

LETTER TO Shareholders

No. 63

FEBRUARY 2012

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Heads up with

Pierre-André de Chalendar

Chairman and Chief Executive Officer of Saint-Gobain

“For 2012, Saint-Gobain is targeting moderate organic growth, while operating income should prove resilient.”

Saint-Gobain recently published a sharp rise in its earnings for 2011. Any comment?

Against a backdrop of volatility in 2011, we continued to expand and develop. Sales came in at €42.1 billion, up 5.0% on 2010. All of the Group's major geographic areas and business sectors contributed to this growth performance, led by vigorous momentum in emerging countries and Asia as well as further advances in markets related to industrial output in both North America and Western Europe.

We were able to curb the impact of soaring raw material and energy costs by increasing our sales prices and as a result, delivered another sharp rise in earnings for the year, in line with our objectives.

Is Saint-Gobain continuing with its strategy aimed at becoming the reference in sustainable habitat?

Yes. We continued to roll out our strategy, stepping up development in high-growth countries and on energy efficiency and energy markets.

Total investment spending (capex and financial investments) in high-growth countries was almost €1.1 billion. To cite but a few examples, the Group announced that it was to build a second automotive glass plant in Qingdao (China) in partnership with Central Glass. In Latin America, Saint-Gobain ac-

quired two companies in the Abrasives sector in Argentina, together with their subsidiaries in Brazil and Uruguay. Our Insulation business continues to grow, thanks to the acquisition of Linerock, a rock wool specialist based in Russia.

We also invested some €900 million in energy efficiency and energy markets. We acquired specialty film producer Solar Gard, and are currently building new glass wool production capacities in France and Japan.

We also consolidated our positions in Building Distribution thanks to the acquisition of Build Center, a leading builders' merchant in the UK, and Brossette in France, a plumbing and heating specialist.

Lastly, our innovation spending continued apace, with total R&D expenditure up 7.2% to €431 million.

How do you see 2012 unfolding?

The economic outlook for 2012 is still uncertain. Providing the economic and financial crisis does not escalate, trading should remain satisfactory on our main markets. Thanks to our attractive strategic positioning and strong balance sheet, we are confident of our performance going forward.

We are targeting moderate organic growth, driven mainly by the increase in sales prices needed to offset the rise in raw material and



2011 results

Sales

€42.1 bn ↗ 5.0%

Operating income

€3.4 bn ↗ 10.4%

Recurring* net income

€1.7 bn ↗ 30%

Dividend** (paid in cash)

€1.24 per share ↗ 8%

* Excluding capital gains and losses, asset write-downs and material non-recurring provisions.
** Amount to be recommended to the Annual General Meeting.

energy costs, while operating income should prove resilient.

In 2012, we will again demonstrate our strong ability to adapt to changes in our markets, while continuing to develop our main strategic priorities (high-growth countries and energy efficiency markets) amid strict financial discipline.

Key consolidated figures

| | 2010 (€m) | 2011 (€m) | % change |
|--|-----------|-----------|----------|
| Sales | 40,119 | 42,116 | +5.0% |
| Operating income | 3,117 | 3,441 | +10.4% |
| Business income | 2,524 | 2,646 | +4.8% |
| Recurring ¹ net income | 1,335 | 1,736 | +30.0% |
| Recurring ¹ earnings per share ² (in €) | 2.54 | 3.30 | +29.9% |
| Earnings per share ² (in €) | 2.15 | 2.44 | +13.5% |
| Cash flow from operations ³ | 3,004 | 3,421 | +13.9% |
| Cash flow from operations excluding capital gains tax ⁴ | 2,987 | 3,349 | +12.1% |
| Capital expenditure | 1,450 | 1,936 | +33.5% |
| Free cash flow (excluding capital gains tax) ⁴ | 1,537 | 1,413 | -8.1% |
| Investments in securities | 129 | 702 | n.m. |
| Net debt | 7,168 | 8,095 | +12.9% |

1. Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

2. Calculated based on the number of shares outstanding (excluding treasury shares) at December 31 (526,205,696 shares in 2011 versus 525,722,544 shares in 2010). Based on the number of shares comprising share capital at December 31 (535,563,723 shares in 2011 versus 530,836,441 in 2010), recurring earnings per share comes out at €3.24 (versus €2.51 in 2010), and earnings per share comes out at €2.40 (versus €2.13 in 2010).

