Investor Day

Growth in emerging countries

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Anand Mahajan

November 15, 2010
Saint-Gobain in emerging countries

1. An established presence in emerging countries

2. Outlook

3. Focus: Saint-Gobain in Brazil

4. Focus: Saint-Gobain in India

Conclusion
The Group’s footprint in Asia and emerging countries

- 49 countries in 2010

<table>
<thead>
<tr>
<th>Metric</th>
<th>2010f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>7,600</td>
</tr>
<tr>
<td>Operating income</td>
<td>~10%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>580</td>
</tr>
<tr>
<td>Headcount</td>
<td>57,600</td>
</tr>
</tbody>
</table>

Since 1937
Since 1990
Since 1997
Since 1989
Present in all emerging regions

2010f Group sales

- **Eastern Europe**
  - Sales: ~€2,200m

- **Asia/Pacific**
  - Sales: ~€2,500m

- **Latin America**
  - Sales: ~€3,000m

- **Rest of emerging world**
  - Sales: ~€300m

NB: Before inter-regional eliminations
Growing presence in all Business Sectors

Change in sales breakdown by geographic area

### Innovative Materials

**2000**
- North America: 54%
- Western Europe: 19%
- Asia and emerging countries: 28%

**2010f**
- North America: 38%
- Western Europe: 13%
- Asia and emerging countries: 18%

### CP

**2000**
- North America: 58%
- Western Europe: 34%
- Asia and emerging countries: 8%

**2010f**
- North America: 55%
- Western Europe: 26%
- Asia and emerging countries: 25%

### Building Distribution

**2000**
- North America: 97%
- Western Europe: 3%
- Asia and emerging countries: 6%

**2010f**
- North America: 92%
- Western Europe: 2%
- Asia and emerging countries: 2%

Asia and emerging countries: 20% of Group sales in 2010f
Profitable positions in emerging countries

- **Priority focus on countries with:**
  - Strong market potential
  - Good profitability performance

- **Strategy based on two key success factors:**
  - Leadership (actual or potential)
  - Continuous adaptation in line with local developments
A key success factor: leadership

Position of the business in the region

<table>
<thead>
<tr>
<th>Product</th>
<th>India</th>
<th>Brazil</th>
<th>South Africa</th>
<th>Poland</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plasterboard</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Insulation</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mortars</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Pipe</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Flat Glass</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Building Glass</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Automotive Glass</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Non-glass refractories</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Abrasives</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Building Distribution</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>
A key success factor: adaptability

- A range of bespoke products and tailored solutions
  - Low-cost glass wool: Eastern Europe and Russia
  - Pipe: solutions for wastewater treatment in hot countries
  - Social housing (SG-HIS and Human Homes) in Brazil and South Africa

- Specially adapted distribution networks
  - Penetrate dispersed distribution networks
  - Create specific distribution networks

- Best in-class local teams

- Training solutions for industry professionals

Be Brazilian in Brazil, Indian in India, Chinese in China, etc.
Proactive growth strategy

More than €1bn invested over the period 2009-2010

Concentration of industrial growth capex in emerging countries
- To bolster existing capacity
- To penetrate new markets

Acquisition projects in all Business Sectors

Other forms of development
- Joint ventures
- Commercial penetration, particularly in Pipe
Major projects in all Business Sectors

Some examples

- **Innovative Materials**
  - Joint venture with Sisecam in Russia – Float + Automotive
  - Float lines in Brazil, Colombia and India - Coaters in Brazil and Korea
  - PV panels plant in Korea
  - Abrasives in Brazil, Argentina, Poland and China

- **Construction Products**
  - Mortars plants in Eastern Europe, Brazil, Turkey, Saudi Arabia
  - Gypsum plants in China, Russia, Egypt and Algeria

- **Building Distribution**
  - Aim to achieve critical mass in Eastern Europe
  - Development in Latin America
Acquisition projects

- Around 100 target companies identified, of various sizes
  - Potential ~€7bn in additional sales
  - Completion will depend on development of many family-run companies

