LETTER TO
Shareholders
No. 65
JULY 2012

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Heads-up with
Pierre-André de Chalendar
Chairman and Chief Executive Officer of Saint-Gobain

"The Group rolls out a new action plan to address the deteriorating economic climate."

Saint-Gobain has just published its results for the first half of 2012. Can you talk to us about them?

Overall, after a broadly satisfactory first quarter, in line with the economic scenario anticipated by the Group early in the year, the second quarter was hit by a deterioration in the economic climate in Western Europe. This was particularly pronounced from May onwards, and was exacerbated by fewer working days than in 2011 and by poor weather conditions. **Sales were down 2.3% on a like-for-like basis in the second quarter.**

With the exception of High-Performance Materials (HPM) and Packaging (Verallia), all of the Group's Business Sectors and Divisions in the second quarter suffered from a slowdown in the residential new-build and automotive markets in Western Europe. In addition, Asia and emerging countries showed no tangible signs of recovery in this second quarter. Flat Glass – which generates almost all of its sales in Western Europe and in Asia and emerging countries – was particularly hard hit by these adverse market conditions.

On a more positive note, the gradual recovery in residential construction across North America continued apace, while industrial output and capital spending performed well.

How did the Group react to the deteriorating economic climate?

In a tougher economic environment than at the beginning of 2012, and in view of the hike in raw material and energy costs in this first half, **sales prices** remained a clear priority for the Group throughout the six months to June 30, and **gained 2.2% (2.6% excluding Flat Glass).**

We rolled out **new cost cutting measures (particularly in Flat Glass), with cost savings in the first half totaling €170 million** in Western Europe and in Asia and emerging countries. We also improved our cash generation over the last 12 months thanks to a sharp reduction in operating working capital requirements (WCR). And any new acquisition projects were put on hold.

How do you see the rest of the year unfolding?

We expect the business trends observed in the second quarter to continue through the second half, although Asia and emerging countries should witness timid growth.

Against this backdrop, **in the second half of 2012 we will firmly pursue our new action plan,** while **continuing to give priority to sales prices** in order to pass on the rise in raw material and energy costs over the year as a whole.

We will pursue and intensify our **cost cutting measures,** with additional savings of €160 million in the second half, representing total cost savings of **€500 million over the year as a whole and a full-year impact (in 2013) of €750 million** (calculated on the 2011 cost base). This cost cutting program will remain primarily focused on Europe.

We will also continue to maintain **strict cash discipline.** In the second half, we will scale back capital expenditure and financial investments compared to second-half 2011, and also keep a tight rein on operating working capital.

Given the deterioration in the global economy since the start of the year, for full-year 2012 the Group is now **expecting a measured rise in its sales prices, a limited decline in its volumes, and second-half operating income to be moderately down on operating income for first-half 2012.** We also confirm our target of continued high levels of free cash flow and a strong balance sheet.

First-half 2012 results

Sales
€21.6bn ↗ 3.4%

Operating income
€1.5bn ↘ 12.1%

Recurring* net income
€651m ↘ 27.8%

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

SAINT-GOBAIN

2 FIRST-HALF 2012 RESULTS

Key consolidated figures

	H1 2011 (€m)	H1 2012 (€m)	% change
Sales	**20,875**	**21,590**	**+3.4%**
Operating income	**1,720**	**1,512**	**-12.1%**
Business income	**1,456**	**1,153**	**-20.8%**
Recurring[1] net income	**902**	**651**	**-27.8%**
Recurring[1] earnings per share[2] (in €)	**1.68**	**1.23**	**-26.8%**
Earnings per share[2] (in €)	**1.43**	**0.95**	**-33.6%**
Cash flow from operations[3]	1,721	1,462	-15.0%
Cash flow from operations excluding capital gains tax[4]	**1,697**	**1,424**	**-16.1%**
Capital expenditure	641	754	+17.6%
Free cash flow (excluding capital gains tax)[4]	**1,056**	**670**	**-36.6%**
Investments in securities	182	277	+52.2%
Net debt	**9,055**	**9,828**	**+8.5%**

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 at June 30 (531,052,614 shares in 2012 versus 535,334,213 shares in 2011). Based on the weighted average number of shares outstanding (526,833,258 shares in first-half 2012 versus 526,306,335 in first-half 2011), recurring earnings per share comes out at €1.24 (versus €1.71 in first-half 2011), and earnings per share comes out at €0.96 (versus €1.46 in first-half 2011).
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** advanced 3.4% to €21,590 million, compared to €20,875 million in first-half 2011. **Exchange rate fluctuations** had a **positive 1.6% impact,** mainly resulting from gains in the US dollar and pound sterling against the euro. **Changes in Group structure** also had a **positive 2.6% impact,** chiefly reflecting the consolidation of BuildCenter and Brossette with effect from November 1, 2011 and April 1, 2012, respectively, and the acquisition of Solar Gard in October 2011.

