H1 2018 Results and Outlook

July 27, 2018

SAINT-GOBAIN

1. **HIGHLIGHTS**
2. H1 2018 RESULTS
3. OUTLOOK AND ACTION PLAN FOR H2
4. STRATEGY

H1 2018 KEY FIGURES

Sales
€20.8bn

	Actual	Like-for-like
Sales	+1.9%	+4.9%

Operating income
€1,469m

Operating margin: **7.1%**, -10bp

	Actual	Like-for-like
Operating income	+0.3%	+1.7%

Recurring net income
€802m
EPS: **€1.47**, +8.9%

Actual
+6.8%

Net attributable income
€1,219m

+61.7%

Net debt
€9,294m

2.2x EBITDA

Changes based on H1-18 vs H1-17

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ORGANIC GROWTH AT 4.9% IN H1; 8.0% IN Q2

WESTERN EUROPE

- France: good growth, particularly in Q2
- Other Western European countries: further growth driven by the uptick in Q2

NORTH AMERICA

- Strong momentum in industrial markets
- Robust growth in construction businesses

ASIA AND EMERGING COUNTRIES

- Acceleration in growth across all regions, including Latin America, despite the May strike in Brazil

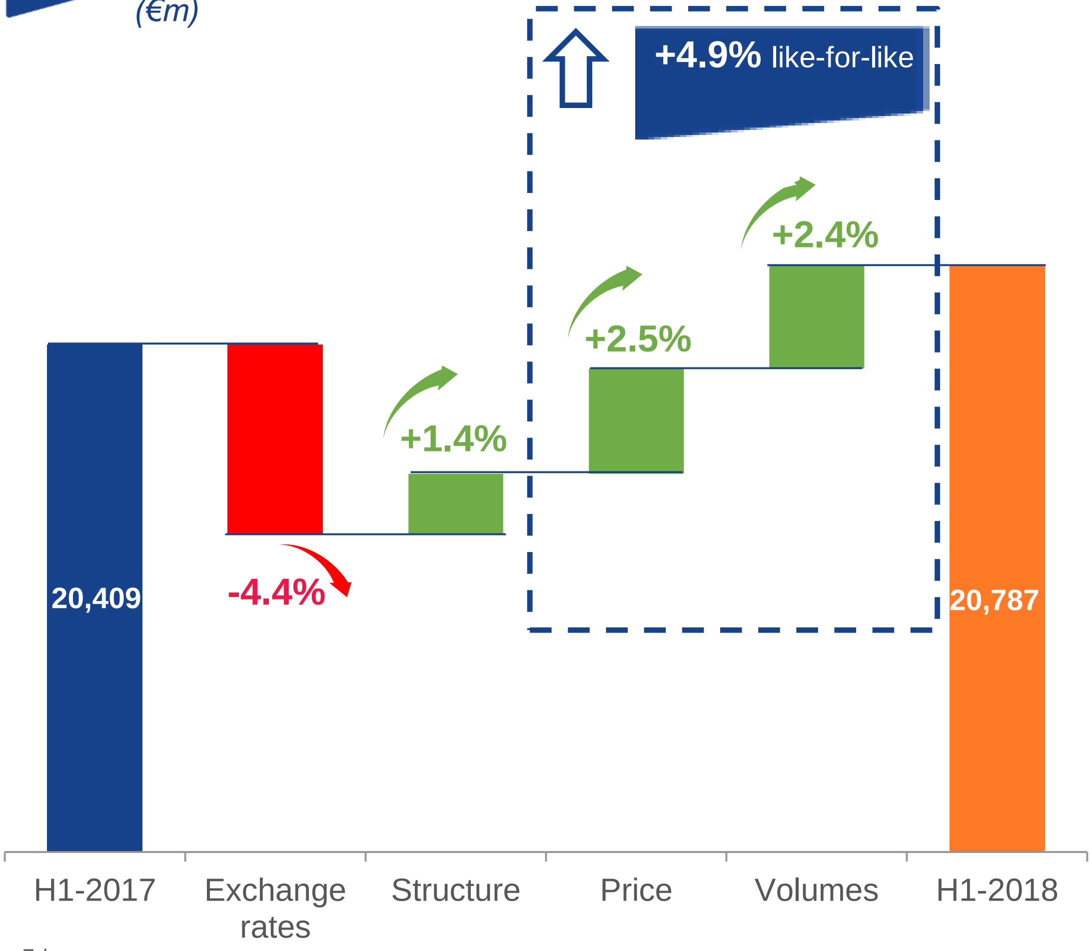
HIGHLIGHTS

- **Acquisition of 10.75% of Sika's capital on excellent financial terms (€781m in net income)**
- **13 acquisitions in H1** and **3 being finalized** in July
- **Capital expenditure** focused on growth capex **in emerging countries, productivity and digital transformation**
- **€150m in cost savings** versus H1 2017
- **8.8 million shares bought back** in H1, an acceleration versus 2017 (8.3 million shares bought back in 2017 as a whole)

1. HIGHLIGHTS
2. **H1 2018 RESULTS**
    1. **GROUP**
    2. BUSINESSES
    3. REGIONS
3. OUTLOOK AND ACTION PLAN FOR H2
4. STRATEGY

SALES

(€m)



Group +1.9%
actual

- Depreciation of the **US dollar**, **Brazilian real, Nordic krona** and other Asian and emerging market currencies against the euro
- Impact of acquisitions made in **Asia and emerging countries,** in new **niche technologies** and services, and to **consolidate** our strong positions
- **Inflationary** raw material and energy cost environment
- **Better prices and volumes** in all Business Sectors and regions

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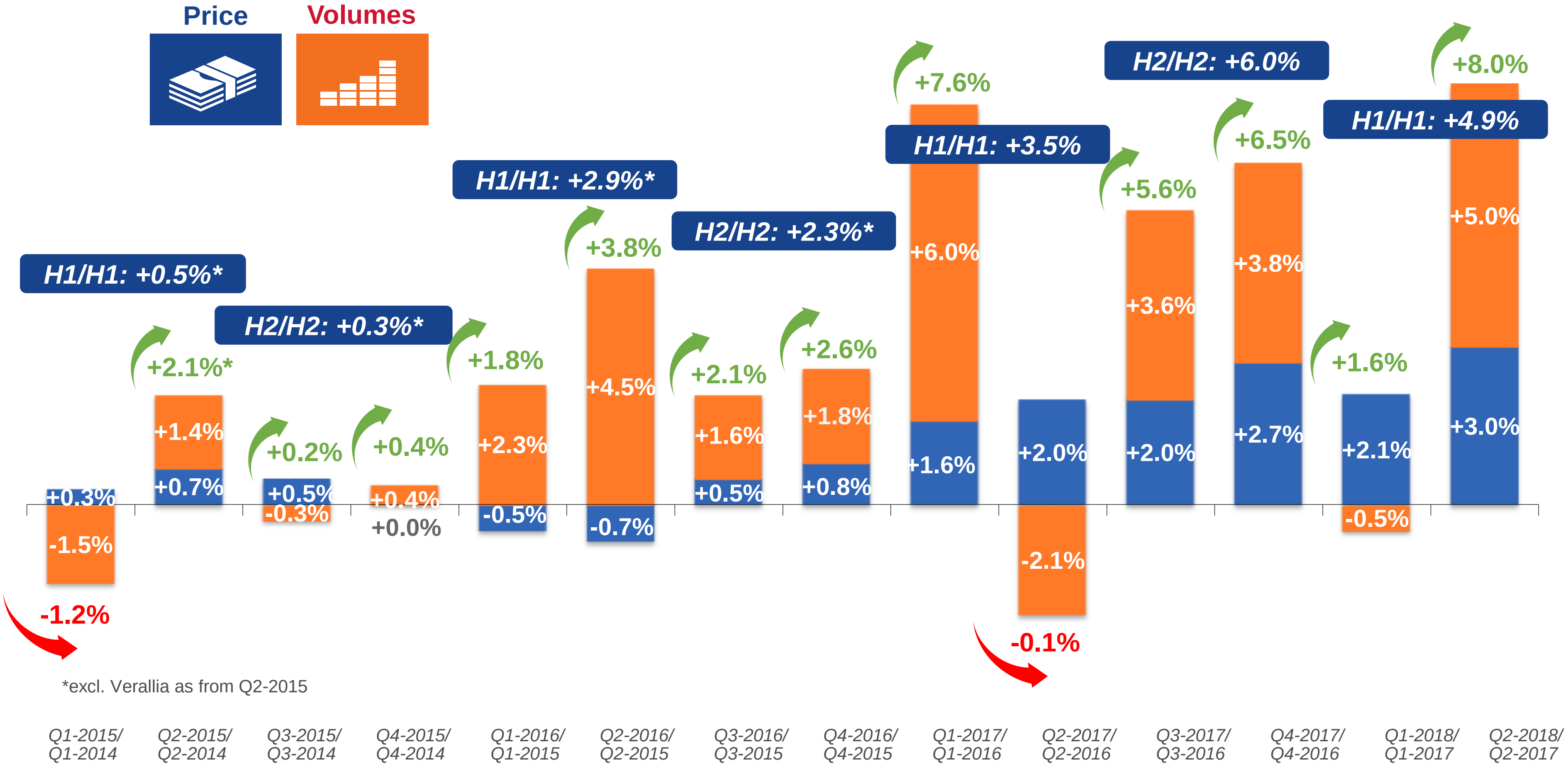
QUARTERLY ORGANIC GROWTH

