

# First-half 2007 results

*Analyst-Investor meeting*

*July 2007*



# Contents

- 1** Highlights
- 2** Group results
- 3** Operating performance
- 4** Strategy
- 5** Outlook and objectives for 2007

# 1

## Highlights



# Saint-Gobain in first-half 2007: Key figures

	Amount in €m	Change H1-2007/H1-2006	
		Actual	At constant exchange rates**
<b>Net sales</b>	<b>21,779</b>	<b>+6.0%</b>	<b>+7.4%</b>
<b>Operating income</b>	<b>2,093</b>	<b>+15.3%</b>	<b>+16.6%</b>
<b>Recurring net income*</b>	<b>1,067</b>	<b>+31.2%</b>	

\* excluding capital gains, asset write-downs and provision for Flat Glass fines

\*\* average exchange rates for H1-2006

# A mixed economic climate

- > **Robust trading in Europe** boosted by favorable weather conditions in the first quarter
- > **Sharp downturn in residential construction** in the **United States**
- > **Vigorous growth in emerging countries**, particularly Eastern Europe
- > **Good level of industrial** activity across the globe

# Solid upswing in Group performance

- > **Organic growth of 6.9%** (+3.7% price impact, +3.2% volume effect), powered by Flat Glass (up 12.9%) and Building Distribution (up 8.7%)
- > Strong growth in **operating margin to 9.6%** (versus 8.8% in H1-2006), driven by industrial businesses (**12.6%** versus 11.1% in H1-2006)
- > Further increase in **cash flow from operations\*** (up **12.6%**)

\* excluding tax impact of capital gains and losses and exceptional asset write-downs

# Roll-out of strategy picking up pace

- > **34 bolt-on acquisitions** targeting construction markets, bringing in around **€560m** in full-year sales + **Norandex** (specialist distribution and siding in the United States, \$860m in sales)
- > **Sale of Desjonquères** (€690m, March 31, 2007) and planned sale of **Reinforcements & Composites** before the end of 2007
- > **Capital expenditure: €822m**, including around 30% in emerging countries and around 40% in new capacity

# 2

## Group results





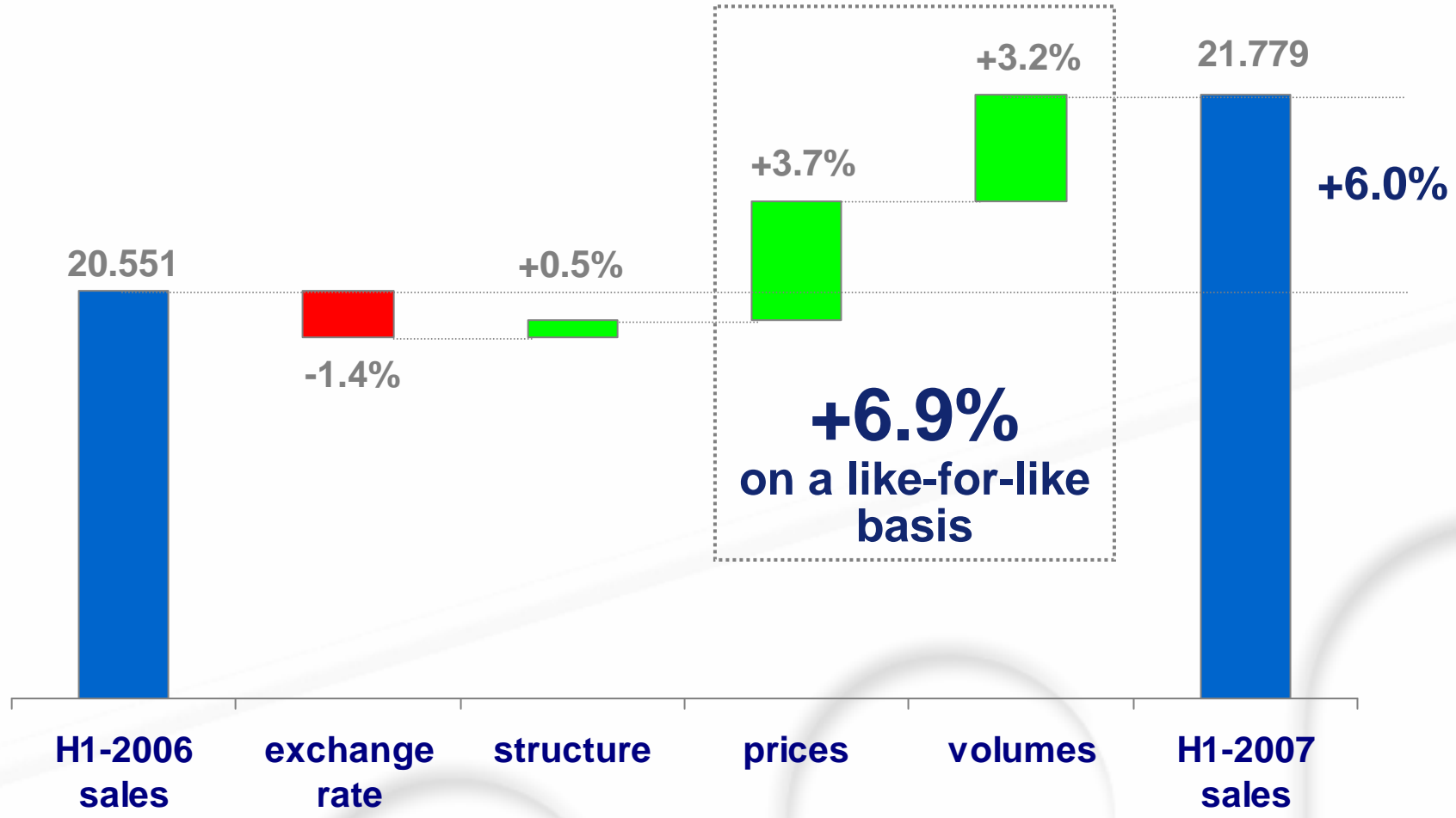
# H1-2007: Key figures

*In €m*

	H1-2006	H1-2007	Change
<b>Net sales</b>	<b>20,551</b>	<b>21,779</b>	<b>+6.0%</b>
<b>Operating income</b>	<b>1,815</b>	<b>2,093</b>	<b>+15.3%</b>
Non-operating costs	(157)	(126)	-19.7%
Provision for Flat Glass fines		(650)	
Capital gains and losses and exceptional asset write-downs	+13	+3	
<b>Business income</b>	<b>1,671</b>	<b>1,321</b>	
Net financial expense	(374)	(351)	-6.1%
Income taxes	(479)	(491)	+2.5%
Minority interests	(19)	(22)	+15.8%
<b>Recurring net income</b> (excl. capital gains, exceptional asset write-downs and provision for Flat Glass fines)	<b>813</b>	<b>1,067</b>	<b>+31.2%</b>
<b>Net income</b>	<b>797</b>	<b>465</b>	<b>-41.7%</b>
<b>Cash flow from operations</b> <small>excl. tax impact of capital gains and losses and exceptional asset write-downs</small>	<b>1,672</b>	<b>1,883</b>	<b>+12.6%</b>
<b>Capital expenditure</b>	<b>811</b>	<b>822</b>	<b>+1.4%</b>
<b>Net debt</b>	<b>13,738</b>	<b>12,007</b>	<b>-12.6%</b>

