

press release

FIRST-HALF 2003 RESULTS

GROUP RESULTS SEVERELY IMPACTED BY UNFAVORABLE EXCHANGE RATES

- **Sales:** EUR 14,650 million, down **4.6%** including a **7.7-point** negative currency effect
- **Operating income:** EUR 1,187 million, down **8.1%** including a **9.1-point** negative currency effect
- **Net income:** EUR 470 million, down **5.6%**
- **Net income before profits and losses on sales of non-current assets:** EUR 471 million, down **8.5%**

MODERATE GROWTH IN SALES AND OPERATING INCOME, ON A "LIKE-FOR-LIKE" BASIS

- Sales up **2.0%**
- Operating income up **0.6%**

2003 TARGET: MODEST INCREASE IN OPERATING INCOME ON A CONSTANT RATE BASIS

□ **Net income**

Saint-Gobain Group **consolidated net income** for the first half of 2003 amounted to EUR 470 million, a decrease of 5.6% on the same period of 2002. Net income before profits and losses on sales of non-current assets came to EUR 471 million, down 8.5% on the year-earlier period. The decline was attributable to unfavorable exchange rates (US Dollar: -19%; Brazilian Real: -39%;, British Pound: -9%) which significantly impacted the Group's main income statement captions. **At constant exchange rates*, net income was on a par with first-half 2002.**

* conversion based on average exchange rates for first-half 2002

- **Performance of Group sectors and divisions: moderate like-for-like growth in sales (2.0%) and operating income (0.6%)**

Like-for-like consolidated sales – based on a comparable Group structure and at constant exchange rates – rose 2.0% compared with first-half 2002. Changes in exchange rates negatively impacted all Group divisions (see appendix 1). However, all three sectors reported increased like-for-like sales, spurred mainly by higher sales prices.

The Glass Sector achieved moderate organic growth, with like-for-like sales up 1.6%. However, operating margin dipped slightly, to 10.2% from 10.6%. This was due to lower margins in the Containers division, caused by soaring energy costs in the United States, as well as in the Insulation and Reinforcements divisions as a result of renewed pricing pressure. The Flat Glass division, for its part, turned in the best operating income performance within the Group on a like-for-like basis. These good results were primarily attributable to strong sales in emerging markets as well as in the European automobile market, offsetting the ongoing erosion of demand from the European construction industry.

The High Performance Materials Sector posted a solid improvement in operating margin, to 9% from 7.2%, on the back of a modest 1.1% increase in like-for-like sales. This was achieved primarily thanks to the cost-cutting measures implemented in 2001 and 2002. Sales growth was held back by the persistently depressed conditions in manufacturing industry on both sides of the Atlantic, which have prevented any real recovery in corporate capital spending.

The Housing Products Sector was the star performer in terms of organic growth. The 2.7% rise in like-for-like sales was attributable to the 12.9% surge in Pipe sales, spurred by major distant export contracts. However, the sector's operating margin dipped slightly, to 6.0% from 6.7%, due to sharply higher raw materials costs for the Building Materials division in the United States. The Building Materials Distribution division continued to gain ground in its main markets, through a combination of organic and external growth, and also posted a further improvement in profitability despite the persistently dismal conditions in Germany.

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□ **Detailed review of interim results:**

Key figures from the interim consolidated financial statements reviewed by the Board of Directors on July 24, 2003 are as follows:

	H1 2002 EURm	H1 2003 EURm	Change %
	(1)	(2)	(2)/(1)
Net sales	15,350	14,650	-4.6%
Operating income	1,292	1,187	-8.1%
Dividend income	17	4	-76.5%
Interest and other financial charges, net	(274)	(242)	-11.7%
Non-operating costs	(99)	(124)	+25.3%
Income before profit on sales of non-current assets and taxes	936	825	-11.9%
Profit (loss) on sales of non-current assets, net	(24)	2	n.m.
Provisions for income tax	(321)	(271)	-15.6%
Amortization of goodwill	(78)	(74)	-5.1%
Share in net results of equity investees	1	2	+100%
Net income before minority interests	514	484	-5.8%
Minority interests	(16)	(14)	-12.5%
Net income	498	470	-5.6%
Earnings per share (in EUR)	1.44	1.38	-4.2%
Net income excluding profits and losses on sales of non-current assets	515	471	-8.5%
Earnings per share excluding profits and losses on sales of non-current assets (in EUR)	1.49	1.38	-7.4%
Cash flow from operations	1,357	1,243	-8.4%
Cash flow excluding capital gains tax	1,350	1,247	-7.6%
Capital expenditure	575	501	-12.9%
Investments in securities	480	251	-47.7%
Net indebtedness	8,009	7,099	-11.4%