(% change in sales on a like-for-like basis)

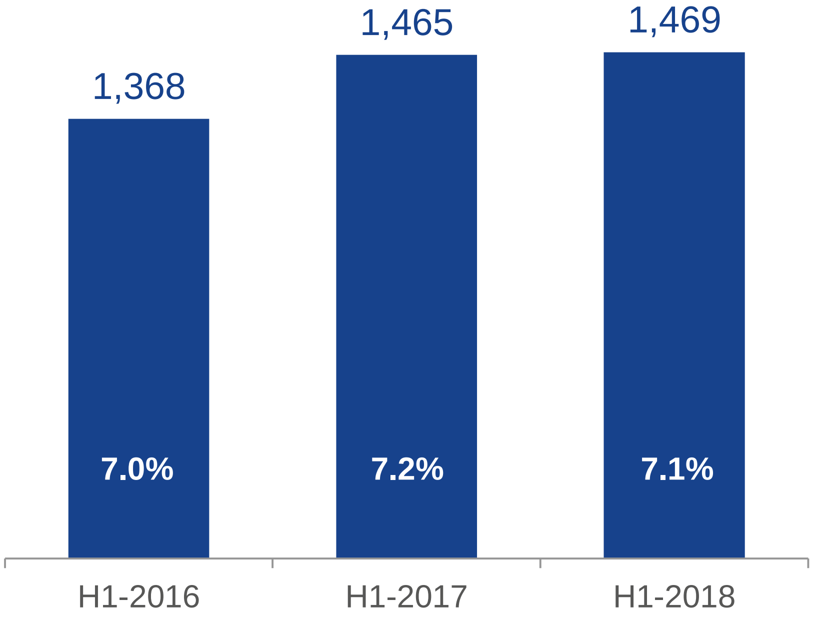


*excl. Verallia as from Q2-2015

OPERATING INCOME

(€m and % of sales)

+1.7%
like-for-like



- **+0.3%** on a reported basis
- Group **margin**: **7.1%**

BUSINESS INCOME

(€m)

	H1-2017	H1-2018	H1-2018/ H1-2017	Like-for-like change
Operating income	**1,465**	**1,469**	**+0.3%**	**+1.7%**
Non-operating costs	(166)	(54)		
o/w provision for asbestos-related litigation	*(45)*	*(45)*		
o/w other expenses	*(121)*	*(9)*		
Other business income (expenses)	7	(296)		
o/w disposal gains (losses)	*7*	*(11)*		
o/w asset write-downs and other	*0*	*(285)*		
Business income	**1,306**	**1,119**	**-14.3%**	

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Abestos-related litigation in the US

- **~US$ 74m** paid out over the 12 months to end-June 2018 *(versus US$ 76 at end-2017)*
- **€45m** accrual to the provision in H1 2018, bringing the total balance sheet provision to US$ 576m at end-June 2018 *(US$ 555m at end-2017)*

	H1-2017	FY-2017	H1-2018*
New claims	1,600	3,100	1,300
Settled claims	2,300	3,900	1,500
Outstanding claims	34,400	34,300	34,100

** estimated*

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NET INCOME

(€m)

	H1-2017	H1-2018	H1-2018/ H1-2017
Business income	**1,306**	**1,119**	
Net financial income (expense)	**(231)**	**392**	
- o/w Sika		*601*	
- o/w finance costs	*(231)*	*(209)*	
Average cost of gross debt (at June 30)	*2.7%*	*2.5%*	
Income tax	**(297)**	**(265)**	
Tax rate on recurring net income	*27%*	*25%*	
Net attributable income	**754**	**1,219**	**+61.7%**
EPS (€)	*1.36*	*2.23*	*+64.0%*
Recurring net income	**751**	**802**	**+6.8%**
Recurring EPS (€)	*1.35*	*1.47*	*+8.9%*

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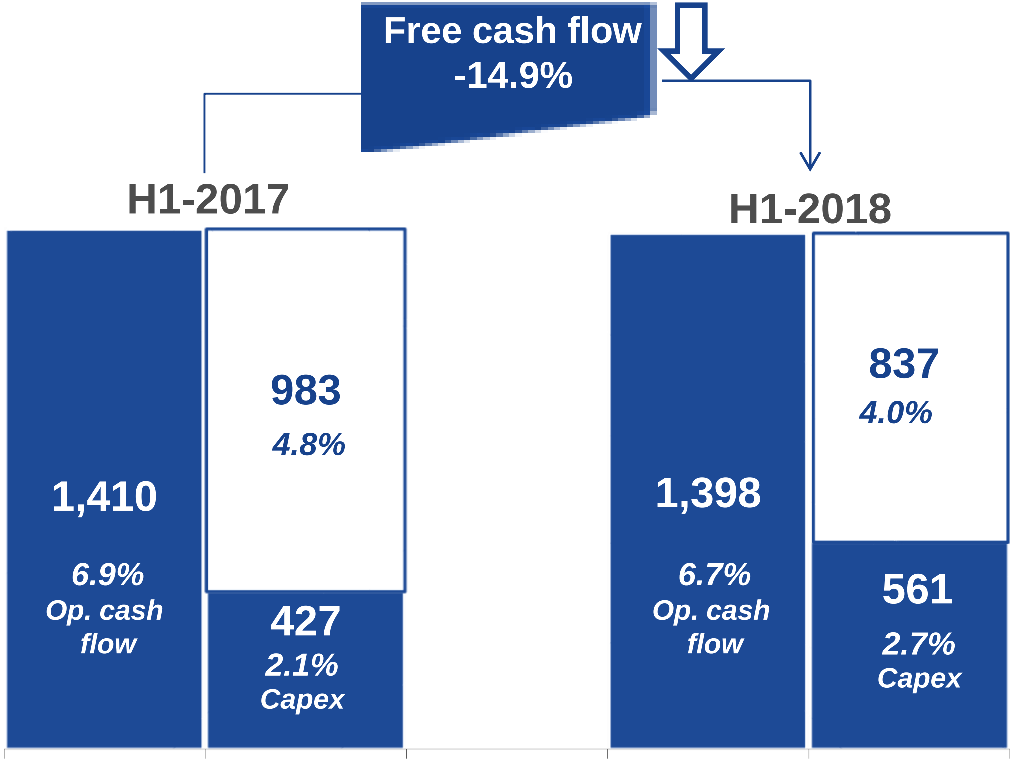
CASH FLOW FROM OPERATIONS* AND CAPEX

