Building Distribution: a return to growth

Saint-Gobain Investor Day
November 15th 2010
Agenda

- Key Facts
- Business Update
- Strategy
- Conclusion
A local business - #1 leader in Europe

- N°1 European distributor for Building Materials with multiple brands & €17.1bn of sales (2009)

- A local business served by a network of 4,160 branches in 26 countries

- A people driven business: 68,000 people delivering almost 200 million customers contacts per year

- A dedicated market approach: generalist and specialist brands towards professional customers & project oriented private customers
A balanced portfolio of markets & countries

- Residential renovation: 46% of turnover
- Non residential renovation: 9% of turnover
- Infrastructure & civil works: 9% of turnover
- Residential new construction: 29% of turnover
- Non residential new construction: 7% of turnover

- France (1,900)
- Nordic countries & Switzerland (440)
- UK & Holland (945)
- Germany & Eastern Europe (490)
- Other countries (385)

62% of sales

(% of turnover)
A focused, steady & experienced team

Benoît BAZIN
Sector CEO

Patrick BERTRAND
Lapeyre & South America

Gérard ASPAR
New concepts

Udo BRANDT
Germany & Holland

Gilles-Henri DUBOUILLON
HR

Brian CHAMBERS
North America

Jacques FINESCHI
Development & Acquisitions

Christophe CHAPAT
Eastern Europe

François JANNY
Finance & IT

Peter HINDLE
UK & Ireland

Kåre O. MALO
Purchasing & Marketing

Kåre O. MALO
Nordic Countries & Switzerland

Mark SADOFF
Legal

Patrice RICHARD
Point.P, Spain & Italy
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Strong crisis management

- **Satisfactory gross margin evolution** *(flat from 2007 to 2010)*
  - Solid pricing & purchasing action plans & customer risk management

- **€450m of cost savings** *(2008-2010)*
  - Significant headcount reduction *(excl. acquisitions)* : -15%
  - Selective network restructuring : -7% *(300 closures)*

- **Significant free cash flow generation** *(2009 better than 2008)*
  - Capex 2009: -51% versus 2007

- **Acquisitions freeze** *(until H1 2010)*
Back to positive internal growth

- Turning now into moderate positive figures
Reinforced positions during the crisis

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<tbody>
<tr>
<td>France</td>
<td>-10 to -20%</td>
<td>+</td>
<td>= / +</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-20 to -30%</td>
<td>=</td>
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<tr>
<td>Nordic countries</td>
<td>0 to -10%</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Germany</td>
<td>-10 to -20%</td>
<td>= / +</td>
<td>+</td>
</tr>
<tr>
<td>Other regions</td>
<td>0 to -10%</td>
<td>=</td>
<td>-</td>
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<tr>
<td>Total Sector</td>
<td>-10 to -20%</td>
<td>+</td>
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A clear rebound of operating profit

On-going margin improvement since H1 2009
Sales & profit leverage

- 6x leverage in H2 2008
- 5x leverage in H1 2009
- 3x leverage in H2 2009

Maximize benefits out of the crisis

Higher leverage

Sales
Operating
Profit

H1 2010: +68%
H2 2010: -4%
H1 2010: -4%
H2 2010: -4%
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Saint-Gobain Building Distribution
long term goal

- **Be THE Reference**: BEST Distributor for employees to work for & for customers & suppliers to deal with

- **Innovate** on our core business and *set the tone & pace* ahead of our peers

- Strengthen our global & local *leadership* and translate it into accelerated *growth* & increased *profitability*
Saint-Gobain Building Distribution Growth Strategy

- Consolidate our business by driving **day to day operational excellence** on key fundamentals

- Deliver success on differentiating projects

- Make selective growth investments & strengthen our core business
Top operational stakes

1. Above the market growth & further share gains (Sales)
2. Lower cost to sales ratio & recover best productivity (OP)
3. Commerce
4. Cost
5. Purchasing
6. Pricing
7. Selling prices action plans to increase trade margin (OP)
8. Purchasing & product offering action plans (OP & Cash)
9. High level managers on operational groups for best practice sharing & execution
10. Move towards a more synergistic Sector
Commerce excellence (example)

Monthly visits

<table>
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<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Value</td>
<td>X 2.1</td>
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# of Customers

