

LETTER TO Shareholders

No. 67
MARCH 2013

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Innovation, central to Saint-Gobain's strategy



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Heads-up with Pierre-André de Chalendar

Chairman and Chief Executive Officer of Saint-Gobain

“In 2013, we anticipate that operating income will recover in the second half of the year, after having bottomed out between mid-2012 and mid-2013.”

Saint-Gobain recently published its earnings for 2013. Any comments?

After a broadly satisfactory start to the year, the Group's businesses were hit as from the second quarter by the deteriorating economic climate in Europe and by difficult trading in Flat Glass, in both Europe and Asia and emerging countries. **Sales edged down 1.9% on a like-for-like basis (comparable Group structure and exchange rates), with volumes down 3.6% and prices up 1.7% over the year as a whole.** Barring Interior Solutions – buoyed by the upturn in residential construction in the US and the growing energy efficiency market in Europe – and Packaging (Verallia) – boosted by good household consumption levels, all of the Group's Business Sectors and Divisions saw sales decline over the year as a whole, affected by the slowdown in industrial and residential construction markets in Western Europe.

While Latin America picked up in the second half, markets in Asia and emerging countries remained stable overall in 2012. Among the major geographic areas in which the Group operates, only North America remained upbeat, fuelled by the ongoing upturn in housing and despite tough 2011 comparatives for this market (roofing renovations had been boosted in this prior period by severe storms).

In this challenging economic environment, with commodity and energy prices jumping

over the year, sales prices remained an important priority for the Group, and moved up 1.7%, or 2.0% excluding Flat Glass.

Despite profitability gains in North America, the Group's operating margin narrowed, to 6.7% versus 8.2% in 2011, impacted mainly by the decline in sales volumes in Western Europe and a sharply negative price/cost spread in Flat Glass.

How do you see 2013 unfolding?

Although 2013 should see an ongoing economic recovery in North and South America and Asia, trading is likely to remain difficult for most of our European markets.

In the face of persistently unsettled market conditions, in 2013 **Saint-Gobain will continue to demonstrate** its extensive capacity to adapt to changes in its markets, by **firmly implementing the necessary adjustments** in countries and/or businesses where trading continues to suffer (in particular Flat Glass and Southern Europe), but also by **taking further steps in the pursuit of its strategic goals, namely development in high-growth countries and on energy efficiency and energy markets, and consolidation in Building Distribution and Construction Products.** Profitability will be a constant focus, underpinned by strict financial discipline.

In 2013, we anticipate that operating income



2012 Results

Sales

€43.2bn ↗ 2.6%

Operating income

€2.9bn ↘ 16.3%

Recurring* net income

€1.1bn ↘ 35.1%

Dividend** (paid in cash or in shares, at shareholders' discretion)

€1.24 per share → stable

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

** Amount to be recommended to the Annual General Meeting.

will recover in the second half of the year, after having bottomed out between mid-2012 and mid-2013. We will also continue to maintain a high level of free cash flow, namely as a result of a €200 million reduction in capital expenditure. Lastly, our robust balance sheet will be strengthened by the disposal of Verallia North America.

Key consolidated figures

	2011 (€m)	2012 (€m)	Change (%)
Sales and ancillary revenue	42,116	43,198	+2.6%
Operating income	3,441	2,881	-16.3%
Business income	2,646	1,984	-25.0%
Recurring ¹ net income	1,736	1,126	-35.1%
Recurring ¹ earnings per share ² (in €)	3.30	2.14	-35.2%
Earnings per share ² (in €)	2.44	1.46	-40.2%
Cash flow from operations ³	3,421	2,791	-18.4%
Cash flow from operations excluding capital gains tax ⁴	3,349	2,668	-20.3%
Capital expenditure	1,936	1,773	-8.4%
Free cash flow (excluding capital gains tax) ⁴	1,413	895	-36.7%
Investments in securities	702	354	-49.6%
Net debt	8,095	8,490	+4.9%

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 stock) at December 31 (526,434,577 shares in 2012 versus 526,205,696 shares in 2011). Based on the number of shares comprising the share capital at December 31 (531,125,642 shares in 2012 versus 535,563,723 shares in 2011), recurring earnings per share comes out at €2.12 (versus €3.24 in 2011), and earnings per share comes out at €1.44 (versus €2.40 in 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 climbed 2.6%**, to €43,198 million, versus €42,116 million in 2011. The **currency impact** was a positive **1.8%**, primarily reflecting gains in the US dollar and pound sterling against the euro. **Changes in Group structure** also had a positive impact of **2.7%**, resulting mainly from the acquisitions of Build Center and Brossette (Building Distribution), and Solar Gard (High-Performance Materials), along with bolt-on acquisitions carried out by Construction Products (CP) in Asia and emerging countries and on energy efficiency markets in Europe. On a like-for-like basis, sales slipped 1.9%, with the 1.7% increase in sales prices failing to fully offset the 3.6% downturn in volumes.