(€m and % of sales)



* excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions

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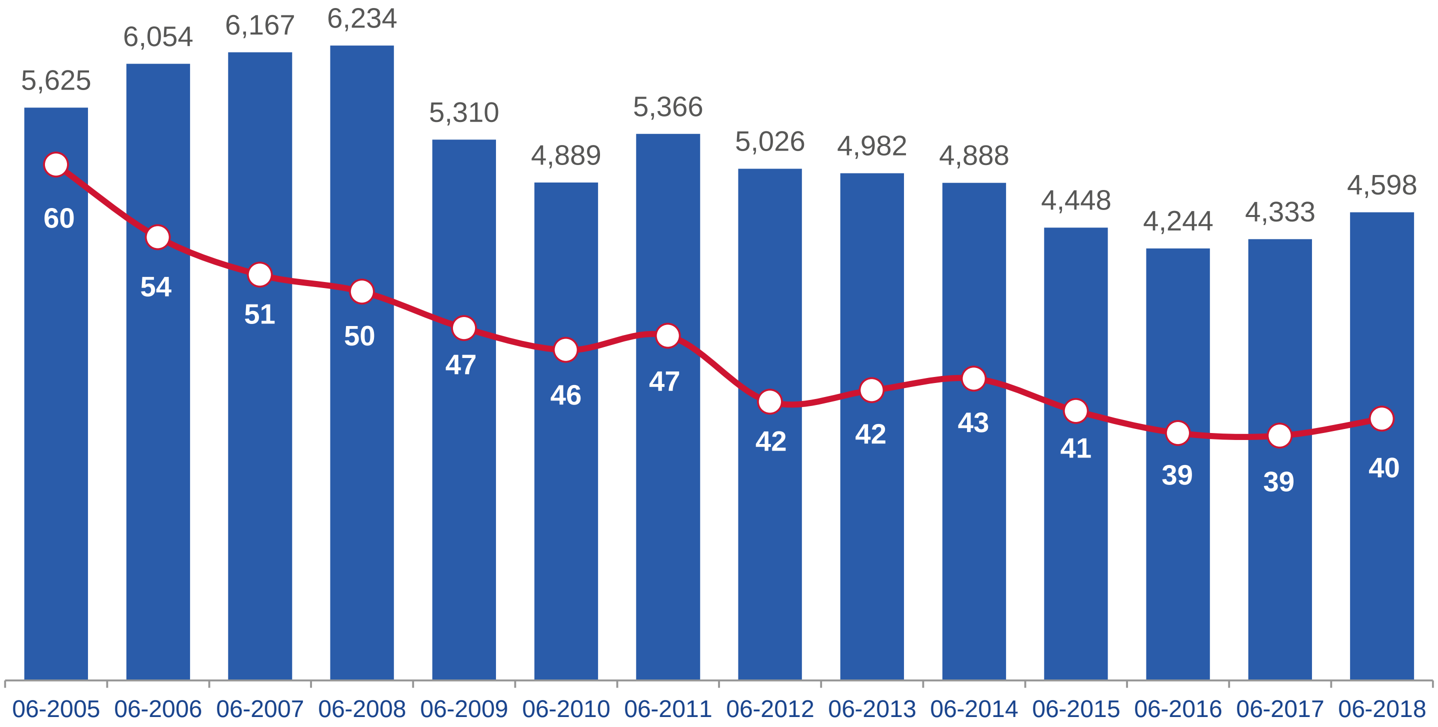
TIGHT REIN ON OPERATING WCR

(at June 30, €m and no. of days)



Ongoing tight rein on operating WCR

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H1 2018: MAIN FINANCIAL TRANSACTIONS

Sika transaction on excellent financial terms

- Acquisition of 10.75% of Sika for a total cash amount of €0.93bn (market value at 26/7/2018: €1.87bn)
- Changes in the value of the Sika share price after May 11, 2018 are recorded in equity
- Saint-Gobain now Sika's top shareholder
- Impact on 2018 financial statements: increase of €781m in net income

€356m in investments in securities excluding Sika

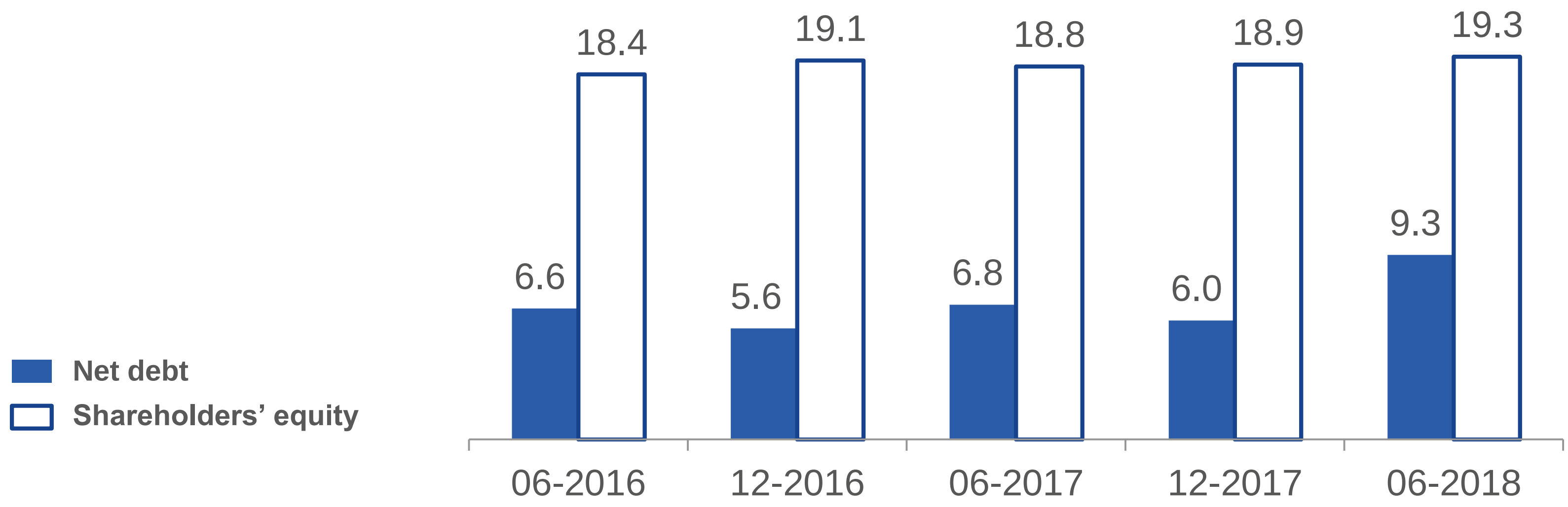
- +162% on H1 2017
- 13 acquisitions

€389m in share buybacks

- In line with the Group's objectives, buyback of 8.8 million shares
- Cancellation of 6 million shares
- Reduction in the number of outstanding shares to 546.9 million at June 30, 2018 (versus 554.4 million at June 30, 2017)

NET DEBT AND SHAREHOLDERS' EQUITY

(€bn)



Net debt/shareholders' equity	**36%**	29%	**36%**	32%	**48%**
Net debt/EBITDA*	**1.7**	1.4	**1.7**	1.4	**2.2**

Strong balance sheet maintained

** EBITDA = Operating income + operating depreciation/amortization over a 12-month period*

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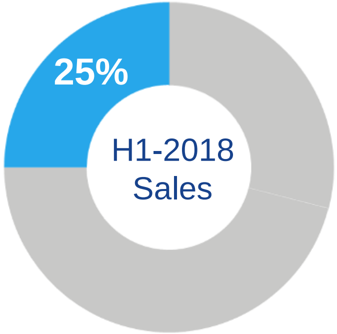
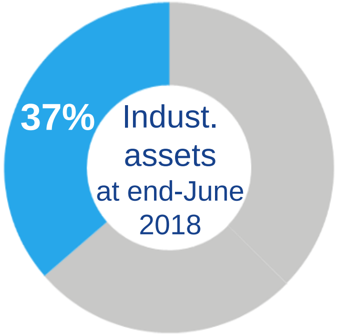
INNOVATIVE MATERIALS