# Net sales

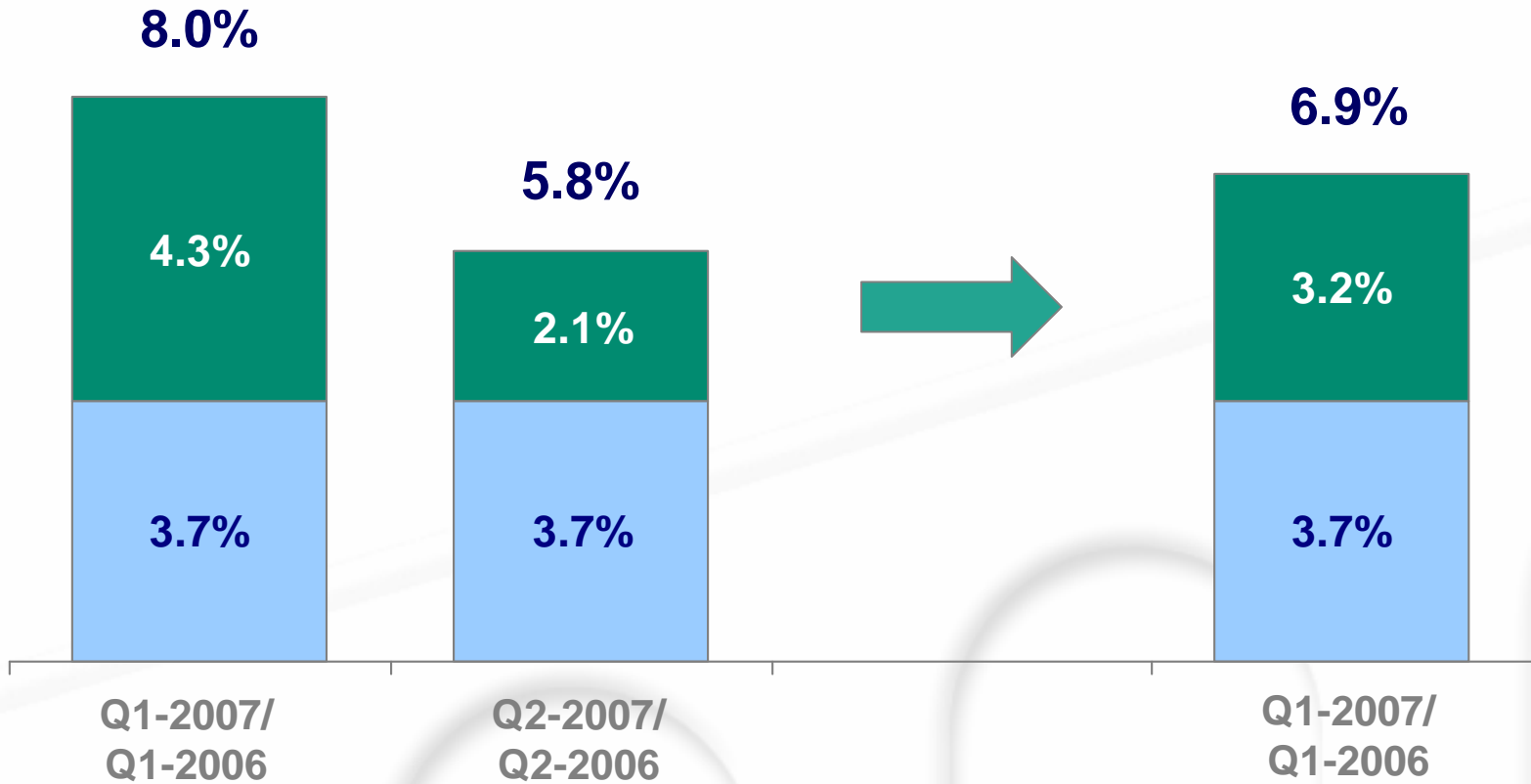
In €bn



# Organic growth

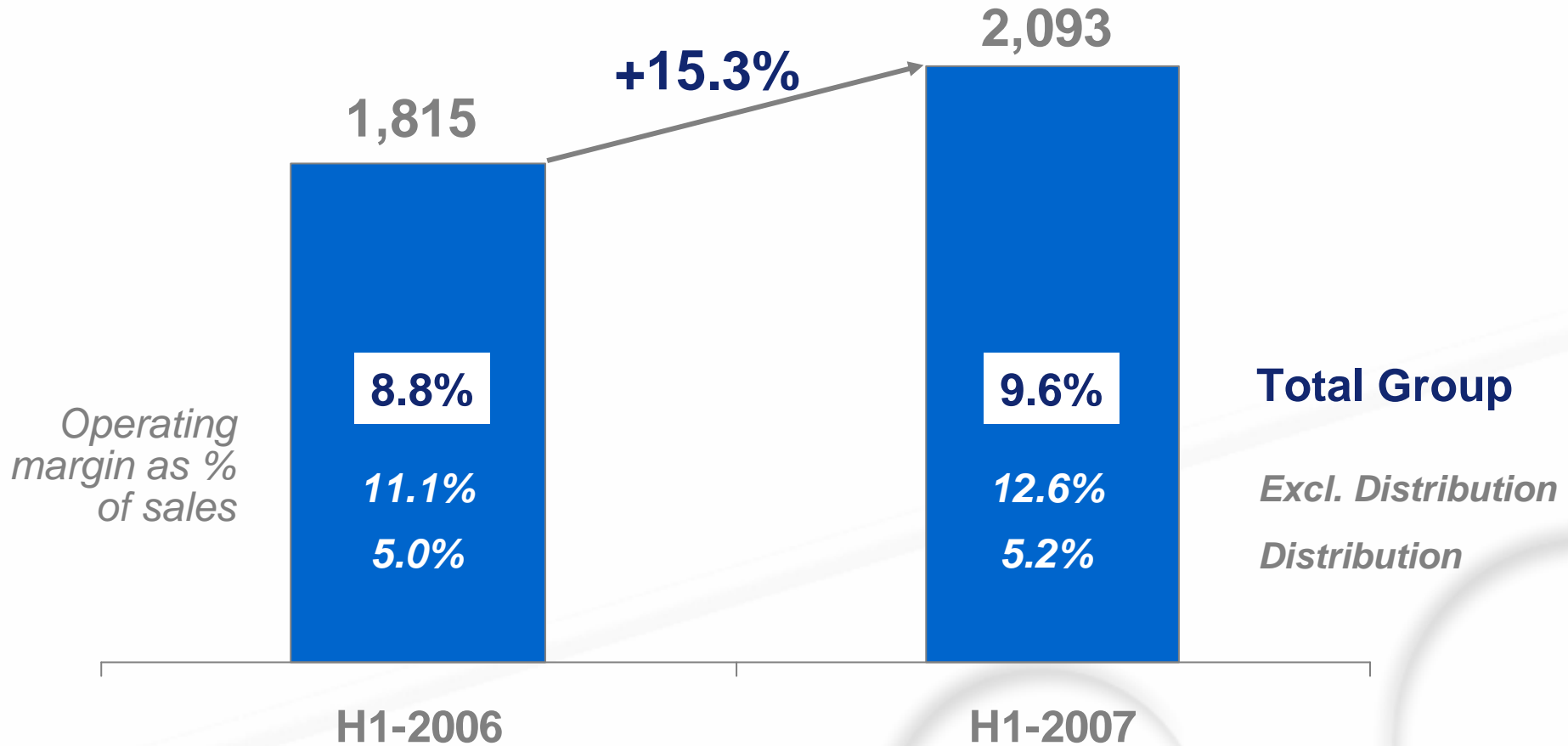
*% change in 2007/2006 net sales  
on a like-for-like basis*

 **volumes**  
 **prices**



# Operating income

In €m



> **+16.6%** at constant exchange rates\*

\* average exchange rates for H1-2006

# Non-operating costs

(en M€)

	H1-06	H1-07	Change
<b>Operating income</b>	<b>1,815</b>	<b>2,093</b>	<b>+15.3%</b>
Provision for asbestos litigation	(50)	(47.5)	
Restructuring costs	(107)	(78.5)	
Provision for Flat Glass fines		(650)	
<b>Non-operating costs</b>	<b>(157)</b>	<b>(776)</b>	
Gain/(loss) on sales of non-current assets	+141	+252	
Asset write-downs	(128)	(249)	
<b>Other operating expenses</b>	<b>+13</b>	<b>+3</b>	
<b>Business income</b>	<b>1,671</b>	<b>1,321</b>	
<b>Recurring business income</b> excl. Flat Glass fines	<b>1,671</b>	<b>1,971</b>	<b>+18.0%</b>

# Outstanding claims

## Asbestos claims against CertainTeed in the US

- > **Approximately \$78m\* paid out** (trailing 12-month basis) (\$83m in 2006 and \$88m in 2005) and **a further €47.5m set aside to the provision** (50% of the provision for full-year 2006)

	2006	June 2007 (trailing 12-month basis)*	H1-2006	H1-2007*
<b>New claims</b>	<b>7,000</b>	<b>7,000*</b>	4,000	4,000
<b>Claims settled</b>	<b>12,000</b>	<b>9,000*</b>	8,000	5,000
<i>Average cost per claim</i>	<i>\$3,000</i>	<i>\$3,500*</i>		

- > **Outstanding claims at 06/30/07: 75,000\* (76,000 at end-2006)** \* estimated

## Flat Glass

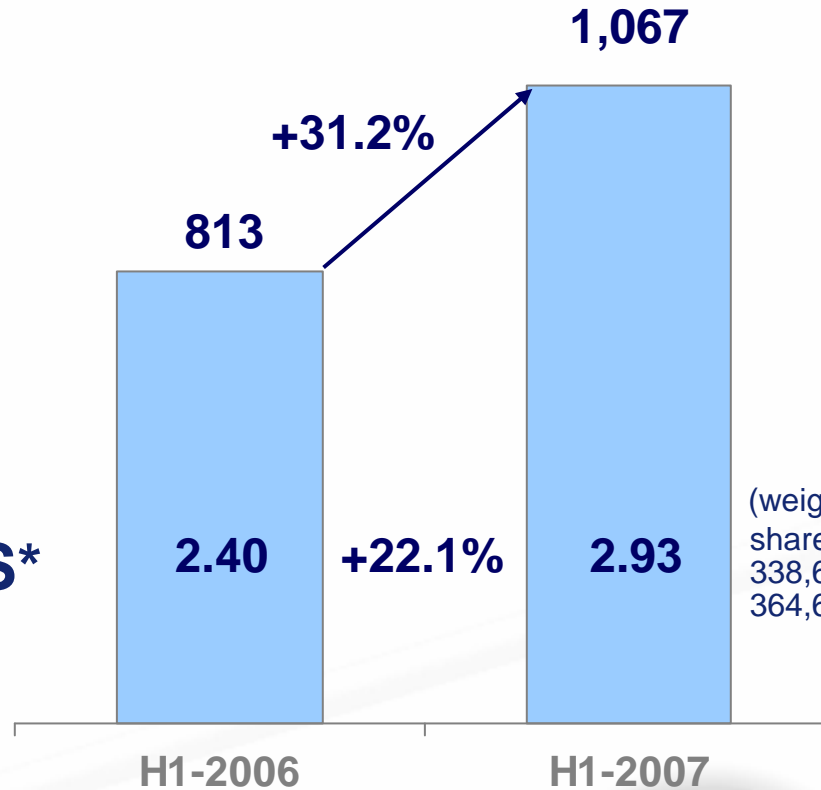
- > Statements of Objections received on March 12, 2007 (glass for the construction industry) and April 19, 2007 (automotive glass)
- > Provision of €650m at June 30, 2007 covering both proceedings
- > Commission decisions likely end-2007 or early-2008

# Net income

In €m

> Recurring net income\*

> Recurring EPS\*  
(€)

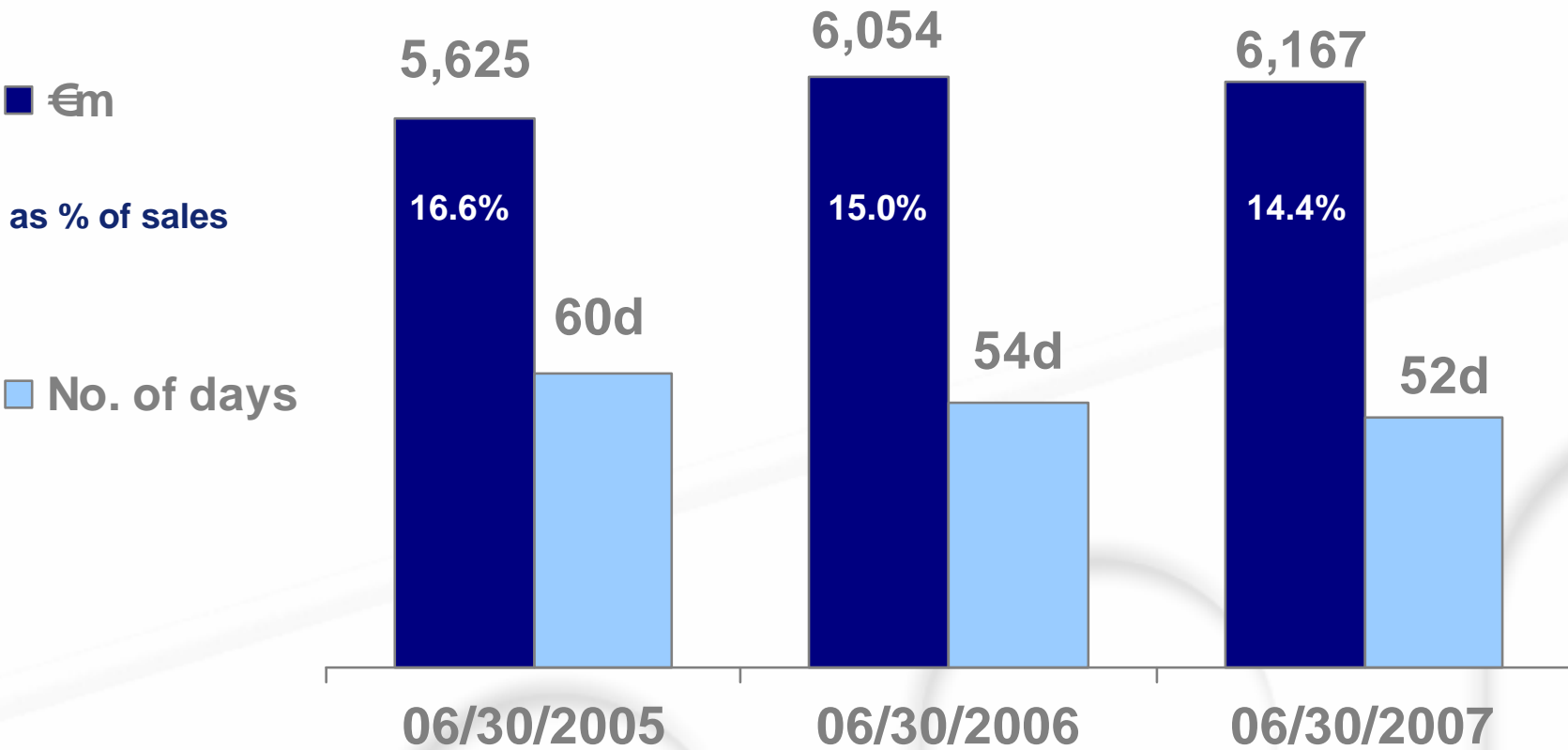


> Net income (€465m) down 41.7% due to the provision for Flat Glass fines

\* excluding capital gains, asset write-downs and provision for Flat Glass fines

# Operating working capital

(in €m, as % of sales and in no. of days)