• **Operating income shed 16.3%**, squeezed by both a decline in sales volumes and a negative costs spread in Flat Glass, to come in at €2,881 million versus €3,441 million one year earlier. The **operating margin** was **6.7% (8.5% excluding Building Distribution)** compared to 8.2% (10.9% excluding Building Distribution) in 2011.

• **Recurring net income** (excluding capital gains and losses, asset write-downs and material non-recurring provisions) amounted to **€1,126 million**, a **35.1%** fall on 2011. Based on the number of shares outstanding (excluding treasury stock) at December 31, 2012 (526,434,577 shares versus 526,205,696 shares at December 31, 2011), **recurring earnings per share** came out at **€2.14**, down **35.2%** on 2011 (€3.30).

Action plan to address the deteriorating economic climate

The Group once again showed its extensive capacity to adapt to the deterioration in the economic climate as from the second quarter in Western Europe and in Flat Glass as a whole. It also showed steely financial discipline while pursuing its strategic goals, by:

- continuing to give priority to sales prices, which rose 1.7% over the year (2.0% excluding Flat Glass);
- rolling out new cost cutting measures representing savings of €520 million over the year as a whole, bringing its full-year impact in 2013 to €1,100 million in cost savings (calculated on the 2011 cost base);
- slashing its operating working capital requirements (WCR), with a gain of 5 days (€555 million) over the year as a whole, representing a rise of €613 million (73.2%) in cash generated (free cash flow* + change in operating WCR), to reach €1,450 million;
- keeping a close watch on capital expenditure and financial investments in check (down 19% on 2011), particularly in the second half (down 39% on second-half 2011), focusing primarily (66%) on strategic growth drivers, namely Asia and emerging countries, energy efficiency and energy markets, and consolidation of the Group's strengths in Construction Products and Building Distribution;
- entering a new phase in its strategy of refocusing on Habitat, with the signature of an agreement concerning the sale of Verallia North America. This transaction also enables the Group to reinforce its balance sheet and consolidate its financial strength.

2012 dividend

€1.24 paid in cash or in shares, at shareholders' discretion

At its meeting of February 20, Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 6, 2013 Shareholders' Meeting a dividend of **€1.24 per share**, unchanged from 2011. The Board also decided that shareholders may receive their dividends in cash or in shares*, at their own discretion. The dividend represents **58% of recurring earnings per share**, **85% of earnings per share**, and a **dividend yield of 3.8%** based on the closing share price at December 31, 2012 (€32.22). The record date is set for June 11 and will be followed by an option period of 15 days, from June 12 to 26. Consequently, the dividends will be paid in cash or in shares on July 5, 2013.

* For dividends paid in shares, Compagnie de Saint-Gobain's Board of Directors will recommend that the Shareholders' Meeting set the issue price for the new shares by applying a 10% discount to the average opening share price over the 20 trading days preceding the June 6, 2013 AGM, after deducting the amount of the dividend.

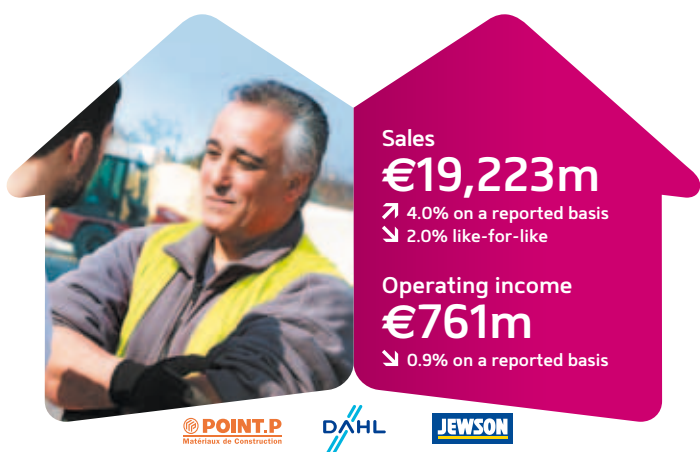
2012 results by Business Sector (comments based on like-for-like figures)



Innovative Materials sales fell 4.4% on a like-for-like basis, hit by tough trading in Flat Glass and by the slowdown in High-Performance Materials, particularly in Western Europe. The Business Sector's operating margin fell to 7.7%, from 11.8% in 2011.



