less any related tax effect, is included in shareholders' equity under the caption "Cumulative translation adjustments" until such time as the foreign investments to which they relate are sold or liquidated.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over its expected useful life for a period not exceeding 40 years.

Other intangible assets

Other intangible assets include purchased goodwill, patents, trademarks, computer software, and debt issuance costs.
Trademarks, other than retail brands, are amortized on a straight-line basis over a period not exceeding 40 years. Retail brands are not amortized.
Patents and purchased computer software are amortized over their estimated useful lives. Patents are amortized over a period not exceeding 20 years. Purchased software is amortized over a period of 3 to 5 years.
Debt issuance costs relating to bonds or other long-term borrowings are capitalized and amortized over the term of the debt.

Property, plant and equipment

Property, plant and equipment are stated at cost except for the fixed assets of subsidiaries operating in formerly highly inflationary countries which have been revalued in accordance with the provisions of local laws.
Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives:

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

Investment grants relating to acquisitions of non-current assets are deferred, recorded under "Other payables and accrued expenses" and credited to income over the estimated useful lives of the relevant assets.
Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are written off from the balance sheet and any resulting gains or losses are recognized in the income statement.

Valuation of non-current assets

The Group carries out impairment tests on a regular basis for non-current assets, including goodwill, other intangible assets, and property, plant and equipment.
These tests consist of comparing the assets' carrying value with their fair value or value in use, determined based on the estimated discounted future net cash flows generated by their use.
For property, plant and equipment, impairment tests are carried out when they generate operating losses and where no significant recovery is expected based on annual budget figures or the business plans concerning those assets.
For intangible assets and goodwill, impairment tests are carried out annually based on a five-year business plan. Using this plan, goodwill is reviewed exhaustively at the level of each business and where necessary more detailed tests are carried out.
The method used for these impairment test is consistent with that used by the Group for valuing companies when the Group acquires all or part of their capital. The carrying value of non-current assets is compared with the estimated discounted future net cash flows generated by the assets concerned, after tax and excluding interest costs. Cash flows for the fifth year of the business plan are rolled forward over the following two years and then projected to perpetuity using a low growth rate. The discount rate used for future cash flows corresponds to the Group's cost of capital.
An impairment loss is recognized if the annual impairment tests show that the fair value of an asset is lower than its carrying value.

Asset financing

The Group's assets are generally financed through debt. However, certain non-current assets are acquired through finance leases which are recognized as capital leases. The accounting treatment of these leases is described below.
The Group has also set up a receivables securitization program in the United States (see note 21). Finally, Group companies also use available receivables management facilities in accordance with local practices such as factoring, discounting and transfers in accordance with the Dailly Act in France.

Leases

Assets held under leases which transfer to the Group substantially all of the risks and rewards of ownership are capitalized as property, plant and equipment. The capitalized values of the assets are depreciated on a straight-line basis over the useful life of the assets. The corresponding liability is shown net of related interest in the balance sheet.
Operating lease rental payments are expensed in the year in which they are incurred.

Inventories

Inventories are valued at the lower of cost and market. Cost is generally determined using the weighted-average cost method, and in some cases, the First-In-First-Out method.

Financial instruments

The Group uses derivative financial instruments for the purpose of hedging currency and interest rate exposures that exist as part of ongoing business operations.
The main financial instruments used to hedge foreign exchange risks are forward purchase and sale contracts and options. Hedged receivables and payables are recorded in the balance sheet at the hedging rate. The portion representing the extrinsic (time) value of unrealized gains or losses on currency options used to hedge the above positions is taken to income, and the portion representing intrinsic value is recorded in the balance sheet. Unrealized losses on options which are not classified as hedges are recognized in the income statement, whereas unrealized gains are not taken into account.
The Group uses interest-rate swaps and swaptions (caps and floors) as well as forward rate agreements to hedge its exposure to increases in interest rates. Gains and losses related to interest-rate swaps are recognized on a symmetrical basis with the losses and gains on the hedged items.
The portion representing the extrinsic (time) value of unrealized gains or losses on interest rate options used to hedge the above positions is taken to income and the portion representing intrinsic value is recorded in the balance sheet. Interest-rate options which are not classified as hedges are recognized in the income statement at market value.

Marketable securities

Marketable securities consist of shares in subsidiaries and affiliates, units in mutual funds and short-term investments. They are recorded at the lower of cost and market.

Cash and cash equivalents

This item consists of cash on hand and balances with banks.

Pensions and other post-retirement benefits

After retirement the Group's former employees receive pensions in accordance with applicable laws and practices in the respective countries in which the Group operates. There are additional pension obligations in certain Group companies, in France and other countries.
In France, employees receive indemnities on retirement based on past service and other terms in accordance with the respective collective bargaining agreements.

The Group's obligations in respect of pensions and retirement indemnities are determined using an actuarial method based on projected end-of-career salaries (the projected unit credit method) taking into account the specific economic conditions applicable in each country. These obligations are covered by retirement funds and provisions recorded in the balance sheet. The method adopted complies with both French generally accepted accounting principles and U.S. GAAP.
In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligations in this respect are determined using an actuarial method and are covered by a provision recorded in the balance sheet.
In addition, in the United States, certain benefits such as income support and healthcare may be granted to former employees before their retirement. The present value of these obligations is determined using rates applied for pensions and is covered by a provision recorded in the balance sheet.

Negative shareholders' equity

When shareholders' equity of a consolidated subsidiary is negative at the end of the financial period, the minorities' share of shareholders' equity is expensed by the Group unless the third parties have a specific obligation to contribute their share of losses. If these companies return to profit, the Group's equity in their earnings is recorded by the majority shareholder up to the amount required to cover losses recorded in prior years.

Revenue recognition

Revenue from sales of products or services is recognized when the risks and rewards of ownership are transferred to the customer or following delivery of the service, net of sales taxes and discounts. The liability for incurred warranty claims is accrued when it is determined that a liability exists and that payment is probable.

Research and development costs

Research and development costs are expensed as incurred and recorded in selling, general and administrative expenses.

Interest charges

All interest charges are expensed as incurred except for charges incurred during the construction of significant non-current assets, which are capitalized and included in the construction cost of the related non-current assets.

Non-operating income and expense

Non-operating expenses and income include additions to and reversals from provisions for claims and litigation and environmental provisions, as well as reorganization costs arising on the disposal of activities and measures in favor of employees affected by downsizing plans.

Income taxes

Under an agreement with the French tax authorities, Compagnie de Saint-Gobain is assessed for income tax purposes on its consolidated fiscal income. The amounts payable or receivable by Compagnie de Saint-Gobain resulting from the application of the agreement are included in other accounts receivable and other payables.
Deferred tax assets and liabilities are calculated using the liability method, based on temporary differences between the values of assets and liabilities recorded in the financial statements and those used for tax purposes. Tax rates applicable to future periods are used to calculate year-end deferred income tax amounts.
A provision is recorded against deferred tax assets corresponding to tax loss carryforwards and deductible temporary differences when it is more likely than not that the asset will not be realized. Under the worldwide tax regime, this valuation allowance is assessed at the tax group level for companies included in the tax consolidation and at the individual tax entity level for companies not included in the tax consolidation.
No provision is made in respect of earnings of subsidiaries that are not intended to be distributed.
Deferred taxes have not been discounted as the Group is not in a position to reliably measure when they will be reversed, particularly due to the number of subsidiaries concerned and the nature of the tax regime applicable to the consolidated tax group.
A deferred tax liability is recorded on retail brands valued in the consolidated financial statements, even when they cannot be sold separately from the company being acquired. In view of the Group's expectations with regard to future developments, it has decided to maintain the method used prior to the adoption of CRC regulation 99-02. The amount of deferred tax assets recorded for retail brands appears in note 17.

Advertising costs

Advertising costs are expensed as incurred.

Earnings per share

The Group discloses earnings per share, based on net income and based on income before tax and minority interests.
Earnings per share are calculated by dividing earnings by the average number of shares in issue during the period, after deduction of treasury stock.
Diluted earnings per share are calculated by including in the average number of shares the conversion of all dilutive share equivalents in issue (stock options and convertible bonds).
The Group also discloses earnings per share calculated by dividing earnings by the number of shares in issue at the end of the fiscal year.

Note 2 - Changes in group structure

Changes in Group structure were as follows in 2003:

2003	France	Outside France	Total
Fully consolidated companies			
At January 1	213	787	1,000
Newly consolidated companies	26	50	76
Merged companies	(45)	(24)	(69)
Deconsolidated companies	(2)	(19)	(21)
Changes in consolidation method		7	7
At December 31	**192**	**801**	**993**
Proportionally consolidated companies			
At January 1	2	16	18
At December 31	**2**	**16**	**18**
Companies accounted for by the equity method			
At January 1	14	76	90
Newly consolidated companies		3	3
Merged companies		(5)	(5)
Deconsolidated companies	(1)	(10)	(11)
Changes in consolidation method		(7)	(7)
At December 31	**13**	**57**	**70**
TOTAL AT DECEMBER 31, 2003	**207**	**874**	**1,081**

At December 31, 2003 the effect on balance sheet captions of changes in Group structure and in consolidation methods is as follows:

(in € millions)	Increase	Decrease	Total
Impact on assets			
Non-current assets	436	(532)	(96)
Inventories, trade and other accounts receivable	423	(205)	218
	859	**(737)**	**122**
Impact on liabilities			
Minority interests	4	2	6
Long-term liabilities	26	(26)	0
Payables	269	(98)	171
Debt and overdrafts*	32	(83)	(51)
	331	**(205)**	**126**
Impact of acquisitions, disposals and changes in consolidation methods	**528**	**(532)**	**(4)**
Cash and cash equivalents	(67)	9	(58)
NET IMPACT ON CASH FLOWS	**461**	**(523)**	**(62)**

* Representing the net indebtedness of the Group.

In 2003, the main changes in Group structure represented the sale of the Terreal Group and the acquisition of several companies in the Building Materials Distribution Division, in France (including the Dubois Matériaux, Pum Plastiques and Sem Angles groups) and in the United Kingdom.
In 2002 no material companies were fully consolidated for the first time. However, the Group purchased all outstanding minority interests in the Lapeyre Group thus raising its stake from 74.68% to 100%.
In 2001 the Group issued public tender offers for the minority interests in Saint-Gobain Cristalería for €231 million, in Saint-Gobain Vidros for €79 million, in Saint-Gobain Canalizaçao for €17 million, and in Brasilit for €18 million.

Note 3 - Goodwill

(in € millions)	2003	2002	2001
Net book value at January 1	**5,521**	**6,065**	**6,004**
Acquisitions	301	178	164
Translation adjustments and impact of disposals	(715)	(519)	106
Amortization for the year	(205)	(203)	(209)
NET BOOK VALUE AT DECEMBER 31	**4,902**	**5,521**	**6,065**

In 2003, "Acquisitions" included €144 million in goodwill recognized on the purchase of Saint-Gobain's interest in Pum Plastiques, acquired for €181 million. Other items which had a material impact on goodwill included the sale of the Terreal Group (€152 reduction in goodwill, net of amortization) and the stronger euro which led to negative translation adjustments of €421 million for the year.
In 2002, "Acquisitions" included €58 million in goodwill recognized on the purchase of minority interests in the Lapeyre Group, which was acquired for €350 million. Movements in "Translation adjustments and impact of disposals" primarily reflected changes in the US dollar exchange rate over the year.
In 2001, changes in goodwill mainly related to the first-time consolidation of several medium-sized companies.

Note 4 - Other intangible assets, net

Changes in other intangible assets are summarized below:

(in € millions)	2003	2002	2001
Net book value at January 1	**1,914**	**1,805**	**1,766**
Additions and changes in Group structure	85	290	113
Disposals	(2)	(4)	(12)
Translation adjustments	(80)	(94)	22
Amortization for the year	(81)	(83)	(84)
NET BOOK VALUE AT DECEMBER 31	**1,836**	**1,914**	**1,805**

Intangible assets break down as follows:

(in € millions)	2003	2002	2001
At cost			
Purchased goodwill	92	84	82
Patents	145	171	197
Retail brands	1,469	1,516	1,376
Computer software	398	344	293
Other	285	327	369
TOTAL AT COST	**2,389**	**2,442**	**2,317**
Amortization and provisions for impairment in value			
Purchased goodwill	(50)	(43)	(41)
Patents	(106)	(124)	(134)
Computer software	(247)	(196)	(166)
Other	(150)	(165)	(171)
TOTAL AMORTIZATION AND PROVISIONS FOR IMPAIRMENT IN VALUE	**(553)**	**(528)**	**(512)**
OTHER INTANGIBLE ASSETS - NET	**1,836**	**1,914**	**1,805**

Because their fair value is at least equal to cost, retail brands do not require a provision for impairment in value.
Changes in "Retail brands" in 2003 were exclusively due to translation adjustments.
In 2002, changes in "Retail brands" mainly concerned the addition of the Lapeyre brand in an amount of €189 million, based on the allocation of goodwill determined after the purchase of the minority interests in the group.

▶ Note 5 - Property, plant and equipment

(in € millions)	At Dec. 31, 2002	Changes in Group structure	Acqui-sitions	Disposals	Transfers	Translation adjustments	Depreciation charge	At Dec. 31, 2003
2003								
At cost:								
Land	1,238	21	13	(22)	4	(59)	–	1,195
Buildings	5,350	(9)	109	(101)	151	(266)	–	5,234
Machinery and equipment	14,682	(239)	423	(607)	519	(867)	–	13,911
Construction in progress	799	2	806	(11)	(674)	(63)	–	859
TOTAL AT COST	**22,069**	**(225)**	**1,351**	**(741)**	**0**	**(1,255)**	**–**	**21,199**
Depreciation:								
Land	(91)	(2)	–	2	–	2	(10)	(99)
Buildings	(2,546)	30	–	65	–	83	(228)	(2,596)
Machinery and equipment	(10,045)	175	–	551	–	521	(1 018)	(9,816)
Construction in progress	(5)	0	–	3	–	0	0	(2)
TOTAL DEPRECIATION	**(12,687)**	**203**	**-**	**621**	**–**	**606**	**(1 256)**	**(12,513)**
NET BOOK VALUE	**9,382**	**(22)**	**1,351**	**(120)**	**0**	**(649)**	**(1 256)**	**8,686**

(in € millions)	At Dec. 31, 2001	Changes in Group structure	Acqui-sitions	Disposals	Transfers	Translation adjustments	Depreciation charge	At Dec. 31, 2002
2002								
At cost:								
Land	1,290	25	26	(29)	7	(81)	–	1,238
Buildings	5,567	43	156	(110)	106	(412)	–	5,350
Machinery and equipment	15,539	(74)	509	(591)	623	(1,324)	–	14,682
Construction in progress	862	44	740	(11)	(736)	(100)	–	799
TOTAL AT COST	**23,258**	**38**	**1,431**	**(741)**	**0**	**(1,917)**	**–**	**22,069**
Depreciation:								
Land	(84)	(5)	–	2	–	5	(9)	(91)
Buildings	(2,501)	(23)	–	79	–	140	(241)	(2,546)
Machinery and equipment	(10,319)	75	–	521	–	779	(1,101)	(10,045)
Construction in progress	(5)	0	–	0	–	0	0	(5)
TOTAL DEPRECIATION	**(12,909)**	**47**	**–**	**602**	**0**	**924**	**(1,351)**	**(12,687)**
NET BOOK VALUE	**10,349**	**85**	**1,431**	**(139)**	**0**	**(993)**	**(1,351)**	**9,382**

(in € millions)	At Dec. 31, 2000	Changes in Group structure	Acqui-sitions	Disposals	Transfers	Translation adjustments	Depreciation charge	At Dec. 31, 2001
2001								
At cost:								
Land	1,236	55	41	(50)	–	8	–	1,290
Buildings	5,199	98	144	(87)	150	63	–	5,567
Machinery and equipment	14,671	154	569	(539)	484	200	–	15,539
Construction in progress	832	(4)	676	(27)	(634)	19	–	862
TOTAL AT COST	**21,938**	**303**	**1,430**	**(703)**	**0**	**290**	**–**	**23,258**
Depreciation:								
Land	(73)	–	–	1	–	–	(12)	(84)
Buildings	(2,279)	(23)	–	32	–	(8)	(223)	(2,501)
Machinery and equipment	(9,454)	(133)	–	480	–	(79)	(1,133)	(10,319)
Construction in progress	(19)	–	–	13	–	1	–	(5)
TOTAL DEPRECIATION	**(11,825)**	**(156)**	**–**	**526**	**0**	**(86)**	**(1,368)**	**(12,909)**
NET BOOK VALUE	**10,113**	**147**	**1,430**	**(177)**	**0**	**204**	**(1,368)**	**10,349**

The main reason for the reduction in "Property, plant and equipment" in 2003 is the impact of exchange rate fluctuations.
As an industrial group, Saint-Gobain does not have a significant non-operating property portfolio, except for its head office building.
Property, plant, and equipment include the following acquired under capital leases:

(in € millions)	2003	2002	2001
At cost:			
Land and buildings	202	164	181
Machinery and equipment	38	41	46
Total assets under capital leases – gross	**240**	**205**	**227**
Depreciation	**(99)**	**(88)**	**(100)**
NET BOOK VALUE	**141**	**117**	**127**

The depreciation and amortization charge is as follows:

(in € millions)	2003	2002	2001
Amortization of other intangible assets (note 4)	81	83	84
Amortization of goodwill	154	169	184
Depreciation of property, plant and equipment*	1,256	1,351	1,368
TOTAL DEPRECIATION AND AMORTIZATION	**1,491**	**1,603**	**1,636**
*Included in cost of sales	1,089	1,174	1,204

In 2003, the Group recorded a total charge of €121 million for the write-down of certain goodwill and assets to net realizable value based on estimated future discounted cash flows, compared with €46 million in 2002 and €105 million in 2001.

▶ Note 6 - Investments in equity investees

The Group's share in net income of equity investees can be analyzed as follows:

(in € millions)	2003	2002	2001
At January 1	**114**	**169**	**393**
Changes in Group structure	(35)	(35)	(216)
Dividends paid	(7)	(3)	(14)
Share in net income of equity investees	6	4	7
Translation adjustments	(3)	(21)	(1)
AT DECEMBER 31	**75**	**114**	**169**

No material changes in investments in equity investees occurred in 2002 or 2003.
The reduction in investments in equity investees in 2001 was primarily due to the proportional consolidation, effective from January 1, 2001, of Hankuk Glass and its subsidiaries which were previously accounted for by the equity method.

Note 7 - Investments at cost

(in € millions)	2003		2002		2001	
	Gross book value	Net book value	Gross book value	Net book value	Gross book value	Net book value
At January 1	**206**	**144**	**233**	**171**	**224**	**178**
Acquisitions	32	32	31	31	52	52
Disposals	(17)	(10)	(10)	(7)	(10)	(7)
Provisions for impairment in value for the year	–	(3)	–	(1)	–	(20)
Changes in Group structure	(27)	(24)	(44)	(48)	(33)	(32)
Translation adjustments	(2)	–	(4)	(2)	–	–
AT DECEMBER 31	**192**	**139**	**206**	**144**	**233**	**171**

The fair value of these investments approximates their net book value.

Note 8 - Current and non-current marketable securities

Marketable securities include units in SICAV and other mutual funds as well as short-term investments recorded at the lower of cost and market. These marketable securities are principally variable-income. Unrealized gains on marketable securities are not considered as material in the consolidated financial statements.

Marketable securities which cannot be recognized as cash equivalents are considered by the Group as "available for sale". The breakdown of these marketable securities is shown below:

(in € millions)	Gross book value	Net book value	Unrealized gains	Estimated market value (1)
At December 31, 2003:				
Vivendi Universal	74	74	28	102
Other interests	7	4	5	9
NON-CURRENT MARKETABLE SECURITIES	**81**	**78**	**33**	**111**
TOTAL MARKETABLE SECURITIES	**1,387**	**1,387**	**–**	**1,387**
At December 31, 2002:				
Vivendi Universal	171	171	19	190
Other interests	7	4	2	6
NON-CURRENT MARKETABLE SECURITIES	**178**	**175**	**21**	**196**
TOTAL MARKETABLE SECURITIES	**469**	**469**	**–**	**469**
At December 31, 2001:				
Vivendi Universal	171	171	586	757
Other interests	7	5	2	7
NON-CURRENT MARKETABLE SECURITIES	**178**	**176**	**588**	**764**
TOTAL MARKETABLE SECURITIES	**406**	**406**	**–**	**406**

(1) Based on stock market prices at December 31.

The decrease in non-current marketable securities in 2003 primarily reflects the sale of 7,000,000 Vivendi Universal shares.

The increase in total marketable securities in 2003 mainly reflects cash and cash equivalents generated at the end of the year, primarily due to the proceeds of the April 8, 2003 bond issue and the disposal of both Vivendi Universal shares and the Terreal Group.

Note 9 - Other non-current assets

(in € millions)	2003	2002	2001
Capitalized loans and deposits	340	517	441
Retirement benefits – Additional minimum liability	1,067	946	130
Prepaid pension costs	114	127	372
OTHER NON-CURRENT ASSETS	**1,521**	**1 590**	**943**

"Retirement benefits – Additional minimum liability" and "Pre-paid pension costs" are a result of the adoption of US generally accepted accounting principles relating to pensions and other post-retirement benefits.

The accounting methods applicable to these two items are described in note 16.

The rise in "Retirement benefits – Additional minimum liability"at December 31, 2002 was mainly due to the decrease in the fair value of retirement funds, leading to an increase in the related provisions.

In accordance with French generally accepted accounting principles, the total additional minimum liability has been recorded under "Other non-current assets". Under US generally accepted accounting principles, part of the commitment – in an amount of €985 million (€877 million in 2002 and €124 million in 2001) – would be recorded as a deduction from shareholders' equity, net of tax.

Note 10 - Inventories

At December 31, 2003, 2002 and 2001, raw materials, work in progress and finished goods as well as provisions for impairment in value of inventories can be analyzed as follows:

(in € millions)	2003	2002	2001
At cost:			
Raw materials and supplies	1,088	1,184	1,376
Work in progress	320	352	390
Finished goods	3,480	3,534	3,728
Gross inventories	**4,888**	**5,070**	**5,494**
Provisions for impairment in value:			
Raw materials and supplies	(92)	(89)	(93)
Work in progress	(14)	(16)	(14)
Finished goods	(273)	(301)	(312)
Provisions for impairment in value	**(379)**	**(406)**	**(419)**
NET INVENTORIES	**4,509**	**4,664**	**5,075**

Note 11 - Trade accounts receivable

Trade accounts receivable are short-term receivables.

(in € millions)	2003	2002	2001
Trade accounts receivable	4,582	4,646	4,957
Less provisions for doubtful accounts	(342)	(382)	(405)
NET TRADE ACCOUNTS RECEIVABLE	**4,240**	**4,264**	**4,552**

Changes in provisions for doubtful accounts

(in € millions)	2003	2002	2001
At January 1	**(382)**	**(405)**	**(349)**
Movement for the year	30	4	(27)
Changes in Group structure	(5)	(1)	(26)
Translation adjustments	15	20	(3)
AT DECEMBER 31	**(342)**	**(382)**	**(405)**

In 2003, the total charge related to unrecoverable receivables amounted to €73 million (2002: €93 million; 2001: €115 million).
The Group has a securitization program in place in the United States, which is explained in note 21.

Note 12 - Other accounts receivable

All amounts recorded under "Other accounts receivable" are due within one year.

(in € millions)	2003	2002	2001
Advances to suppliers	90	53	88
Prepaid payroll taxes	22	18	26
Other prepaid and recoverable taxes	413	356	348
Accrued income	154	188	194
Other receivables	361	401	578
Provisions for impairment in value	(5)	(6)	(6)
OTHER ACCOUNTS RECEIVABLE	**1,035**	**1,010**	**1,228**

Note 13 - Treasury stock

Further to the four-for-one stock split of June 27, 2002, the number of shares at December 31, 2001 has been multiplied by four in order to permit year-on-year comparisons.
Compagnie de Saint-Gobain capital stock held by consolidated Group companies is shown as a separate deduction from shareholders' equity under "Treasury stock", at historical cost. Total shares held in treasury stock were 11,639,386 at December 31, 2003, 5,159,816 at December 31, 2002, and 4,818,352 at December 31, 2001
In 2003, the Group purchased 6,784,000 Compagnie de Saint-Gobain shares on the stock market (2002: 5,403,148 shares; 2001: 968,192 shares) and re-sold 304,430 of them (2002: 107,976; 2001: 219,472).
No shares were canceled in 2003, compared with 4,953,708 shares canceled in 2002 and 3,918,252 in 2001.
On January 29, 2004 the Board of Directors canceled 6,799,832 shares, bringing the number of shares making up the Company's capital stock at that date to 341,025,135, practically unchanged compared with the 341,010,680 shares outstanding at December 31, 2002.
Share buybacks in 2003, 2002 and 2001 were carried out for several different purposes, but specific numbers of shares were not assigned to each objective. Therefore, the shares concerned were recorded as treasury stock.

▶ Note 14 - Minority interests

(in € millions)	2003	2002	2001
At January 1	**227**	**423**	**823**
Net income for the year	26	34	40
Dividends paid by consolidated subsidiaries	(24)	(19)	(30)
Minority interests' share in capital stock increases of subsidiaries	5	15	13
Changes in Group structure (note 2)	6	(142)	(425)
Translation adjustments	(17)	(84)	2
AT DECEMBER 31	**223**	**227**	**423**

In 2003, there were no significant movements in minority interests.

In 2002, the bulk of the decrease in this item reflected the purchase of the outstanding minority interests in the Lapeyre Group during the first half of the year.

The decrease in this item in 2001 primarily reflected the purchase of almost all of the minority interests in Saint-Gobain Cristalería, Saint-Gobain Vidros, Saint-Gobain Canalizaçao and Brasilit.

▶ Note 15 - Non-voting participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 TMO-indexed non-voting participating securities (indexed against average bond rates) and 194,633 Euribor-indexed non-voting participating securities. These securities are not redeemable and the interest paid on them is included in financial charges.

The interest paid on the 1,288,299 TMO-indexed non-voting participating securities, up to a limit equal to 125% of the average rate of interest on bonds, includes a fixed interest element and a variable portion based on the consolidated net income of the Group. The interest paid on the 194,633 non-voting participating securities indexed against Euribor (as a minimum) comprises a fixed interest element applicable to 60% of the nominal value of the security and equal to 7.5% per annum, and a variable amount on the remaining 40% based on the consolidated net income of the previous year, within the limits fixed in the prospectus.

As part of the Group's interest cost management, in the past, Spafi and Saint Gobain Nederland – two wholly owned subsidiaries of Compagnie de Saint Gobain – purchased certain of these NVPs. At December 31, 2003, Spafi held 681,416 TMO-indexed NVPs and Saint-Gobain Nederland held 117,117 Euribor-indexed NVPs. At that date, the book value of NVPs held by the Group amounted to €221 million.

During that period, the Group felt that it would be possible to reclassify these securities and sell them as over-the-counter instruments, particularly to institutional investors such as pension funds. Therefore, as the Group was entitled to sell the NVPs purchased by these two subsidiaries, they were originally classified in the subsidiaries' accounts and in the consolidated financial statements as marketable securities. Based on recent advice however, it is no longer in the Group's best interests to sell these NVPs. It therefore decided to reclassify them by deducting them from "Non-voting participating securities" in the consolidated financial statements at December 31, 2003. Further to this reclassification non-voting participating securities in the consolidated balance sheet amounted to €170 million at December 31, 2003, compared with €391 million at December 31, 2002 and 2001. This item can be analyzed as follows:

(in € millions)	2003	2002	2001
TMO-indexed securities (indexed against average bond rates)	92	196	196
Euribor-indexed securities	78	195	195
TOTAL	**170**	**391**	**391**

Net interest paid on non-voting participating securities amounted to €10 million in 2003, compared with €11 million in 2002 and €12 million in 2001.

Note 16 - Pensions and other post-retirement benefits

The following tables show commitments for pensions and other post-retirement benefits:

	France	Other European countries		North America		Rest of the world	
(in € millions)	Pensions and retirement indemnities	Plans with assets in excess of accumulated benefits	Plans with accumulated benefits in excess of plan assets	Plans with assets in excess of accumulated benefits	Plans with accumulated benefits in excess of plan assets	Pensions and retirement indemnities	Net total
AT DECEMBER 31, 2003							
Projected benefit obligation	453	277	2,830	11	1,489	51	5,111
Plan assets	102	320	1,548	12	1,149	36	3,167
Benefits in excess of (less than) plan assets	351	(43)	1,282	(1)	340	15	1,944
Deferred variances	(93)	(64)	(737)	(5)	(423)	0	(1,322)
Minimum additional liability (see note 9)							1,067
Accruals for related benefits			6		211		217
Prepaid pension cost (see note 9)							114
Contractual termination indemnities							74
Insurance funding							211
Total provisions for pensions and other post-retirement benefits							2,305
AT DECEMBER 31, 2002							
Projected benefit obligation	420	261	2,766	12	1,498	32	4,989
Plan assets	98	323	1,514	12	1,087	27	3,061
Benefits in excess of (less than) plan assets	322	(62)	1,252	0	411	5	1,928
Deferred variances	(56)	(39)	(716)	(4)	(402)	3	(1,214)
Minimum additional liability (see note 9)							946
Accruals for related benefits			6		247		253
Prepaid pension cost (see note 9)							127
Contractual termination indemnities							82
Insurance funding							231
Total provisions for pensions and other post-retirement benefits							2,353
AT DECEMBER 31, 2001							
Projected benefit obligation	419	461	2,518	29	1,553	48	5,028
Plan assets	107	491	1,282	33	1,467	39	3,419
Benefits in excess of (less than) plan assets	312	(30)	1 236	(4)	86	9	1,609
Deferred variances	(48)	(5)	(527)	(6)	(71)	(2)	(659)
Minimum additional liability (see note 9)							130
Accruals for related benefits			6		297		303
Prepaid pension cost (see note 9)							372
Contractual termination indemnities							81
Total provisions for pensions and other post-retirement benefits							1,836

Description of defined benefit plans

The Group's main defined benefit plans are as follows:
In France, in addition to retirement bonuses, there are three defined benefit schemes based on projected end-of-career salaries. These plans were closed to new employees by the companies concerned between 1969 and 1997.
In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new employees since 1996.
In the Netherlands, employees may still benefit from supplementary pension plans.
In the United Kingdom, employee 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 employees since 2001.
In the United States and Canada, the Group's defined benefit schemes are based on projected end-of-career salaries. Since January 1, 2001 new employees have been offered a mixed scheme based on both defined contributions and defined benefits, known as the "Cash balance" scheme.

Valuation of pension commitments and retirement indemnities

Pension commitments are determined by actuarial valuations using a method based on projected end-of career salaries (the projected unit credit method). The method adopted complies with both French generally accepted accounting principles and U.S. GAAP.

Based on projected end-of-career salaries, the Group's pension commitments amounted to €5,111 million at December 31, 2003, compared with €4,989 million at December 31, 2002 and €5,028 million at December 31, 2001. Out of this total, vested rights (obtained by the beneficiaries of the retirement plans), calculated on the basis of current salaries, amounted to €4,476 million (December 31, 2002: €4,338 million). They represent commitments to pensioners.

Plan assets

For defined benefit plans, plan assets are being progressively built up by contributions, primarily in the United States and the United Kingdom. Contributions paid by the Group totaled €219 million in 2003 and €89 million in 2002.
The fair value of plan assets – which came to €3,167 million at December 31, 2003 (2002: €3,061 million; 2001: €3,419 million) – is deducted from the amount of the Group's commitment valued according to the projected unit credit method in order to calculate the related provision.

Actuarial assumptions used for valuing pension commitments and plan assets

Assumptions as to mortality, employee turnover and salary projections take into account the economic conditions specific to each country and company. Interest rates used in 2003 to determine the present value of future commitments were generally between 4% and 6.5%, depending on the country concerned.
The rates used in the countries in which the Group's commitments are the most significant are as follows:

	France	Other European countries			United States
(percentages		Germany	Netherlands	United Kingdom	
Discount rate	5.20%	5.25%	5.20%	5.40%	6.50%
Salary increases	2.40%	2.50% to 3.25%	2.50%	3.00% to 3.25%	3.00%
Estimated yield on plan assets	5.50%	5.50%	5.75%	6.50% to 8.50%	8.75%

Deferred variances

Deferred variances are primarily made up of actuarial gains and losses, as well as differences due to changes in pension plans and the first-time adoption of the standard by Group companies. These variances result from year-on-year changes in the actuarial assumptions used to value commitments and plan assets, as well as differences between actual market conditions and assumptions applied.
Deferred variances amounted to €1,322 million at December 31, 2003 (2002: €1,214 million; 2001: €659 million) and are deducted from the provision for pensions and other post-retirement benefits.
They are amortized using the "corridor approach" (variances exceeding 10 % of the present value of the defined benefit obligation or the fair value of plan assets) over the average remaining service period or average remaining life expectancy of the relevant beneficiary. Amortization in 2003 totaled €35 million, compared with €16 million in 2002.

