





H1 2019 Results and Outlook

July 26, 2019



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1. **H1 2019 HIGHLIGHTS**
 2. H1 2019 RESULTS
 3. UPDATE ON THE “TRANSFORM & GROW” PROGRAM
 4. OUTLOOK

H1 2019 KEY FIGURES

Sales
€21.7bn

Actual

+4.3%

Like-for-like

+3.5%



Operating income
€1,638m

Actual

+8.2%

Like-for-like

+8.3%



Operating margin: 7.6%, +30 bp

Recurring net income
€944m

EPS: €1.74, +17.6%

Actual

+16.7%



EBITDA
€2,417m

+8.4%



Net debt
€12,617m

2.6x
EBITDA



Changes based on H1-19 vs H1-18 restated for IFRS 16

HIGHLIGHTS

- » Organic growth at 3.5% with prices up 2.3%
- » Strong 8.3% like-for-like increase in operating income. Gain of 30 bp in operating margin to 7.6%
- » “Transform & Grow” program **ahead of schedule**
 - » **Ahead of our growth synergies:** numerous growth initiatives launched
 - » **Ahead of our savings target:** raised to >€80m in 2019 (versus an initial target of >€50m)
 - » **Ahead of our divestment target:** >€2.8bn sales divested (completed or signed)
- » Strong increase in free cash flow generation, up 40%
- » Steep increase in recurring net income, up 16.7%, and in recurring EPS, up 17.6%



1. H1 2019 HIGHLIGHTS

2. **H1 2019 RESULTS**

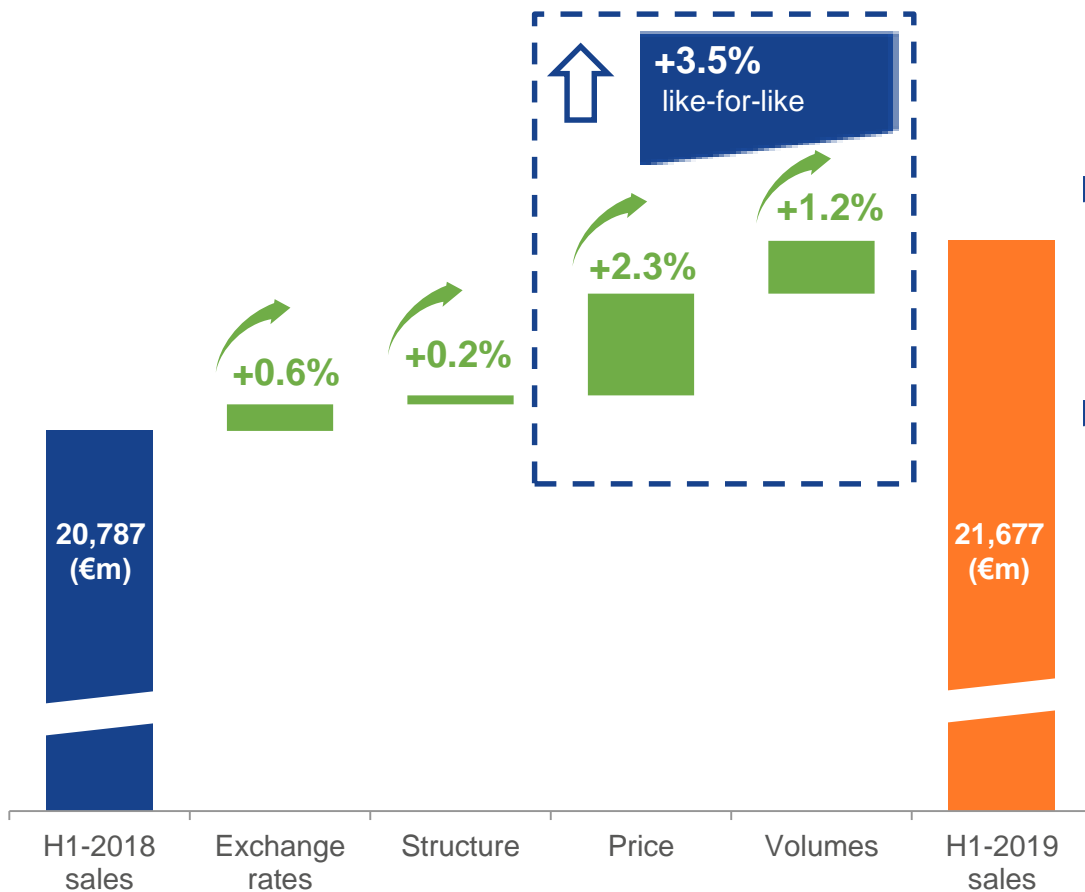
1. **GROUP**

2. SEGMENTS

3. UPDATE ON THE “TRANSFORM & GROW” PROGRAM

4. OUTLOOK

ORGANIC GROWTH AT 3.5%

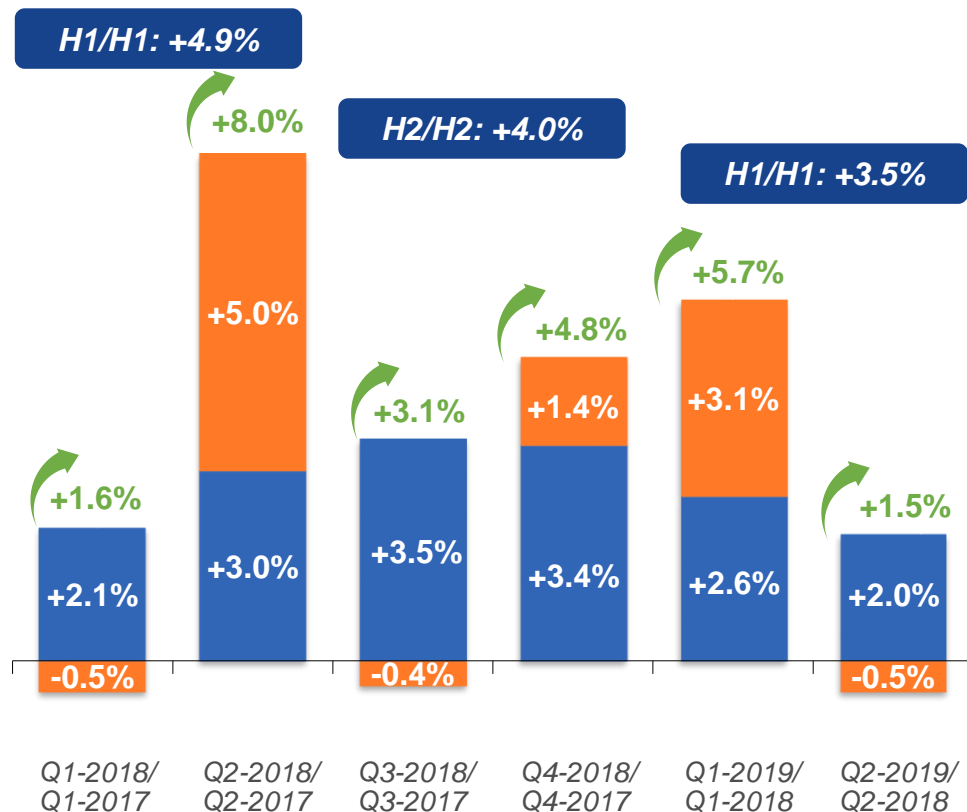


Group +4.3%
actual

- **Exchange rates:** appreciation of **US dollar** but depreciation of **Brazilian real**, **Nordic krona** and other **emerging country** currencies
- **Structure**
Divestments: Pipe China (Xuzhou), silicon carbide, glazing installation operations in the UK and glass processing in Sweden and Norway
Acquisitions: Join Leader, Kaimann, Hunter Douglas

PRICES UP 2.3% AND VOLUMES UP 1.2%

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



Prices



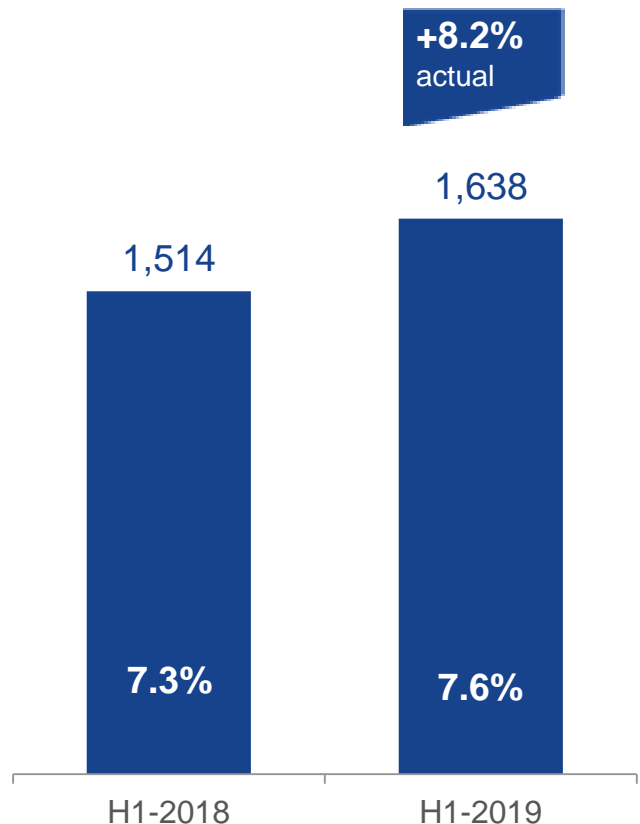
Volumes



- **Prices held firm** in a less inflationary environment: expected increase in input costs between €450m-€500m in 2019 versus around €600m in 2018
- **Volumes:** estimated negative 1% calendar impact in Q2

