



# First-Half 2011 Results and Outlook

*Paris, July 29, 2011*



SAINT-GOBAIN

# Contents

- ➔ 1. Highlights
- ➔ 2. First-Half 2011 Results
- ➔ 3. Outlook for H2-2011

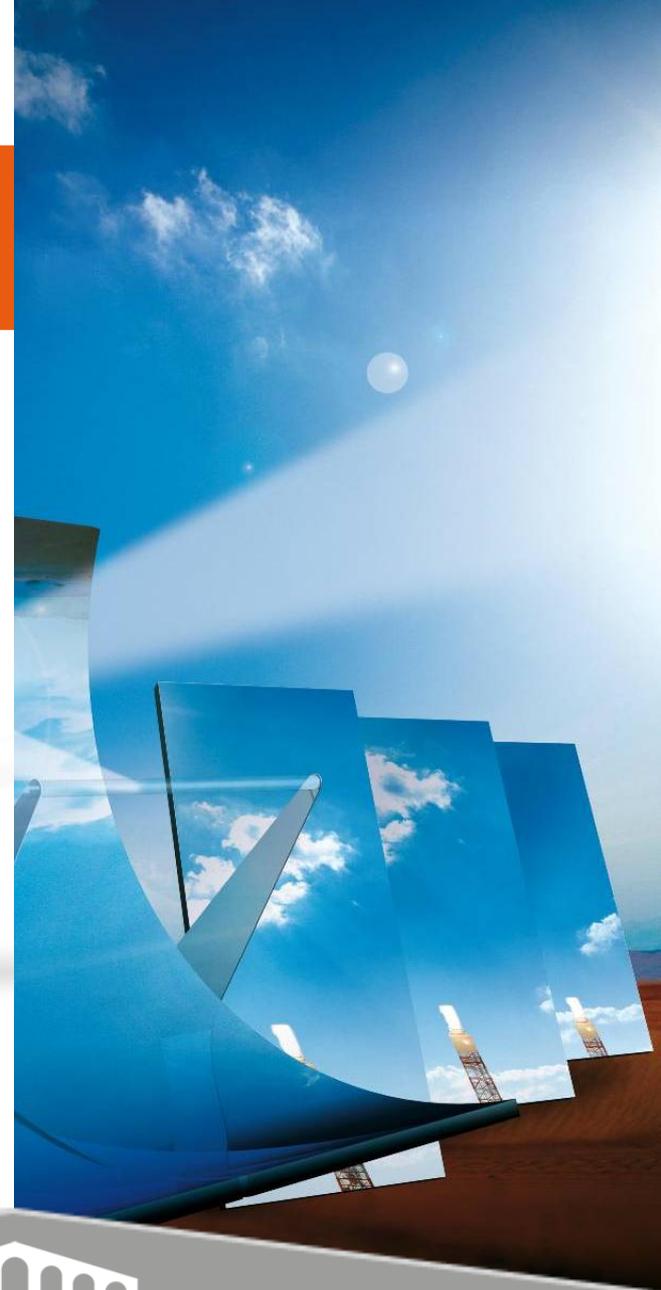
CONTENTS

The logo for Saint-Gobain, featuring a stylized white building icon above the text "SAINT-GOBAIN" in white capital letters, all contained within an orange arrow-shaped frame pointing upwards.

SAINT-GOBAIN



# 1. First-Half 2011 Highlights



# First-half 2011 key figures

Amounts in €m

	H1-2011	H1-2011/ H1-2010
Sales	20,875	+6.9%
Operating income	1,720	+19%
Recurring* net income	902	+55%
Net income	768	+53%
Free cash flow*	1,056	+7%
Net debt	9,055	-0.3%

**Double-digit growth in operating income and net income,  
driven by robust sales growth**

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

# H1-2011: Gradual improvement in global economic environment

## ➤ Asia and emerging countries

- ongoing vigorous growth
- recovery confirmed in Eastern Europe

## ➤ North America

- continuing upbeat momentum in industrial markets
- new-build market remains in the doldrums

## ➤ Western Europe

- continued brisk trading in industrial markets
- upturn confirmed in residential construction (new builds and renovation), though contrasts remain significant from one country to the next; upbeat performance in France, Germany and Scandinavia, slowdown in the UK in the second quarter

**Overall, the upturn observed in 2010 picked up pace**

# H1-2011: Robust organic growth amid strict discipline

- Organic growth: **up 6.7% over the first-half** (up 4.4% over Q2)
- Sales price increases picked up pace:  
**up 2.4% over the first half (up 2.0% in Q1 and 2.8% in Q2)**
- Cash management: **€1.1bn** of free cash flow in the first half  
**(up 7% over the period; annual target of €1.3bn)**
- Ongoing strong balance sheet:  
net debt/EBTIDA ratio: **1.8 (2.1 at June 30, 2010)**

# H1-2011: Relaunch of dynamic investment strategy, focused on the Group's key growth drivers

- **Capex up €209m (+48%)** overall in the period, to €641m
- **Development stepped up in Asia and emerging countries:** €154m in acquisitions and €259m in capex, accounting for 50% of total capex and acquisitions in H1
- **Group refocus on Habitat markets:** Verallia IPO, depending on market conditions