3. Excluding material non-recurring provisions.

4. Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

• **Sales** climbed 5.0% based on both reported and like-for-like (constant Group structure and exchange rates) figures. Changes in Group structure had a slightly positive 0.3% impact, essentially reflecting acquisitions carried out in Construction Products and Building Distribution sectors (including Build Center on November 1, 2011). This impact was offset in full by an equivalent negative 0.3% currency effect resulting mainly from the depreciation against the euro of the US dollar and the currencies of most emerging countries where the Group operates. On a constant exchange rate basis*, sales therefore rose 5.3%. Volumes moved up 2.3%, while prices gained 2.7%.

• In line with objectives, and despite the impact of spiraling raw material and energy costs, the Group reported a double-digit rise in **operating income** (up 10.4%, or 10.9% at constant exchange rates*). Consequently, the **operating margin** continued to improve, up to

8.2% of sales (10.9% excluding Building Distribution), versus 7.8% (10.7% excluding Building Distribution) in 2010. The operating margin is virtually back at its 2008 level (8.3% for the Group as a whole) despite sales volumes being 11.0% lower than in this earlier period.

• **Recurring net income** (excluding capital gains and losses, asset write-downs and material non-recurring provisions) was up 30.0% year-on-year, at €1,736 million. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2011 (526,205,696 shares versus 525,722,544 shares at December 31, 2010), recurring earnings per share came out at €3.30, up 29.9% on 2010 (€2.54).

*Based on average exchange rates for 2010.

2011 action plan priorities: objectives met

Saint-Gobain resolutely implemented its action plan priorities during the year and met the objectives it had set for 2011:

- Operating priority given to **sales prices: up 2.7% over the year**, with the increases gathering pace as the year went on (from 2.0% in the first quarter to 3.2% in the fourth).
- **Double-digit growth in operating income** (at constant exchange rates*), which climbed **10.9%** to €3,456 million (€3,117 million in 2010), despite the impact of soaring raw material and energy costs.
- **€1.4 billion in free cash flow****, ahead of its target of €1.3 billion, after the €486 million rise in capital expenditure.
- Robust balance sheet: **gearing ratio of 44% and net debt to EBITDA ratio of 1.6**.
- **Selective acquisitions and development policy** focusing on fast-growing businesses and/or regions.

* 2010 exchange rates.

** Excluding the tax impact of capital gains and losses, asset write-downs and material non-recurring provisions.

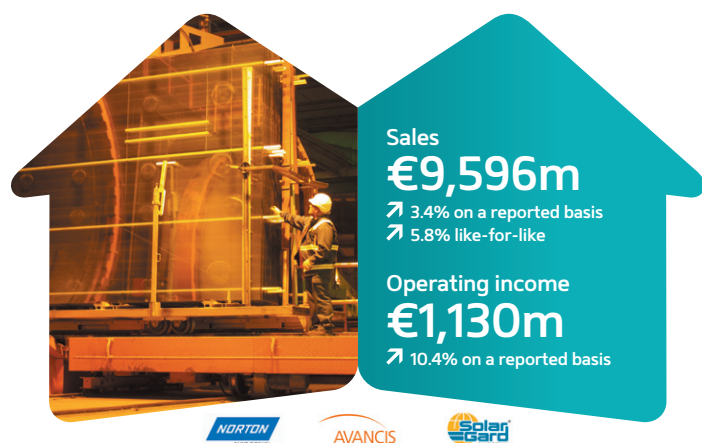
2011 dividend
€1.24 (+8%)

paid entirely in cash

At its meeting of February 16, Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 7, 2012 Shareholders' Meeting a dividend payout of €653 million*, representing 37.5% of recurring net income and 51% of net income, i.e., **a dividend of €1.24 per share, up 8% on the 2010 dividend**. Based on the closing share price at January 31, 2012 (€34.02), this represents a **dividend yield of 3.65%**. The dividends will be paid entirely in cash on **June 14, 2012**, with the ex-coupon date scheduled for June 11, 2012.