On a like-for-like basis (constant Group structure and exchange rates), sales **edged down 0.8%,** with the 2.2% rise in sales prices failing to fully offset the 3.0% decline in volumes.

• **Operating income was down 12.1%,** hurt by lower sales volumes and a sharply negative price/cost spread in Flat Glass. As a result, **the operating margin** narrowed, **to 7.0% of sales (9.1% excluding Building Distribution),** versus 8.2% (11.3% excluding Building Distribution) in first-half 2011.

• **Recurring net income** (excluding capital gains and losses, asset write-downs and material non-recurring provisions) **fell 27.8%** on first-half 2011 to €651 million. Based on the number of shares outstanding at June 30, 2012 (531,052,614 shares versus 535,334,213 shares at June 30, 2011), **recurring earnings per share** came out at €1.23, **down 26.8%** on the same year-ago period (€1.68).

Action plan to address the deteriorating economic environment to be reinforced in second-half 2012

- **Priority focus on sales prices: up 2.2%** over the first half **(up 2.6% excluding Flat Glass).**
- New **cost cutting measures:** cost savings of **€170m** in the first half, **€500m** over 2012, full-year impact of **€750m.**
- **Capital expenditure reduced and acquisition projects put on hold.**
- Cash generation improved and operating working capital requirements **(WCR)** cut: **down 5.1 days** over the 12 months to June 30, 2012.

Objectives for full-year 2012

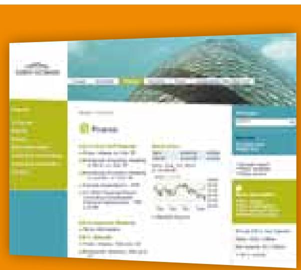
Given the deterioration in the global economy since the start of the year, **for full-year 2012 the Group is now expecting:**

- **a measured rise in its sales prices;**
- **a limited decline in its volumes;**
- **second-half operating income to be moderately down on operating income for first-half 2012;**
- continuing **high levels of free cash flow** and a **strong balance sheet (€340m).**

Update on asbestos claims in the US

Some 2,000 claims were filed against CertainTeed in the first half of 2012 (as in first-half 2011). At the same time, 7,000 claims were settled (versus 4,000 in first-half 2011), bringing the total number of outstanding claims to **47,000** at June 30, 2012 versus 52,000 at December 31, 2011.

A total of USD 70 million in indemnity payments were made in the US in the 12 months to June 30, 2012, versus USD 82 million in the 12 months to December 31, 2011.



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).

Performance of Group Business Sectors (comments based on like-for-like figures)

Sales
€4,853m
↗ +0.5% on a reported basis
↘ -3.1% like-for-like

Operating income
€408m
↘ -32.2% on a reported basis

Along the lines of the first quarter, **Innovative Materials sales** fell 3.1% on a like-for-like basis over the first half, reflecting challenging market conditions in Flat Glass. As a result, the operating margin for the Business Sector narrowed to 8.4% from 12.5% one year earlier.

Flat Glass sales retreated 6.5% on a like-for-like basis over the first half, owing to the combined adverse impact of several factors: a contraction in automotive production in Western Europe, the collapse of the solar market, a fall in prices (especially float glass) and a hike in raw material and energy costs.

On a more positive note, **High-Performance Materials** delivered **timid growth gains (up 1.4% on a like-for-like basis)** amid robust trading on most industrial markets worldwide – except automotive in Western Europe and solar power.

Sales
€5,903m
↗ +3.3% on a reported basis
↘ -0.3% like-for-like

Operating income
€520m
↘ -5.8% on a reported basis

Construction Products sales inched down **0.3% on a like-for-like basis,** hit by the slowdown in sales volumes in Western Europe and in Asia, particularly in the second quarter. As a result, **the operating margin fell to 8.8%** from 9.7% in first-half 2011.

Interior Solutions saw **organic growth creep up 0.7% over the first half,** on the back of vigorous sales price momentum (especially in the US), which helped offset the earnings impact of rising energy and raw material costs.

