

Letter to shareholders



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H1 2014 sales

€20.4bn

+4.1%
on a like-for-like basis

Operating income

€1.3bn

+14.8%
on a like-for-like basis

Recurring net income*
H1 2014

€511m +27.1%

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



HEADS-UP WITH

PIERRE-ANDRÉ DE CHALENDAR,

Chairman and Chief Executive Officer of Saint-Gobain

“Besides the continuing strong negative currency effect during this first half and the impact of the Verallia North America sale, these results - along with our ongoing tight rein on costs - support our objective of a clear like-for-like improvement in operating income for full-year 2014.”

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HEADS-UP WITH

PIERRE-ANDRÉ DE CHALENDAR,

Chairman and Chief Executive Officer of Saint-Gobain



Saint-Gobain has just published its results for the first half of 2014. Can you talk to us about them?

Sales were up 4.1% in first-half 2014 on a like-for-like basis (comparable structure and exchange rates) and rose 1.6% in the second quarter, with volumes gaining 0.5% (including a negative 0.9% impact from fewer working days) and prices advancing 1.1%. The upbeat trends observed as from second-half 2013 continued throughout the six months to June 30, 2014 (volumes up 2.9%), with favorable weather conditions boosting the first-quarter performance. Growth was confirmed in our main regions over the first half, even though France was down slightly in the second quarter. Despite a less inflationary cost environment, sales prices gained 1.2% over the first half.

Exchange rates continued to have a strong negative impact of 3.2%. **Changes in Group structure** had a negative 1.9% impact and include the disposal of Verallia North America (VNA) as of April 11. Sales were therefore down 1.0% on a reported basis.

Thanks to good operating leverage, the Group's like-for-like operating income rose 14.8%. **The consolidated operating margin** widened to 6.5%, compared to 5.9% in first-half 2013 (based on comparable accounting standards).


Can you also tell us more about the Group's results in each major region?

The Group reported positive organic growth in all of its main regions in first-half 2014, driven by Asia and emerging countries as well as by North America. Western Europe also advanced, boosted by a favorable weather impact in the first quarter.

Profitability improved in Western Europe and in Asia and emerging countries, but retreated in North America due to the downturn in trading for Exterior Products in the US.

How do you see the rest of the year unfolding?

The outlook for full-year 2014 is in line with the improving trends first noted in the second half of 2013. In **Western Europe**, our markets should continue to improve gradually, spurred by growth in the UK, while **France** is expected to remain down. In **North America**, construction should remain upbeat and industrial markets should improve. In **Asia and emerging countries**, our businesses are expected to deliver satisfactory organic growth. Lastly, **household consumption markets** could continue to be affected by competitive pressure on prices.

Saint-Gobain is confirming its objectives for full-year 2014 of a **clear improvement in operating income on a comparable structure and currency basis and a continuing high level of free cash flow.** 

2014 ACTION PLAN PRIORITIES

The Group is maintaining its action plan priorities for the year and will keep a close watch on its cash and financial strength:

- **priority focus on increasing sales prices** amid a small rise in raw material and energy costs;
- **€450 million in additional cost savings** (calculated on the 2013 cost base), including €240 million in the first half;
- **capital expenditure program of around €1,500 million**, the priority being growth capex outside Western Europe (around €550 million);
- **renewed commitment to invest in R&D** in order to support its differentiated, high value-added strategy;
- **selective acquisitions and divestments policy.**

UPDATE ON ASBESTOS CLAIMS IN THE US

Some 2,000 claims were filed against CertainTeed in the first half of 2014 (as in first-half 2013). At the same time, around 3,000 claims were settled (versus 2,000 in first-half 2013) and around 4,000 claims were transferred to inactive dockets, bringing the total number of outstanding claims to around 38,000 at June 30, 2014, compared to 43,000 at December 31, 2013.

A total of USD 65 million in indemnity payments were made in the US in the 12 months to June 30, 2014, versus USD 88 million in the year to December 31, 2013.



