

LETTER TO Shareholders

No. 69
AUGUST 2013

RESULTS

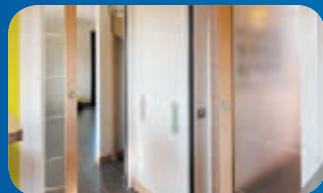
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Heads-up with Pierre-André de Chalendar

Chairman and Chief Executive Officer of Saint-Gobain

“We confirm our target of a recovery in operating income in the second half.”

Saint-Gobain has just published its results for the first half of 2013. Can you talk to us about them?

Overall, the first quarter was particularly tough, hit by both fewer working days than in the year-earlier period and by very poor weather. The second quarter saw underlying trends **stabilize on the Group's main markets in Western Europe and market conditions continue to rally in other regions.**

However, like-for-like, the second quarter was down a slight 1.2% on the same period in 2012, with volumes off 2.2% and prices up 1.0%. With the exception of Flat Glass – buoyed by a pick-up in growth in Asia and emerging countries – and Interior Solutions – lifted by the gradual improvement in the US construction market – all of the Group's Business Sectors and Divisions continued to suffer from sluggish European economies, albeit far less than in the first quarter.

What measures did the Group take to address the deteriorating economic climate?

In this persistently tough economic climate and despite the smaller rise in raw material and energy costs, **sales prices remained a key priority for the Group throughout the first half, and gained 1.0%.** We also rolled out **new cost cutting measures**, with additional cost savings of around €300 million in first-

half 2013 compared to first-half 2012. These measures will be continued and stepped up in the second half, leading to total annual cost savings of €580 million in 2013, and of €1,100 million compared to the 2011 cost base. We also stabilized operating working capital requirements at 42 days' sales, and slashed capital spending and financial investments by €471 million year-on-year, driving net debt lower by 3.4%.

This action plan will be continued and intensified in the six months to December 31, 2013.

What's your outlook for the rest of the year?

In the next few quarters, **we expect trading to gradually improve**, especially in North America and in Asia and emerging countries. Against this backdrop, the Group will press ahead with its action plan, focusing particularly on increasing its sales prices, pursuing its cost cutting program, with additional cost savings of €160 million in the second half compared to the first six months of 2013. We will also keep a close watch on cash management and financial strength. This will enable us to have a robust balance sheet, further strengthened by the disposal of Verallia North America.

Saint-Gobain will **continue to pursue its strategic goals** (development in Asia and emerging countries, energy efficiency and energy



First-half 2013 results

Sales

€20.8bn ↘ 3.8%

Operating income

€1.3bn ↘ 15.7%

Recurring* net income

€422m ↘ 30.6%

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

markets, and consolidation in Building Distribution and Construction Products). Profitability will remain a constant focus, underpinned by strict financial discipline.

Accordingly, **we are confirming our target of a recovery in operating income in the second half**, after having bottomed out in first-half 2013.

Key consolidated figures

	H1 2012 (€m) ⁵	H1 2013 (€m)	% change
Sales	21,590	20,771	-3.8%
Operating income	1,494	1,260	-15.7%
Business income	1,135	974	-14.2%
Recurring ¹ net income	608	422	-30.6%
Recurring ¹ earnings per share ² (in €)	1.14	0.76	-33.3%
Earnings per share ² (in €)	0.87	0.60	-31.0%
Cash flow from operations ³	1,419	1,146	-19.2%
Cash flow from operations excluding capital gains tax ⁴	1,381	1,165	-15.6%
Capital expenditure	754	519	-31.2%
Free cash flow (excluding capital gains tax) ⁴	627	646	+3.0%
Investments in securities	277	41	-85.2%
Net debt	9,828	9,497	-3.4%

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 (552,755,774 shares in 2013, including the capital increase following the payment of a share dividend on July 5, 2013, versus 531,052,614 shares in 2012). Based on the weighted average number of shares outstanding (527,978,739 shares in first-half 2013 versus 526,833,258 shares in first-half 2012), recurring earnings per share comes out at €0.80 (versus €1.15 in first-half 2012), and earnings per share comes out at €0.63 (versus €0.88 in first-half 2012). 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. 5. Accounts restated to reflect the impacts of the amendment to IAS 19.

• **Consolidated sales fell 3.8%** to €20,771 million, from €21,590 million in first-half 2012. Exchange rate fluctuations had a negative 1.3% impact, chiefly resulting from the depreciation against the euro of the currencies of the Latin American markets where the Group operates and, to a lesser extent, the US dollar and British pound. In contrast, **changes in Group structure had a positive 0.7% impact over the first half** (but a negative impact in the second quarter), mainly reflecting the consolidation of Brossette as of April 1, 2012

Like-for-like (constant exchange rates and Group structure), sales **declined 3.2%**, with a 1.0% rise in sales prices and a 4.2% downturn in volumes, hard hit by poor weather conditions in the first quarter.