OPERATING INCOME UP 8.3% LIKE-FOR-LIKE

(Operating income in €m and % of sales)



- +30 bp improvement in operating margin
- Positive price/cost spread
- Positive €35m impact of “Transform & Grow” cost savings on operating income
- Around €155m in cost savings generated by the operational excellence program

BUSINESS INCOME UP 7.5%

€m	H1-2018	H1-2019	H1-2019/ H1-2018
Operating income	1,514	1,638	+8.2%
Non-operating costs	(53)	(168)	
- o/w Sika	180		
Disposal gains (losses)	(27)	(16)	
Asset write-downs and other	(268)	(201)	
Business income	1,166	1,253	+7.5%

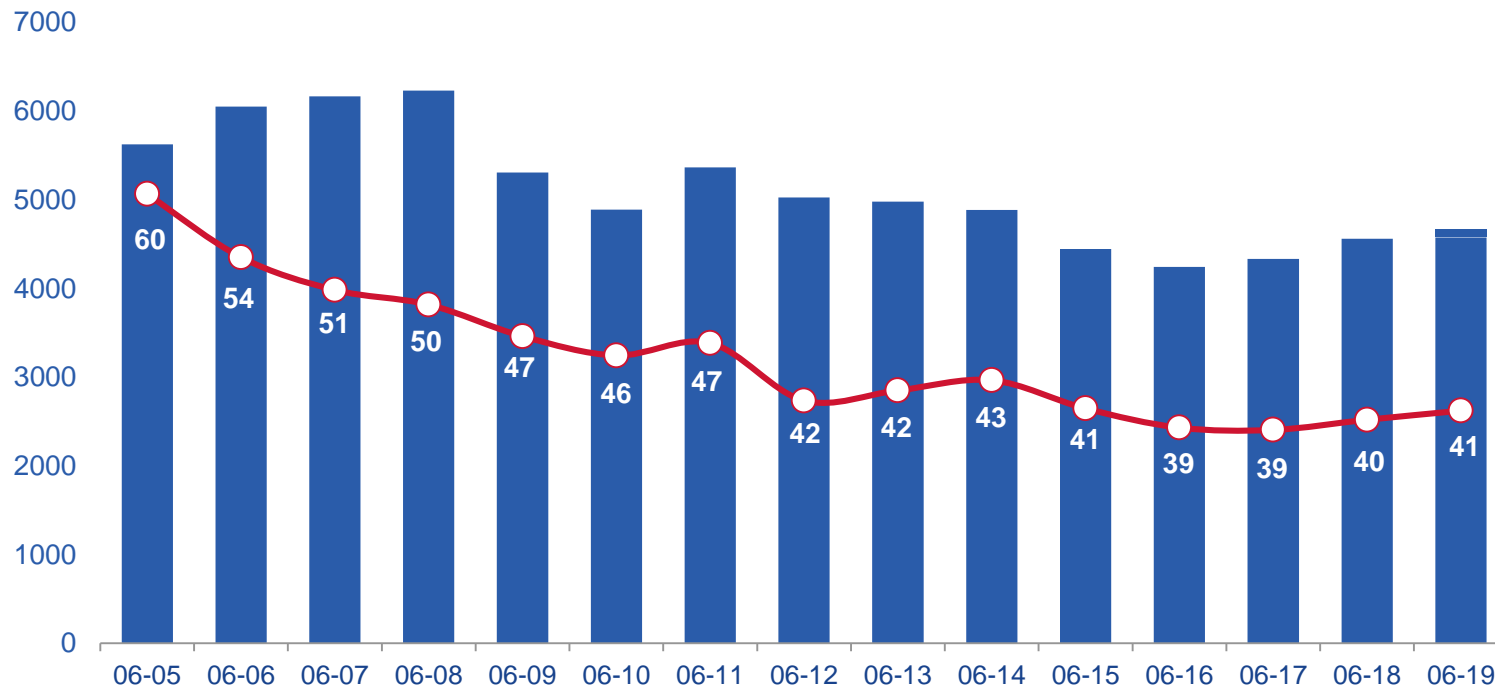
Operating income	1,514	1,638	+8.2%
Operating depreciation and amortization	949	947	
Non-operating costs excl. Sika	(233)	(168)	
EBITDA	2,230	2,417	+8.4%

RECURRING NET INCOME UP 16.7% AND RECURRING EPS UP 17.6%

€m	H1-2018	H1-2019	H1-2019/ H1-2018
Business income	1,166	1,253	+7.5%
Net financial income (expense)	354	(222)	
- o/w Sika	601	28	
- o/w finance costs	(247)	(250)	
Average cost of gross debt (at June 30)	2.5%	2.2%	
Income tax	(266)	(318)	
Tax rate on recurring net income	25%	25%	
Net attributable income	1,227	689	
Recurring net income	809	944	+16.7%
Recurring EPS (€)	1.48	1.74	+17.6%

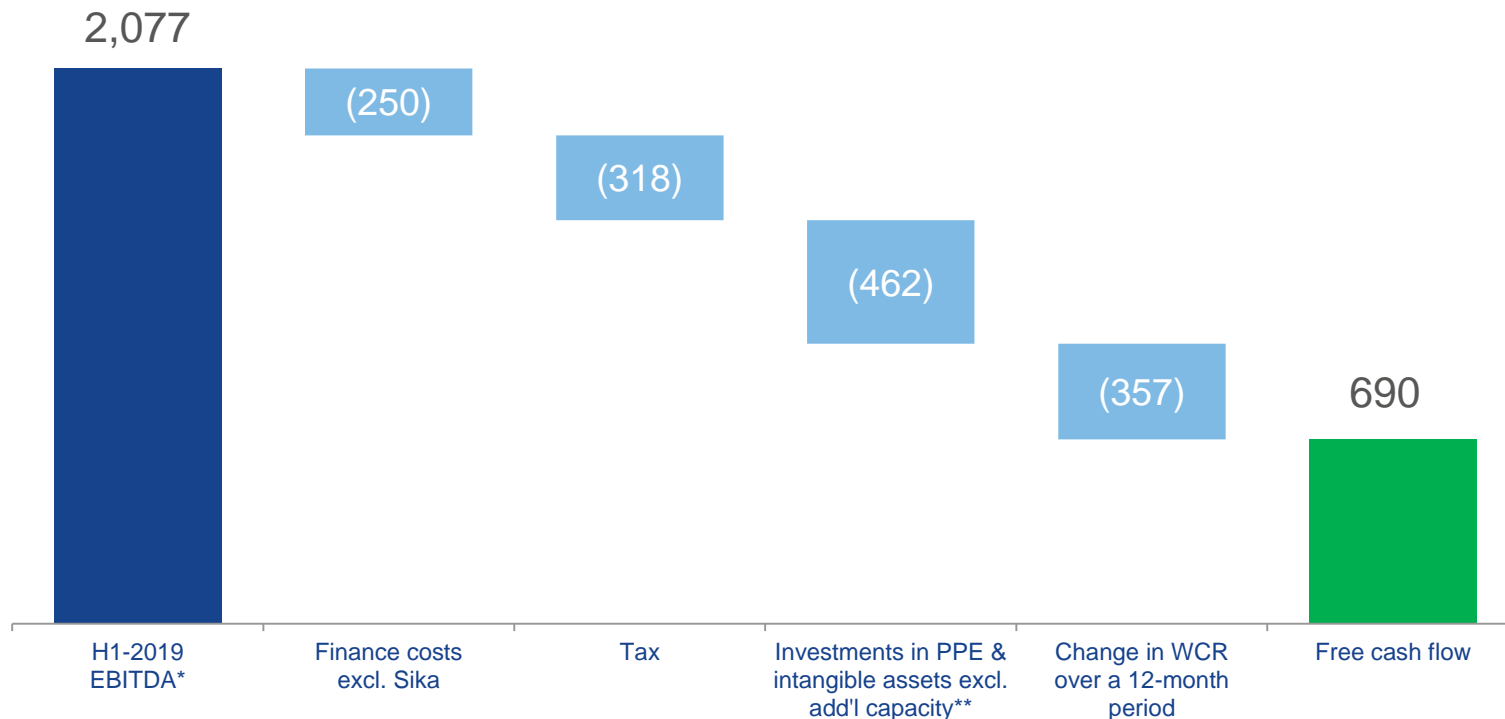
SLIGHT INCREASE IN OPERATING WORKING CAPITAL, BUT STABLE AT CONSTANT EXCHANGE RATES