Additional minimum liability

In accordance with U.S. GAAP the Group recognizes a minimum provision which represents pension commitments based on beneficiaries' current salary, less any plan assets.
The additional minimum liability represents the difference between this minimum provision and pension commitments calculated based on projected end-of-career salaries, less plan assets and deferred variances.
The additional minimum liability is recorded in provisions for pensions and other post-retirement benefits which leads to a corresponding entry in other non-current assets (see note 9). At December 31, 2003 the aggregate amount of the additional minimum liability was €1,067 million, compared with €946 million in 2002 and €130 million in 2001.

Accruals for related benefits

Obligations for other post-retirement and post-employment benefits are determined by actuarial valuations. They are recognized in the same way as for pension obligations. At December 31, 2003 the provision amounted to €217 million, compared with €253 million in 2002 and €303 million in 2001.
The assumptions as to mortality, employee turnover and interest rates used to determine future benefits are those used for the determination of the pension liability. In the United States, the annual growth rate for medical treatment received by retirees has been set at 11.5%.

Prepaid pension cost

When plan assets are in excess of accumulated benefits, calculated based on current salary levels, an asset is recorded under "Prepaid pension cost" under "Other non-current assets" (see note 9). At December 31, 2003 this item amounted to €114 million, versus €127 million in 2002 and €372 million in 2001.

Contractual termination indemnities

Provisions for contractual termination indemnities totaled €74 million at December 31, 2003 (2002: €82 million; 2001: €81 million). They include contractual termination indemnities payable in certain countries, particularly Italy, when an employee leaves the Group on retirement or for other reasons. These indemnities are determined based on the calculation methods applicable in the country concerned and are not based on actuarial calculations.

Insurance funding

This item corresponds to amounts payable in the future to insurance companies under the funded retirement schemes for Group employees in Spain. It amounted to €211 million at December 31, 2003 and €231 million at December 31, 2002.

Pension charge

The pension charge is as follows:

(in € millions)	2003	2002	2001
Pensions and retirement indemnities:			
Vested rights	121	139	131
Interest	281	304	294
Return on funds	(265)	(294)	(295)
Amortization of variances	27	16	9
Sub-total	**164**	**165**	**139**
Other post-retirement benefits:			
Vested rights	10	12	11
Interest	21	22	23
Amortization of variances	8	–	2
Sub-total	**39**	**34**	**36**
TOTAL PENSION CHARGE	**203**	**199**	**175**

▶ Note 17 - Provision for income taxes

Compagnie de Saint-Gobain is assessed for income tax purposes on its consolidated fiscal income. A request has been made to renew the fiscal agreement which covered the years 2001 to 2003, to cover the years 2004 to 2006. As a result of this agreement the Group's share of the aggregate amount of income taxes paid by Group companies included in the worldwide tax group is taken into account when determining consolidated fiscal income.
Also, under the terms of Article 223 *et seq.* of the General Tax Code *(Code Général des Impôts)*, Compagnie de Saint-Gobain has opted for the integrated tax *(Intégration Fiscale)* system in addition to the consolidated tax system described above.
The net income of companies included in the tax group is as follows:

(in € millions)	2003	2002	2001
Net income of companies included in the tax group	1,059	1,070	1,167
Income tax expense	595	612	721
INCOME OF COMPANIES INCLUDED IN TAX GROUP BEFORE INCOME TAXES	**1,654**	**1,682**	**1,888**

This income breaks down as follows:

(in € millions)	2003	2002	2001
French companies	774	656	948
Non-French companies	880	1,026	940
INCOME OF COMPANIES INCLUDED IN TAX GROUP BEFORE INCOME TAXES	**1,654**	**1,682**	**1,888**

The provision for income tax is as follows:

(in € millions)	2003	2002	2001
Current taxes	**(628)**	**(615)**	**(701)**
France	(269)	(207)	(274)
Outside France	(359)	(408)	(427)
Deferred taxes	**33**	**3**	**(20)**
France	49	(21)	3
Outside France	(16)	24	(23)
TOTAL PROVISION FOR INCOME TAX	**(595)**	**(612)**	**(721)**

In 2003, the provision for income tax represented 36% of total Group income before tax (36% in 2002 and 38% in 2001). The effective tax rates are determined as follows:

(percentages	2003	2002	2001
Current income tax rate	33	33	33
Surcharge on French income tax	1	1	1
Technical assistance fees and net capital gains taxed at lower rates	(1)	(1)	(2)
Other, including amortization of goodwill	3	3	6
EFFECTIVE RATE	**36**	**36**	**38**

At December 31, 2003, the provision for deferred taxes recorded in the balance sheet can be analyzed as follows:

(in € millions)	
At January 1, 2003	696
Movement for the year	(33)
Translation adjustments	(31)
Effect of changes in Group structure and other	(33)
AT DECEMBER 31, 2003	**599**

The principal components of the net deferred tax liability are as follows:

(in € millions)	2003	2002	2001
Pensions	167	204	229
Retail brands	(359)	(373)	(349)
Depreciation	(318)	(365)	(411)
Other	(89)	(162)	(154)
TOTAL NET DEFERRED TAX LIABILITY	**(599)**	**(696)**	**(685)**

Note 18 - Other liabilities

Provisions for contingencies and charges break down as follows by form and according to whether the related charges are included in operating or non-operating expense:

(in € millions)	At Jan. 1, 2003	Additions to and reversals from provisions (surplus provisions)	Reversals from provisions (utilized)	Changes in Group structure	Other (reclassifications and translation adjustments)	At Dec. 31, 2003
2003						
Provisions for operating contingencies and charges:						
Provision for customer warranties	160	43	(47)		(9)	147
Provision for major repairs	13	3	(7)		1	10
Provision for personnel costs	92	29	(22)	1	(5)	95
Provision for other contingencies	136	24	(33)	(3)	(9)	115
Provisions for non-operating contingencies and charges:						
Provision for asbestos-related litigation	332	102	(6)		(60)	368
Provision for environmental risks	66	4	(3)	3	(4)	66
Provision for restructuring costs	149	89	(97)	1	(8)	134
Provision for risks relating to subsidiaries and affiliates	15	3	(10)		5	13
Provision for unrealized foreign exchange losses		1	(1)			
Badwill	121	(51)		26	(12)	84
TOTAL	**1,084**	**247**	**(226)**	**28**	**(101)**	**1,032**
Impact (net of accrued charges)						
Operating income		99				
Net financial income		1				
Non-operating income and expense, net		198				
Amortization of goodwill		(51)				
TOTAL		**247**				

(in € millions)	At Jan. 1, 2002	Additions to and reversals from provisions (surplus provisions)	Reversals from provisions (utilized)	Changes in Group structure	Other (reclassifications and translation adjustments)	At Dec. 31, 2002
2002						
Provisions for operating contingencies and charges:						
Provision for customer warranties	162	42	(42)		(2)	160
Provision for major repairs	109	15	(22)		(89)	13
Provision for personnel costs	109	23	(17)	1	(24)	92
Provision for other contingencies	261	11	(57)	1	(80)	136
Provisions for non-operating contingencies and charges:						
Provision for asbestos-related litigation	207	104	(15)		36	332
Provision for environmental risks	66	4	(3)	2	(3)	66
Provision for restructuring costs	196	57	(106)	9	(7)	149
Provision for risks relating to subsidiaries and affiliates	8	8	(9)	8		15
Provision for unrealized foreign exchange losses	2		(2)			
Badwill	135	(34)		20		121
TOTAL	**1,255**	**230**	**(273)**	**41**	**(169)**	**1,084**
Impact (net of accrued charges)						
Operating income		91				
Non-operating income and expense, net		173				
Amortization of goodwill		(34)				
TOTAL		**230**				

(in € millions)	At Jan. 1, 2001	Additions to and reversals from provisions (surplus provisions)	Reversals from provisions (utilized)	Changes in Group structure	Other (reclassifications and translation adjustments)	At Dec. 31, 2001
2001						
Provisions for operating contingencies and charges:						
Provision for customer warranties	170	47	(68)	1	12	162
Provision for major repairs	125	(10)	(27)	1	20	109
Provision for personnel costs	157	22	(16)	4	(58)	109
Provision for other contingencies	217	48	(80)	36	40	261
Provisions for non-operating contingencies and charges:						
Provision for asbestos-related litigation	197	16	(17)		11	207
Provision for environmental risks	80		(21)		7	66
Provision for restructuring costs	259	33	(126)	27	3	196
Provision for risks relating to subsidiaries and affiliates	12	(3)	(2)	2	(1)	8
Provision for unrealized foreign exchange losses		1	1			2
Badwill	101	(25)		28	31	135
TOTAL	**1,318**	**129**	**(356)**	**99**	**65**	**1,255**
Impact (net of accrued charges)						
Operating income		107				
Net financial income		1				
Non-operating income and expense, net		46				
Amortization of goodwill		(25)				
TOTAL		**129**				

Provisions for operating contingencies and charges

Additions to and reversals from these provisions are recorded under operating income and expense.

Provision for customer warranties

This provision covers the Group's commitments in relation to warranties granted to customers.

Provision for major repairs

Since 2002, this provision has been recorded to cover the costs of demolition and scrapping of assets which require cyclical upgrades, particularly furnaces in the Group's various operations.

Provision for personnel costs

This provision mainly covers indemnities due to personnel unrelated to reorganization operations. At December 31, 2003 the provision totaled €95 million and primarily concerned North America (€45 million) as well as Germany and Central Europe (€30 million).

Provision for other contingencies

At December 31, 2003 provisions for other contingencies amounted to €115 million and essentially concerned France (€27 million), Germany and Central Europe (€29 million), the United Kingdom and Ireland (€13 million) and North America (€17 million).

Provisions for non-operating contingencies and charges

Additions to and reversals from these provisions are recorded under non-operating expense and income.

Provision for asbestos-related litigation

The provision for asbestos-related litigation has been set up as a top-up to the Group's insurance cover to provide for the costs of asbestos-related lawsuits issued against the Group. The provision covers the costs of lawsuits currently in progress as well as potential new claims.
At December 31, 2003, the provision amounted to €368 million compared with €332 million at December 31, 2002 and €207 million at December 31, 2001. A €102 million charge to this provision was recorded in 2003. Insurance settlements receivable for accepted claims and amounts paid in advance totaled €106 million at December 31, 2003 compared with €214 million at December 31, 2002 and €218 million at December 31, 2001. These amounts are included in "Other non-current assets".
Asbestos-related risks are described in further detail in note 31.
To the best of the Company's knowledge, no litigation or arbitration is pending or in progress that is likely to have material impact on the consolidated assets and liabilities, financial condition or results of the Group.

Provision for environmental risks

This provision is intended to cover costs for environmental protection measures and site clean-ups. After a net charge to the provision of €4 million during the year, it totaled €66 million at December 31, 2003, compared with €66 million at both December 31, 2002 and December 31, 2001.

Provision for restructuring costs

Provisions for restructuring costs concern commitments in relation to the reorganization of the Group's operations. €89 million was charged to provisions for restructuring costs in 2003 and at December 31, 2003, they amounted to €134 million (compared with €149 million at December 31, 2002 and €196 million at December 31, 2001). These provisions primarily concern France (€25 million), Germany and Central Europe (€56 million) and the Benelux countries (€21 million). Restructuring costs are described in note 25.

Provision for risks relating to subsidiaries and affiliates

This provision is intended to cover financial risks in relation to certain subsidiaries, particularly when the Group intends to divest these companies. After a net charge to the provision of €3 million during the year, it totaled €13 million at December 31, 2003, compared with €15 million at December 31, 2002 and €8 million at December 31, 2001.

Provision for unrealized foreign exchange losses

Changes in provisions for unrealized foreign exchange losses impact net interest and other financial charges.

Badwill

Badwill is amortized on a straight-line basis over a period not exceeding 40 years.

Note 19 - Other payables and accrued expenses

(in € millions)	2003	2002	2001
Customer deposits	98	109	79
Income tax payable	221	138	277
Payable to suppliers of non-current assets	203	146	210
Grants	28	31	30
Accrued personnel expenses	777	770	756
Accrued taxes other than on income	272	242	254
Other *	757	912	1,195
TOTAL	**2,356**	**2,348**	**2,801**

* Including €77 million relating to cross-currency swaps at December 31, 2002 and €261 million at December 31, 2001.

Note 20 - Long-term and short-term debt

Breakdown of long-term and short-term debt

Long–term and short-term debt consist of the following:

	At December 31		
(in € millions)	2003	2002	2001
Long-term debt:			
Bond issues	5,748	5,273	4,196
Bank borrowings in euros	311	443	451
Medium Term Notes	110	170	198
Perpetual bonds	33	33	33
Other long-term debt including capital leases	316	319	369
Total long-term debt	**6,518**	**6,238**	**5,247**
Short-term debt:			
Current portion of long-term debt	550	487	991
Borrowings due in less than one year (US CP, euro CP and Billets de Trésorerie)	485	636	1,491
Bank overdrafts and other short-term bank borrowings	1,178	1,021	1,672
Total short-term debt	**2,213**	**2,144**	**4,154**
TOTAL DEBT	**8,731**	**8,382**	**9,401**
Short-term loans	(160)	(162)	(245)
Total marketable securities	(1,387)	(469)	(406)
Cash and cash equivalents	(1,527)	(739)	(958)
NET INDEBTEDNESS	**5,657**	**7,012**	**7,792**

Liquidity risk management

Net indebtedness came to €5.7 billion at December 31, 2003, down €1.3 billion compared with one year earlier. The Group increased the average maturity of its debt through a one billion issue of seven year bonds in April 2003 maturing in April 2010. A €152 million bond issue matured and was redeemed in November 2003.

Maturities of long- and short-term debt are as follows:

(in € millions)	2003					2002	2001
	Bonds	Private placement notes	MTN	Other	Total		
2003	–	–	–	–	–	–	279
2004	–	–	–	–	–	451	446
2005	1,138	74	31	107	1,350	1,345	1,372
2006	475	–	39	9	523	724	800
2007	1,316	223	40	24	1,603	1,687	–
2008 and beyond	2,819	14	–	176	3,009	1,998	2,317
Unspecified (including perpetual bonds)				33	33	33	33
Total long-term debt	**5,748**	**311**	**110**	**349**	**6,518**	**6,238**	**5,247**
Short-term debt (1)	**257**	**1**	**40**	**1,915**	**2,213**	**2,144**	**4,154**
TOTAL DEBT	**6,005**	**312**	**150**	**2,264**	**8,731**	**8,382**	**9,401**

(1) Including portion of long-term debt due in less than one year.

Undrawn confirmed credit lines

Compagnie de Saint-Gobain's US Commercial Paper, Euro-Commercial Paper, Billets de Trésorerie and Medium Term Notes programs are backed by two confirmed syndicated lines of credit of €600 million and €1,200 million, expiring in September 2006 and November 2007 respectively, as well as 11 bilateral credit lines totaling €586 million at December 31, 2003.

No drawdowns were made against any of these credit lines in 2003. Commitment fees amounted to €3.2 million, compared with €2.5 million in 2002.

The loan agreements include various covenants which, if violated, would result in the facilities becoming immediately repayable or being withdrawn.

These covenants are as follows:

- for four bilateral credit lines representing €317 million and the two syndicated credit lines: ratio of net debt (€5,657 million – see above) to cash flow from operations (€2,471 million – see consolidated cash flow statement) capped at 4 or 3 and/or an interest cover ratio of over 2, i.e. the coverage of consolidated net interest expense by consolidated net income before tax and net interest expense (€457 million – see note 24). At December 31, 2003, the Group's ratio of net debt to cash flow from operations was 2.3 and its interest cover ratio was 4.6,
- default on bank borrowings capped at a certain level,
- for a €119 million bilateral credit line: *Material Adverse Change* clause. This clause allows the banking counterparty to withdraw the credit line in the event of a material adverse change in the Group's business environment.

Bank borrowings

All bank borrowings are immediately repayable in the event of:

- default on any installment,
- default on any other borrowings in excess of a certain amount.

Certain loan agreements also include covenants relating to shareholders' equity. The seven bank loan agreements to which these covenants apply represent €76 million out of a total of €312 million in bank borrowings. The most restrictive of these covenants requires the Group to have shareholders' equity of at least €2.9 billion, and concerns a loan of €22.9 million.

Financing programs

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

The Medium Term Notes program was renewed in 2003. The prospectus defines the Medium Term Notes as bonds and the amount of the program was increased to €2,500 million.

At December 31, 2003, the situation of these programs was as follows:

(in millions of currency)	Programs					
	Cur-rency	Drawdown period	Authorized ceilings at Dec. 31, 2003	Drawn down at Dec. 31, 2003	Drawn down at Dec. 31, 2002	Drawn down at Dec. 31, 2001
Medium Term Notes	EUR	1 to 30 years	2,500	150	216	539
US commercial paper	USD	up to 12 months	1,000 *	0	29	307
Euro commercial paper	USD	up to 12 months	1,000 *	0	100	152
Billets de trésorerie	EUR	up to 12 months	1,500	485	513	971

(*) Equivalent to €792 million based on the exchange rate at December 31, 2003.

Billets de Trésorerie, Euro-Commercial Paper and US-Commercial Paper issues generally have a life of 1 to 6 months. In view of their frequent renewal the Group treats them as variable rate debt.
Details of outstanding Medium Term Notes are described below.

Collateral

At December 31, 2003 €32 million in Group debt were secured by various non-current assets (real estate and securities).

Interest rate risk management

Details of the main financial instruments used by the Group are provided below.

Bond issues

The €6,005 million worth of outstanding bonds (short- and long-term) break down as follows at December 31, 2003.

Maturity *(in € millions)*		2004	2005	2006	2007	2008	2009	2010	Total
EUR	Fixed rate		500		920	607	1,000	450	3,477
	Variable rate							550	550
USD	Fixed rate			475					475
	Variable rate				396				396
GBP	Fixed rate		426						426
	Variable rate		212			212			424
CHF	Fixed rate	257							257
TOTAL		**257**	**1,138**	**475**	**1,316**	**819**	**1,000**	**1,000**	**6,005**
Fixed rate		**100%**	**81%**	**100%**	**70%**	**74%**	**100%**	**45%**	**77%**

All of the bonds were issued at fixed rates. The term "Variable rate" in the table above refers to fixed rate bonds that have been converted into variable rate debt through the use of swaps.
In addition, the bond issues in Swiss francs maturing on January 7, 2004 are hedged by cross-currency swaps (see note 21 dealing with Cross-currency Swaps).
On February 18, 2002, Compagnie de Saint-Gobain issued 4,380,953 "OCEANE" bonds that are convertible into new shares or exchangeable for existing shares and which mature on January 1, 2007. These bonds have a nominal value of €210 each, and the total issue came to €920 million. The annual interest rate for these "OCEANE" bonds is 2.625% payable in arrears on January 1 each year.

At December 31, 2003, Compagnie de Saint-Gobain had not used its entitlement to repurchase any of the OCEANE bonds. Moreover, none of the bondholders had requested to convert or exchange their bonds for Compagnie de Saint-Gobain shares in accordance with the exchange ratio of one bond for four shares. Therefore if all of the bonds were converted at the price provided for in the issue agreement, the holders would receive a total of 17,523,812 shares, representing 5.04% of the Company's capital at December 31, 2003.

Bank borrowings

The €312 million worth of private placement notes (current- and long-term portions) break down as follows at December 31, 2003.

(in € millions)		2004	2005	2006	2007	2008	TOTAL
EUR	Fixed rate	1	0	0	92	14	107
	Variable rate	0	69	0	131	0	200
NOK	Fixed rate	0	5	0	0	0	5
TOTAL		**1**	**74**	**0**	**223**	**14**	**312**
Fixed rate		**100%**	**7%**	**0%**	**41%**	**100%**	**36%**

The term "Variable rate" in the table above corresponds to private placement notes issued at variable rates and fixed rate notes converted into variable rate debt through the use of swaps.

Medium-Term Notes

The €150 million worth of outstanding *Medium-Term Notes* (current- and long-term portions) break down as follows at December 31, 2003.

(in € millions)		2004	2005	2006	2007	TOTAL
EUR	Fixed rate	0	0	0	0	0
	Variable rate	21	0	8	0	29
USD	Fixed rate	19	0	0	40	59
CZK	Fixed rate	0	31	31	0	62
TOTAL		**40**	**31**	**39**	**40**	**150**
Fixed rate		**48%**	**100%**	**79%**	**100%**	**81%**

The term "Variable rate" in the table above corresponds to Medium Term Notes issued at variable rates and fixed rate Notes converted into variable rate debt through the use of swaps.

In addition, Medium Term Note issues in euros have been hedged by cross-currency swaps on a notional amount of €21 million maturing in 2004 (see note 21 dealing with Cross-Currency Swaps).

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 against Libor. These securities are not redeemable and the interest paid on them is included in financial charges.

At December 31, 2003, 18,496 perpetual bonds had been bought back and canceled. At that date, 6,504 perpetual bonds were outstanding, representing a total nominal amount of €33 million.

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.

Note 21 - Financial instruments

Interest rate risk management

Interest rate risk relating to the Group's total net indebtedness is managed by the Treasury Department of Compagnie de Saint-Gobain. Net indebtedness is determined by means of a monthly reporting system which provides a detailed breakdown of each subsidiary's debt by type and by interest rate (fixed or variable). In addition, for the preparation of the interim and annual consolidated financial statements, subsidiaries also provide a breakdown of debt between long- and short-term and fixed and variable rate, together with details of interest rates and hedging instruments by line of debt. Where subsidiaries use derivatives to hedge risk on debt, Compagnie de Saint-Gobain, the Group parent company, is the exclusive counterparty.

The main objective of managing overall interest rate risk on the Group's consolidated net debt is to fix the cost of the medium-term debt and to optimize annual borrowing costs. The Group's policy defines which derivative financial instruments can be used to hedge the debt. Derivative financial instruments may include rate swaps, options – including caps, floors and swaptions – and forward rate agreements. These instruments are traded over-the-counter with counterparties meeting minimum rating standards as defined in the Group's financial policy.

The average interest rates for material long-term debt items before hedging are as follows:

(in € millions)	2003	2002	2001
Average interest rate on outstanding debt at December 31			
Bond issues	5.01%	5.11%	5.74%
Medium Term Notes	4.83%	5.01%	3.70%
Private placement notes	3.95%	4.30%	4.48%
Perpetual bonds	2.46%	3.44%	3.68%

The following derivative instruments are used by the Group:

Interest rate swaps

The notional amount of interest rate swaps breaks down as follows at December 31, 2003:

	Fixed rate borrower				Variable rate borrower			
(in € millions)	EUR	USD	GPB	Total	EUR	USD	GBP	Total
2004	–	137	–	137	–	–	–	–
2005	–	–	–	–	–	–	213	213
2006	3	–	–	3	–	–	–	–
2007	–	–	–	–	40	396	–	436
2008	–	–	–	–	–	–	213	213
2009	–	–	–	–	–	–	–	–
2010	–	–	–	–	550	–	–	550
TOTAL	**3**	**137**	**–**	**140**	**590**	**396**	**426**	**1,412**

Cross-Currency Swaps

The Group uses two types of Cross-Currency Swaps:

• Swiss francs swapped for euros: the Group's fixed rate bonds in Swiss francs (maturing in January 2004) have been swapped for variable rate euro-denominated debt (with the same maturity);

• euros swapped for foreign currencies to finance subsidiaries in the United States and the United Kingdom. The Group has swapped euro-denominated debt for debt in US dollars and sterling.

Maturities of the Group's cross-currency swaps are presented below. The amounts shown correspond to the notional amount of the original euro leg of the swap, in millions of euros.

(in € millions)							
Received	Fixed CHF	Variable EUR	Fixed EUR	Fixed EUR	Variable EUR	Variable EUR	
Paid	Variable EUR	Variable USD	Variable USD	Fixed USD	Fixed USD	Fixed GPB	Total
2004	246	7	15		30	30	328
2005					297		297
2006				138			138
2007							–
2008							–
2009				49			49
TOTAL	**246**	**7**	**15**	**187**	**327**	**30**	**812**

Currency swaps

The Group uses currency swaps as part of its day-to-day cash management. At December 31, 2003, currency swaps amounted to €595 million.

Options

In addition, the Group had options (interest rate caps) on a notional amount of €90 million which were out of the money at December 31, 2003.
The face value amount of commitments given and received in the form of swaptions and early repayments of borrowings amounted to €138 million and €40 million respectively.

Group debt structure, after interest rate hedges

The weighted average interest rate on total debt after giving effect to hedging instruments (cross currency swaps, rate swaps and caps) was 4.3% for the year ended December 31, 2003 (4.7% in 2002 and 5.0% in 2001).
After giving effect to in-the-money options and other hedging instruments, at December 31, 2003 97% of Group debt was at fixed rates of interest and 3% was at variable rates.
Net debt at December 31, 2003 before and after the effect of rate swaps, cross-currency swaps and currency swaps (i.e. including and excluding the impact of hedges), was in the following currencies:

Net debt in:	Before hedging			After hedging		
(in € millions)	Variable rate	Fixed rate	Total	Variable rate	Fixed rate	Total
EUR	(1,128)	4,370	3,242	(390)	3,581	3,191
USD	(115)	946	831	(126)	1,184	1,058
GBP	167	856	1,023	594	459	1,053
CHF	(4)	257	253	(69)	3	(66)
Other currencies	72	115	187	157	115	272
TOTAL	**(1,008)**	**6,544**	**5,536**	**166**	**5,342**	**5,508**
Accrued interest						149
NET INDEBTEDNESS						**5,657**

Including the effect of derivatives and at the year-end rate, total debt was €28 million lower than the figure excluding derivatives. The difference corresponds to the exchange-rate impact of cross-currency swaps (€28 million).
Its contra entry is the revaluation difference on assets financed in the target currency (example: assets in dollars for a cross-currency swap to lend euros and borrow dollars).

Fair value of derivative instruments

The fair value of derivative financial instruments used by the Group is as follows (excluding accrued interest):

Type of instrument	Fair value
	(in € millions)
Interest-rate swaps	34.5
Cross-currency swaps	(7.5)
Purchased caps	0.1
Currency options	0.9
Energy swaps and futures	1.3

The negative amount of €7.5 million shown for cross currency swaps represents the cost of replacing these swaps on the market at year-end (including the €28 million exchange-rate impact of cross-currency swaps described above). However, the swaps were acquired for hedging purposes and are intended to be retained until maturity. Any exchange loss or gain on the swaps at maturity will be offset by a corresponding gain or loss on the hedged instruments.

Effect of an increase in interest rates

At December 31, 2003, a 1% increase in interest rates would increase the Group's net interest expense and other financial charges by €6.02 million in 2004 (including the effect of derivatives), assuming that the total amount of debt remains stable and decreases in fixed-rate debt are offset by matching increases in variable-rate debt. This increase takes into account the cost of the securitization program in the United States.

Maturities of debt and cash and cash equivalents

The table below sets out the maturities at December 31, 2003 of gross debt and cash and cash equivalents both before and after hedging. The maturity date indicated for assets and debt at adjustable rates is the interest rate adjustment date. The net interest rate position is the net of the lender and borrower positions.

	2003	2002	2001
(in € millions)	Within one year	Between 2 and 5 years	Over 5 years
Gross debt	2,541	4,110	2,108
Cash and cash equivalents	(3,074)	–	–
NET DEBT BEFORE HEDGING	**(533)**	**4,110**	**2,108**
Derivatives	1,096	(565)	(559)
NET DEBT AFTER HEDGING	**563**	**3,545**	**1,549**

Marketable securities

Marketable securities include units in SICAV and other mutual funds recorded at the lower of cost and market. All of these securities have variable interest rates.
Financial transactions such as purchases and sales of marketable securities and currency or interest rate hedging instruments, are carried out with diversified and high-quality counterparties. Credit risk is therefore low. The choice of counterparties as well as the determination of position limits by counterparty is part of a rigorous and selective process.

Foreign currency risk management

Commercial transactions

The Group's policy on currency risk consists of hedging commercial transactions carried out by Group entities in currencies other than their functional currencies. Compagnie de Saint-Gobain and its subsidiaries may use options and forward contracts to hedge exposure arising from commercial transactions.
Subsidiaries are not authorized to enter into option contracts with external counterparties. Instead, options are set up exclusively with Compagnie de Saint-Gobain, the parent company of the Group, 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. Subsidiaries are authorized to enter into forward contracts with their banks for periods of less than two years.
The majority of transactions are hedged, invoice by invoice or order by order, with Saint-Gobain Compensation, the entity set up to manage the Group's currency risks. Saint-Gobain Compensation hedges these risks solely by means of forward purchases and sales of foreign currencies. This enables companies to hedge exposure arising from commercial transactions as soon as the risk emerges. Saint-Gobain Compensation reverses all its positions with Compagnie de Saint-Gobain and does not therefore have any open positions.
The exposure of other Group companies to currency risks is hedged with Compagnie de Saint-Gobain as soon as the latter receives orders sent by the subsidiaries or by cash pools of the National Delegations. Exposure may also be hedged with the banks of the subsidiaries concerned. Total unhedged transactions for these companies amounted to €24 million at December 31, 2003. If the euro dropped by 1 cent against the Group's trading currencies, the impact would be less than €1 million, which is not material at the level of the consolidated financial statements.
At December 31, 2003 the Group had options to purchase USD for EUR for a nominal amount of €26.4 million.

Financial transactions

Hedging of financial transactions is managed on a case-by-case basis, for example for acquisitions in foreign currency, repatriation of dividends or capital contributions to subsidiaries. Option-based strategies are generally used in these cases.
At December 31, 2003, the Group's portfolio did not contain any of these options.

Energy risk management

The Group hedges part of its natural gas purchases in the United States using fixed-rate borrower/variable rate lender swaps on the NYMEX and also on the futures market. Outstanding swaps at December 31, 2003 had a fair value of €1.28 million.
In addition, the Group has launched a hedging program to cover heating oil costs of some of its European subsidiaries. The hedges consist exclusively of fixed-rate borrower/variable-rate lender swaps based on various Platt's references. At December 31, 2003, there were no such outstanding swaps.

Equity risk management

The Group is not exposed to equity risk, as it always favors money-market funds and/or bonds when purchasing mutual funds or equivalents, and is therefore not exposed to any equity risk on its short-term investments.
The Group previously held a portfolio of shares in listed companies. All of these shares have been sold, apart from 5.3 million Vivendi Universal shares. These shares are carried in the balance sheet at their historical cost of €13.88 per share, representing a total of €74 million.

Securitization of receivables and off balance sheet commitments

The Group has set up a US$550 million receivables securitization program through its US subsidiary, CertainTeed Receivables Corporation, expiring in July 2008. Under this program, receivables of the US subsidiaries are sold to a bank at daily intervals, on a no-recourse basis. The bank then refinances the receivables through commercial paper issues. The amount received by the subsidiaries corresponds to a variable percentage of the face value of the receivables, determined mainly by reference to the interest rate on the bank's commercial paper issues. The sold receivables amounted to €368 million at December 31, 2003 (2002: €385 million; 2001: €433 million).
The difference between the face value of the sold receivables and the proceeds received from the bank is treated as interest expense. In 2003, the amount recorded as interest expense came to US$ 7.5 million (2002: US$ 8.8 million; 2001: US$ 18.7 million).
The main events which could cause the program to be terminated are a change in Compagnie de Saint-Gobain's rating to below investment grade or default on any amounts due to the bank under the program.
The guarantee given by Compagnie de Saint-Gobain under this program is recorded as an off balance sheet commitment in an amount of US$ 550 million at December 31, 2003.

Note 22 - Research and development and advertising costs

Selling, general and administrative expenses include research and development costs of €306 million, €312 million and €320 million for the years ended December 31, 2003, 2002 and 2001, respectively.
Advertising costs amounted to €184 million in 2003, €209 million in 2002 and €222 million in 2001.