• **Operating income shed 15.7%**, hit by slowing sales volumes. Consequently, **the operating margin narrowed, to 6.1% of sales (8.6% excluding Building Distribution)**, versus 6.9% of sales (8.9% excluding Building Distribution) in first-half 2012 and 6.3% in second-half 2012 (8.0% excluding Building Distribution).

• **Recurring net income** (excluding capital gains and losses, exceptional asset write-downs and material non-recurring provisions) **fell 30.6%** on first-half 2012 to €422 million. Based on the number of shares outstanding at June 30, 2013 (552,755,774 shares including the capital increase following the payment of a share dividend on July 5, 2013, versus 531,052,614 shares at June 30, 2012), **recurring earnings per share came out at €0.76**.

Action plan to address the deteriorating economic environment to be reinforced in H1

- **Priority focus on sales prices:** up 1.0% in first-half 2013.
- **New cost cutting measures:** €300 million in additional cost savings in the first half (compared to first-half 2012), chiefly in Western Europe (and Flat Glass in particular). This program will be continued and intensified in second-half 2013.
- **Operating working capital requirements stabilized** at 42 days' sales.
- **Capital spending and financial investments slashed,** by €471 million year-on-year, driving net debt lower by 3.4%.

Objectives for full-year 2013

In the next few quarters, the Group expects trading to gradually improve, especially in North America and in Asia and emerging countries. The Group is therefore confirming its targets for full-year 2013.

- **a recovery in operating income in the second half,** after having bottomed out in first-half 2013;
- **a high level of free cash flow,** thanks mainly to a €200 million reduction in capital expenditure;
- **a robust balance sheet,** further strengthened by the disposal of Verallia North America.

Update on asbestos claims in the US

Some 2,000 claims were filed against CertainTeed in the first half of 2013 (as in first-half 2012). At the same time, 2,000 claims were settled (versus 7,000 in first-half 2012), bringing the total number of outstanding claims to 43,000 at June 30, 2013, unchanged from December 31, 2012. A total of USD 87 million in indemnity payments were made in the US in the 12 months to June 30, 2013, versus USD 67 million in the year to December 31, 2012.



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).

By Business Sector (comments based on like-for-like figures)



Innovative Materials sales fell 2.9% on a like-for-like basis in the first half, hurt by a downturn in sales volumes, especially in Western Europe. The operating margin for the Business Sector narrowed, to 6.7% from 8.4% in first-half 2012 and 6.9% in second-half 2012.

Like-for-like, Flat Glass sales lost 1.3% over the first half, but were up 2.4% in the second quarter. In the three months to June 30, the quicker pace of recovery in Asia and emerging countries (double-digit growth) more than offset the downturn in volumes and sales prices on Western European construction markets. Automotive Flat Glass sales stabilized over the second quarter in Western Europe, after a very tough first three months.

High-Performance Materials (HPM) sales shed 5.1% on a like-for-like basis, reflecting the decline in businesses related to capital spending (Ceramics). HPM's other businesses (Abrasives, Plastics, Textile Solutions) proved resilient, especially in the US and in Asia and emerging countries.



Building Distribution sales dropped 4.6% on a like-for-like basis over the first half, hard hit by fewer working days than in the year-earlier period (1.8 days less, representing a negative impact of 1.4% on volumes) and by very harsh weather early in the year. However, the Sector's performance improved sharply in the second quarter, driven chiefly by a strong rebound in the UK, accelerated growth in Brazil, and stabilizing sales in Scandinavia. In France, trading continued to prove fairly resilient in a tough economic environment, with further gains in market share. Overall, sales prices remained upbeat across the Business Sector. The operating margin came out at 2.4% versus 3.9% in first-half 2012, owing chiefly to the sharp downturn in volumes in the first quarter.



Construction Products (CP) sales retreated 1.7% on a like-for-like basis, hit by the slowdown in sales in Western Europe, not wholly offset by growth in Asia and emerging countries. **The operating margin narrowed slightly, to 8.5% from 8.8%** in first-half 2012.

Interior Solutions reported timid 1.0% organic growth over the first half on the back of continued strong momentum in its second-quarter sales in the US. After a very difficult start to the year, the business in Western Europe leveled off at the end of the first half, while trading in Asia and emerging countries remained upbeat.