Construction Products like-for-like sales dropped 1.3%, due to the decline in sales volumes in Western Europe and Asia. Sales prices remained upbeat. **The operating margin fell to 8.3%** from 9.5% in 2011.



Building Distribution saw a 2.0% dip in like-for-like sales, reflecting the gradual deterioration in market conditions across all Western European countries as from the second quarter, not entirely offset by sales prices. Over the year as a whole, only Germany, Scandinavia, the US and Brazil continued to report positive organic growth. Trading in France proved resilient as a result of further market share gains, as in Scandinavia. **The operating margin for the Business Sector came in at 4.0%**, versus 4.2% in 2011.



Packaging (Verallia) delivered 3.5% organic growth, buoyed by a strong uptrend in sales prices in the main countries in which it operates. Trading remained brisk in the US, France and Brazil, but fell back in Southern and Eastern Europe. However, **the Business Sector's operating margin lost ground, falling to 10.9% of sales** from 12.3% of sales in 2011, due mainly to difficulties in Southern Europe and to the time needed to fully pass on the rise in energy costs to sales prices.

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in 2012, stable compared with 2011. At the same time, 9,000 claims were settled (versus 8,000 in 2011), and 4,000 claims were transferred to inactive dockets. As a result, the total number of outstanding claims at December 31, 2012 fell sharply, to **43,000** from 52,000 at December 31, 2011.

A total of USD 67 million in indemnity payments were made in the 12 months to December 31, 2012, down sharply compared to 2011 (USD 82 million).

In light of these trends, and particularly the decrease in indemnity payments and the €90 million provision accrual in 2012, the total provision for CertainTeed's asbestos-related claims amounted to around USD 550 million at December 31, 2012, compared to USD 504 million at 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).

Innovation: central to Saint-Gobain's strategy

Research and innovation are central to Saint-Gobain's Habitat strategy and sustainable development policy. The Group's endeavors to develop its innovation culture are bearing fruit. For the second year running, Saint-Gobain earned a place among the world's 100 most innovative companies in the Thomson Reuters **Top 100 Global Innovators program**.

More than **400**
patents filed
in 2012

3,700
people involved
in over 900 research projects

€479m
invested in R&D
in 2012



Innovative
Materials



Construction
Products



Building
Distribution



Packaging

8

strategic research programs

Fuel cells

Active glazing

Lighting

High-
performance
insulation
systems

External
wall insulation
systems

Functional
flexible films

Energy efficiency
and the
environmental
impact
of manufacturing
processes

Solar
energy



Innovative Materials

FLAT GLASS

Glass for sustainable homes,
signed Saint-Gobain

In France, Saint-Gobain Glass and Glassolutions (Innovative Materials) now **mark their glass products** with the Group's logo, a signature that bears witness to Saint-Gobain's quality in terms of energy efficiency, comfort and environmental protection. Glass marking, which represents a genuine technical and industrial challenge, is gradually being rolled out in the manufacturing plants of the Glassolutions Joinery business. Glassolutions regional sites and Saint-Gobain Glass Climalit Partners will soon follow suit.

SGG GLASS COMPASS, smartphone application

SGG GLASS COMPASS is a digital tool enabling retail and professional customers to **choose the glass best suited to their homes** based on the location and orientation of the windows, thereby resulting in enhanced comfort and reduced energy bills. This application is available free of charge on smartphones, notebooks and over the Internet (www.glass-compass.com) in more than ten languages.



Scan this barcode with your cellphone
to download the app.



High-Performance Materials

Three new Novelio® fiberglass wall coverings

These three new products, aimed at both retail customers and trade professionals, easily cover wall cracks and irregularities and offer durable protection. They are easy to install and enhance comfort for the end user:

- Novelio® Thermal contributes to thermal comfort by preventing heat loss through a room's walls.
- Novelio® Acoustic absorbs up to 50 per cent of noise pollution by adding a five millimeter layer of foam to the fiberglass.
- Novelio® EasyFix can be applied directly onto walls and ceilings thanks to a self-adhesive layer.

