

Letter to Shareholders

Dear Sir, Dear Madam, Dear Shareholders,

With a 7.8% real-term increase and 5.1% on a comparable structure and exchange rate basis, the Saint-Gobain Group's consolidated sales for the first nine months is in line with the economic scenario considered at the end of July.

This improvement is the result of a 4% increase in sales volumes and a 1.1% rise in selling prices.

In continuity of first half-year trends, our new businesses (in particular High-Performance Materials and Building Distribution) and emerging countries have remained the drivers of the Group's growth. This is true not only for the 3rd quarter, but also for the first nine months as a whole.

The High-Performance Materials (HPM) Division benefited further from the recovery in manufacturing industry and capital spending, which picked up pace over in the last quarter. As for Building Distribution, the Division pursued its expansion, both through organic growth (+5.6%) and through acquisitions, with in particular, the integration of the Swedish company Dahl International on May 1st.

Our historical businesses have shown satisfactory growth, with the only exception of the Pipe Division, which is negatively impacted by the completion of the Abu-Dhabi contract in March. Both our Building Materials and Insulation Divisions are continuing to enjoy a high level of activity, driven by the strength of residential construction market in the United States.

Finally, the Packaging Division posted moderate growth, whereas our Flat Glass Division is continuing its expansion, especially in emerging countries and in the European automobile market.

From a geographical stand point, like for like sales remained very robust in France, and in the United States, whereas demand in emerging countries continued to drive Group growth.

The Group is hence demonstrating the solidity of its business model and confirms its objective of a 7% increase in operating income at constant exchange rates, and excluding the positive impact of Dahl.

I would like to take this opportunity to thank you for your trust and your loyalty towards the Saint-Gobain Group, and announce the next issue of our Letter to Shareholders, which will be out in February.



JEAN-LOUIS BEFFA
Chairman and CEO
of Saint-Gobain

For full year 2004, the Group confirms its target of 7% growth in operating income at constant exchange rates (based on average exchange rates for 2003), and excluding the positive impact of the Dahl acquisition.

CONTENTS

Results	p. 2
Businesses	p. 3/4
Feature	p. 5
Stock Exchange	p. 6

Results

Sales for the first nine months of 2004: **up 7.8%**

The Group

CONSOLIDATED SALES FOR THE SAINT-GOBAIN GROUP CAME TO €23,969 MILLION FOR THE FIRST NINE MONTHS OF 2004, REPRESENTING AN INCREASE OF 7.8%. AT CONSTANT EXCHANGE RATES (BASED ON AVERAGE RATES FOR THE FIRST NINE MONTHS OF 2003), SALES WERE UP 10.0% ON AN ACTUAL STRUCTURE BASIS* AND 5.1% ON A COMPARABLE STRUCTURE BASIS. VOLUMES EXPANDED BY 4.0%, WHILE PRICES INCREASED BY 1.1%.

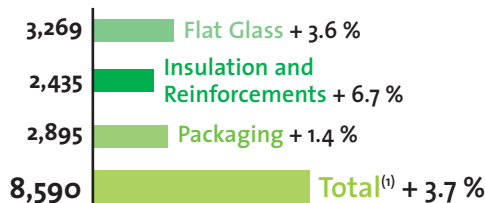
*UP 7.2% EXCLUDING DAHL

The Glass Sector

►►► achieved satisfactory organic growth for the first nine months of 2004, with like-for-like sales up 3.7%, in line with first-half growth of 4.0%. In third-quarter 2004, Reinforcements pushed up its sales prices compared with the levels achieved in the second quarter of the year. Demand in Insulation held firm, while Containers reported moderate growth due to a high basis for comparison provided by third-quarter 2003 performance. Flat Glass continued on the growth track, particularly in emerging countries and the European automobile market, but continued to be hit by the downward pressure on sales prices in the European construction market.

NET SALES:

(in € millions, change based on comparable structure and exchange rates (like-for-like))



(1) Including inter-division eliminations

The High-Performance Materials Sector

►►► reported the Group's strongest like-for-like growth for the 9-month period (up to 11.3%). The recovery in the manufacturing industry and capital spending, which began in the first half of the year, picked up pace over the last three months.

