

# LETTER TO SHAREHOLDERS

2018 RESULTS  
INCREASE  
IN OPERATING  
INCOME

2018 SALES

**€41.8**bn

**+4.4%**

like-for-like

2018 OPERATING INCOME

**€3.12**bn

**+4.5%**

like-for-like

2018 RECURRING NET  
INCOME\*

**€1.73**bn

**+6.0%**

\*Recurring net income: net attributable income  
excluding capital gains and losses on disposals,  
asset write-downs, material non-recurring  
provisions and Sika income.

DIVIDEND

Increased to

**€1.33** per share

paid wholly in cash

Amount to be recommended to the AGM  
on June 6, 2019.



Together,  
let's build the future  
of Saint-Gobain

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# A FEW WORDS FROM PIERRE-ANDRE DE CHALENDAR

Chairman and Chief Executive Officer of Saint-Gobain

As expected, our results for the second half show a significant improvement, benefiting from broadly supportive markets, a strong pricing dynamic and the settlement of industrial issues that had weighed on the Group's profitability in the first half. For 2019, in the context of a market which, despite some uncertainties, should be favorable overall, we are targeting a further like-for-like increase in operating income.

As part of the acceleration of our portfolio rotation program announced at the end of July and the reorganization presented in late November, the Group has launched a divestment program representing sales of more than €3.0 billion by the end of 2019. The divestment process for the Distribution business in Germany is well under way. The new strategic review currently in progress will lead to an additional dynamic of divestments and acquisitions.



## 2019 OUTLOOK

The Group will continue its disciplined approach with regard to its free cash flow and its financial strength. In particular, it will maintain:

- its **focus on sales prices** amid continued inflationary pressure on costs;
- its **cost savings program**, with the aim of unlocking additional savings of around **€300 million** (calculated on the 2018 cost base), as well as more than **€50 million in 2019** as part of the "Transform and Grow" program;
- its **capital expenditure program** close to the 2018 level, with a focus on growth capex outside Western Europe and also on productivity and continued digital transformation;
- its **commitment to invest in R&D** to support its differentiated, high value-added strategy;
- its **focus on high levels of free cash flow generation**.

**The Groupe is targeting a further like-for-like increase in operating income in 2019.**

# AND FROM BENOIT BAZIN

Chief Operating Officer of Saint-Gobain

The new organization is being swiftly put into place and the teams are fully committed to unlocking additional growth and profitability. It is leading us to assess our positioning country by country and to focus the Group's strengths by optimizing the allocation of its resources in its core industrial and distribution businesses, with solid competitive positions, strong synergies and a profitable growth outlook. We therefore have full confidence in our program to achieve €250 million of additional savings by 2021.

**The Group's 2018 sales totaled €41,774 million, up 2.4% on a reported basis and up 4.4% like-for-like.** Organic growth was driven both by prices (up 3.0%), accelerating in the second half (up 3.5%), and by volumes (up 1.4%), progressing in all regions. All Business Sectors delivered significant price increases amid continued raw material and energy inflation.

**The Group structure impact** added 0.9% to overall growth thanks to a selective acquisition strategy, while the currency effect was a negative 2.9% over the year.

As expected, like-for-like **operating income** improved significantly in the second half, rising 7.2%, bringing growth over the full year to 4.5%. The Group's operating margin<sup>(1)</sup> widened to 7.5% from 7.4% in 2017, with 7.9% in the second half (versus 7.7% in second-half 2017).

**The acceleration of the Group's transformation** continues, with the new organizational structure in place as of January 1, 2019. The Group has reviewed its asset impairment tests. In this context, given the current situation and the downward revisions to the outlook for certain businesses and countries, impairment amounts to €2.0 billion and mainly concerns Distribution in the UK, Pipe, Lapeyre and Distribution in Germany.