<table>
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<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Value</td>
<td>+41%</td>
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% customers billed monthly

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>+16 pts</td>
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Sales force efficiency within Point.P
Pricing excellence (examples)

Optimera Norway

Pricing action plan
(September 2009 - 2010)

> +2 Points
(margin)

2009 2010

Sector

• Pricing
• Purchasing
• Credit risk

> +0.5 Point
(margin)

2009 2010

Best practice sharing
Purchasing excellence (examples)

-25% # of UK suppliers

2008  2010

+18% per year

Purchase from partners

2003  2007  2014

- UK suppliers concentration

- Selective & higher growth for Sector partners

- Similar actions in all countries
Purchasing excellence (examples)

- Private label (%) in plumbing sanitary & heating

- Increased sourcing in low cost countries

![Graph showing private label and sourcing trends from 2005 to 2015]
Cost excellence (examples)

- **> 50 initiatives** within the Sector in order to reduce all operating costs (headcount, transportation, occupancy, marketing, etc.)

- United Kingdom: 2010 **productivity** back to 2007 levels

- Denmark: **back-office** merger between Dahl & Optimera: -15% on personnel expenses
Saint-Gobain Building Distribution
Growth Strategy

- Consolidate our business by driving day to day operational excellence on key fundamentals

- Deliver success on differentiating projects

- Make selective growth investments & strengthen our core business
HR action plans

- Recover pre-crisis **productivity**
- Optimize “front lines” **efficiency**
- Invest in **training** & continue EHS progress
- Enhance **talent** pools & **diversity**
Logistics projects

- Optimization of supplier to customer route & network of **Central Distribution Centers**

- Optimization of **downstream transportation** (branches to customers)

- Centralization of branch **re-ordering process**

- New tools for **warehouse management** within Central Distribution Centers
Central Distribution Center (Dahl Sweden)

Commitment to customer
- "Any order before 5pm will get delivered next day before noon time"

Logistics set up
- 1 central DC (Stockholm)
- >100 trucks (3rd party)
- 5,000 to 6,000 deliveries / day

Significant market share gains
**Downstream transport** (Point.P Île de France)

- **Cost optimization** of deliveries & geo-localization of trucks

- **Customer information** by SMS & higher accuracy of delivery

- Superior growth of delivered sales with pool of trucks (2010 YTD)
Saint-Gobain Building Distribution Growth Strategy

- Consolidate our business by driving day to day operational excellence on key fundamentals

- Deliver success on differentiating projects

- Make selective growth investments & strengthen our core business
Leverage growth of each dedicated brand & format

~50% of Sector sales through specialist brands

Capture growth & added value
- Support from suppliers
- Team expertise
- Dedicated marketing tools
Strengthen our leadership positions

- **Select growth investments to strengthen areas with attractive market and solid competitive position**

- **Still significant growth & consolidation potential in highly fragmented mature markets** (5 big European players with < 15% market share)

- **Focus on bolt-on to mid-size acquisitions with high value creation**
Cautious development in emerging markets

- Compared to manufacturing, more limited growth due to high share of new construction & non residential

- Few established distribution networks
  - Lots of small retailers and wholesales
  - High share of direct deliveries from suppliers on projects
  - Few and rather small acquisition targets
  - Risky Greenfield projects

- Still a lot of informal practices

Consolidate existing positions in Eastern Europe & capture growth in South America
Innovate in growth markets

- Energy savings & renewable energies

Training of customers
- France: local training of >30,000 customers
- France: increased growth & customers loyalty through energy certificates
Innovate in growth markets

Plateforme du Bâtiment
France + Spain

New yard merchandising & self collect areas

Like for like growth above Sector (2007-10)
Margin gain every year (2007-10)

3 formats
(Classic Compact Express)
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Mid term financial objectives

- **Average sales growth:** > 8% per year
  (of which 4-5% internal growth)

- **Operating margin:** ~ 6% of sales

- **ROI:** > 25%

- **ROCE:** > 12%
Conclusion

Still some way to go but on the right track & back to growth again

Deliver on operational priorities while leveraging Sector & country synergies

Benefit from a preserved network and strong local brands

Highly committed teams focused on quality and speed of execution

Maximize benefits out of the crisis
Building Distribution: a return to growth

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