Organic growth **+6.0%**

vol. **+4.2%**

prices **+1.8%**

Operating income **€651m**

margin **12.3%** =

Capex **€241m**

H1-18 vs H1-17

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FLAT GLASS

Organic growth **+3.5%**

vol. **+1.3%** prices **+2.2%**

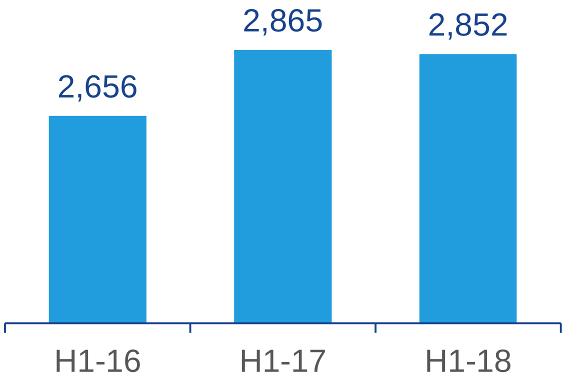
Operating income **€229m**

margin **8.0%**

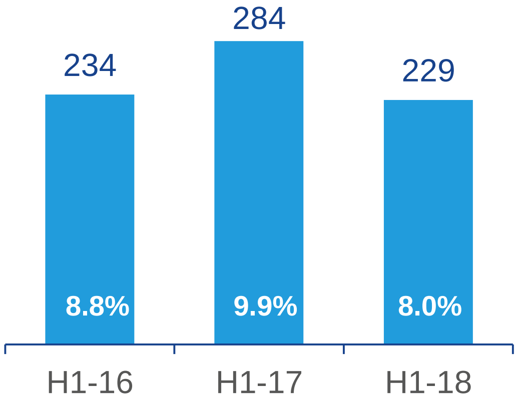
Capex **€165m**

H1-18 vs H1-17

Sales (€m)



Operating income and margin (€m - %)



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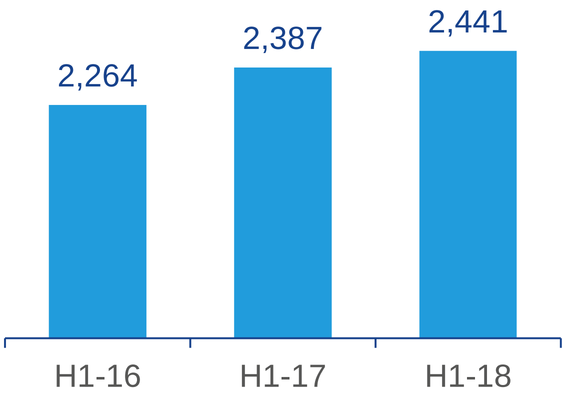
HPM

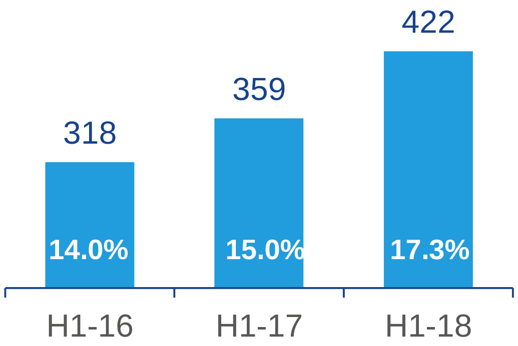
Organic growth	+9.2% (vol. +7.9%, prices +1.3%)	Operating income	€422m (margin 17.3%)	Capex	€76m

H1-18 vs H1-17

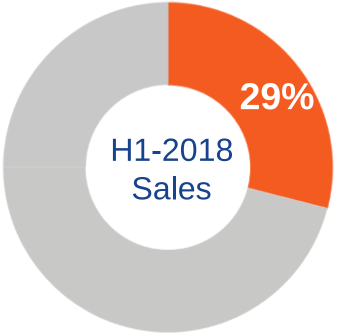
Sales (€m)

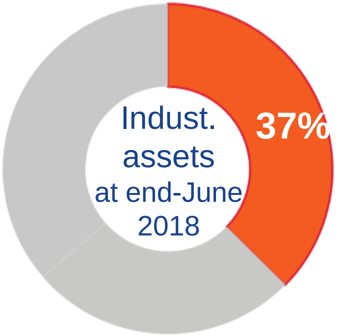


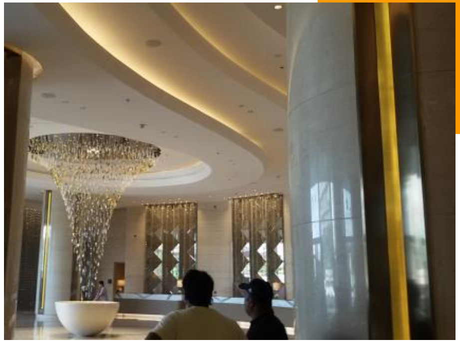
Operating income and margin (€m - %)



CONSTRUCTION PRODUCTS







Organic growth	+6.8% (vol. +3.3%, prices +3.5%) ⇧	Operating income	€560m (margin 8.6%) ⇩	Capex	€195m

H1-18 vs H1-17

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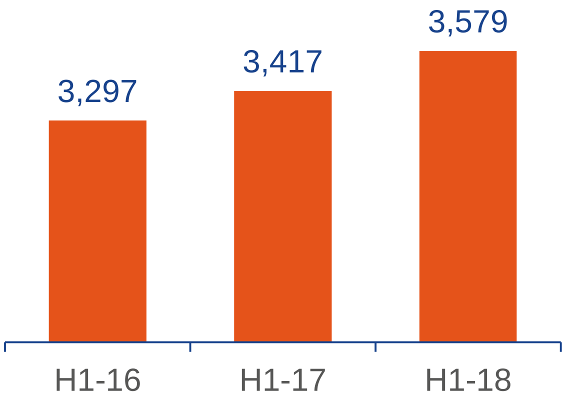
INTERIOR SOLUTIONS

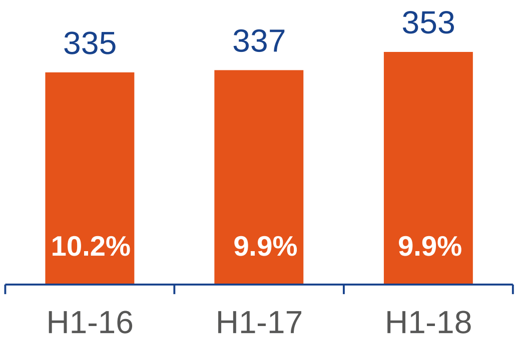
Organic growth		Operating income		Capex
+7.1% ⇧	vol. **+3.0%** / prices **+4.1%**	**€353m**	margin **9.9%** =	**€121m**

H1-18 vs H1-17

Sales (€m)



Operating income and margin (€m - %)



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EXTERIOR SOLUTIONS

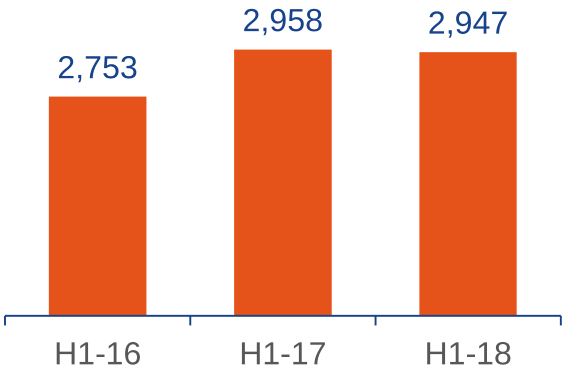
Organic growth **+6.6%**
vol. **+3.8%** prices **+2.8%**