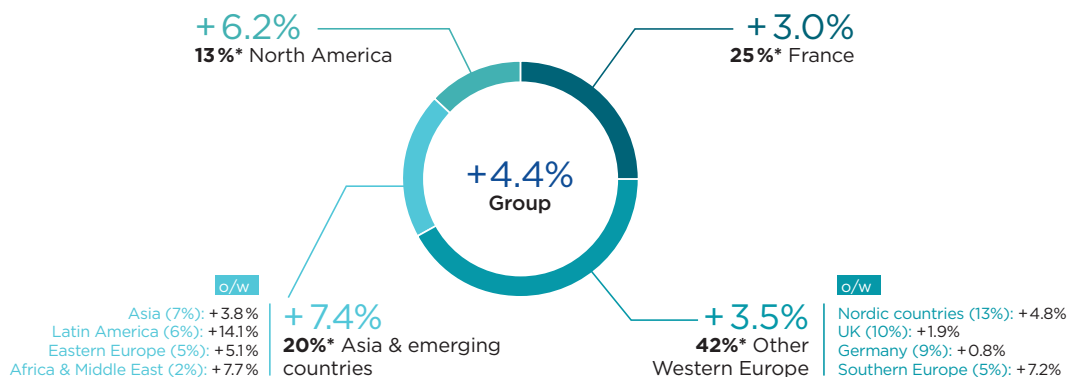
Saint-Gobain recorded a capital gain of €781 million on the Sika transaction in 2018 and became the company's largest shareholder, with 10.75% of the capital. The Group continued to implement its strategic priorities in 2018:

- **€1.67 billion in capital expenditure**, versus €1.54 billion in 2017, with an acceleration in growth capex in emerging countries;
- **around €300 million in cost savings versus 2017** as part of the €1.2 billion cost reduction program for 2017-2020, with a particular focus on Industry 4.0 and digitalization.

(1) Operating margin = operating income expressed as a percentage of sales.

## SALES TRENDS BY REGION

(% change in 2018/2017 like-for-like sales)



\* Breakdown of 2018 sales

## RESULTS BY BUSINESS SECTOR



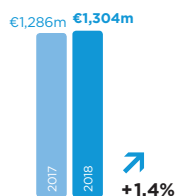
### INNOVATIVE MATERIALS

2018 SALES

**€10,524m**

2018 OPERATING INCOME

**€1,304m**



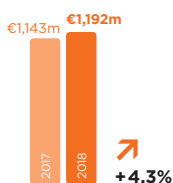
### CONSTRUCTION PRODUCTS

2018 SALES

**€12,855m**

2018 OPERATING INCOME

**€1,192m**



### BUILDING DISTRIBUTION

2018 SALES

**€19,400m**

2018 OPERATING INCOME

**€634m**



# SAINT-GOBAIN ACCELERATES ITS TRANSFORMATION AND LAUNCHES THE “TRANSFORM & GROW PROGRAM”

On November 26, 2018, the Group announced its organizational structure by country and market, comprising five reporting units: four regional businesses and a global High Performance Solutions unit.

## REGIONS

- **Northern Europe** (Nordic countries, United Kingdom, Ireland, Switzerland, Germany, Austria, Eastern Europe, Russia);
- **Southern Europe, Middle East and Africa** (France, Benelux, Mediterranean, Middle East and Africa);
- **Americas** (North America, Latin America);
- **Asia-Pacific.**



## HIGH PERFORMANCE SOLUTIONS

This includes the former High-Performance Solutions (HPM) and Sekurit (automotive glass) businesses, which are now organized by market:

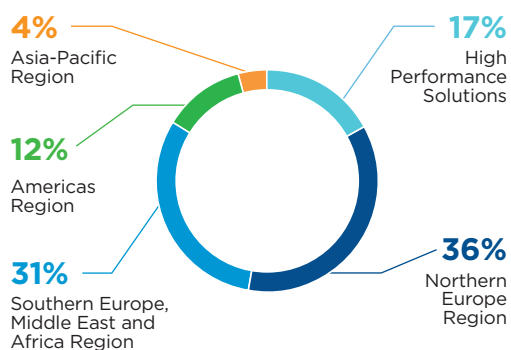
- **Mobility**
- **Life Sciences**
- **Construction**
- **Industry**



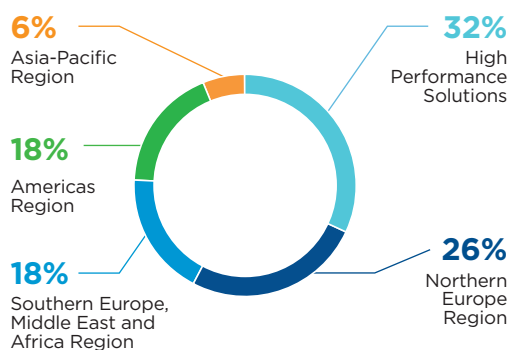
These five reporting units replaced the three former Business Sectors and 14 delegations as from January 1, allowing for a more agile Group with a broader range of products and services leveraging new opportunities from our digital transformation, and for simplified decision-making processes which will enhance competitiveness. Tailoring this business model to regional and market specificities will allow us to accelerate profitable growth, and streamlined management structures will result in a leaner organization, with increased synergies at country and market level, to the benefit of customers.