Note 23 - Other operating expenses and income

(in € millions)	2003	2002	2001
Pension and other post-retirement benefit costs (see note 16)	(203)	(199)	(175)
Amortization of other intangible assets	(76)	(76)	(72)
Employee profit-sharing	(127)	(134)	(126)
Income from miscellaneous sales and other income and expenses	147	99	130
TOTAL OTHER OPERATING EXPENSES, NET	**(259)**	**(310)**	**(243)**

Note 24 - Interest and other financial charges, net

(in € millions)	2003	2002	2001
Interest on non-voting participating securities	(24)	(26)	(27)
Interest expense	(412)	(446)	(542)
Other financial charges	(80)	(103)	(170)
Interest income	54	69	108
Other financial income	13	18	41
Net (losses) gains on foreign exchange	(8)	(16)	(13)
TOTAL INTEREST AND OTHER FINANCIAL CHARGES, NET	**(457)**	**(504)**	**(603)**

Total interest capitalized amounted to €2.5 million, €2.0 million, and €0.2 million for the years ended December 31, 2003, 2002, and 2001 respectively.

Note 25 - Non-operating expenses and income

(in € millions)	2003	2002	2001
Provisions for contingencies	(109)	(116)	(13)
Reorganization costs:			
• France	(32)	(53)	(26)
• Other European countries	(110)	(60)	(56)
• North America	(18)	(15)	(24)
• Rest of the world	(4)	(3)	(10)
Other	(2)	(5)	7
TOTAL NON-OPERATING EXPENSES AND INCOME	**(275)**	**(252)**	**(122)**

As in 2002, provisions for contingencies in 2003 primarily included the asbestos-related charge explained in notes 18 and 31.
Reorganization costs mainly related to Flat Glass (Solaglas Ltd and the Division's German entities), Building Materials Distribution (Raab Karcher in Germany and the Netherlands and Saint-Gobain Building Distribution Ltd) and Abrasives (Saint-Gobain Abrasives North America, Saint-Gobain Abrasives UK and Saint-Gobain Abrasifs France).
In 2002, reorganization costs mainly related to Flat Glass (Cristaleria de Hortaleza), Insulation (including the costs relating to the Europe-wide reorganization of Saint-Gobain Isover's research centers), and Ceramics & Plastics (Saint-Gobain Céramiques Avancées Desmarquest).
In 2001, reorganization costs mainly related to Flat Glass (Saint-Gobain Glass France), Insulation & Reinforcements (Saint-Gobain Isover G + H), Pipe (Saint-Gobain PAM) and Ceramics and Abrasives (Saint-Gobain Ceramic Materials Canada, Saint-Gobain Ceramics & Plastics, Saint-Gobain Performance Plastics and Bay State).

Note 26 - Profit on sales of non-current assets

In 2003, total profit on sales of non-current assets came to €86 million. Capital gains made – particularly on the sale of the Terreal group and of 7 million Vivendi Universal shares – were partly offset by capital losses on disposals and asset write-downs.
In 2002, capital gains made on the disposal of certain non-strategic Group assets were almost totally offset by capital losses and asset write-downs.
In 2001, net profit on sales of non-current assets mainly concerned capital gains on the disposal of the Group's entire stake in BNP Paribas, less asset write-downs and capital losses recorded by the Lapeyre Group.

Note 27 - Net income excluding profit on sale of non-current assets

For 2001, the number of shares and earnings per share excluding capital gains have both been adjusted to reflect the impact of the four-for-one stock split of June 27, 2002.
Net income for the year amounted to €1,039 million in 2003, compared with €1,040 million in 2002 and €1,134 million in 2001.
Net income excluding profit on sales of non-current assets amounted to €1,020 million in 2003, versus €1,051 million in 2002 and €1,057 million in 2001. Based on the 347,824,967 shares outstanding at December 31, 2003 (2002: 341,010,680; 2001: 341,034,512), earnings per share (EPS) excluding capital gains amounted to €2.93 in 2003 (2002: €3.08; 2001: €3.10).
The difference between net income and net income excluding profit on sales of non-current assets reflects the combined impact of €86 million in capital gains on sales of assets in 2003 (2002: €3 million; 2001: €84 million), the related tax effect (2003: €69 million; 2002: €15 million; 2001: €32 million) and minority interests related to the assets (2003: €2 million; 2002: €1 million; 2001: €25 million).

▶ Note 28 - Stock-based plans

Stock option plans on Compagnie de Saint-Gobain shares

Compagnie de Saint-Gobain has stock option plans available to certain employees, and a Group Savings Plan ("PEG"), or employee stock purchase plan.
The stock option plans allow the Board of Directors to grant options which allow the holder to obtain Saint-Gobain shares at a price based on the average share price for the 20-day period preceding the date of grant. Discounts of 10% and 5% on this average price were granted in 1997 and 1998 respectively. Such discounts were discontinued in 1999.
Options vest over a period of two, three, four or five years with full vesting occurring at the end of the vesting period. Options must be exercised within eight or ten years from the date of grant and all rights to options are forfeited if the employee terminates employment with the Group.
In 1996 and 2003, these plans involved subscription options for new shares and between 1997 and 2002 purchase options on existing shares held in treasury stock for this purpose.
Further to the four-for-one stock split of June 27, 2002, the number of options at December 31, 2001 has been multiplied by four in order to permit meaningful year-on-year comparisons.

Movements relating to stock options outstanding in 2001, 2002 and 2003 are listed below:

	Shares	Average exercise price (in euros)
Options outstanding at December 31, 2000	**8,298,424**	**32.81**
Options granted	3,774,800	40.22
Options exercised	(701,592)	22.25
Options forfeited	(83,092)	36.63
Options outstanding at December 31, 2001	**11,288,540**	**35.92**
Options granted	3,785,500	23.53
Options exercised	(334,456)	23.15
Options forfeited	(164,520)	39.87
Options outstanding at December 31, 2002	**14,575,064**	**32.95**
Options granted	3,717,700	35.67
Options exercised	(619,310)	24.14
Options forfeited	(80,000)	23.53
OPTIONS OUTSTANDING AT DECEMBER 31, 2003	**17,593,454**	**33.88**

At December 31, 2001, 2002 and 2003, 2,130,560, 3,413,064 and 5,114,854 options were exercisable at exercise prices ranging from €25.43 to €34.18.
At December 31, 2003, 6,512,620 options were available for grant under the authorization given by the General Meeting of June 5, 2003.

The following table summarizes information about stock options outstanding at December 31, 2003:

		Options exercisable		Options not exercisable			
Date of grant	Exercise price (in euros)	Number of options	Average remaining contractual life in months	Exercise price (in euros)	Number of options	Total options outstanding Number of options	Type of options
1996	21.42	355,700	11			355,700	Subscription
1997	28.47	773,874	23			773,874	Purchase
1998	29.54	1,038,880	35			1,038,880	Purchase
1999	40.63	1,167,700	71	40.63	503,200	1,670,900	Purchase
2000	37.69	1,778,700	83	37.69	859,000	2,637,700	Purchase
2001	40.22		95	40.22	3,694,800	3,694,800	Purchase
2002	23.53		107	23.53	3,703,900	3,703,900	Purchase
2003	35.67		119	35.67	3,717,700	3,717,700	Subscription
TOTAL	**-**	**5,114,854**			**12,478,600**	**17,593,454**	**–**

Group Savings Plan (PEG) of Compagnie de Saint-Gobain

For 2001, the figures relating to the number of shares and the average price have both been adjusted to reflect the impact of the four-for-one stock split of June 27, 2002.

The PEG employee stock purchase plan is open to all Group employees in France and in most other European countries who have completed a minimum of three months' service with the Group. The plan offers shares to eligible employees at a 20% discount from the average price quoted for the shares for the 20-day period preceding the date of the meeting of the Board of Directors at which the Plan is set.

Employees can invest for a five or ten-year term. Over this period, employees may not sell their shares, barring exceptional circumstances.

Under the PEG, the Group issued 6,499,407, 4,703,396 and 3,612,600 shares to employees in 2003, 2002, and 2001, respectively, at an average price per share of €21.14 in 2003, €33.88 in 2002 and €33.25 in 2001.

Stock option plan on Lapeyre shares

Transactions during 2001, 2002, and 2003 relating to stock options granted by Lapeyre are listed below:

	Shares	Average exercise price (in euros)
Options outstanding at December 31, 2000	**72,000**	**31.16**
Options exercised	(29,100)	29.89
Options outstanding at December 31, 2001	**42,900**	**32.01**
Options exercised	(42,900)	32.01
Options outstanding at December 31, 2002	**0**	**–**

No options for Lapeyre shares have been exercisable since December 31, 2002.

▶ Note 29 - Off balance sheet commitments: contractual obligations and commercial commitments

Contractual obligations and commercial commitments are described in the note below, except for off-balance sheet commitments related to debt and financial instruments which are explained in notes 20 and 21.

The Group has no other material off-balance sheet commitments.

Contractual obligations

Commitments under capital leases

Non-current assets acquired under capital leases are capitalized in the consolidated financial statements and the related liability is recorded in the balance sheet.

In 2003, €147 million of minimum future lease payments due under capital leases corresponded to land and buildings compared with €124 million in 2002. Total commitments under capital leases increased to €141 million in 2003, from €117 million in 2002.

(in € millions)	2003	2002
Minimum future lease payments:		
• Within one year	21	20
• Between one and five years	65	62
• Beyond five years	68	49
Total	**154**	**131**
Less estimated executory costs included in capital leases	–	–
Total minimum future lease payments	**154**	**131**
Less interest costs	(48)	(46)
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	**106**	**85**

Obligations under operating leases

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

Net rental expense was €387 million in 2003 (2002: €386 million; 2001: €348 million), corresponding to rental expenses of €406 million (2002: €411 million; 2001: €373 million) less €19 million of subletting revenue (2002 and 2001: €25 million).

Future minimum commitments under non-cancelable operating leases as well as contingent rent do not represent material amounts for the Group.

Future minimum commitments under operating leases are as follows:

(in € millions)	Total 2003	within one year	Payments due between one and five years	beyond five years	Total 2002
Operating leases:					
• Rental expense	1,596	321	819	456	1,845
• Subletting revenue	(107)	(16)	(44)	(47)	(128)
TOTAL	**1,489**	**305**	**775**	**409**	**1,717**

Other contractual obligations

Non-cancelable purchase commitments include commitments to purchase raw materials and services, as well as non-cancelable orders for fixed assets.

(in € millions)	Total 2003	within one year	Payments due between one and five years	beyond five years	Total 2002
Non-cancelable purchase commitments:					
• Non-current assets	39	38	1		33
• Raw materials	167	114	52	1	146
• Services	149	57	56	36	102
• Other	77	60	13	4	64
TOTAL	**432**	**269**	**122**	**41**	**345**

The Group has also received guarantees, amounting to €48 million in 2003, versus €60 million in 2002.

Commercial commitments

(in € millions)	Total 2003	within one year	Payments due between one and five years	beyond five years	Total 2002
Discounted bills	9	9			12
Security for borrowings	8	5	3		16
Other commitments given	126	32	30	64	122
TOTAL	**143**	**46**	**33**	**64**	**150**

The Group held €40 million of receivables secured by guarantees at December 31, 2003, compared with €31 million at December 31, 2002. Out of the 2003 total, €5.5 million concerned guaranteed receivables related to Pipe and Ceramics & Plastics export contracts. The majority of these commitments have a term of less than one year.

Note 30 - Workforce and personnel expenses

Average headcount and corresponding personnel expenses

	2003	2002	2001
	AVERAGE NUMBER OF EMPLOYEES		
Fully consolidated companies:			
Managers	16,391	15,54	15,852
Supervisors	64,986	63,319	62,164
Other employees	88,420	90,368	93,159
SUB-TOTAL	**169,797**	**169,641**	**171,175**
Proportionately consolidated companies:			
Managers	40	32	38
Supervisors	607	531	200
Other employees	1,240	1,052	763
SUB-TOTAL	**1,887**	**1,615**	**1,001**
TOTAL	**171,684**	**171,256**	**172,176**

	2003	2002	2001
(in € millions)	PERSONNEL EXPENSES		
REMUNERATION (INCLUDING SOCIAL SECURITY CONTRIBUTIONS)	**6,277**	**6,465**	**6,519**

Remuneration of directors and corporate officers

The total direct and indirect remuneration received by Corporate Officers from Group companies in France and abroad amounted to €12.7 million in 2003, €13 million in 2002 and €12.9 million in 2001. The gross variable portion included in these remuneration amounts came to €4.5 million in 2003, €4.6 million in 2002 and €4.7 million in 2001.
Attendance fees paid to Directors for 2003 amounted to €0.5 million (2002: €0.5 million; 2001: €0.5 million).

Note 31 - Litigation

In France, further lawsuits were filed in 2003 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried on fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the assumption of occupational diseases compensation by the French Social Security. A total of 461 such lawsuits have been issued against the two companies since 1997.
At the end of 2003, 164 of these 461 lawsuits had been completed both in relation to liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault". However, in 156 of these 164 rulings, the Social Security authorities were ordered to pay the compensation for the victims for procedural reasons (statute of limitations, liability issues *("inopposabilité")*.
Everite and Saint-Gobain PAM were held liable for the payment of €1.4 million in compensation in the 8 other lawsuits.
Out of the 297 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2003, the merits of 101 have been decided but the compensation awards have not yet been made, pending issue of medical reports. The employer company has been held liable to pay compensation in only one of the cases. In the other 100 the Social Security authorities were ordered to pay the compensation for the victims for the same procedural reasons described above (statute of limitations, liability issues *("inopposabilité")*.
Out of the 196 remaining lawsuits, 4 were dismissed in 2003 as a claim was made to the French Asbestos Victims Compensation Fund (FIVA). At December 31, 2003 the procedures relating to the merits of the other 192 cases were at different stages: 21 are involved in administrative proceedings with the French Social Security authorities, 65 are pending with the Social Security courts, appeals have been issued to the Court of Appeal in 88 cases in which the employers were held liable for inexcusable fault (including 64 cases in which statute of limitations and/or liability issues have been raised as mentioned above) and 18 cases have been appealed to the *Cour de Cassation* by the French Social Security authorities in relation to procedural matters.
In addition, at December 31, 2003, 71 suits based on inexcusable fault had been filed by current or former employees of nine other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.
In 2003, 9 suits were dismissed at the request of employees or former employees further to claims made to the Asbestos Victims Compensation Fund.
At December 31, 2003, 16 lawsuits were completed: 9 through judgments by the *Cour de Cassation* which dismissed appeals issued by employees or former employees against Court of Appeal decisions dismissing the claims of inexcusable fault, 4 through judgments issued by the Social Security courts and 3 by Court of Appeal decisions finally dismissing employees' claims.
For the 46 suits outstanding at the end of 2003, 6 are in the investigation stage by the French Social Security authorities, 29 are pending before the Social Security courts and 11 before the Court of Appeal.

In accordance with a law dated December 23, 2000 a fund has been created in France known as the FIVA. It is intended to fully compensate the loss of persons officially recognized as having contracted occupational diseases caused by asbestos, as well as of all persons who have been exposed to asbestos on French territory. Any person who makes a claim to and accepts an offer of compensation from the fund will be barred from taking legal action to obtain other compensation on the same grounds. However, once the applicant has accepted an offer of compensation, the fund must make a subrogated claim against any employer considered to be responsible for the loss concerned.
On January 27, 2003 the fund published guidelines in the form of a compensation scale.
At December 31, 2003, as mentioned above, as far as the Company is aware, 13 employees or former employees of French Group companies had discontinued lawsuits filed in order to make a claim to the Asbestos Victims Compensation Fund.

Overview of asbestos-related litigation in the United States

In the United States, three Group companies that once manufactured products containing asbestos such as fiber-cement pipes, roofing products or specialized insulation, are facing legal action from persons other than the employees or former employees of the companies. The claims are based on alleged exposure to the products although in the vast majority of cases the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The 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.

CertainTeed, the main US subsidiary involved in these cases, was for a long period a member of the Center for Claims Resolution, an organization which grouped together defendants facing the same type of claims and handled the defense of all such claims. The organization also allocated court awards, negotiated out of court settlements and defense costs among its members on the basis of a pre-agreed pro-rata formula. Since February 1, 2001 the organization no longer represents its members in this way, and CertainTeed now assumes directly the defense of claims made against it, which have increased significantly since 2001.

Developments in 2003

2001 and 2002 were marked by sharp increases in new lawsuits filed against CertainTeed with 60,000 and 67,000 new cases filed respectively, compared with 19,000 in 2000. In 2003, approximately 62,000 new suits were filed, including some 29,000 in Mississippi. This exceptional surge in claims filed in Mississippi was due to the State's adoption of a new law making this state a less plaintiff-friendly venue for these claims. Numerous claims were filed in the last few months of 2002 before the new law came into effect from January 1, 2003. A significant number of these were only recorded in the first few months of 2003. A total of approximately 29,000 new claims were filed in Mississippi in 2003, compared with 18,000 for 2002. This exceptional surge tailed off towards the end of the first half of 2003. In the second half, total new claims amounted to approximately 14,000 (including 1,000 in Mississippi), a substantial reduction compared to the first half of the year (48,000 including 28,000 in Mississippi). As in 2002, the vast majority of these new claims are "mass" actions which can involve hundreds or even thousands of plaintiffs making claims for damages against dozens of companies operating in different economic sectors, without providing evidence of any specific exposure to any product allegedly manufactured by CertainTeed, or of any specific illness or physical disability. Only a very low proportion of these new lawsuits involve a serious illness, cancer or mesothelioma.

Almost all of the claims against CertainTeed are settled out of court. Approximately 54,000 claims were settled in 2003 (compared with 44,000 in 2002). In addition, at least 7,000 outstanding claims were placed on the inactive docket which means that they will not be heard until the plaintiff provides evidence of actual loss or injury. Taking into account the 107,000 outstanding cases at the end of 2002 and the new cases having arisen during 2003, as well as claims settled or placed on the inactive docket, some 108,000 claims were outstanding at December 31, 2003.

The average individual cost of settlement based on all claims settled increased to approximately US $2,100 in 2003, from US $1,955 a year earlier.

Impact on the Group's results

The Group recorded a €100 million charge in 2003 to make provision for future developments in relation to these claims, including €50 million recorded in the first half of the year. The same charge was recorded in 2002. At December 31, 2003 the Group's total cover for asbestos-related claims against CertainTeed in the United States amounted to €341 million (US $431 million), comprised of insurance coverage available at that date and the provision referred to above, compared with €426 million at December 31, 2002 (US $446 million).

Cash flow impact

Total compensation paid for these cases – including claims settled in 2002 but paid out in 2003, and those fully settled and paid in 2003 – amounted to €135 million in 2003 (US $153 million), versus €109 million (US $103 million) in 2002. US $148 million of this amount has been or will be covered by insurance.

Outlook for 2004

Although trends relating to the number of new suits have been favorable since the third quarter of 2003, the most significant drop has been in "mass claims" which generally have a lower average cost of claims settled than the overall average figure. Therefore, unless the current trends change again, the average cost of claims settled is expected to increase in the future, most likely from 2004 onwards.

If the bill currently being considered by the US Senate is adopted, claimants will no longer be able to file the sort of claims described above in the United States. If enacted the bill would prohibit employees who have been exposed to asbestos from bringing their claims to court. Instead, such employees would receive compensation for their exposure from a trust fund. The bill was adopted by the US Senate Judiciary Committee on July 10, 2003 but at the date when this report was prepared the full Senate had not yet voted on it. However, the Senate Republican Leader has publicly announced that he intends to put the bill on the Senate floor for consideration in April 2004.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or medical assistance for their lifetime combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2003 and they do not represent a material risk for the companies concerned.

▶ Note 32 - Related-party transactions

The main balances and transactions with companies accounted for by the equity method are as follows:

(in € millions)	2003	2002	2001
Assets:			
Financial receivables	1	11	9
Inventories			2
Other receivables	16	21	13
Cash and cash equivalents	9	7	15
Provisions for impairment in value	(1)	(2)	(2)
Liabilities:			
Short-term debt	1	6	5
Cash advances	5	4	2
Expenses:			
Purchases	10	28	63
Income:			
Sales	67	61	64

▶ Note 33 - Segment and geographic information

In its various businesses, the Saint-Gobain Group is a major worldwide player in the manufacturing and distribution of materials. Its operations break down into three main business sectors made up of divisions.

Segment information is presented as follows:

Glass
- Flat Glass
- Insulation & Reinforcements
- Containers

High-Performance Materials
- Ceramics & Plastics and Abrasives

Housing Products
- Building Materials
- Building Materials Distribution
- Pipe

The Group has operations in 46 countries. Its principal markets are in Europe (mainly in France, where its head office is located) and in North America. Management uses several different indicators to measure the operational performance of each division and to make resource-allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements. Sales between divisions are generally carried out based on the same conditions as sales to external customers and are eliminated in consolidation. The accounting principles applied by the divisions are the same as those described in note 1.

Segment information by Sector and by Division

(in € millions)	Glass			High-Performance Materials	Housing Products			Other*	Total
	Flat Glass	Insulation and Reinforcements	Containers	Ceramics & Plastics and Abrasives	Building Materials	Building Materials Distribution	Pipe		
YEAR ENDED DECEMBER 31, 2003									
External sales	4,273	2,925	3,865	3,208	2,623	11,301	1,395		29,590
Internal sales	25	185	4	48	201	4	121	(588)	
Net sales	4,298	3,110	3,869	3,256	2,824	11,305	1,516	(588)	29,590
Operating income	471	265	442	273	265	560	151	15	2,442
Depreciation and amortization (excluding goodwill)	(307)	(227)	(271)	(163)	(117)	(184)	(60)	(8)	(1,337)
Amortization of goodwill	4	(6)	(19)	(50)	(24)	(50)	(10)	1	(154)
Net goodwill	227	283	524	1,319	507	1,796	238	8	4,902
Total assets	4,483	2,870	3,428	3,948	1,717	9,019	1,474	3,156	30,095
Equity method investees			2	11			1		14
Purchases of property, plant and equipment	364	232	265	108	117	213	50	2	1,351
Equity in earnings of equity investees			1	2	2	1			6

* "Other" represents intercompany eliminations in relation to sales, and the holding company activity for the other captions.

(in € millions)	GLASS			HIGH-PERFORMANCE MATERIALS	HOUSING PRODUCTS			OTHER*	TOTAL
	Flat Glass	Insulation and Reinforcements	Containers	Ceramics & Plastics and Abrasives	Building Materials	Building Materials Distribution	Pipe		
YEAR ENDED DECEMBER 31, 2002									
External sales	4,406	3,147	4,072	3,592	2,880	10,951	1,226		30,274
Internal sales	17	182	4	45	194	2	118	(562)	
Net sales	4,423	3,329	4,076	3,637	3,074	10,953	1,344	(562)	30,274
Operating income	495	351	479	244	335	534	135	9	2,582
Depreciation and amortization (excluding goodwill)	(328)	(240)	(293)	(189)	(131)	(183)	(61)	(9)	(1,434)
Amortization of goodwill	1	(6)	(21)	(66)	(22)	(46)	(10)	1	(169)
Net goodwill	274	309	642	1,642	736	1,654	257	7	5,521
Total assets	4,658	3,075	3,689	4,632	2,562	8,620	1,396	1,516	30,148
Equity method investees			3	5					8
Purchases of property, plant and equipment	377	198	294	160	135	227	39	1	1,431
Equity in earnings (losses) of equity investees			(4)		4	2	2		4

* "Other" represents intercompany eliminations in relation to sales, and the holding company activity for the other captions.

The Pipe Division's distribution operations were transferred to the Building Materials Distribution Division as from January 1, 2002. The segment information by Sector and by Division for 2001 has been adjusted to take into account this transfer on a pro forma basis.

(in € millions)	GLASS			HIGH-PERFORMANCE MATERIALS	HOUSING PRODUCTS			OTHER*	TOTAL
	Flat Glass	Insulation and Reinforcements	Containers	Ceramics & Plastics and Abrasives	Building Materials	Building Materials Distribution	Pipe		
YEAR ENDED DECEMBER 31, 2001									
External sales	4,452	3,118	4,067	3,970	3,000	10,520	1,263		30,390
Internal sales	26	156	3	48	184	1	134	(552)	
Net sales	4,478	3,274	4,070	4,018	3,184	10,521	1,397	(552)	30,390
Operating income	551	402	404	392	294	475	146	17	2,681
Depreciation and amortization (excluding goodwill)	(320)	(243)	(298)	(195)	(137)	(185)	(68)	(6)	(1,452)
Amortization of goodwill	(6)	(9)	(23)	(70)	(25)	(44)	(8)	1	(184)
Net goodwill	293	326	780	1,987	782	1,609	282	6	6,065
Total assets	5,133	3,597	4,151	5,501	2,714	8,485	1,510	1,051	32,142
Equity method investees	1		3	6	1		10		21
Purchases of property, plant and equipment	361	229	237	173	134	252	43	1	1,430
Equity in earnings (losses) of equity investees	2		(6)	6	2	1	2		7

* "Other" represents intercompany eliminations in relation to sales, and the holding company activity for the other captions.

Selected information related to the Group's operations by geographical area is as follows:

(in € millions)	France	Other European countries	North America	Rest of the world	Internal sales	Total
2003:						
Net sales	9,926	12,948	5,735	2,227	(1,246)	29,590
Non-current assets	4,224	7,241	4,101	1,671		17,237
2002:						
Net sales	9,439	13,068	6,785	2,195	(1,213)	30,274
Non-current assets	4,358	7,566	5,130	1,786		18,840
2001:						
Net sales	9,095	12,944	7,180	2,293	(1,122)	30,390
Non-current assets	4,073	7,461	5,946	2,198		19,678

The geographical breakdown of external sales for 2003, 2002 and 2001 is as follows:

(in € millions)	France	Other European countries	North America	Rest of the world	Total
2003:					
External sales	8,473	12,717	5,529	2,871	29,590
2002:					
External sales	8,083	12,847	6,555	2,789	30,274
2001:					
External sales	7,741	12,749	7,034	2,866	30,390

Note 34 - Principal fully consolidated companies

The table below shows the principal consolidated companies, particularly those with net sales of over €100 million.

			Percentage interest (held directly and indirectly)
PRINCIPAL FULLY CONSOLIDATED COMPANIES AT DECEMBER 31, 2003			
Holding companies			
	Compagnie de Saint-Gobain	France	100.00%
	Spafi	France	100.00%
	SGPPI	France	100.00%
	Saint-Gobain Corp.	United States	100.00%
	Saint-Gobain Nederland Bv	Netherlands	100.00%
	Partidis	France	100.00%
Glass Sector			
FLAT GLASS			
	Saint-Gobain Glass France	France	100.00%
	Saint-Gobain Sekurit France	France	100.00%
	Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.89%
	Saint-Gobain Glass Deutschland GmbH	Germany	99.89%
	Saint-Gobain Glass Benelux	Belgium	99.73%
	Koninklijke Saint-Gobain Glass	Netherlands	99.73%
	Cebrace Cristal Plano Ltda	Brazil	50.00%
	Saint-Gobain Cristaleria SA	Spain	99.61%
	Solaglas Ltd	United Kingdom	99.97%
	Saint-Gobain Glass Italia	Italy	100.00%
	Saint-Gobain Sekurit Italia	Italy	100.00%
	Saint-Gobain Vidros	Brazil	100.00%
	Hankuk Sekurit Limited	Korea	71.82%

			Percentage interest (held directly and indirectly)
INSULATION AND REINFORCEMENTS			
	Saint-Gobain Isover	France	100.00%
	Saint-Gobain Vetrotex France	France	100.00%
	Saint-Gobain Isover G+H AG	Germany	99.88%
	Saint-Gobain Vetrotex Italia SpA	Italy	100.00%
	CertainTeed Corporation	United States	100.00%
	Saint-Gobain Vetrotex America Inc.	United States	100.00%
	Saint-Gobain Ecophon Group	Sweden	99.30%
CONTAINERS			
	Saint-Gobain Desjonquères	France	99.99%
	Saint-Gobain Emballage	France	100.00%
	Saint-Gobain Oberland AG	Germany	96.67%
	Saint-Gobain Vicasa SA	Spain	99.53%
	Saint-Gobain Containers Inc.	United States	100.00%
	Saint-Gobain Calmar Inc.	United States	100.00%
	Saint-Gobain Vetri SpA	Italy	99.98%
High-Performance Materials Sector			
CERAMICS & PLASTICS AND ABRASIVES			
	Saint-Gobain Abrasifs	France	99.92%
	Société Européenne des Produits Réfractaires	France	100.00%
	Saint-Gobain Abrasives Inc.	United States	100.00%
	Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
	Saint-Gobain Performance Plastics Corp.	United States	100.00%
	Saint-Gobain Abrasivi	Italy	99.92%
	SEPR Italia	Itay	100.00%
	Saint-Gobain Abrasivos Brasil	Brazil	100.00%
Housing Products Sector			
BUILDING MATERIALS			
	Saint-Gobain Weber	France	99.99%
	Saint-Gobain Stradal	France	100.00%
	CertainTeed Corporation	United States	100.00%
	Brasilit	Brazil	100.00%
BUILDING MATERIALS DISTRIBUTION			
	Distribution Sanitaire Chauffage	France	100.00%
	Lapeyre	France	100.00%
	Point.P	France	100.00%
	Raab Karcher GmbH	Germany	100.00%
	Saint-Gobain Building Distribution Ltd	United Kingdom	99.97%
	Saint-Gobain Pipe Systems Plc	United Kingdom	99.97%
	Raab Karcher BV	Netherlands	100.00%
PIPE			
	Saint-Gobain PAM SA	France	100.00%
	Saint-Gobain Gussrohr KG	Germany	100.00%
	Saint-Gobain Pipelines Plc	United Kingdom	99.97%
	Saint-Gobain Canalizacion SA	Spain	99.92%
	Saint-Gobain Condotte SpA	Itay	100.00%
	Saint-Gobain Canalizaçao SA	Brazil	100.00%

PRINCIPAL PROPORTIONALLY CONSOLIDATED COMPANY AT DECEMBER 31, 2003			
Glass Sector			
FLAT GLASS			
	Hankuk Glass Industries	Korea	43.80%

Statutory auditors' report
on the consolidated financial statements

For the year ended December 31, 2003

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Compagnie de Saint-Gobain for the years ended December 31, 2003, 2002 and 2001. These consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applied 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements give a true and fair view of Compagnie de Saint-Gobain and its subsidiaries' financial position and their assets and liabilities as of December 31, 2003, 2002 and 2001 and of the results of their operations for the years then ended in accordance with French accounting principles and regulations.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act (Loi de Sécurité Financière) of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:
• As stated in Note 1 to the consolidated financial statements, the Group carries out impairment tests on a regular basis for non-current assets. As part of our assessment of the significant estimates used to prepare the financial statements, we examined the approach used by the Group and – based on the information available at the time of our audit – we also ensured that the estimates made by the Group at December 31, 2003 were reasonable.
• The Group records provisions for pensions and other post-retirement benefits in accordance with the accounting principles described in Note 1 to the consolidated financial statements. Such provisions are calculated based on the assumptions and methods described in Note 16. As part of our assessments, we ensured that the assumptions and methods used for determining these provisions, as well as the resulting valuations, were reasonable.
• The types of provisions for contingencies and charges recorded under "Other liabilities" are described in Note 18 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods used to determine provisions for contingencies and charges, as well as the disclosures relating to said provisions provided in the Notes to the consolidated financial statements at December 31, 2003, were reasonable.
These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

Specific verification

We have also reviewed the information given in the Group's management report. We have no comments as to its fair presentation and its conformity with the consolidated financial statements.

Paris, March 25, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Pierre Coll   Christian Marcellin

SECEF

Jacques Tenette   Francis Vallet

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Adoption of International Financial Reporting Standards

By the end of 2002, the Saint-Gobain Group had already begun to prepare for the adoption of International Financial Reporting Standards (IFRS) with effect from January 1, 2005.
A dedicated IFRS project team was set up in January 2003. This team, supported by the Group Doctrine Department, consists of 3 staff working full-time on the project. The Group has also consulted external advisers, and all phases of the project have been validated by the Group's auditors. The project team is working in close collaboration with Saint-Gobain's Divisions, Delegations and operating teams.

The project has been broken down into 5 phases:
• A diagnostic phase, enabling divergences between IFRS and French GAAP to be identified.
• A detailed analysis phase, designed to assess how certain standards are to be applied and to identify the organizational changes needed for the implementation of IFRS. These relate primarily to the reporting system and modifications to the accounting systems used by Group companies.
• A training phase, developed jointly with the Delegations. This process began in 2003 with the provision of training for consolidation teams, financial controllers, consolidation correspondents from the Delegations and chief financial officers from across the Group. Efforts have continued during the first quarter of 2004, with over a thousand accounts staff in all countries where the Group operates receiving training.
• A systems adaptation phase, covering reporting and accounting software, which began early in 2004 and is ongoing.
• A procedures drafting phase, involving the preparation of guidelines by the Doctrine Department, which began in 2003 and is continuing in 2004.