* The dividend amount is based on the number of shares carrying dividend rights on January 31, 2012.

2011 results by Business Sector (comments based on like-for-like figures)



Innovative Materials delivered the **Group's best organic growth performance, at 5.8%**. Brisk activity in markets related to industrial output continued throughout the year across all geographic areas. Sales prices also remained upbeat in all divisions, particularly High-Performance Materials. Combined with the impact of cost saving programs carried out in previous years, **this helped the Business Sector's operating margin to deliver further gains, climbing to 11.8% from 11.0% in 2010.**



Construction Products like-for-like sales advanced **4.4% over the year**. This moderate growth chiefly resulted from strong sales gains in Asia and emerging countries and in the US renovation market. In contrast, sales remained virtually stable in Western Europe, with starkly contrasting performances from one country to the next. **The operating margin for the Business Sector narrowed slightly, to 9.5% from 9.7% in 2010**, due mainly to the steep rise in the cost of raw materials and energy in Exterior Solutions, which could not be wholly offset by upbeat sales prices.



Building Distribution delivered annual **organic growth** for the first time since 2007. This performance was led especially by Germany, France, Scandinavia, and to a lesser extent the Netherlands. Growth remained modest in Eastern Europe and the UK, while market conditions continued to be very tough in Southern Europe. Trading in the US began to pick up. **Operating income jumped €190 million, or 33%, to €768 million. The operating margin was up sharply, at 4.2% of sales from 3.3% one year earlier.**



Packaging (Verallia) reported **3.0% organic growth over the year**, spurred by favorable trends in sales prices. Sales volumes recovered in the fourth quarter, particularly in Europe and Latin America, after being hit by inventory run-downs in the three months to September 30. **The operating margin edged up to 12.3% of sales (12.2% in 2010)**, as sales price rises picked up pace in the second half.

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in 2011, compared with 5,000 in 2010. At the same time, 8,000 claims were settled (versus 13,000 in 2010), bringing the total number of outstanding claims to **52,000** at December 31, 2011, versus 56,000 at December 31, 2010. A total of USD 82 million in indemnity payments were made in the 12 months to December 31, 2011, down sharply compared to 2010 (USD 103 million). In light of these trends, and particularly the decrease in indemnity payments and the provision accrual in 2011, the total coverage for CertainTeed's asbestos-related claims was around USD 504 million at December 31, 2011, virtually stable compared to December 31, 2010 (USD 501 million).



Details of the consolidated financial statements are available on the Group's website (www.saint-gobain.com) or on request from the Shareholder Relations Department (see contact details on the back page).



Imagining the lighting of the future. This topic is at the heart of Saint-Gobain's focus on sustainable habitat and is also a key concern of professionals in the building trade more generally.

Whether natural or artificial, the lighting in tomorrow's homes must reconcile comfort and well-being with energy efficiency and performance. The Group's businesses already offer several innovative solutions in response to this challenge.

Preferring natural light

Many studies have shown the importance of buildings having natural light for the comfort and well-being of their inhabitants. EU regulations also emphasize the importance of natural light. In France, thermal building regulation "RT 2012" requires around 17% of a building's inhabitable surface area to be glazed (compared to 13% previously).

The aim is to maximize the input of natural light without increasing the use of heating or air conditioning due to poor

1 SGG PLANITHERM LUX by Saint-Gobain Glass (Innovative Materials).

2 LEDinGLASS dynamic lighting from QUANTUM GLASS™ (Innovative Materials).

3 Activ'Light® plasterboard by Placo® (Construction Products).

Rethinking lighting in sustainable habitat

Whether natural or artificial, lighting in a building is an **essential source of comfort and well-being** for its inhabitants.

Saint-Gobain offers a broad array of solutions for a **bright but energy-efficient home.**

thermal insulation. SGG PLANITHERM LUX by Saint-Gobain Glass (Innovative Materials), designed for triple-glazing units and suitable for residential buildings, can be used to glaze large surface areas owing to its exceptional energy balance. It also lets in natural light while still saving energy.