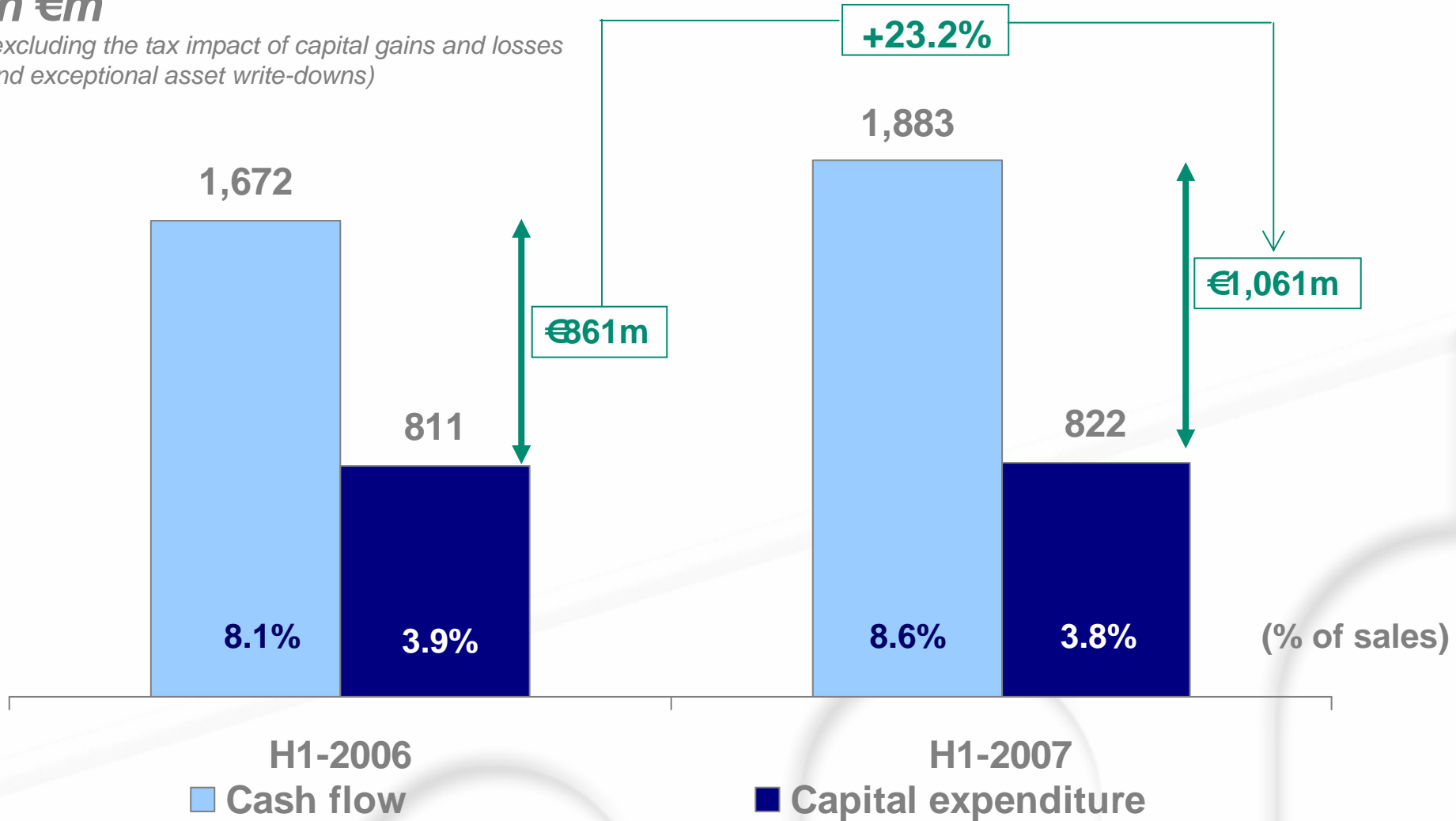




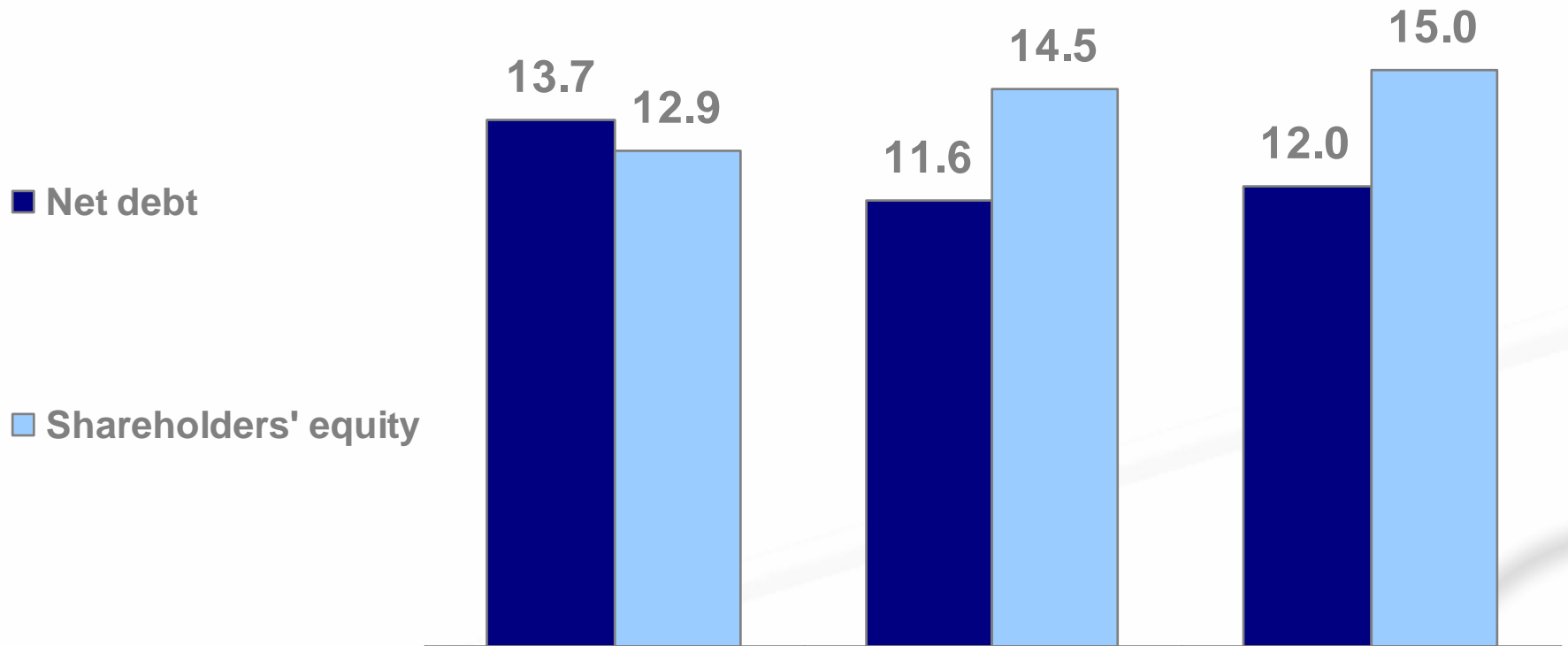
# Cash flow and capital expenditure

In €m

(excluding the tax impact of capital gains and losses and exceptional asset write-downs)



# Net debt and shareholders' equity *(in €bn)*



	06/30/2006	12/31/06	06/30/2007
> Net debt/equity	106%	80%	80%
> Net debt/Ebitda	2.5 <i>(2xH1)</i>	2.2	2.2
> Interest cover	4.8	5.0	6.0

# Acquisitions and disposals

## H1-2007

**> Acquisitions** **€432m**

o/w Building Distribution €285m

Construction Products €72m

High-Performance Materials €15m

**> Disposals** **€542m\***

*\* including:  
sale of Saint-Gobain Desjonquères for €482m  
sale of non-current assets for €53m*

# 3

## Operating performance

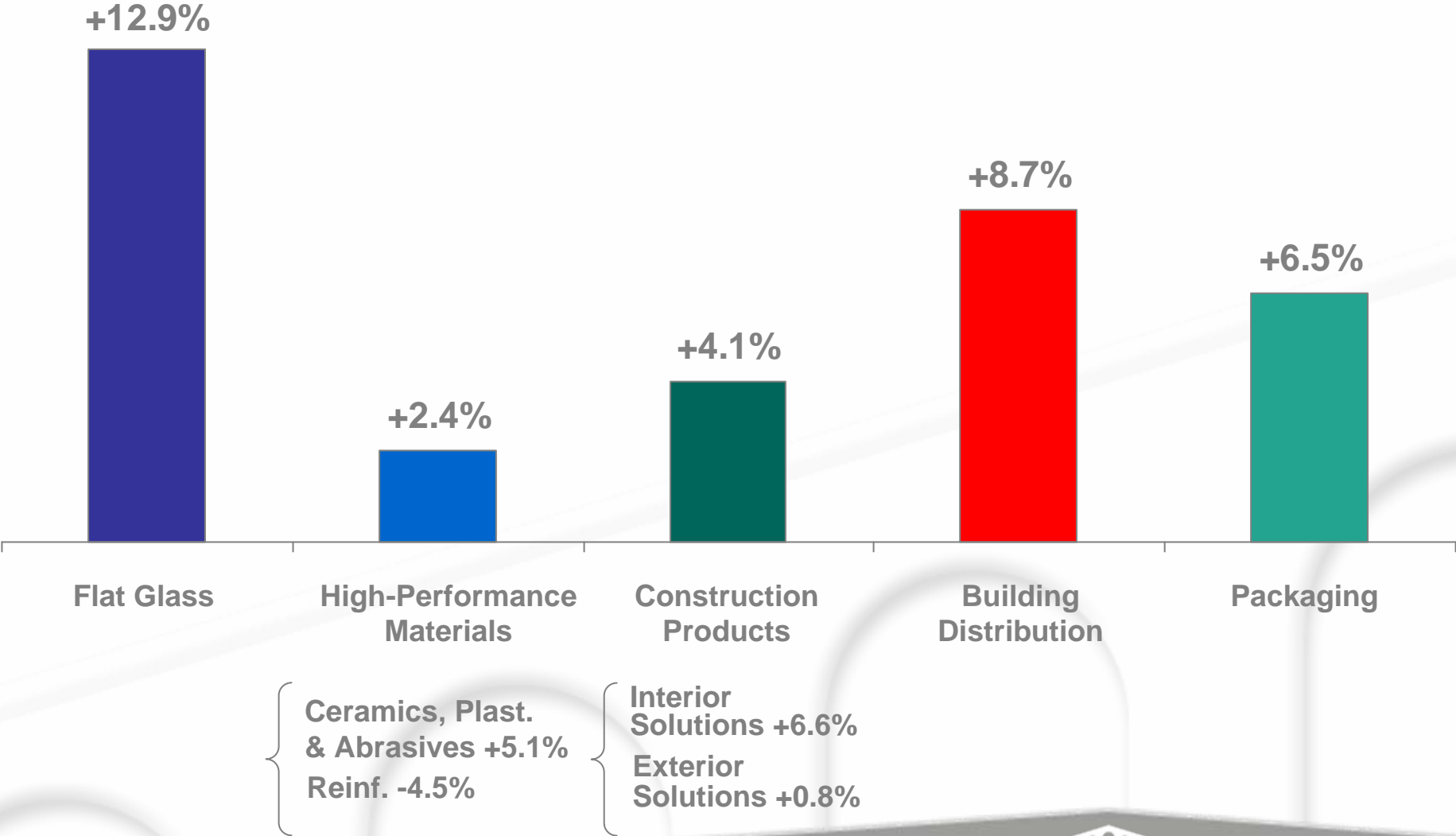
A. Sectors

B. Geographic areas

# Organic growth (at end-June 2007)

% change in H1-2007/H1-2006 sales  
on a like-for-like basis

Group average: 6.9%

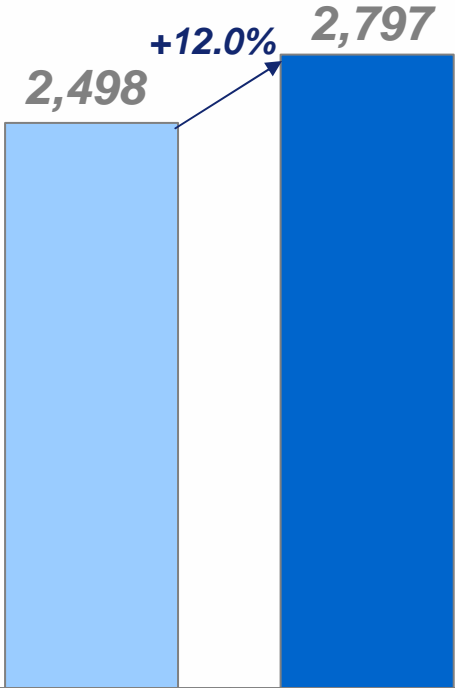


# Flat Glass – Highlights

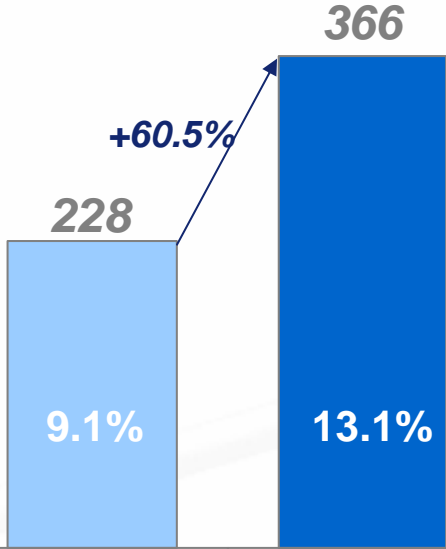
- **Buoyant market conditions** for all activities (automotive and construction) **in Europe and emerging countries**
- **Sharp rise in prices** on building markets in **Europe**
- Fast-paced growth of **energy-efficient products**: anti-reflective and low-emission glass (+20%)
- Ongoing investments **in emerging countries** (55% of total capex), including a second float-line in Mexico and Poland