Construction Products

Activ'Air®, a groundbreaking new technology to improve indoor air quality

Activ'Air technology, the result of research by Saint-Gobain's Gypsum Division, is incorporated into plaster during the manufacturing process and **helps improve indoor air quality in homes during their lifetime** (estimated at 50 years on average). Activ'Air technology is already available in Gyptone® Activ'Air ceilings, Placo Impact plasterboard, Lutèce Air'Pur® lightweight plaster and Doublissimo® thermo-acoustic lining. In 2012, Placo® expanded its Activ'Air® range with the Placo® Duo'Tech 25 Activ'Air®, a product designed especially for hospitals and healthcare establishments.



Joint development: Adfors and Weber, a winning acoustic combination

Saint-Gobain Adfors* (Innovative Materials) and Saint-Gobain Weber (Construction Products) have linked up to produce a unique, slimline acoustic underlay, with unmatched acoustic capacities. This underlay is used to **reduce impact sound transmission** (footsteps, fallen objects, etc.) between two adjoining floors. By teaming up in this way, Saint-Gobain Weber is able to offer its customers a full Weber.floor 4955 solution and Saint-Gobain Adfors can adapt its product to the demands of the fittings market.



* Saint-Gobain Adfors designs and produces highly innovative fabric solutions for industrial and construction markets.

Building Distribution

E-commerce and the digital presence

2012 saw the successful launch of online shopping sites and applications by various Building Distribution brands. Jewson developed its innovative "Ask Jack" application to help customers with all their energy efficiency questions. Retail and professional customers alike can submit questions to "Jack", the friendly online branch manager, who refers to Jewson's Sustainable Building Guide to help him find the answer.

<http://jewson.faq-help.com/faqAgent.html>



Energy efficiency and new energies

In Northern Europe, Dahl continued to roll out its innovative Klimacenter concept, showcasing the Building Distribution Sector's expertise in energy savings solutions. Klimacenter spaces are used as showrooms, training centers and skills centers exclusively devoted to renewable energy and ventilation. Professional fitters and retail customers can discover a wide range of environmentally-friendly solutions and can benefit from the advice and training offered by Dahl experts in the field. Already present in Denmark since 2010, the concept has since been launched in Norway and Sweden.

A second Klimacenter opened in Denmark in June 2012, anticipating the regulatory requirements of the 2015 Building Code with respect to low energy buildings in Denmark.

Packaging Verallia, a trendsetter

From high-end products to eco-design, packaging market trends are constantly changing. In order to stay one step ahead of demand and adapt its models accordingly, Verallia offers added-value products featuring ever-more unusual bottles and jars with innovative designs.

Selective Line: Grappa Bonollo

Verallia has put in place a team dedicated to the Premium and Ultra Premium markets, with its Selective Line brand. Meeting the specific needs of these markets means combining glassmaking expertise in complex design and impeccable service. Grappa Bonollo is a perfect example of this. The exceptional Italian grappa required an elegant container, and the bottle designed by Selective Line, with its pure lines, square shoulders and intense transparency, shows off the Grappa's stunning amber color to full effect.



Ecova

Ecova is a range of lightweight bottles that reduce the overall environmental footprint across a product's lifecycle. Verallia has created 270 eco-designed products since the launch of Ecova (outside the US) in five countries.



Fragrant decoration

These bottles deliver a unique experience, with the labels giving off a mint, strawberry or lemon fragrance when rubbed.

LATEST NEWS

FIRST POINT.P
OUTLET IN FRANCE
TO BE CERTIFIED
BBC EFFINERGIE®*

Point.P has opened its first BBC Effinergie®-certified outlet in the greater Paris area. Ideally located in Les Pavillons-sous-Bois to serve customers from the North Paris area, the outlet has adopted Saint-Gobain's CARE:4® program, which aims at reducing the energy consumed by the Group's

buildings by 75 percent. It also has access to waterway transportation, helping to keep 300 trucks off the roads each year. This outlet combines retail sales, energy performance and sustainable integration within the surrounding urban landscape.

*The BBC Effinergie® label is awarded to buildings whose extremely low energy needs help reduce greenhouse gas emissions.