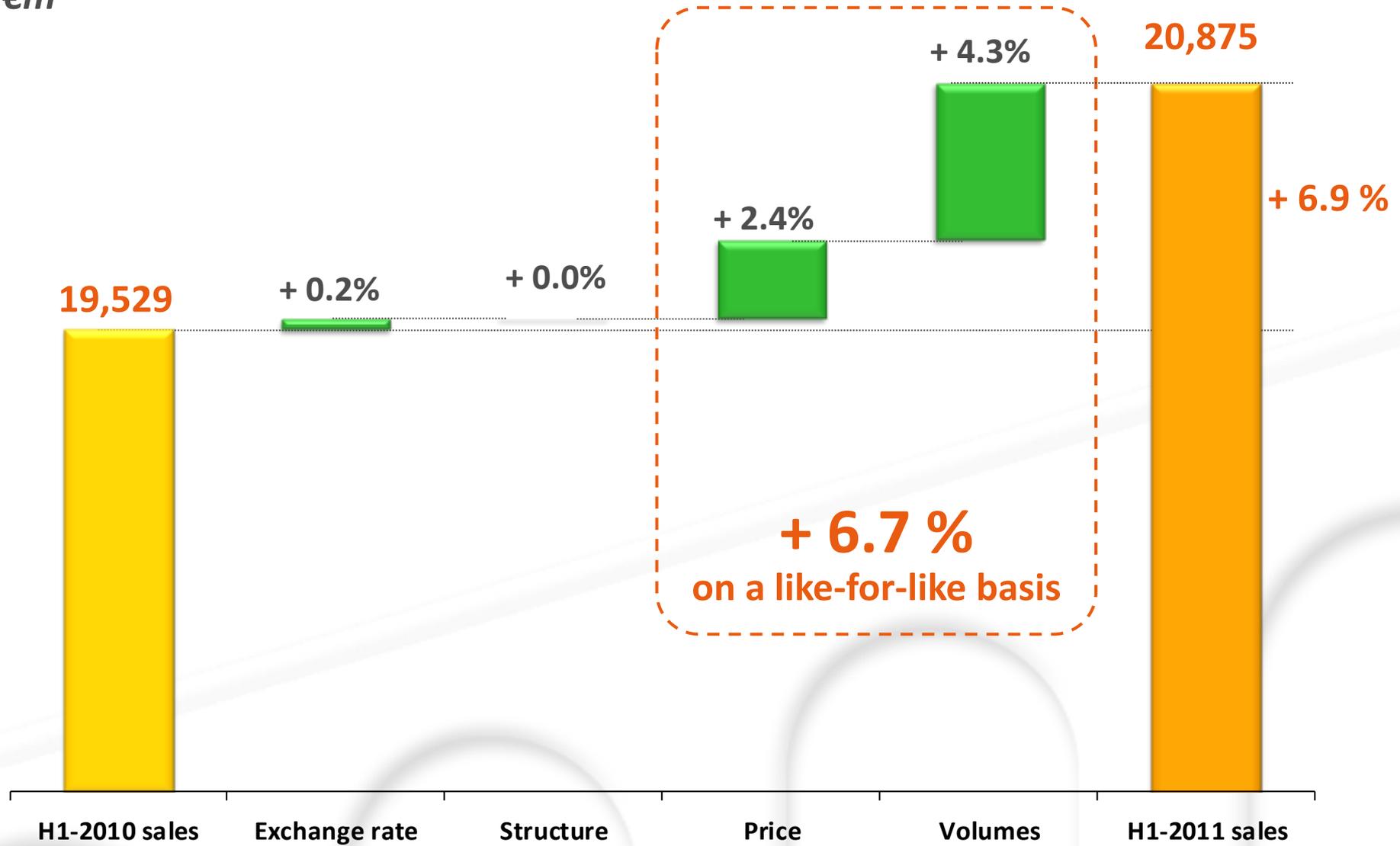
## 2. First-Half 2011 Results

- Group
- Business Sectors
- Geographic Areas



# Sales trends

€m

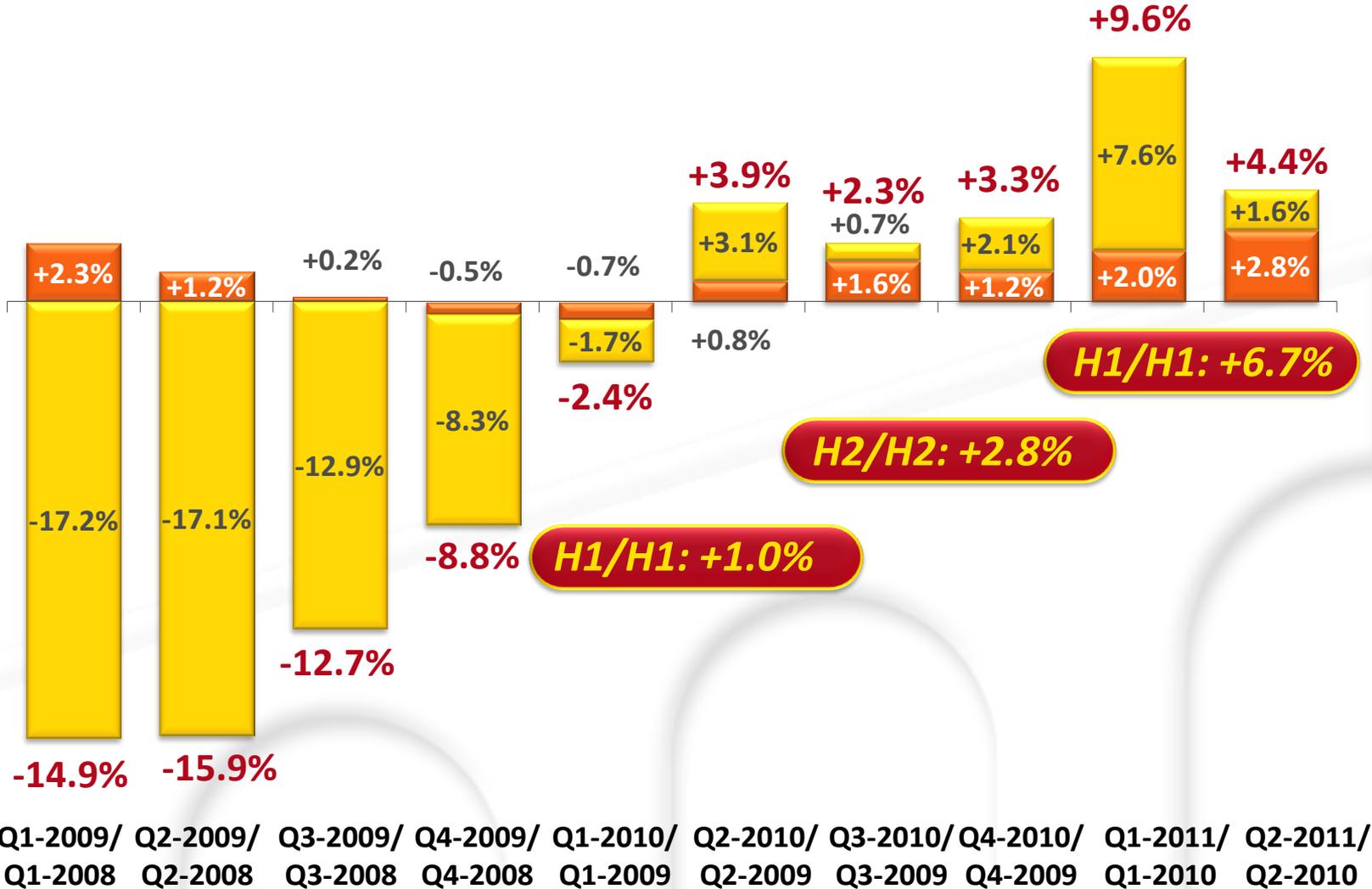


# Quarterly organic growth

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

Price

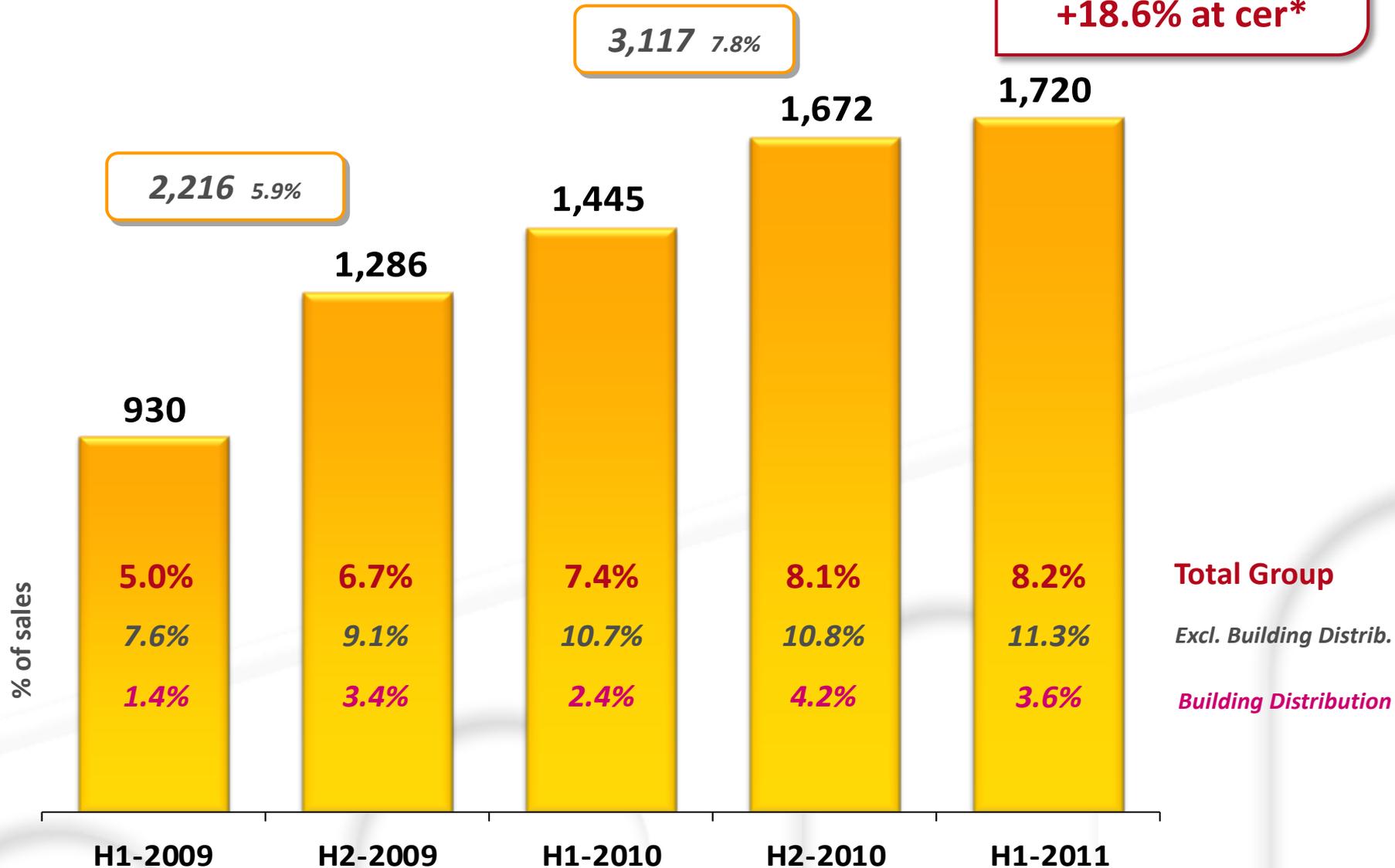
Volumes



Q1-2009/ Q2-2009/ Q3-2009/ Q4-2009/ Q1-2010/ Q2-2010/ Q3-2010/ Q4-2010/ Q1-2011/ Q2-2011/  
 Q1-2008 Q2-2008 Q3-2008 Q4-2008 Q1-2009 Q2-2009 Q3-2009 Q4-2009 Q1-2010 Q2-2010

# Half-year operating income

(€m and % of sales)



\* Constant exchange rates (average exchange rates for H1-2010)

# Non-operating items

€m

	H1-10	H1-11	Change
<b>Operating income</b>	1,445	1,720	+19%
<b>Non-operating costs</b>	(193)	(150)	
<i>o/w:</i>			
Provision for asbestos-related litigation	(37)	(48)	
Other expenses	(156)	(102)	
<b>Other operating expenses</b>	(51)	(114)	
<i>o/w:</i>			
Disposal gains	9	21	
Asset write-downs	(58)	(128)	
<b>Business income</b>	1,201	1,456	+21%

# Outstanding claims

## Asbestos claims in the US

- Around **US\$ 96m paid out** over the 12 months to end-June 2011 (US\$ 103m at end-December 2010)
- **€48.5m** accrual to the provision in H1-2011, bringing the total balance sheet provision to US\$ 520m at end-June 2011 (US\$ 501m at end-2010)

	H1-2010	H1-2011*
New claims	2,000	2,000
Settled claims	2,000	4,000
Outstanding claims	64,000	54,000

\* estimated

# Net financial expense and income tax

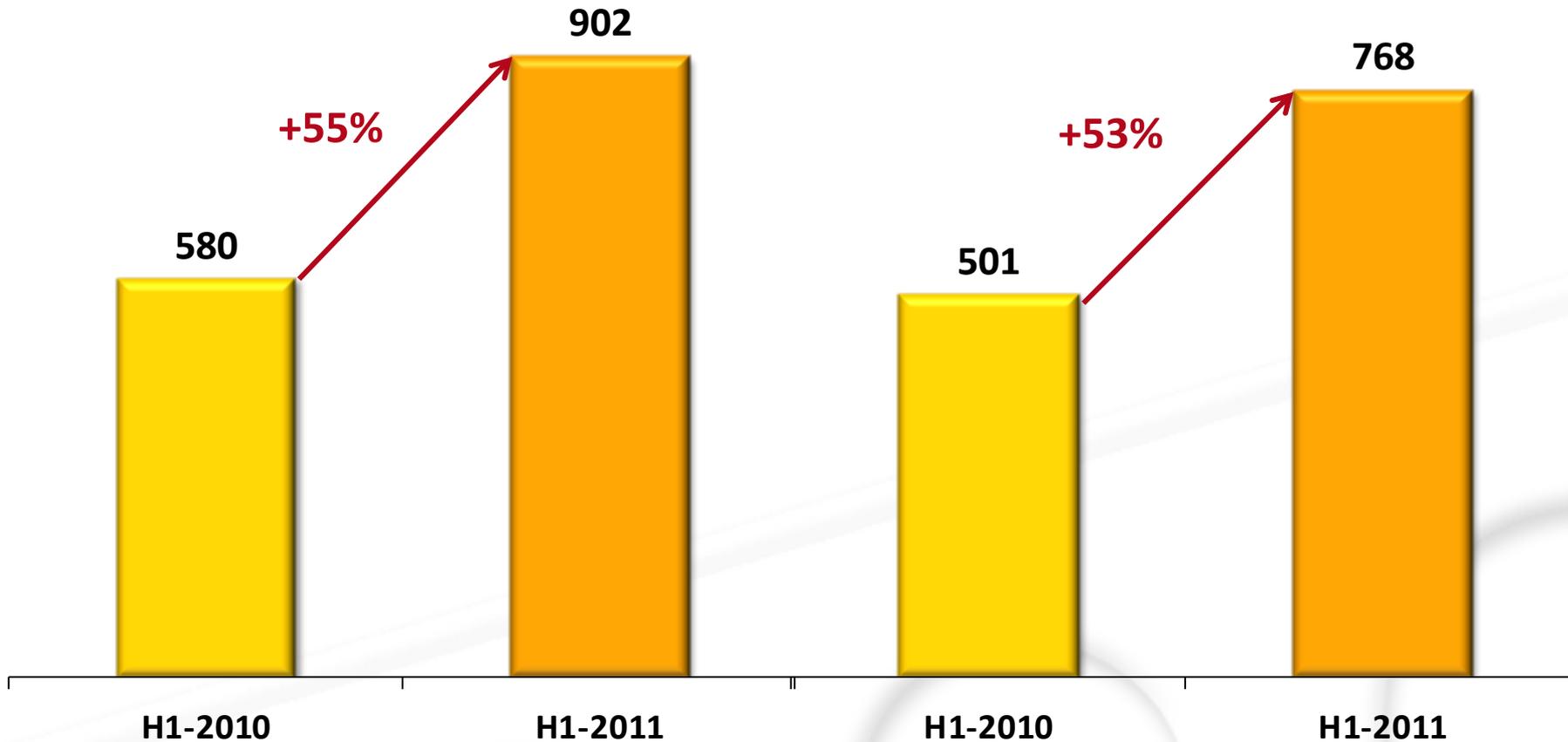
€m

	H1-10	H1-11
<b>Net financial expense</b>	<b>387</b>	<b>298</b>
<b>Average cost of net debt</b>	<b>5.5%</b>	<b>5.6%</b>
<b>Income tax</b>	<b>279</b>	<b>352</b>
<b>Tax rate on recurring net income</b>	<b>32%</b>	<b>28%</b>