# Flat Glass *(in €m and as % of sales)*

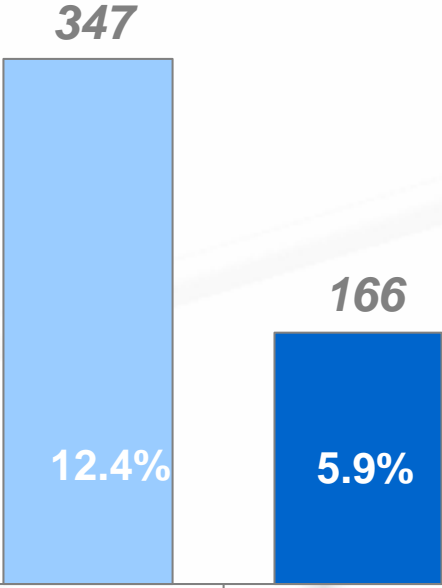
## Sales



## Operating income



## Cash flow & Capex



H1-2006

H1-2007

H1-2006

H1-2007

Cash flow

Capex

**12.9%**  
*on a like-for-like basis*

# High-Performance Materials – Highlights

- **Satisfactory industrial markets** in Europe, North America and emerging countries
- Solid **+5.1%** organic growth for **Ceramics, Plastics & Abrasives**
- Further improvement in margins
- **R&D efforts** stepped up: **+10%** in H1-2007

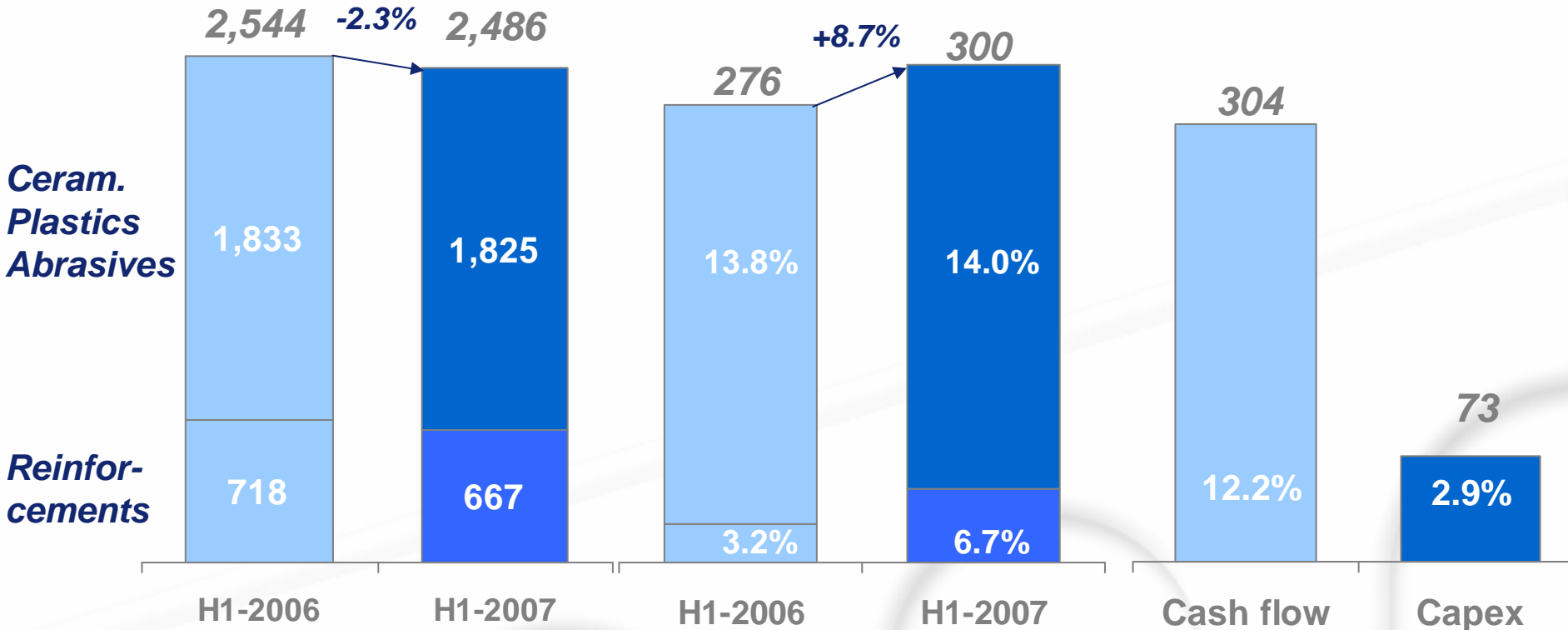


# High-Performance Materials *(in €m and as % of sales)*

*Sales*

*Operating income*

*Cash flow & Capex*



**+5.1%**  
*on a like-for-like basis  
 excl. Reinforcements*

**10.8%**      **12.1%**

# Construction Products – Highlights

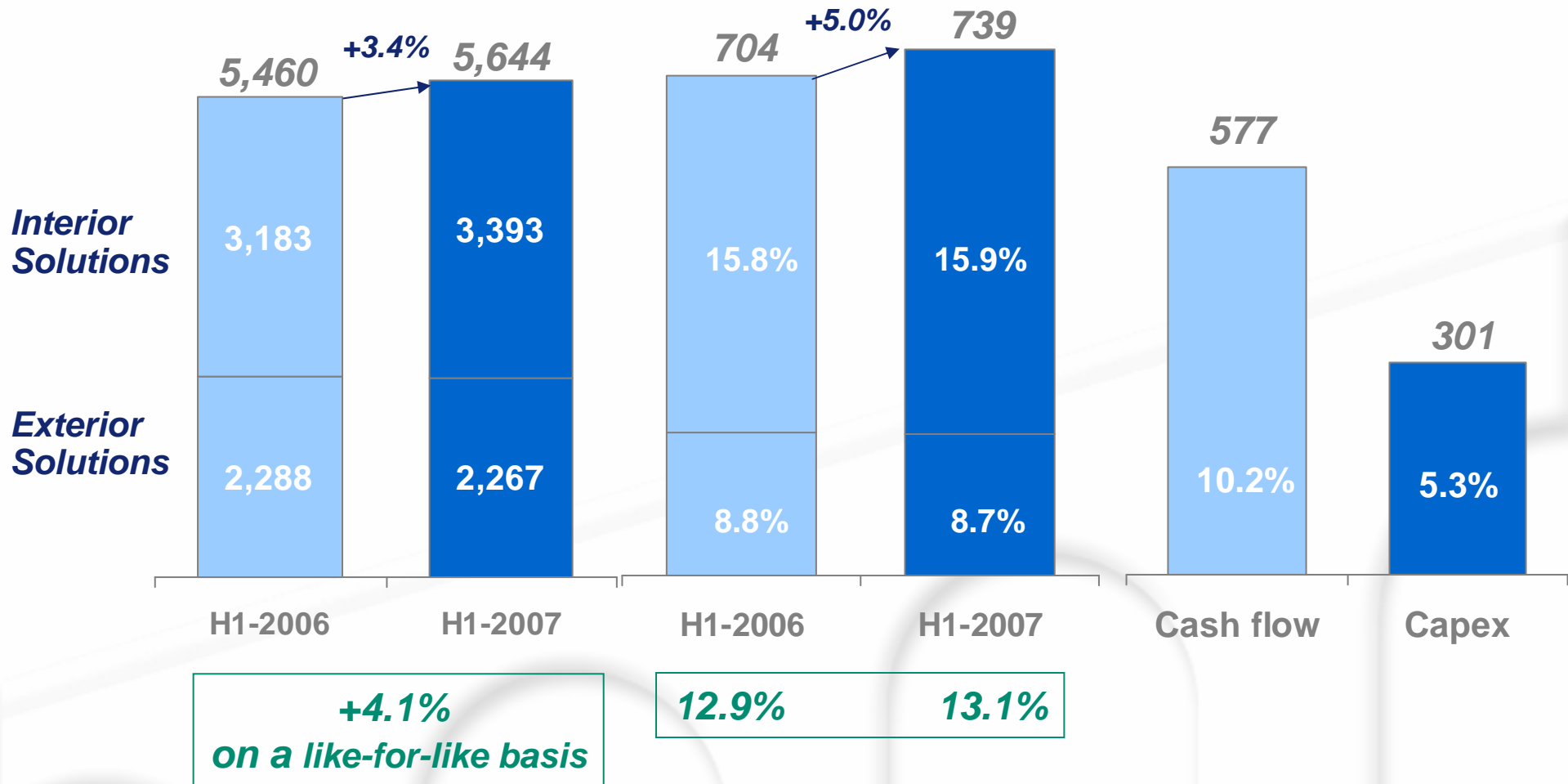
- **Excellent performances in Europe**, boosted by favorable weather conditions in the first quarter
- **Marked downturn in the US** (24% of the sector) as predicted, in terms of both volumes and prices
- **Sustained high margins**
- Large-scale **growth investments (around 60% of total capex)** in **Interior Solutions** businesses

# Construction Products *(in €m and as % of sales)*

## Sales

## Operating income

## Cash flow & Capex

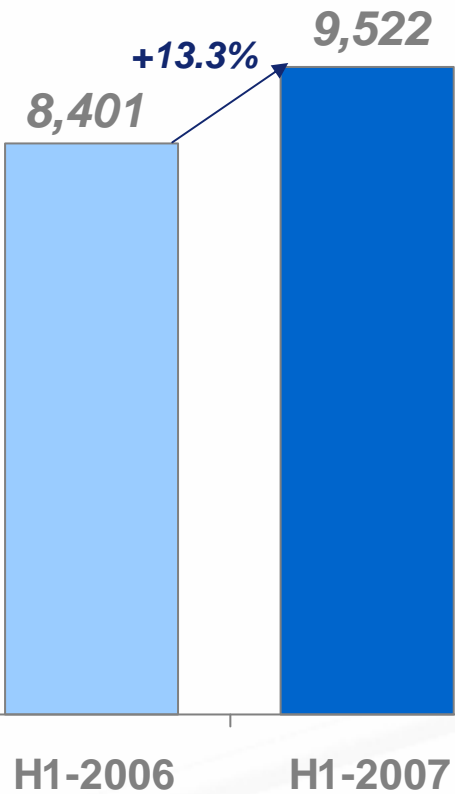


# Building Distribution – Highlights

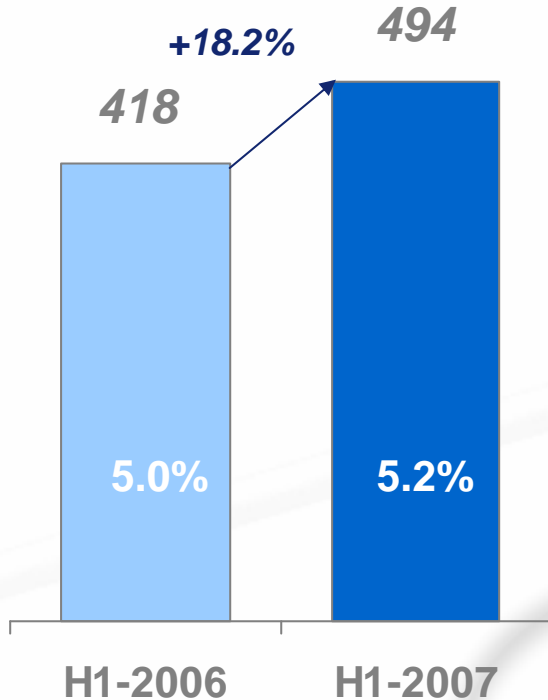
- **Robust trading environment** in all **European countries** and **upturn in margins for the sector**
- **29 acquisitions** in **7 countries** representing **91 outlets** and **€514m** in full-year **sales** (excluding Norandex)
- Acquisition of a merchant trader in **Italy** (Vemac), following the opening of **Plateforme du Bâtiment** in Milan (end-2006)
- **74 new outlets opened**