# THE GROUP'S NEW ORGANIZATION AND PORTFOLIO MANAGEMENT

## Sales by segment\*



## Operating income by segment\*



\* 2018 sales and operating income

The new organization is being swiftly put into place. It intends to **align the Group more closely with its end markets**, taking into account the regional dimension of the majority of our markets and the global nature of our most innovative businesses. This new structure allows for a more agile Group leveraging new opportunities from our digital transformation, and for simplified decision-making processes which will enhance competitiveness.

In parallel to the organizational changes, **the Group is accelerating the rotation of its portfolio:**

- **€768 million in acquisitions** in 2018, 27 fully consolidated acquisitions of small and mid-sized businesses;

- **divestments completed or signed to date represent sales of over €500 million:** Pipe in China (Xuzhou plant), EPS insulating foam in Germany, glazing installation operations in the UK, Silicon Carbide, Glassolutions in Norway and Sweden;
- the process to **divest the Distribution business in Germany** representing **€1.9 billion** in sales is well under way;
- a **strategic review of the business portfolio is in progress** in the context of the new organization, which will lead to an additional dynamic of divestments and acquisitions.

As a result of the new organizational structure and the acceleration of the rotation of its portfolio, the Group expects **a positive impact on the operating margin of more than 100 basis points:**

- **around 40 basis points** relating to the divestment of businesses representing sales of more than €3 billion by the end of 2019;
- **around 60 basis points** relating to the new organization, thanks to cost savings of €250 million by 2021 (including more than €50 million in 2019), in addition to our existing €1.2 billion cost savings program for 2017-2020 (annual savings of €300 million on average).

# SAINT-GOBAIN NEWS



## PRODUCTS SAINT-GOBAIN GLAZES THE NEW STATUE OF LIBERTY MUSEUM



Saint-Gobain has supplied all of the glass for the façade of the new Statue of Liberty Museum on Ellis Island, New York (United States), due to open its doors in 2019. The museum's curtain wall comprises glass panels installed using the SGG Vario system, which leaves only the glass apparent and makes the chassis totally invisible. The 400 sq.m. of extraclear SGG Diamant and SGG Cool-Lite Xtreme 70/33 II glass boasts an extremely high-performance solar coating to ensure optimal thermal comfort of the museum's estimated four million annual visitors.

## SUSTAINABLE DEVELOPMENT

### SAINT-GOBAIN RECOGNIZED AS A LEADING FIGURE IN THE FIGHT AGAINST CLIMATE CHANGE

Saint-Gobain is one of the 127 companies in the world to be included in the 2018 *Climate Change A List* compiled by the *Carbon Disclosure Project*<sup>(1)</sup> (CDP), an international organization. Since 2003, Saint-Gobain has contributed to the detailed annual CDP *Climate Change* report on companies and their involvement in fighting climate change. This acknowledgement, following on from 2016 and 2017's A-rating, recognizes the Group's involvement in, and commitment to, transparency on climate change. It encourages us to continue our efforts to achieve the 2025 CO<sub>2</sub> emission and energy consumption reduction targets.

## INNOVATION SAINT-GOBAIN AMONG THE WORLD'S TOP 100 MOST INNOVATIVE COMPANIES



For the eighth consecutive year, Saint-Gobain is proud to be included in the *Derwent Top 100 Global Innovators*, a prestigious list of the world's 100 most innovative companies published by *Clarivate Analytics*<sup>(2)</sup>. The selection is based on four criteria: the total number of patents filed, the number of patents granted as a percentage of the number filed, the international scope of the patents and the impact of these patents measured by the number of citations.

R&D at Saint-Gobain is supported by 3,700 employees, a global network of eight cross-business research centers and numerous dedicated R&D units, representing a total investment of around €450 million in 2018.

## COMMUNICATION

### ONLINE TOOL IMPROVES TRADE CUSTOMERS' COM- MUNICATION



In France, POINT.P has introduced "Studio Génération Artisans", an online tool for creating communications materials in partnership with *Graph'Imprim*, a professional printer.

Available to the 12,000 members of the brand's loyalty program, it enables trade customers to create their own communications materials in just a few clicks (worksite notice boards, business cards, business flyers, etc.). The material is then printed by *Graph'Imprim* and guaranteed free-of-charge delivery within just a few days.