(at June 30, €m and no. of days)



FREE CASH FLOW UP 40% WITH A CASH CONVERSION RATIO OF 33%

(€m)

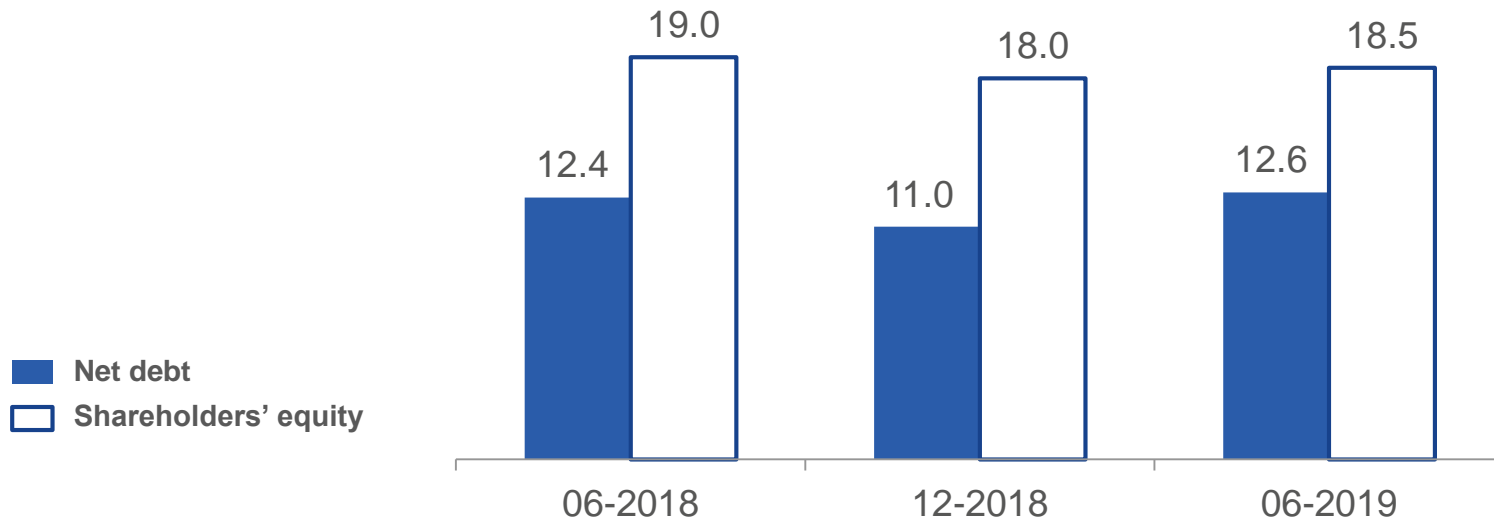


* EBITDA less depreciation of right-of-use assets: €2,417m - €340m = €2,077m

** Investments in PPE and intangible assets = €682m, including €220m in **additional capacity investments linked to organic growth**

STABLE CREDIT RATING

(€bn)



Net debt/shareholders' equity	65%	61%	68%
Net debt/EBITDA (*)	2.7	2.4	2.6

Rating: BBB/Baa2

* EBITDA over a 12-month period
IFRS 16: estimated restatement at end-June 2018



1. H1 2019 HIGHLIGHTS

- 2. H1 2019 RESULTS**

1. GROUP

- 2. SEGMENTS**

3. UPDATE ON THE “TRANSFORM & GROW” PROGRAM

4. OUTLOOK

NEW REPORTING SEGMENTS ALIGNED WITH THE NEW CUSTOMER-ORIENTED, LEAN AND AGILE ORGANIZATION

High Performance Solutions

Northern Europe

Southern Europe -
ME & Africa

Americas

Asia-Pacific

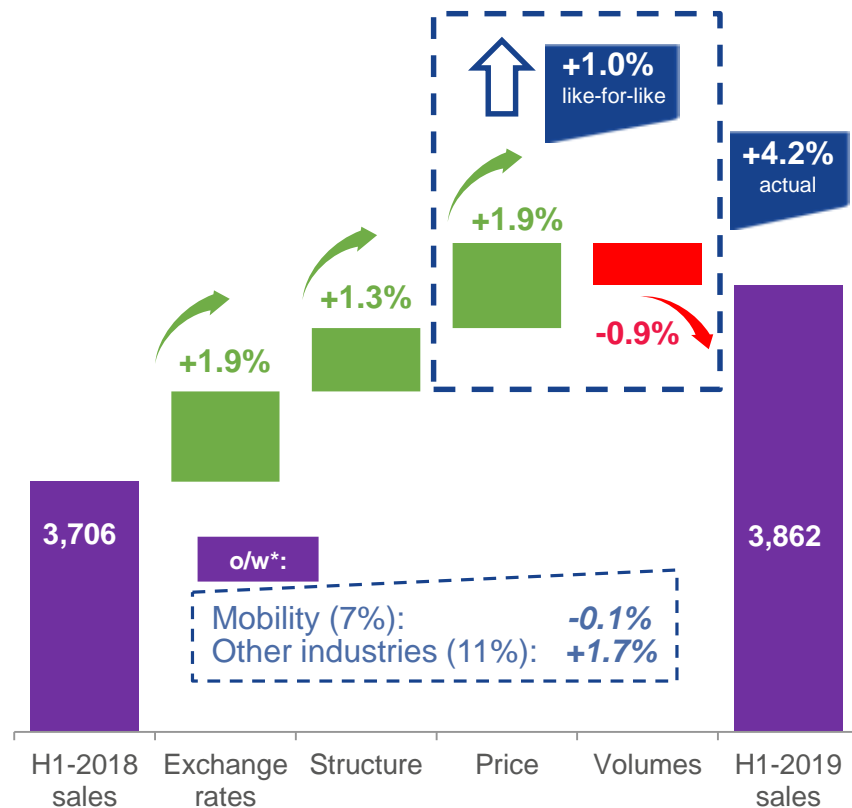


HIGH PERFORMANCE SOLUTIONS
ORGANIZED BY MARKET FOR GLOBAL
CUSTOMERS

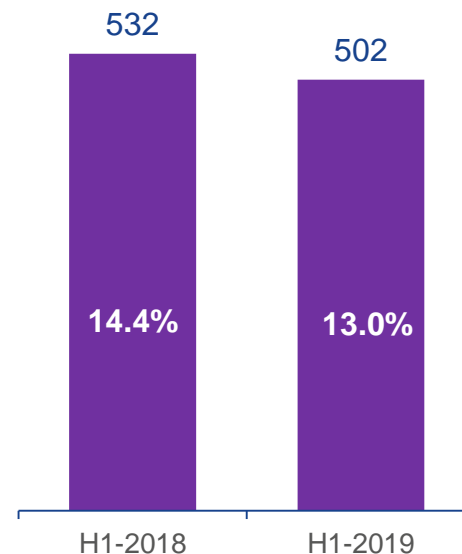
REGIONAL ORGANIZATION BY COUNTRY FOR LOCAL CONSTRUCTION MARKETS

HIGH PERFORMANCE SOLUTIONS: SOLID RESULTS

Sales (€m)



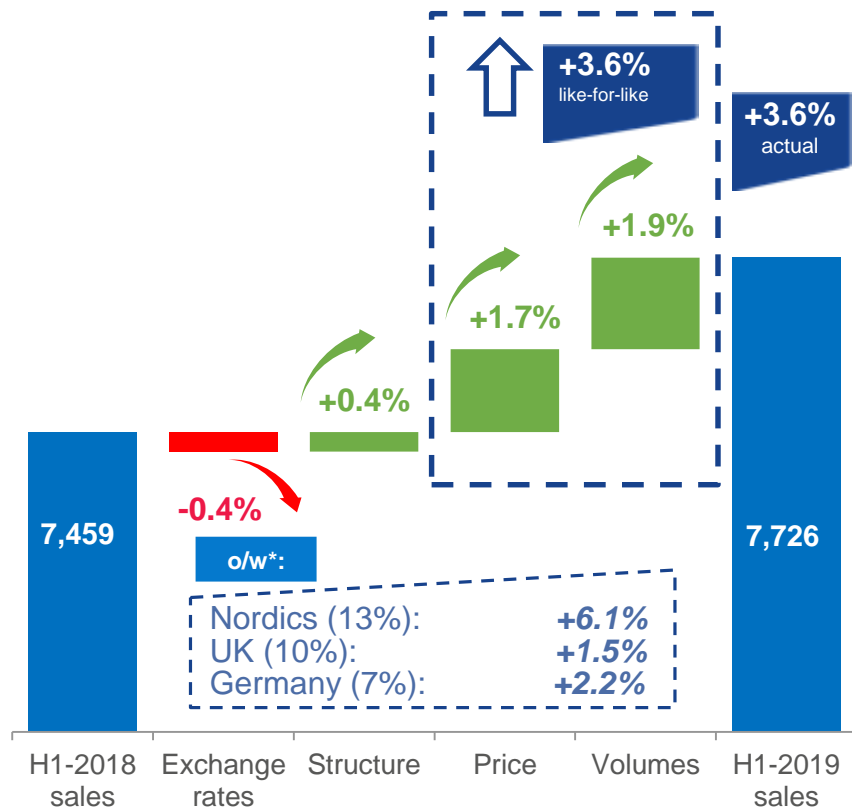
Operating income (€m) and margin (%)