Exterior Solutions saw **sales slip 1.2% on a like-for-like basis,** hit by the steep decline in Pipe sales – which could not be offset by growth in other Exterior Solutions activities.

Sales
€9,456m
↗ +4.6% on a reported basis
↘ -0.6% like-for-like

Operating income
€370m
↗ +13.1% on a reported basis

Building Distribution reported a **slight 0.6% decrease in like-for-like sales as organic growth retreated in the second quarter (down 2.5%)** – with sales growth in Germany, Scandinavia and the US more than offset by sluggish trading in France and the UK along with persistent difficulties in Southern Europe and Benelux. **The operating margin for the Business Sector improved, up to 3.9%** from 3.6% in first-half 2011.

Sales
€1,908m
↗ +5.0% on a reported basis
↗ +3.0% like-for-like

Operating income
€207m
↘ -8.4% on a reported basis

Packaging (Verallia) delivered **3.0% organic growth** over the first half, spurred by bullish trends in sales prices in its main markets. Trading remained robust in the US, France and Germany, but slackened in Southern and Eastern Europe. However, the **operating margin fell to 10.8% of sales** versus 12.4% in first-half 2011, mainly reflecting difficulties in Southern Europe and the time needed to feel the full benefit of efforts to pass costs on to prices.

SAINT-GOBAIN
INITIATIVES
FONDATION D'ENTREPRISE
INTERNATIONALE

A Foundation in action

For five years now, the Saint-Gobain Initiatives Foundation has enabled employees to express their solidarity and harness their skills to support good causes. We take a look at the solidarity projects that have underpinned its work so far.

Job training for young people

Construction or renovation of community buildings or housing for low-income or disadvantaged groups and individuals

Energy efficiency and environmental protection in housing and community buildings

How the Foundation works

Projects submitted by sponsors are presented to the Selection Committee, whose members assess the proposals, and then to the Management Committee, which allocates the funding. The 40 projects selected to date represent a total financial commitment of €3.3 million by the Foundation. Twenty projects are currently being assessed, representing a total funding request of €5.5 million. The Foundation's budget is €4.5 million for 2008-2012 and a new five-year budget cycle will begin in 2013.

Bernes-sur-Oise

The Foundation is participating in the construction of 50 dwellings for companions of the Emmaüs community in Bernes-sur-Oise in the Greater Paris region. This project arose out of the involvement and commitment of three sponsors from three different Business Sectors.

FRANCE
FUNDING: €200,000

Water stewardship school

The Foundation is supporting the creation of a school offering instruction in the water and wastewater treatment businesses in Haiti. This project will address the urgent need to restore the country's water distribution and wastewater networks, more than 80% of which are currently unusable. The International Office for Water will support the training of specialist technicians, as local expertise in these trades is rare.

HAITI
FUNDING: €50,000

Initiatives 77

The Foundation and the Initiatives 77 association are training 20 people in building trades by involving them in the renovation of social housing near Melun in the Greater Paris region.

FRANCE
FUNDING: €30,100

Fazenda do Natal, Pontos Coraçao

This project, located near Salvador in the state of Bahia, aims to improve the sanitary conditions of shelters for underprivileged children. The work includes renovating sanitary and wastewater facilities in four houses.

BRAZIL
FUNDING: €7,704

Habitat for Humanity, South Africa

The Saint-Gobain Initiatives Foundation has contributed to the construction of more than 90 energy-efficient houses in three townships in the outskirts of Johannesburg, Cape Town and Durban. The work was carried out with the support of apprentices from the Saint-Gobain Construction Products Academy, a Group training structure in South Africa, and members of local communities. Many Group employees were also involved in the work.

SOUTH AFRICA
FUNDING: €470,000 OVER THREE YEARS

Fabota

Saint-Gobain Initiatives is participating in the project to renovate the premises of the Fabota drop-in center in Louvain. This association provides educational activities for children from underprivileged backgrounds as well as support for their parents. Fabota has entrusted the bulk of this work to the *Wonen en Werk* association, which provides instruction in building trades for young adults in need. Gyproc, Isolver and Weber (Construction Products) are also helping by supplying materials and the training required to put them to use.

BELGIUM
FUNDING: €21,000

Projets solidaires

The *Projets Solidaires* association was created by the employees of Saint-Gobain Weber (Construction Products) to actively participate in humanitarian projects. It has received the Foundation's support for a project to renovate a school and build a children's nursery and toilet block in Thailand. Fifteen Saint-Gobain Weber employees working in France and Thailand have been involved in this project in the Thai villages of Poblaki and MaeWae, located in the relatively inaccessible mountainous region in the west of the country.