Given the size, diverse business mix and geographical reach of the Saint-Gobain Group, and the continuing uncertainties surrounding a number of important standards, it is not yet possible to give an accurate estimate of the impact of the adoption of IFRS on Saint-Gobain's financial statements.

However, it is clear that the main impact on the financial statements will come from the first-time application of the standards on property, plant and equipment, on financial instruments, and on employee benefits.

In addition, it is not yet possible to make any assessment about future standards relating to business combinations, intangible assets, impairment of assets and stock-based compensation, which are not due to be published until later in 2004.

IV • Financial statements of Compagnie de Saint-Gobain (Parent Company)

Compagnie de Saint-Gobain (Parent Company)

Statements of income

(in € thousands)	2003	2002	2001
Income from investments in subsidiaries and affiliates	765,071	932,447	1,173,715
Net income from marketable securities [1]	27,687	9,927	20,139
Interest expense [1]	(402,545)	(451,048)	(597,309)
Other financial expense	(2,831)	(1,959)	(1,494)
NET FINANCIAL INCOME (note 2)	387,382	489,367	595,051
OTHER OPERATING INCOME (EXPENSE)	5,549	(20)	7,456
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS	392,931	489,347	602,507
EXCEPTIONAL ITEMS (note 3)	50,755	76,173	475,345
INCOME TAX (note 4)	69,888	30,396	15,020
NET INCOME	**513,574**	**595,916**	**1,092,872**

Analysis of the statements of income

1 - Income from investments in subsidiaries and affiliates

(in € thousands)	2003	2002	2001
Income from investments	415,750	500,867	587,988
Income from related receivables and loans	349,321	431,580	585,727
TOTAL	**765,071**	**932,447**	**1,173,715**

2 - Net income from marketable securities

(in € thousands)	2003	2002	2001
Interest income [1]	15,602	9,350	18,615
Net income from sales of marketable securities	12,085	577	1,524
TOTAL	**27,687**	**9,927**	**20,139**

3 - Interest expense

(in € thousands)	2003	2002	2001
Non-voting participating securities	(23,973)	(26,272)	(27,432)
Other interest expense [1]	(378,572)	(424,776)	(569,877)
TOTAL	**(402,545)**	**(451,048)**	**(597,309)**

(1) To present financial income and expense more clearly, financial income from off-balance sheet instruments is deducted from expenses on the hedged item. This presentation method had the effect of reducing expenses by €120,396 thousand in 2003, €122,335 thousand in 2002 and €147,863 thousand in 2001.

4 - Other financial income (expense)

(in € thousands)	2003	2002	2001
Income from non-current assets	85	68	143
Amortization and provisions	(3,067)	(2,149)	(1,786)
Exchange gains, net	151	122	149
TOTAL	**(2,831)**	**(1,959)**	**(1,494)**

5 - Other operating income (expense)

(in € thousands)	2003	2002	2001
Other operating income:			
• Group (consolidated companies)	157,573	152,258	144,634
• Outside the Group	7,396	5,342	5,309
TOTAL	**164,969**	**157,600**	**149,943**
Other operating expense:			
• Personnel expenses	(49,478)	(49,185)	(48,129)
• Other	(110,312)	(108,447)	(94 495)
TOTAL	**(159,790)**	**(157,632)**	**(142,624)**
Share in profits of joint ventures	370	12	137
NET	**5,549**	**(20)**	**7,456**

6 - Exceptional items

(in € thousands)	2003	2002	2001
Exceptional income:			
• From revenue transactions	14,232	24,145	6,713
• From capital transactions	128,619	364,082	3,063,714
• Reversals of provisions	49,921	105,464	15,413
TOTAL	**192,772**	**493,691**	**3,085,840**
Exceptional expenses:			
• On revenue transactions	(1,406)	(10,004)	(7,173)
• On capital transactions	(113,218)	(364,340)	(2,557,668)
• Depreciation, amortization and provisions	(27,393)	(43,174)	(45,654)
TOTAL	**(142,017)**	**(417,518)**	**(2,610,495)**
NET EXCEPTIONAL INCOME	**50,755**	**76,173**	**475,345**

(1) To present financial income and expense more clearly, financial income from off-balance sheet instruments is deducted from expenses on the hedged item. This presentation method had the effect of reducing expenses by €120,396 thousand in 2003, €122,335 thousand in 2002 and €147,863 thousand in 2001.

Balance sheets at December 31

ASSETS *(in € thousands)*	2003 Gross	 Depreciation amortization and provisions	 Net	2002	2001
NON-CURRENT ASSETS					
Intangible assets (note 5):					
• Goodwill [1]	567	(454)	113	136	159
• Other intangible assets	33,432	(26,223)	7,209	11,887	15,611
• In progress	4,153		4,153	961	792
Property and equipment (note 6):					
• Land	620		620	620	620
• Buildings	487	(245)	242	252	262
• Other	11,389	(8,479)	2,910	2,711	3,025
• In progress			0	0	4
Financial investments [2] (note 7):					
• Investments in subsidiaries and affiliates	7,792,475	(1,217)	7 791,258	7,890,199	7,805,066
• Investment-related receivables	4,790,181		4 790,181	5,539,962	6,381,207
• Other investment securities	441,410	(36,663)	404,747	147,684	179,667
• Loans	1,649,507		1,649,507	1,542,190	892,510
• Other financial investments	1,103		1,103	1,080	1,166
TOTAL I	**14,725,324**	**(73,281)**	**14,652,043**	**15,137,682**	**15,280,089**
CURRENT ASSETS (note 8)					
Other receivables [3]	108,764		108,764	96,702	49,376
Marketable securities	1,214,718		1,214,718	76,943	2,040
Cash and cash equivalents	1,681,339		1,681,339	1,303,929	2,006,256
Accruals:					
• Prepayments [3]	2,407		2,407	3,306	8,059
TOTAL II	**3,007,228**	**–**	**3,007,228**	**1,480,880**	**2,065,731**
Deferred charges					
TOTAL III	**7 957**		**7,957**	**10,564**	**2,235**
TRANSLATION ADJUSTMENTS - ASSETS - **TOTAL IV**	**–**	**–**	**–**	**–**	**–**
TOTAL	**17,740,509**	**(73,281)**	**17,667,228**	**16,629,126**	**17,348,055**
(1) Including leasehold rights			–	–	–
(2) Of which due within one year			3,295,454	3,891,338	3,482,724
(3) Of which due in over one year			771	942	1,112

LIABILITIES AND SHAREHOLDERS' EQUITY *(in € thousands)*	2003	2002	2001
Shareholders' equity (note 9):			
• Capital stock	1,391,300	1,364,043	1,364,138
• Additional paid-in capital	2,241,803	2,128,276	2,113,148
• Reserve for revaluation of assets	56,262	56,516	56,213
• Reserves:			
- Legal reserve (a)	139,130	136,404	136,414
- Untaxed reserves	2,541,092	2,548,798	2,273,498
- Other reserves	106,415	106,415	106,415
• Unappropriated retained earnings	1,090,363	865,882	426,674
• Net income for the year	513,574	595,916	1,092,872
• Untaxed provisions (note 11)	6,615	6,807	6,625
TOTAL I	**8,086,554**	**7,809,057**	**7,575,997**
Other equity (note 10):			
• Non-voting participating securities - **TOTAL I A**	**391,034**	**391,034**	**391,034**
Provisions for contingencies and charges (note 11):			
• Provisions for contingencies	357,031	343,215	446,214
• Provisions for charges	10,474	10,020	9,588
TOTAL II	**367,505**	**353,235**	**455,802**
Debt and payables (1) (note 12):			
• Other bonds	1,231,873	1,255,867	309,099
• Bank borrowings (2)	612,411	716,522	760,266
• Other short- and long-term debts	6,947,306	6,007,077	7,544,234
• Taxes and social charges payable	12,206	11,864	37,582
• Other payables	18,339	84,470	274,041
Accruals (1):			
• Deferred income			
TOTAL III	**8,822,135**	**8,075,800**	**8,925,222**
TRANSLATION ADJUSTMENTS - LIABILITIES - **TOTAL IV**	–	–	–
TOTAL	**17,667,228**	**16,629,126**	**17,348,055**
(a) Of which reserve for long-term capital gains	14,225	14,225	14,225
(1) Due in over one year	6,157,132	6,054,189	4,918,454
Due within one year	2,665,003	2,021,611	4,006,768
(2) Of which short-term bank loans and overdrafts	280,397	234,419	282,363

Statements of cash flows

(in € thousands)	2003	2002	2001
NET INCOME	**513,574**	**595,916**	**1,092,872**
Depreciation and amortization	9,738	8,682	6,934
Changes in provisions	(22,380)	(61,658)	30,242
Profit on sales of non-current assets, net	(15,401)	257	(506,046)
CASH FLOWS FROM OPERATIONS	**485,531**	**543,197**	**624,002**
(Increase) decrease in other receivables	(11,622)	(53,051)	118,955
Increase (decrease) in taxes and social charges payable	342	(25,718)	(81,199)
Increase (decrease) in other payables	(66,131)	(189,571)	80,289
NET CHANGE IN WORKING CAPITAL	**(77,411)**	**(268,340)**	**118,045**
CASH FLOWS FROM OPERATING ACTIVITIES	**408,120**	**274,857**	**742,047**
Acquisitions of intangible assets	(4,147)	(1,923)	(3,642)
Purchases of property and equipment	(1,210)	(750)	(868)
Disposals of property and equipment and intangible assets	19	79	38
Acquisition of investments in subsidiaries and affiliates and other investment securities	3,059	(444,389)	(3,014,621)
Purchases of treasury stock	(238,190)	(162,051)	(252,924)
Disposals of investments in subsidiaries and affiliates and other investment securities	128,600	364,003	3 063,676
(Increase) decrease in investment-related receivables	749,781	841,245	(82,552)
(Increase) decrease in long-term loans	(107,316)	(649,680)	(121,467)
(Increase) decrease in other financial investments	(23)	86	(104)
CASH FLOWS FROM INVESTING ACTIVITIES/DIVESTMENTS	**530,573**	**(53,380)**	**(412,464)**
Issues of capital stock	143,509	163,596	129,086
Dividends paid	(379,141)	(378,364)	(356,860)
Increase (decrease) in unappropriated retained earnings	–	–	–
Increase (decrease) in reserves for revaluation of assets	–	–	–
Increase (decrease) in other equity	–	–	–
Increase (decrease) in short- and long-term debt	356,015	586,068	(468,797)
Increase (decrease) in bank overdrafts and other short-term debt	456,109	(1,220,201)	(384,442)
Decrease (increase) in marketable securities	(1,137,775)	(74,903)	71,021
CASH FLOWS FROM FINANCING ACTIVITIES	**(561,283)**	**(923,804)**	**(1,009,992)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**377,410**	**(702,327)**	**(680,409)**
Cash and cash equivalents at beginning of year	1,303,929	2,006,256	2,686,665
Cash and cash equivalents at end of year	1,681,339	1,303,929	2,006,256

Notes to the parent company financial statements

The financial statements cover the twelve-month period from January 1 to December 31, 2003.
The following notes form an integral part of the annual financial statements.
These financial statements were approved by the Board of Directors on March 25, 2004.

▶ Note 1: Accounting principles and methods

The financial statements of Compagnie de Saint-Gobain have been drawn up in accordance with French generally accepted accounting principles.
The presentation of the statement of income has been adapted to the activity of Compagnie de Saint-Gobain which is a holding company.
The principle of consistent application of accounting principles from the previous year has been complied with.
The financial statements of the German branch are included in those of Compagnie de Saint-Gobain's head office.

Intangible assets

Assigned goodwill not covered by any form of legal protection is amortized over twenty-five years. Other intangible assets are amortized over periods of between three and five years.

Property and equipment

Property and equipment are stated at cost (purchase price plus related costs, excluding expenses incurred on acquisition), except for assets acquired prior to December 31, 1976, which have been revalued.
Depreciation is based on the estimated useful life of assets using the straight-line or reducing-balance method. The most commonly used useful lives are as follows:

• Buildings	40 years	Straight-line
• Improvements and additions	12 years	Straight-line
• Installations and fittings	5 or 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 reducing balance

Financial investments, investments in subsidiaries and affiliates and other investment securities

The gross value of these items represents cost excluding expenses.
The book value of investments in holding companies is assessed based on revalued net assets. Provisions for impairment in value are generally recorded or written back based on the average of the values obtained between revalued net assets of the company concerned and capitalized average net cash flows. Increases and write-backs of provisions against investment securities are included in exceptional items.
Own shares held by Compagnie de Saint-Gobain for different purposes are classified as "Other investment securities" in the balance sheet. They are carried at the lower of cost, market price or the exercise price of options granted to employees when the shares have been allocated for attribution under stock options plans and when the exercise of the options is probable.

Marketable securities

Marketable securities mainly include units in SICAV and other mutual funds recorded at the lower of cost and market.

Receivables

Receivables are carried at their nominal value. A provision for impairment in value is recorded when their fair value falls below net book value.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Receivables and payables which are specifically hedged are recorded in the balance sheet at the hedging rate. Other receivables, payables and bank balances in foreign currencies, as well as the instruments used to hedge them, are converted at the year-end rate and the related exchange differences are recorded in the balance sheet under "Translation adjustments". Provisions are booked for exceptional unrealized exchange losses which are not hedged.

Financial instruments

Compagnie de Saint-Gobain manages, mainly on behalf of its subsidiaries, the hedging of foreign exchange and interest rate risks resulting from the Group's international activities.
Liquidity risk, which is also managed by Compagnie de Saint-Gobain, is not material.
Market risks exclusively concern investments held for strategic purposes.
In order to anticipate future developments in the accounting treatment of financial instruments, the Company amended its accounting policies in 2001 in order to take into account fair value.
The presentation of the financial statements for the year ended December 31, 2003 is unchanged from prior years.
The main financial instruments used to hedge foreign exchange risks are forward purchase and sale contracts and options. Hedged receivables and payables are recorded in the balance sheet at the hedging rate.
The portion representing the extrinsic (time) value of unrealized gains or losses on currency options used to hedge the above positions is taken to income, and the portion representing intrinsic value is recorded in the balance sheet. Unrealized losses on options which are not classified as hedges are recognized in the income statement, whereas unrealized gains are not taken into account.
Compagnie de Saint-Gobain uses interest-rate swaps and swaptions (caps and floors) as well as forward rate agreements to hedge its exposure to increases in interest rates.
Income and expenses related to interest-rate swaps are recognized on a symmetrical basis with the expenses and income on the hedged items.
The portion representing the extrinsic (time) value of unrealized gains or losses on interest rate options used to hedge the above positions is taken to income and the portion representing intrinsic value is recorded in the balance sheet. Interest-rate options which are not classified as hedges are recognized in the income statement at market value.

Consolidated tax agreements

Compagnie de Saint-Gobain is assessed for income tax on its consolidated fiscal income as provided for under article 209 quinquies of the French Tax Code (CGI) as well as the integrated tax *(Intégration Fiscale)* system as provided for under article 223 A *et seq.* of the CGI. A request has been filed to renew the tax consolidation agreement, which covered the years 2001 to 2003, for the years 2004 to 2006.
The tax charge of Compagnie de Saint-Gobain includes its own tax liability as well as that resulting from the consolidated fiscal income of its tax group.
A provision for potential tax liabilities is booked for the income tax benefit to be transferred by Compagnie de Saint-Gobain to loss-making subsidiaries in the tax group when the subsidiaries concerned return to profit. Movements in this provision are recorded under exceptional items.

Note 2: Net financial income

Net financial income decreased by €102 million, due to the combined impact of:
• a €167 million reduction in income from investments in subsidiaries and affiliates;
• a €66 million decrease in interest expense, net of interest income;
• a €1 million increase in the amortization charge and additions to provisions.

Note 3: Exceptional items

Exceptional income mainly corresponds to income from revenue transactions in an amount of €14 million, proceeds from asset disposals or contributions of €129 million, and write-backs of provisions for contingencies and charges and impairment in value of €50 million.
Exceptional expenses mainly correspond to expenses on revenue transactions of €2 million (including €1.3 million paid to employees under incentive schemes), assets sold or contributed representing a net book value of €113 million, and amortization, depreciation and provision charges of €27 million, including €11 million relating to the provision for potential tax liabilities.

Note 4: Income tax

Under the consolidated tax regime and the integrated tax systems, the income tax benefit attributable to Compagnie de Saint-Gobain is estimated at €70 million for the year ended December 31, 2003, as follows:
• €43 million tax benefit for 2003;
• €27 million tax benefit due to an adjustment to the provision booked at December 31, 2002 for the fiscal year 2002.
Compagnie de Saint-Gobain is required to credit to a special long-term capital gains reserve, income taxed at the reduced rate of 19% recorded by the companies included in the integrated tax system. An amount of €292 million will be added to the reserve in 2004, in respect of 2003 income.

Note 5: Intangible assets

Intangible assets represent goodwill and other intangible assets which are amortized over periods of between three and five years.

	Non-current assets				Amortization			
(in € thousands)	Gross at beginning of year	Increase	Decrease	Gross at end of year	Accumulated at beginning of year	Increase	Decrease	Accumulated at end of year
Goodwill	567			567	431	23		454
Other intangible assets	33,075	955	(598)	33,432	21,188	5,633	(598)	26,223
In progress	961	3,192		4,153	–			–
TOTAL	**34,603**	**4,147**	**(598)**	**38,152**	**21,619**	**5,656**	**(598)**	**26,677**

▶ Note 6: Property and equipment

	Non-current assets				Amortization			
(in € thousands)	Gross at beginning of year	Increase	Decrease	Gross at end of year	Accumulated at beginning of year	Increase	Decrease	Accumulated at end of year
Land	620			620	–			–
Buildings	487			487	235	10		245
Other	10,338	1,210	(159)	11,389	7,627	1,005	(153)	8,479
In progress	–			–	–			–
TOTAL	**11,445**	**1,210**	**(159)**	**12,496**	**7,862**	**1,015**	**(153)**	**8,724**

▶ Note 7: Financial investments

Financial investments

	Non-current assets			
(in € thousands	Gross at beginning of year	Increase	Decrease	Gross at end of year
Investments in subsidiaries and affiliates	7,895,809	71	(103,405)	7,792,475
Investment-related receivables	5,539,962	1,943,679	(2,693,460)	4,790,181
Other investment securities	216,158	238,320	(13,068)	441,410
Loans	1,542,190	1,654,688	(1,547,371)	1,649,507
Other financial investments	1,080	145	(122)	1,103
TOTAL	**15,195,199**	**3,836,903**	**(4,357,426)**	**14,674,676**

Changes in investments in subsidiaries and affiliates

(in € thousands)	Increase	Decrease
Purchase of various shares from German branch	71	
Disposal of Vivendi Universal shares		(95,496)
SEPR capital reduction		(3,261)
Disposal of Iranit shares		(4,648)
TOTAL	**71**	**(103,405)**

Changes in other investment securities

(in € thousands)	Increase	Decrease
Purchase of treasury stock on the market	238,190	
Purchase of Vigeo SAS shares	130	
Sales of treasury stock		(13,068)
Other sales of shares		–
TOTAL	**238,320**	**(13,068)**

Other financial investments

(in € thousands)	Gross	Maturity Within one year	Over one year
Investment-related receivables	4,790,181	1,648,765	3,141,416
Loans (1)	1,649,506	1,646,689	2,817
Other	1,103	–	1,103
TOTAL	**6,440,790**	**3,295,454**	**3,145,336**

(1) Loans granted during the year	1,654,687
Loans repaid during the year	1,547,371

Changes in treasury stock

(in € thousands)	Number of shares held	Gross	Net
At December 31, 2000	**2,970,132**	**111,993**	**99,881**
Purchases from International Saint-Gobain	5,017,752	215,387	215,387
Acquisitions in 2001	968,192	37,537	37,537
Disposals in 2001	(219,472)	(9,332)	(6,311)
Cancellations in 2001	(3,918,252)	(148,756)	(148,756)
Adjustments to provision for impairment in value	–	–	(18,557)
At December 31, 2001	**4,818,352**	**206,829**	**179,181**
Acquisitions in 2002	5,403,148	162,051	162,051
Disposals in 2002	(107,976)	(4,635)	(3,136)
Cancellations in 2002	(4,953,708)	(148,572)	(148,572)
Adjustments to provision for impairment in value	–	–	(42,326)
At December 31, 2002	**5,159,816**	**215,673**	**147,198**
Acquisitions in 2003	6,784,000	238,190	238,190
Disposals in 2003	(304,430)	(13,068)	(8,843)
Cancellations in 2003	–	–	–
Adjustments to provision for impairment in value	–	–	27,586
AT DECEMBER 31, 2003	**11,639,386**	**440,795**	**404,131**

Further to the four-for-one stock split of June 27, 2002, the number of shares at December 31, 2001 has been multiplied by four in order to permit year-on-year comparisons.
No treasury shares were cancelled in 2003. However, the Board of Directors of Compagnie de Saint-Gobain decided to cancel 6,799,832 shares on January 29, 2004.

▶ Note 8: Current assets

Current assets rose €1,524 million in 2003 to €3,007 million. This change reflects the combined impact of a €1,138 million increase in marketable securities, a €377 million increase in cash and cash equivalents, a €12 million rise in other receivables and a €1 million decrease in prepayments.

Maturity of receivables

(in € thousands)	Gross	Maturity Within one year	Over one year
Other receivables	108,764	108,764	–
Prepayments	2,407	1,636	771
TOTAL	**111,171**	**110,400**	**771**

Note 9: Shareholders' equity

Changes in shareholders' equity

(in € thousands)	Amounts
Shareholders' equity before appropriation of net income for 2002	**7,809,057**
Distribution in 2003 of the dividend relating to 2002	(379,141)
Employee share issue (capital and premiums)	143,510
Other movements – revaluation reserve and untaxed provisions	(446)
Net income for 2003	513,574
SHAREHOLDERS' EQUITY BEFORE APPROPRIATION OF NET INCOME FOR 2003	**8,086,554**

Movements in capital stock

	Number of shares	Amounts (in € thousands)
Capital stock at beginning of year (1)	341,010,680	1,364,043
Shares issued under the Group Savings Plan	6,499,407	25,998
Shares issued on exercise of stock options granted in 1995 and 1996	314,880	1,259
Cancellation of shares	–	–
CAPITAL STOCK AT YEAR-END (2)	**347,824,967**	**1,391,300**

(1) Par value of shares at January 1, 2003: €4.
(2) Par value of shares at December 31, 2003: €4.

Share issue premiums increased by €114 million as a result of the share issues mentioned above, after taking into account related expenses and the adjustment to the legal reserve, which increased by €3 million.
The reserve for the revaluation of assets remained unchanged at €56 million.
Following the adoption of the resolutions at the Ordinary and Extraordinary General Meeting of June 5, 2003 relating to the appropriation of 2002 net income and the adjustment of the dividend paid for that year, retained earnings rose by €224 million. The long-term capital gains reserve decreased by €8 million, representing the combined impact of a €42 million write-back to adjust the provisional charge concerning 2001 income, and the provisional charge concerning 2002 income amounting to €34 million.
Lastly, 2003 net income contracted by €82 million compared with 2002.

Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees, and a Group Savings Plan ("PEG"), or employee stock purchase plan.
The stock option plans allow the Board of Directors to grant options which allow the holder to obtain Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the date of grant. Discounts of 10% and 5% on this average price were granted in 1997 and 1998 respectively. Such discounts were discontinued in 1999.
Options vest over a period of two, three, four or five years with full vesting occurring at the end of the vesting period. Options must be exercised within eight or ten years from the date of grant and all rights to options are forfeited if the employee terminates employment with the Group.
Since 1997, these plans no longer involve subscription options on new shares but purchase options on existing shares held in treasury stock for this purpose.
Further to the four-for-one stock split of June 27, 2002, the number of options at December 31, 2001 has been multiplied by four in order to permit meaningful year-on-year comparisons.

Data relating to stock options outstanding in 2001, 2002 and 2003 are listed below:

	Shares (€4 par value)	Average exercise price (in euros)
Options outstanding at January 1, 2001	**8,298,424**	**32.81**
Options granted	3,774,800	40.22
Options exercised	(701,592)	22.25
Options forfeited	(83,092)	36.63
Options outstanding at December 31, 2001	**11,288,540**	**35.92**
Options granted	3,785,500	23.53
Options exercised	(334,456)	23.15
Options forfeited	(164,520)	39.87
Options outstanding at December 31, 2002	**14,575,064**	**32.95**
Options granted	3,717,700	35.67
Options exercised	(619,310)	24.14
Options forfeited	(80,000)	23.53
OPTIONS OUTSTANDING AT DECEMBER 31, 2003	**17,593,454**	**33.88**

At December 31, 2001, 2002 and 2003, 2,130,560, 3,413,064 and 5,114,854 options were exercisable at exercise prices ranging from €25.43 to €34.18.

At December 31, 2003, 6,512,620 options were available for grant under the authorization given by the General Meeting of June 5, 2003.

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options exercisable			Options not exercisable		Total options outstanding	Type of options
Date of grant	Exercise price (in euros)	Number of options	Weighted average remaining contractual life (in months)	Exercise price (in euros)	Number of options	Number of options	
1996	21.42	355,700	11			355,700	Subscription
1997	28.47	773,874	23			773,874	Purchase
1998	29.54	1,038,880	35			1,038,880	Purchase
1999	40.63	1,167,700	71	40.63	503,200	1,670,900	Purchase
2000	37.69	1,778,700	83	37.69	859,000	2,637,700	Purchase
2001	40.22	0	95	40.22	3,694,800	3,694,800	Purchase
2002	23.53	0	107	23.53	3,703,900	3,703,900	Purchase
2003	35.67	0	119	35.67	3,717,700	3,717,700	Subscription
TOTAL	**–**	**5,114,854**	**–**	**–**	**12,478,600**	**17,593,454**	**–**

Group savings plan (PEG) of Compagnie de Saint-Gobain

The PEG employee stock purchase plan is open to all Group employees in France and in most other European countries who have completed a minimum of three months' service with the Group. The plan offers shares to eligible employees at a 20% discount from the average price quoted for the shares for the 20 trading days preceding the date of the meeting of the Board of Directors at which the Plan is set.

Employees can invest for a five or ten-year term. Over this period, employees may not sell their shares, barring exceptional circumstances.

Under the PEG, the Group issued 6,499,407, 4,703,396 and 3,612,600 shares with a par value of €4 to employees in 2003, 2002, and 2001, respectively, at an average price per share of €21.14 in 2003, €33.88 in 2002 and €33.25 in 2001.

▶ Note 10: Other equity

Other equity (€391 million) corresponds to non-voting participating securities in French francs and ecus issued between 1983 and 1988, which were converted into euros in 1999.

▶ Note 11: Provisions

Provisions

(in € thousands)	Opening balance	Additions	Reversals from provisions utilized	Reversals from surplus provisions	Other	At year-end
Untaxed provisions:						
• Reinvested capital gains	6,427					6,427
• Other	380	28	(219)	(1)		188
	6,807	**28**	**(219)**	**(1)**	**0**	**6,615**
Provisions for contingencies:						
• For potential tax liabilities (1)	342,200	10,920	(120)			353,000
• For exchange losses	0					0
• Other	1,015	2,869			147	4,031
	343,215	**13,789**	**(120)**	**0**	**147**	**357,031**
Provisions for charges:						
• Other	10,020	454				10,474
	10,020	**454**	**0**	**0**	**0**	**10,474**
Provisions for impairment in value:						
• Financial investments	74,084	13,122	(8,872)	(40,708)	254	37,880
• Marketable securities	0					0
	74,084	**13,122**	**(8,872)**	**(40,708)**	**254**	**37,880**
TOTAL		**27,393**	**(9,211)**	**(40,709)**		

(1) In connection with the integrated tax system and consolidated tax regime, €11 million was added to the provision for potential tax liabilities to reflect an adjustment in the level of risk of subsidiaries returning to profit.

▶ Note 12: Debt and payables

Total debt and payables increased by €746 million to €8,822 million in 2003, mainly reflecting an increase in debt (€812 million), stable taxes and social charges payable and a reduction in other payables (€66 million).

Maturities of debt and payables

		Maturity	
(in € thousands)	Gross	Within one year	Over one year
Bonds (1)	1,231,873	279,353	952,520
Bank borrowings (1) (2)	612,411	299,964	312,447
Other short- and long-term debt (1) (3)	6,947,306	2,055,141	4,892,165
Taxes and social charges payable	12,206	12,206	–
Other payables (3)	18,339	18,339	–
Deferred income			
TOTAL DEBT AND PAYABLES (4)	**8,822,135**	**2,665,003**	**6,157,132**

(1) Issued during the year	1,805,852
Repaid during the year	993,728
(2) Of which:	
- two years or less at inception	287,372
- over two years at inception	325,039
(3) Of which due to partners	NONE
(4) Of which debt due in over 5 years	2,002,051

Long-term and short-term debt

(in € thousands)	2003	2002	2001
LONG-TERM AND SHORT-TERM DEBT			
Long-term portion of long-term debt			
Due between January 1 and December 31:			
2003	–	–	279,789
2004	294,960	546,053	381,498
2005	1,259,521	1,277,132	1,318,486
2006	488,360	699,813	776,394
2007	1,575,755	1,664,243	279,469
2008	828,648	846,206	–
2009	977,259	–	–
Due between 6 and 10 years	990,410	986,250	1,848,185
Due beyond 10 years	–	–	–
Unspecified	34,382	34,493	34,634
Total long-term portion of long-term debt	**6,449,295**	**6 054,190**	**4,918,455**
Short-term portion of long-term debt	**186,368**	**225,781**	**847,633**
TOTAL LONG-TERM DEBT (INCLUDING SHORT-TERM PORTION)	**6,635,663**	**6,279,971**	**5,766,088**
Other short-term debt			
Treasury notes (in euros)	152,500	235,500	971,000
Treasury notes (in US dollars)	142,518	76,285	–
Euro Commercial Paper (in euros)	190,000	201,300	–
Euro Commercial Paper (in pounds sterling)	–	–	172,555
Euro Commercial Paper (in US dollars)	–	123,009	347,782
US Commercial Paper (in US dollars)	–	–	–
Borrowings from Group entities	1,374,045	810,563	1,053,198
Bank overdrafts and other short-term borrowings	280,397	234,419	282,363
Other	16,467	18,419	20,613
TOTAL OTHER SHORT-TERM DEBT	**2,155,927**	**1,699,495**	**2,847,511**
TOTAL LONG- AND SHORT-TERM DEBT	**8,791,590**	**7,979,466**	**8,613,599**

Long-term and short-term debt can be analyzed as follows by currency:

(in € thousands)	2003	2002	2001
Euro	4,473,899	3,829,414	2,997,675
US dollars	946,960	1,160,482	1,472,092
Swiss francs	255,063	282,177	276,373
Pounds sterling	879,321	954,094	1,019,948
Czech koruna	75,035	47,576	–
Norwegian krone	5,385	6,228	–
TOTAL	**6,635,663**	**6,279,971**	**5,766,088**

On February 18, 2002, Compagnie de Saint-Gobain issued 4,380,953 "OCEANE" bonds that are convertible into new shares or exchangeable for existing shares. These bonds have a nominal value of €210 each, and the total issue came to €920 million. The annual interest rate for these "OCEANE" bonds is 2.625% payable in arrears on January 1 each year.
The bonds will be redeemed in full on January 1, 2007 in cash at nominal value, i.e. €210 per bond, or they may be repurchased before maturity by Compagnie de Saint-Gobain on the market or in connection with a public buyback offer. The Company may also decide to carry out an early redemption of all outstanding "OCEANE" bonds, subject to certain conditions, which include share price thresholds.
Each "OCEANE" bond may be converted or exchanged for four Compagnie de Saint-Gobain shares. This ratio may, however, be adjusted if the Company carries out certain financial operations.
No "OCEANE" bonds were converted or exchanged during 2003.
Therefore, if all of the bonds were converted at the rate initially provided for, the holders would receive a total of 17,523,812 shares, representing 5% of the Company's capital at December 31, 2003.