# Recurring\* net income

# Net income

€m



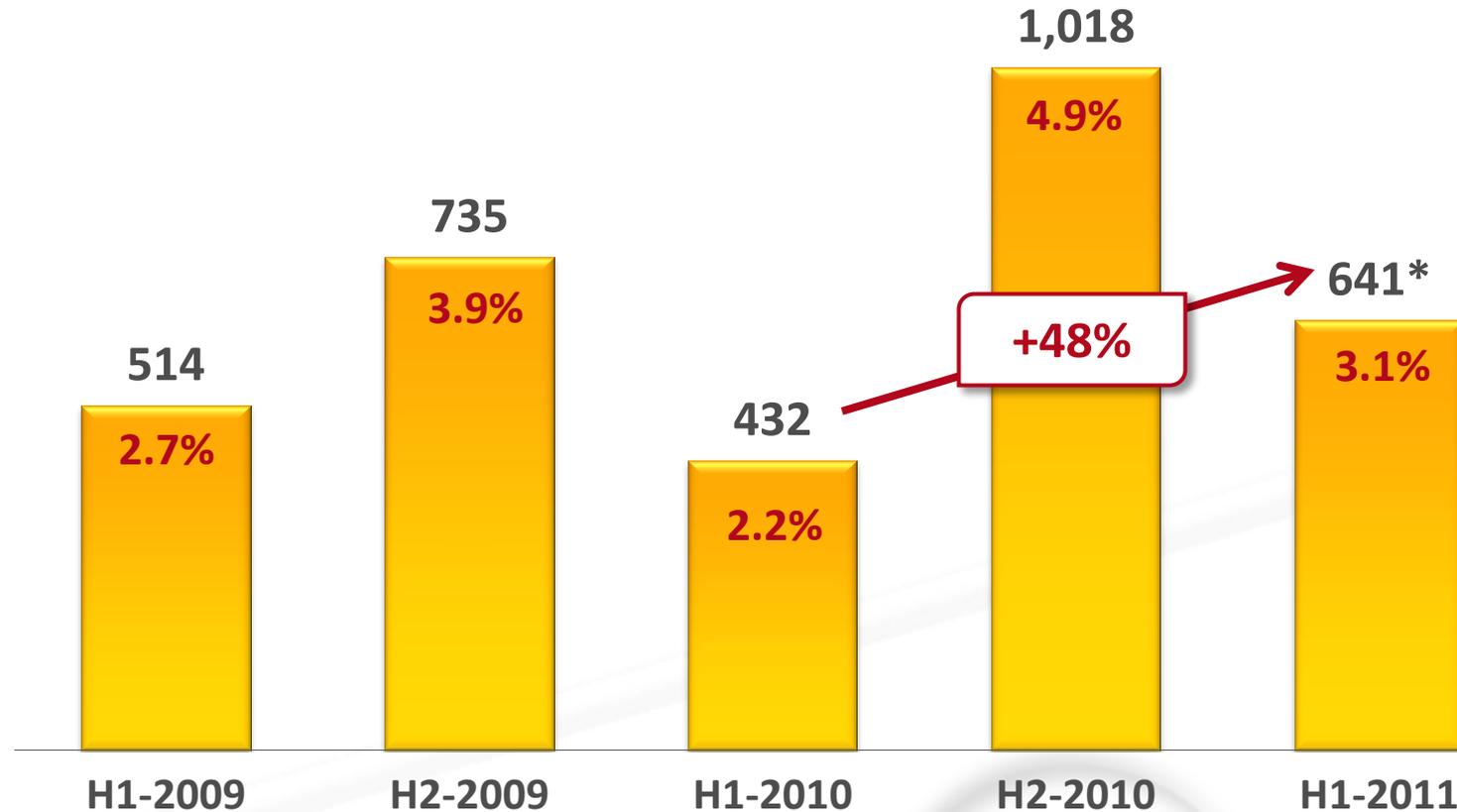
**Recurring\* EPS: €1.68 (+54%)**

**EPS: €1.43 (+52%)**

\* Excluding capital gains on disposals and asset write-downs

# Sharp upturn in capital expenditure

(€m and % of sales)

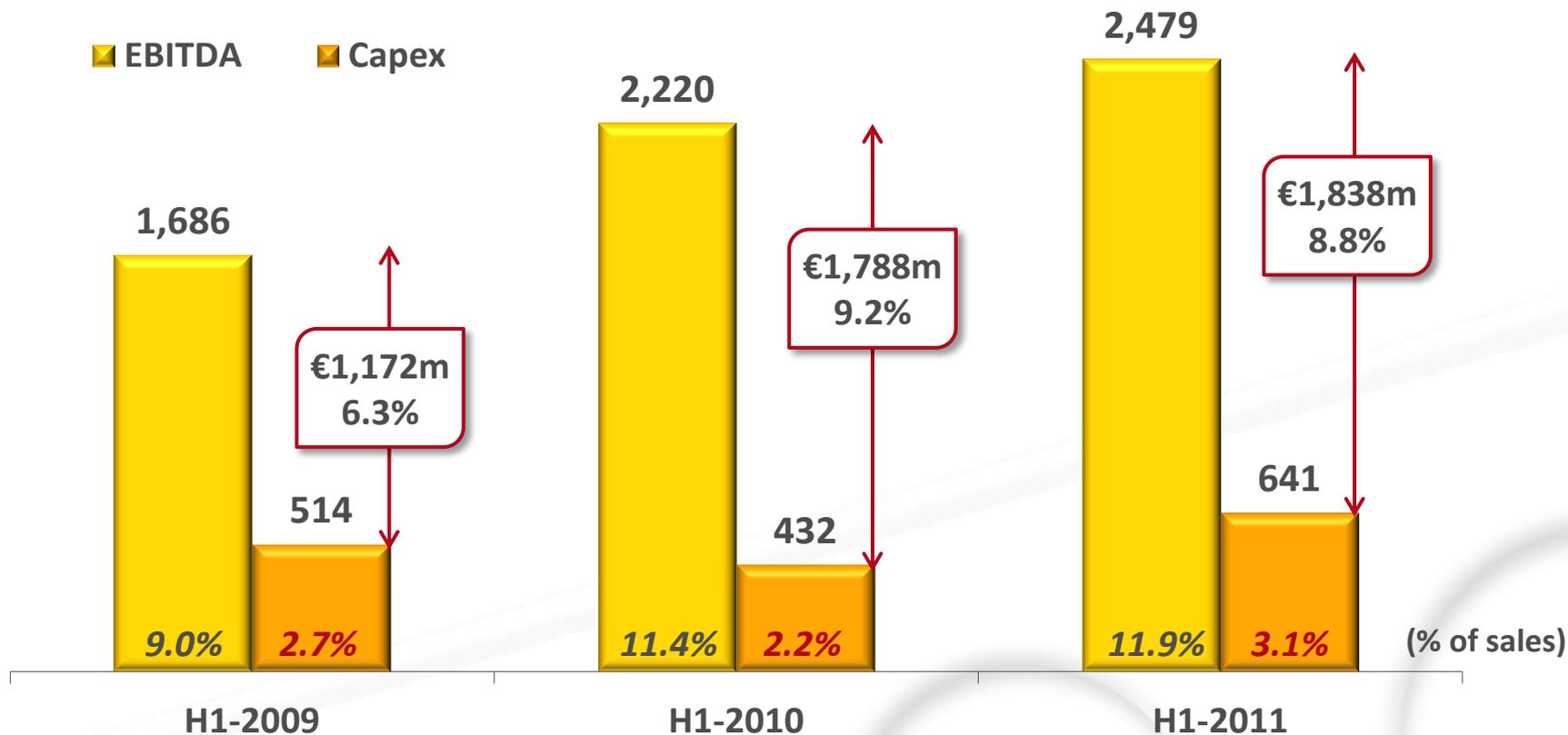


**H1-2011 growth capex:  
50% in Asia & emerging countries; 30% in energy efficiency and solar power**

\* o/w 50% growth capex

# EBITDA\* and Capex

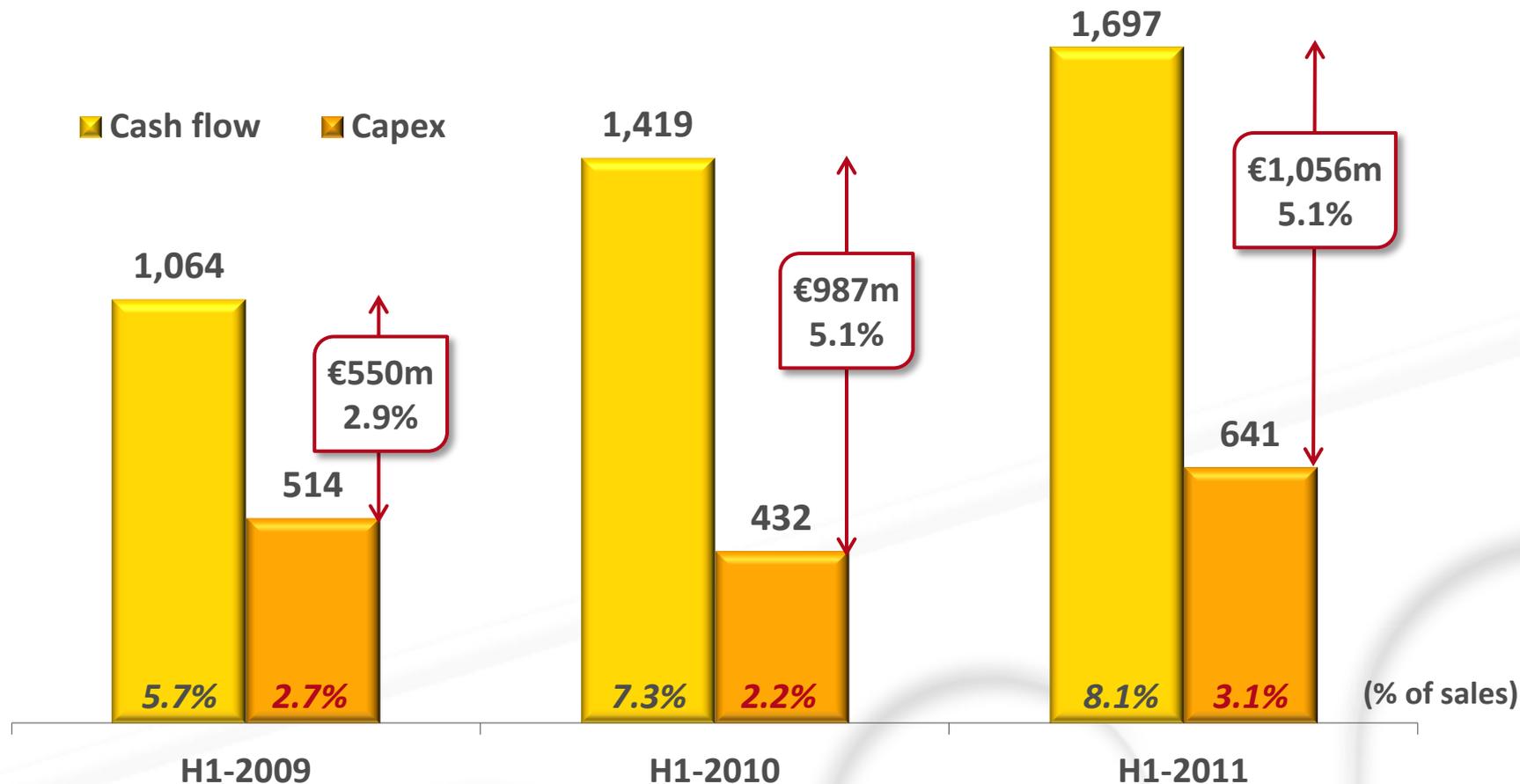
(€m and % of sales)