NET SALES:

(in € millions, change based on comparable structure and exchange rates (like-for-like))



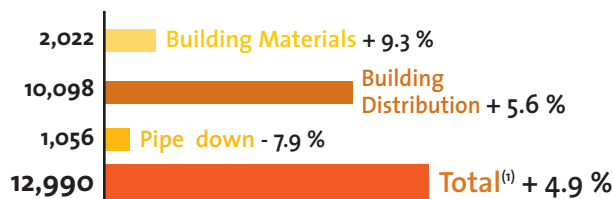
(1) Including inter-division eliminations

Housing Products Sector

►►► continued to be in line with the Group average sales (like-for-like), despite the sharp contraction reported by Pipe since the last delivery under the Abu Dhabi contract, at the end of first quarter 2004. Building Materials – which is smaller in size since the sale of Terreal and Certain Teed Ventilation in 2003 – continued to benefit from the buoyant residential construction market in the United States and, to a lesser extent, in Europe. Meanwhile, Building Distribution pursued its expansion drive, both through organic growth (5.6%) and acquisitions (including the consolidation of the company Dahl International from May 1, 2004).

NET SALES:

(in € millions, change based on comparable structure and exchange rates (like-for-like))



(1) Including inter-division eliminations

►►► Asbestos claims in the United States:

some 5,000 new claims were filed against Certain Teed during third-quarter 2004 (less than 200 in the State of Mississippi), representing practically the same number of claims as were filed in each of the first two quarters of the year. The number of new claims filed during the first nine months of 2004 came to 14,000, almost four times less than the 54,000 new claims in the comparable period of 2003.

At the same time, 6,000 claims were resolved during third-quarter 2004, on a par with the second quarter of the year. In the first nine months of 2004, 17,000 claims were resolved, compared with 40,000 in the comparable period of 2003.

The number of outstanding claims at September 30, 2004 (approximately 105,000) was slightly lower than at end-June 2004.

The average cost of claims settled over the last twelve months has risen to US\$ 3,100 per claim, in line with the trend observed since the beginning of the year. This increase was due to the lower number of non-serious cases as a proportion of overall claims settled and claims currently in the process of being settled.

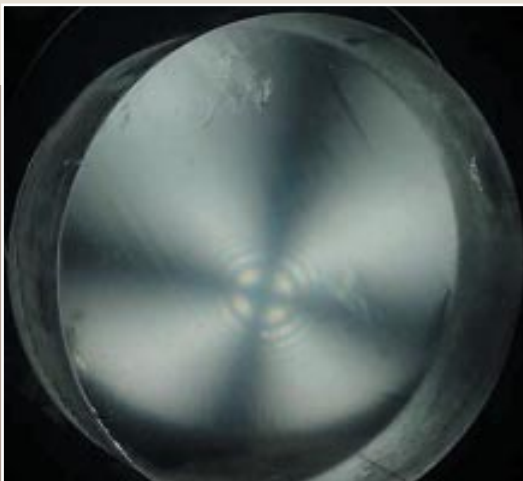
On September 15, 2004, the Democratic Leader in the United States Senate agreed with the Republican Majority Leader that the compensation fund for asbestos victims should amount to US\$ 140 billion. The Democrats, however, included in their response a counter proposal setting out, among other things, a new method for processing outstanding claims and higher claims values for certain disease categories.

The re-election at the White House of George W. Bush and the assertion of the republican party to the Congress, could allow to lead quickly to a legislative solution.

Businesses...

High Performance Materials and Reinforcements: to the service of the future!

With a presence in 35 countries, with more than 110 companies and a workforce of 36,000 people, Saint-Gobain's Abrasives, Ceramics & Plastics, and Reinforcements, have in common the same passion for innovation, they use the same technologies and target the same markets. In this report, we would like to show you five examples of activities, and initiatives straight from the heart of one the most dynamic sectors of the Saint-Gobain Group.