Exterior Solutions sales contracted 4.1% on a like-for-like basis, hit by the fall in Exterior Products sales in the US. Unlike the bullish first quarter, the three months to June 30, 2013 took an exceptional hit resulting from the large-scale destocking by our distributors.



Packaging (Verallia) sales slipped 2.9% on a like-for-like basis over the six months to June 30, despite a 2.1% rise in sales prices. Volumes retreated in the US and in Western Europe, and remained stable in Russia and Latin America. Operating income increased by €36 million, or 17.4%, as a result of applying IFRS 5 (assets and liabilities held for sale) to Verallia North America (VNA) as of January 1, 2013, according to which depreciation of VNA's fixed assets (€36 million in the first half) is no longer charged to operating income. Excluding this one-off item, Verallia's operating income would be stable, at €207 million, and its operating margin – buoyed by a positive price/cost spread – would rise to 11.4%, versus 10.8% in first-half 2012.

Habitat adapted for all ages

Living autonomously in your own home for as long as possible is the aim of Saint-Gobain's Multi-Comfort Serenity concept, its new cross-functional offer for dwellings adapted to the needs of the elderly.

PHOENIX-SENIOR

The Multi-Comfort Serenity offer is part of a project led by Phoenix-Senior, an association of which Saint-Gobain is a partner together with four other companies (Medieco, Legrand, Atelier Rolland & Associés and Santeos). The project covers training, construction and technology, and is based around the idea of habitat designed to ensure the well-being of the elderly. Seven challenges have been identified by the association: helping residents live autonomously and in a scalable dwelling that combines comfort and health, optimizing the inter-generational living experience, working with the professionals concerned, improving health training through experience on the ground, computerizing healthcare and putting theory into practice through pilot projects.

The aging population in developed countries raises major issues for society, which must provide housing that is accessible and adaptable. Saint-Gobain's Multi-Comfort Serenity concept has been developed in response to these concerns, with the aim of preparing housing stock so that it can be adapted to residents' needs. Even though it may not be immediately necessary to provide housing with all the equipment needed to enable the elderly to remain in their own homes (handrails, hospital beds, etc.), it is important to prepare for any such future alterations and at the same time offer exemplary thermal, acoustic, sanitary and

visual comfort over the long term. The Multi-Comfort Serenity offer is a further extension of Saint-Gobain's Multi-Comfort program.

Scalable habitat

The concept takes into account – right from the design phase – factors that may affect inhabitants' lives, such as illness (e.g., diabetes), disability (loss of mobility in particular), and changes in social environment. All of these aspects give rise to specific needs in terms of care, equipment, technology and training that must be considered right from the phase of designing the building. In response to the diversity of people's needs, Saint-Gobain has defined three levels of dwelling adaptation. The first involves

preparing the building right from the architectural design phase (width of openings, etc.). The second is to prepare for future alterations, for example, reinforcing the mechanical strength of plasterboard so handrails can be fitted. Finally, certain elements can be added at a later stage, such as specific door handles or tap fittings. The Multi-Comfort Serenity concept will stimulate innovation to bring Saint-Gobain's products and services into line with market expectations. **Two pilot projects are currently under construction in western France: approximately 10 separate dwellings in Beaucouzé, near the first Saint-Gobain Multi-Comfort house, and an apartment building in Angers. These are scheduled to be completed in 2014.**



1 2 Saint-Gobain Sevax and Coramine (Construction Products) supply motorized sliding doors.

3 The Placo® Easycable® solution (Construction Products) is used to incorporate a skirting cable tray in partitions.

Heads-up with...

Maurice Manceau

Director, Habitat France

Why has the Multi-Comfort Serenity offer been developed?

Maurice Manceau: The Multi-Comfort Serenity offer is an extension of Saint-Gobain's Multi-Comfort program and of the project run by the Phoenix-Senior association of which Saint-Gobain is a partner (see inset on page 4). The idea is to develop the concept of a scalable inter-generational habitat to guarantee residents' well-being over time.

What are the benefits of this offer?

M. M.: Multi-Comfort Serenity uses Saint-Gobain's innovative solutions to meet the challenges of illness and an aging population in the residential construction market, both for new builds and renovation. This concept also reflects the Group's commitment to a social issue that concerns us all and will act as a powerful stimulus to innovation.



Saint-Gobain

and cultural sponsorship

Saint-Gobain **actively supports cultural events** relevant to its own history and businesses.