## SYNERGIES SAINT-GOBAIN CONTRIBUTES TO THE HOME OF THE FUTURE

In France, Saint-Gobain participated in the construction of Yrys, the new concept house developed by Maisons France Confort (MFC), a leading player in homebuilding and no. 1 in home renovation in France, by sharing its expertise and incorporating more than 26 of the Group's solutions.

Saint-Gobain and MFC joined forces for the project, which provides a way of exploring future modes of production such as 3D printing or off-site manufacturing, while also meeting occupants' needs and expectations in terms of comfort. The show home inaugurated in Alençon (France) reflects the dual aim of promoting eco-friendly, evolving and connected living spaces combining innovation, wellbeing and health. A commercial version, with two models of Yrys houses and packs incorporating Saint-Gobain brand solutions, will soon be available through MFC's 400 business developers.

Click to view the various Group solutions included in the Yrys concept.  
<http://www.concept-yrys.com/partenaires/saint-gobain/>

## EMPLOYER BRAND

### SAINT-GOBAIN ONCE AGAIN CERTIFIED "TOP EMPLOYER GLOBAL"



Saint-Gobain was certified as a "Top Employer Global" by the Top Employers Institute for the fourth year in a row. Our Group is one of 14 organizations to have obtained this title worldwide, with 33 certified countries, including Indonesia for the first time. The certification committee singled out the attention paid to integrating new hires, the quality of professional development programs along with career management, internal mobility, and succession plans. A great recognition for our Group and a unique selling point for attracting future new recruits!

(1) CDP: non-profit organization that studies the impact of the world's largest publicly traded business on climate change. (2) Formerly Thomson Reuters.



# SHAREHOLDER'S AGENDA

## TWO WAYS TO SIGN UP

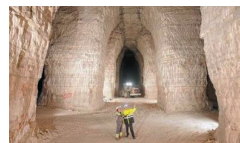
- log onto your [shareholders' space](#)
- call freephone 0800 32 33 33 (France only)

**Friday March 29, 2019 – 7:30am-4:30pm**

### VISIT OF TWO QUARRIES AND THE VAUJOURS PLANT (93410)

Located in the municipalities of Coubron and Vaujours in Seine-Saint-Denis (93), Bernouille is an underground gypsum quarry. Located in the Le Pin and Villeparisis municipalities in Seine-et-Marne (77), the Le Pin-Villeparisis is an open-pit gypsum quarry which is now mined in the Bois-le-Comte area. These two quarries supply the Placoplatre plant in Vaujours which has been manufacturing plasterboard in France since 1949. Almost 70 years after it started up operations, the Vaujours plant is the biggest gypsum processing site in the world and France's leading center for training in gypsum and insulation technologies. Its location in the heart of the Paris region and its communication networks enable it to supply a unique local market of more than 20 million inhabitants within a radius of 150km, with the best possible transport links. It supplies 25% of the French plasterboard market and 50% of the plasterboard market for the greater Paris region.

• Sign up from: February 19, 2018. Maximum number of participants: 20.



**Tuesday April 16, 2019 – 10:00am-4:00pm**

### SAINT-GOBAIN CRYSTALS & DETECTORS AND SAINT-GOBAIN WEBER AT SAINT-PIERRE-LES-NEMOURS (77140)

Saint-Gobain Crystals & Detectors based in Nemours (France), manufactures artificial crystals for two separate applications. The plant develops crystals for radiation detection on the medical imaging, personal safety and national security markets, and for oil detection and the nuclear industry. It also manufactures crystals for optical applications. We invite you to discover this activity and its very specific markets with a high technological content from 10:00am onwards. The visit will be followed by a buffet.

After lunch, we will visit Saint-Gobain Weber. With more than 10,000 employees, the Industrial Mortars activity which operates under the Weber banner is the world's leading manufacturer of industrial mortars. It is no. 1 worldwide in tile adhesives and grouts and no. 1 in Europe in solutions for façades and flooring. The management of Weber's Saint-Pierre-les-Nemours site will take you on a guided tour of their plant, part of a network of almost 180 sites in 49 countries across the globe (2:00pm-4:00pm).

• Sign up from: March 25, 2019. Maximum number of participants: 20



**Thursday May 16, 2019 – 9:30am**

### SAINT-JUST GLAZING PLANT (42176)

Imagine a material capable of evoking the past, inspiring artists, offering contemporary design and architecture a new language. A material that plays with light and transparency, color and texture, movement and space. A material that has stood the test of time, combining the purest tradition with modernity at its most daring. This material exists: it's the glass made at Saint-Just. Handed down from generation to generation over more than 190 years, the know-how and expertise of the glazing plant is unique in France.