# Building Distribution *(in €m and as % of sales)*

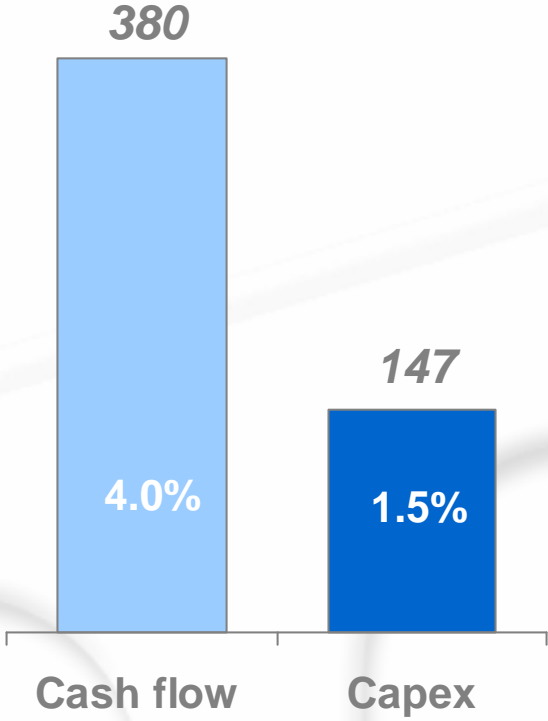
## Sales



## Operating income



## Cash flow & Capex



**+8.7%**  
*on a like-for-like basis*

# Packaging – Highlights

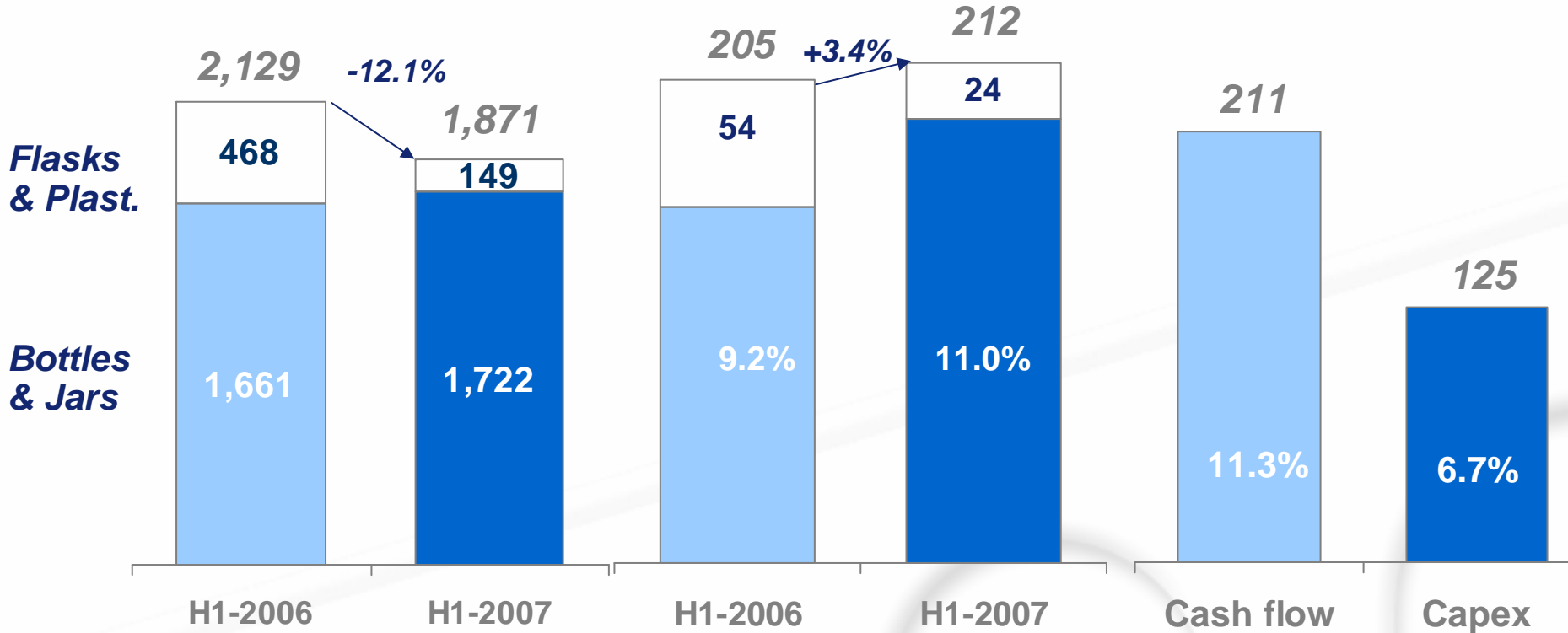
- **Strong upswing in business** over the first half of the year, in terms of both volumes and prices
- **Saturation of production capacity** and **sharp improvement in margins**
- **Sale of Desjonquères** at March 31, 2007 on highly favorable terms (€690m, i.e. 14x 2006 EBIT) to the Sagard and Cognetas funds

# Packaging *(in €m and as % of sales)*

## Sales

## Operating income

## Cash flow & Capex



**+6.5%**  
*on a like-for-like basis*

**9.6%**      **11.3%**

# 3

## Operating performance

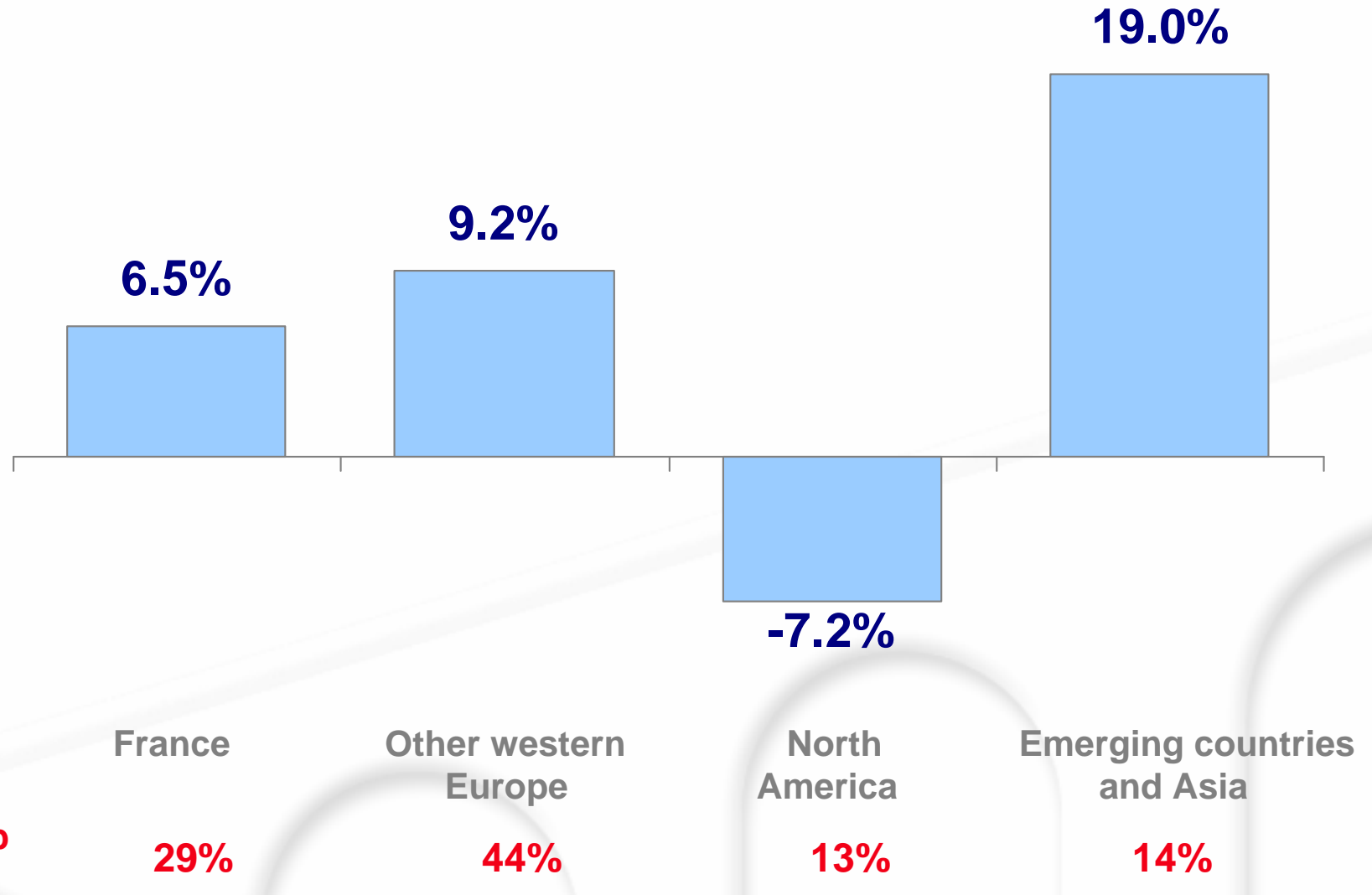
A. Sectors

B. Geographic areas



# Organic growth by geographic area

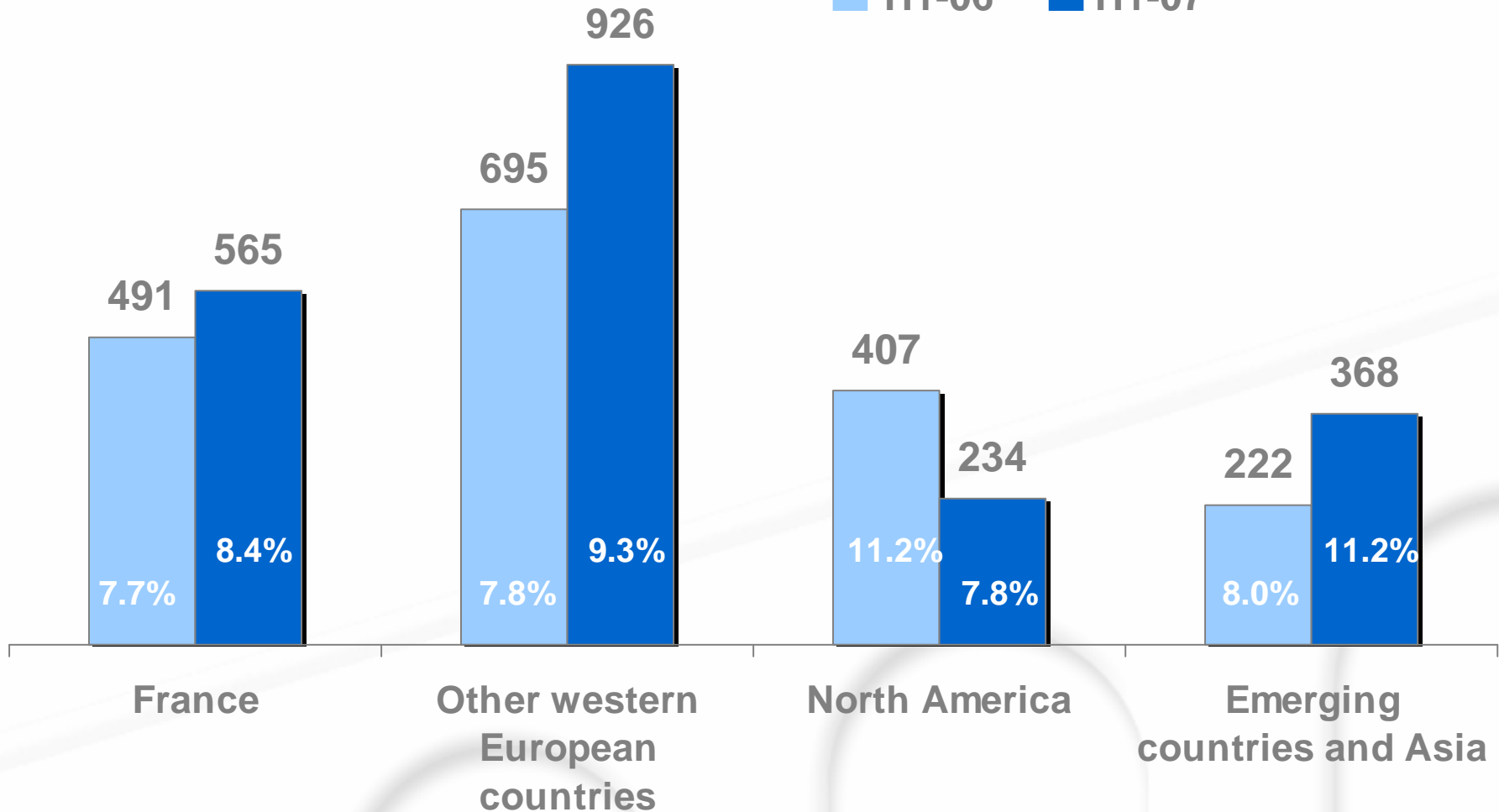
*% change in sales H1-2007/H1-2006  
on a like-for-like basis*