**Further rise in EBITDA after capex**

\* Operating income + operating depreciation/amortization

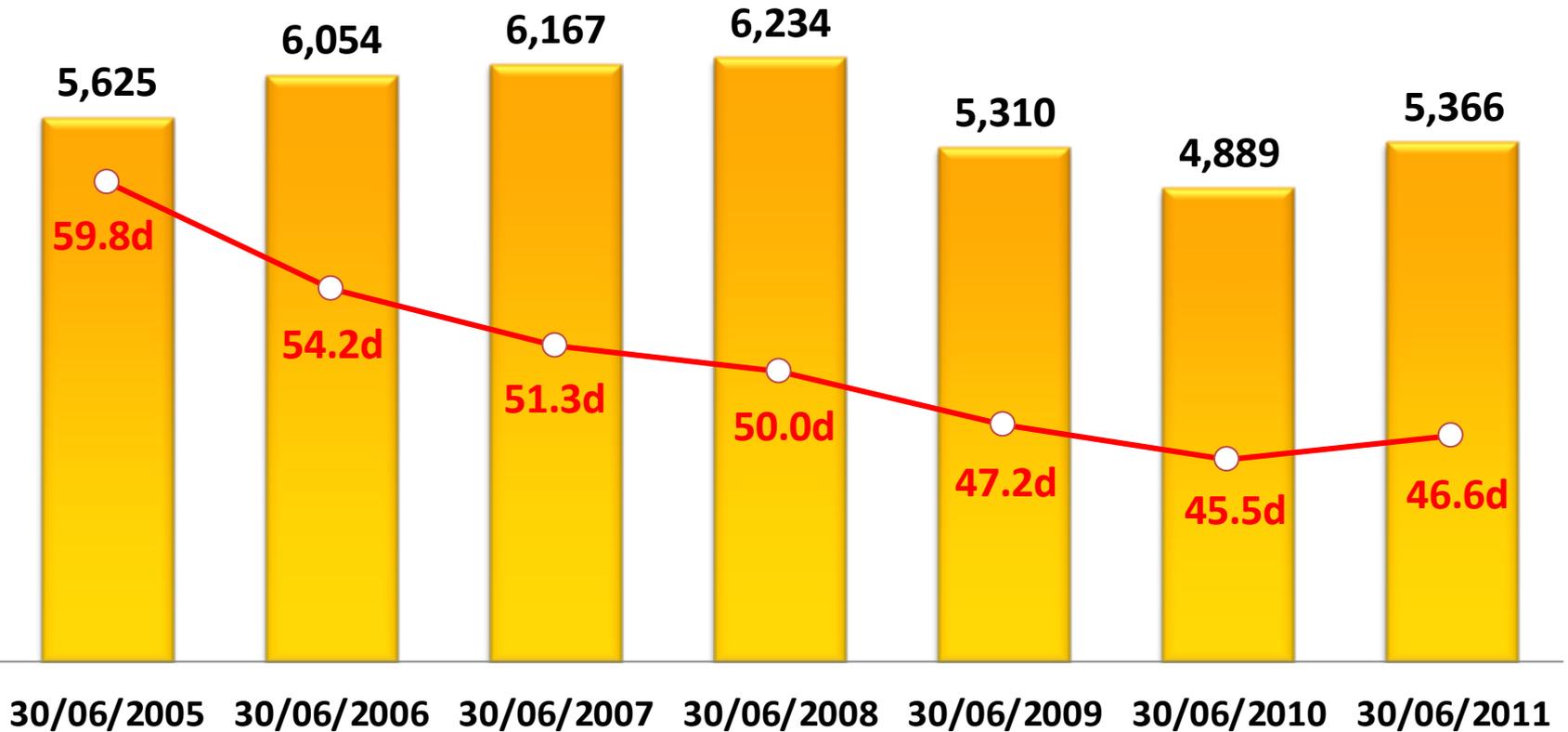
# Cash flow from operations (excl. tax impact of capital gains/losses) and Capex (€m and % of sales)



**Further increase in free cash flow**

# Tight rein on operating WCR

(at June 30, €m and *no. of days*)



**Tight rein on operating WCR,  
despite the upturn in sales**

# Selective and quickly value-enhancing acquisitions

➔ Mainly in Asia and emerging countries (€154m, or 85%)

- Sezal Glass float line in **India**
- Mortar Utama in **Indonesia**
- Weber Yapi in **Turkey**
- Anhortec (mortars) in **Brazil**
- Packaging (Verallia): Alver in **Algeria**



*under construction*

- ★ Saint-Gobain floats
- ★ Sezal

➔ Bolt-on acquisitions in developed markets (€28m)

- **CP**: Edilcace (mortars) in **Italy**
- **Building Distribution**: 11 acquisitions, chiefly in **Nordic countries**

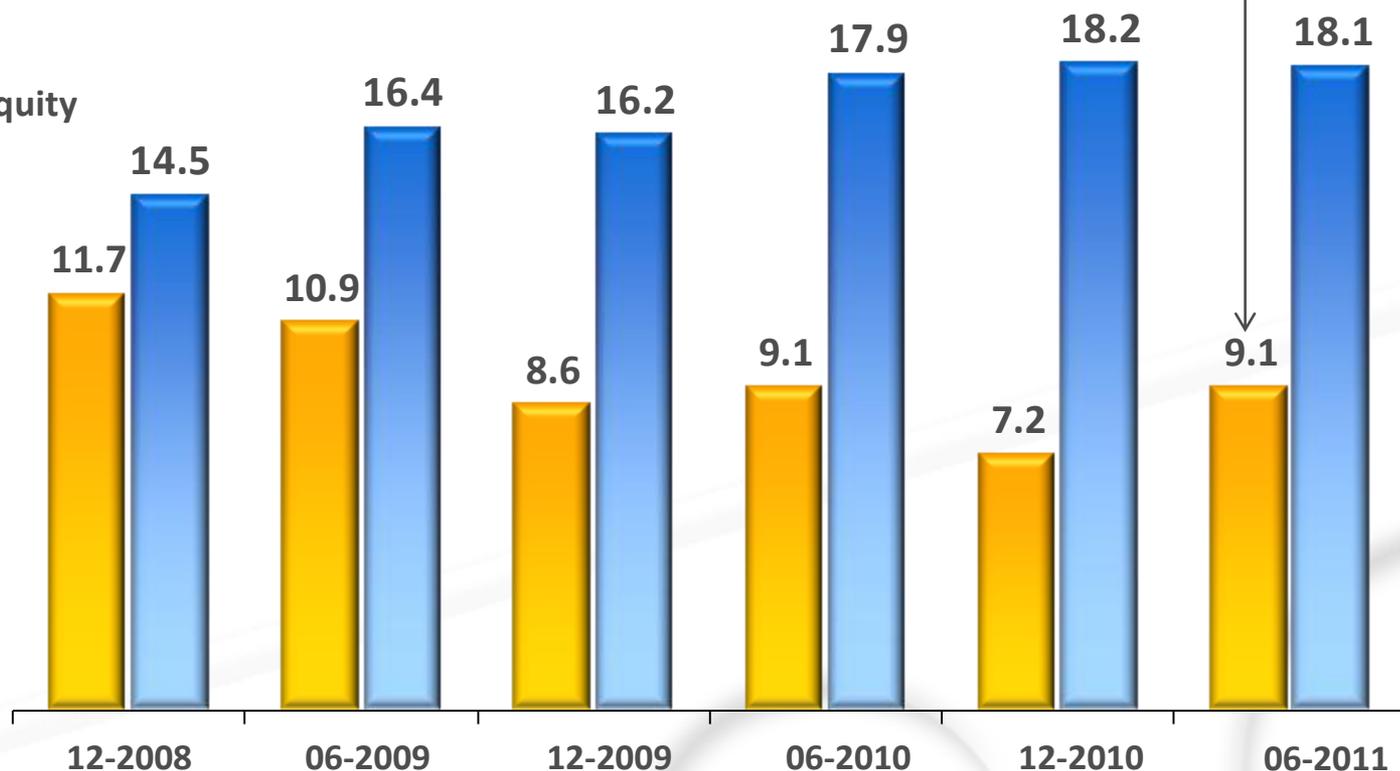
**€182m investments in securities over H1**

# Net debt & Shareholders' equity

€bn

■ Net debt

■ Shareholders' equity



In H1-2011:  
 . Dividends  
 . Share buybacks

Net debt/Shareholders' equity	80%	67%	53%	51%	39%	50%
Net debt/EBITDA*	2.2	2.7	2.3	2.1	1.5	1.8

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



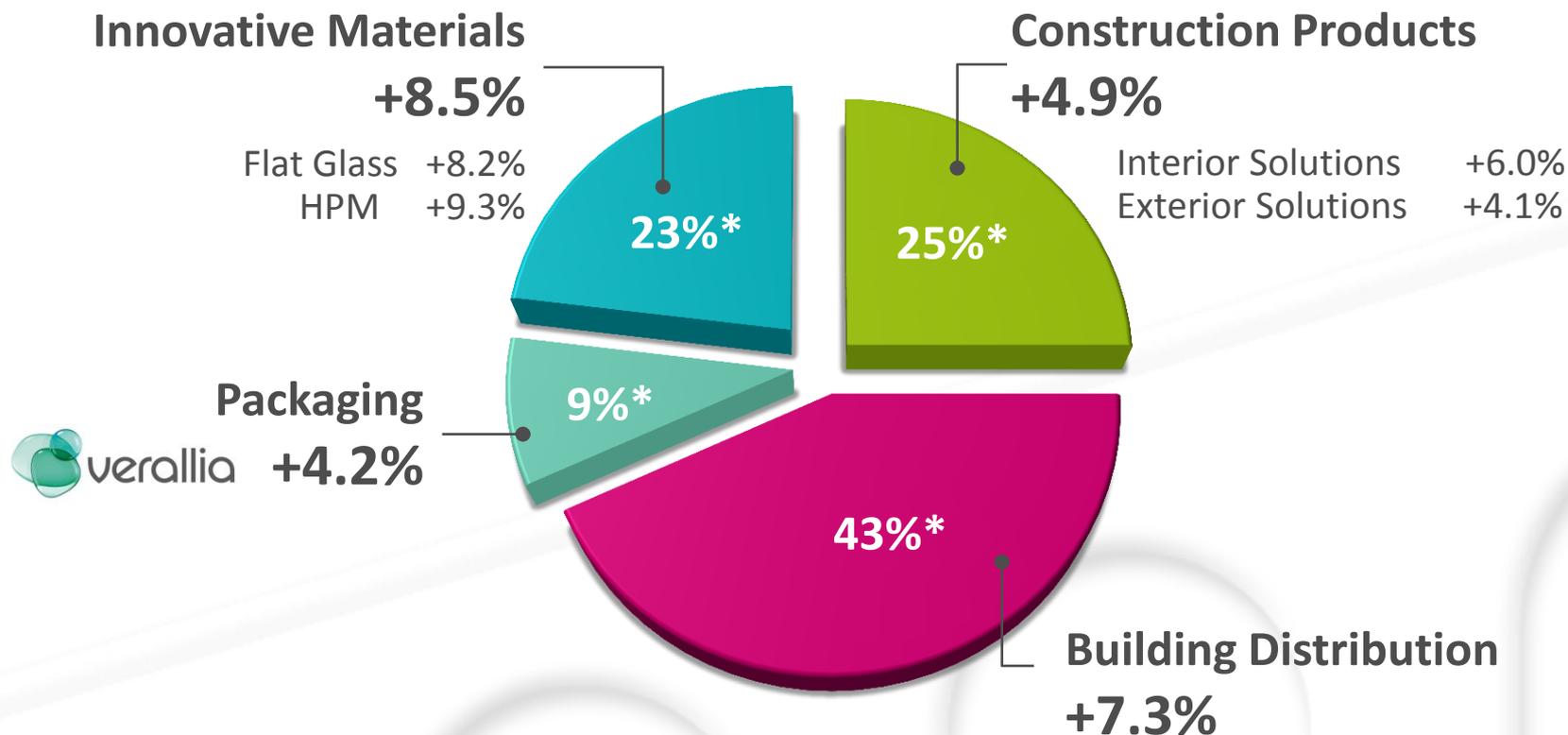
## 2. First-Half 2011 Results

- Group
- Business Sectors
- Geographic Areas

# Sales trends by business sector

% change in H1-2011/H1-2010 sales on a like-for-like basis

**Group: +6.7%**



\* Breakdown of H1-2011 sales

# Innovative Materials (*Flat Glass - HPM*)

Sales (€m)