Reflections about natural light are even further advanced in the non-residential market, especially since certain studies have shown that daylight stimulates productivity. Interior glass partitions are preferred, to take full advantage of natural light. SGG COOL-LITE XTREME, a transparent glass designed by Saint-Gobain Glass for double-glazed units, creates a bright and natural ambience in office building interiors, shopping malls and even hotels and restaurants. Owing to its excellent solar factor and advanced insulation glazing, it reflects the sun's

heat and minimizes heat loss, thereby reducing the need for air conditioning and heating.

Optimizing artificial lighting

Making buildings energy efficient also means rethinking artificial lighting. Here too, regulations are changing: in just a few years, incandescent bulbs have given way to low-energy alternatives. A new generation of lighting is developing: LEDs (light-emitting diodes), already available on the market, and OLEDs (organic light-emitting diodes). Saint-Gobain is running several research projects looking to improve the performance of these new technologies. Crystals (Innovative Materials) supplies coated substrates for LEDs, while Flat Glass develops others for OLEDs. These sources of lighting are more energy efficient and have a longer lifespan than previous generations of lightbulbs. They

can be incorporated into building materials like floors and ceilings, as they do not have to be replaced very often. Placo® (Construction Products) has designed Activ'Light®, a plasterboard that lights up using an optical fiber fabric.

These new technologies make it possible to imagine new types of lighting that light up instantly, provide a wider range of colors and illuminate surfaces rather than specific sources. LEDinGLASS dynamic lighting from QUANTUM GLASS™ (Innovative Materials) is one such example: a glass that comes alive with an interplay of light and color and offers infinite possibilities for indoor and outdoor use.

A lighting revolution

La Plateforme du Bâtiment (Building Distribution) outlet in Aubervilliers (France) meets low-energy and HQE (High Environmental Quality) building standards. During its renovation, the focus was on finding the right balance between the energy savings provided by natural lighting and heat loss from glazed surfaces. Today, the roof allows daylight to enter the store, while light fixtures are controlled in sections with the level of light adjusted to the degree of natural light and time of day. The halls and offices have large glazed surfaces across their façades. Lighting is controlled by automatic presence sensors and the level of natural light.



Shedding light on... ELECTROCHROMIC GLASS

Say goodbye to unsightly blinds and shades. Intelligent electrochromic glass adapts its light and heat transmission to the level of sunlight and ambient temperature without blocking the view to the outdoors. It does this by using a low electric current to change the optical characteristics of the glass, which switches from transparent to dark blue. This feature spares the occupants from sun glare and heat gain.

Electrochromic SageGlass® from QUANTUM GLASS™ therefore reduces the need for air conditioning and lighting. Moreover, it only consumes a very small amount of electricity, and only then in the transition phase. Fitted into an automated building management system, electrochromic SageGlass® windows help

reduce electricity consumption by 30% to 50% compared with standard windows. The needs of the Habitat industry are changing in line with current environmental and energy imperatives. Since it combines insulation with the intelligent management of visible light transmission and solar heat gain, Electrochromic SageGlass® can meet these needs without compromising the aesthetic appearance of the building – a major plus for architects.

Glazing with infinite possibilities

Electrochromic SageGlass® glazing can be altered to produce a variety of blue tints, but can be customized in other ways as well. "We are developing glazing with

different zones: certain sections will be able to be controlled separately to achieve a higher level of comfort as the sun moves across the sky", explains Thomas Bertin-Mouro, Director of QUANTUM GLASS™, the umbrella brand for all Saint-Gobain active glass. He adds, "Electrochromic SageGlass® is used as double or triple glazing and can be combined with other glass functions. For example, it can provide acoustic insulation, be self-cleaning, and can even be used with PRIVA-LITE to become opaque."

Huge untapped markets

In 2010, Saint-Gobain acquired a 50% stake in SAGE Electrochromics. As part of this strategic alliance, the two companies are building the first large-scale production plant for electrochromic SageGlass® in Faribault (United States). The plant will commence production at the end of 2012 and have an annual capacity of more than 370,000 square meters of glazing. Before being cut to a specific size, each unit will measure 1.5 meters by 3 meters, much larger than the glazing currently available on the market. And thanks to the resulting economies of scale, this innovative glass will be sold at an affordable price under the SageGlass® brand. The first customers to be won over will be building owner-users, as they pay the energy bill. The electrochromic adventure has only just begun!