CONSTRUCTION
OF A NEW ASPHALT
SHINGLE PLANT



Saint-Gobain has announced its intention to open a state-of-the-art asphalt roofing shingle plant servicing the central region of the United States. The company is currently evaluating several possible locations in the Midwest United States. The construction of this plant will enable CertainTeed to cement its strategic position, meet the growing

need for asphalt shingle, and strengthen its commitment to providing superior service and developing a closer relationship with its customers in the United States. This new plant will bring the number of asphalt shingle plants operated by CertainTeed in North America to eleven.

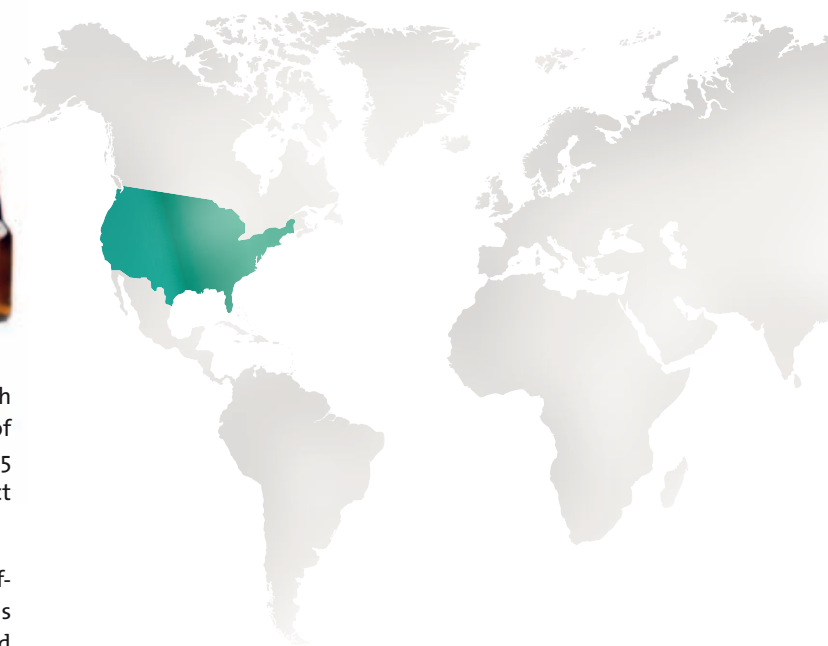
Saint-Gobain enters into an agreement with Ardagh to sell Verallia North America



On January 17, 2013, Saint-Gobain entered into an agreement with Ardagh to sell Verallia North America for an enterprise value of \$1,694 million (approximately €1,275 million), representing 6.5 times 2012 EBITDA (around \$261 million). The transaction is subject to clearance by the US anti-trust authorities.

With revenue of \$1,621 million (€1,260 million) and operating profit of \$170 million (€133 million) in 2012, Verallia North America is the second-largest glass container manufacturer in the United States. The company has 13 plants spread across the country, and employs more than 4,400 people.

According to Pierre-André de Chalendar, Chairman and CEO of Compagnie de Saint-Gobain: *"The sale marks a further step in Saint-Gobain's strategic refocusing on the Habitat sector. It puts a high value on our North American containers business, above the multiples contemplated at the time of the planned IPO in 2011, while providing it with promising scope for industrial development. If the deal is completed, the sale proceeds will be used mainly to strengthen the Group's balance sheet, while pursuing its acquisition policy focused on small or medium sized targets. At the same time, Verallia's businesses in Western and Eastern Europe, which were recently strengthened by a very promising operation in Algeria, together with its positions in growing Latin American markets, make it a global leader in its markets, with considerable cash generation and development potential."*



Verallia, the world's second-largest manufacturer of glass containers for beverages and food products, delivers innovative, customized and environmentally-friendly solutions to more than 10,000 customers around the world. In 2012, Verallia produced approximately 25 billion glass bottles and jars, mainly for the wine, spirits, food products and beer industries. Verallia's business model is based on the combination of an extensive international network (manufacturing presence in 14 countries, sales presence in 46 countries and 10 technical centers) and the close relations maintained with customers by over 14,000 employees. In 2012, Verallia generated sales of €3.8 billion.