**Organic growth**  
(like-for-like)

H1-2011/H1-2010

**Innovative Materials**

**+8.5%**

**Flat Glass**

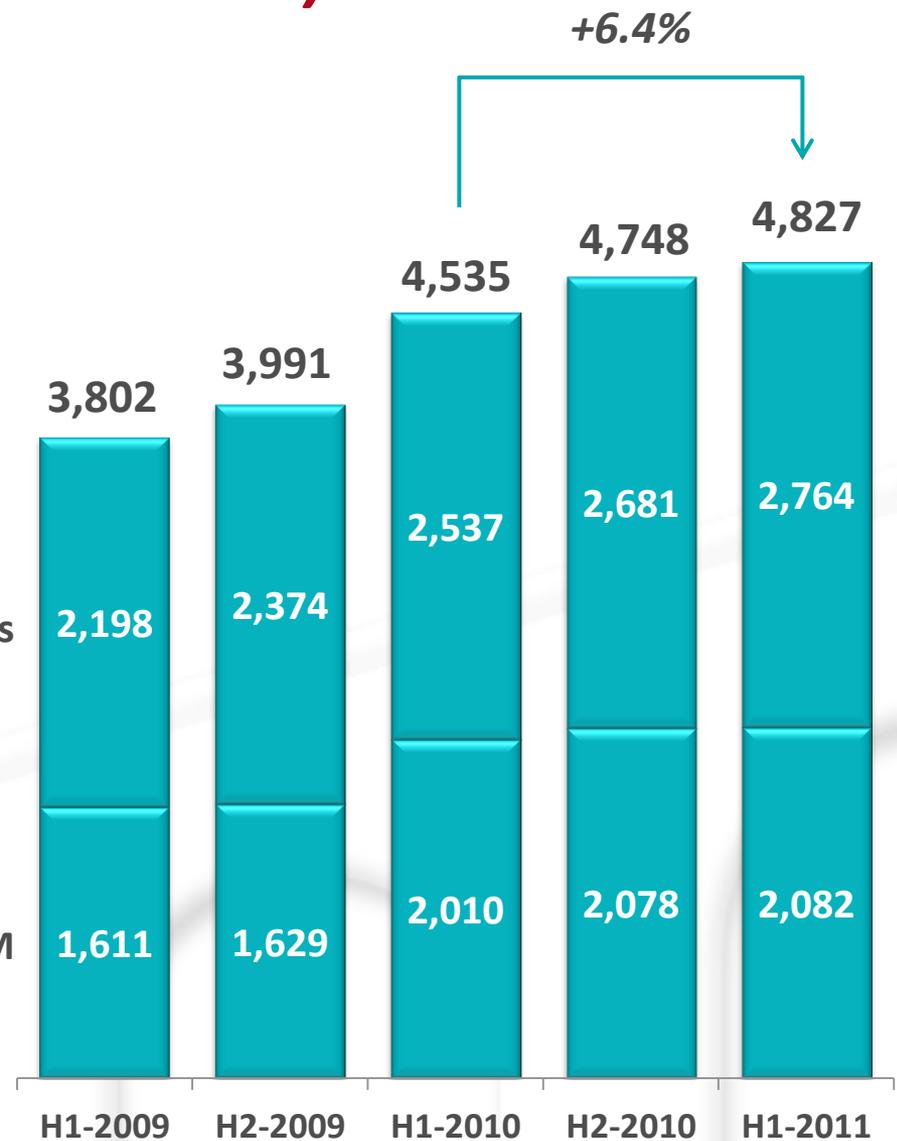
**+8.2%**

**HPM**

**+9.3%**

Flat Glass

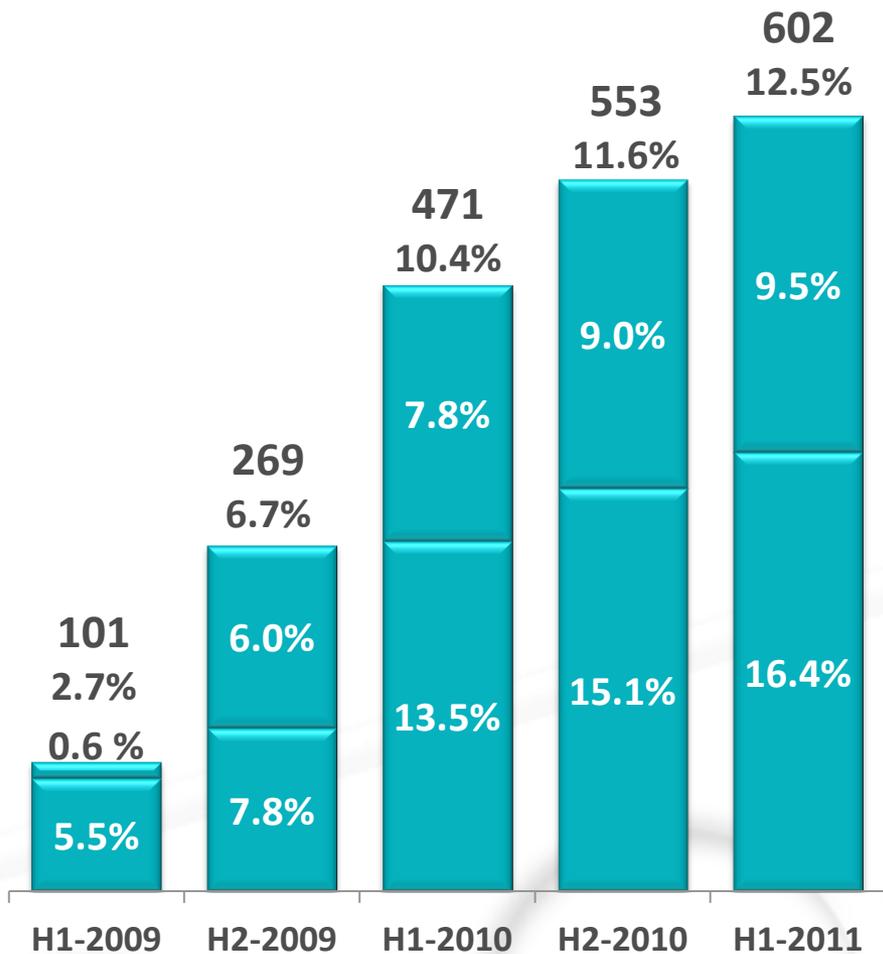
HPM



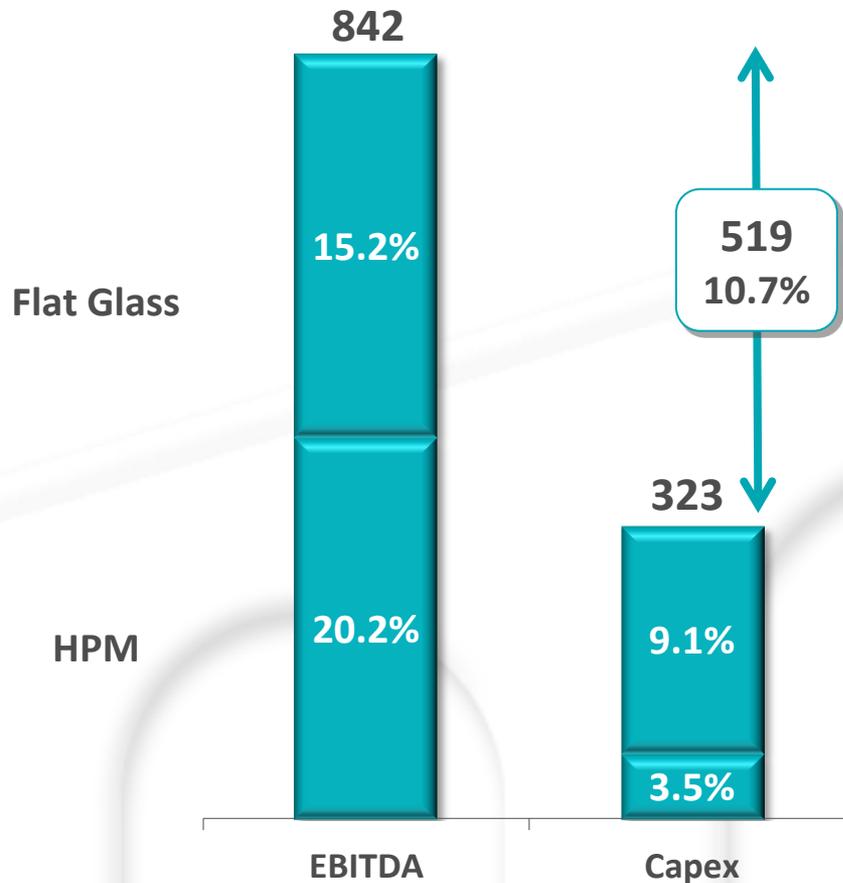
# Innovative Materials (*Flat Glass - HPM*)

(€m and % of sales)

## Operating income



## EBITDA & Capex H1-2011



# Construction Products

Sales (€m )