The full press release detailing the Group's first-half 2014 results can be found on www.saint-gobain.com in the Finance section and on the **Saint-Gobain SHAREHOLDER app.**

ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FIRST-HALF 2014

€m	H1 2013 restated* (A)	H1 2014 (B)	% change (B) / (A)
Sales and ancillary revenue	20,651	20,446	-1.0%
Operating income	1,224	1,330	8.7%
Business income	939	1,260	34.2%
Recurring ¹ net income	402	511	27.1%
Recurring ¹ earnings per share ² (in €)	0.73	0.91	24.7%
Earnings per share ² (in €)	0.57	1.19	108.8%
Cash flow from operations excl. capital gains tax ³	1,137	1,162	2.2%
Capital expenditure	493	449	-8.9%
Free cash flow (excluding capital gains tax) ³	644	713	10.7%
Investments in securities	43	48	11.6%
Net debt	9,482	8,519	-10.2%

* 2013 figures have been restated to reflect the impacts of IFRS 10, IFRS 11 and IFRIC 21. **1.** Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions. **2.** Calculated based on the number of shares outstanding (excluding treasury shares) at June 30 (564,079,733 shares in 2014, including the increase in capital following the payment of the stock dividend on July 4, 2014, versus 548,470,319 in 2013). **3.** Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

The comments below refer to the restated financial statements for 2013.

Consolidated sales slipped 1.0%. Despite easing towards the end of the first half, the **currency impact** had a negative 3.2% impact on sales, due chiefly to the rise in the value of the euro against

major Latin American and Scandinavian currencies along with the US dollar. **Changes in Group structure** had a negative 1.9% impact, resulting mainly from the disposal of VNA as from April 11, and from the sale of certain non-core Exterior Solutions and Building Distribution businesses. Like-for-like (comparable structure and exchange rates), sales were up 4.1%, with **prices** gaining 1.2% and **volumes** up 2.9%.

Operating income advanced 8.7% on a reported basis, hampered by the negative currency impact and the disposal of VNA. The operating margin improved to 6.5% of sales compared with 5.9% of sales in first-half 2013, thanks to cost cutting measures (€240 million impact over the first half) and operating leverage.

Non-operating costs totaled €16 million, down from €259 million in first-half 2013, following the €202 million write-back from the provision to reflect the reduction in the automotive Flat Glass fine and the decrease in restructuring costs. The net balance of **capital gains and losses on disposals, asset write-downs and corporate acquisition fees** was a negative €54 million versus a negative €26 million in first-half 2013. This line includes €398 million of capital gains on disposals of assets relating mainly to VNA, and €452 million in asset write-downs.

Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) rose 27.1% to €511 million.

H1 2014 SALES BY BUSINESS SECTOR

INNOVATIVE MATERIALS

SALES

€4,484m

↘ -1.3% on a reported basis
↗ +3.7% like-for-like

OPERATING INCOME

€409m

↗ +36.8% on a reported basis

Innovative Materials like-for-like sales continued to improve up 3.7%. Like-for-like Flat Glass sales were up 3.4%. **High-Performance Materials** (HPM) sales moved up 4.0% like-for-like.

The Business Sector's **operating margin** rose to 9.1% from 6.6% one year earlier.

BUILDING DISTRIBUTION

SALES

€9,287m

↗ +2.1% on a reported basis
↗ +3.6% like-for-like

OPERATING INCOME

€265m

↗ +33.8% on a reported basis

Building Distribution sales were up 3.6% on a like-for-like basis (up 2.1% on a reported basis, or €188 million). Sales stabilized in the second quarter after the bullish growth reported in the first three months of the year, aided by mild winter weather and a weak comparison basis. The UK, Brazil, Nordic countries and Germany contributed to the good first-half growth performance, while trading in France was virtually stable despite a good first quarter.