# Operating income by geographic area

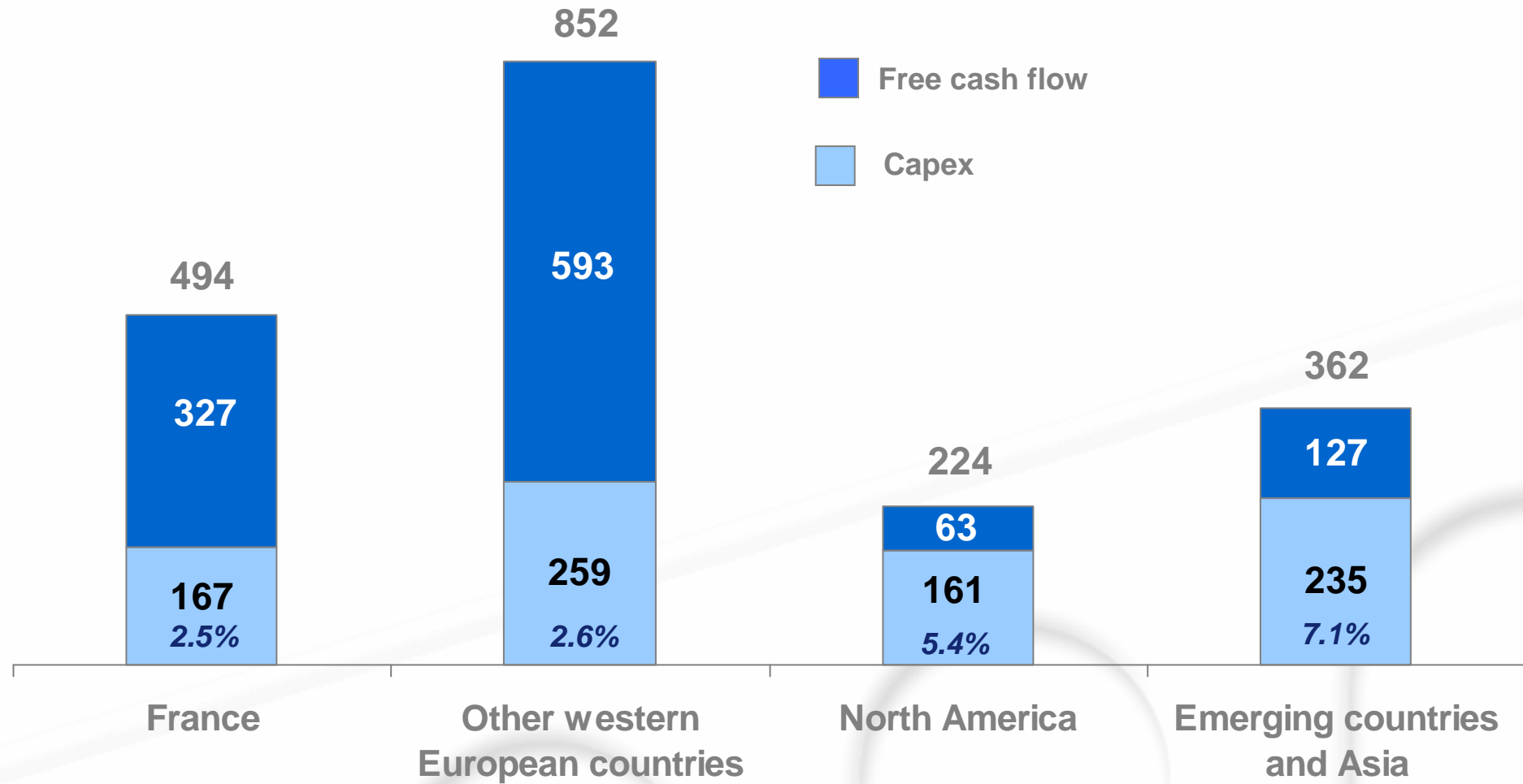
(in €m and as % of sales)

■ H1-06 ■ H1-07



# Cash flow and capex by geographic area

(in €m and as % of sales)



Free cash flow = Cash flow – Capex

# 4

## Saint-Gobain's strategy



# Dynamic changes in Saint-Gobain's portfolio

*Over the past two years, Saint-Gobain has increasingly focused on construction markets*

## Acquisitions

- 12/05: Acquisition of BPB
  - €6,500m (enterprise value)
- Since 07/2005: 115 acquisitions in Construction businesses
  - €1,450m
- H2-07: Acquisition of Norandex
  - \$343m

## Sales

- 04/06: sale of Calmar
  - €600m
- 03/07: sale of Desjonquères
  - €90m
- H2-07: sale of Reinforcements and Composites
  - \$640m
- Planned sale of Packaging

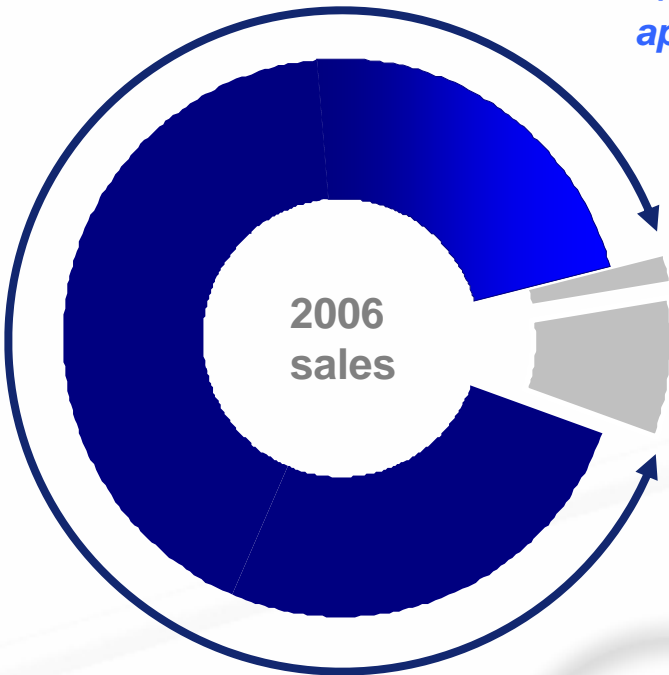
17%: Industrial applications

Reinforcements

Packaging

2006 sales

83%: Construction markets



# Planned sale of Reinforcements & Composites business

- Planned sale of **Saint-Gobain's Reinforcements & Composites business (excluding US activities) to Owens Corning** (rather than joint venture as provided for in the agreement dated February 20, 2007)
- Transaction expected to be finalised **at the end of 2007**

Reinforcements  
2006 sales\* (€m)

Textile Solutions

~520



Mainly construction markets

US Reinforcements  
& Composites  
business (Wichita  
Falls)

~180



Separate sale agreement

Reinforcements &  
Composites  
excluding US  
business

~715



Planned sale to Owens Corning  
\$640m

\* before elimination  
of internal sales

# Saint-Gobain's ambition

***Worldwide leadership in construction markets, offering innovative solutions to meet the fundamental global challenges of growth, energy and the environment***

***Worldwide leadership:*** local solutions tailored to the needs of both emerging and developed countries

***Solutions:*** association of products and services

***Innovation:*** broad-ranging skills in materials, thanks to the Group's industrial expertise

***Energy-Environment:*** unrivalled product portfolio

***uniquely positioned to meet emerging needs of construction markets***

# Construction markets: essential needs growing fast ...

## *In developed countries*

- **Renovation** of old buildings
- **New building attributes** (thermal insulation, acoustic comfort, etc.)
- **User-friendly, easy to install**

## *In emerging countries*

- **Demographic growth and urbanization**  
Infrastructures, housing
- **Development of economic activity**  
Non-residential construction



# ... heightened by the search for energy-saving solutions...

Homes built before 1975

Current European standards

2010 European standards

“Zero-emission” houses

60% of European homes



€1,700

€800

€300

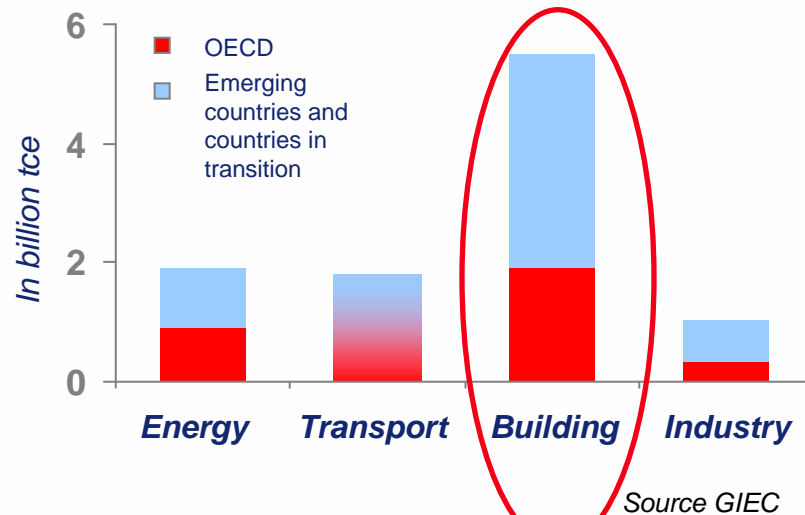
€100

Annual cost of heating 100 m<sup>2</sup>\*

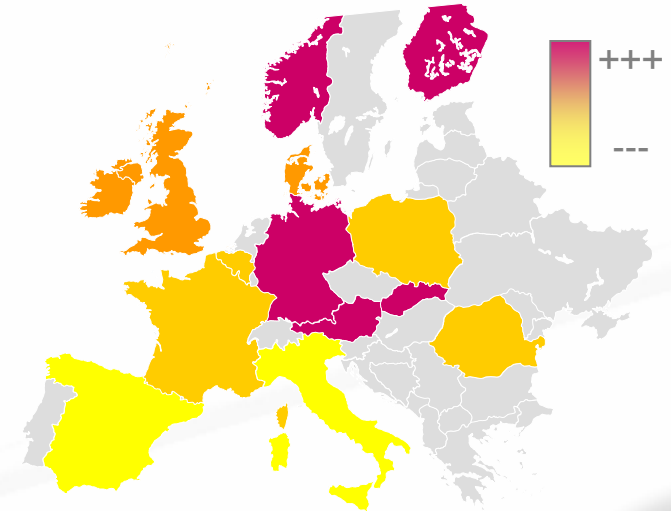
\*Saint-Gobain estimate based on \$65/barrel

# ... and the challenge of reducing CO<sub>2</sub> emissions

Potential CO<sub>2</sub> reductions



Thermal regulations in Europe (flat glass)



- **Optimising insulation in buildings:** the most cost-effective measure for reducing greenhouse gas emissions
- **Increasingly stringent regulations,** in both developed and emerging countries
- **Aim of the EPBD Directive\***: reduction of 22% in the energy consumed by buildings between 2003 and 2010