**Organic growth**  
(like-for-like)

H1-2011/H1-2010

**Construction Products**

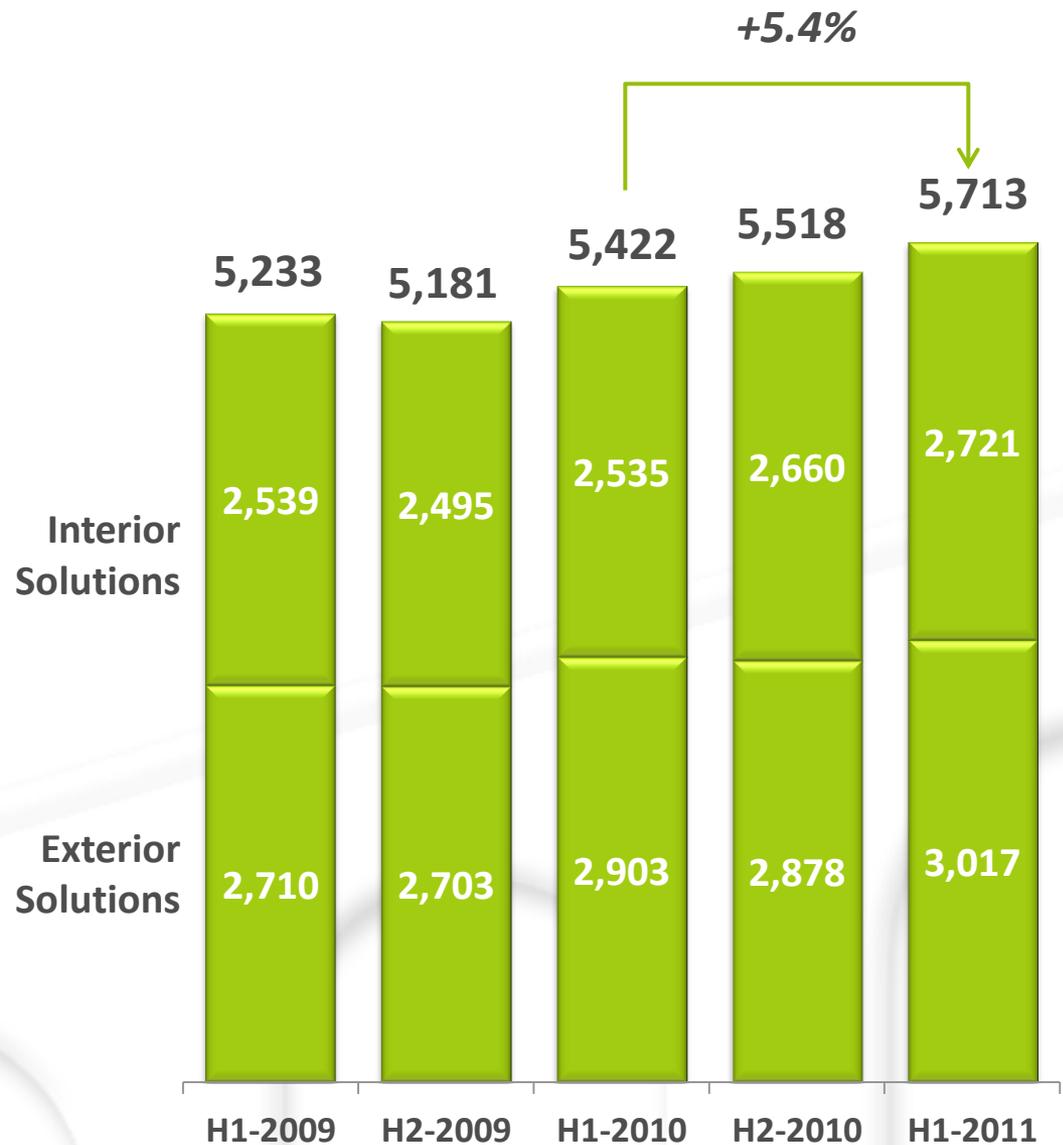
**+4.9%**

**Interior Solutions**

**+6.0%**

**Exterior Solutions**

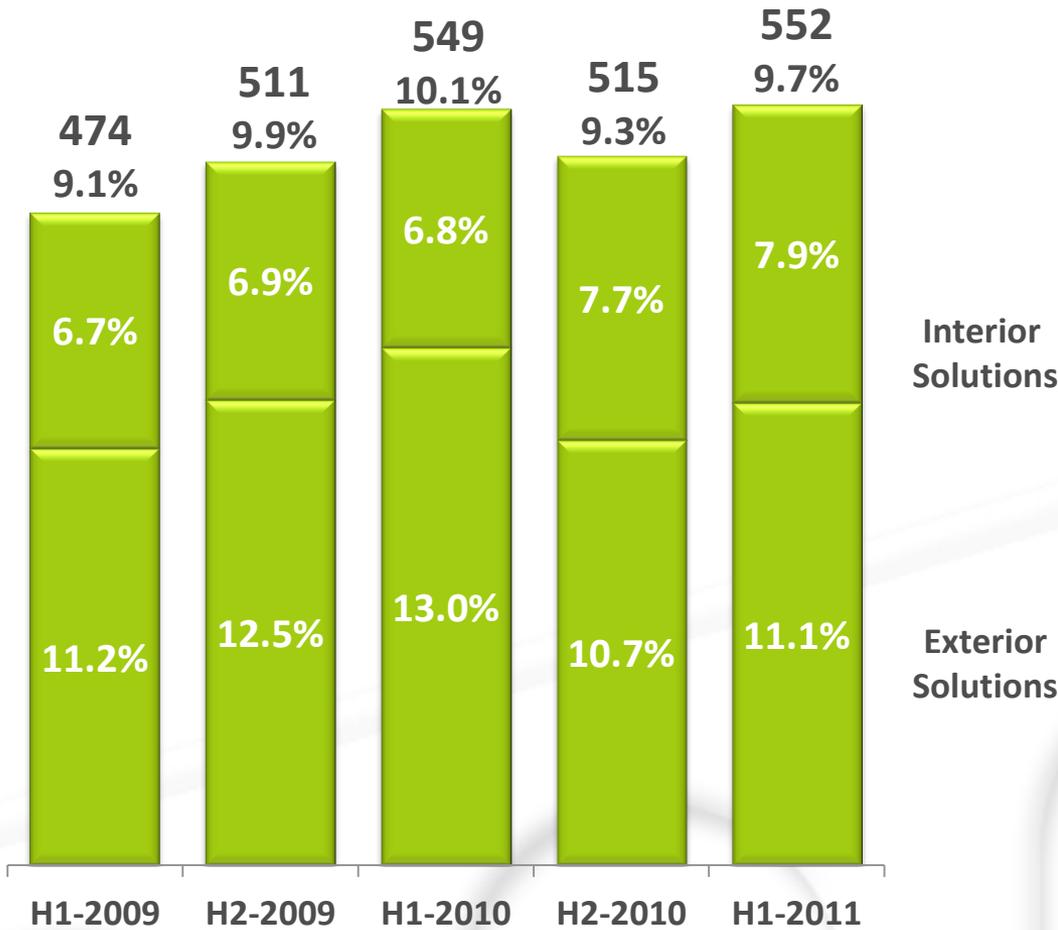
**+4.1%**



# Construction Products

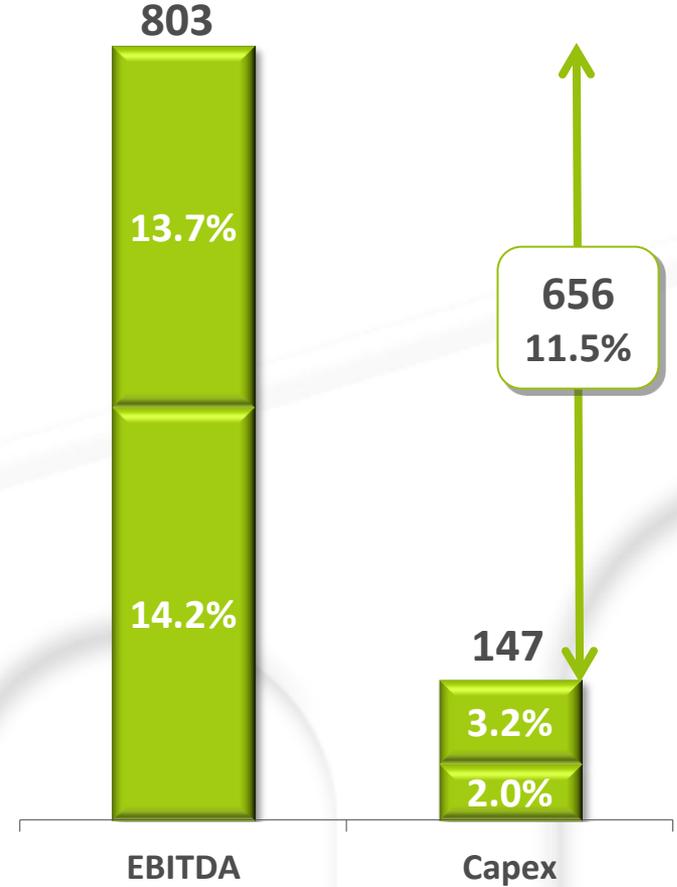
(€m and % of sales)

## Operating income



## EBITDA & Capex

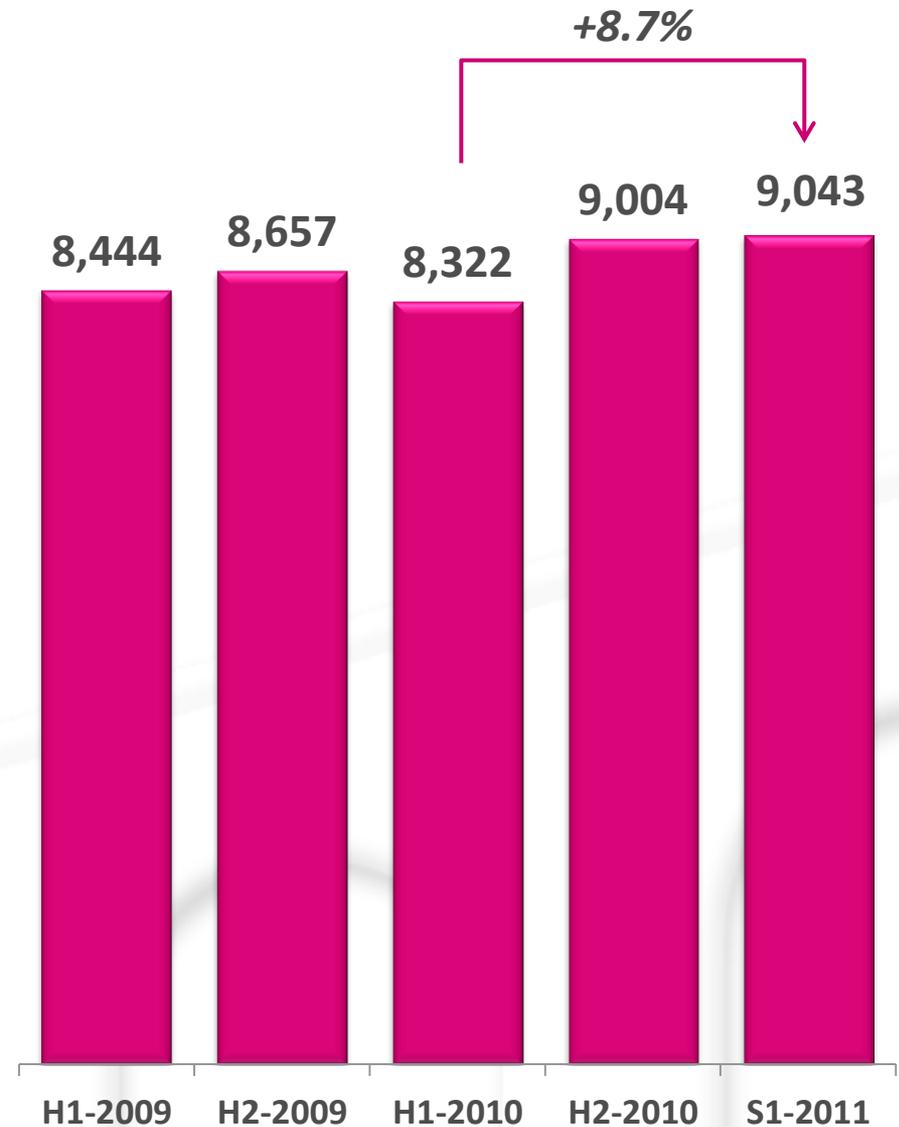
H1-2011



# Building Distribution

Sales (€m)

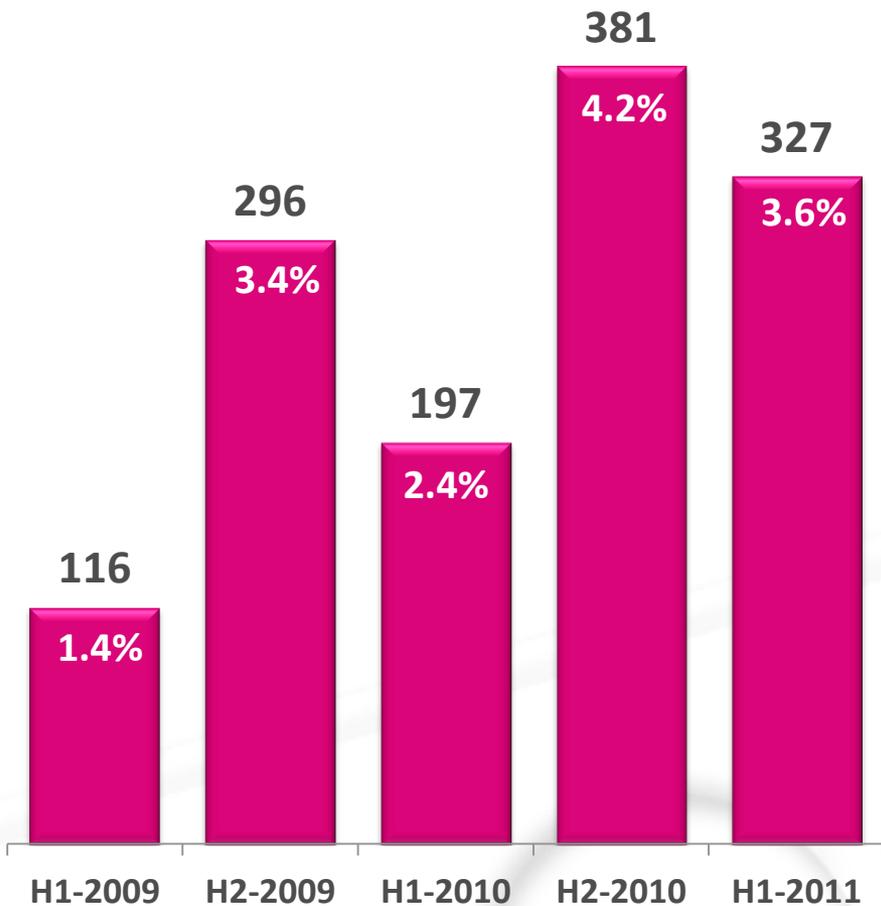
Organic growth (like-for-like)	
	H1-2011/H1-2010
Building Distribution	+7.3%