►►► Ceramics



THE PORCELAIN EXHIBITION IN ROEDENTAL

Saint-Gobain IndustrieKeramik Roedental GmbH is hosting a porcelain exhibition for two months (October 1st till November 30th) with the motto: "Porcelain tableware... alive and innovative". The exhibition is open to the public and includes the creations of some of the finest German porcelain manufacturers and Saint-Gobain customers that were presented during a display. The event is set to become a touring exhibition.

The purpose of this exhibition is to present to the public how diverse Saint-Gobain's products are – since the public all too often doesn't really know what a "plate setter for the ceramics industry" really is.

►►► Crystals

GROWTH OF A LARGE-DIAMETER CRYSTAL

Saint-Gobain Crystals (United States) has just achieved a major breakthrough: they have managed to grow a whole single-grain crystal, 33 centimeters in diameter and weighing 32kg. Magnesium fluoride (MgF_2) is an optical crystal, which is extremely hard to grow with large diameters. However, demand for large-diameter MgF_2 windows has been in constant growth over the past few years, especially in the field of astronomy. Saint-Gobain Crystals' factory furnaces have been entirely refurbished so as to produce larger ingots.

▶▶▶ Abrasives

VORTEX TECHNOLOGY: REVOLUTIONARY HIGH-TECH GRINDING TECHNOLOGY FOR PROFILE GRINDERS



How can a grinding wheel, intended for metal, present a high abrasive capacity whilst generating as little heat as possible?

The R&D department of the Abrasives Division developed a technology that reconciles a new abrasive grit (a high-performance melted alumina) with a new innovative manufacturing process that opens the door for the production of smooth structures that are nevertheless permeable and solid. What is it called? Vortex technology. Vortex optimizes abrasive distribution and porosity type, two crucial characteristics that improve material removal and grinder wear in metal machining. The main advantage? This new vitrified wheel can reduce total grinding time by up to fifty per cent. Moreover, choosing Vortex technology for a grinding job contributes to the preservation of the environment. Unlike all other porous vitrified wheels, this one doesn't require chemicals to create extremely open structures. Vortex technology for profile grinders is specially intended for three large market segments: the aerospace, automotive, and toolmaking industries.



▶▶▶ High-Performance Plastics

COLLABORATION BETWEEN TWO PLANTS FOR THE DEVELOPMENT OF A NEW TYPE OF GASKET

Two Saint-Gobain Performance Plastics (United States) plants have joined efforts for the development of a new type of gasket intended for aviation radomes. The engineers of the Ravenna plant (Ohio), in charge of designing the radomes, teamed up with the extrusion experts of the Beaverton plant (Michigan) to produce a new type of gasket that can offer sufficient high-pressure sealing properties during radome assembly. These new extruded silicone gaskets offer more uniform pressure than traditional gaskets made from silicone foam. They are also more esthetic, lighter in weight and less expensive.



▶▶▶ Reinforcements

THE FIRST EVER TWINTEX® STRETCHER FOR HIGH-ALTITUDE RESCUE

The leading European snowshoe manufacturer, TSL Sport Equipment, approached the Twintex® R&D team of Saint-Gobain Vetrotex International regarding the development of composite stretchers for high-altitude rescue missions. They opted for the Twintex® process of vacuum forming, which was discovered in 2000 at the JEC Composites Show. Twintex® offers advanced properties in terms of resistance to thermal shock (both heat and cold) and abrasion. The material also scores very highly with regard to soundproofing and thermal insulation, whilst preserving an excellent gliding ability. The first prototype is made up of a metallic structure and foam, incorporated in the Twintex®.

Feature...

Perfumes A change in scene...



▶▶▶ In terms of bottle decoration, we really thought we had seen it all... And now Saint-Gobain Desjonquères invents the inside treatment! A backward glance over the genesis of this world premiere in the world of fragrances.

Last September, Dior released its fourth fragrance in the Poison range... Already an achievement in and of itself! But the real news-breaker is the bottle in which it is delivered, recognizable a mile away: it is both transparent and iridescent and its surface produces a mirror effect. This thoroughly stunning aspect is obtained through the treatment of the inside of the bottle, a true innovation in the fragrance market and one which required a whole year of research and development. Saint-Gobain Desjonquères' perfumes Marketing Director, Catherine Descourtieux, explains that "the finishing of the bottle is highly complex and requires three different processes".