• Sign up from: April 15, 2019. Maximum number of participants: 20.



**Thursday May 23, 2019 – 2:30pm-4:00pm**

### LA HALLE DE PANTIN (93)

Unique in the professional distribution sector, the La Halle de Pantin covered market, which opened its doors in September 2015, brings together seven complementary Saint-Gobain Building Distribution France banners under one roof. La Halle de Pantin offers building and renovation professionals, regardless of their business or scale, a unique response in terms of time-saving, availability, efficiency and assistance. 110 staff are on hand to welcome and advise customers about the broad range of banners on show.

• Sign up from: April 29, 2019. Maximum number of participants: 20



**Thursday June 27, 2019**

### INDIVIDUAL SHAREHOLDER MEETING - LILLE (59)

Saint-Gobain has teamed up with L'Oréal to organize this shareholders' meeting which will be held at:

**EuraTechnologies, 165 Avenue de Bretagne, 59000 Lille**

# SHAREHOLDER'S NOTEBOOK

## SIGN UP FOR THE E-LETTER TO SHAREHOLDERS

To receive your copy of the Letter to Shareholders and keep abreast of all the latest Saint-Gobain news, sign up for the e-Letter to Shareholders in the Shareholders section of [www.saint-gobain.com](http://www.saint-gobain.com) or send an e-mail to [actionnaires@saint-gobain.com](mailto:actionnaires@saint-gobain.com)



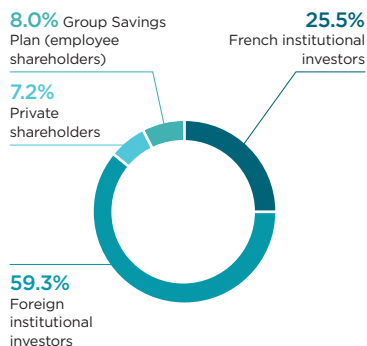
## TOTAL NUMBER OF SHARES

(at December 31, 2018)

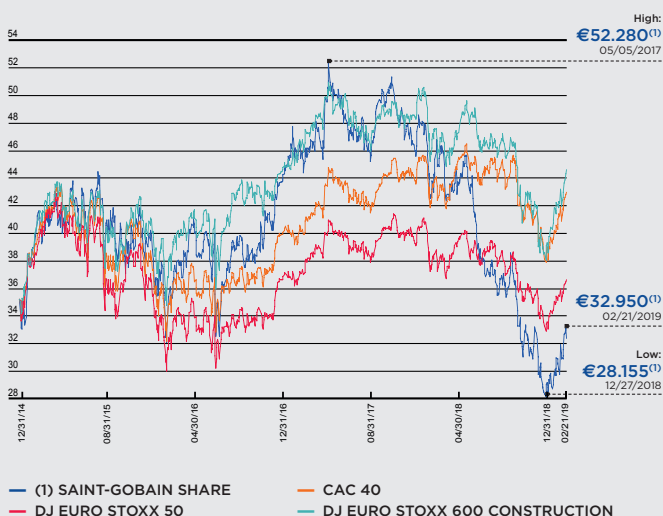
546,585,004

## OWNERSHIP STRUCTURE

(at December 31, 2018) (%)



## SAINT-GOBAIN SHARE PERFORMANCE 12/31/2014-02/21/2019



Recent performance at 02/21/2019 in %	Saint-Gobain share	CAC 40	DJ Euro Stoxx 50	DJ Euro Stoxx 600 Construction
Trailing month	+10.8%	+6.7%	+4.4%	+6.2%
Trailing 3 months	+5.8%	+4.4%	+3.5%	+6.6%
Trailing 6 months	-9.4%	-3.9%	-4.3%	-4.3%
Trailing 12 months	-25.7%	-2.0%	-4.9%	-6.8%

## YOUR CONTACTS

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

### • By dialing:

0 800 32 33 33 Service & appel gratuits 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](http://www.saint-gobain.com)

### • By e-mail, at [actionnaires@saint-gobain.com](mailto:actionnaires@saint-gobain.com)

### • Via the Saint-Gobain Shareholder App



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Papier issu de sources responsables  
FSC® C112677

Managing Editor: Sreedhar N.  
ISSN No. 1245-3978  
Design: *tamata*  
Photo credits: Saint-Gobain photo library.

Printed by: Gilbert Clarey Imprimeurs certified Imprim'Vert and FSC on FSC-certified paper, using recycled paper and pulp from sustainably managed forests.