▶ Note 13: Information concerning related companies and investments

(in € thousands)	Net amount concerning: Related companies	Companies in which Compagnie de Saint-Gobain has a direct holding	Other	Net amount in the balance sheet
Investments in subsidiaries and affiliates	7,711,728	79,530		7,791,258
Investment-related receivables	4,787,927		2,254	4,790,181
Other investment securities	404,131	616		404,747
Loans	495,158	217,216	937,133	1,649,507
Other receivables	21,806	32	86,926	108,764
Marketable securities			1,214,718	1,214,718
Cash and cash equivalents	1,519,782	71,383	90,174	1,681,339
Bonds			1,231,873	1,231,873
Bank borrowings			612,411	612,411
Other borrowings	6,051,094	244,193	652,019	6,947,306
Other payables	9,123		9,216	18,339

▶ Note 14: Investment portfolio

(in € thousands)	Country	Net book value	% interest	Number of shares
Spafi	France	2,726,540	100.00	116,289,805
Partidis	France	2,065,919	100.00	78,262,892
Saint-Gobain Matériaux de Construction	France	738,712	100.00	21,325,936
Vertec	France	491,039	100.00	8,008,999
Compagnie de Saint-Gobain (treasury stock)	France	404,131	3.35	11,639,386
Saint-Gobain Cristaleria	Spain	211,220	23.91	3,659,866
Raab Karcher GmbH	Germany	194,609	100.00	100,000,000
Saint-Gobain Glass Benelux SA	Belgium	160,880	88.69	1,667,698
Saint-Gobain Isover G+H AG	Germany	153,670	99.88	3,196,301
Saint-Gobain Vetrotex Deutschland GmbH	Germany	153,669	100.00	45,000,000
International Saint-Gobain	Switzerland	153,409	96.50	221,950
Saint-Gobain Vidros SA	Brazil	118,068	54.46	115,072,390
São Lourenço	Brazil	109,559	99.91	3,617,581
Saint-Gobain Glass Deutschland GmbH	Germany	86,660	60.00	119,999,970
Saint-Gobain Autoglas GmbH	Germany	72,833	60.00	120,000,000
Vivendi Universal	France	72,508	0.50	5,314,927
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
Société Financière des Miroirs	France	45,735	100.00	2,999,994
Saint-Gobain PAM	France	30,732	8.10	360,255
Saint-Gobain Nederland	Netherlands	13,621	100.00	66,100
Valfix Finanz AG	Switzerland	8,838	100.00	11,400
Various real-estate companies		3,428		
Various French companies		978		
Various non-French companies		3,233		
		8,196,005		
Analysis:				
Investments in subsidiaries and affiliates		7,791,258		
Other investment securities		404,747		
		8,196,005		

▶ Note 15: : Stock market value of investments held in French companies

(in € thousands)	Stock market price at December 31, 2003
Vivendi Universal	102,419

▶ Note 16: Information on direct holdings of the parent company where book value exceeds 1% of capital

(In thousands of euros or other currency)	Capital stock	Reserves	% interest	Book value of capital held Gross	Book value of capital held Net	Loans and advances granted by the Company	Guarantees given by the Company	2003 sales	2003 net income/ (loss)	Dividends received by the Company in 2003
1 - SUBSIDIARIES										
50 % of the capital held by Compagnie de Saint-Gobain										
Spafi 18, avenue d'Alsace F-92400 Courbevoie	EUR 1,860,637	EUR 1,418,723	100.00	2,726,540	2,726,540			–	EUR 82,347	69,774
Partidis 18, avenue d'Alsace F-92400 Courbevoie	EUR 1,193,509	EUR (17,772)	100.00	2,065,919	2,065,919	1,224,375		EUR 4,859	EUR 383,290	–
Saint-Gobain Matériaux de Construction 18, avenue d'Alsace F-92400 Courbevoie	EUR 325,221	EUR 6,851	100.00	738,712	738,712	1,070		EUR 7,100	EUR 272,771	69,096
Vertec 18, avenue d'Alsace F-92400 Courbevoie	EUR 128,144	EUR 371,513	100,00	491,039	491,039			–	EUR 165,658	176,198
Raab Karcher Baustoffe GmbH Hanauer Landstrasse, 150 D-60314 Frankfurt am Main	EUR 100,000	EUR 94,600	100.00	194,609	194,609	87,266		EUR 1,435,120	EUR (50,447)	–
Saint-Gobain Glass Benelux SA Rue des Glaces Nationales, 169 B-5060 Sambreville	EUR 70,900	EUR 89,336	88.69	160,880	160,880			EUR 153,40	EUR 15,800	7,738
Saint-Gobain Isover G+H AG Bürgermeister-Grünzweig 1 Strasse D-67059 Ludwigshafen	EUR 82,000	EUR 11,291	99.88	153,670	153,670			EUR 326,841	EUR 28,514	–
Saint-Gobain Vetrotex Deutschland GmbH Bicheroux Strasse 61 D-52134 Herzogenrath	EUR 23,008	EUR 132,936	100.00	153,669	153,669			EUR 66,266	EUR 12,636	–
International Saint-Gobain 10, rue Saint-Pierre CH-1700 Fribourg	CHF 230,000	CHF 116,822	96.50	153,409	153,409			–	CHF 96,504	53,341
Saint-Gobain Vidros SA 482,avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRL 420,000	BRL 306,720	54.46	118,068	118,068			BRL 919,322	BRL 127,900	8,354

(In thousands of euros or other currency)	Capital stock	Reserves	% interest	Book value of capital held Gross	Book value of capital held Net	Loans and advances granted by the Company	Guarantees given by the Company	2003 sales	2003 net income/ (loss)	Dividends received by the Company in 2003
São Lourenço Administradora 482, avenida Santa Marina Agua Branca 05036-903 São Paulo-SP (Brazil)	BRL 175,654	BRL 154,497	99.91	109,559	109,559			–	BRL 57,936	7,148
Saint-Gobain Glass Deutschland GmbH Viktoria - Allee 3-5 D-52066 Aachen	EUR 102,258	EUR 82,899	60.00	86,660	86,660			EUR 332,339	EUR 8,414	–
Saint-Gobain Autoglas GmbH Viktoria - Allee 3-5 D-52066 Aachen	EUR 102,258	EUR 19,130	60.00	72,833	72,833			–	EUR 2,655	–
Saint-Gobain Schleifmittel-Beteiligungen GmbH Viktoria - Allee 3-5 D-52066 Aachen	EUR 10,226	EUR 50,925	100.00	61,151	61,151			–	EUR (7,059)	–
Société Financière des Miroirs 18, avenue d'Alsace F-92400 Courbevoie	EUR 45,750	EUR 1,450	100.00	45,735	45,735			–	EUR 700	EUR 900
2 - INVESTMENTS										
10 to 50% of the capital held by Compagnie de Saint-Gobain										
Saint-Gobain Cristaleria Edificio Ederra Centro Azca Paseo de la Castellana 77 28046 Madrid	EUR 91,988	EUR 420,414	23.91	211,220	211,220	175,745		EUR 471,887	EUR 78,444	11,309
Saint-Gobain Emballage 18, avenue d'Alsace F-92400 Courbevoie	EUR 42,069	EUR 430,096	20.52	61,553	61,553	46,027		EUR 618,076	EUR 138,950	28,240
SEPR 18, avenue d'Alsace F-92400 Courbevoie	EUR 63,361	EUR 4,087	25.73	53,310	53,310	76,563		EUR 209,045	EUR 1,169	1,545
OTHERS										
Subsidiaries over 50%-asned										
• Total French companies				3,899	3,899	217,216				680
• Total foreign companies				26,032	24,816	409,630	4,828,808			2,784
Holdings of between 10 and 50%										
• Total French companies				–	–	–				–
• Total foreign companies				648	648	–				354
Other				**544,770**	**508,106**	**94,221**				**4,218**
TOTAL				**8,233,885**	**8,196,005**	**2,332,113**	**4,828,808**			**441,679**

Note 17: Financial commitments excluding leases

Commitments given

(in € thousands)	Amount
Guarantees [1]	5,326,782
Pensions and other post-retirement benefits [2]	47,426
Other commitments given:	
• concerning joint ventures	4,546
TOTAL	**5,378,754**

Including:

(1) Consolidated companies 5 264 279

(2) The amount in respect of pensions and other post-retirement benefits includes commitments for retirement indemnities and supplementary in-house funding. Pension obligations are determined by actuarial valuations using a method based on projected end-of-career salaries (the projected unit credit method).

Commitments received

(in € thousands)	Amount
Other commitments received:	
Debt waivers with a clawback clause	3,720
TOTAL	**3,720**
Including:	
• other investments	3,720

Commitments relating to financial instruments concerning foreign currency risks are as follows:

(in € thousands)	Amount
Equivalent in euros of forward purchases and sales of foreign exchange	30,888
Options purchased	26,400
Options sold	26,400
Currency swaps	594,809

Commitments relating to financial instruments concerning interest rate risks are as follows:

(in € thousands)	Amount
Swaps – borrowers at fixed rates/variable rate	139,629
Swaps – lenders at fixed rates/variable rate	1,605,452
Swaps – variable rate/variable rate	7,669
Swaps – fixed rate/fixed rate	–
Cross-currency swaps – borrowers at fixed rates/variable rate	372,235
Cross-currency swaps – lenders at fixed rates/variable rate	269,253
Cross-currency swaps – variable rate/ variable rate	6,647
Cross-currency swaps – fixed rate/fixed rate	154,394
Caps purchased / (sold), net	(25,000)
Swaps on raw materials - borrowers	17,976
Swaps on raw materials - lenders	17,746

The face value amount of commitments given and received in the form of swaptions and early repayments of borrowings amounted to €138 million and €40 million respectively.

Note 18: Lease commitments

(in € thousands)	Head office
Cost	80,798
Depreciation:	
• Accumulated at beginning of year	8,663
• Charge for the year	1,464
TOTAL	**10,127**
Installments paid:	
• Accumulated at beginning of year	53,452
• Paid during the year	9,220
TOTAL	**62,672**
Installments to be paid:	
• within one year	8,975
• between one and five years	35,902
• beyond five years	773
TOTAL	**45,650**
Residual values:	
• within one year	–
• between one and five years	–
• beyond five years	12,120
TOTAL	**12,120**

Note 19: Employees

Weighted average number of employees

(in € thousands)	2003	2002	2001
Excluding the German branch			
Managers	162	166	167
Supervisors	65	67	71
Other employees	8	7	11
TOTAL	**235**	**240**	**249**
Of which fixed term contracts	4	4	7

Remuneration of directors and corporate officers

The total direct and indirect remuneration received by Corporate Officers from Group companies in France and abroad amounted to €12.7 million in 2003, €13 million in 2002 and €12.9 million in 2001. The gross variable portion included in these remuneration amounts came to €4.5 million in 2003, €4.6 million in 2002 and €4.7 million in 2001.
Attendance fees paid to Directors amounted to €0.5 million for 2003, 2002, and 2001.

Note 20: Litigation

In France, further lawsuits were filed in 2003 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried on fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the assumption of occupational diseases compensation by the French Social Security. A total of 461 such lawsuits have been issued against the two companies since 1997.
At the end of 2003, 164 of these 461 lawsuits had been completed both in relation to liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault". However, in 156 of these 164 rulings, the Social Security authorities were ordered to pay the compensation for the victims for procedural reasons (statute of limitations, liability issues ("inopposabilité")).
Everite and Saint-Gobain PAM were held liable for the payment of €1.4 million in compensation in the 8 other lawsuits.
Out of the 297 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2003, the merits of 101 have been decided but the compensation awards have not yet been made, pending issue of medical reports. The employer company has been held liable to pay compensation in only one of the cases. In the other 100 the Social Security authorities were ordered to pay the compensation for the victims for the same procedural reasons described above (statute of limitations, liability issues ("inopposabilité")).
Out of the 196 remaining lawsuits, 4 were dismissed in 2003 as a claim was made to the French Asbestos Victims Compensation Fund (FIVA). At December 31, 2003 the procedures relating to the merits of the other 192 cases were at different stages: 21 are involved in administrative proceedings with the French Social Security authorities, 65 are pending with the Social Security courts, appeals have been issued to the Court of Appeal in 88 cases in which the employers were held liable for inexcusable fault (including 64 cases in which statute of limitations and/or liability issues have been raised as mentioned above) and 18 cases have been appealed to the *Cour de Cassation* by the French Social Security authorities in relation to procedural matters.
In addition, at December 31, 2003, 71 suits based on inexcusable fault had been filed by current or former employees of nine other French companies in the Group, in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.
In 2003, 9 suits were dismissed at the request of employees or former employees further to claims made to the Asbestos Victims Compensation Fund.

At December 31, 2003, 16 lawsuits were completed: 9 through judgments by the *Cour de Cassation* which dismissed appeals issued by employees or former employees against Court of Appeal decisions dismissing the claims of inexcusable fault, 4 through judgments issued by the Social Security courts and 3 by Court of Appeal decisions finally dismissing employees' claims. For the 46 suits outstanding at the end of 2003, 6 are in the investigation stage by the French Social Security authorities, 29 are pending before the Social Security courts and 11 before the Court of Appeal.

In accordance with a law dated December 23, 2000 a fund has been created in France known as the FIVA. It is intended to fully compensate the loss of persons officially recognized as having contracted occupational diseases caused by asbestos, as well as of all persons who have been exposed to asbestos on French territory. Any person who makes a claim to and accepts an offer of compensation from the fund will be barred from taking legal action to obtain other compensation on the same grounds. However, once the applicant has accepted an offer of compensation, the fund must make a subrogated claim against any employer considered to be responsible for the loss concerned.
On January 27, 2003 the fund published guidelines in the form of a compensation scale.
At December 31, 2003, as mentioned above, as far as the Company is aware, 13 employees or former employees of French Group companies had discontinued lawsuits filed in order to make a claim to the Asbestos Victims Compensation Fund.

Overview of asbestos-related litigation in the United States

In the United States, three Group companies that once manufactured products containing asbestos such as fiber-cement pipes, roofing products or specialized insulation, are facing legal action from persons other than the employees or former employees of the companies. The claims are based on alleged exposure to the products although in the vast majority of cases the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The 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.
CertainTeed, the main US subsidiary involved in these cases, was for a long period a member of the Center for Claims Resolution, an organization which grouped together defendants facing the same type of claims and handled the defense of all such claims. The organization also allocated court awards, negotiated out of court settlements and defense costs among its members on the basis of a pre-agreed pro-rata formula. Since February 1, 2001 the organization no longer represents its members in this way, and CertainTeed now assumes directly the defense of claims made against it, which have increased significantly since 2001.

Developments in 2003

2001 and 2002 were marked by sharp increases in new lawsuits filed against CertainTeed with 60,000 and 67,000 new cases filed respectively, compared with 19,000 in 2000. In 2003, approximately 62,000 new suits were filed, including some 29,000 in Mississippi. This exceptional surge in claims filed in Mississippi was due to the State's adoption of a new law making this state a less plaintiff-friendly venue for these claims. Numerous claims were filed in the last few months of 2002 before the new law came into effect from January 1, 2003. A significant number of these were only recorded in the first few months of 2003. A total of approximately 29,000 new claims were filed in Mississippi in 2003, compared with 18,000 for 2002. This exceptional surge tailed off towards the end of the first half of 2003. In the second half, total new claims amounted to approximately 14,000 (including 1,000 in Mississippi), a substantial reduction compared to the first half of the year (48,000 including 28,000 in Mississippi). As in 2002, the vast majority of these new claims are "mass" actions which can involve hundreds or even thousands of plaintiffs making claims for damages against dozens of companies operating in different economic sectors, without providing evidence of any specific exposure to any product allegedly manufactured by CertainTeed, or of any specific illness or physical disability. Only a very low proportion of these new lawsuits involve a serious illness, cancer or mesothelioma.

Almost all of the claims against CertainTeed are settled out of court. Approximately 54,000 claims were settled in 2003 (compared with 44,000 in 2002). In addition, at least 7,000 outstanding claims were placed on the inactive docket which means that they will not be heard until the plaintiff provides evidence of actual loss or injury. Taking into account the 107,000 outstanding cases at the end of 2002 and the new cases having arisen during 2003, as well as claims settled or placed on the inactive docket, some 108,000 claims were outstanding at December 31, 2003.

The average individual cost of settlement based on all claims settled increased to approximately US $2,100 in 2003, from US $1,955 a year earlier.

Impact on the Group's results

The Group recorded a €100 million charge in 2003 to make provision for future developments in relation to these claims, including €50 million recorded in the first half of the year. The same charge was recorded in 2002. At December 31, 2003 the Group's total cover for asbestos-related claims against CertainTeed in the United States amounted to €341 million (US $431 million), comprised of insurance coverage available at that date and the provision referred to above, compared with €426 million at December 31, 2002 (US $446 million).

Cash flow impact

Total compensation paid for these cases – including claims settled in 2002 but paid out in 2003, and those fully settled and paid in 2003 – amounted to €135 million in 2003 (US $153 million), versus €109 million (US $103 million) in 2002. US $148 million of this amount has been or will be covered by insurance.

Outlook for 2004

Although trends relating to the number of new suits have been favorable since the third quarter of 2003, the most significant drop has been in "mass claims" which generally have a lower average cost of claims settled than the overall average figure. Therefore, unless the current trends change again, the average cost of claims settled is expected to increase in the future, most likely from 2004 onwards.

If the bill currently being considered by the US Senate is adopted, claimants will no longer be able to file the sort of claims described above in the United States. If enacted the bill would prohibit employees who have been exposed to asbestos from bringing their claims to court. Instead, such employees would receive compensation for their exposure from a trust fund. The bill was adopted by the US Senate Judiciary Committee on July 10, 2003 but at the date when this report was prepared the full Senate had not yet voted on it. However, the Senate Republican Leader has publicly announced that he intends to put the bill on the Senate floor for consideration in April 2004.

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or medical assistance for their lifetime combined with financial assistance. Only a small number of asbestos-related lawsuits were outstanding at December 31, 2003 and they do not represent a material risk for the companies concerned.

Note 21: Subsequent events

On January 29, 2004 the Board of Directors of Compagnie de Saint-Gobain decided to cancel 6,799,832 treasury shares with a par value of €4 each.

Note 22: Recommended appropriation of income

(in € thousands)		
Sources:		
Unappropriated retained earnings at Dec. 31, 2003 (1)		1,090,363
Net income for the year		513,574
Appropriations:		
Appropriation to reserves:		
• Untaxed reserves		
• Long-term capital gains reserve (2)	290,391	
Dividends (3)	386,972	
Unappropriated retained earnings	926,574	
TOTAL	**1,603,937**	**1,603,937**

(1) Reflects a €370 thousand adjustment to the 2002 dividend corresponding to the 336,000 treasury shares acquired and 8,300 treasury shares sold between March 20, 2003, the date of the Board meeting approving the financial statements, and June 23, 2003 when payment of the dividend began.

(2) Representing the net impact of the appropriation of a provisional amount of €291,929 thousand for 2003 less a €1,538 thousand adjustment to the provisional appropriation to long-term capital gains reserves made in 2002, resulting in a net appropriation of €290,391 thousand.

(3) On the basis of 341,025,135 shares (capital stock at January 29, 2004 after cancellation of 6,799,832 shares), less 4,527,674 treasury shares held at February 29, 2004, i.e. 336,497,461 dividend-earning shares.

Five-year financial summary

(in € thousands	2003	2002	2001	2000	1999
1 - Capital stock at year-end					
Capital stock	1,391,300	1,364,043	1,364,138	1,363,412	1,395,788
Number of common shares outstanding	347,824,967	341,010,680	85,258,628	85,213,263	87,236,750
2 - Operations and results for the year					
Sales excluding taxes (1)	163,379	156,150	149,431	138,313	113,942
Earnings before tax, depreciation and provisions	430,896	507,093	1,115,028	1,087,460	600,175
Income tax	69,888	30,396	15,020	(46,464)	(36,209)
Net income after tax, depreciation and provisions	513,574	595,,916	1,092,872	1,014,611	573,860
Dividend distribution	386,972 (2)	379,141 (3)	378,364 (4)	356,860 (5)	300,916 (6)
3 - Earnings per share (in €)					
Earnings per share before tax, depreciation and provisions	1.24	1.49	13.08	12.76	6.88
Earnings per share after tax, depreciation and provisions	1.48	1.75	12.82	11.91	6.58
Net dividend per share	1.15	1.13	4.50	4.30	3.60
4 - Personnel (7)					
Average number of employees during the year	235	240	249	249	239
Total payroll cost for the year	24,991	25,094	24,389	20,525	19,066
Total benefits for the year	13,863	13,850	12,956	11,330	9,139

(1) Represents royalties and other services.

(2) On the basis of 341,025,135 shares (capital stock at January 29, 2004 after cancellation of 6,799,832 shares), less 4,527,674 treasury shares held at February 29, 2004, i.e. 336,497,461 dividend-earning shares.

(3) Reflects a €370 thousand adjustment due to the 336,000 treasury shares acquired and 8,300 treasury shares sold between March 20, 2003, the date of the Board meeting approving the financial statements, and June 23, 2003 when payment of the dividend began.

(4) Reflects a €118 thousand adjustment due to the 26,150 treasury shares sold between March 28, 2002, the date of the Board meeting approving the financial statements, and June 24, 2002 when payment of the dividend began.

(5) Reflects a €451 thousand adjustment due to the 104,854 treasury shares acquired between March 29, 2001, the date of the Board meeting approving the financial statements, and July 2, 2001 when payment of the dividend began.

(6) Reflects a €3,889 thousand adjustment due to the 1,080,200 treasury shares acquired between March 30, 2000, the date of the Board meeting approving the financial statements, and July 3, 2000 when payment of the dividend began.

(7) Personnel figures exclude the German branch.

Statutory auditors' report
on the financial statements

For the year ended December 31, 2003

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, 2003 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 the law.
These financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with the professional standards applied 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2003 and of the results of its operations for the year then ended in accordance with French accounting principles and regulations.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act *(Loi de Sécurité Financière)* of August 1, 2003 and which came into effect for the first time this year, we bring to your attention the following matters:
• The Company carries out impairment tests on a yearly basis for 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 – as described in Note 1 to the financial statements – and we ensured that the estimates made by the Company at December 31, 2003 were reasonable.
• As described in Notes 1 and 11 to the financial statements, the Company records a provision for potential tax liabilities for tax which may be payable in the future due to the worldwide consolidated tax regime and the French integrated tax system. Based on the information available at the time of our audit, we ensured that the methods used to determine the provision for potential tax liabilities, as well as the disclosures relating to said provision provided in the Notes to the financial statements, were reasonable.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

Specific verifications and information

We have also performed the specific verifications required by the law, in accordance with the professional standards applied in France.

We have no comments as to the fair presentation and the conformity 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.

In accordance with the law, we have verified that the management report contains the appropriate disclosures as to the acquisition of shares and controlling interests, together with the identity of the principal shareholders and cross-shareholdings.

Paris, March 25, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Pierre Coll Christian Marcellin

SECEF

Jacques Tenette Francis Vallet

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information 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 consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

▶ Fees paid by the Group to the Statutory Auditors and members of their networks in 2003

	PricewaterhouseCoopers 2003		PricewaterhouseCoopers 2002		SECEF 2003		SECEF 2002	
(in € millions)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
• Statutory audit and contractual audits								
France	2.8	20%	2.9	13%	0.3	100%	0.3	100%
Outside France	7.7	55%	8.0	36%	–	–	–	–
Total	**10.5**	**75%**	**10.9**	**49%**	**0.3**	**100%**	**0.3**	**100%**
• Other engagements	**1.7**	**12%**	**1.1**	**5%**	**–**	**–**	**–**	**–**
Sub-total	**12.2**	**87%**	**12.0**	**54%**	**0.3**	**100%**	**0.3**	**100%**
Other services								
• Legal and tax advisory services								
France	–	–	–	–	–	–	–	–
Outside France	1.7	12%	1.7	8%	–	–	–	–
Total	**1.7**	**12%**	**1.7**	**8%**	**–**	**–**	**–**	**–**
• Information technology (a)								
France	–	–	0.1	0%	–	–	–	–
Outside France	–	–	8.4	38%	–	–	–	–
Total	**–**	**–**	**8.5**	**38%**	**–**	**–**	**–**	**–**
• Internal audit	–	–	–	–	–	–	–	–
• Other	0.1	1%	0.1	0%	–	–	–	–
Sub-total	**1.8**	**13%**	**10.3**	**46%**	**–**	**–**	**–**	**–**
TOTAL	**14.0**	**100%**	**22.3**	**100%**	**0.3**	**100%**	**0.3**	**100%**

(a) Corresponding to services relating to the implementation of Enterprise Resource Planning systems carried out by the network's consulting entity, prior to its disposal on September 30, 2002.

V• Information on subsidiaries

France

Saint-Gobain Glass France

100%-owned by Vertec.
Manufacturing and processing of flat glass.
Float glass plants in Aniche (Nord) and Chantereine (Oise), northern France.
2003 sales: €237.7 million.
Employees: 1,000.
These figures include Eurofloat, a float glass plant in Salaise-sur-Sanne (Isère, southeastern France).

Subsidiaries and holdings

• Saint-Gobain Sekurit France - France, Saint-Gobain Glass Exprover - Belgium. See company profiles.
• Saint-Gobain Produits Industriels (SGPI), M. O. Pays de Loire, Comptoir des Glaces et Produits Verriers, C.G.G. M. O. Atlantique, Les Vitrages de Saint-Gobain Normandie, M. O. Semiver-Climaver, M. O. Charentes-Limousin, M. O. Armorique, Miroiterie du Rhin, Société Verrière Française (SVF), Sovedys, Sivaq, Centre Est Vitrage (CEV), Charles André, Soprover, Société Verrière de l'Atlantique (SVA), Le Vitrage du Midi (LVM), Glassver, Gobba Vitrage, Auvergne Isolation, Vitrages Isolants d'Auvergne, Alp'Verre, Courbu Vitrages, Verreries d'Aurys (100%), Pierre Pradel (73.9%), Wehr Miroiterie (100%), Emaillerie Alsacienne (100%), Technifen (100%), Techniverre (100%) - France.
Distribution and processing of flat glass products for the building industry. Sales of the processing subsidiaries: €418.7 million. Employees: 3,255.
• Eurokera (50%). Keraglass (plant in Bagneaux-sur-Loing, Seine-et-Marne, Paris area) - France (50%). Production and sale of glass ceramic cooktops. Eurokera North America - USA (50%). Plant in Fountain Inn (South Carolina); Saint-Gobain Euroveder Italia – Italy (100%). Tempered glass for home appliances. Sales: €121.8 million. Employees: 513.
• Saint-Gobain Sovis - France (100%). Tempered glass for home appliances, industrial and scientific optics, radiation-proof glass. Plants in Jouarre (Seine-et-Marne, Paris area) and Château-Thierry (Aisne, northern France). Sales: €22.1 million. Employees: 195.
• Verrerie de Saint-Just - France (100%). Decorative glass. Plant at Saint-Just-Saint-Rambert (Loire, central France). Employees: 89.
• Saint-Gobain Sully - France (100%). Flat glass for trains and the aeronautics industry. Plant in Sully-sur-Loire (Loiret, central France). Employees: 459. Holds: 100% of Saint-Gobain Pyramid Ltd - Canada. Plant in Dorval (Quebec).
• Samin (29.4%). See Saint-Gobain Emballage.
• Saint-Gobain Glass Logistics - France (100%). Transport.
• Saint-Gobain Recherche - France (32.7%). The remainder of this company's capital stock is held by other French Group companies. Headquarters in Aubervilliers (Seine-Saint-Denis, Paris area).

Saint-Gobain Sekurit France

100%-owned by Saint-Gobain Glass France.
Processing for the automobile industry.
Plants in Aniche (Nord) and Chantereine (Oise), northern France.
2003 sales: €292.2 million.
Employees: 1,143.
These figures include those of Société Verrière d'Encapsulation. Encapsulation of glass for the automobile industry.
Holds:
• Saint-Gobain Autover - France (100%). Distribution and processing of flat glass for the automobile industry. Sales: €21.4 million. Employees: 73.
• Saint-Gobain Sekurit India (85.8%) - India. Sales: 570.6 million Indian rupees. Employees: 351.

Saint-Gobain Isover

100%-owned by Spafi.
Production and processing of glass wool and rock wool insulation products.
Plants in Orange (Vaucluse, southeastern France), Chalon-sur-Saône (Saône-et-Loire, eastern France), Saint-Étienne-du-Rouvray (Seine- Maritime, northwest France), Rantigny (Oise, northern France).
2003 sales: €235.9 million.
Employees: 897.

Subsidiaries and holdings

• Saint-Gobain Eurocoustic - France (51%). Production of rock wool insulation products. Plant in Genouillac (Creuse, central France). Sales: €35.7 million. Employees: 166.
• Saint-Gobain Ecophon SA - France (50% + 50% by Saint-Gobain Ecophon Product. A/S Denmark). Acoustic ceilings. Sales: €13.6 million. Employees: 25.
• Saint-Gobain Recherche - France (32.7%). See Saint-Gobain Glass France.
• Samin - France (19.6%). See Saint-Gobain Emballage.
• Saint-Gobain Isover Beijing - China (29.5%). See Saint-Gobain China Invest CY.

Saint-Gobain Emballage

Owned 20.5% by Compagnie de Saint-Gobain and 79.5% by Vertec.
Manufactures glass containers (industrial bottles and jars).
Plants in Chalon-sur-Saône (Saône-et-Loire), Cognac (Charente), Lagnieu (Ain), Oiry (Marne), Saint-Romain-le-Puy (Loire), and Vauxrot (Aisne).
2003 sales: €569.5 million.
Employees: 2,064.

Subsidiaries and holdings

• Saint-Gobain Desjonquères - France. Saint-Gobain Oberland AG - Germany, Saint-Gobain Vetri - Italy. See company profiles.
• Saint-Gobain Recherche - France (26.3%). See Saint-Gobain Glass France.
• VOA Verrerie d'Albi - France (100%). Glass containers (bottles). Plant in Albi (Tarn). Sales: €62.7 million. Employees: 319.
• Samin - France (51%). Operates quarries. Employees: 167.
• Saga Decor - France (51%). Decoration of bottles and jars. Sales: €22.6 million. Employees: 241.
• Vetreria Etrusca SRL - Italy (24%). Glass containers.

Saint-Gobain Desjonquères

100%-owned by Saint-Gobain Emballage.
Manufactures small glass bottles used primarily in the perfume and pharmaceutical industries.
Plants in Mers-les-Bains (Somme, northern France) and Sucy-en-Brie (Val-de-Marne, Paris area).
2003 sales: €402.6 million.
Employees: 1,897.

Subsidiaries and holdings

• Saint-Gobain Kipfenberg GmbH - Germany (100%). Small glass bottles. Plant in Kipfenberg. Sales: €51.2 million. Employees: 210. Holds Saint-Gobain Calmar GmbH (100%) - Germany. See company profile.
• Saint-Gobain VG Emballage - France (100%). Distribution of glass and plastic containers and fittings. Sales: €34.8 million. Employees: 77.
• Verreries de l'Orne - France (100%). Decoration of glass containers. Employees: 261. Holds Verreries de la Somme (100%). Employees: 251.
• SGD Manufacturing, Inc. - USA (100%). Perfume flasks. Plant in Covington. Sales: $41.3 million. Employees: 202.
• SGD Inc. - USA (100%), SGD UK - United Kingdom (100%), SGD Italia - Italy (95% + 5% by SGPPI). Distribution companies.

▶ Saint-Gobain Vetrotex France

100%-owned by Spafi.
Manufactures and sells fiberglass for reinforcements.
Plant in Chambéry (Savoie, southeastern France).
2003 sales: €94.2 million.
Employees: 483.
Holds:
Saint-Gobain Vetrotex International - France (67.9%). The remainder being held by other companies of the Reinforcemnts Division. Research and Development center, export sales. Headquarters in Chambéry (Savoie, southeastern France). Holds: Saint-Gobain Vetrotex Renforcement - France (100%); Saint-Gobain Vetrotex Glass Mat - France (100%); Saint-Gobain Vetrotex Reinforcement GmbH - Germany (100%); Verigex - Italy (100%); Vetrotex Svenska AB - Sweden (100%); Saint-Gobain Vetrotex UK - United Kingdom (100%); Vetrotex Reinforcement Bohemia - Czech Republic (100%). Distribution companies. Saint-Gobain Vetrotex Korea Ltd - South Korea (98.6%). See company profile. Saint-Gobain Syncoglas NV – Belgium (100%). Sales: €31.3 million. Employees: 63. Saint-Gobain Vetrotex Thailand - Thailand (100%). Sales: 482.7 million thai baht. Employees: 224. NSG Vetrotex KK - Japan (100%). See company profile. Saint-Gobain Recherche (8.2%) - France (see under Saint-Gobain Glass France). Hangzhou Saint-Gobain Vetrotex - China (90%). Sales: 104.4 million yuan. Employees: 358. Saint-Gobain Vetrotex India - India (100%). Sales: 925.6 million Indian rupees. Employees: 330.