The **operating margin** rose to 2.9% from 2.2% in the same period one year earlier.

CONSTRUCTION PRODUCTS

SALES

€5,643m

↘ -0.6% on a reported basis
↗ +5.5% like-for-like

OPERATING INCOME

€508m

↗ +5.6% on a reported basis

Construction Products (CP) like-for-like sales advanced 5.5%. **Interior Solutions** posted 7.1% organic growth, thanks in particular to double-digit growth in the US and in Asia and emerging countries. **Exterior Solutions** reported 3.9% organic growth. Good trends in Pipe and Industrial Mortars businesses offset the decline in Exterior Products in the US.

The **operating margin** came in at 9.0% versus 8.5% in the same year-ago period.

PACKAGING (VERALLIA)

SALES

€1,500m

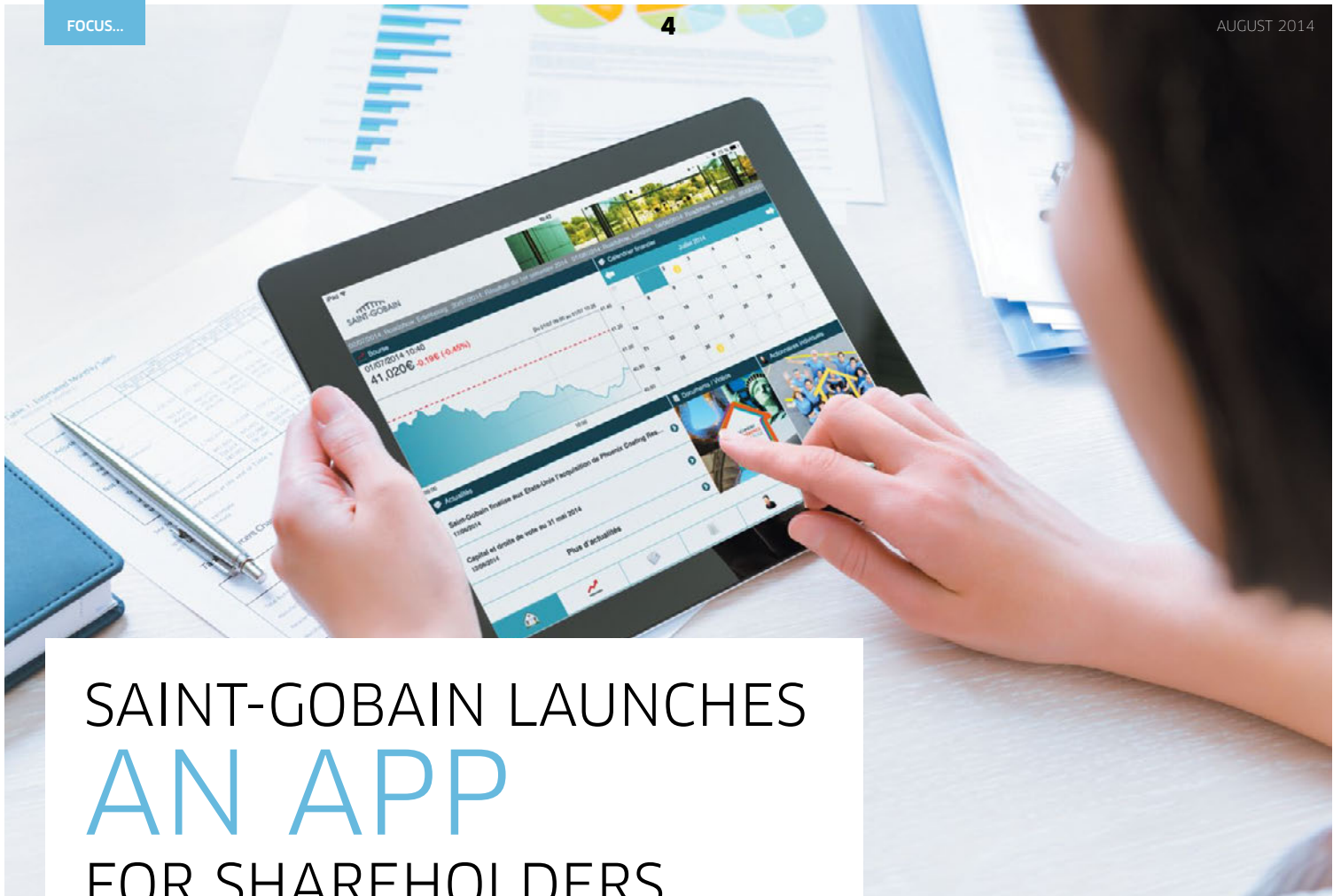
↘ -17.3% on a reported basis
↗ +1.7% like-for-like