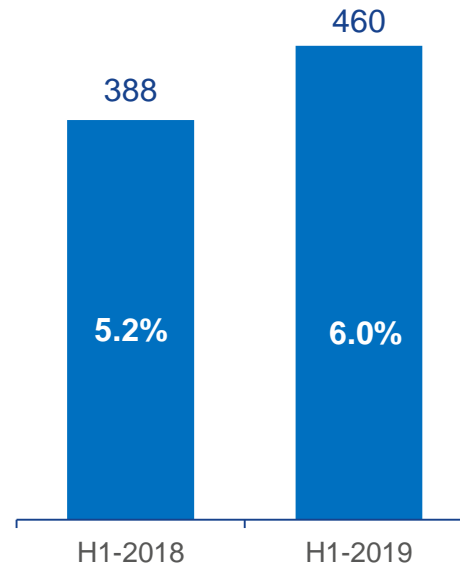
Operating margin: +60bp
versus H2-2018 (12.4%)

NORTHERN EUROPE: STRONG MARGIN GROWTH

Sales (€m)

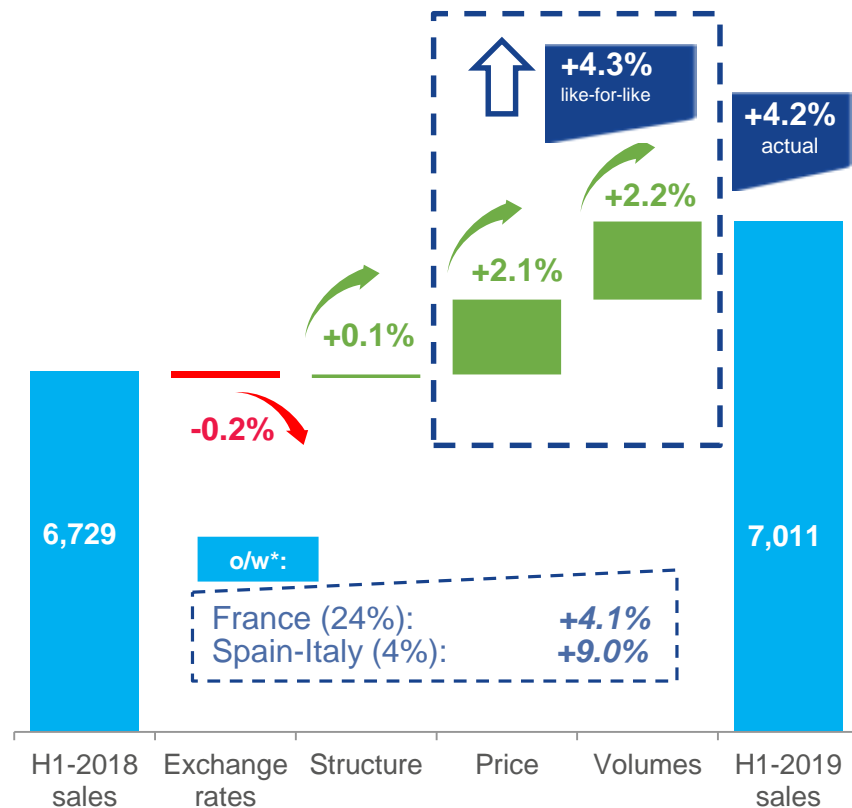


Operating income (€m)
and margin (%)

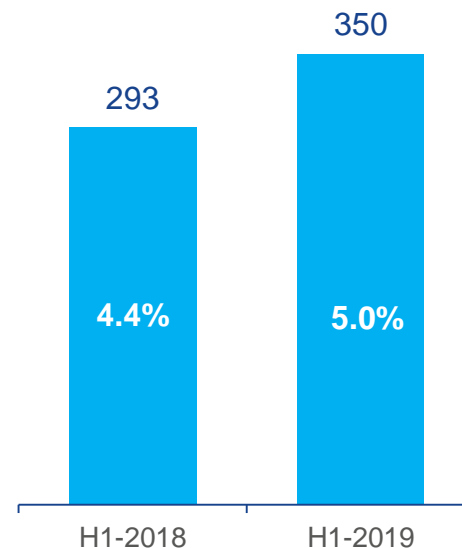


SOUTHERN EUROPE - ME & AFRICA: CLEAR MARGIN GROWTH

Sales (€m)

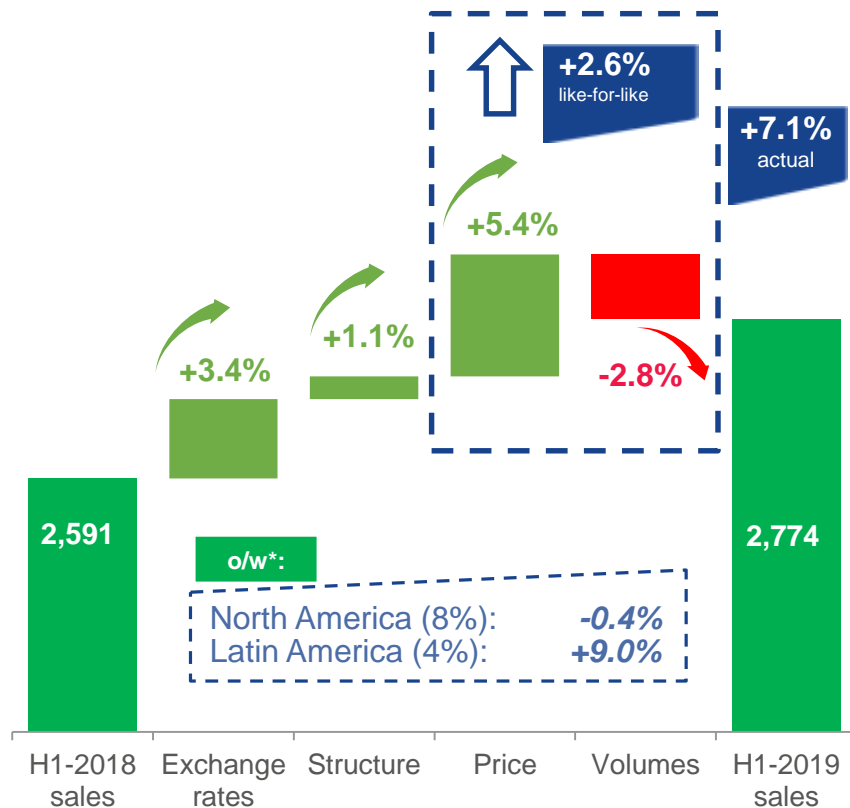


Operating income (€m)
and margin (%)

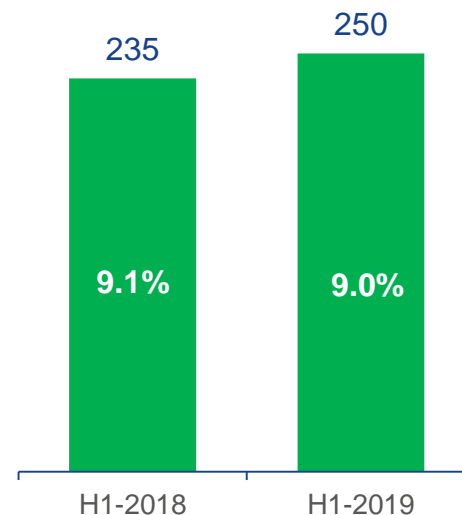


AMERICAS: STABLE MARGIN

Sales (€m)