Consolidated sales contracted by 4.6% or 5.9% based on a comparable structure. The decline was entirely attributable to unfavourable exchange rates – mainly the sharp weakening of the US dollar, sterling and the Brazilian real against the euro – which had a 7.7% negative impact on sales for the period. Excluding the currency effect, sales climbed 3.4% (2.0% based on a comparable structure). Volumes expanded by 0.8% while average sales prices rose by a further 1.2%.

The breakdown by geographic area is as follows: France 32.9%, other European countries 41.3%, North America 19.0% and rest of the world 6.8%.

Operating income declined by 8.1%. However, excluding the currency effect, operating income rose 1.0% (0.6% based on a comparable structure). Operating margin eased back to 8.1% of sales, from 8.4% in first-half 2002. The decline stemmed from lower margins in the Insulation and Reinforcements Division, and also in the Building Materials Division due to soaring raw materials prices in the United States.

Profitability improved in France and emerging markets, but retreated in the other countries of Europe and in North America.

Dividend income from non-consolidated companies fell to EUR 4 million from EUR 17 million in first-half 2002, reflecting the absence of a 2002 dividend on Vivendi Universal shares.

Interest and other financial charges, net amounted to EUR 242 million versus EUR 274 million in first-half 2002. The 11.7% improvement was attributable to a reduction in Group indebtedness and the favorable impact of converting interest on dollar-denominated debt into euros.

Non-operating costs for the period amounted to EUR 124 million, equivalent to half of total non-operating costs for 2002. The figures for first-half 2003 and first-half 2002 both include a EUR 50 million charge for the cost of asbestos claims filed against CertainTeed.

Net profit on sales of non-current assets amounted to EUR 2 million. Profits on asset sales were almost entirely offset by permanent write-downs of assets.

Amortization of goodwill stood at EUR 74 million versus EUR 78 million in first-half 2002.

Minority interests dipped to EUR 14 million from EUR 16 million in first-half 2002, due to the unfavorable currency effect on minority interests in the Brazilian subsidiaries.

Net income came in at EUR 470 million, down 5.6% on first-half 2002. Based on the 341,010,680 shares outstanding at June 30, 2003, earnings per share stood at EUR 1.38 versus EUR 1.44 for first-half 2002. Net income at constant exchange rates was virtually on a par with that for the year-earlier period.

Excluding profits and losses on sales of non-current assets, net income amounted to EUR 471 million versus EUR 515 million in first-half 2002, a decline of 8.5%. **Earnings per share before profits and losses on sales of non-current assets stood at EUR 1.38, compared with EUR 1.49 for the year-earlier period**, based on the 341,010,680 shares outstanding at June 30, 2003. Net income before profits and losses on sales of non-current assets and at constant exchange rates was virtually unchanged compared with first-half 2002.

Cash flow from operations contracted by 8.4% to EUR 1,243 million. Excluding taxation of profits on sales of non-current assets (EUR 4 million), cash flow from operations was EUR 1,247 million, versus EUR 1,350 million in first-half 2002, a decrease of 7.6%. Excluding the currency effect, cash flow from operations was stable compared with the year-earlier period.

Capital expenditure amounted to EUR 501 million compared with EUR 575 million in first-half 2002, representing 3.4% of sales versus 3.7%.

Investments in securities totalled EUR 251 million, including EUR 159 million for acquisitions of local Building Materials distributors.

Net indebtedness (excluding financial instruments) came to EUR 7.1 billion at June 30, 2003, after payment of the 2002 dividend. This was significantly below the year-earlier figure of EUR 8.0 billion. The gearing ratio – based on consolidated shareholders' equity plus non-voting participating securities – was 61% compared with 67% at June 30, 2002.