Operating income **€207m**
margin **7.0%**

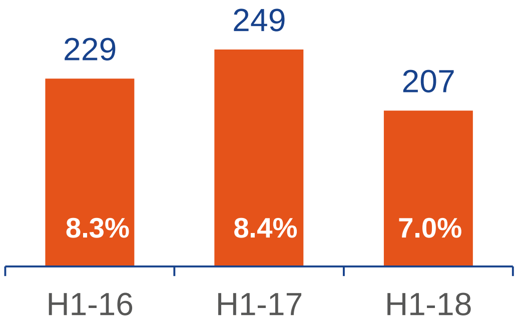
Capex **€74m**

H1-18 vs H1-17

Sales (€m)



Operating income and margin (€m - %)



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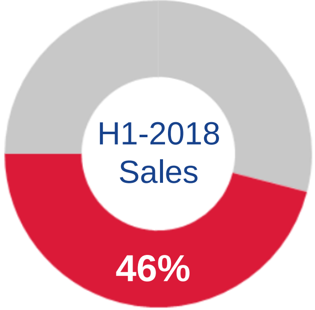
BUILDING DISTRIBUTION

Organic growth **+3.1%**
vol. **+0.8%** prices **+2.3%**

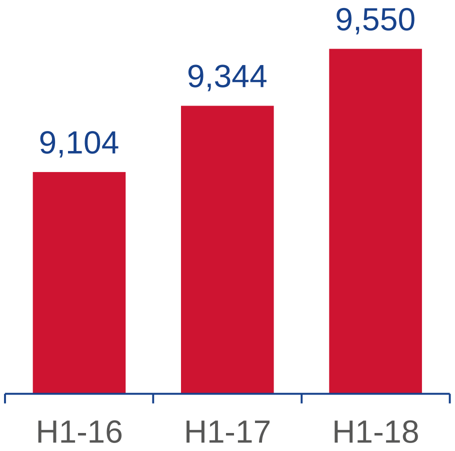
Operating income **€254m**
margin **2.7%** =

Capex **€100m**

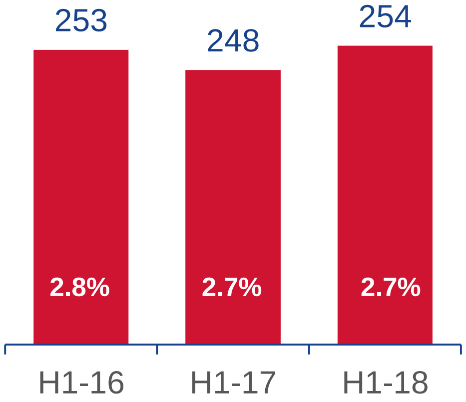
H1-18 vs H1-17

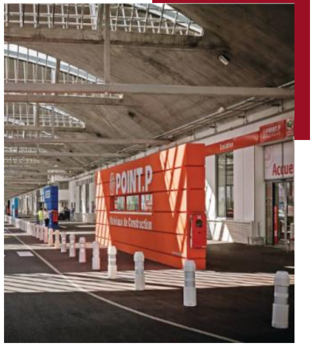


Sales (€m)



Operating income and margin (€m - %)





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1. HIGHLIGHTS
2. **H1 2018 RESULTS**
    1. GROUP
    2. BUSINESSES
    3. **REGIONS**
3. OUTLOOK AND ACTION PLAN FOR H2
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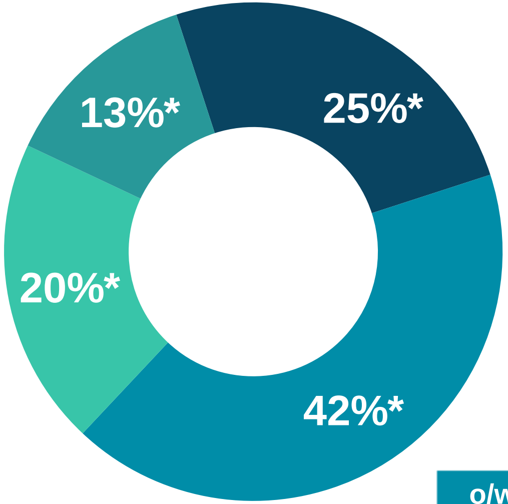
SALES TRENDS BY REGION

(% change in H1-2018/H1-2017 like-for-like sales)

+4.9%
like-for-like

North America
+9.4%

France
+3.1%



Asia & emerging countries
+8.2%

Other Western Europe
+3.6%

o/w:

Asia *(7%)*:	+4.5%
Latin America *(6%)*:	+12.5%
Eastern Europe *(5%):*	+6.6%
Africa & Middle East *(2%)*:	+16.0%

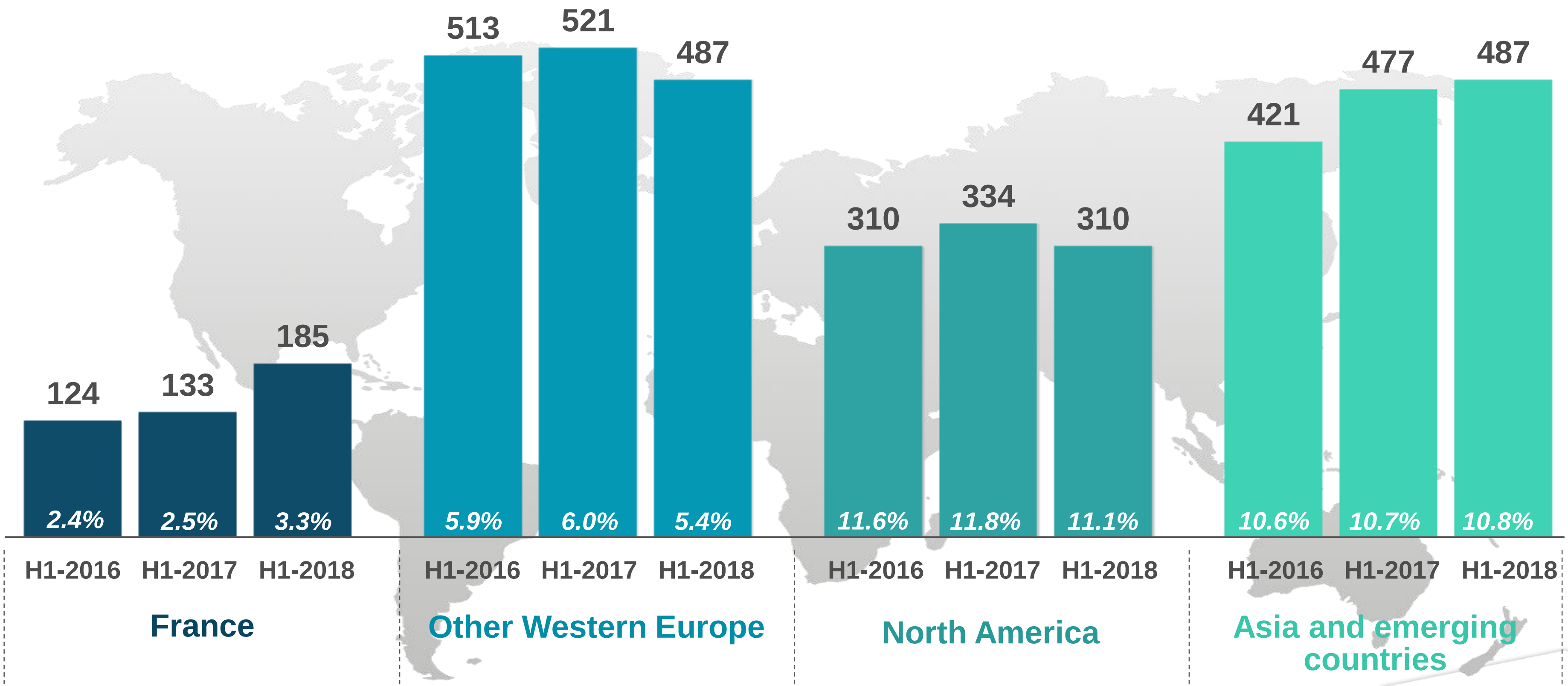
o/w:

Nordics *(13%)*:	+4.0%
UK *(10%)*:	+1.0%
Germany *(9%)*:	+1.3%
Southern Europe *(5%)*:	+8.5%

** breakdown of H1-2018 sales*

OPERATING INCOME BY REGION

(€m and % of sales)



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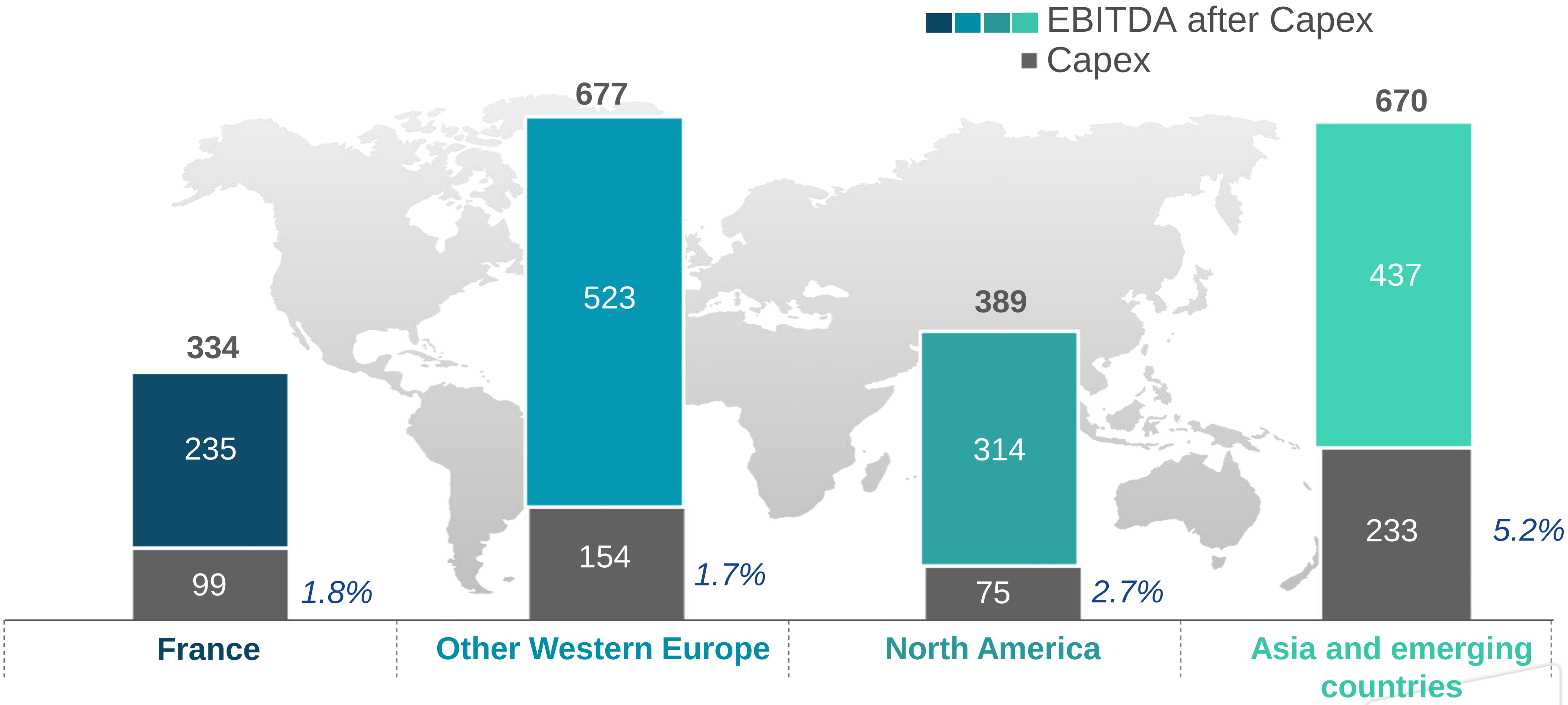
EBITDA AND CAPEX BY REGION

(H1-2018, €m and % of sales)



1. HIGHLIGHTS
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3. **OUTLOOK AND ACTION PLAN FOR H2**
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2018 OUTLOOK

ECONOMIC CLIMATE

- **France** to continue to enjoy robust momentum in construction markets
- Progression in **other Western European countries,** despite continued uncertainty in the UK
- Growth in **North America** in both construction markets and industry
- Good momentum in **Asia and emerging countries**

GROUP BUSINESSES

- **Innovative Materials:** continued growth and good margin level
- **Construction Products:** better volumes and prices; focus on the price-cost spread
- **Building Distribution:** should benefit from volume growth in Western Europe

2018 PRIORITIES

- **Focus on sales prices** amid continued inflationary pressure on costs
- **Continuation of the cost cutting program, targeting cost savings of around €300m over the year**, calculated on the 2017 cost base
- **Capital expenditure program of around €1.7bn** (representing around 4% of sales), with a focus on growth capex outside Western Europe and also on productivity (Industry 4.0) and digital transformation
- **Ongoing commitment to invest in R&D** to support our differentiated, high value-added strategy
- **Focus on high free cash flow generation**

Saint-Gobain confirms its objective for full-year 2018 of a like-for-like increase in operating income and for the second half expects the like-for-like increase to be clearly above the level achieved in the first half

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1. HIGHLIGHTS
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4. **STRATEGY**

STRATEGY

3 action priorities:

1. *Divestment program*
2. *Targeted, value-creating acquisitions*
3. *Enhanced organizational agility*

AGILE AND VALUE-CREATING PORTFOLIO MANAGEMENT

Divestments: objective of at least €3bn in sales divested by the end of 2019

2013-2017

- €4.8bn in sales divested including Verallia

By the end of 2019

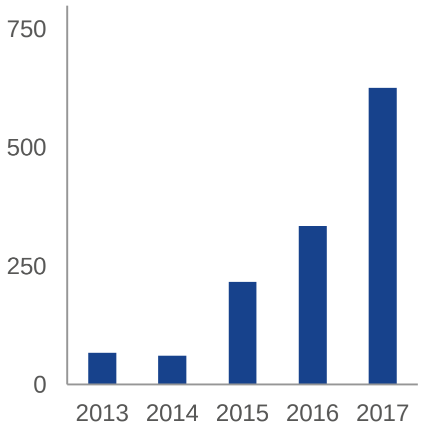
- **At least €3bn** in sales divested
- **Positive impact of around 40bps** on the operating margin
- Announcements as and when divestments take place

Focus the Group on a coherent, value-creating portfolio of businesses

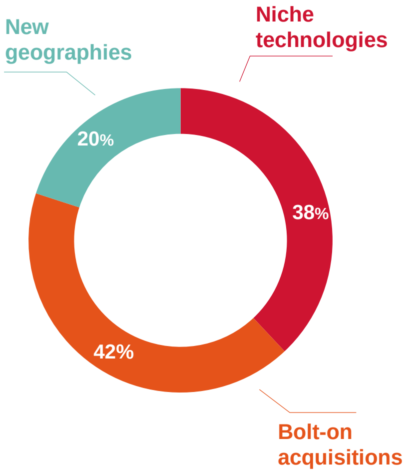
AGILE AND VALUE-CREATING PORTFOLIO MANAGEMENT

2013-2017: 96 acquisitions representing €1.5bn in acquired enterprise value

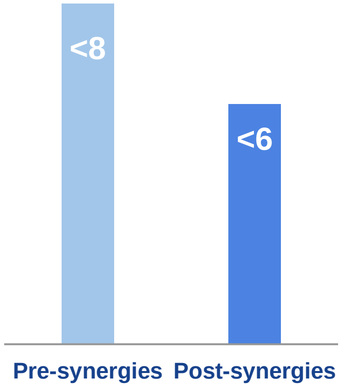
Acquisitions (€m)