LATEST NEWS

**SHEERFILL®
SCORES A WINNER
IN MARSEILLE**

Saint-Gobain Performance Plastics will supply 70,000 square meters of SHEERFILL® architectural membrane for the roof of Marseille's Vélodrome stadium (France), which is currently being renovated. The roof of the stadium will be installed between

2012 and 2013 and is the showpiece of the new infrastructure, designed to protect fans from bad weather. The roof will be rolled out to cover the four spectator stands in a wave motion, giving the impression of a suspended structure.

**SAGA DÉCOR
DRESSES UP
EVIAN®**



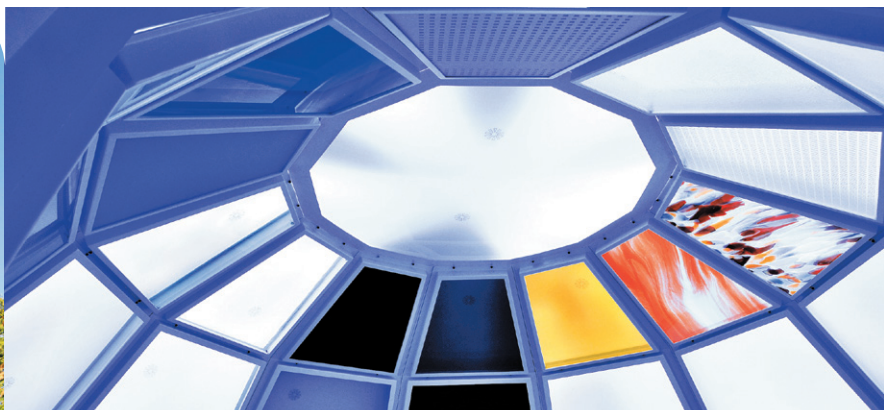
Since the launch of the Limited Edition bottle designed especially for the 1992 Olympic Games, every year evian® has unveiled innovative and original new designs to consumers across the globe. Evian® asked Saga Décor (Verallia) to help it create its "artwork", and Saga Décor teams have since brought to life the drawings of Christian Lacroix, Jean Paul Gaultier, Paul Smith and Issey Miyake. With help from Saga Décor, evian® introduces a

unique festive bottle each year. André Courrèges designed the 2011 Limited Edition, for which the bottle is attired in pink and white flowers, expressing both optimism and anti-conformism.

The Courrèges Limited Edition evian® bottle is available on www.myevian.com. Verallia was also involved in designing the new 75cl Pure Evian bottle (see inset).

DomoLab

Inventing tomorrow's habitat



■ DomoLab visitors discover the site in three stages, corresponding to the key stages of a creative innovation process: FEELING, UNDERSTANDING and INNOVATING.

Saint-Gobain's first habitat innovation center was unveiled on October 3, 2011 in Aubervilliers (France) by Pierre-André de Chalendar, Chairman and Chief Executive Officer of the Group. Known as "DomoLab", this 1,500 square-meter space is an extension of the Saint-Gobain research and development center in the outskirts of Paris. The glass façade is home to a former warehouse that has been converted into a very low energy consuming building. Under the open lumber frame, this unique space takes visitors on an original journey through interactive modules and enables them to experience sensations of aesthetic comfort and discomfort. **DomoLab has been designed as a creative meeting/thinking space for all Habitat stakeholders**, including leading architectural firms, design offices, building contractors, property developers and manu-

facturers, whether or not clients of Saint-Gobain. It is a collaborative and forward-looking working tool. "This center embodies our open-minded approach and commitment to partnership and joint development. It was designed to provide Saint-Gobain with a deeper insight into the Habitat market and enable it to better meet the needs of its customers by teaming up with external partners", emphasizes Pierre-André de Chalendar.

Club des actionnaires
SAINT-GOBAIN

Saint-Gobain's Shareholders' Club is offering its members the opportunity to visit DomoLab on March 8, 2012. Find details of all events on www.saint-gobain.com (Finance/Individual Shareholders)



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT Point.P: pioneering hybrid transport

In November, Point.P (Building Distribution), the leading distributor of building materials in France, was given the keys to the first 26-ton hybrid crane truck in Europe. This vehicle, which uses both thermal and electric engines, is being tested under actual operating conditions for customer deliveries.