OPERATING INCOME

€147m

↘ -38.8% on a reported basis

Packaging (Verallia) sales advanced 1.7% on a like-for-like basis, taking into account the disposal of VNA with effect from April 11. Volumes were up slightly in Europe, although prices declined and the mix deteriorated. Latin America posted good organic growth, buoyed chiefly by price trends reflecting the impact of inflation. The **operating margin** bottomed out at 9.8% due mainly to an exceptionally high number of furnace repairs and a one-off inventory adjustment.



SAINT-GOBAIN LAUNCHES AN APP FOR SHAREHOLDERS

To enable shareholders to access in real time all Saint-Gobain financial information and news, the Shareholder Relations Department has launched a mobile app for tablets and smartphones.

This mobile app will allow you to:

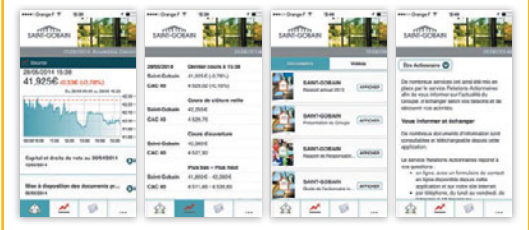
- **consult the share price** in real time,
- keep abreast of the Group's **latest news**,
- **access all documents and videos published by the Group** (Annual

Report, Sustainable Development Report, Shareholders' Handbook, etc.),

- **consult the financial agenda** and the shareholders' program,
- **contact the investor relations team.**



The Saint-Gobain **SHAREHOLDER** app can be downloaded free of charge from Apple and Google Android stores.



SAINT-GOBAIN OPENS OFFICE IN KENYA

As part of its growth strategy in sub-Saharan Africa, on June 12 Saint-Gobain officially opened a sales representation office in Nairobi (Kenya). This new office featuring a showroom will enable the Group to speed up its sales & marketing expansion in East Africa, and to promote its Habitat solutions adapted to the local market. This multi-activity office already has teams from the Construction Products Business Sector and Saint-Gobain PAM (Construction Products), and will soon also include teams from Saint-Gobain Glass (Innovative Materials).

SAINT-GOBAIN ACQUIRES US-BASED PHOENIX COATING RESOURCES INC.

Saint-Gobain has finalized the acquisition of Phoenix Coating Resources Inc., a US company based in Mulberry, Florida that manufactures ceramic ingots used to produce high-resistance thermal coatings on metal parts for the aeronautics industry.

Phoenix Coating Resources will join Saint-Gobain's Ceramic Materials business. The acquisition will enable Saint-Gobain to expand the range of coating solutions it provides to the aeronautics industry, in alignment with the Group's strategy of strengthening its position in high-performance solutions for growing markets.



WEBER OPENS 17TH PLANT IN BRAZIL

On April 14, Saint-Gobain Weber (Construction Products) officially opened its 17th plant in Brazil in Planaltina, Goiás, in the presence of Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain. This site's construction reflects the company's commitment to establishing operations outside major urban areas to better meet local market demand and consolidate its leading position in the region.