First of all, a gas must be sprayed into the bottle: this is the "plasma" treatment that lends the bottle its iridescent and reflective aspect. This technique had hitherto only ever been used for vehicle headlamps and bulbs, "the main reason being, of course, the issue of compatibility between the treatment and the actual fragrance. Many tests were necessary to ensure such compatibility", further explains Catherine Descourtieux.

The second finishing phase that involves interior coating may then take place. This phase breaks down into two stages: a partial white coating, followed by a comprehensive colorless one. This decoration process constitutes yet another technological breakthrough: "The 'Verreries de la Somme' developed highly complex masks that make it possible to only coat what we call the 'gadroons', the bottle relief, and obtain a fluff finish around them", pursues the Marketing Director. Again by interior coating, a colorless varnish is then sprayed over the entire bottle so as to harmonize coated and non-coated areas.

Third process: organic screen printing with a plum-colored tinge. Although this final process is more widespread, the "the entire process constitutes a highly innovative experience! It was a hard year of development, but we are very pleased and proud of the result. We greatly value this type of partnership, whereby the wishes of a customer present us with such challenges so as to require advanced collaboration with our R&D teams", concludes Catherine Descourtieux.

▶▶▶ François Gautier, Creative Studio Director for Dior's Fragrance Division

What was the initial concept for this bottle?

We wanted to create a modern Poison, a white Poison, but whilst preserving a slightly magical and irreverent aspect – after all that's the image that is associated with the Poison product line! We had been toying with the idea of inside treatment for quite a while now. This had never been much of a problem with plastic bottles, but it had simply never been achieved with glass. In addition, we had never been fully satisfied with the result: we were too close to the world of scintillating Christmas-tree balls and therefore too far removed from the Poison universe.

How was the collaboration with Saint-Gobain Desjonquères on this project?

Our work together developed into a true partnership. We did a lot of work, especially on developing the balance between the transparent and the colored aspects. But the trickiest part was definitely developing the masks that enabled us to coat only the gadroons in white, so as to further emphasize the metallic aspect of the bottle. To the best of my knowledge, it's one of the first times that total masks have been used. And I won't even mention the development of the graded wash coating, the bottle "shoulders" or the glass distribution, among other strategic areas of development!

How do you feel about the result?

The *raison d'être* of a creative studio is to reach out as far as possible so as to create an extremely powerful image for our product. We also want production to be as close as possible to design... and as far as Pure Poison is concerned, we are greatly satisfied. The glass is emphasized by the transparent effect that stops inside the bottle. That's what I find fascinating about glass: you always come up with novelties, sometimes as surprising as this bottle!



Two recently launched body creams whose bottles were treated by interior coating: Narciso Rodriguez 'For Her' and 'Life Pearl' by Helena Rubinstein.



Another example of inside decoration: interior coating

As well as the "plasma" treatment, Saint-Gobain Desjonquères has developed a treatment by interior coating, for cosmetic receptacles. The principle is simple: an airbrush sprays the coating product into the receptacle. Carrying it out is a little more complex: the coating product must be sprayed in a scrupulously uniform fashion on the inside surface and the cream must be isolated from the coating by a cavity. The point of such a technique: the outer surface of the receptacle remains transparent, whilst the coating emphasizes the thickness and the texture of the glass.