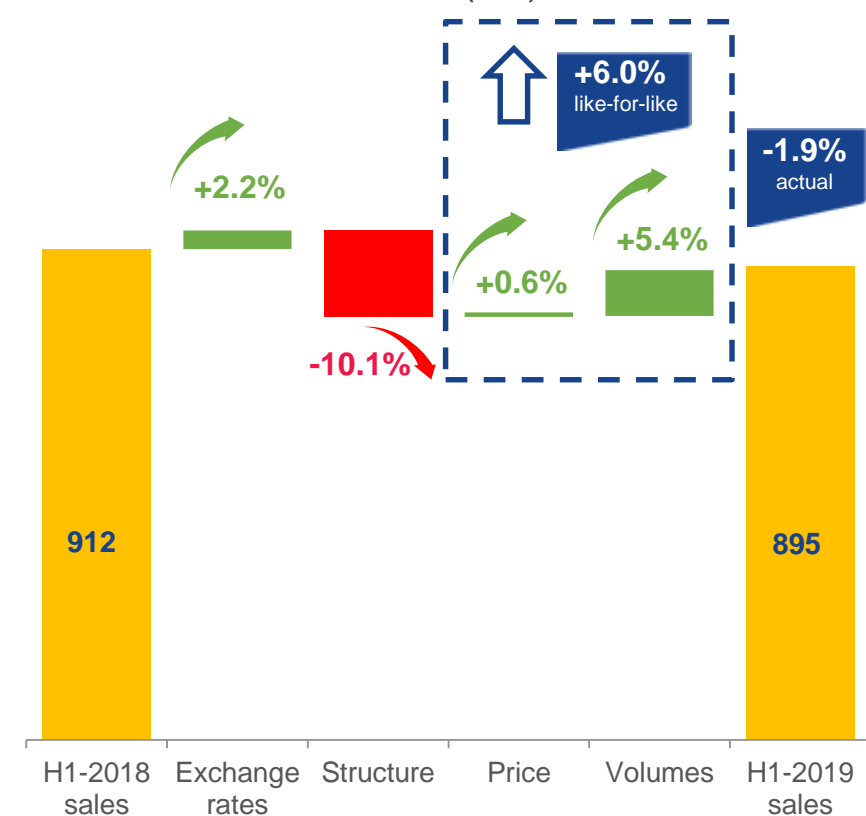


Operating income (€m)
and margin (%)

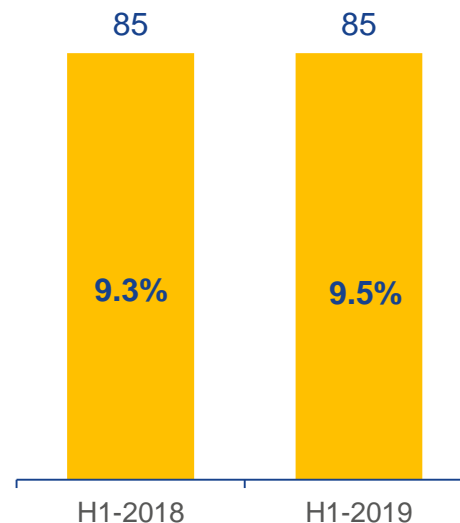


ASIA-PACIFIC: SLIGHT MARGIN PROGRESSION

Sales (€m)



Operating income (€m)
and margin (%)



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A PLAN STRUCTURED AROUND TWO PILLARS



**A customer-oriented,
lean and agile
organization**

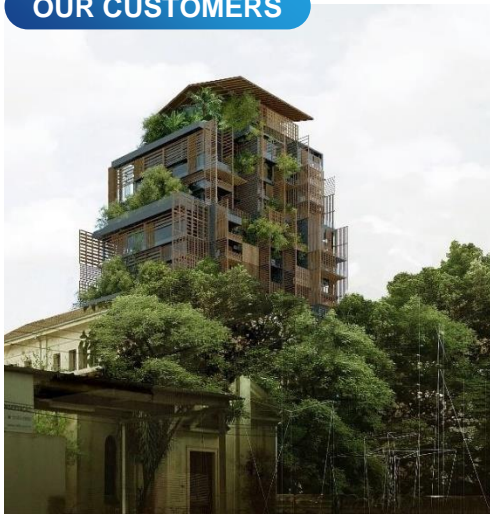


**An active and value-
creating portfolio
management**

SYNERGIES TO ACCELERATE GROWTH

**IMPROVED EFFICIENCY
TO SERVE**

OUR CUSTOMERS

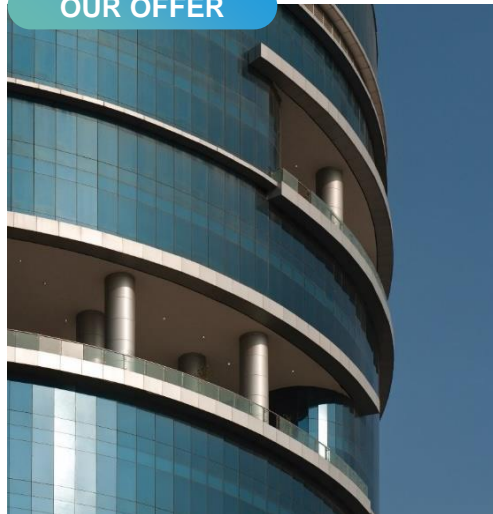


**In Brazil: sales teams for each
sales channel**



**ACCELERATED
DEVELOPMENT OF**

OUR OFFER



**In India: a leading role for Glass in
business referrals, benefiting our
entire offer**



**FURTHER INNOVATION
& CO-DEVELOPMENT**



**An integrated team
to serve the aerospace market**



IN-DEPTH CULTURAL CHANGE

Committed teams



- ▶ **80%** of CEOs native to their country
- ▶ Empowering incentives

Agile operating processes



- ▶ Simplification of internal processes
- ▶ Quick decisions close to the field

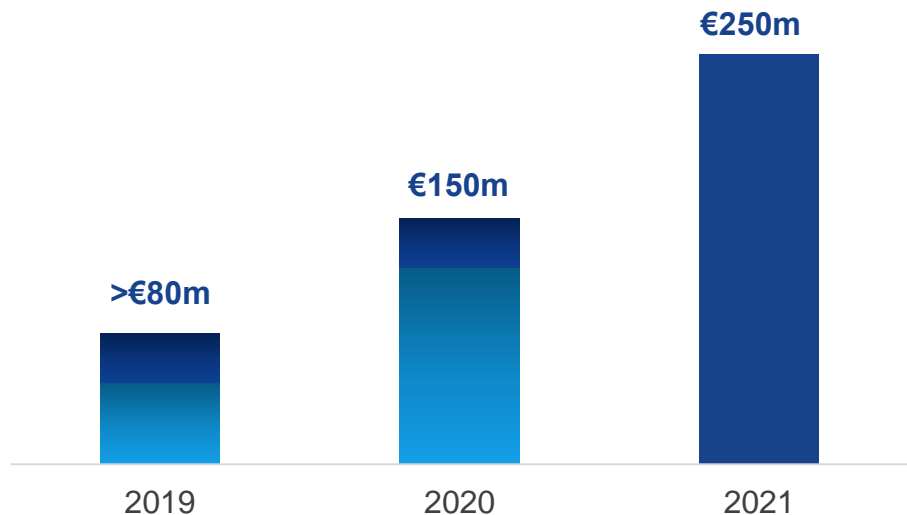
Strong buy-in



- ▶ **76%** of staff convinced that “Transform & Grow” will bring **more growth and profitability**

FASTER THAN EXPECTED DEPLOYMENT

Accelerated “Transform & Grow” savings



- **>€80m in savings in 2019** (>€50m announced)
of which €35m at end-June
- **2020 target: €150m** (€120m announced)

Additional operational levers



Streamlined organizations



Leaner central and support functions



Synergies and optimization within countries and markets

1,000 operational levers identified
(700 in February)

DIGITAL TRANSFORMATION WELL UNDERWAY



Customer services

Industry 4.0

Digital construction

New ways of working



AGILE AND EFFECTIVE OPERATIONAL EXCELLENCE PROGRAMS



Sekurit plant in Mexico



Vaujours gypsum plant in France



Brodrene Dahl logistics center in Norway



Express delivery by La Plateforme du Bâtiment in France



Excellence at the heart of our operations

- Industrial performance
- Logistics efficiency
- Procurement savings

INVESTMENTS FOCUSED ON GROWTH



New adhesives coating line for electric vehicle batteries in **China**



Extension of an Industry Construction site in **Mexico**



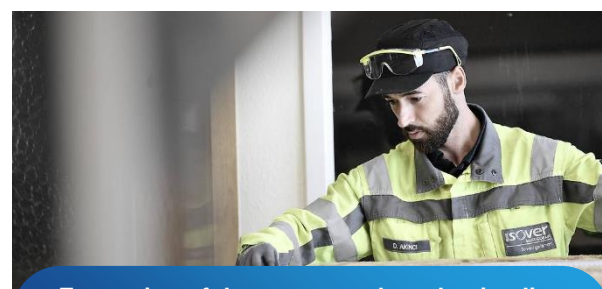
5th Mortars plant in **Indonesia**



New facility for the **Life Sciences** market in South Korea



+4 Mortar lines in **Africa** (13 in total) Ethiopia, Angola, Zimbabwe, Ghana



Expansion of the stone wool production line in **Romania**

SWIFT EXECUTION OF PORTFOLIO MANAGEMENT

Divestments

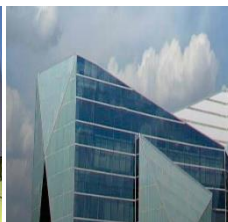
>€2.8bn in sales (closed or signed) at end-July