SAINT-GOBAIN SHAREHOLDERS' CLUB

Starting in September, the Saint-Gobain Shareholders' Club is proposing a new program of events. Further details can be found below.

SHAREHOLDERS' PROGRAM FOR SECOND-HALF 2014

SEPTEMBER 2014

Tuesday, September 23

🏠 **Training - Paris**
Understand corporate financial results

Tuesday, September 30

🏠 **Placoplatre plant - Le Meux**

OCTOBER 2014

Thursday, October 9

🏠 **Shareholders' meeting - Toulouse**

Thursday, October 23

🏠 **Sales for the first nine months of 2014**

Thursday, October 30

🏠 **Weber plant - Saint-Pierre-lès-Nemours**

NOVEMBER 2014

Thursday, November 13

🏠 **Shareholders' meeting - Lyon**

Friday, November 21

🏠 **Shareholders' meeting - Paris (Actionaria trade show)**

Friday and Saturday, November 21 & 22

🏠 **Actionaria trade show - Paris**

DECEMBER 2014

Thursday, December 4

🏠 **Saint-Gobain Crystals plant - Nemours**

Tuesday, December 9

🏠 **Saint-Gobain Archives - Blois**



BECOME A MEMBER AS SOON AS YOU BUY YOUR FIRST SHARE

- If you hold **registered shares**, you are automatically a member of the Saint-Gobain Shareholders' Club.
- If you hold **bearer shares**, all you need to do is apply to the Saint-Gobain Shareholder Relations Department for Club membership **online via www.saint-gobain.com**, in the Finance/ Individual Shareholders section. You will need to provide an e-mail address.



The shareholders' program is available online (in French) at www.saint-gobain.com, in the Finance/ Individual Shareholders section.



SAINT-GOBAIN GLASS FRANCE LAUNCHES ONLINE CAMPAIGN

Saint-Gobain Glass France (Innovative Materials) has launched an online campaign to renew glass's image by emphasizing its value-added features. The new website www.vitrage-et-fenetre.com targets consumers wanting to replace their windows, along with window frame manufacturers and people interested in DIY home renovation and decoration more generally. This portal, accessible on computers and tablets, uses videos to explain the properties and advantages of various types of glazing solutions for protecting against the cold, noise and UV rays.

100TH BRANCH AWARDED THE ENERGY EFFICIENT EXPERT LABEL

The Point.P Matériaux de Construction (Building Distribution) branch in Herblay (France) became the brand's 100th outlet to be awarded the Energy Efficiency Expert label. While remaining a multi-specialist outlet, it now has a special counter offering a broad spectrum of services free of charge. These include an energy efficiency simulator for building sites, along with "floor and frame" and "structure" studies and measurement services carried out by the regional technical centers. These counters also provide a link with a partner thermal design office at preferential prices, offer equipment to rent and sell and provide assistance to professionals working towards RGE (*Reconnu Garant de l'Environnement*) environmental certification.



SAINT-GOBAIN
AND SUSTAINABLE DEVELOPMENT



International
DECORATIVE SURFACES

RESPONSIBLE PURCHASING: A COMMITTED BRAND

International Decorative Surfaces (Building Distribution) specializes in laminates, worktops and panel products in the United Kingdom, where it has supplied its customers with materials from sustainably managed forests for some 10 years. In 2013, more than 80 percent of its products were FSC1 and PEFC2 certified. Twelve brand outlets have also been awarded ISO 14001 certification for their environmental management systems.