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Asbestos claims in the United States: During the first half of 2003, around 48,000 new asbestos claims were filed against CertainTeed, including 28,000 in the state of Mississippi. As announced at the beginning of the year, there was an exceptional surge in asbestos claims filed in Mississippi at the end of 2002 due to the adoption of a new law, applicable from January 1, 2003, which makes this state a less friendly venue for these claims. Most of the claims recorded in Mississippi in the first half of 2003 were filed before the new law came into effect on January 1 but were not disclosed to the company until after that date. The flow of claims in Mississippi declined significantly in June, indicating that the surge is probably over.

Some 20,000 claims were filed during the period in other states, compared with 21,400 in the second half of 2002. Apart from the temporary rise in claims in Mississippi, average monthly new claims in the first half of 2003 were on a par with the second half of 2002, at less than 4,000.

During first-half 2003, 25,000 claims were settled versus 24,000 in second-half 2002, and 7,000 claims were placed on the inactive docket. At June 30, 2003, some 123,000 claims were in progress. The average cost of claims settled in first-half 2003 was USD 2,100, unchanged since September 2002.

In the coming months, the number of new claims recorded in Mississippi is expected to remain very low. However, there may be a rush to the courthouse in Texas, as the state legislature is seriously considering a new legislation making the state a less friendly venue.

The proposal to set up a federal Asbestos Trust Fund contained in a Bill introduced by Senator Hatch might pave the way for all current and future claims to be dealt with at national level.

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Outlook and targets: In light of the sharp rise in the euro against most other currencies observed since the beginning of the year, operating income and net income for the full year will be down on 2002. At constant exchange rates (i.e. based on average 2002 exchange rates), the Group is aiming for a modest increase in operating income.

July 24, 2003

Next results announcement:

- sales for the first nine months of 2003: October 28, 2003 after market closure

Appendix 1

Result by Business Sector, Division and Geographic Area

(in EUR millions)

	H1 2002	H1 2003	change on an actual structure basis	change on a comparable structure basis	change on a comparable structure and currency basis
I. SALES					
by sector and division:					
Glass (1)	6 018	5 642	-6.2%	-7.0%	+1.6%
Flat Glass	2 244	2 159	-3.8%	-4.3%	+3.2%
Insulation and Reinforcements	1 678	1 534	-8.6%	-10.4%	-1.9%
Containers	2 101	1 955	-6.9%	-6.9%	+2.7%
High-Performance Materials (1)	1 913	1 640	-14.3%	-12.6%	+1.1%
Ceramics & Plastics and Abrasives	1 913	1 640	-14.3%	-12.6%	+1.1%
Housing Products (1)	7 565	7 515	-0.7%	-3.2%	+2.7%
Building Materials	1 644	1 436	-12.7%	-13.0%	+1.0%
Building Materials Distribution	5 371	5 477	+2.0%	-1.4%	+2.0%
Pipe	690	750	+8.7%	+8.1%	+12.9%
<i>internal sales</i>	<i>-146</i>	<i>147</i>	<i>n.s.</i>		
Group	15 350	14 650	-4.6%	-5.9%	+2.0%
by geographic area:					
France	4 793	5 022	+4.8%	+2.2%	+2.2%
Other European Countries	6 420	6 321	-1.5%	-3.2%	-0.1%
North America	3 614	2 894	-19.9%	-18.4%	+0.2%
Rest of the world	1 127	1 031	-8.5%	-12.1%	+23.2%
<i>internal sales</i>	<i>-604</i>	<i>-618</i>	<i>n.s.</i>		
Group	15 350	14 650	-4.6%	-5.9%	+2.0%

(1) including inter-division eliminations

	H1 2002	H1 2003	change on an actual structure basis
II. OPERATING INCOME			
by sector and division:			
Glass	641	574	-10.5%
Flat Glass	227	227	+0.0%
Insulation and Reinforcements	176	134	-23.9%
Containers	238	213	-10.5%
High-Performance Materials	137	147	+7.3%
Ceramics & Plastics and Abrasives	137	147	+7.3%
Housing Products	511	453	-11.4%
Building Materials	199	125	-37.2%
Building Materials Distribution	244	250	+2.5%
Pipe	68	78	+14.7%
misc.	3	13	n.s.
Group	1 292	1 187	-8.1%
by geographic area:			
France	445	470	+5.6%
Other European Countries	417	384	-7.9%
North America	328	223	-32.0%
Rest of the world	102	110	+7.8%
Group	1 292	1 187	-8.1%