# Building Distribution

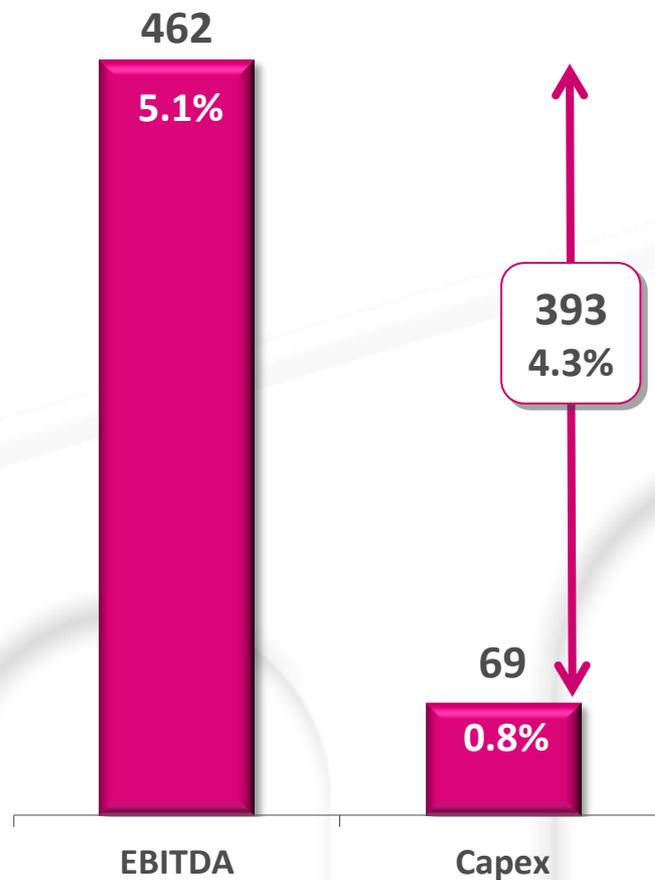
(€m and % of sales)

## Operating income



## EBITDA & Capex

H1-2011

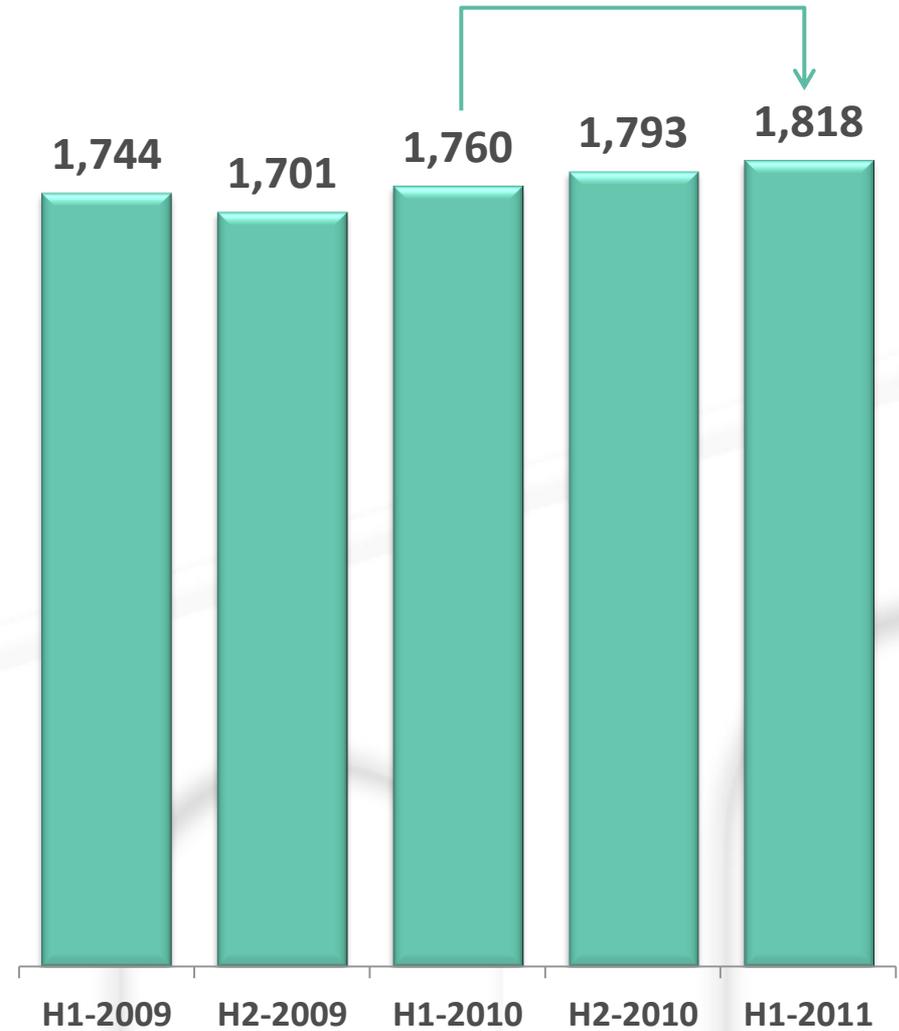


# Packaging

## Sales (€m)



+3.3%



**Organic growth**  
(like-for-like)

H1-2011/H1-2010

**Packaging**

**+4.2%**

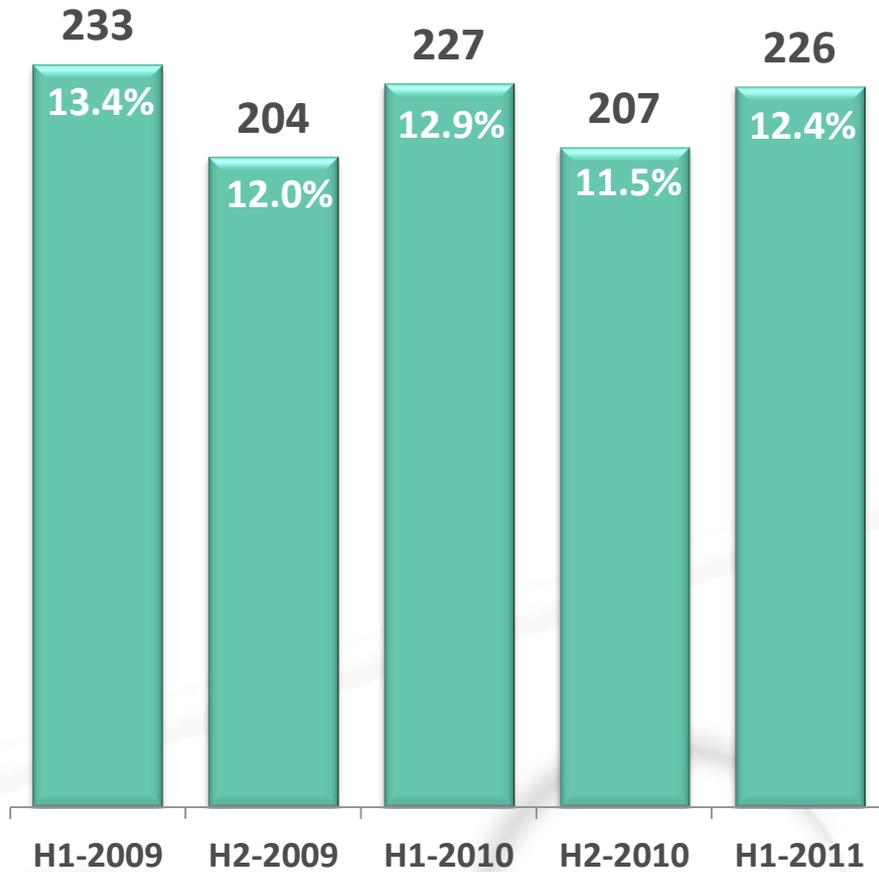


# Packaging

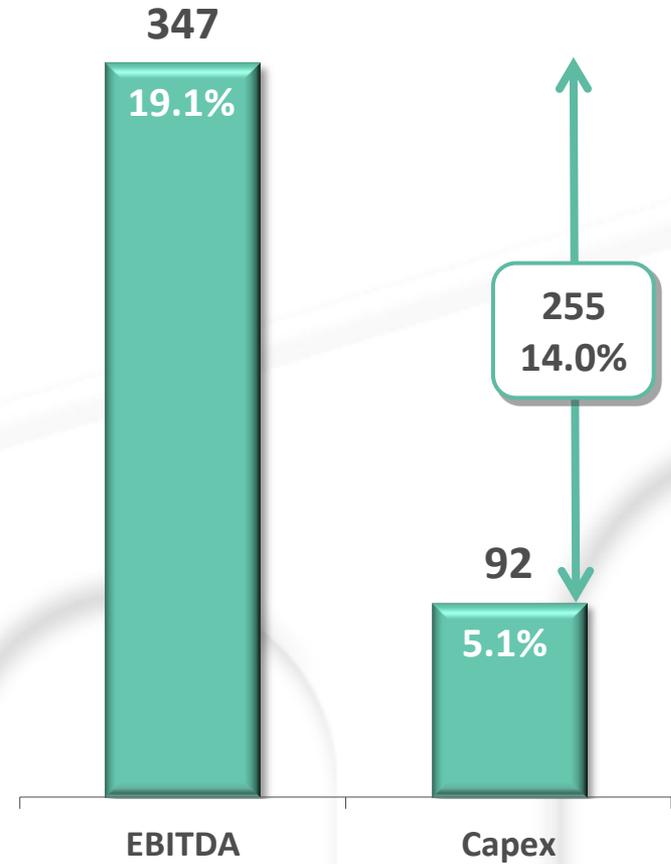
(€m and % of sales)