THAILAND
FUNDING: €38,000

Modernization of Europe's biggest glass wool furnace in Orange

Club des Actionnaires SAINT-GOBAIN

Saint-Gobain's Shareholders' Club is inviting you to visit the Orange plant on November 29. Find out more on www.saint-gobain.com (Finance/Individual Shareholders).

A large-scale modernization program at Isover's glass wool plant in Orange (France) was completed this year. Over €20 million was invested in rebuilding the furnace from scratch and modernizing the related machinery and equipment. *"These new installations deliver superior technical and environmental performance"*, explains Pierre Ravenel, site manager. *"They allow us to manufacture the products of tomorrow – state-of-the-art insulating materials for low-energy buildings and even positive-energy buildings by 2020 – and to meet the new requirements of the market resulting from the 2012 energy regulations in France"*.

The new furnace's power supply was completely overhauled, allowing its power to be increased and its energy consumption to be cut. Its capacity was not extended. Significant work was also carried out on production lines. *"This project was two years in the making"*, says Thierry Mugnier, works manager. Almost 300 contractor personnel were on hand round-the-clock to ensure the project's success. The works lasted seven weeks and customer deliveries were not affected.

1 Hervé de Maistre, Chief Executive Officer of Isover, addresses the plant's 250 employees.

2 Lighting ceremony for the launch of the new furnace.

At a glance

- The **biggest glass wool furnace** in Europe
- **266** employees
- **3** production lines
- **120,000** tonnes of glass wool per year
- **New-build and renovation** markets served

LATEST NEWS
ACQUISITION OF CELOTEX

Saint-Gobain recently signed an agreement to acquire Celotex, one of the leading British manufacturers of high-performance insulating foam. For over 30 years, Celotex has been designing solutions aimed at improving energy efficiency in buildings.
Already present on the insulation market in the British Isles with Isover, this transaction rounds out Saint-Gobain's offering, particularly in new segments such as flat roofs and floors.
It also strengthens its position in insulation for new builds and renovation. Completion of the acquisition is subject to approval by the Office of Fair Trading.

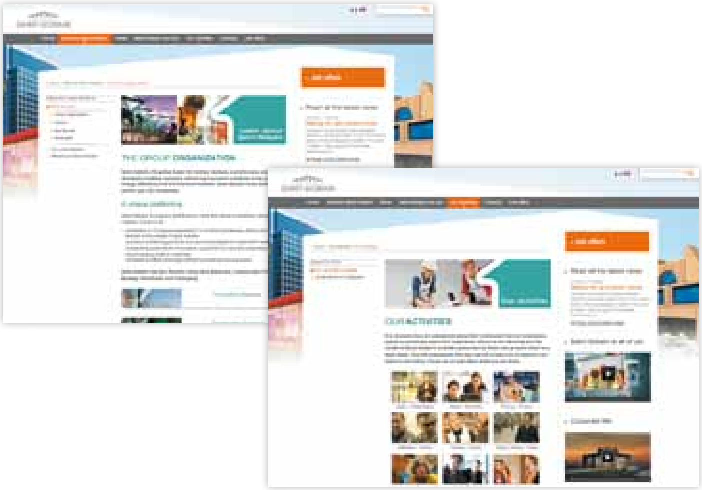
Saint-Gobain Experience
the new careers website

Saint-Gobain Experience, the Group's new careers and recruitment website, went live in late May. The site is an important part of the Group's strategy to increase awareness of the Saint-Gobain brand and its appeal among prospective job applicants. The colorful website includes dynamic, interactive content about Saint-Gobain's business strategy, values and history, while also listing reasons why people – especially young talent – would want to work for the company.

Users can learn all about Saint-Gobain through written and video testimonials submitted by Group employees, who are the ambassadors of the new employer brand campaign. During a six-month period, employees were asked to post comments about their experience and career milestones at Saint-Gobain.

The website also features three separate sections for students, recent graduates and experienced employees. Career opportunities can be viewed via the new OpenJob portal. To increase Saint-Gobain's proximity to the student world, another section called "Espace Campus" provides the calendar of job fairs Saint-Gobain and its brands will be attending in different countries.

Users can also read up on the latest company news in the areas of human resources and sustainable development, and, whenever they want, share web pages and videos from Saint-Gobain Experience on social network sites. This will be an effective way of promoting the website and enhancing Saint-Gobain's image as an employer.