# Saint-Gobain: products and services designed to meet energy and environmental challenges

**Today**

Interior solutions



Flat glass



Building distribution



Ceramics for energy-related applications



**Tomorrow**

*New distribution formats*



*Ultimate glass wool*



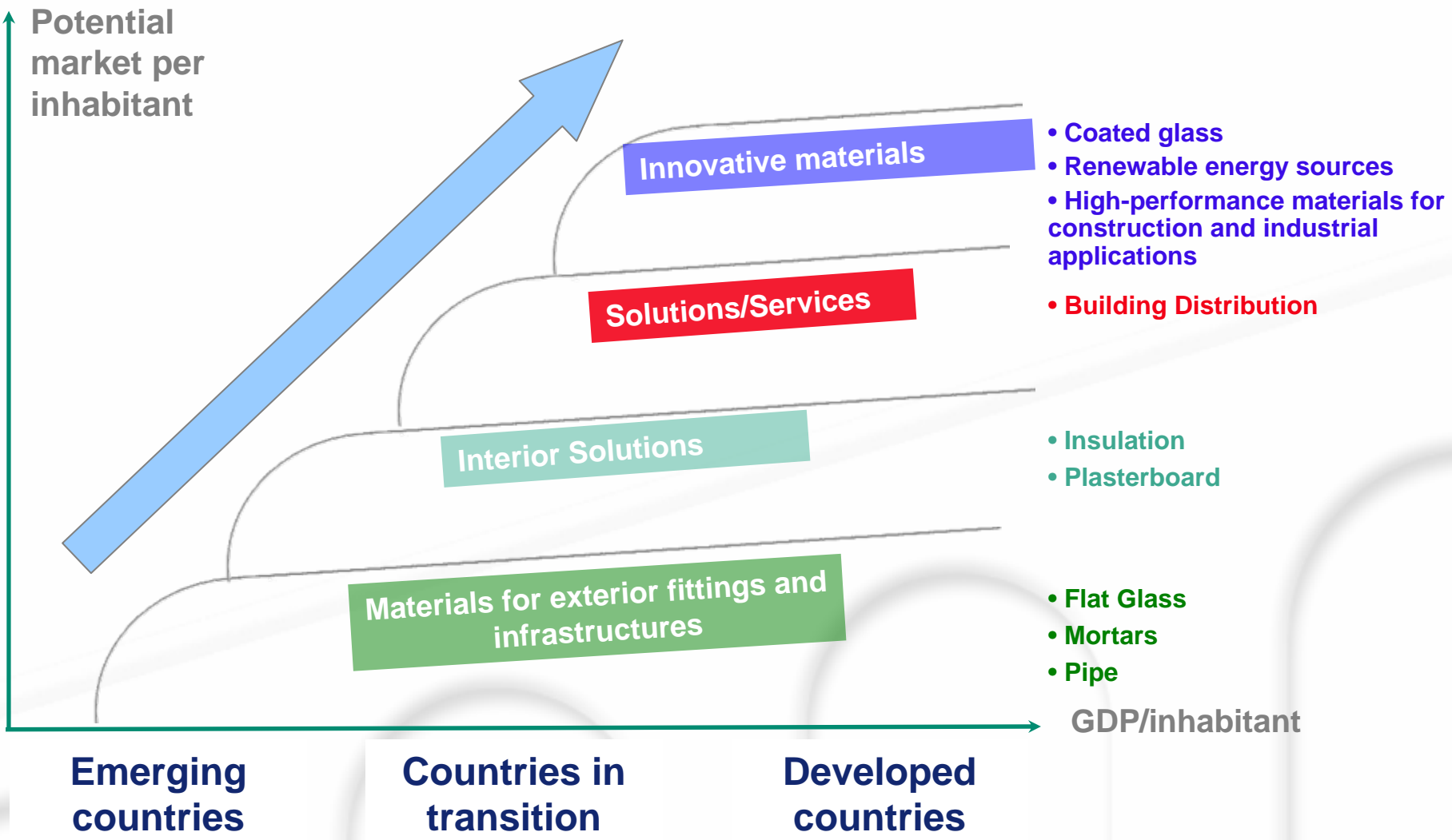
*Particulate filters*



*Photovoltaic glass*



# Saint-Gobain: local solutions tailored to each stage of development



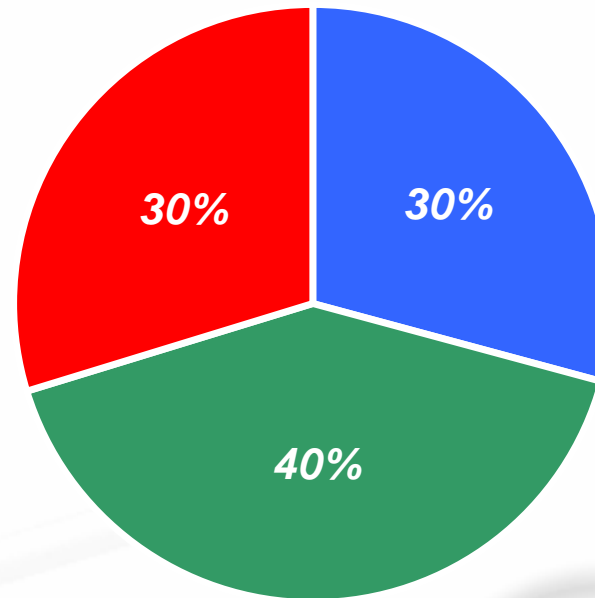
# A refocused Group to achieve stronger growth

## Building Distribution

- Consolidation
- New countries, new store formats

## Innovative materials\*

- R&D in energy/environment
- Emerging countries



Breakdown of operating income  
2006 pf

## Construction Products

- Energy and environmental performance
- Emerging countries

\* Flat Glass & High-Performance Materials

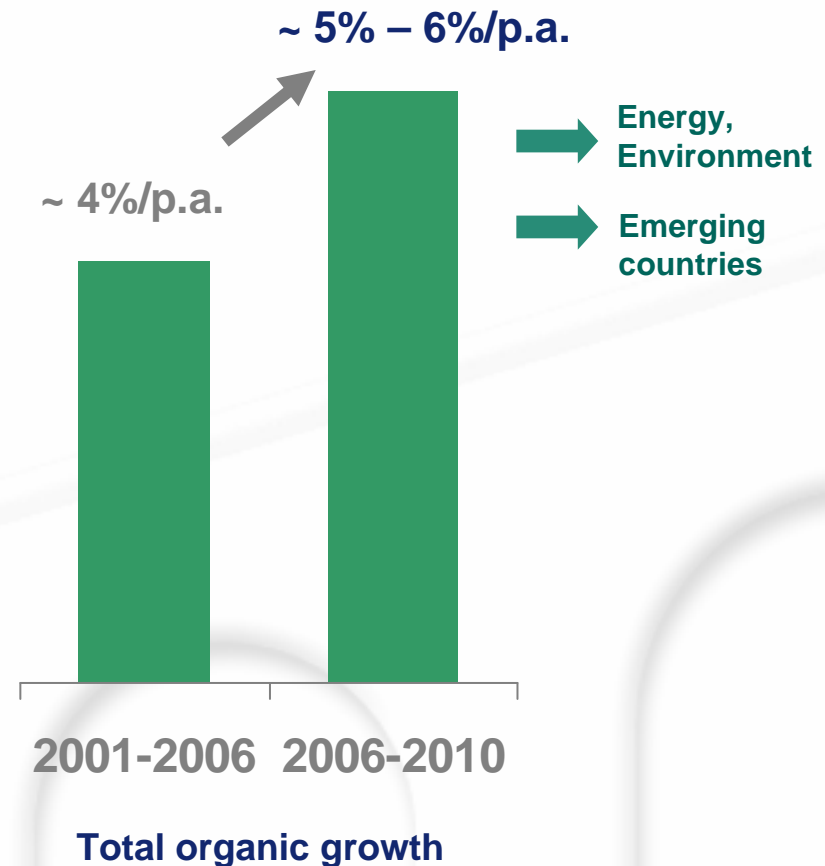
# Construction Products: accelerated growth momentum

## Revision of standards in developed and emerging countries

- Estimated impact on growth for Insulation: **> +4%/p.a.**
- Positive impact on Gypsum and Mortars
- Standards on acoustic comfort

## Fast-paced growth of emerging countries

- **14% of sales** for the sector (2006)
- Growth: around **20%/p.a.**



# Construction Products: numerous development opportunities

## *Interior Solutions*

■ **> 20 major new facilities between 2007 and 2010**

- Gypsum: India, France, Hungary, Abu Dhabi, US, etc.
- Insulation: Spain, Denmark, France, Poland, Russia, etc.

■ **New projects expected to generate significant contribution**

- 2010 sales: > €1bn
- ROI: > 25%



*Chemillé plant (France) 2009*



*East Leake plant (UK) 2007*

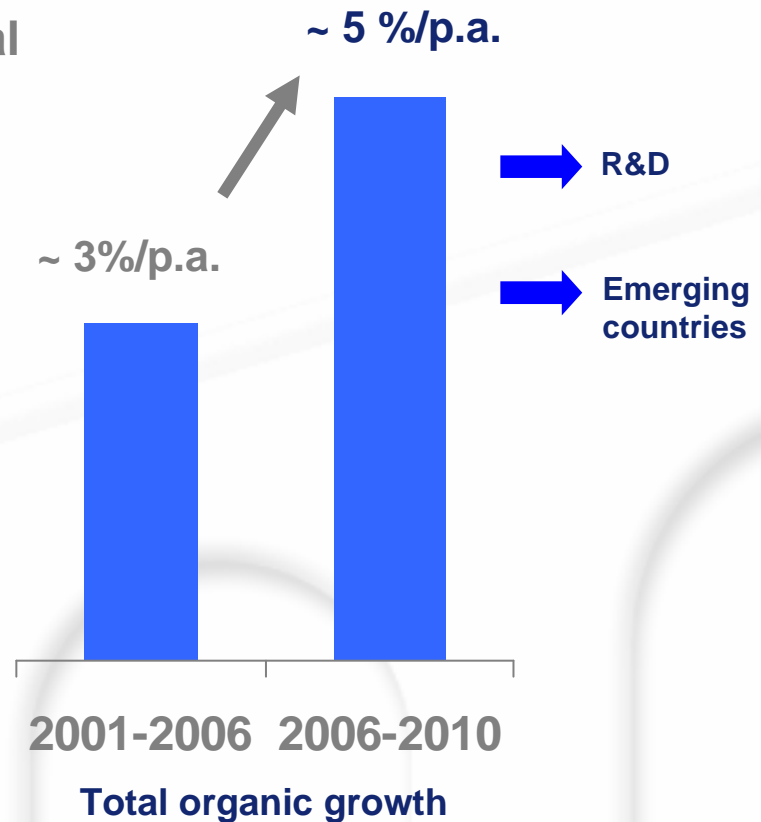
# Innovative materials: accelerated growth momentum

## Numerous innovative projects being developed

- New glass offering enhanced thermal insulation
- Particulate filters
- Ceramic substrates for new energy technologies
- Photovoltaic glass

## Rapid growth of emerging countries

- Currently 26% of sales
- 35% in 2010





# Innovative materials

## Coated glass

### Fundamentals

- Helps reduce greenhouse gas emissions
- Renewable energy sources
- Comfort, active glass

### Saint-Gobain, market leader

- No. 1 in Europe, joint no. 1 worldwide
- Significant technological advance

### Substantial contribution to growth

- > 20% of glass sales
- Growth 07-10 > 15%/p.a.
- High resistance factor to cycles



**SGG PLANITHERM®**  
Enhanced Thermal Insulation



**SGG PLANISTAR®**  
Enhanced Thermal Insulation and  
solar control  
*Year-round comfort*

# Innovative materials

## *High-performance plastics*

### High value-added plastics

- 2006 sales: €690m
- Organic growth of 6% p.a. since 2003

### Applications in industrial niche markets

### Joint development initiatives with clients

### Developments focused on construction, energy and environment

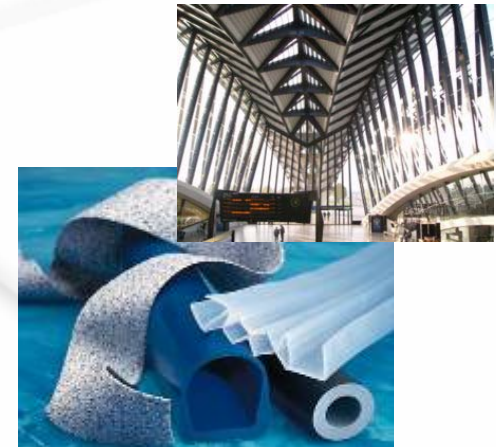
- Numerous potential applications
- 15% of 2006 sales
- Several R&D projects in progress



Sheerfill® architectural membrane

Fabrasorb® acoustical membrane

Translucid, versatile membrane resistant to temperatures of between -70°C to 230°C + acoustical membrane reducing interior noise levels (Millennium Dome, London)