▶ Partidis

100%-owned by Compagnie de Saint-Gobain.
Distribution of building materials.
2003 sales: €6.1 billion.
Employees (including subsidiaries): 31,556.
Holds:
• Saint-Gobain Plc - United Kingdom (72.7%). See company profile.
• Point.P (100%) - France. Building materials distribution through 11 regional companies (Brittany, Central France, Eastern France, Paris region, Loire region, Southern France, Northern France, Normandy, PACA, Rhône-Alpes, South-West France). 4 national companies (CEDEO, SFIC, Asturienne, Pum Plastiques). La Plateforme du Bâtiment banner (18 retail outlets in France and 3 in Spain). SG Point. P España + La Plateforme España. 1,454 retail outlets (1,400 in France, 25 in Spain, 1 in Belgium - Pum Plastiques, and 7 in Poland – Pum Plastiques). Sales: €4,662.1 million. Employees: 21,611.
• Lapeyre - France and international (100%). Distribution of home improvement products under the following banners: Lapeyre-La Maison, K par K, Gimm, Atlantique, Menuiseries Françaises, Oxxo, Les Zelles, Okfens (Poland) and Telhanorte (Brazil). Sales: €1,414.2 million. Employees: 9,598.
• La Plateforme Polska - Poland (100%). Sales: 49.5 million zloty. Employees: 136.
• La Plataforma Para La Construcción - Mexico (100%). Sales: 49.5 million pesos. Employees (including subsidiaries): 146.

▶ Saint-Gobain Matériaux de Construction

100%-owned by Compagnie de Saint-Gobain.
Holding company.
Holds:
• Saint-Gobain Weber - France (100%). Produces industrial mortars in 20 countries. Holds: 100% of Weber & Broutin France; 100% of Saint-Gobain Weber Cemarska (Spain); 100% of Saint-Gobain Weber Mitteleuropa (Austria); 50% of Saint-Gobain Quartzolit - Brazil. Produces tile glues. Plants in Jandira (São Paulo), Santa Luzia (Minas Gerais), Abreu and Lima (Pernambuco) and Viamao (Rio Grande do Sul). Sales (including subsidiaries): €759 million. Employees (including subsidiaries): 3,522.
• Saint-Gobain Stradal - France (100%). Produces industrial cements at twenty-five production plants in France. Sales: €146.8 million. Employees: 988. Has holdings in: Tuyaux et Agglomérés Vendéens - France (49%); Egyptian Concrete Pipe Company - Egypt (30%). Produces concrete pipes.
• Novatech KG - Germany (100%). Plant in Kolbermoor. Produces cement-glass composites for roofing and wall facings. Sales: €4.2 million. Employees: 14.

▶ Saint-Gobain PAM

Owned 8.1% by Compagnie de Saint-Gobain and 91.9% by Spafi.
Ductile cast-iron pipes and hydraulic connectors for water-supply, irrigation and wastewater networks. Cast-iron products for the building industry.
Plants in Eastern France, in Pont-à-Mousson, Blénod, Foug, Liverdun, Toul (Meurthe-et-Moselle), Bayard (Haute-Marne).
2003 sales: €807.1 million.
Employees: 2,918.

Subsidiaries and holdings

• Halbergerhütte GmbH - Germany; Saint-Gobain Canalización - Spain; Saint-Gobain Plc - United Kingdom; Saint-Gobain Condotte SpA - Italy; Saint-Gobain Canalização - Brazil. See company profiles.
• Saint-Gobain Seva - France (100%). Industrial equipment, glass molds, fiberglass plates for insulation, door fittings. Plant in Chalon-sur-Saône (Saône-et-Loire, eastern France). Sales: €52 million. Employees: 372.
• SADIP - Saudi Arabia (20%). Produces ductile cast-iron pipes.
• Also has holdings in: Saint-Gobain Pipe Systems Belgium - Belgium (99.9%). Sales: €23.2 million. Employees: 26. Saint-Gobain Pipe System BV - Netherlands (100%); Saint-Gobain Condutas - Portugal (99.5%); Saint-Gobain Trubni Systemy - Czech Republic (100%). Sales: 218.6 million Czech koruny (€6.9 million). Employees: 21. Saint-Gobain Pipe Systems OY - Finland (100%); Saint-Gobain Pipelines Co Ltd - China (71.6%). See Saint-Gobain China Invest CY. SG Xuzhou Pipelines Co. Ltd - China. Sales: 197.5 million yuan. Employees: 361. SG Foundry Co. Ltd. – China (100%), Saint-Gobain Canalización Argentina - Argentina (100%). SGC Antilles – France (100%).

SEPR - Société Européenne des Produits Réfractaires

Owned 25.7% by Compagnie de Saint-Gobain, 62.7% by Vertec and 11.6% by Spafi.
Manufactures fused-cast refractory products used mainly for glass furnaces and various special products (pellets, grains and ceramic powders).
Plant in Le Pontet (Vaucluse, southeastern France).
2003 sales: €193.4 million.
Employees: 1,210.

Subsidiaries and holdings

• SEPR Keramik GmbH & Co KG - Germany, SEPR Italia - Italy, Saint-Gobain Ceramic Material A/S - Norway. See company profiles.
• Savoie Réfractaires - France (100%). Manufactures special refractories. Plants in Vénissieux (Rhône, Lyon area) and Provins (Seine-et-Marne, Paris area). Employees: 225.
• Saint-Gobain Céramiques Avancées Desmarquest - France (100%). Manufactures fine ceramics for industrial uses, taps, medical applications and thermal and electrical insulation. Plants in Montreuil (Seine-Saint-Denis), Evreux (Eure) Courtenay (Loiret), Etrechy (Essonne) and Moissy Cramayel (Seine-et-Marne). Sales: €32.3 million. Employees: 333.
• Saint-Gobain Cristaux & Détecteurs - France (100%). Manufactures optical crystals and synthetic monocrystals for chemical analysis. Plants in Saint-Pierre-lès-Nemours (Seine-et-Marne, Paris area) and Gières (Isère, southeastern France). Sales: €21.1 million. Employees: 154.
• Saint-Gobain Quartz S.A.S. - France (100%). Manufactures 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. Plant in Saint-Pierre-lès-Nemours (Seine-et-Marne, Paris area). Sales: €18.7 million. Employees: 195. Holds: Saint-Gobain Quartz Pte - Singapore (100%). Manufactures tubes for the semi-conductor industry. Saint-Gobain Quartz SA (Suisse) - Switzerland (100%). Processing of quartz parts.
• Saint-Gobain Matériaux Céramiques - France (100%). Produces seeded gel. Plant in Courtenay (Loiret, south of Paris area). Employees: 28.
• Saint-Gobain Centre de Recherche et d'Etudes Européennes - France (35%), the remainder being held by other companies of the Ceramics & Plastics Division. Center in Cavaillon (Vaucluse, southeastern France).
• Valoref SA -France (100%). Recycling.
• Saint-Gobain Ceramicas Industriales - Spain (100%). Manufactures technical ceramics and distributes high-performance plastics. Plant in Castellbisbal. Employees: 72.
• Beijing SEPR Refractories - China (65.9%). See Saint-Gobain China Invest CY.
• SEPR Refractories India Ltd - India (100%). Manufactures fused-cast refractory products. Plant in Palakkad. Employees: 178.

Saint-Gobain Performance Plastics Europe

100%-owned by Spafi.
Holding company.
Holds: 100% of SG Performance Plastics Asti, SG Performance Plastics España, SG Performance Plastics Gessil, SG Performance Plastics Verneret - France. 100% of SG Performance Plastics Chaineux, 100% of SG PPL Gembloux and SG PPL Kontich - Belgium. Manufactures and sells high-performance plastics. Sales of subsidiaries: €84 million. Employees of subsidiaries: 654. Holds: 90% of Saint-Gobain Ceramics Materials KK - Japan. Manufactures ceramic pellets and powders. Plant in Osaka. Sales: 4.6 billion Japanese yen. Employees: 83.

Saint-Gobain Abrasifs (France)

99.6% owned by Spafi and 0.3% by Vertec.
Manufactures bonded abrasives, grinding wheels and superabrasives. Plants in Conflans-Sainte-Honorine (Yvelines), La Courneuve and Bobigny (Seine-Saint-Denis), Amboise (Indre-et-Loire) and Lisieux (Calvados).
2003 sales: €157.3 million.
Employees: 1,019.

Subsidiaries and holdings

• Saint-Gobain Abrasivos SA - Spain, Saint-Gobain Abrasives SA - Luxembourg, Saint-Gobain Abrasivi SpA - Italy, Saint-Gobain Abrasives - Poland, Saint-Gobain Abrasives Pty Ltd. - South Africa. See company profiles.
• Pabsa - Colombia (100%). Manufactures coated abrasives and grinding wheels. Plant in Mosquera. Sales: €8.1 million. Employees: 92.
• Saint-Gobain Abrasivos - Venezuela (100%). Manufactures coated abrasives and grinding wheels. Plants in Maracay and Los Teques. Sales: €4.4 million. Employees: 71.
• Saint-Gobain Abrasives AB - Sweden (100%). Abrasives. Sales: 170.1 million Swedish kronor. Employees: 45.
• Saint-Gobain Abrasives Nederland - Netherlands (100%). Holds 100% of Saint-Gobain Abrasives BV. Manufactures thin grinding wheels and bonded abrasives. Plants in Eibergen and Vaals (Netherlands). Sales: €96.6 million. Employees: 455.
• Saint-Gobain Abrasives NV - Belgium (100%). Employees: 21.
• Saint-Gobain Abrasives Shanghai (68%) - China. See Saint-Gobain China Invest. CY.
• Saint-Gobain Abrasives Australia (100%) - Australia. Sales: 82.9 million Australian dollars. Employees: 264. Manufactures abrasive grinding wheels and coated abrasives. Plants in Lidcombe and Campbellifield.
• SG Norton Hamplas (50%) - Indonesia. Sales: €7.1 million. Employees: 209. Plant in Surabaya.

Spafi

100%-owned by Compagnie de Saint-Gobain.
Holding company.
Holds:
• Saint-Gobain Isover, Saint-Gobain Vetrotex France, Saint-Gobain PAM, SEPR, Saint-Gobain Abrasifs, Saint-Gobain Performance Plastics Europe (France), Saint-Gobain Plc - United Kingdom, Saint-Gobain Corporation - USA, Saint-Gobain Technical Fabrics Canada - Canada, Saint-Gobain Abrasivos - Brazil. See company profiles.
• SGPPI (100%) - France. Holding company. Holds: Saint-Gobain Glass Benelux - Belgium; Saint-Gobain Cristaleria - Spain; Brasilit SA - Brazil; Grindwell Norton Ltd - India, Saint-Gobain China Invest Cy Ltd – China, Hankuk Sekurit Ltd - South Korea (25%). See company profiles. Saint-Gobain Sekurit Thailand - Thailand (22.5%). See Saint-Gobain Sekurit Benelux SA. Verinvest Oy - Finland (17.3%). See Saint-Gobain Glass Nordic A/S.

▶ Vertec

100%-owned by Compagnie de Saint-Gobain.
Holding company.
Holds: Saint-Gobain Glass France, Saint-Gobain Emballage, SEPR - France; Saint-Gobain Glass Italia - Italy. See company profiles.

Germany *€1 = DEM 1.96*
Central and Eastern Europe

▶ Saint-Gobain ZN Deutschland

100%-owned by Compagnie de Saint-Gobain.
Holding company.
Holds:
• Saint-Gobain Glass Deutschland GmbH, Saint-Gobain Isover G+H AG, Saint-Gobain Vetrotex Deutschland GmbH, SG Schleifmittel GmbH, Raab Karcher GmbH - Germany. See company profiles.
• 60% of Saint-Gobain Autoglas GmbH - Germany. Holds 100% of Saint-Gobain Sekurit Deutschland Verw/ Beteil GmbH - Germany.

▶ Saint-Gobain Glass Deutschland GmbH

Owned 60% by Saint-Gobain ZN Deutschland and 40% by Glaceries de Saint-Roch Germania.
Manufacturing and processing of flat glass.
Plants in Stolberg (float and processing), Herzogenrath (float), Cologne-Porz and Torgau (float and low-emission laminated glass) and Mannheim (cast glass).
2003 sales: €344 million.
Employees: 1,200.
These figures include those of Flachglas Torgau GmbH (100%-owned) and Verbundglas Torgau GmbH (also 100% owned).

Subsidiaries and holdings

• Saint-Gobain Deutsche Glas GmbH, Saint-Gobain Sekurit Deutschland KG - Germany, Saint-Gobain Glass Exprover - Belgium, Saint-Gobain Glass Polska - Poland, Saint-Gobain Glass Nordic A/S - Denmark. See company profiles.
• Nitrasklo AS (40%), Venisklo Spol (100%) - Slovakia. Processing and distribution of flat glass for the building industry.
• Internationale Maatschappij Voor Het Beheer van Glasmaatschappijen BV (SGT) - Netherlands (100%). Holding company. Holds Eckelt Glas GmbH - Austria (95.5% + 4.5% by Saint-Gobain Deutsche Glass GmbH). Flat glass processing. Sales: €51.4 million. Employees: 344.
• Saint-Gobain Glass India Ltd (66.3% + 29.3% by SGPPI + 4.4% by Grindwell Norton Ltd) - India.
Sales: 3.03 billion Indian rupees. Employees: 316.

▶ Saint-Gobain Deutsche Glas GmbH

100%-owned by Saint-Gobain Glass Deutschland GmbH.
A holding company controlling various subsidiaries which distribute and process flat glass for the building industry.
Consolidated sales for 2003 of the Saint-Gobain Deutsche Glas group amounted to €198.7 million. The group employs 1,905 persons.

▶ Saint-Gobain Sekurit Deutschland Beteiligungen GmbH

100%-owned by Saint-Gobain Autoglas GmbH.
Company managing Saint-Gobain Sekurit Deutschland KG and holding other equity interests.

Subsidiaries and holdings

• Saint-Gobain Sekurit Benelux - Belgium, Saint-Gobain Sekurit Scandinavia - Sweden. See company profiles.
• Autoglas Hansa - Germany (100%). Holds: Renz Autoglas GmbH (100%), SG Autover Deutschland (100%), Freudenberger Autoglas - Germany (100%); Autover Bilglas A/S - Norway (100%), Autover Oy - Finland (100%); Autover Direktglas AB - Sweden (80%), Autover Benelux NV (100%); Walter Kigler - Austria (85%). Distribution of replacement automobile flat glass.
• SG Sekurit Finland Oy - Finland (100%). Faba Autoglas Technik GmbH - Germany (100%). Processing of automobile glass.
• Saint-Gobain Sekurit CR Spol SRO. - Czech Republic (100%). Produces laminated glass for the auto industry. Sales: €36.6 million. Employees: 362.
• Saint-Gobain Sekurit Hanglas Polska - Poland (87.8% + 12.2% by Hankuk Glass Industries). Produces automobile glass. Sales: €55.1 million. Employees: 800.
• Saint-Gobain Sekurit (Shanghai) - China (100%). Sales: €24.4 million. Employees: 177.
• Saint-Gobain Sekurit Japan - Japan (100%). Sales: €11.9 million. Employees: 14.

▶ Saint-Gobain Sekurit Deutschland KG

Owned 99% by SG Sekurit Deutsch. Verw. GmbH and 1% by Saint-Gobain Glass Deutschland GmbH.
Manufactures flat glass products for the automobile industry.
Plants in Stolberg (laminated glass) and Herzogenrath (coated glass).
2003 sales: €349.1 million.
Employees: 1,956.
These figures include those of SG Sekurit Modulartechnik. Extrusion of laminated and coated flat glass. Plant in Würselen.

Subsidiaries and holdings

• Saint-Gobain Sekurit Nutzfahrzeugglas GmbH (SGSN KG) - Germany (100%). Manufactures flat glass for utility vehicules. Plant in Cologne-Porz. Sales: €36.1 million. Employees: 266.
• FABA Autoglas Technik - Germany (94%).

▶ Saint-Gobain Isover G + H AG

99.9% owned by Saint-Gobain ZN Deutschland.
Manufactures and sells mineral fibers and foams for thermal, refrigeration and acoustic insulation as well as for fireproofing under the trademark G + H Isover.
Plants in Bergisch-Gladbach (Nordrhein-Westfalen), Ladenburg (Baden-Würtemberg), Spire (Rheinland - Palatinat) and Lübz (Mecklenburg Vorpommern).
2003 sales: €326.8 million.
Employees: 1,258.

Information on subsidiaries

Subsidiaries and holdings

• Saint-Gobain Isover SA - Switzerland, Saint-Gobain Isover Benelux - Netherlands, Saint-Gobain Isover A/S - Denmark. See company profiles.
• Saint-Gobain Isover Austria AG - Austria (99.8%). Manufactures and sells insulating materials. Plant in Stockerau. Sales: €49.2 million. Employees: 250. Holds: 74.3% of Saint-Gobain Orsil (+ 25.7% held by Saint-Gobain Isover G+H AG) - Czech Republic. Manufactures rock wool insulating materials. Plant in Castolovice. Sales: 1.204 million Czech koruny. Employees: 271.
• Superglass Dammstoffe GmbH - Germany (100%). Distribution of insulating materials.

Saint-Gobain Vetrotex Deutschland GmbH

100%-owned by Saint-Gobain ZN Deutschland.
Manufactures and sells fiberglass for reinforcements.
Plant in Herzogenrath.
2003 sales: €64.6 million.
Employees: 431.

Subsidiaries and holdings

• 99.7% of SG Vertex AS - Czech Republic. Sales: 4,652 million Czech koruny. Employees: 1,233. Holds Saint-Gobain Velimat Polska sp. z.o.o. (100%) - Poland. See company profiles.
• 12.1% of Saint-Gobain Vetrotex International - France. See Saint-Gobain Vetrotex France.
• 100% of Saint-Gobain Vetrotex Glasvlies - Germany.

Halbergerhütte GmbH

100%-owned by Saint-Gobain PAM.
Holding company.
Holds:
• Saint-Gobain Plc - United Kingdom, Saint-Gobain Condotte SpA - Italy. See company profiles.
• Saint-Gobain Gussrohr KG - Germany (100%). Ductile cast-iron pipes. Plants in Saarbrücken-Brebach (Saar) and Gelsenkirchen (Ruhr). Sales: €162.1 million. Employees: 671.
• SG HES GmbH - Germany (100%). Sale of piping systems for the building industry. Sales: €41.5 million. Employees: 45.
• Saint-Gobain Slevarna (100%) - Foundry in the Czech Republic. Sales:101 million Czech koruny Employees: 130.

Saint-Gobain Oberland AG

96.7% owned by Saint-Gobain Emballage.
Company listed on the Frankfurt, Munich and Stuttgart Stock Exchanges.
Manufactures glass containers (bottles, industrial jars and glass blocks).
Plants in Bad Wurzach (Baden-Würtemberg), Neuburg (Bavaria), Essen (Nordrhein Westfalen) and Wirges (Rheinland).
2003 sales: €339.1 million.
Employees: 1,749.

Subsidiaries and holdings

• Ruhrglas - Germany (100%). Holds 100% of GPS Glas Produktions Service. Produces machines for the glass containers industry. Sales: €19.4 million. Employees: 71.
• Westerwald - Germany (100%). Holding company.
• Zhanjiang Saint-Hua-Glass - China (35%). See Saint-Gobain China Invest CY.

Saint-Gobain Calmar GmbH

Owned 100% by SGD Kipfenberg.
Manufactures plastic pumps.
Plant in Hemer.
2003 sales: €71 million.
Employees: 536.

SEPR Keramik GmbH & CO KG

100%-owned by SEPR.
Holding company.
Holds:
• Norton Beteiligungs - Germany (100%). Holding company. Holds Saint-Gobain Performance Plastics Pampus GmbH - Germany (100%). Manufactures and sells high-performance plastics for the medical and automobile industries and for other industrial equipment. Plant in Willich. Sales: €53.6 million. Employees: 318. Holds Saint-Gobain Advanced Ceramics Lauf GmbH - Germany (100%). Manufactures and sells advanced ceramics. Plant in Lauf. Sales: €16.3 million. Employees: 184. Holds 100% of Norton HTK Vervaltungs GmbH.
• Saint-Gobain IndustrieKeramik Düsseldorf - Germany (100%). Produces refractory products. Plant in Düsseldorf. Sales: €19.8 million. Employees: 95.
• Saint-Gobain Advanced Ceramics Mönchengladbach - Germany (100%). Manufactures and sells advanced ceramics. Plant in Mönchengladbach. Sales: €12.3 million. Employees: 84.
• Saint-Gobain IndustrieKeramik Roedental - Germany (100%) . Produces high-performance refractory products. Plant in Roedental. Sales: €48.2 million. Employees: 441.
• Saint-Gobain Performance Plastics Cologne - Germany. Sales : €13.3 million. Employees: 39.
• Saint-Gobain Ceramic Materials Kuppenheim - Germany (100%). Silicon carbide processing. Plant in Kuppenheim. Sales : €8.7 million. Employees: 29.

Saint-Gobain Schleifmittel - Beteiligungen GmbH

100%-owned by Saint-Gobain ZN Deutschland.
Holds:
• 100% of Saint-Gobain Diamond Products GmbH and Saint-Gobain Winter Diamantwerkzeuge. Produces superabrasive tools for the mechanical and stone-cutting industries. Plants in Norderstedt. Total sales: €72.4 million. Employees: 598.
• 100% of Saint-Gobain Abrasives GmbH. Manufactures and sells grinding wheels and superabrasives. Plants in Gerolzhofen and Wesseling. Sales: €81.2 million. Employees: 444.

Raab Karcher GmbH

100%-owned by Saint-Gobain ZN Deutschland.
Distributes building materials in Germany and in Eastern Europe.
2003 sales: €2 billion (including subsidiaries).
Employees: 6,611 (including subsidiaries).
Holds: 100% of Raab Karcher Holland - Netherlands. Distribution of building materials in the Netherlands. Sales: €452.5 million. Employees: 1,410.

Benelux €1 = BEF 40.34
€1 = NLG 2.20

Saint-Gobain Glass Benelux SA

Owned: 88.7% by Compagnie de Saint-Gobain and 10.9% by Saint-Gobain Benelux.
Manufacturing and processing of flat glass.
Plants in Sambreville (2 float lines).
2003 sales: €145.1 million.
Employees: 539.

Subsidiaries and holdings

• Saint-Gobain Glass Exprover - Belgium, Saint-Gobain Plc - United Kingdom, Sas Van Gent Glasfabriek- Netherlands, Saint-Gobain Glass Nordic A/S - Denmark. See company profiles.
• Glaceries de Saint-Roch Germania - Germany (100%). Holding company. Holds: 40% of Saint-Gobain Glass Deutschland GmbH - Germany. See company profile. 40% of Saint-Gobain Autoglas GmbH - Germany. See Saint-Gobain Deutschland.
• B & G Glas Group (99.7%), Frankenglas (100%), Boermans Glas Montage NV (99.9%), Burniat Glass SA (100%), Glorieux NV (100%), Wagener Jowaco (100%), Hanin Miroiterie SA (100%), Techniver SA (100%), Climaglass NV (99.9%), Conforglass (99.9%), Veiligheidsglas CGG NV (99.9%), Mirover NV and Romato (99.9%) - Belgium. Sales of subsidiaries: €83.1million. Employees of subsidiaries: 682.
• Koninklijke Saint-Gobain Glass NV - Netherlands (100%). Holding company for subsidiaries selling and processing glass products for the building industry.

Saint-Gobain Glass Exprover

Owned 39% by Saint-Gobain Glass Deutschland GmbH + 27% by Saint-Gobain Glass Benelux + 18% by Saint-Gobain Glass France + 8% by Saint-Gobain Glass Italia + 8% by Saint-Gobain Cristaleria.
Export company of the Flat Glass Division. Promotes and coordinates all exports of flat glass products manufactured by the Group outside areas where there are plants.
Holds: Saint-Gobain Hellas - Greece (100%). Saint-Gobain Glass Exprover North America - USA (100%).

Saint-Gobain Sekurit Benelux SA

100%-owned by Saint-Gobain Sekurit Deutschland Beteiligung GmbH.
Flat glass processing for the auto industry.
Plant in Sambreville.
2003 sales: €93.9 million.
Employees: 453.
Holds: Saint-Gobain Sekurit Thailand - Thailand (72.5%+22.5% by SGPPI). Sales: 1,601.5 million thai baht. Employees: 522. Autover International BV - Netherlands (100%). Distribution of replacement automobile flat glass. Autover Distribution SA - Belgium (100%).

Glasfabriek Sas Van Gent BV

100%-owned by Saint-Gobain Glass Benelux.
Manufactures reflecting glass, enameled glass and tempered glass.
Plant in Sas Van Gent (Netherlands).
2003 sales: €22.2 million.
Employees: 139.

Saint-Gobain Isover Benelux

100%-owned by Saint-Gobain Isover G+ H AG.
Production and sale of insulating products.
Plant in Etten-Leur (Netherlands).
2003 sales: €84.2 million.
Employees: 350.

Subsidiaries and holdings

• Saint-Gobain Isover Benelux NV - Belgium (99.8%). Distribution.
• Saint-Gobain Cultilène BV - Netherlands (100%). Processes and sells glass wool and rock wool products for hydroponic (soil-less) cultivation. Sales: €19.1 million. Employees: 58.
• Saint-Gobain Ecophon BV - Netherlands (30%).

Saint-Gobain Diamond Products SA (Luxembourg)

100%-owned by Saint-Gobain Abrasifs (France).
Produces and sells diamond-tipped tools, disks and drills, as well as machines for cutting asphalt in the construction and civil engineering industries.
Plant in Bascharage (Luxembourg).
2003 sales: €39.3 million.
Employees: 157.
Holds: 99.9% of Saint-Gobain Diamond Products - Belgium. Produces diamond-tipped tools. Plant in Mechelen. Sales: €3.1 million. Employees: 30.

Saint-Gobain Nederland

100%-owned by Compagnie de Saint-Gobain.
Finance company.

Spain €1 = ESP 166.39
Portugal €1 = PTE 200.48

Saint-Gobain Cristaleria SA

Owned 25.8% by Compagnie de Saint-Gobain + 71.8% by International Saint-Gobain + 2% by SGPPI.
Manufactures and processes flat glass for the building and automobile industries, as well as insulating materials (glass wool and rock wool).
Flat glass plants in Arbós (float line), Avilès (float line), Madrid (Hortaleza), Renedo de Piélagos.
Insulating material plant in Azuqueca de Henares.
Consolidated sales for 2003: €467.2 million.
Employees: 1,812.

Subsidiaries and holdings

• Saint-Gobain Vicasa, La Veneciana, Saint-Gobain Canalizacion, Saint-Gobain Vetrotex España - Spain; Saint-Gobain Glass Portugal - Portugal; Saint-Gobain Glass Exprover - Belgium; Saint-Gobain Sekurit Mexico, Saint-Gobain Glass Mexico, Saint-Gobain Vetrotex America (55.6% + 44.4% by Saint-Gobain Vetrotex España - Mexico; Saint-Gobain de Colombia, Pam Colombia SA - Colombia. See company profiles.
• Autover Iberica - Spain (100%). Distribution of replacement automobile flat glass.
• Wanner y Vinyas (100%) - Spain. Thermal and acoustic insulation. Sales: €52.9 million. Employees: 287.
• Industrias del Cuarzo Incusa (100%). Sand quarry.

• Vislam (5%), Inmobiliaria Cristalvex (100%).
• La Veneciana Norte (5%), La Veneciana Levante (5%), La Veneciana Bética (5%), La Veneciana Canarias (5%).
• Procustic - Spain (100%). Processing and distribution of acoustic insulation products.
• Portaglas SL - Spain (99.2% + 0.8% by La Veneciana). Sales: €26.8 million. Employees: 181.
• Cristaleria de Hortaleza - Spain (100%). Sales: €20.7 million.
• Iberisol - Portugal (65.2% + 22.3% by Wanner y Vinyas). Distribution of insulating products.
• Vidrieria Argentina (VASA) - Argentina (49%). Sales: 90 million Argentine pesos. Employees: 138. Manufactures flat glass for the building industry.
• Cristaleria Andina - Panama (100%).
• Holding Concorde SA - Colombia (51%). Inversiones Float Chile Ltda - Chile (49%).

La Veneciana

100%-owned by Saint-Gobain Cristaleria.
Sale, processing and installation of flat glass products and mirrors.
2003 consolidated sales: €107.3 million.
Employees (including subsidiaries): 791.

Subsidiaries and holdings

• La Veneciana Norte (95%), La Veneciana Levante (95%), La Veneciana Bética (95%), La Veneciana Canarias (95%), La Veneciana Balear SA (100%), Cristaleria Industrial (CRISA) (95%), Vidrios de Seguridad Laminados - Vislam - (95%).

Saint-Gobain Vetrotex España

100%-owned by Saint-Gobain Cristaleria.
Manufactures and sells fiberglass for reinforcements.
Plant in Alcalá de Henares.
2003 sales: €76.3 million.
Employees: 367.
Holds:
• 0.1% of Saint-Gobain Vetrotex International - France. See Saint-Gobain Vetrotex France.
• 100% of CemFil International - United Kingdom. Distribution of CemFil glass fibers for reinforcing concrete. 100% of Vetrotex Distribucion Norte, Vetrotex CemFil and Saint-Gobain Tevesa - Spain.
• 40% of Beijing Saint-Gobain Vetrotex Glass Fiber - China. See Saint-Gobain China Invest CY.

Saint-Gobain Canalizacion

Owned 80% by Saint-Gobain PAM and 20% by Saint-Gobain Cristaleria.
Ductile cast-iron pipes.
Plant in Santander.
2003 sales: €155.2 million.
Employees: 275.
Holds: PAM Colombia SA - Colombia (95%). See company profile.
Saniplast (100%) - Spain. Distribution of pipes and accessories.
Sales: €40.4million. Employees: 108.

Saint-Gobain Vicasa SA

99.9% owned by Saint-Gobain Cristaleria.
Manufactures glass containers (bottles, industrial jars and flasks).
Plants in Azuqueca de Henares (Guadalajara), Burgos, Dos Hermanas (Sevilla); Jerez de la Frontera (Cadiz); Saragossa.
2003 sales: €238.6 million.
Employees: 1,163.
These figures include those of Saint-Gobain Montblanc SA. Manufactures glass containers. Plant in Montblanc (Catalonia).

Subsidiaries and holdings

• Saint-Gobain Cristaleria - Spain; Saint-Gobain Mondego - Portugal. See company profiles.
• Saint-Gobain La Granja SA - Spain (100%). Manufactures glass containers (flasks), insulators and moldings. Plant in La Granja (Segovia). Sales: €58.9 million. Employees: 345. Holds 100% of Saint-Gobain Calmar SA - Spain. Produces plastic pumps. Plant in Barcelona. Sales: €47 million. Employees: 339.
• Vidrieras Canarias (41%). Glass containers. Sales: €19.1 million. Employees: 110.
• Gijon Fabril - Spain (100%). Production and distribution of machines and molds for the glass industry.
• Rayen Cura Saic - Argentina (60%). Manufactures glass containers (bottles). Plant in Mendoza. Sales: 85.5 million Argentine pesos. Employees: 255.

Saint-Gobain Abrasivos (Spain)

100%-owned by Saint-Gobain Abrasifs (France).
Produces abrasive grinding wheels.
Plants in Pamplona and Montmelo.
2003 sales: €40.9 million.
Employees: 250.
Holds: 100% of Saint-Gobain Abrasivos Lda - Portugal. Distributes abrasive products. Plant in Porto.

Saint-Gobain Glass Portugal

100%-owned by Saint-Gobain Cristaleria.
Manufactures and processes flat glass for buildings and home appliances.
Plant (float line) in Santa Iria de Azoia (Portugal).
2003 sales: €52 million.
Employees: 154.
Holds:
• SGSP Vidro Automovel - Portugal. See company profile.
• 100% of Covipor - CIA Vidreira do Norte, and 100% of Covilis - Portugal. Processing of glass products for the building industry. Total sales: €26.5 million Employees: 167.

SGSP Vidro Automovel

100%-owned by Saint-Gobain Glass Portugal.
Flat glass processing for the auto industry.
Plant in Santa Iria de Azoia (Portugal).
2003 sales: €59.2 million.
Employees: 283.
Holds: 60% of Autoverlusa - Portugal. Distribution of replacement flat glass parts for the auto industry.

▶ Saint-Gobain Mondego

100%-owned by Saint-Gobain Vicasa.
Manufactures glass containers (industrial bottles and jars).
Plant in Figueira da Foz (Portugal).
2003 sales: €53.8 million.
Employees: 256.