Visit the website now at:
www.saint-gobain-experience.com

SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT
Publication of the sustainable development report

The second edition of the Group's sustainable development report on Saint-Gobain's economic, environmental and social initiatives has been awarded the highest A+ application level by the Global Reporting Initiative.

This world-recognized organization sponsored by the United Nations Environment Program recognizes Saint-Gobain's excellence in transparent reporting on sustainable development.

This A+ rating is higher than the B+ awarded to the Group's first ever sustainable development report in 2011.
An A+ application level is the most comprehensive of the three levels set by the GRI, and means that the Global Reporting Initiative has examined the report and confirms that the Group has supplied all of the information required to earn the A rating, covering at least 55 indicators.

The "+" signifies that some of the indicators were validated by an external auditor.

To access the sustainable development report, visit the Group's website at **www.saint-gobain.com**

Dates for your diary

UPCOMING SHAREHOLDER MEETINGS

- **October 2,** Nice with Laurent Guillot, Chief Financial Officer
- **November 19,** Montpellier with Florence Triou-Teixeira, Head of Investor Relations
- **November 23,** Paris (Actionaria trade show) with Pierre-André de Chalendar, Chairman and Chief Executive Officer and Laurent Guillot, Chief Financial Officer

TRADE SHOW

- **November 23-24,** Actionaria trade show, Palais des Congrès, Porte Maillot, Paris

UPCOMING RESULTS PUBLICATIONS

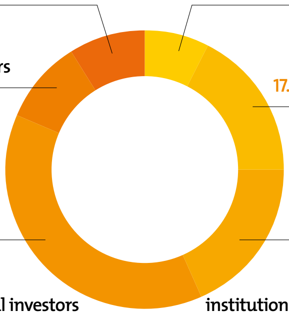
- **Sales for the first nine months of 2012**
  October 25, after close of trading on the Paris Bourse

Discover the program of events for the second half of the year (cultural and site visits, stock market training, etc.) on *www.saint-gobain.com/* Finance/Individual shareholders.

TOTAL NUMBER OF SHARES AT JUNE 30, 2012:

531,054,333

ESTIMATED OWNERSHIP STRUCTURE AT JUNE 30, 2012 (%)

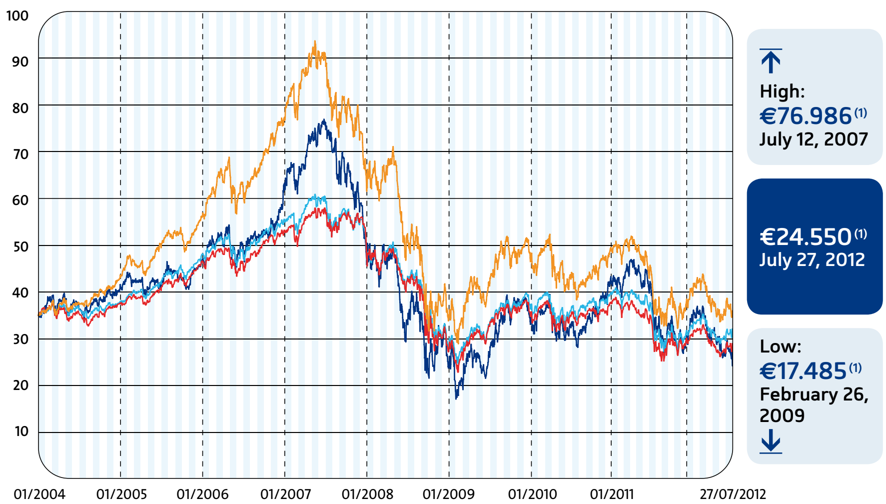


Saint-Gobain share price

SHARE PERFORMANCE 2004-2012

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

On publishing its first-half earnings in line with expectations on July 26, Saint-Gobain lowered its objectives for 2012, chiefly to take account of the slowdown observed on construction markets across Europe in the second quarter.
Against a backdrop of very nervous and risk-adverse stock markets, this announcement increased the selling pressure on the share observed since June. Aware of the share's undervaluation and strong upside potential, most financial analysts have maintained their "buy" recommendations, as their price targets are significantly higher than the current share price.



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

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance at July 27, 2012 (€24.550) in%	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	**-39.4%**	-12.2%	-14.6%	-18.6%
Trailing 6 months	**-29.2%**	-1.2%	-5.6%	-10.4%
Trailing 3 months	**-23.7%**	+0.4%	-1.8%	-6.6%
Since January 1, 2011	**-9.8%**	+7.1%	+6.3%	+0.4%

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**
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