SHAREHOLDER'S NOTEBOOK

↑ DATES FOR YOUR DIARY

UPCOMING SHAREHOLDER MEETINGS

Thursday 9th October, Toulouse,
with Jacques Durand,
Deputy Head of Investor Relations

Thursday 13th November, Lyon,
with Pierre-André de Chalendar,
Chairman and Chief Executive Officer

Friday 21st November, Paris (Actionaria trade show),
with Pierre-André de Chalendar,
Chairman and Chief Executive Officer
and Laurent Guillot, Chief Financial Officer

ACTIONARIA TRADE SHOW

Friday 21st and Saturday 22nd November,
Palais des Congrès, Porte Maillot, Paris

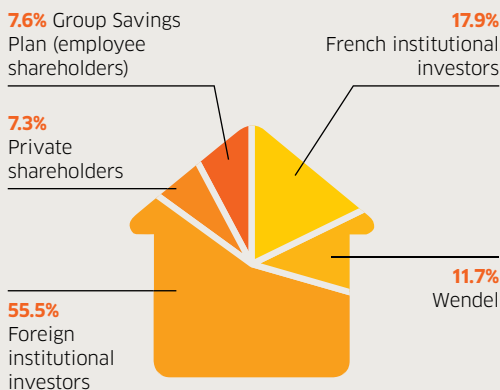
UPCOMING PUBLICATION

Thursday 23rd October,
after close of trading on the Paris Bourse
Sales for the first nine months of 2014

↑ TOTAL NUMBER OF SHARES (at June 30, 2014)

561,233,432

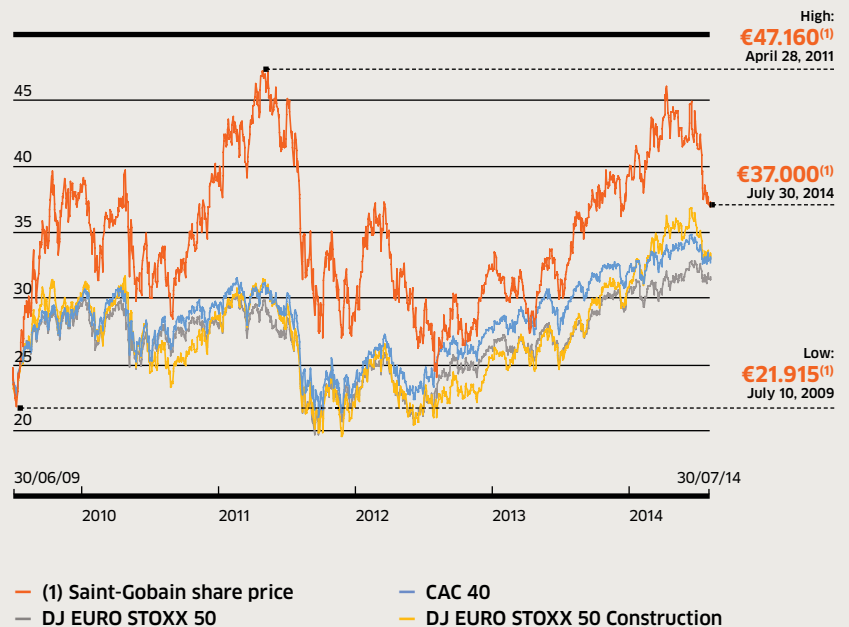
↑ OWNERSHIP STRUCTURE (at June 30, 2014 - in %)



↑ SHARE PERFORMANCE 2009-2014

Saint-Gobain share price in euros, indexes rebased at June 30, 2009

Performance over the period: **Saint-Gobain: +55.3%** **CAC 40: +37.3%**



↑ RECENT PERFORMANCE OF THE SAINT-GOBAIN SHARE

Recent performance
at July 30, 2014 (€37.000)
in %

Trailing 12 months

Index	Recent performance at July 30, 2014 (€37.000) in %	Trailing 12 months
Saint-Gobain share price	+9.2%	+9.2%
CAC 40	+8.2%	+8.2%
DJ Euro Stoxx 50	+14.9%	+14.9%
DJ Euro Stoxx 50 Construction	+20.5%	+20.5%

↑ YOUR CONTACTS

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

• **By dialing,**

N°Vert 0 800 32 33 33

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

• **Online,** at www.saint-gobain.com

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

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

• **Reuters:** SGOB.PA

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