United Kingdom *€1 = GBP 0.692*

▶ Saint-Gobain PLC

Owned 72.6% by Partidis, 11.4% by Saint-Gobain Glass Benelux, 5.8% by Spafi, 4.5% by Saint-Gobain PAM, 4.5% by Halbergerhütte and 1.2% by Saint-Gobain Isover A/S.
Holding company.
Holds:
• Solaglas Ltd, Saint-Gobain Pipelines Plc, Saint-Gobain Ceramics & Plastics Plc, Abrasives Plc; Saint-Gobain Building Distribution Ltd - United Kingdom. See company profiles.
• Orchardflint - UK. Holding company.
• Saint-Gobain Glass UK Ltd. (100%) - United Kingdom. Float in Egborough. Sales: £57.3 million. Employees: 149.
• Saint-Gobain Pipe Systems Plc - United Kingdom (100%). Distribution of pipe products for the building and public works sector.
• Saint-Gobain Technical Fabrics UK Ltd (100%). Sales: £6.1 million. Employees: 43.
• Saint-Gobain Insulation UK (100%). Holds 50% of British Gypsum Isover - United Kingdom. Production and sale of insulation products. Sales: £11.4 million. Employees: 143.

▶ Solaglas Ltd

100%-owned by Saint-Gobain Plc.
Processing and distribution of flat glass products for the building industry (tempered glass, laminated glass, mirrors, insulating glass). Network of 42 sites including 27 processing facilities throughout the UK.
2003 sales (including subsidiaries): £178.2 million.
Employees (including subsidiaries): 2,306.
Holds:
• Hayes Group, Dockrell Glass Group - United Kingdom (100%). Processing for the building industry.
• Thermax, Birmingham Build - United Kingdom (100%). Processing for the automobile and building industries .
• Saint-Gobain Glass Ltd – United Kingdom (100%). UK distributor for the products of the Flat Glass and Containers Divisions.
• Vetrotech Saint-Gobain UK (50%).

▶ Saint-Gobain Building Distribution Ltd

100%-owned by Saint-Gobain Plc.
Distribution of building materials.
2003 sales: £1.89 billion.
Employees: 12,600.
Holds: 100% of Meyer Decorative Surface USA. Distribution of building materials.

▶ Saint-Gobain Pipelines Plc

100%-owned by Saint-Gobain Plc.
Ductile cast-iron pipes and hydraulic connectors for water-supply and wastewater networks. Hydraulic valves. Cast-iron and steel supplies for roadworks, cast-iron supplies for the building industry. Plants in Stanton, Staveley, Holwell, Risca, West Bromwich and Telford.
2003 sales: £150 million.
Employees: 1,289.
Holds:
• Saint-Gobain Pipelines South Africa - South Africa (100%). See company profile.
• Foundry Products Ltd - United Kingdom, Guest and Chrimes - United Kingdom (100%).
• Stanton Bonna Concrete Ltd - United Kingdom (20%). Concrete pipes.

▶ Saint-Gobain Ceramics & Plastics Plc

100%-owned by Saint-Gobain Plc.
Manufactures and sells high-performance plastics and products for chemical processes.
Plant in Stoke-on-Trent.
Holds:
• Saint-Gobain Quartz Plc - United Kingdom (100%). See company profile.
• 100% of Chemfab Holding - Ireland. Processing of coated fabrics (PTFE, silicone) and adhesive tapes. Holds 100% of Tygaflor Holdings - Ireland, which holds: 100% of Chemfab Luxembourg SARL. Holds: 100% of SG PPL Ireland. Sales: _23.4 million. Employees: 115.
• Chemfab Holding UK Ltd - United Kingdom (100%). Sales: £6.3 million. Employees: 31.
• Saint-Gobain Crystals & Detectors UK Ltd. - United Kingdom (100%).
• Saint-Gobain Industrial Ceramics Ltd - United Kingdom (100%). Production and sale of high-temperature insulation fiber and refractory products. Plant in Rainford. Sales: £7.4 million. Employees: 77.
• Saint-Gobain Performance Plastics Corby - United Kingdom (100%). Manufactures heat-resistant hose, tubing and bundles for beverage-dispensing applications. Sales: £3.1 million. Employees: 37.

▶ Saint-Gobain Quartz Plc

100%-owned by Saint-Gobain Ceramics & Plastics Plc.
Produces silica parts for the chemical industry, fused quartz for the semi-conductor industry, optical fiber manufacturing, infrared heating and laboratory equipment.
Plants in Wallsend.
2003 sales: £12.7 million.
Employees: 195.
Holds:
• TSL Quadrant Ltd - United Kingdom (100%). Plant in Harlow.
• SG Semicon Services - United Kingdom (100%). Plant in Cumberland.

Abrasives Plc

100%-owned by Saint-Gobain Plc.
Holds: 100% of Unicorn Abrasives Ltd and Saint-Gobain Abrasives Ltd - United Kingdom. Sales: £73.4 million. Employees: 695. Through various subsidiaries, manufactures bonded and coated abrasives as well as superabrasives. Plants in Stafford, Gloucester, Tottenham, Welwyn, Leicester, Southampton and Brighton. Holds 100% of SG Universal Abrasives Inc. - USA. Plants in Bristol and Romulus. Sales: $48.7 million. Employees: 232.

Italy *€1 = ITL 1,936.3*

Saint-Gobain Glass Italia

100%-owned by Vertec.
Plants in Pisa (processed products for the building industry) and Sesto Fiorentino (silvering workshop).
2003 sales: €139.2 million.
Employees: 329.

Subsidiaries and holdings

- Saint-Gobain Sekurit Italia - Italy. See company profile.
- Flovetro (50%). Float line at Vasto.
- Mineraria Apuana (100%). Operation of a dolomite quarry.
- Sirsa (49%). Components for the auto industry.
- M.A.C. Trasporti (50%). Road transport.
- Gruppo Fontana (100%). Processing and sale of glass. Sales: €56.1 million. Employees: 73.
- Vetreira Industriale Saint-Gobain (V.I.S.) SRL (100%). Employees: 58.

Saint-Gobain Sekurit Italia

100%-owned by Saint-Gobain Glass Italia.
Flat glass processing for the auto industry.
Plant in Savigliano.
2003 sales: €70.4 million.
Employees: 285.
Holds: 100% of Autover Italia SRL, 50% of Borgna Sicurglass SRL and of Vetro Sud SRL - Italy.

Saint-Gobain Isover Italia

92% owned by International Saint-Gobain.
Manufactures insulating materials and sealing products (roofing materials, bonded fiberglass sidings).
Plants in Vidalengo and Chieti.
2003 sales: €59 million.
Employees: 250.
Holds: 17.9% of Saint-Gobain Isover SA - Switzerland. See company profile.

Saint-Gobain Vetrotex Italia

100%-owned by International Saint-Gobain.
Manufactures and sells fiberglass for reinforcements.
Plants in Besana Brianza and Vado Ligure.
2003 sales: €140.3 million.
Employees: 525.
Holds: 75.9% of Saint-Gobain Revetex SRL - Italy; 100% of SG LMC - Italy; 13.1% of Saint-Gobain Vetrotex International - France. See Saint-Gobain Vetrotex France.

Saint-Gobain Condotte Spa

Owned 90% by Saint-Gobain PAM and 10% by Halbergerhütte.
Ductile cast-iron pipes.
Plants in Cogoleto, Lavis and Pesaro.
2003 sales: €82.6 million.
Employees: 193.

Saint-Gobain Vetri

Owned 100% by Saint-Gobain Emballage.
Manufactures glass containers (industrial bottles and jars).
Plants in Dego, Lonigo, Villa Poma, Pescia, Gazzo Veronese, Carcare.
2003 sales: €356.9 million.
Employees: 1,162.
Holds: 100% of Silver - Italy. Sand quarry products. 100% of Ecoglass - Italy. Collection and processing of cullet.

Saint-Gobain Abrasivi Spa (Italy)

100%-owned by Saint-Gobain Abrasifs (France).
Manufactures abrasive grinding wheels.
Plants in Corsico (Milan), Caronno (Varese), Turin and Salerno.
2003 sales: €88.7 million.
Employees: 450.

SEPR Italia

100%-owned by SEPR.
Manufactures fused-cast refractory products.
Plant in Mezzocorona.
2003 sales: €31.1 million.
Employees: 221.

Poland *€1 = PLZ 4.398*

Saint-Gobain Glass Polska

100%-owned by Saint-Gobain Glass Deutschland GmbH.
Manufactures and processes flat glass.
Float line in Strzemieszyce.
2003 sales: 302.6 million zloty.
Employees: 242.
Holds: 100% of Glaspol - Poland. Processing and distribution of flat glass for the building industry. Sales: 133.7 million zloty. Employees: 428. 100% of Hsj Jaroszowiec - Poland. Sales: 79.7 million zloty. Employees: 349.

▶ Saint-Gobain Isover Polska

100%-owned by Saint-Gobain Isover AB.
Production and distribution of insulating products.
2003 sales: 247.2 million zloty.
Employees: 246.

▶ Saint-Gobain Velimat Polska Sp ZOO

100%-owned by SG Vertex AS.
Production and distribution of bonded fiberglass.
2003 sales: 34.4 million zloty.
Employees: 71.

▶ Saint-Gobain Abrasives Sp ZOO

100% owned by Saint-Gobain Abrasifs SA (France).
Production and distribution of abrasive grinding wheels.
Plant in Kolo.
2003 sales: 99.4 million zloty.
Employees: 466.

Switzerland

€1 = CHF 1.521

▶ Saint-Gobain Isover SA

Owned 46.7% by Saint-Gobain Isover G + H AG, 34.1% by International Saint-Gobain and 17.9% by Saint-Gobain Isover Italia.
Production and sale of insulating products. Distribution of fiber reinforcements.
Plant in Lucens.
2003 sales: CHF 45.8 million.
Employees: 164.
Holds: 25% of Saint-Gobain Isover AB - Sweden. See company profile. 49% of Saint-Gobain Eurocoustic - France. See Saint-Gobain Isover.

▶ International Saint-Gobain

Owned 96.5% by Compagnie de Saint-Gobain and 3.5% by Valfix.
Holding company.
Holds: Isover SA - Switzerland; Saint-Gobain Isover Italia - Italy; Saint-Gobain Vetrotex Italia - Italy; Saint-Gobain Isover AB - Sweden; Saint-Gobain Cristaleria - Spain. See company profiles. 1.9% of Euroventures BV - Netherlands.

Scandinavia

€1 = DKK 7.431
€1 = SEK 9.125
€1 = NOK 8.000
€1 = FIM 5.95

▶ Saint-Gobain Glass Nordic A/S S (Denmark)

Owned 50% by Saint-Gobain Glass Deutschland GmbH and 50% by Saint-Gobain Glass Benelux.
Holding company.
Holds 100% of:
• Emmaboda Glas AB - Sweden. Produces insulating and tempered glass. Plant in Emmaboda. Sales: SEK 224.3 million. Employees: 244. Holds 100% of Glashuset I Sverige AB - Sweden. Glass distribution.
• Scanglas A/S - Denmark. Produces insulating and tempered glass. Plants in Korsør and Kjellerup. Sales: DKK 244.1 million. Employees: 206.
• Brodrene Böckmann A/S - Norway. Produces insulating glass. Plants in Frederikstad and Gjövik. Sales: NOK 333.7 million. Employees: 270.
• Scandi-Glass A/S - Norway. Produces insulating glass. Plant in Sem. Sales: NOK 71.7 million. Employees: 44.
• SI-Glass A/S - Norway. Produces laminated and tempered glass. Plant in Sauda. Sales: NOK 73.6 million. Employees: 72.
• Holds also: Scanglas Regionalgruppen A/S - Denmark (100%). Sales: DKK 181.8. Employees: 170. Baltiklaas - Estonia (100%), Finnglass Oy - Finland (63%), Verinvest Oy - Finland (82.7%). Processing and distribution of flat glass for the building industry.

▶ Saint-Gobain Sekurit Scandinavia AB (Sweden)

100%-owned by Saint-Gobain Sekurit Deutschland Beteiligungen GmbH.
Manufactures tempered and laminated glass for the automobile industry.
Plant in Eslöv.
2003 sales: SEK 477.8 million.
Employees: 265.
Holds: 100% of Saint-Gobain Sekurit Eesti A/S - Estonia. Employees: 161. Manufactures replacement windscreens.

▶ Saint-Gobain Isover AB (Sweden)

Owned 75% by International Saint-Gobain and 25% by Saint-Gobain Isover SA.
Production and sale of insulating products.
Plants in Billesholm and Vrena.
2003 sales: SEK 814.4 million.
Employees: 499.
Holds: Saint-Gobain Ecophon AB - Sweden, Saint-Gobain Isover Oy - Finland, Saint-Gobain Isover Polska - Poland. See company profiles.

Information on subsidiaries

▶ Saint-Gobain Ecophon AB (Sweden)

100%-owned by Saint-Gobain Isover AB.
Production and sale of acoustic ceilings.
Plant in Hyllinge.
2003 sales: SEK 773.8 million.
Employees: 441.
Holds: 100% of Saint-Gobain Ecophon Production A/S - Denmark. Manufactures acoustic products. 60% of Ecophon C.T.T - USA. 100% of Decoustics - Canada. Sales: CAD 33.3 million. Employees: 218.

▶ Saint-Gobain Isover Oy (Finland)

100%-owned by Saint-Gobain Isover AB.
Production and distribution of insulating products.
Plants in Hyvinkää and Forssa.
2003 sales: €85.4 million.
Employees: 308.
Holds: 100% of Saint-Gobain Isover Esti AS - Estonia; 100% of SIA Saint-Gobain Isover - Latvia; 100% of UAB Saint-Gobain Isover - Lithuania; 99.9% of Zao Isover - Russia. Distribution of insulating materials. 100% of SG Isover Holding Oy - Finland which holds 64.6% of SG Isover Yegorievsk - Russia. Employees: 113. 100% of Isover Invest. Oy - Finland which holds 100% of SG Isover Zat - Ukraine.

▶ Saint-Gobain Isover A/S (Denmark)

100%-owned by Saint-Gobain Isover G + H AG.
Production and sale of insulating products.
Plant in Vamdrup.
2003 sales: DKK 356.9 million.
Employees: 202.
Holds: 1.2% of Saint-Gobain Plc - United Kingdom. See company profile. 100% of Glasuld Ireland. 100% of Glasuld Norge A/S - Norway. Production and distribution of insulating products.

▶ Saint-Gobain Ceramic Materials A/S (Norway)

100%-owned by SEPR.
Manufactures and sells silicon carbide products.
Plants in Lillesand and Arendal.
2003 sales: NOK 405.4 million.
Employees: 271.
Holds:
• Saint-Gobain Matériaux Céramiques Benelux SA (100%) - Belgium. Processing of silicon carbide and corundum for the refractory and abrasives industries. Plant in Hody. Sales: €18.3 million. Employees: 30.
• Saint-Gobain Materiales Ceramicos (100%) - Venezuela. Produces silicon carbide.Sales: €17.9 million. Employees: 27.
• SG Ceramic Mat. Lianyungang (50%+50% by SG China Invest) - China.

North America

€1 = USD 1.131
€1 = CAD 1.582

▶ Saint-Gobain Corporation

100%-owned by Spafi.
Holds: 100% of Saint-Gobain Delaware Corporation - USA - Holding company which controls CertainTeed Corporation, Saint-Gobain Containers, Inc., Saint-Gobain Calmar Inc, Saint-Gobain Glass Corporation and Saint-Gobain Abrasives, Inc. - USA. See company profiles.

▶ CertainTeed Corporation

100%-owned by Saint-Gobain Delaware Corporation.
2003 sales: $2,682 million.
Employees: 8,059.
The sales and the employees of CertainTeed Corporation include those of Saint-Gobain Vetrotex America Inc., Saint-Gobain Technical Fabrics America Inc., Saint-Gobain BayForm America Inc., BTI Inc., and CertainTeed Corona, Inc.
Insulation products. Plants in Athens (Georgia), Chowchilla (California), Kansas City (Kansas), Mountaintop (Pennsylvania), Sherman (Texas), Winter Haven (Florida).
Building materials. This division includes the following business lines:
• Solid vinyl siding and windows. Plants in Corona and West Sacramento (California), Hagerstown (Maryland), McPherson (Kansas), Jackson (Michigan), Lebanon (Indiana), Social Circle (Georgia), Auburn (Washington), Richmond (Virginia).
• Residential roofing (shingles). Plants in Birmingham (Alabama), Fremont and Wilmington (California), Oxford (North Carolina), Peachtree City (Georgia), Shreveport (Louisiana), Norwood (Massachussets), Shakopee (Minnesota), Milan (Ohio), Portland (Oregon), Ennis (Texas).
• Commercial roofing. Plants at Chester (Pennsylvania) and Little Rock (Arkansas).
• Roofing granules. Plants in Gads Hill (Missouri), Glenwood (Arkansas), Norwood (Massachusetts).
• Polymers. Plant in Lake Charles (Louisiana).
• PVC pipe and outdoor living products (fencing, decking and railing). Plants in Lodi (California). McPherson (Kansas), Waco (Texas), Social Circle (Georgia), Buffalo (New York), Romeoville (Illinois).
• Fiber cement siding. Plants in White City (Oregon), Roaring River (North Carolina).

Subsidiaries and holdings

• Saint-Gobain Vetrotex America, Inc. - USA (100%). Manufactures and sells fiberglass for reinforcements. Plant in Wichita Falls (Texas).
• Saint-Gobain Technical Fabrics America, Inc. - USA (100%). Production and sale of industrial products for reinforcements. Plants in Albion (New York), Brunswick (Maine), Charleston and Ridgeway (South Carolina), Dover (Ohio), Greensboro, (North Carolina), Lakewood (Washington), Russellville (Alabama), Wichita Falls (Texas). Holds: 100% of Saint-Gobain BTI Inc - USA. Holds 100% of Saint-Gobain BayForm America, Inc. - USA. Production and sale of industrial products and parts for door and window manufacturing. Plants in Cadiz (Ohio), Des Moines (Iowa), Merrill (Wisconsin).
• Ecophon C.T.T - USA (40%). Sale of acoustic ceilings.
• Bird Inc. - USA (100%). Manufactures shingles and roofing granules. Holds 100% of GS Roofing Products Company Inc.
• CertainTeed Corona, Inc - USA (100%).

Saint-Gobain Abrasives, Inc.

Owned 100% by Saint-Gobain Delaware Corporation.
2003 sales: $596.1 million.
Employees: 3,494.
Manufactures bonded abrasives, coated abrasives and superabrasives. Main plants: Worcester (Massachusetts); Littleton (New Hampshire); Livingston (New Jersey), Glenmont and Troy (New York); Arden and Greensboro (North Carolina), Brownsville and Stephensville (Texas), Fullerton and Ontario (California), Hot Springs (Arkansas), Bensenville (Illinois), Romulus (Michigan), Hamilton and Plattsville (Ontario), Travelers Rest (South Carolina). Main subsidiaries in the U. S., Canada, Mexico, New Zealand. Also holds: Saint-Gobain Ceramics & Plastics, Inc. Grindwell Norton - India; Saint-Gobain KK – Japan (through Norton Foreign Affiliates). See company profiles.
Also holds Saint-Gobain Abrasivos de Mexico - Mexico (100%). Manufactures non-woven abrasives and grinding wheels. Plant in Reynosa.

Saint-Gobain Ceramics & Plastics, Inc.

100%-owned by Saint-Gobain Abrasives Inc.
Through its own activities or through its subsidiaries, manufactures engineered and advanced ceramics, chemical process products, high-performance plastics, fused-cast refractory products and special ceramic grains and silicon carbide products. Main plants in Worcester, Northampton and Taunton (Massachusetts), Wayne, Bridgewater and Mickelton (New Jersey), Amherst, Niagara Falls, Sanborn, Granville, Hoosick Falls, and Poestenkill (New York), Akron, Aurora, Stow Ravenna, Newbury, Mantua, Springboro and Solon (Ohio), Louisville (Kentucky), Buckhannon (West Virginia), Olyphant, Latrobe and Malvern (Pennsylvania), Boca Raton (Florida), Bristol (Rhode Island), Austin, Bryan, Irving and Houston (Texas), Bryant and Fort Smith (Arizona), Colorado Springs (Colorado), Soddy-Daisy (Tennessee), East Granby (Connecticut), Elk Grove and Mundelein (Illinois), Anaheim, Fremont, Milpitas, San Jose and Garden Grove (California), Huntsville (Alabama), Merrimack and Milford (New Hampshire), Portage (Wisconsin), Seattle and Washougal (Washington), Albuquerque (New Mexico), West Jordan (Utah), Scarborough (Maine), Beaverton (Michigan), Paris, Brantford and Niagara Falls (Ontario, Canada), Chandler (Arizona), Mundelein (Illinois).
2003 sales: $1,256.8 million.
Employees: 6,050.
These figures include consolidated subsidiaries.

Saint-Gobain Glass Corporation

100%-owned by Saint-Gobain Delaware Corporation.
Holds: 100% of HCS Corporation. Plant in Kent (Washington). Saint-Gobain Sekurit USA, Inc. Plants in Lansing and Shelby Township (Michigan). Saint-Gobain Sully, N.A., Inc. Plant in Trumbauersville (Pennsylvania). Sovis North America, Inc. Plant in Madison (Georgia). Vetrotech Saint-Gobain North America, Inc. Plant in Auburn (Washington).

Saint-Gobain Containers, Inc.

100%-owned by Saint-Gobain Delaware Corporation.
Manufactures glass containers (bottles and jars).
Plants in El Monte, Maywood and Madera (California), Henderson and Wilson (North Carolina), Dolton and Lincoln (Illinois), Dunkirk (Indiana), Ruston (Louisiana), Milford (Massachusetts), Pevely (Missouri), Carteret (New Jersey), Sapulpa (Oklahoma), Port Allegany (Pennsylvania), Waxahachie (Texas), Seattle (Washington), Burlington (Wisconsin).
2003 sales: $1,444.5 million.
Employees: 5,335.
Holds: Tropicana Industrial Glass - USA (50%). Manufactures glass containers (bottles).

Saint-Gobain Calmar, Inc.

100%-owned by Saint-Gobain Delaware Corporation.
Manufactures plastic pumps.
Plants in City of Industry (California), Lee's Summit (Missouri), Washington Court House (Ohio) and Winfield (Kansas).
2003 sales: $195.3 million.
Employees: 1,157.
Holds:
• SG Calmar Wuxi Dispensing Systems Ltd.- China (100%). Assembly of plastic pumps. Plant in Wuxi.
• Saint-Gobain Calmar Argentina - Argentina (99%), Saint-Gobain Calmar SA de CV (99%) – Mexico, Saint-Gobain Calmar Canada Ltd. - Canada (100%). Distribution companies.

Saint-Gobain Technical Fabrics Canada, Ltd

100%-owned by Spafi.
Plants in Midland.
2003 sales: CAD 65.4 million
Employees: 201.
Holds:
• 100% of Saint-Gobain BayForm Canada. Production and sale of industrial products and parts for door and window manufacturing. Plants in Toronto and Midland (Ontario), Calgary (Alberta), St. Apollinaire (Quebec). Sales: CAD 31.3 million. Employees: 23
• 100% of Saint-Gobain Technical Fabrics SA de CV - Mexico. Produces insect screens. Plant in Tlaxcala. Sales: 195.6 million Mexican pesos. Employees: 156.
• 6.7% of Saint-Gobain Vetrotex International. See Saint-Gobain Vetrotex France.

Brazil *€1 = BRL 3.474*

São Lourenço

100%-owned by Compagnie de Saint-Gobain.
Holding company. Holds: 44.7% of Saint-Gobain Vidros SA.

Information on subsidiaries

▶ Saint-Gobain Vidros SA

Owned 54.5% by Compagnie de Saint-Gobain, 44.7% by São Lourenço and 0.8% by Santa Claudia.
Manufactures and processes flat glass for the auto and building industries, glass containers (bottles, flasks, industrial jars), household glassware, glass fiber insulation and glass fibers for reinforcement. Plants in Mauá, Agus Branca, Campo Bom and Canoas.
2003 sales: BRL 919.4 million.
Employees: 3,005.

Subsidiaries and holdings

• Cebrace - Brazil. See company profile.
• Saint-Gobain Isover Argentina - Argentina (100%). Produces fiberglass for insulation and reinforcements. Plant in Llavallol. Sales: 18.9 million Argentine pesos. Employees: 90.
• Santa Marina Vitrage Ltda - Brazil (100%). Sales: BRL 29.5 million. Employees: 126.

▶ Cebrace

50% owned by Saint-Gobain Vidros SA.
Manufacturing and processing of flat glass.
Float-glass plants in Jacarei and Caçapava.
2003 sales: BRL 527.1 million.
Employees: 634.

▶ Brasilit

Owned 100% by SGPPI.
Manufactures fiber-cement sheets and moldings.
Plants in Esteio (Rio Grande do Sul), Caxanga (Pernambuco) and Belém (Para).
2003 sales: BRL 114.9 million.
Employees: 559.

Subsidiaries and holdings

• Eterbras, - Brazil. See company profile.
• Santa Veronica (100%). Holds Carborundum Holding (100%) which holds Saint-Gobain Cerâmicas & Plásticos (100%). Manufactures and sells high-temperature insulation fibers and refractory products. Plant in Vinhedo. Sales: BRL 131.2 million. Employees: 380. Holds 50% of Jundu - Brazil. Operates quarries. Employees: 277.
• São Juliano (25% + 50% held by Santa Veronica and 25% by Saint-Gobain Ceramic Materials AS). Holds 100% of Saint-Gobain Materiais Cerâmicos - Brazil. Produces silicon carbide. Plant in Barbacena (Minas Gerais). Sales: BRL 104.2 million. Employees: 347.
• Saint-Gobain Quartzolit (35% + 15% held by Santa Veronica and 50% by Saint-Gobain Weber). See Saint-Gobain Weber.

▶ Eterbras

80% owned by Brasilit.
Manufactures fiber-cement sheets and moldings.
Plants in Capivari (São Paulo), Guadalupe (Rio de Janeiro) and Goiânia (Goiás).
2003 sales: BRL 116.4 million.
Employees: 414.

▶ Saint-Gobain Canalização

Owned 90.5% by Saint-Gobain PAM and 9.5% by Santa Claudia.
Manufactures ductile cast-iron pipes and connectors.
Plant in Barra Mansa (Rio de Janeiro).
2003 sales: BRL 341.9 million.
Employees: 1,312

▶ Saint-Gobain Abrasivos Ltda

100%-owned by Spafi.
Manufactures bonded and coated abrasives.
Plants in Caieiras, Caldas, Guarulhos, Lorena, Igarassu, Paulista, Vinhedo and Jundiai.
2003 sales: BRL 304.8 million.
Employees: 1,221.
Holds: 100% of Saint-Gobain Abrasivos Argentina - Argentina. Production and distribution of bonded abrasives. Plant in Campana. Employees: 32.

Mexico *€1 = MXN 12.216*
Colombia *€1 = COP 3,252.2*

▶ Saint-Gobain Glass Mexico

100% owned by Saint-Gobain Cristaleria.
Float line in Cuautlá.
2003 sales: 936.4 million Mexican pesos.
Employees: 304.
Holds: Saint-Gobain Sekurit Mexico - Mexico. See company profile.

▶ Saint-Gobain Sekurit Mexico

8.5% owned by Saint-Gobain Cristaleria and 91.5% by Saint-Gobain Glass Mexico.
Manufactures flat glass products for the auto industry.
Plant in Cuautlá.
2003 sales: 805.2 million Mexican pesos.
Employees: 717.

▶ Saint-Gobain Vetrotex America (Mexico)

55.6% owned by Saint-Gobain Cristaleria and 44.4% by Saint-Gobain Vetrotex España.
Manufactures and sells fiberglass reinforcements.
Plant in Xicohténcatl.
2003 sales: 412.4 million Mexican pesos.
Employees: 341.

▶ Saint-Gobain de Colombia

Owned 28.5% by Compagnie de Saint-Gobain, 49.4% by Saint-Gobain Cristaleria and 17.1% by Cristaleria Andina.
Manufactures flat glass for the automobile and building industries.
Plants in Barranquilla and Usinme.
2003 sales: 53.2 billion Colombian pesos.
Employees: 209.

▶ PAM Colombia SA

Owned 95% by Saint-Gobain Canalización and 5% by Saint-Gobain Cristaleria.
Manufactures water supply pipes.
2003 sales: 41.6 billion Colombian pesos.
Employees: 141.

Japan €1 = JPY 131

▶ Saint-Gobain K.K.

100%-owned by Norton Foreign Affiliates.
Produces superabrasives, technical ceramics, high-performance plastics.
Plants in Chiba, Suwa and Seto.
2003 sales: 6.8 billion yen.
Employees: 182.

▶ NSG Vetrotex K.K.

100% owned by Saint-Gobain Vetrotex International.
Manufactures and sells fiberglass for reinforcements.
Plant in Tsu (Mie Prefecture).
2003 sales: 8.9 billion yen.
Employees: 226.
Holds:
• GRP Co., Ltd (100%). Distributes products for the reinforced plastics industry. Sales: 4 billion yen. Employees: 17.
• Mie Textiles Co., Ltd (100%). Glass weaving. Sales: 0.7 billion yen. Employees: 31.

Other countries

€1 = KRW 1,347
€1 = CNY 9.36
€1 = INR 52.6
€1 = ZAR 8.53

▶ Hankuk Glass Industries Inc. (South Korea)

43.8% owned by Sofiag.
Float-glass line producing flat glass.
Plants in Kunsan and Busan.
2003 sales: 127.9 billion won.
Employees: 834.
Holds:
• Hankuk Sekurit Limited - South Korea (50%, plus 25% held by SGPPI and 25% by Saint-Gobain Sekurit Deutschland Beteiligungen GmbH). Flat glass processing for the auto industry. Plants in Kajwa (Incheon), Iksan and Kunsan. Sales: 197.6 billion won. Employees: 724.
• Hankuk Processed Glass Inc. (100%), Hankuk Lighting Glass (100%), Hankuk Haniso (100%), Hankuk Specialty Glass (60%). Total sales: 45.9 billion won. Employees: 637.
• Nanjing Saint-Gobain Hanglas Co - China (36.8% and 36.8% by Sofiag). Plant in Nankin. Sales: 107.6 million yuan. Employees: 638.

▶ Saint-Gobain Vetrotex Korea Ltd

98.6% owned by Saint-Gobain Vetrotex International.
Manufactures and sells fiberglass for reinforcements.
Plant in Kunsan (South Korea).
2003 sales: 94.3 billion won.
Employees: 401.

▶ Saint-Gobain China Invest CY

100%-owned by SGPPI.
Holding company.
Holds:
• Saint-Gobain Isover Beijing - China (29.5% and 29.5% by Saint-Gobain Isover). Glasswool insulation products. Sales: 60.7 million yuan. Employees: 155.
• Zhanjiang Saint-Hua-Glass - China (35% and 35% by Saint-Gobain Oberland AG). Manufactures glass containers (bottles). Sales: 106.4 million yuan. Employees: 390.
• Beijing Saint-Gobain Vetrotex Glass Fiber - China (40% and 40% by Saint-Gobain Vetrotex España). Fiberglass for reinforcements. Sales: 50.8 million yuan. Employees: 135.
• Saint-Gobain Abrasives Shangai - China (32% and 68% by Saint-Gobain Abrasifs France). Produces abrasive grinding wheels. Plants in Shangai. Sales: 199.8 million yuan. Employees: 421.
• Beijing SEPR Refractories Co.- China (22% and 65.9% by SEPR). Manufactures fused-cast refractory products. Plant in Beijing. Sales: 71.7 million yuan. Employees: 190.
• Saint-Gobain Pipelines Co Ltd - China (28.4% and 71.6% by Saint-Gobain PAM). Ductile cast iron pipes. Plant in Manshaan. Sales: 253.2 million yuan. Employees: 468.

▶ Grindwell Norton Ltd (India)

26.8% owned by Saint-Gobain Abrasives Inc. and 24.6% by SGPPI.
Manufactures and sells abrasives and ceramics.
Plants in Bangalore, Bombay, Nagpur and Tirupaty.
2003 sales: 2.3 billion Indian rupees.
Employees: 1,315.

▶ Saint-Gobain Pipelines South Africa

100%-owned by Saint-Gobain Pipelines Plc.
Manufactures cast-iron parts.
Two plants in Pretoria (South Africa).
2003 sales: 144.9 million rand.
Employees: 450.

▶ Saint-Gobain Abrasives Pty

100%-owned by Saint-Gobain Abrasifs France.
Manufactures coated abrasives, superabrasives and grinding wheels.
Plants in Isando and Port Elisabeth (South Africa).
2003 sales: 126.6 million rand.
Employees: 192.