This move reflects Point.P's eco-transport strategy aimed at reducing the carbon footprint of its transport operations. Its aim is to slash CO₂ emissions at every stage of the transport cycle, from the supply of logistics hubs and distribution of materials to branches through to on-site customer deliveries.

Dates for your diary

UPCOMING SHAREHOLDER MEETINGS

- **May 22**, Annecy with Laurent Guillot, Chief Financial Officer
- **May 29**, Orléans with Florence Triou-Teixeira, Head of Investor Relations

ANNUAL GENERAL MEETING

- **3:00 p.m. on June 7** at the Palais des Congrès, Porte Maillot, Paris

UPCOMING RESULTS PUBLICATIONS

- **Sales for the first quarter of 2012**
May 3, after close of trading on the Paris Bourse
- **Results for first-half 2012**
July 26, after close of trading on the Paris Bourse

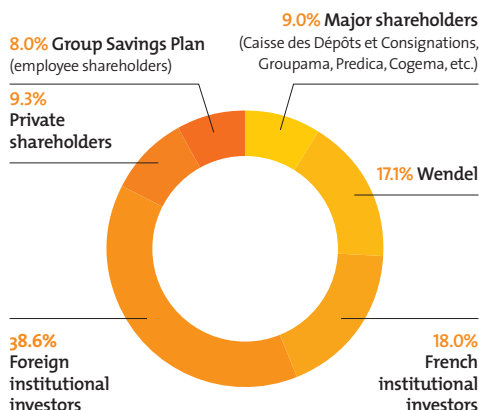
DIVIDEND

- **Payment: June 14, 2012**

TOTAL NUMBER OF SHARES AT DECEMBER 31, 2011:

535 563 723

OWNERSHIP STRUCTURE AT DECEMBER 31, 2011 (%)



Saint-Gobain share price

SHARE PERFORMANCE 2004-2011

Saint-Gobain share price* in euros, indexes at January 1, 2004

Despite significantly outperforming the CAC 40 index since January 1, 2012, the Saint-Gobain share made further gains on February 17, climbing 5.10% to €36.700 following the publication of the sharp rise in the Group's 2011 earnings in line with objectives.

Performance over the period: Saint-Gobain: **+4.1%** CAC 40: **-3.3%**



— (1) Saint-Gobain share price — CAC 40
— DJ EURO STOXX 50 — DJ EURO STOXX 50 Construction

* Data adjusted for the impact of the February 2009 rights issue.

↑
High:
€76.986⁽¹⁾
July 12, 2007

€36.700⁽¹⁾
February 17, 2012

↓
Low:
€17.485⁽¹⁾
February 26, 2009

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance at February 17, 2012 (€36.700) in %

| | Saint-Gobain share price | CAC 40 | DJ Euro Stoxx 50 | DJ Euro Stoxx 50 Construction |
|-----------------------|--------------------------|--------|------------------|-------------------------------|
| Trailing 12 months | -13.5% | -17.1% | -17.7% | -15.4% |
| Trailing 6 months | +5.6% | +6.5% | +8.5% | +10.8% |
| Trailing 3 months | +22.5% | +12.2% | +11.1% | +17.9% |
| Trailing month | +14.6% | +6.7% | +6.7% | +10.1% |
| Since January 1, 2012 | +23.7% | +8.9% | +8.8% | +13.5% |

Your contacts

Saint-Gobain's Shareholder Relations department will be pleased to answer any enquiries. Please feel free to contact them:

- By dialing,

N° Vert 0 800 32 33 33

APPEL GRATUIT DEPUIS UN POSTE FIXE

from France (calls free of charge from landlines)
or 0033 (0)1 47 62 33 33 from outside France

- Online, at www.saint-gobain.com

- By e-mail, at actionnaires@saint-gobain.com

- By post, at
Compagnie de Saint-Gobain
Service Actionnaires
Les Miroirs
92096 La Défense Cedex
France

- Reuters: SGOB.PA

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