Pipe China,
Xuzhou plant



Glassolutions
United Kingdom,
Sweden-Norway



Silicon carbide



Building
Distribution
Germany



DMTP
France



Optimera
Denmark

Acquisitions

10 at end-July



Plaka Comex
(Mexico)

Aswell
(Argentina)

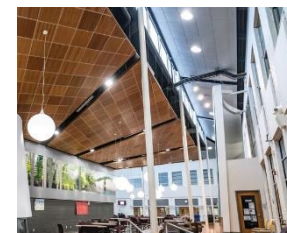
Gypsum





Pritex
(Mobility)



American Seal &
Engineering Co.
(Mobility)



Norton Ceilings
(North America)

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“TRANSFORM & GROW” CONCLUSION

- » Ahead of our growth synergies
- » Ahead of our €250m savings target by 2021:
 - ➔ +60 bp operating margin impact
- » Ahead of our divestment target of >€3bn in sales by the end of 2019:
 - ➔ already >+40 bp full-year operating margin impact

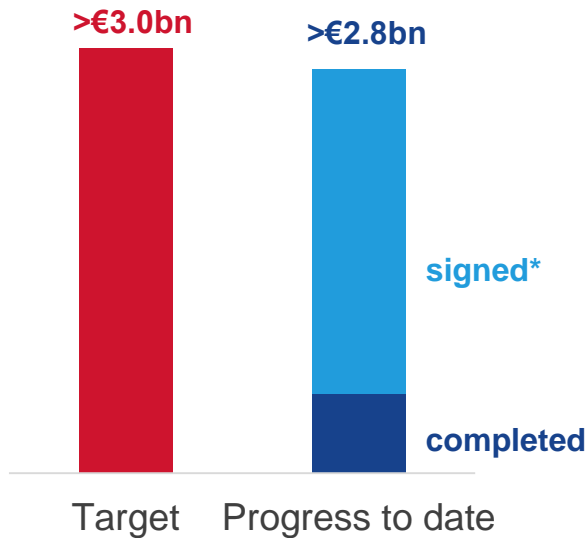


SIGNIFICANT ACCELERATION IN GROWTH

**>100 BP INCREASE
IN OPERATING MARGIN BY 2021**

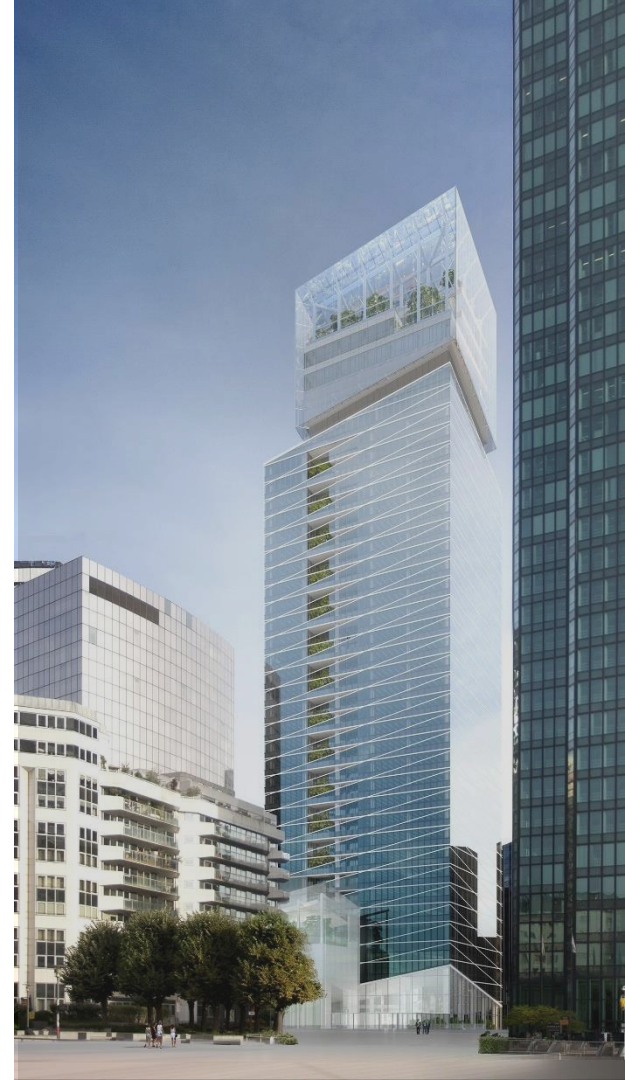
EXTENDED REVIEW OF OUR PORTFOLIO

Divestment program



- **Continuation of the strategic review without any taboos** within the scope of the new organization, which will lead to an **additional dynamic of divestments and acquisitions**

* Including the start of exclusive negotiations for the sale of DMTP in France



OUTLOOK

- **High Performance Solutions:** industrial markets should remain satisfactory, particularly in the US, despite the contraction in the automotive market in Europe and China
- **Northern Europe:** should progress despite a tougher environment in the UK
- **Southern Europe - Middle East & Africa:** overall growth expected for the region, with for the second half a lower contribution from new construction and a solid renovation market, in particular in France
- **Americas:** stabilization in North America and a more uncertain environment in Latin America
- **Asia:** further growth

2019 PRIORITIES

- **Focus on sales prices**
- **Continuation of the cost cutting program, targeting cost savings of around €300m over the year** (calculated on the 2018 cost base), in addition to **more than €80m in 2019** as part of the “Transform & Grow” program
- **Investments in property, plant and equipment and intangible assets** close to the 2018 level, with a focus on growth capex outside Western Europe and also on productivity and continued digital transformation
- **Ongoing commitment to invest in R&D** to support our differentiated, high value-added strategy
- **Focus on high levels of free cash flow generation**

Saint-Gobain confirms its objectives for full-year 2019 and for the second half expects a like-for-like increase in operating income compared to second-half 2018





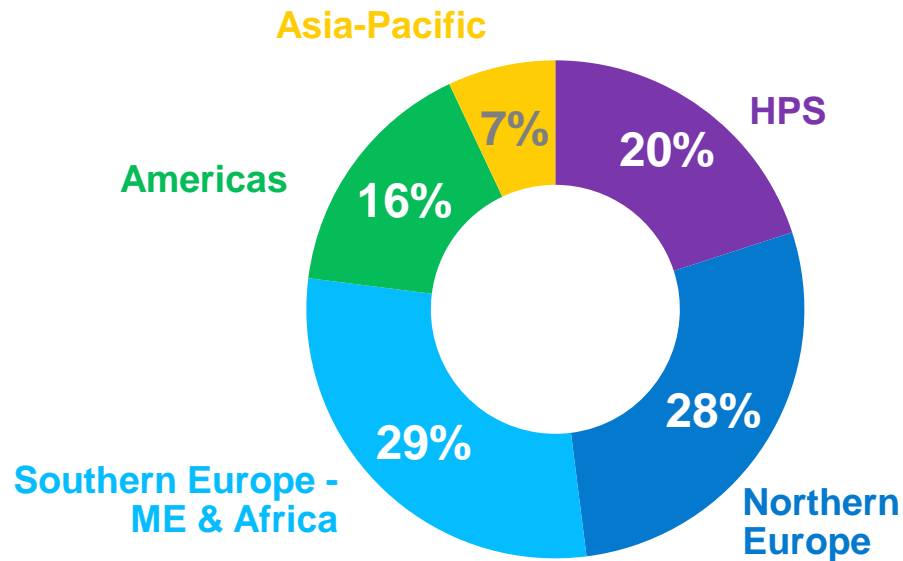
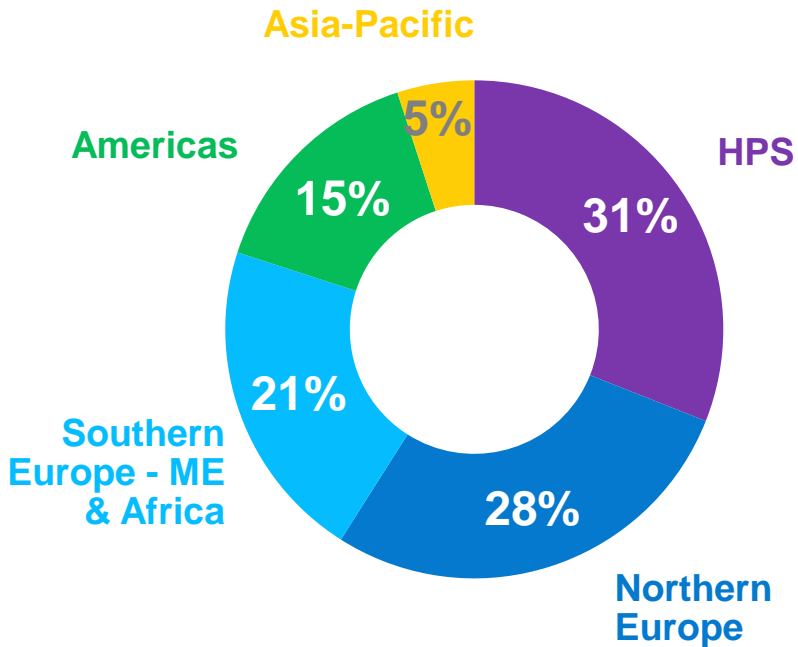
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OPERATING INCOME AND INDUSTRIAL ASSETS BY SEGMENT