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT Group plants respect water

Saint-Gobain has rolled out the EHS (Environment, Health and Safety) standard for water at its manufacturing sites in order to improve water stewardship and prevent risks of water shortage, pollution and flooding. A matrix for evaluating risks

and assessing the risk-sensitivity of manufacturing sites has been drawn up in conjunction with this move. The Group thus confirms its drive to reduce the impact of its activities on water resources as far as possible, in terms of both extraction and discharge.

Dates for your diary

UPCOMING SHAREHOLDER MEETINGS

- **May 16**, Grenoble
with Florence Triou-Teixeira,
Head of Investor Relations
- **May 21**, Tours
with Florence Triou-Teixeira,
Head of Investor Relations
- **May 29**, Lille
with Laurent Guillot, Chief Financial Officer

ANNUAL GENERAL MEETING

- **3:00 p.m. on June 6**, at the Palais des Congrès,
Porte Maillot, Paris

UPCOMING RESULTS PUBLICATIONS

- Sales for the first quarter of 2013
April 25, after close of trading
on the Paris Bourse
- Results for the first half of 2013
July 24, after close of trading
on the Paris Bourse

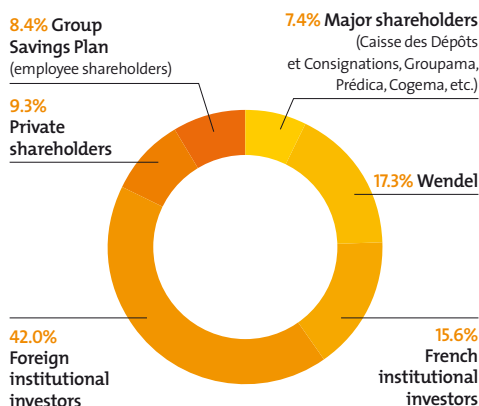
DIVIDEND

- Payment: July 5, 2013

TOTAL NUMBER OF SHARES AT DECEMBER 31, 2012:

531,125,642

ESTIMATED OWNERSHIP STRUCTURE AT DECEMBER 31, 2012 (%)



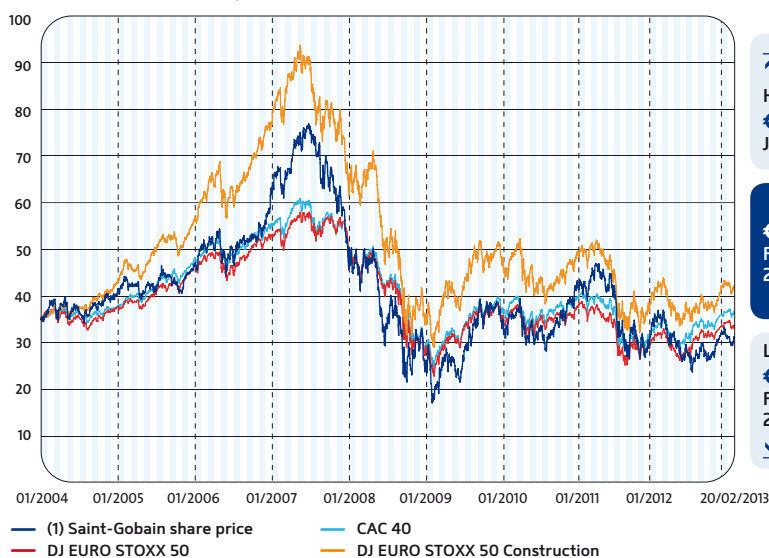
Saint-Gobain share price

SHARE PERFORMANCE 2004-2013

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

After being buffeted by jittery, highly risk-averse markets in summer 2012, the Saint-Gobain share gained ground in the autumn to close the year 34% higher than at August 2, 2012 (€24.075). On February 20, the Group published its results for 2012 in line with market expectations and reassured markets about its outlook, anticipating a recovery in its operating income in the second half of 2013.

Performance over the period: Saint-Gobain: -10.9% CAC 40: +4.3%



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

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance
at February 20, 2013
(€31.410) in %

	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	-15.6%	+6.8%	+3.5%	-1.6%
Trailing 6 months	+13.1%	+6.6%	+7.1%	+12.2%
Trailing 3 months	+8.4%	+7.2%	+5.2%	+11.9%
Trailing month	-0.4%	-1.4%	-3.2%	-0.9%
Since January 1, 2013	-2.5%	+1.9%	+0.2%	+0.9%

Your contacts

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

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