Saint-Gobain plays an active role in cultural outreach initiatives with the Saint-Gobain Initiatives Foundation. The international corporate foundation supports cultural, artistic and educational projects through partnerships monitored by the Group's General Relations department over the long term. Marie de Laubier, Head of Saint-Gobain General Relations, says *"We support institutions or museums with whom we go back many years, such as Château de Versailles; projects that chime with our own corporate culture and history; and projects where we can bring proven know-how and expertise."* The Group provides financial backing or supplies materials ("sponsorship in kind"), as well as expertise, for a wide range of cultural initiatives.

High-quality partnerships

Each project is reviewed in-depth and the most significant are presented to Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain. For example, Saint-Gobain is involved in restoring the Pavillon des Indes in Courbevoie, Hauts-de-Seine, which will be converted into an artists' residence. The Group will supply glass for this building, built for the 1878 World Fair in Paris and listed on the additional registry of historic monuments since 1987. The Group is also to supply mirrors and expertise to help restore Le Cyclop, Jean Tinguely's sculpture in Milly-la-Fôret, Essonne, made of thousands of pieces of broken glass. And it will also help produce glazing for the upcoming Le Nôtre exhibition at château de Versailles.



Pavillon des Indes in Courbevoie.

Around 20 cultural initiatives sponsored in 2012

Current or upcoming initiatives:

- Restoration of Pavillon des Indes in Courbevoie.
- Sponsor of the Le Nôtre exhibition (autumn 2013) at château de Versailles.
- Supplier of Sage glass for the École Française d'Extrême Orient in Kyoto, Japan.
- Sponsor of the Art Deco exhibition (autumn 2013) at the Cité de l'Architecture and du Patrimoine in Paris which will feature documents and objects from Saint-Gobain's collections.

LATEST NEWS

SAINT-GOBAIN
ABOARD
THE C4 PICASSO

SHEERFILL®
COMES INTO
PLAY IN RIO

Saint-Gobain Sekurit is the exclusive supplier of the large glazed sunroof, sidelites and the series panoramic windshield for Citroën's new C4 Picasso compact MPV (Multi-Purpose Vehicle). With the previous version already a bestseller in the French and European markets, this latest model was

Sixty thousand square meters of Sheerfill® II HT architectural membrane produced by Saint-Gobain Performance Plastics (Innovative Materials) will be covering the roof of the Maracanã stadium in Rio de Janeiro. This PTFE-coated glass fabric will protect spectators from the heat while letting

launched in France in June. The windshield is manufactured at Saint-Gobain Sekurit's Avilés plant and the tempered sidelites at its Arboç plant (both in Spain); the roof at the Santa Iria plant in Portugal; and the laminated sidelites at the Eslöv plant in Sweden.

in daylight. With a product life exceeding 30 years, it is also self-cleaning. The Maracanã stadium is being renovated for the 2014 FIFA World Cup™. Saint-Gobain Canalização (Construction Products) is also supplying products for the renovation.

Kuwait:

Saint-Gobain PAM awarded major contracts

Since June 2012, Saint-Gobain PAM (Construction Products) has been delivering a major pipe contract for the Kuwaiti Ministry of Electricity and Water (MEW).



Saint-Gobain PAM's bid submitted in March 2011 was subject to fierce competition. The bids put in by international competitors were rejected in the face of the advantages offered by PAM's solutions in terms of upstream project preparation, logistics, and product quality and reliability. In May 2012, Saint-Gobain PAM won the "MEW 19" contract for 45 kilometers of 1200mm-diameter pipe together with numerous fittings and accessories.

The products to be stored outside will have special coatings designed to withstand hot climates. Deliveries, which began in June 2012, will continue until summer 2013. The pipes manufactured by the teams at the Pont-à-Mousson plant and the fittings produced in Foug (France) are railed from the Pont-à-Mousson plant to the port of Antwerp in Belgium, where they are loaded on ships heading to Kuwait, and then delivered to the MEW's storage area.

Owing to the proven performance of the Saint-Gobain PAM teams, a second contract, "MEW 38", was signed in April 2013 for the supply of pipes and fittings to the MEW. For the Pont-à-Mousson plant, **this second contract, worth USD 200 million (around €154 million), represents 120,000 metric tons of large-diameter ductile iron pipes.** Deliveries will take place over a 15-month period.

In a nutshell

Saint-Gobain Pipe business

- 10,000 employees worldwide

MEW 38 contract

- 120,000 metric tons of large-diameter ductile iron pipes

MEW 19 contract

- 45 km of standard 1200mm-diameter pipes with express fittings and accessories. The materials used withstand temperatures greater than 50°C.
- 22,000 metric tons of ductile iron pipes plus 4,000 metric tons of ductile iron fittings: the total weight of the MEW 19 contract.