- Selective criteria for identifying targets, focusing on companies with:
  - Attractive growth prospects
  - Strong competitive positions
  - Significant potential for generating synergies
Other forms of development: partnerships

- **Flat Glass**
  4 float lines in construction in emerging countries, of which 3 under partnership arrangements in Brazil, Russia, and Egypt (already operational)

- **Mortars**
  Joint venture with Sodamco in the Middle East

- **Solar – Avancis**
  Partnership with Hyundai Heavy Industries in South Korea

- **Insulation**
  Technological licenses in Kuwait, India and Turkey
Saint-Gobain in emerging countries

1. An established presence in emerging countries

2. Outlook

3. Focus: Saint-Gobain in Brazil

4. Focus: Saint-Gobain in India

Conclusion
Our growth targets

- Robust organic growth:
  +10% per annum between 2010 and 2015, up to €11.5bn of sales in 2015

- Consolidate our strong position in Latin America

- Focus investments primarily on emerging Asia and Russia

- A return to sales growth in Eastern Europe without having to increase our capacity in the short term
Group increasingly focused on Asia and emerging countries

% sales generated in Asia and emerging countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed countries</th>
<th>Asia and emerging countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>2000</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>2015*</td>
<td>26%</td>
<td>26%</td>
</tr>
</tbody>
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<tbody>
<tr>
<td>1990</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>2000</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>2015*</td>
<td>39%</td>
<td>39%</td>
</tr>
</tbody>
</table>

* Aggregate growth
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Saint-Gobain in Brazil

- Long-standing presence (1937)
- Strong market positions
- Habitat markets, a growth driver
- Excellent opportunities for both organic growth and acquisition-led expansion
Strong presence in South America derived from continuous development since 1937

- South America: ~ €2.7bn in sales in 2010
  incl. ~90% in Brazil
- ~15,000 employees
- 62 plants and 15 quarries
- 53 Distribution outlets
- All Group businesses present and almost all are market leaders

% Group sales generated in the region (excl. Packaging)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2010f</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>
Saint-Gobain’s footprint in the South America

- 62 plants
- 15 mines
- 53 outlets

Multi-regional presence

Leading positions

#1 Plasterboard, Insulation, Mortars, Pipe, Construction and Automotive Flat Glass, Glass Refractories, Abrasives

#2 Building Distribution
Ideally positioned for Brazil’s arrival on the world stage

### Robust GDP growth
- Emergence of a middle class (+20 million people in 7 years)
- Huge infrastructure needs through 2015 (World Cup, Olympic Games, Pre-Salt, etc.)
- Increasing use of national resources (oil, agriculture)

### Vigorous growth in construction
- Fast-growing industry meeting huge, real needs
- Subsidized by government (Minha casa, minha Vida housing initiative)

### Industry growth
- Automotive, Steel, Energy

Source: Planning division, IBGE
Construction markets, a new growth driver for Saint-Gobain in Brazil
Construction markets, a new growth driver for Saint-Gobain in Brazil

One solution from Saint-Gobain
Construction markets, a new growth driver for Saint-Gobain in Brazil

BNDES loans: + 25% p.a. from 1997-2009

Sales of building materials 1994-2010

Source: ANAMACO
Construction markets, a new growth driver for Saint-Gobain in Brazil

Our **strengths:**
- Strong, recognized brands
- High-quality local management

**Growth opportunities**

**For our Industrial businesses**
1. Markets powered by the country’s growth (construction, automotive)
2. New regional opportunities (Nordeste, i.e. North-East region)
3. New products (drywall, flooring, CertainTeed, etc.)