III. CASH FLOW	H1 2002	H1 2003	change on an actual structure basis
by sector and division:			
Glass	770	696	-9.6%
Flat Glass	292	266	-8.9%
Insulation and Reinforcements	205	179	-12.7%
Containers	273	251	-8.1%
High-Performance Materials	131	153	+16.8%
Ceramics & Plastics and Abrasives	131	153	+16.8%
Housing Products	387	336	-13.2%
Building Materials	149**	90	-39.6%
Building Materials Distribution	166	172	+3.6%
Pipe	72	74	+2.8%
Misc.	69	58**	-15.9%
Group	1 357	1 243	-8.4%

by geographic area:			
France	445	487	+9.4%
Other European Countries	472	416	-11.9%
North America	295**	212**	-28.1%
Rest of the world	145	128	-11.7%
Group	1 357	1 243	-8.4%

** after asbestos-related litigation charge of EUR 34 m after taxes

IV. CAPITAL EXPENDITURE ON PLANT AND EQUIPMENT	H1 2002	H1 2003	change on an actual structure basis
by sector and division:			
Glass	345	286	-17.1%
Flat Glass	158	102	-35.4%
Insulation and Reinforcements	78	86	+10.3%
Containers	109	98	-10.1%
High-Performance Materials	58	42	-27.6%
Ceramics & Plastics and Abrasives	58	42	-27.6%
Housing Products	171	172	+0.6%
Building Materials	52	57	+9.6%
Building Materials Distribution	105	95	-9.5%
Pipe	14	20	+42.9%
misc.	1	1	+0.0%
Group	575	501	-12.9%

by geographic area:			
France	104	126	+21.2%
Other European Countries	242	214	-11.6%
North America	114	87	-23.7%
Rest of the world	115	74	-35.7%
Group	575	501	-12.9%

Appendix 2: CONSOLIDATED BALANCE SHEET
In EUR millions

<u>ASSETS</u>	June 30, 2003	Dec. 31, 2002
Goodwill	5 205	5 521
Other intangible assets, net	1 863	1 914
	7 068	7 435
Property, plant and equipment	21 806	22 069
Less: depreciation	(12 864)	(12 687)
	8 942	9 382
Investments in equity investees	104	114
Investments, at cost	139	144
Non-current marketable securities	147	175
Other non-current assets	1 514	1 590
	1 904	2 023
Non-current assets	17 914	18 840
Inventories	4 873	4 664
Trade accounts receivable	4 986	4 264
Other receivables	1 236	1 010
Short-term loans	140	162
Marketable securities	760	469
Cash and cash equivalents	955	739
	12 950	11 308
Current assets	12 950	11 308
Total assets	30 864	30 148
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Capital stock (at 06/30/2003 and 12/31/2002, composed of 341 010 680 shares with a par value of EUR 4)	1 364	1 364
Additional paid-in capital and legal reserve	2 264	2 264
Retained earnings and net income for the period	9 295	9 204
Translation adjustments	(1 808)	(1 438)
Treasury stock	(87)	(79)
	11 028	11 315
Shareholders' equity	11 028	11 315
Minority interests	216	227
Net equity of consolidated entities	11 244	11 542
Non-voting participating securities	391	391
Pensions and other post-retirement benefits	2 290	2 353
Deferred tax liability	554	696
Other liabilities	1 059	1 084
Long-term debt	6 759	6 238
	22 297	22 304
Shareholders' equity and non-current liabilities	22 297	22 304
Trade accounts payable	3 740	3 352
Other payables	2 632	2 348
Current portion of long-term debt	651	487
Short-term debt and bank overdrafts	1 544	1 657
	8 567	7 844
Current liabilities	8 567	7 844
Total liabilities and shareholders' equity	30 864	30 148