SAINT-GOBAIN AND SUSTAINABLE DEVELOPMENT

Saint-Gobain reaffirms its commitment

Saint-Gobain's Environment, Health and Safety Charter has been updated to bring it into line with the Letter of Commitment by Pierre-André de Chalendar, Chairman and Chief Executive Officer of the Group, regarding Saint-Gobain's EHS policy. The new Charter was distributed on the International

Environment, Health and Safety Day in October 2012. Displayed at all Saint-Gobain sites, the EHS Charter is an everyday reminder of the Group's targets: zero workplace accidents, zero occupational illnesses, zero environmental accidents, and a minimal environmental footprint.

Dates for your diary

SHAREHOLDER MEETINGS

- **October 1**, Nancy with Laurent Guillot, Chief Financial Officer
- **October 2**, Bordeaux with Jacques Durand, Deputy Head of Investor Relations
- **November 7**, Marseilles with Pierre-André Chalendar, Chairman and Chief Executive Officer
- **November 22**, Paris (Actionaria trade fair) with Pierre-André Chalendar, Chairman and Chief Executive Officer and Laurent Guillot, Chief Financial Officer

TRADE SHOW

- **November 22-23**, Actionaria trade show, Palais des Congrès, Porte Maillot, Paris

UPCOMING RESULTS PUBLICATIONS

- Sales for the first nine months of 2013 **October 24**, after close of trading on the Paris Bourse

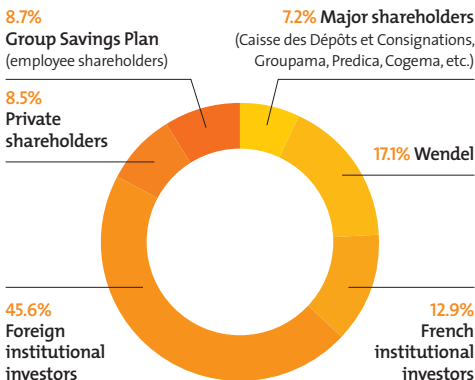


Discover the program of events for the second half of the year (cultural and site visits, stock market training, etc.) on www.saint-gobain.com/Finance/Individualshareholders.

TOTAL NUMBER OF SHARES AT JUNE 30, 2013:

535,891,683

ESTIMATED OWNERSHIP STRUCTURE AT JUNE 30, 2013 (%)



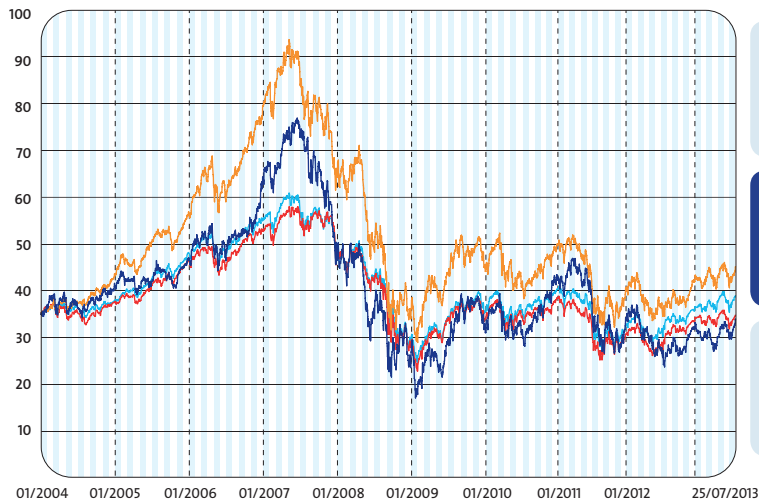
Saint-gobain share price

SHARE PERFORMANCE 2004-2013

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

Saint-Gobain published its earnings for the first half of 2013 on July 24 and **expects trading to gradually recover** in the second half, based on the trends already observed in the three months to June 30. Accordingly, the Group **confirms its target of a recovery in operating income in the second half**. The news was welcomed by the financial markets and the Saint-Gobain share closed **0.9% higher** on July 25 at €34.290, outperforming the CAC 40 index. In all, the Saint-Gobain share has gained 6.4% since the beginning of the year.

Performance over the period: Saint-Gobain: -2.7% CAC 40: 11.2%



(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.

RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance at July 25, 2013 (€34.290) in %	Saint-Gobain share price	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 50 Construction
Trailing 12 months	+30.3%	+28.4%	+26.9%	+30.0%
Trailing 6 months	+8.4%	+4.7%	-0.1%	+5.3%
Trailing 3 months	+12.3%	+3.0%	+1.3%	+5.0%
Trailing month	+13.3%	+8.4%	+7.7%	+8.6%

Your contacts

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

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