**For Building Distribution**
1. Consolidate our positions in SP
2. Expand beyond São Paulo
3. Grow our market share
Our immediate priorities for development
Organic growth projects

- **On a national level, increase capacity to meet strong demand in construction and automotive sectors**
  - Float C5 under construction (start-up in Q4-2011)
  - Sekurit development in Brazil and/or Argentina
  - Placo extension of current facility (+60%) and 2nd plant < 2015
  - Weber national network – North (Porto Velho) and Parana

- **Focus on Nordeste, enjoying fast-growing economic expansion**
  - Extension of Weber’s regional network (Salvador, Fortaleza)
  - Redeployment of Brasilit’s production capacities

- **Capture new markets**
  - HPM: Development of refractories for steel industry
  - CP: 7 Placo-centers opened in 2010 and 8 to open in 2011 ➔ 32 by end-2011
Our immediate priorities for development

Organic growth projects

- Industrial targets offering new market openings, including
  - CP: flooring, sealing
  - HPM: plastics

- Building Distribution, particularly beyond the São Paulo region

- Expand our leadership to Argentina and Chile
  - Abrasives, CP
  - Building Distribution
Saint-Gobain in Brazil
Our aim: more than €3 billion in sales in 2015

Group growth in Brazil excl. Packaging

Robust external growth 1996-2010
Mortars, Ceramics, SiC, Building Distribution

Leadership
# 1 in most Group activities

Profitability higher than other emerging countries

* 2010 rates: €1 = R$ 2.30

922 R$

5,100 R$

7,360 R$

€401m

€2,217m

€3,200m

1996
2010f
2015
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India: GDP growth (%)

Source: CMIE (up to 2009-10); Saint-Gobain India Delegation: 2010-2012
India: Industrial output and construction growth (%)

Source: CMIE (up to 2009-10); Saint-Gobain India Delegation: 2010-2012
September 30, 2010: India's surprising economic miracle
India like the Indian Elephant will purposefully move forward.....
September 30, 2010

**Young and strong**
Non-working-age population as % of working-age population

**More hands on ploughs and keyboards**
Working population, forecast increase, 2010-20, m

Sources: Morgan Stanley; UN
Saint-Gobain
The India story
The early days, with Grindwell (from 1941)
Our establishment in 1996

- We acquired 51% of Grindwell Norton (GNO) and set up a Delegation Office
- GNO was the only majority or wholly-owned company
We have established a strong position in the Indian market in most businesses.
Saint-Gobain India: the story up to now…

Strong, profitable growth

Leadership:
# 1 or # 2 in most businesses

2010 sales:
90% domestic
10% exports

Profitability:
higher than other emerging countries

CAGR 22%

1,614
(€27m*)

25,075
(€425m*)

* Based on current rate of €1 = INR 59
Saint-Gobain India

The way forward...
Saint-Gobain India
2009-10: investing for growth

- **SGO Glass India**: New 940 tpd float in Rajasthan + sand beneficiation plant
- **Grindwell Norton**: New abrasives (TW + coated) plant
- **Grindwell Norton**: New high performance refractories plant
- **Grindwell Norton**: New SiC plant in new subsidiary in Bhutan + expansion
- **SEPR India**: New fused refractories plant + new plant for sintered refractories
- **SGO Sekurit India**: Major expansion
- **SGO Glass India**: New advanced glass processing plant
- **Sales Office**: Glass, Abrasives, Ceramics & Plastics, Construction Products, Special Purpose Machinery
Saint-Gobain India 2011-12: active projects

- **Grindwell Norton**
  - Abrasives plant expansion (TW + coated)
  - Expansion of silicon carbide capacity
  - New high performance refractories plant – Phase II
  - Bonded abrasives expansion

- **SGO Glass India**
  - New 940 tpd float in Rajasthan + sand beneficiation plant + coater + mirror
  - New Albarino line

- **Grindwell Norton**
  - New non-woven abrasives line; new CFL, new plant for performance plastics

- **SGO Sekurit India**
  - Further expansion

- **SGO PAM India**
  - New pipe investment
Saint-Gobain India
Our aim: a €1 billion Group in 2015

2015

Leadership:
# 1 or # 2 in most businesses

Growth:
CAGR of 19% per annum for the next 5 years in existing businesses plus the addition of at least two new businesses (e.g. Pipe, Solar, Insulation)

Profitability:
higher than other emerging countries

* Based on current rate of €1 = INR 59
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- Strong positions in emerging countries

- A priority for the development of the Group: a strategic development area for all Business Sectors

- Significant growth potential
  - (CAGR 2010-15 > 10% organic growth)
  - A priority for our acquisitions

- Profitable growth
Investor Day

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