Agenda

Individual Shareholder meetings:

- Wednesday, 17 November, in Nantes
By Philippe Crouzet,
Senior Vice-President
- Thursday, 25 November, in Reims
By Florence Triou-Teixeira
Director of Investor Relations
Department
- Wednesday, 1 December, in Nice
By Jean-Louis Beffa
Chairman and Chief Executive
Officer
- Tuesday, 7 December, in Orleans
By Florence Triou-Teixeira
Director of Investor Relations
Department

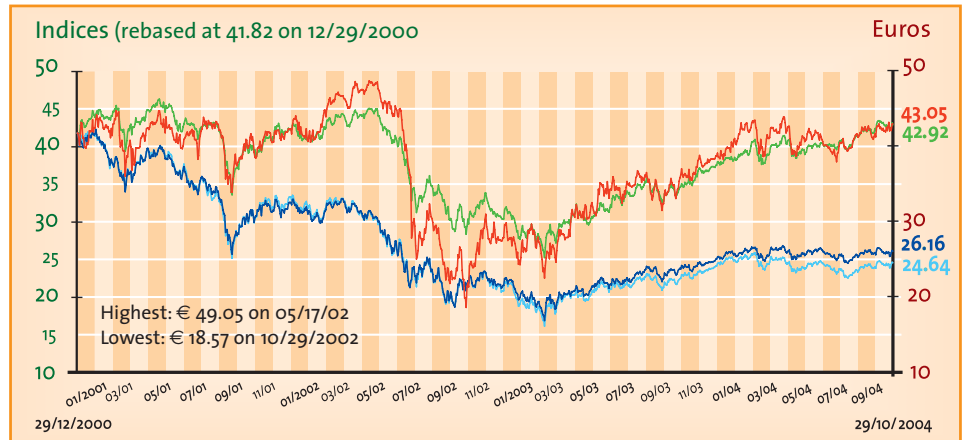
Forthcoming publication:

Estimated 2004 results:

- Thursday January 27, 2005, after market closing

Stock Exchange

The Saint-Gobain share price



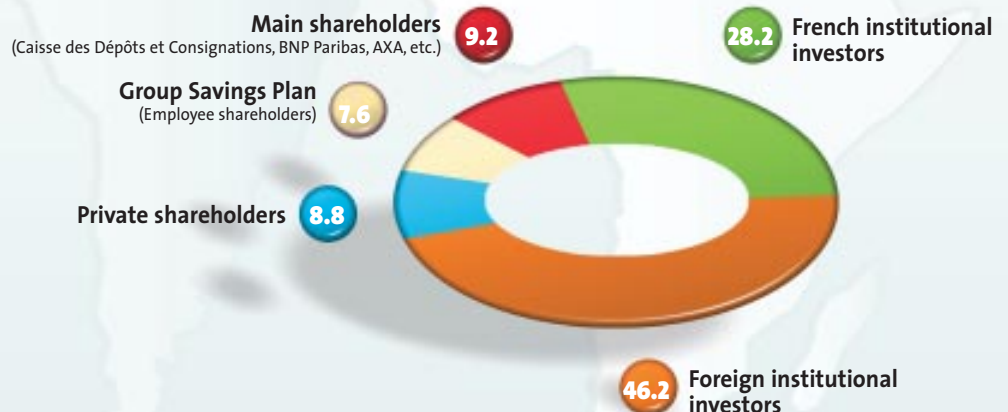
■ Saint-Gobain share price
 ■ CAC 40 index (rebased)
 ■ EuroStxx Building Index (rebased)
 ■ EuroStoxx 50 Index (rebased)

Since the publication of its first 9-month sales, the Saint-Gobain Group's share price has continued in its stride. The share achieved a closing price above the €43 bar on October 28th, and then above the €44 bar on November 5th. On the same day, the share price posted a 14.76% increase since the beginning of the year.

Recent performances of the Saint-Gobain share

Recent performance (at 29/10/2004) (%)	Saint-Gobain share	CAC 40 Index	DJEurostoxx 50	Total shareholder return (TSR)
Over the past 12 months	+ 18.6 %	+ 9.9 %	+ 9.2 %	End of 1986>10/29/2004 -> 11.8%/year
Over the past 6 months	+ 2.2 %	+ 0.9 %	+ 0.9 %	End of 1991>10/29/2004 -> 12.4%/year
Over the past 3 months	+ 6.0 %	+ 1.6 %	+ 3.4 %	End of 1995>10/29/2004 -> 13.8%/year
Over the past month	+ 4.2 %	+ 1.8 %	+ 3.1 %	

Shareholders' equity at 09/30/04 (%)



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SAINT-GOBAIN

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