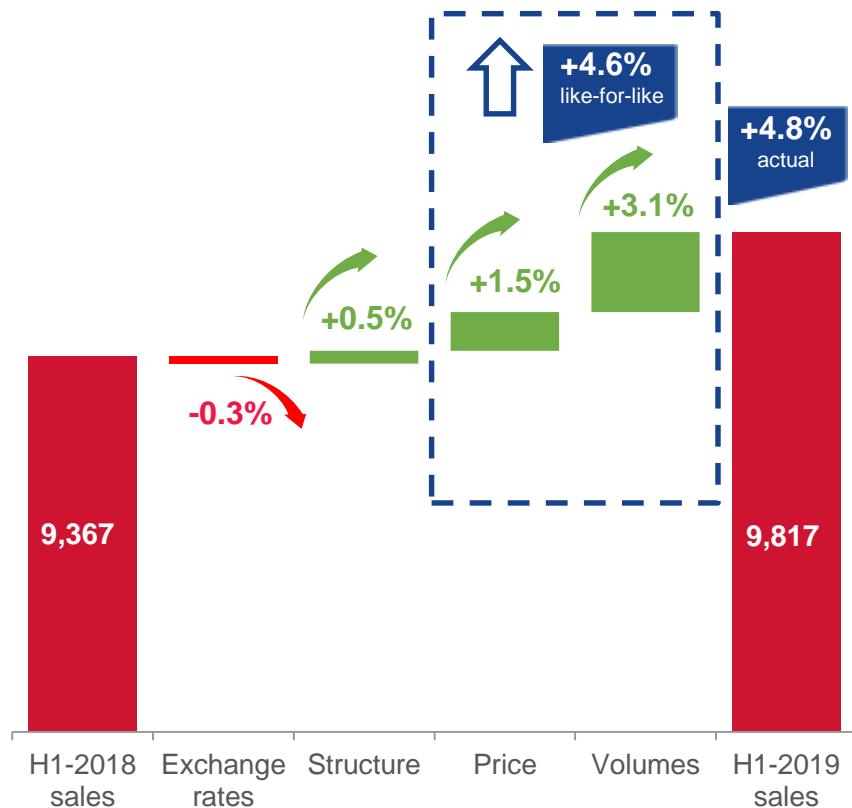
Breakdown of H1-2019
Operating income

Industrial assets
at June 30, 2019

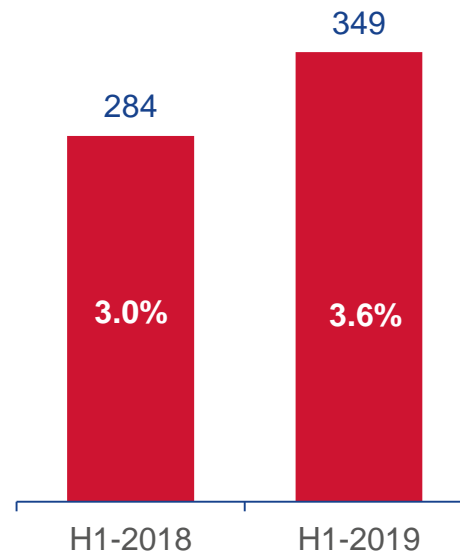


BUILDING DISTRIBUTION EUROPE

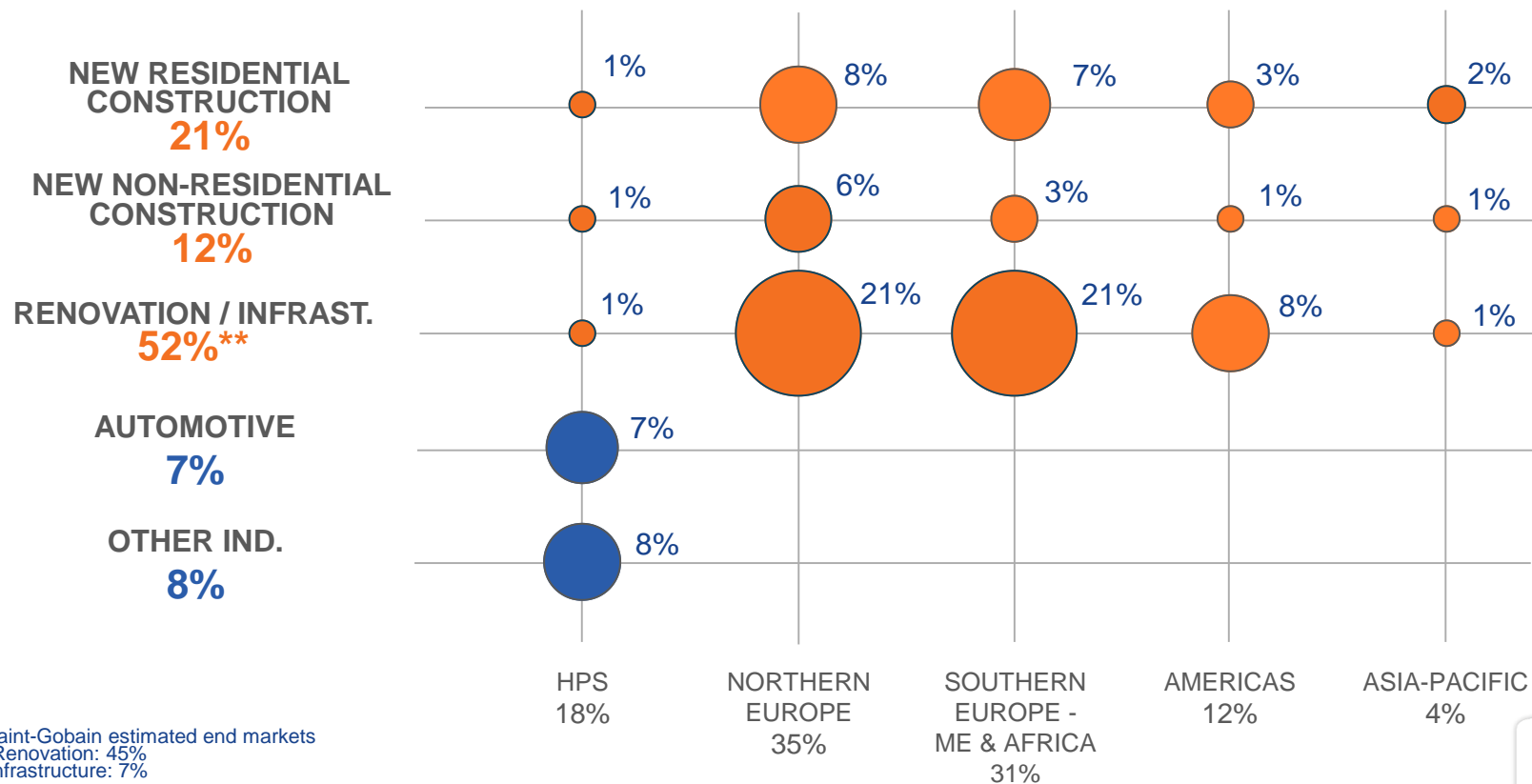
Sales (€m)



Operating income (€m)
and margin (%)