By category



Average EBITDA multiple



Since 2013, steady acceleration in strategic acquisitions with very attractive financial terms

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AGILE AND VALUE-CREATING PORTFOLIO MANAGEMENT

H1 2018: €356m in investments excluding Sika for 13 acquisitions
+162% vs H1 2017

Niche technologies	New geographies	Bolt-on acquisitions
Example: Logli Massimo ***Flat Glass*** Italy	**Example: KIMMCO** ***Interior Solutions*** Kuwait	**Example: Per Strand** ***Building Distribution*** Norway
		
Product differentiation and rapid capacity for innovation	**Entry into a fast-growing market**	**Local leadership in northern Norway**

More than €500m in acquisitions on average per year 2018-2020

REVIEW OF THE GROUP'S ORGANIZATIONAL STRUCTURE: THE NEEDS OF OUR CUSTOMERS AND OUR MARKETS

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REVIEW OF THE GROUP'S ORGANIZATIONAL STRUCTURE

- **Alignment to the needs of our customers and our markets**: greater priority given to the regional dimension in construction, while maintaining **business synergies**
- Incorporating **digital transformation**
- **Simplifying** decision-making processes and **increasing efficiency and agility**
- **Objectives:**
  - **Presentation of the new organizational structure before the end of the year**
  - **Reduction in central costs**

Increase the organization's flexibility, agility and proximity to its markets

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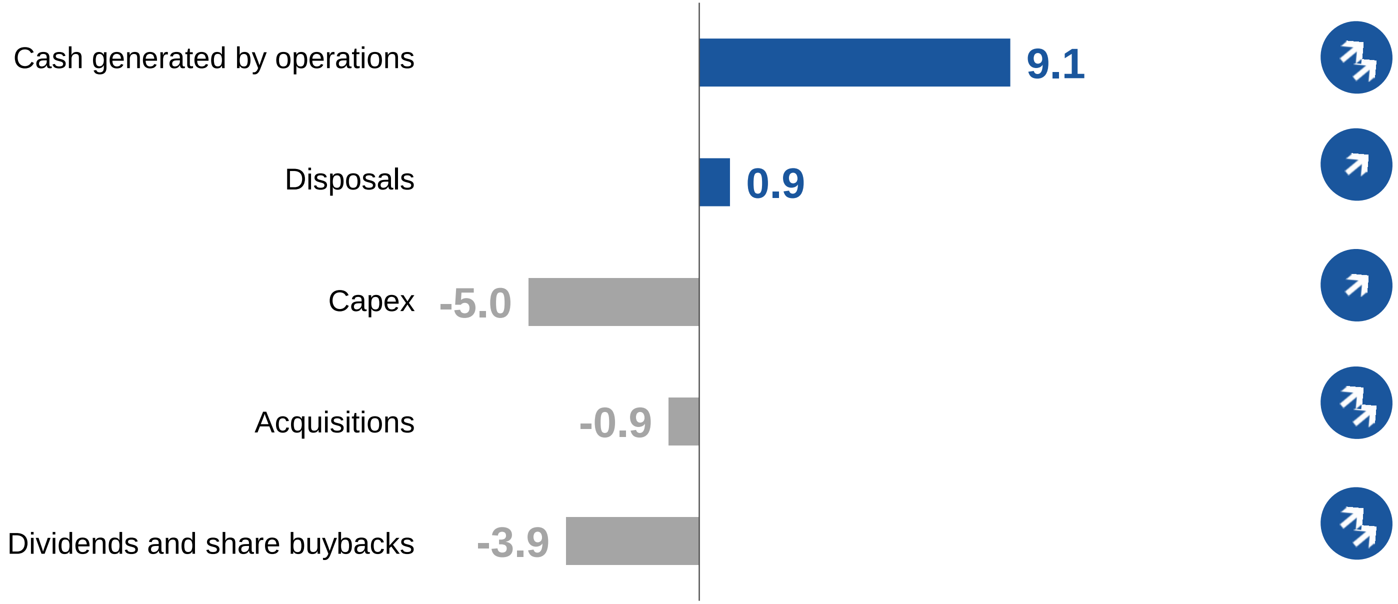
CASH ALLOCATION POLICY as mentioned during the 2017 Investor Day

Cash allocation 2013 – 2016
Excluding Verallia

2017-2020 TREND

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MATERIALS THAT POWER LIFE

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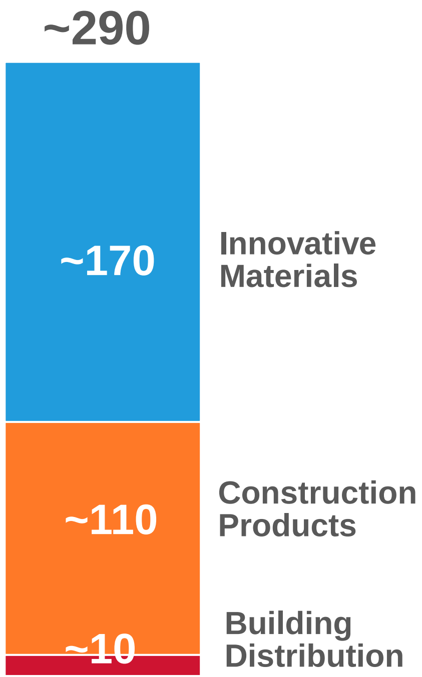
COST CUTTING PROGRAM

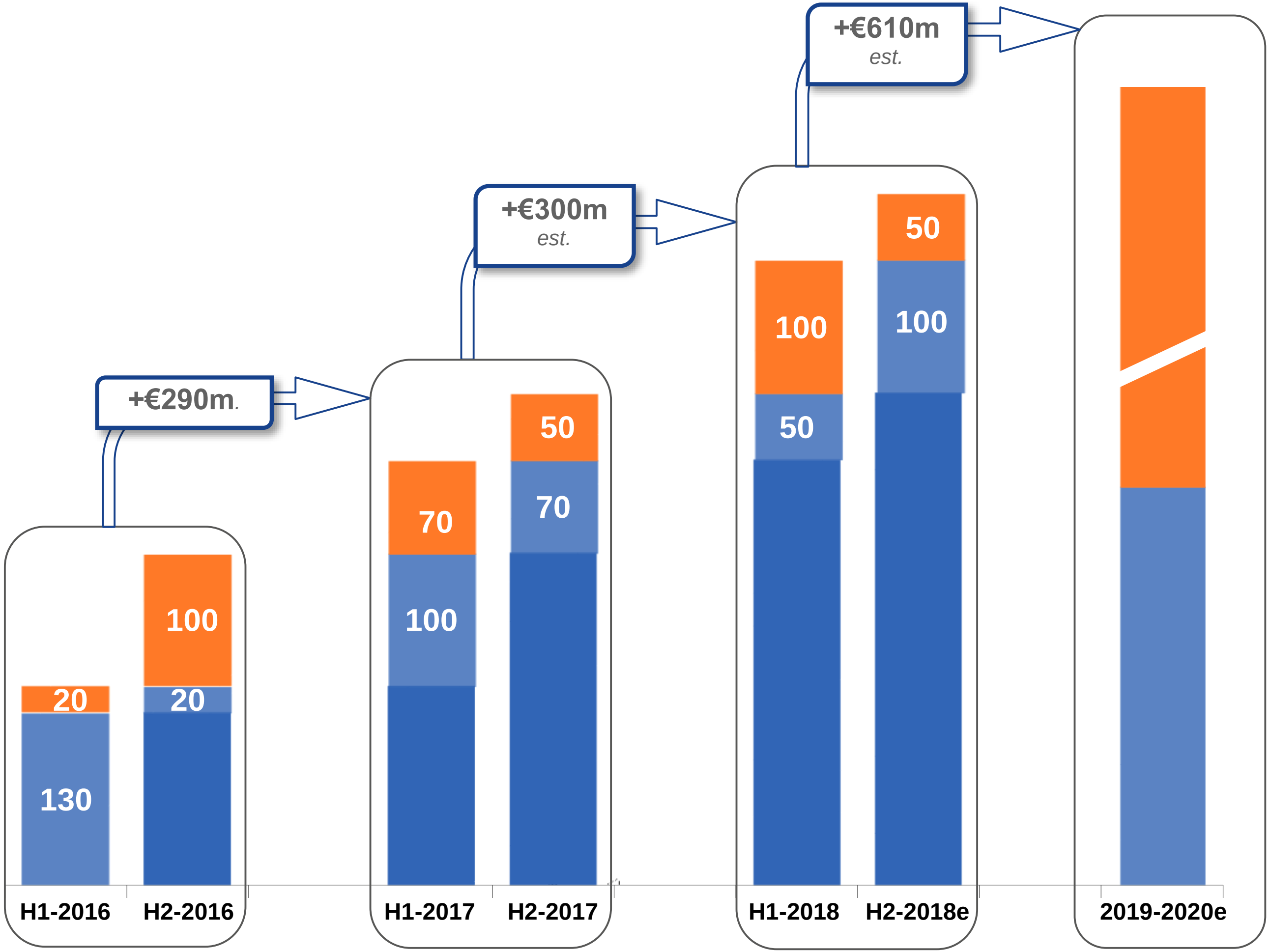
€290m in cost savings in 2017 *(calculated on the 2016 cost base)*