VI• Person responsible for the "Document de Référence" and statutory auditors

Person responsible for the "Document de Référence"

Person responsible for the "Document de Référence"

Jean-Louis Beffa, Chairman and Chief Executive Officer.

Statement by the person responsible for the "Document de Référence"

To the best of my knowledge, the information contained in the "Document de Référence" is correct and includes all the information required by investors to form an opinion on the assets, operations, financial position, results and outlook of the issuer. No information has been omitted that would be likely to alter an investor's opinion.

Paris, April 19, 2004

Chairman and Chief Executive Officer
Jean-Louis Beffa

Statutory Auditors

The Statutory Auditors of the Company are:

• PricewaterhouseCoopers Audit, 32 rue Guersant, 75017 Paris, France, represented by Pierre Coll and Christian Marcellin, reappointed on June 25, 1998 for a term of six years expiring at the close of the 2004 Annual General Meeting;

• La Société d'Expertise Comptable Economique et Financière (SECEF), 3 rue de Turique, 54000 Nancy, France represented by Jacques Tenette and Francis Vallet, reappointed on June 29, 2000 for a term of six years expiring at the 2006 Annual General Meeting. After consultation with the Company's General Management, SECEF has resigned from its position as Statutory Auditor, effective from the Annual General Meeting of June 10, 2004.

Statement by the Statutory Auditors

As required by law, page 55 of the *"Document de Référence"* includes the Report of the Statutory Auditors – prepared in accordance with the final paragraph of article L.225-335 of the Commercial Code – relating to the Report of the Chairman of the Board of Directors which describes the internal control procedures implemented by Compagnie de Saint-Gobain.

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain (the Company) and as required by *Commission des Opérations de Bourse* regulation COB 98-01, we have examined in accordance with French professional standards, the information about the financial position and the historical accounts included in the *"Document de Référence"*.
The *"Document de Référence"* is the responsibility of the Chairman of the Board of Directors of the Company. Our responsibility is to express an opinion on the fairness of the information about the financial position and the accounts contained in the *"Document de Référence"*.
Our procedures, which were performed in accordance with French professional standards, consisted of assessing the fairness of the information about the financial position and the accounts and verifying that this information agrees with the audited financial statements, reading the other information contained in the *"Document de Référence"* in order to identify any material inconsistencies with the information about the financial position and the accounts, and reporting any manifestly incorrect information that came to our attention, based on our overall knowledge of the Company, as acquired during our audit. The *"Document de Référence"* does not contain any forward looking information determined in accordance with a structured process.
We audited in accordance with French generally accepted auditing standards the financial statements of the Company and the Group for the years ended December 31, 2001, 2002 and 2003 prepared in accordance with French generally accepted accounting principles and regulations, as approved by the Board of Directors. Our reports on these financial statements were free of qualifications or observations.

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, introduced by the Financial Security Act *(Loi de Sécurité Financière)* of August 1, 2003 and which came into effect for the first time for the year ended December 31, 2003, we drew shareholders' attention to the following matters in our reports on the financial statements of the Company and the Group:

Company financial statements

The Company carries out impairment tests on a yearly basis for 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 – as described in Note 1 to the financial statements – and we ensured that the estimates made by the Company at December 31, 2003 were reasonable.

As described in Notes 1 and 11 to the financial statements, the Company records a provision for potential tax liabilities for tax which it may be required to pay in the future due to the worldwide consolidated tax regime and the French integrated tax system. Based on the information available at the time of our audit, we ensured that the methods used to determine the provision for potential tax liabilities, as well as the disclosures relating to said provision provided in the Notes to the financial statements, were reasonable.

Consolidated financial statements

As stated in Note 1 to the consolidated financial statements, the Group carries out impairment tests on a regular basis for non-current assets. As part of our assessment of the significant estimates used to prepare the financial statements, we examined the approach used by the Group and – based on the information available at the time of our review – we also ensured that the estimates made by the Group at December 31, 2003 were reasonable.

The Group records provisions for pensions and other post-retirement benefits in accordance with the accounting principles described in Note 1 to the consolidated financial statements. Such provisions are calculated based on the assumptions and methods described in Note 16. As part of our assessments, we ensured that the assumptions and methods used for determining these provisions, as well as the resulting valuations, were reasonable.

The types of provisions for contingencies and charges recorded under "Other liabilities" are described in Note 18 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods used to determine provisions for contingencies and charges, as well as the disclosures relating to said provisions provided in the Notes to the consolidated financial statements at December 31, 2003, were reasonable.

These assessments were made in the context of our audit of the financial statements of the Company and the Group, taken as a whole, and therefore contributed to the formation of the unqualified opinions expressed in the first part of our reports.

Based on the procedures described above, we have nothing to report with respect to the fairness of the information about the financial position and the historic financial statements contained in the *"Document de Référence"*.

Paris, April 19, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Pierre Coll Christian Marcellin

SECEF

Jacques Tenette Francis Vallet

This is a free translation into English of the statutory auditors' statement issued in the French language and is provided salely for the convenience of English speaking readers. It should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

VII • Checklist

A document filed as a *"Document de Référence"* in France must include certain information. The table below provides details of the pages of the Annual Report on which said information can be found.

Ordinary and Extraordinary General Meeting of June 10, 2004

Report

The Board of Directors is inviting shareholders to vote fourteen resolutions governed by the quorum and majority voting rules applicable to Ordinary General Meetings (resolutions 1 to 14) and two resolutions governed by the quorum and majority voting rules applicable to Extraordinary General Meetings (resolutions 15 and 16).

Financial statements of the company and the group - dividend

The financial statements of the Company and the Group are presented in the 2003 Annual Report.
Shareholders are invited to approve the financial statements of the Company **(1st resolution)** and the Group **(2nd resolution)** for the year ended December 31, 2003.
A description of the Company's and Group's financial position at December 31, 2003 and their business and results for the year then ended, as well as the information required by applicable legislation and regulations are also included in the 2003 Annual Report, to which we would ask you to refer.

Appropriation of net income

Net income for Compagnie de Saint-Gobain came to €513,574 thousand in 2003, versus €595,916 thousand in 2002.
Total distributable income amounts to €1,603,938 thousand.
Total distributable income amounts to €1,603,938 thousand.
This figure includes €1,090,363 thousand in retained earnings brought over from prior years, which takes into account the €370 thousand adjustment to the 2002 dividend relating to the 336,000 treasury shares acquired and the 8,300 treasury shares sold between the Board Meeting held to approve the accounts on March 23, 2003 and the dividend payment date of June 23, 2003.
In the **3rd resolution** shareholders are invited to:
• appropriate €290,391 thousand to the special long-term capital gains reserve;
• carry forward €926,575 thousand as retained earnings;
• **appropriate for distribution to shareholders a total of €386,972,080.15** corresponding to a **net dividend per share of €1.15** which, including the 50% avoir fiscal tax credit of _0.575 (where applicable), represents **total dividend income per share of €1.725**.
The 2003 net dividend of €1.15 (up from €1.13 for 2002) will be payable in cash from June 24, 2004 on all outstanding shares in circulation at that date.

Regulated agreements

No new agreements governed by articles L-225-38 *et seq.* of the Commercial Code were entered into during the year **(4th resolution)**.

Authorization to buy back and resell Saint-Gobain shares

The purpose of the **5th resolution** is to authorize the Board of Directors to buy back and possibly resell Saint-Gobain shares. The maximum purchase price under this authorization is set at €55 per share and the minimum sale price at €23 per share.
This authorization is intended to enable Compagnie de Saint-Gobain to continue to take advantage of the flexibility allowed by the legal provisions relating to the buy back and resale of its own shares, including: in connection with the grant or exercise of stock purchase options, to allocate shares to employees, to buy and sell the Company's shares (including while a public tender offer is in progress) to take advantage of market situations, to stabilize the share price by trading against the trend, to cancel the shares subject to authorization by an Extraordinary Meeting (as provided in the fifteenth resolution of the Ordinary and Extraordinary General Meeting held on June 5, 2003), to hold the shares in treasury stock or transfer them in any way, including in exchange for shares, or to manage the Company's cash position or equity. The shares bought back may not exceed 10% of the Company's capital stock. In view of the treasury shares held by the Company, the maximum theoretical purchase price for share buy backs would be €1,626,733,350, corresponding to 29,576,970 shares acquired at a price of €55 each.
The authorization given last year to buy back the Company's shares has been implemented as explained on page ??? of the 2003 Annual Report.

Renewal of the terms of office of four directors – election of a new director

At its meeting of March 25, 2004, the Board of Directors approved the recommendation of the Appointments Committee to renew the terms of office of the following four directors whose terms expire at the end of this meeting:
• Jean-Louis Beffa, Chairman and Chief Executive Officer of Compagnie de Saint-Gobain **(6th resolution)**,
• Isabelle Bouillot **(7th resolution)**,
• Sylvia Jay **(8th resolution)**,
• José Luis Leal Maldonado **(9th resolution)**.
These directors will be given new four-year terms of office, expiring at the Annual General Meeting held in 2008.
Shareholders are invited to approve the renewal of the terms of office for these four directors.

• Jean-Louis Beffa, 62, is Chairman and Chief Executive Officer of Compagnie de Saint-Gobain. He graduated from the *Ecole Polytechnique*, the *Ecole Nationale Supérieure du Pétrole* and the *Institut d'Etudes Politiques de Paris*. He also holds the title of *"Ingénieur en chef des Mines"*. After starting his career at the Oil Division of the French Ministry of Industry, Jean-Louis Beffa joined the Saint-Gobain Group in 1974 as Vice President Corporate Planning. In 1978 he was appointed Chief Executive Officer of Pont-à-Mousson before going on to become Chairman of that company and President of the Group's Pipe and Mechanics Division in 1979. He joined the Group's General Management team in 1982 and was appointed Chairman and Chief Executive Officer of Saint-Gobain in January 1986. His term of office as director was renewed for six years in June 1992 and again in June 1998.

In July 2002, in accordance with the Loi sur les nouvelles regulations économiques, the Board of Directors decided that he should continue to be responsible for the general management of Compagnie de Saint-Gobain and therefore retain the title of Chairman and Chief Executive Officer.

Jean-Louis Beffa is also Vice-Chairman of the Board of Directors of BNP Paribas, a director of the Bruxelles Lambert Group, a member of the Supervisory Board of Le Monde S.A. and Société Editrice du Monde S.A., President of Claude Bernard Participations SAS and a member of the Supervisory Board of Le Monde Partenaires SAS. Within the Saint-Gobain Group, he is the Company's permanent representative on the Board of Saint-Gobain PAM, a director of Saint-Gobain Cristaleria and Saint-Gobain Corporation, and joint Chairman of the corporate foundation, Saint-Gobain Center for Economic Research. He is also Vice-Chairman of the Supervisory Board of the Pension Reserve Fund. Jean-Louis Beffa owns 210,000 Saint-Gobain shares.

• Isabelle Bouillot, 55, is a member of the Supervisory Board of Accor and a director of *La Poste*. She holds a degree in public law and graduated from the *Institut d'Etudes Politiques de Paris* and the *Ecole Nationale d'Administration*. She started her public career within the French Budget Department before being appointed Cabinet Director for the Employment Minister in 1982 and going on to work as Deputy Cabinet Director for the Economy and Finance Minister between 1983 and 1984. She then held the post of Chairman at l'*Union des Banques à Paris* between 1985 and 1986 before becoming a Government Representative for the Department for the Control of Financial Operations between 1986 and 1989 *(Mission de contrôle des activités financiers)*. She was an economic advisor to the French President between 1989 and 1991 and then the Budget Director of the Economy and Finance Ministry from 1991 to 1995. In June 1995, she joined Caisse des Dépôts et Consignations as Deputy Chief Operating Officer where she was responsible for managing banking and finance activities. She went on to become Chairman of the Management Board of CDC Finance-CDC Ixis, before standing down from the position in the second half of 2003. She has also resigned from her positions as Chairman, member of the Supervisory Board or permanent representative on the Board of Directors or Supervisory Board which she held in various subsidiaries and affiliates of CNCE and CDC Finance - CDC Ixis within the Caisse des Dépôts Group. She owns 1,200 Saint-Gobain shares.

Isabelle Bouillot was a member of the Financial Markets Council from 1997 until October 2003.

She owns 1,200 Saint-Gobain shares.

Isabelle Bouillot was elected as a director of Compagnie de Saint-Gobain in June 1998.

• Sylvia Jay, 57, is a British citizen and is the Director General of the British Food and Drink Federation.

She has previously held several positions as a senior British civil servant, in the Overseas Development Administration (ODA) and in secondment to the French Ministry of International Cooperation, the French Treasury and the European Bank for Reconstruction and Development (EBRD).

Sylvia Jay is also a director of Carrefour. She is a lay member of the Procedures and Disciplinary Committee of the General Council to the Bar, Industrial Governor of the British Nutrition Foundation, trustee of the Pilgrim Trust and the Entente Cordiale Scholarships Scheme, and a member of the Council of Food from Britain and the Franco-British Council. Sylvia Jay owns 800 Saint-Gobain shares.

She was elected as a director of Compagnie de Saint-Gobain in June 2001.

• José Luis Leal Maldonado, 64, is a Spanish citizen. He has a law degree from the University of Madrid and a Political Sciences degree from the University of Geneva. He also has a degree in Statistics and a doctorate in economics from the University of Paris. After lecturing at the University of Nanterre for five years, he went on to work at the OECD for a further five-year period.

In September 1977 he was appointed as Director General for economic policy in Spain, a post he held until February 1978 when he became Secretary of State for economic co-ordination and planning. In April 1979 he was appointed as Spain's Minister of the Economy, a position he held until September 1980.

Between 1981 and 1990 José Luis Leal Maldonado acted as an economic advisor for Banco de Vizcaya and held the position of Vice Chairman at Banco Bilbao Vizcaya. He is currently Chairman of the Spanish Banking Association.

He is a director of Saint-Gobain Cristaleria, a Spain-based Group subsidiary, and of CEPSA, Renault (Spain) and Alcatel (Spain). He is also the Chairman of *"Dialogo"*, an association to promote Franco-Spanish amity, and of *Accion Contra el Hambre*. He is Vice-Chairman of *Fundacion Abril Martorell* and a member of *Real Patronato del Museo del Prado* and *Fundacion Duques de Soria*. José Luis Leal Maldonado owns 4,000 Saint-Gobain shares.

He was elected as a director of Compagnie de Saint-Gobain in June 1998.

• At its meeting of March 25, 2004, the Board of Directors also approved the recommendation of the Appointments Committee to nominate for election Gianpaolo Caccini as a director, to replace Eric d'Hautefeuille, who passed away on January 17, 2004.

Subject to shareholder approval, his term of office will correspond to the remainder of Mr d'Hautefeuille's term, expiring at the close of the Annual General Meeting to be called in 2005.

Shareholders are invited to elect Mr. Caccini in the **10th resolution**.

• Gianpaolo Caccini was born in 1938 and is an Italian citizen. He has a doctorate in Chemistry from the University of Pavia in Italy. He joined the Saint-Gobain Group in 1973 as Sales Director for the Insulation Division of the Italian subsidiary, Balzaretti Modigliani. He was appointed as Director of the Sealings Division of that company in 1980, before going on to become Chief Executive Officer of Vetrotex Italia in 1983 and a director of Vitrofil in 1986 (two companies within the Group's Reinforcements Division). He was then appointed Chairman and Chief Executive Officer of Saint-Gobain Desjonquères (Containers Division) in 1988, President of the Insulation Division in 1991 and also of the Reinforcements Division in 1993. In 1996 he became Senior Vice-President of Compagnie de Saint-Gobain and General Delegate for North America. Then in 2000, he went on to become Chief Operating Officer of Compagnie de Saint-Gobain, a position he held until his retirement on April 1, 2004

Gianpaolo Caccini is also a director of Nexans and JM Huber Corporation (United States) and Chairman of the Italian Association of Glass Manufacturers.

Gianpaolo Caccini is also a director of Nexans and JM Huber Corporation (United States) and Chairman of the Italian Association of Glass Manufacturers.

He owns 4,820 Saint-Gobain shares.

Renewal of one titular statutory auditor's term of office, appointment of second titular statutory auditor, and appointment of two substitute statutory auditors

At its meeting of March 25, 2004 the Board of Directors approved the recommendation of the Financial Statements Committee to renew the term of office as titular statutory auditor of PricewaterhouseCoopers Audit, 32 rue Guersant, F-75017 Paris, **(11th resolution)**, which is due to expire at the close of this meeting. In addition, having noted the resignation of S.E.C.E.F from its position as titular statutory auditor on November 3, 2003 – effective from the date of this meeting – the Board of Directors also approved the recommendation to appoint as titular statutory auditor KPMG Audit, Department of KPMG S.A., 1 cours Valmy, F-92923 Paris La Défense Cedex **(12th resolution)**.

The Board also approved the recommendation to appoint Yves Nicolas, 32 rue Guersant, F-75017 Paris, as substitute statutory auditor **(13th resolution)** to replace Daniel Chauveau whose term of office expires at the close of this meeting.

The Board of Directors also noted that Pierre-Henri Scacchi & Associés had resigned from its position of substitute statutory auditor on October 27, 2003 – with effect from the date of this meeting – and approved the recommendation to appoint Jean-Paul Vellutini, 1 cours Valmy, F-92923 Paris La Défense Cedex, as substitute statutory auditor **(14th resolution)**.

In accordance with the applicable law, PricewaterhouseCoopers Audit and Yves Nicolas will be granted six-year terms, expiring at the General Meeting held to approve the 2009 financial statements. The terms of office of KPMG Audit and Jean-Paul Vellutini will correspond to the remainder of their predecessor's terms of office and will therefore expire at the General Meeting held to approve the 2005 financial statements.

Shareholders are invited to approve the renewal of the term of office of PricewaterhouseCoopers Audit as titular statutory auditor and the three new appointments.

Amendments to the bylaws

The purpose of the **15th resolution** is to ensure that the bylaws comply with certain provisions of the *Loi de sécurité financière* of August 1, 2003. This will require amendments to paragraph 4 of article 7, paragraph 2 of article 12, and article 14 of the bylaws. These amendments relate to the time limit for informing the Company where disclosure thresholds are crossed – reducing it from fifteen days to five trading days –, the information necessary for directors to fulfill their duties, and the powers of the Chairman of the Board of Directors The resolution contains the current and amended versions of the bylaws.

The **16th resolution** gives full powers to carry out formalities associated with the General Meeting.

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Please find hereafter additional information required by law.

Employee stock ownership

At December 31, 2003, 7.4% of the Company's capital and 11.7% of the voting rights were held collectively by employees under the Group Savings Plan. Saint-Gobain employee shareholders are represented on the Board of Directors by Pierre Kerhuel, a director who was elected by the Ordinary and Extraordinary General Meeting of June 5, 2003, in accordance with paragraph 3 of article 9 of the Company's bylaws.

Remuneration of corporate officers

Information required under article L-225-102-1 of the French Commercial Code is provided on pages 29 and 30 of the 2003 Annual Report.

Terms of office and functions of directors

Information required under article L-225-102-1 of the French Commercial Code is provided on pages 21 and 22 of the 2003 Annual Report.

Social and environmental information

Information required under paragraph 4 of article L-225-102-1 of the French Commercial Code is provided on pages 100 and 101 of the 2003 Annual Report.

Disclosure thresholds

During 2003, Compagnie de Saint-Gobain did not cross any disclosure thresholds in terms of ownership interest or voting rights.

Report of the Chairman of the Board of Directors

The Report of the Chairman of the Board of Directors relating to the organization and presentation of the Board's work, the internal control procedures implemented by Compagnie de Saint-Gobain and any limitations on the powers of the Chief

Executive Officer is provided on pages 33 to 37 of the 2003 Annual Report.

Agenda

I - ORDINARY MEETING

1 - Approval of the parent company financial statements for the year ended December 31, 2003.
2 - Approval of the consolidated financial statements for the year ended December 31, 2003.
3 - Approval of the appropriation of net income and the proposed dividend.
4 - Report on regulated agreements.
5 - Authorization to the Board of Directors to buy back and resell the Company's shares.
6 - Renewal of the term of office as director of Jean-Louis Beffa.
7 - Renewal of the term of office as director of Isabelle Bouillot.
8 - Renewal of the term of office as director of Sylvia Jay.
9 - Renewal of the term of office as director of José Luis Leal Maldonado.
10 - Appointment of Gianpaolo Caccini as director to replace Eric d'Hautefeuille.
11 - Renewal of Pricewaterhouse Coopers Audit's term of office as titular statutory auditor;
12 - Appointment of KPMG Audit as titular statutory auditor.
13 - Appointment of Yves Nicolas as substitute statutory auditor.
14 - Appointment of Jean-Paul Vellutini as substitute statutory auditor.

II - EXTRAORDINARY MEETING

15 - Amendments to the Company's bylaws to comply with certain provisions of the Commercial Code deriving from the Loi de sécurité financière of August 1, 2003.
16 - Powers to carry out formalities.

Resolutions

Ordinary Meeting

First resolution

Approval of the parent company financial statements for the year ended December 31, 2003

The General Meeting, after reviewing the reports of the Board of Directors and the Statutory Auditors, approves the parent company financial statements for the year ended December 31, 2003 as presented, as well as the transactions reflected in the financial statements and summarized in the reports.

Second resolution

Approval of the consolidated financial statements for the year ended December 31, 2003

The General Meeting, after reviewing the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the year ended December 31, 2003 as presented, as well as the transactions reflected in the financial statements and summarized in the reports.

Third resolution

Approval of the appropriation of net income and the proposed dividend

The General Meeting, having noted that net income for the year amounts to €513,574,452.67 and retained earnings to €1,090,363,072.07, giving a total of €1,603,937,524.74 approves the recommendations made by the Board of Directors with respect to the appropriation of net income, and resolves:
• to appropriate €290,390,704 to the special long-term capital gains reserve;
• to carry forward €926,574,740.59 as retained earnings;
• to appropriate for distribution to shareholders:
• a first dividend of €67,299,492.20.
• an additional dividend of €319,672,587.95.
• giving a total amount of €386,972,080.15.

The net dividend per share carrying dividend rights will therefore amount to €1.15 which, including the 50% avoir fiscal tax credit of €0.575 (where applicable), represents total dividend income per share of €1.725.

In accordance with legal requirements, dividends paid in respect of the previous three years are presented in the table below:

Year	Number of shares on which dividends paid	Net dividend in euros	Tax credit *** in euros	Total revenue in euros
2000	82,990,762*	4.30	2.15	6.45
	331,963,048**	1.075	0.5375	1.6125
2001	84,080,890*	4.50	2.25	6.75
	336,323,560**	1.125	0.5625	1.6875

2002	335,523,164	1.13	0.565	1.695

* Before the four-for-one stock split carried out in June 2002.

** After the four-for-one stock split carried out in June 2002.

*** A 50% tax credit has been applied for the purposes of this table.

Fourth resolution

Report on regulated agreements

The General Meeting notes the terms of the Statutory Auditors' special report on regulated agreements, drawn up in accordance with legal requirements, which records no regulated agreements entered into in 2003.

Fifth resolution

Authorization to the Board of Directors to buy back and resell the Company's shares

The General Meeting, having reviewed the report of the Board of Directors and the prospectus approved by the *Autorité des Marchés Financiers*, authorizes the Board of Directors to buy back and possibly resell Company shares, in accordance with articles L.225-209 et seq. of the Commercial Code, on one or more occasions. The shares may be purchased, sold or transferred by any appropriate method, including over-the-counter, in the form of block sales, through option transactions or by means of derivative instruments. The purpose of this authorization is to allow the Company to grant and give effect to the exercise of stock purchase options, allocate shares to employees, buy and sell the Company's shares (including while a public tender offer is in progress) to take advantage of market situations, to stabilize the share price by trading against the trend, to cancel the shares subject to authorization by an Extraordinary Meeting, to hold the shares in treasury stock or to sell or transfer them on or off a stock exchange, including in exchange for shares, or to manage the Company's cash position or equity. Such transactions will be governed by the following terms:

• maximum purchase price: €55 per share

• minimum sale price: €23 per share

• maximum number of shares: 10% of the total number of shares making up the Company's capital stock. In view of the treasury shares held by the Company, the maximum theoretical purchase price for share buy backs would be €1,626,733,350, corresponding to 29,576,970 shares acquired at a price of €55 each.

In the case of a bonus share issue paid up by capitalizing reserves, or a stock split or reverse stock split, the above prices per share will be adjusted based on the ratio between the number of shares issued and outstanding before and after the transaction.

This authorization is granted for a period of eighteen months from the date of this meeting. It supersedes, for the unexpired period, the unused portion of the authorization granted in the fifth resolution of the Ordinary General Meeting of June 5, 2003.

The General Meeting gives full powers to the Board of Directors, and by delegation, to any person duly authorized by the Board, to enter into any and all agreements, carry out any and all formalities and take any and all other action required to give effect to this authorization.

Sixth resolution

Renewal of the term of office as director of Jean-Louis Beffa

After reviewing the report of the Board of Directors explaining that Jean-Louis Beffa's term of office expires at the close of this meeting, the General Meeting renews his term of office for a period of four years, expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2007.

Seventh resolution

Renewal of the term of office as director of Isabelle Bouillot

After reviewing the report of the Board of Directors explaining that Isabelle Bouillot's term of office expires at the close of this meeting, the General Meeting renews her term of office for a period of four years, expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2007.

Eighth resolution

Renewal of the term of office as director of Sylvia Jay

After reviewing the report of the Board of Directors explaining that Sylvia Jay's term of office expires at the close of this meeting, the General Meeting renews her term of office for a period of four years, expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2007.

Ninth resolution

Renewal of the term of office as director of José Luis Leal Maldonado

After reviewing the report of the Board of Directors explaining that José Luis Leal Maldonado's term of office expires at the close of this meeting, the General Meeting renews his term of office for a period of four years, expiring at the close of the General Meeting called to approve the financial statements for the year ending December 31, 2007.

Tenth resolution

Appointment of Gianpaolo Caccini as director to replace Eric d'Hautefeuille

After reviewing the report of the Board of Directors, the General Meeting elects Gianpaolo Caccini as a director to replace Eric d'Hautefeuille who has passed away.
His term of office will correspond to the remainder of Mr d'Hautefeuille's term, expiring at the close of the General Meeting held to approve the financial statements for the year ending December 31, 2004.

Eleventh resolution

Renewal of PricewaterhouseCoopers Audit's term of office as Titular Statutory Auditor of Compagnie de Saint-Gobain

Having reviewed the report of the Board of Directors explaining that the term of office as Titular Statutory Auditor, granted to PricewaterhouseCoopers Audit at the June 25, 1998 Ordinary and Extraordinary General Meeting, expires at the close of this meeting, the General Meeting renews said term of office for PricewaterhouseCoopers Audit, 32 rue Guersant, F-75017 Paris, as Titular Statutory Auditor for a six-year term, expiring at the General Meeting held to approve the financial statements for the year ending December 31, 2009.

Twelfth resolution

Appointment of KPMG Audit, Department of KPMG S.A., as Titular Statutory Auditor of Compagnie de Saint-Gobain

Having reviewed the report of the Board of Directors which noted the resignation of S.E.C.E.F from its position as Titular Statutory Auditor on November 3, 2003 – effective from the date of this meeting –, the General Meeting appoints as Titular Statutory Auditor KPMG Audit, Department of KPMG S.A., 1 cours Valmy, F-92923 Paris La Défense Cedex, for the remainder of its predecessor's term of office, which expires at the General Meeting held to approve the financial statements for the year ending December 31, 2005.

Thirteenth resolution

Appointment of Yves Nicolas as substitute auditor of Compagnie de Saint-Gobain

After reading the report of the Board of Directors explaining that the term of office as substitute auditor, granted to Daniel Chauveau at the June 25, 1998 Ordinary and Extraordinary General Meeting, expires at the close of this meeting, the General Meeting appoints Yves Nicolas, 32 rue Guersant, F-75017 Paris, as substitute auditor for a six-year term, expiring at the General Meeting held to approve the financial statements for the year ended December 31, 2009.

Fourteenth resolution

Appointment of Jean-Paul Vellutini as Substitute Statutory Auditor of Compagnie de Saint-Gobain

Having reviewed the report of the Board of Directors which noted the resignation of Pierre-Henri Scacchi & Associés from its position as Substitute Statutory Auditor on October 27, 2003 – effective from the date of this meeting – the General Meeting appoints Jean-Paul Vellutini, 1 cours Valmy, F-92923 Paris La Défense Cedex, as Substitute Statutory Auditor for the remainder of his predecessor's term of office, which expires at the General Meeting held to approve the financial statements for the year ending December 31, 2005.

Extraordinary Meeting

Fifteenth resolution

Amendments to the Company's bylaws to comply with certain provisions of the Commercial Code deriving from the *Loi de sécurité financière* of August 1, 2003

Having reviewed the report of the Board of Directors, the Extraordinary General Meeting resolves to amend paragraph 4 1°/ of article 7, paragraph 2 of article 12, and article 14 of the bylaws as follows:

• The first amendment relates to the time limit for informing the Company where disclosure thresholds set down in the bylaws are crossed.

(Amendments in italics).

Current wording	*New wording*
ARTICLE 7	**ARTICLE 7**
FORM OF SHARES	**FORM OF SHARES**
Paragraph 4	**Paragraph 4**
1°/ Where a shareholder, acting alone or in concert, increases the amount of their direct or indirect holding (as defined in L.223-9 and L.233-10 of the Commercial Code) such that the shares held represent at least 0.5% of the Company's capital or voting	1°/ Where a shareholder, acting alone or in concert, increases the amount of their direct or indirect holding (as defined in L.223-9 and L.233-10 of the Commercial Code) such that the shares held represent at least 0.5% of the Company's capital or voting rights or any multiple thereof, the said shareholder must inform the Company of their total number of shares or voting rights held upon the crossing of each disclosure threshold. Said disclosure must be made by registered letter with return receipt requested within fifteen days of the date when the threshold is crossed. The same obligation applies when a shareholder crosses the said disclosure thresholds by reducing their direct or indirect interest in the Company's capital or voting rights.

rights or any multiple thereof, the said shareholder must inform the Company of their total number of shares or voting rights held upon the crossing of each disclosure threshold. Said disclosure must be made by registered letter with return receipt requested within *five trading* days of the date when the threshold is crossed. The same obligation applies when a shareholder crosses the said disclosure thresholds by reducing their direct or indirect interest in the Company's capital or voting rights.

• The second amendment concerns information provided to directors.

(Amendments in italics).

Current wording

ARTICLE 12

POWERS OF THE BOARD OF DIRECTORS

Paragraph 2

Directors shall receive all information required for them to fulfill their duties and may request any documents which they may think fit.

New wording

ARTICLE 12

POWERS OF THE BOARD OF DIRECTORS

Paragraph 2

The Chairman or the Chief Executive Officer of the Company shall provide directors with all of the documents and information required for them to fulfill their duties.

- The third amendment concerns the powers of the Chairman of the Board of Directors.

(Amendments in italics).

Current wording

ARTICLE 14

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors shall represent the Board. He shall organize and manage the work of the Board and report thereon to General Shareholders' Meetings. He shall oversee the proper operation of the Company's management bodies and ensure that the directors are in a position to fulfill their duties. When the Chairman of the Board is not also the Company's Chief Executive Officer, he will be required to retire from office at the latest at the close of the General Meeting held to approve the accounts of the year in which he reaches his sixty-eighth birthday.

New wording

ARTICLE 14

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors shall organize and manage the work of the Board and report thereon to General Shareholders' Meetings. He shall oversee the proper operation of the Company's management bodies and ensure that the directors are in a position to fulfill their duties. When the Chairman of the Board is not also the Company's Chief Executive Officer, he will be required to retire from office at the latest at the close of the General Meeting held to approve the accounts of the year in which he reaches his sixty-eighth birthday.

Sixteenth resolution

Powers to carry out formalities

The Extraordinary General Meeting gives full powers to the bearer of an original, copy or extract of the minutes of this meeting, to carry out all necessary formalities.

Statutory Auditors' special report
on regulated agreements

For the year ended December 31, 2003

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Saint-Gobain, we are required to report on regulated agreements of which we have been advised. Our responsibility does not include identifying and undisclosed agreements.

We have not been advised of any new agreements governed by article L. 225-38 of the Commercial Code.

Paris, March 25, 2004

The Statutory Auditors

PricewaterhouseCoopers Audit

Pierre Coll

Christian Marcellin

SECEF

Jacques Tenette

Francis Vallet

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