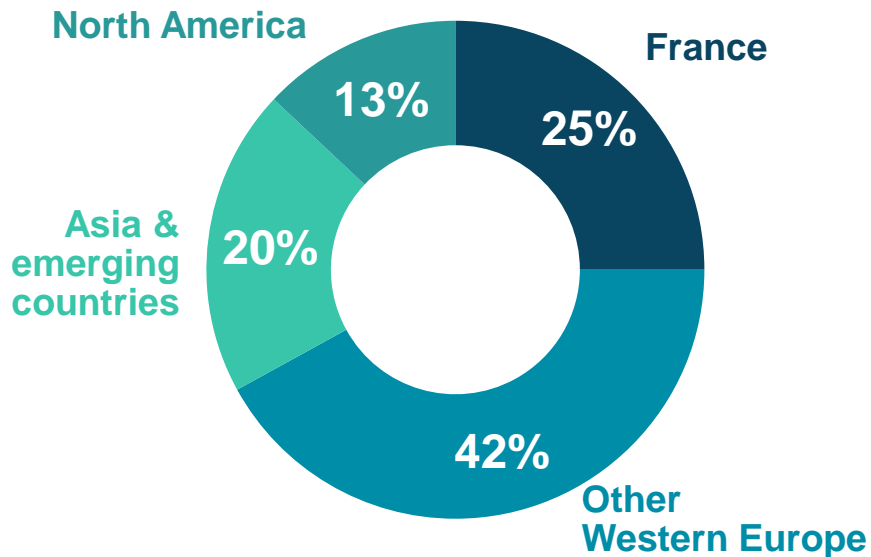


END MARKETS*

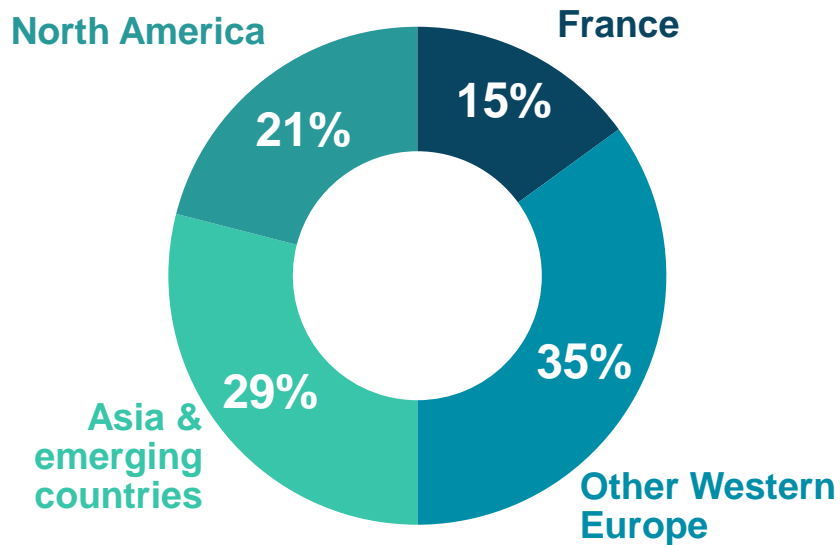


SALES AND OPERATING INCOME BY GEOGRAPHIC AREA

Breakdown of H1-2019
Sales



Breakdown of H1-2019
Operating income



OUTSTANDING CLAIMS

Abestos-related litigation in the US

- **~US\$ 69m** paid out over the 12 months to end-June 2019 (*versus US\$ 67m at end-2018*)
- **€45m** accrual to the provision in H1 2019, bringing the total balance sheet provision to US\$ 584m at end-June 2019 (*US\$ 568m at end-2018*)

	H1-2018	FY-2018	H1-2019*
New claims	1,300	2,600	1,300
Settled claims	1,500	4,300	1,200
Outstanding claims	34,100	32,600	32,700

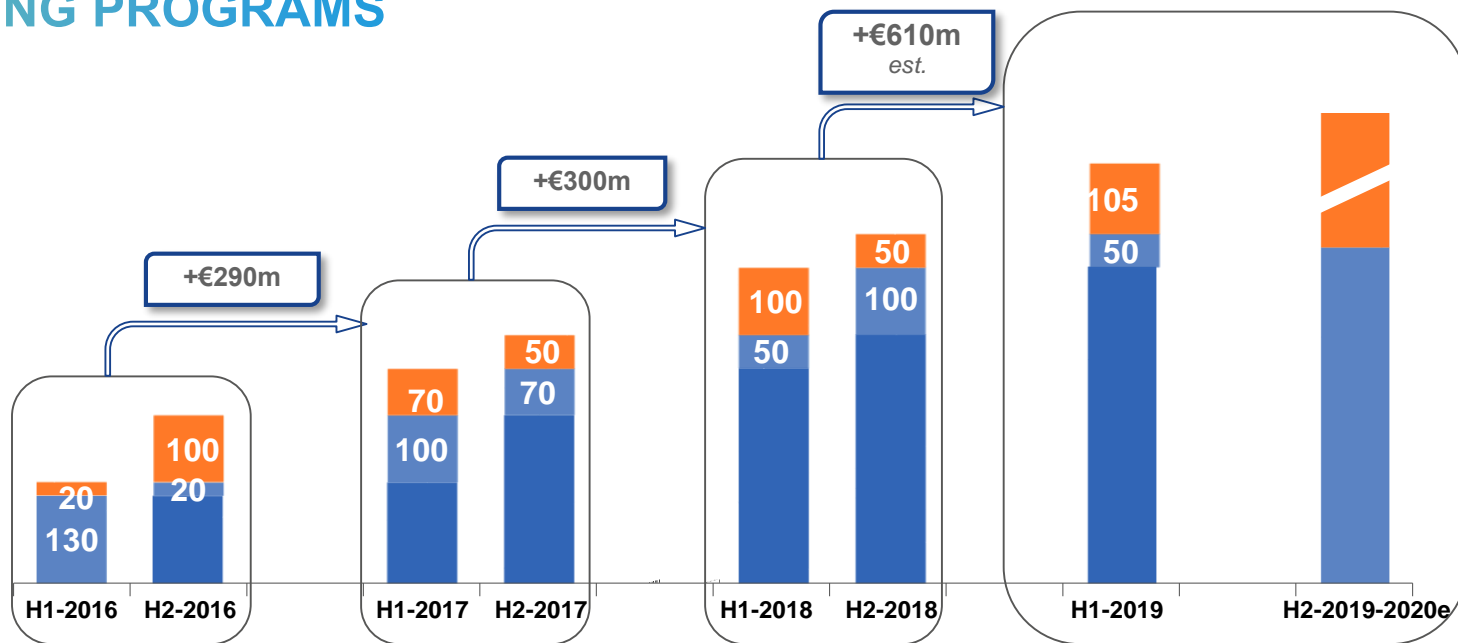
* estimated

COST CUTTING PROGRAMS

€1,200m for
2017-2020



€250m for
2019-2021

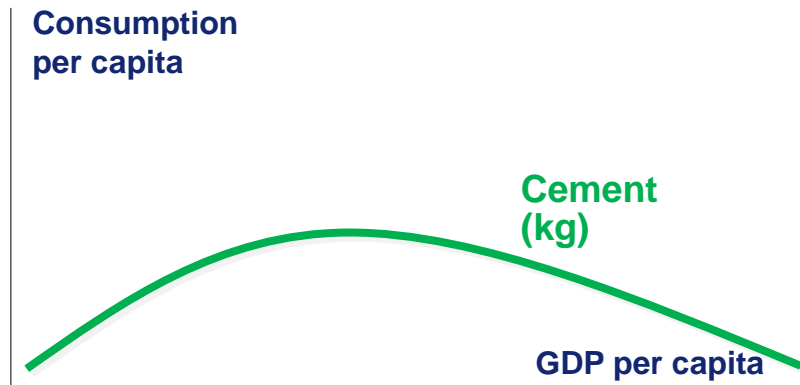
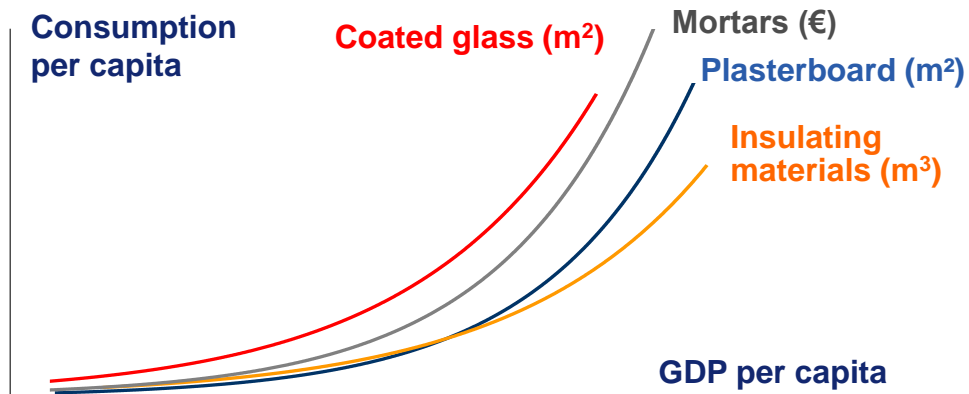


Additional savings of €250m for 2019-2021
resulting from the “Transform & Grow” program

UNIQUE, ATTRACTIVE POSITIONING GROWING MARKETS

- Technical solutions for tomorrow's homes

CONSUMPTION PER CAPITA BASED ON WEALTH



- Solutions promising energy efficiency for buildings