Covisil® glass joints

UV-resistant and no loss of elasticity between -60°C and 160°C

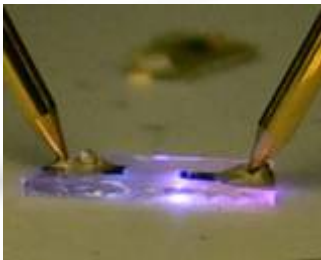
# A new approach to innovation



- Combine ideas stemming from **innovative SMEs** with the **industrial strengths** of Saint-Gobain
- Variety of **working methods**: licenses, partnerships, financial investments
- A **dedicated team** in place for over a year: Nova
- Around **300** potential start-ups analyzed
- 3** partnerships signed, more than **20** being reviewed, in particular in the areas of **construction, energy and the environment**



*LED glass*



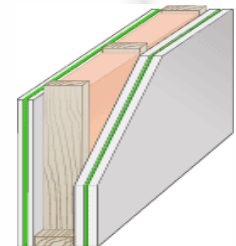
*Photovoltaic plating*



*Synthetic stone*



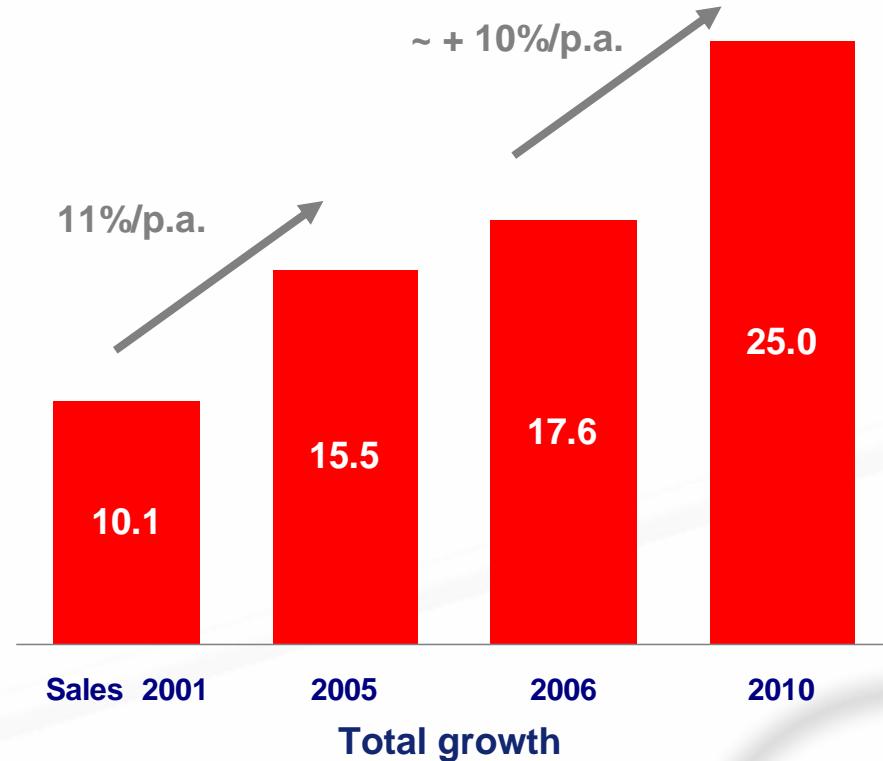
*Phonic insulation*



# Building Distribution: continuing strong growth

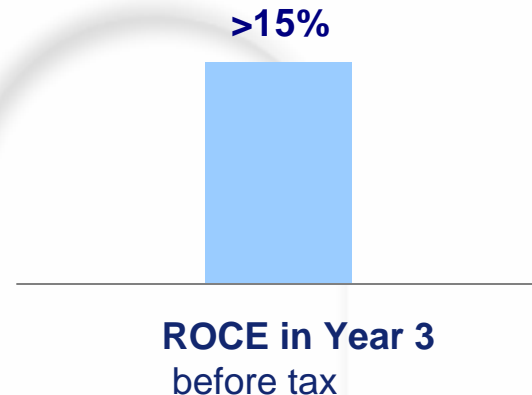
## Organic growth: +5% p.a.

- Market growth +2.7%
- Sector outperforming market growth by 2.3%



## Acquisition potential: +5% p.a.

- Expertise in integration
- €14m of acquisitions (full-year sales) in H1 2007



# Building Distribution

## *New countries, new store formats*

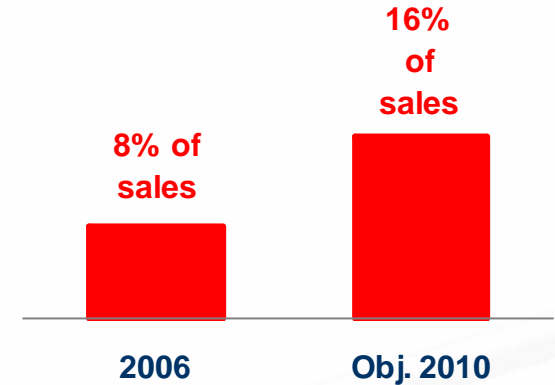
### Recent geographic development

- Spain, Italy, Ireland, Eastern Europe, South America
- Acquisition of Norandex in the US

### New store formats

- Le Forum Point.P
- L'Expo Point.P
- Montér Optimera concept
- Minster UK
- La Maison China
- AquaMondo

*Accelerated geographic expansion  
(Sp, It, Ir, Eastern Eur., South Am.)*



# Norandex: a targeted acquisition in the US

- **\$866m of 2006 sales, 2,200 employees**
- **Enterprise value: \$343m**
- **Specialized distributor of sidings: 153 outlets**
- **No. 3 US manufacturer of vinyl sidings**
- **CertainTeed's leadership reinforced in the manufacture of sidings**
- **Acquisition targeting distribution capabilities and production synergies**

*Norandex sales outlets in the US*



# At a glance: three major avenues for the Group's development

## *Strengthening worldwide leadership*

- **Geographic expansion: growth capex in emerging countries**

25% of the Group's sales in 2010

- **Acquisitions to consolidate businesses related to construction markets**

- **Innovation and increased R&D initiatives to drive organic growth**

# An integrated Group

*Optimizing operational performance*

- **Synergies between businesses to step up the pace of growth**
- **Streamlining, cost savings and industrial optimization**  
(€300m of cost savings by 2010)



# Synergies between businesses

## *Interior Solutions*

### **Products and systems**

- Epsitoit: product in Placoplâtre plants, but sold under the Isover brand
- Exterior insulation (ETICS): insulation, mortars, glass fabrics



### **Marketing**

- Joint training school for Insulation /Gypsum/Mortars in Italy



### **Improved customer service**

- Logistics: joint Gypsum/Insulation deliveries in Spain
- Optimization of Mortars/Gypsum plants in Italy



# Cost savings and industrial optimization

*Objective: €300m in cost savings in 2010*

## Operational synergies

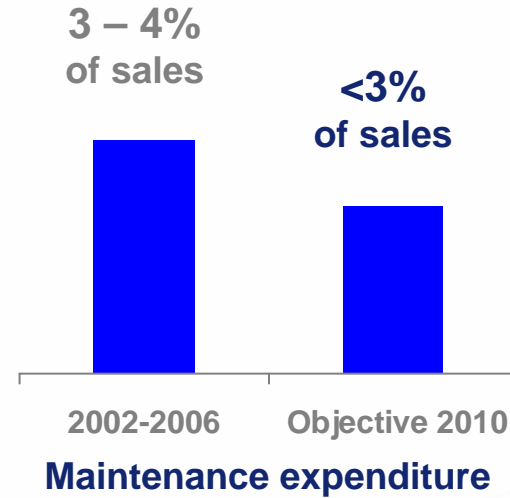
- Reduce administrative expenses
- Scale back transport and energy consumption
- Pursue centralized procurement policy

## Ongoing industrial optimization

- Roll-out the “World Class Manufacturing” approach to the entire organization

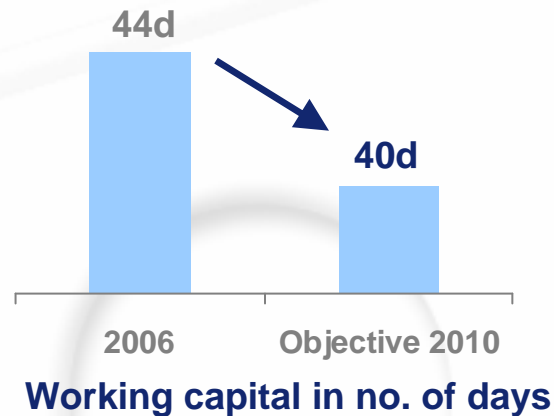
# Strict rein on capital employed

## Capital expenditure



## Working capital

- Gain of around €500m



***More than 2,000 managers offered attractive financial incentives to improve return on capital employed***

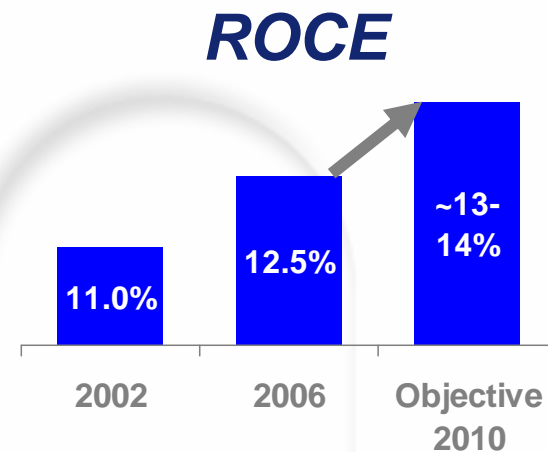
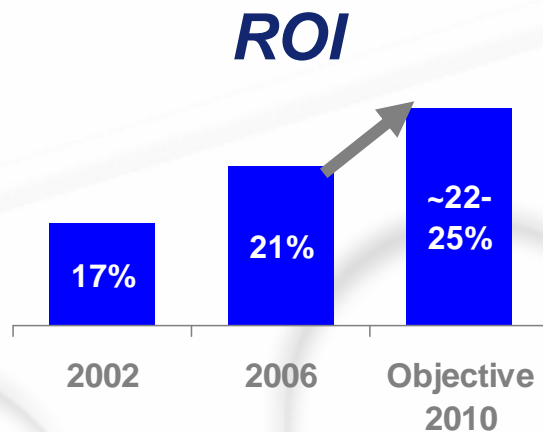
# Objectives for 2010

## **Accelerate growth**

- Sales growth: **+5% p.a. excluding acquisitions**
- EPS: **>10% p.a.**

## **Increase profitability**

- ROI: **22-25%**
- ROCE: **13-14%**



# 5 Outlook and objectives for 2007

- A. Outlook for second-half 2007
- B. 2007 objectives

# Macro-economic environment

## Construction

- > Residential and commercial **building** markets in **Europe should remain healthy**, for both renovation and new construction projects
- > No upturn in residential construction in the **United States; German market** losing momentum
- > Demand in **emerging countries** should remain strong

Industry: Worldwide industrial activity to remain satisfactory

Uncertainties (energy costs, interest rates and US dollar)

# H2-2007 outlook for Saint-Gobain's businesses

- > **Building Distribution**: continued expansion and rise in profitability
- > **Construction Products (CP)**:
  - **Interior Solutions**: globally stable with robust markets in Europe offsetting the downturn in the US
  - **Exterior Solutions**: uptrend in Mortars and Pipe should offset sluggish US activities
- > **High-Performance Materials (HPM)**: favorable climate for capital spending and industrial output
- > **Flat Glass** and **Packaging**: increase in profitability compared with H2-2006

# 2007 objectives raised\*

- > **Strong organic growth momentum** versus 2006
- > **Double-digit growth in operating income\*** at constant exchange rates\*\*
- > **At least 20% growth in recurring net income\***
- > Continued **high levels of free cash flow** and a **solid balance sheet structure**

*\* These objectives are based on the assumption that Saint-Gobain Desjonquères and the Reinforcements & Composites business are deconsolidated at March 31, 2007 and end-2007, respectively, but do not reflect any other material change in the consolidated group that may occur in 2007.*

*Recurring net income = net income excluding capital gains and losses, asset write-downs and the Flat Glass fines*

*\*\* average exchange rates for 2006*



# First-half 2007 results

*Analyst-Investor meeting*

*July 2007*