Breakdown by Business Sector



Breakdown by type

2016-2020 COST CUTTING PROGRAMS



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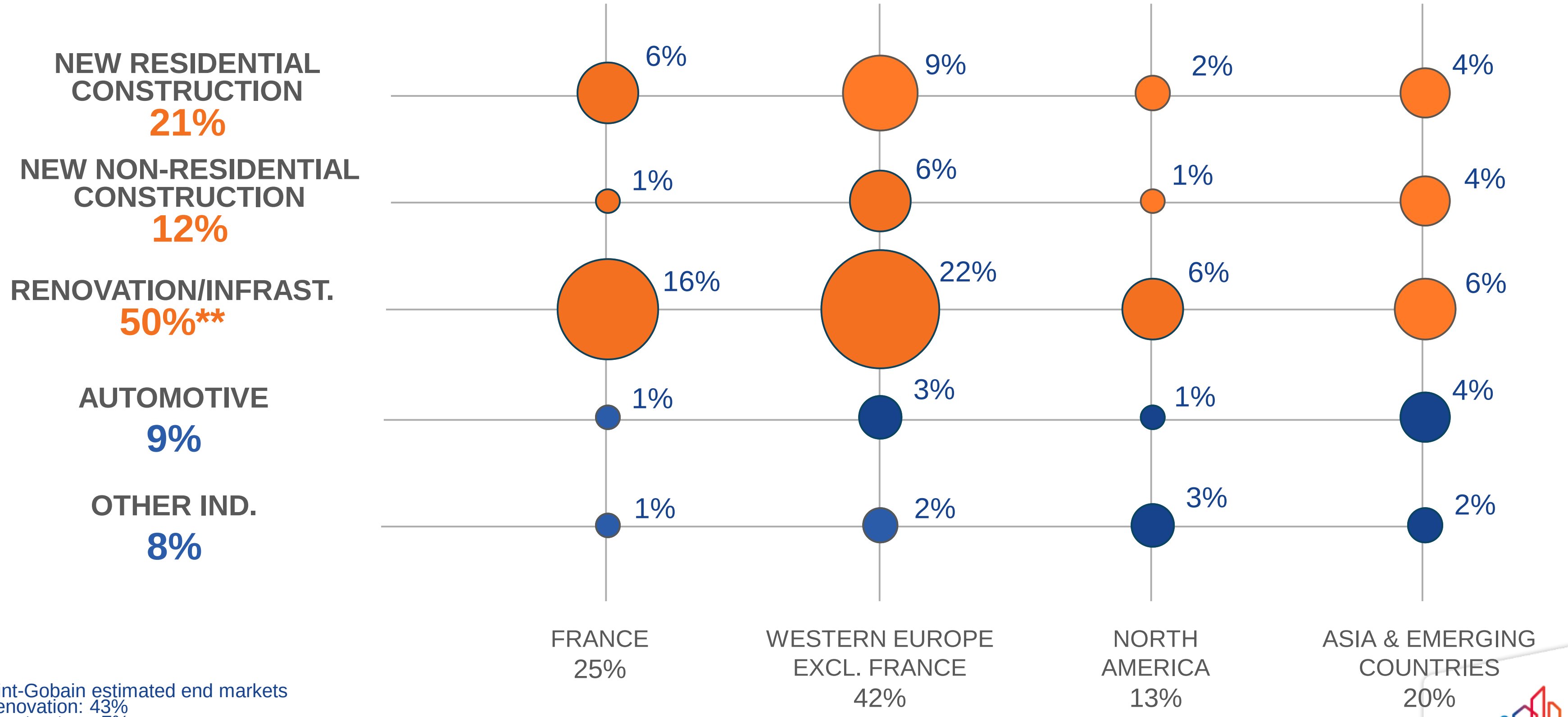
ATTRACTIVE POSITIONING FOCUSED ON RESIDENTIAL CONSTRUCTION AND RENOVATION*

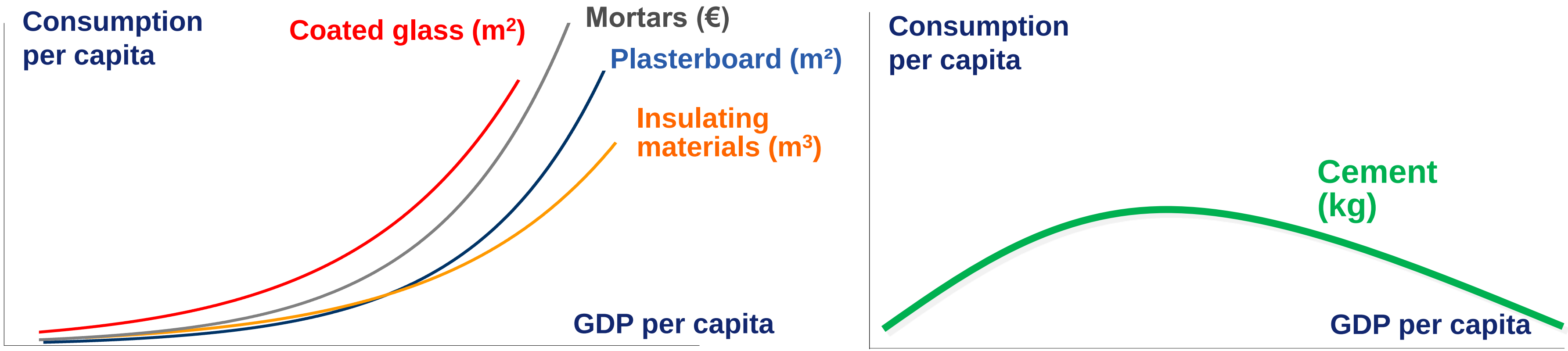


* Saint-Gobain estimated end markets
** Renovation: 43%
Infrastructure: 7%

UNIQUE, ATTRACTIVE POSITIONING GROWING MARKETS

- Technical solutions for tomorrow's homes

CONSUMPTION PER CAPITA BASED ON WEALTH



- Solutions promising energy efficiency for buildings