## Operating income



## EBITDA & Capex H1-2011





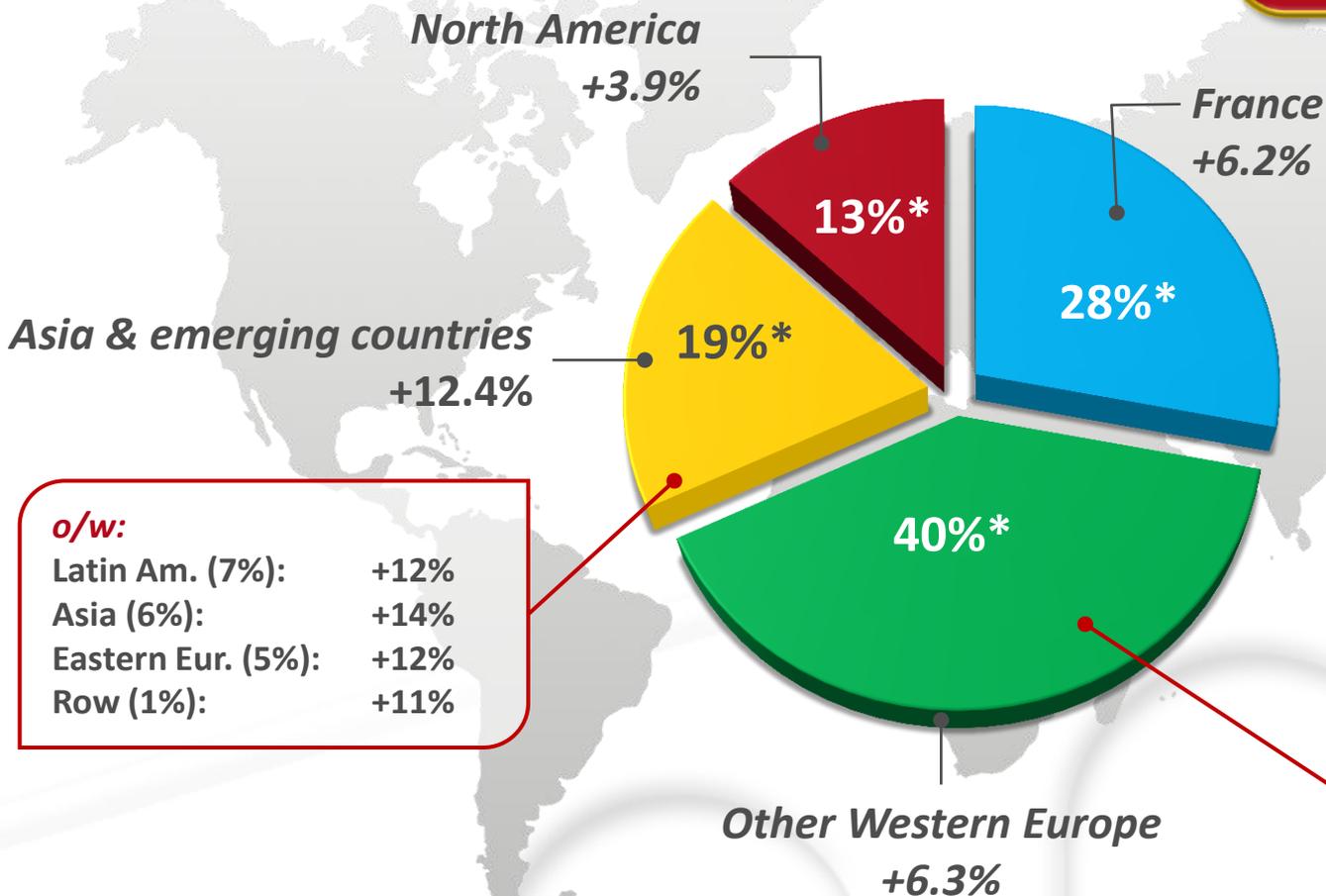
## 2. First-Half 2011 Results

- Group
- Business Sectors
- Geographic Areas

# Business trends by geographic area

% change in H1-2011/H1-2010 sales  
on a like-for-like basis

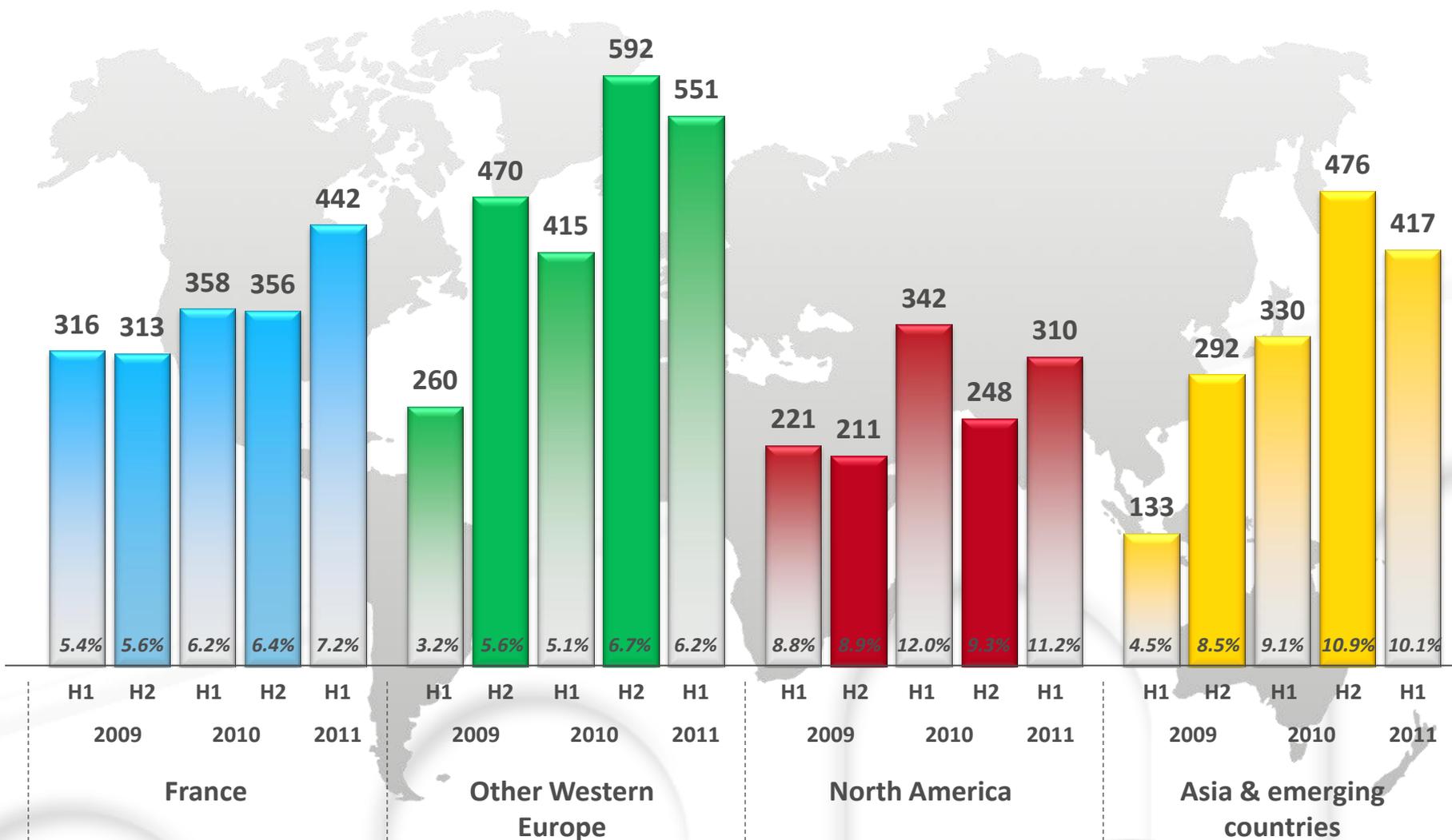
**Group: +6.7%**



\* Breakdown of H1-2011 sales

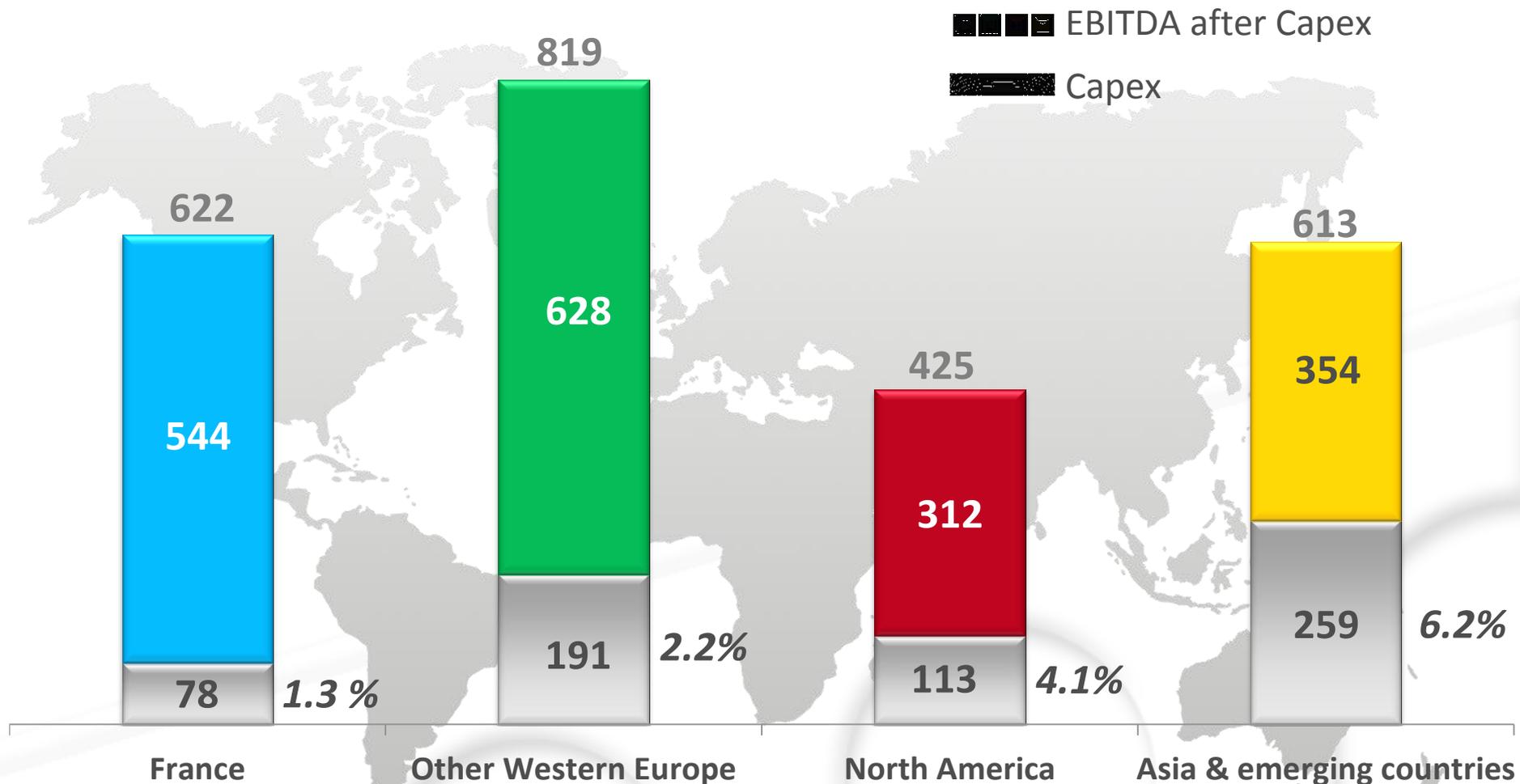
# Operating income by geographic area

(€m and % of sales)



# EBITDA and Capex by geographic area

(H1-2011, €m and % of sales)





### 3. H2-2011 Outlook



# Economic outlook for H2-2011

## Economic climate

*Trends observed in H1-2011 should continue*

➤ Asia and emerging countries:

- Ongoing **vigorous growth**

➤ North America:

- Continuing **upbeat momentum in industrial markets**
- **Construction markets to remain stable** but sluggish

➤ Western Europe:

- **Robust trading in industrial markets**
- **Construction markets:** continued **good trading levels in France, Scandinavia and Germany;** trading **more uncertain in other countries**

# Economic outlook for H2-2011

## Group businesses

### ➔ Innovative Materials (IM):

- Robust momentum to continue across all geographic areas and margins to remain high

### ➔ Construction Products (CP):

- Vigorous growth in Asia and emerging countries
- Ongoing gradual improvement in mature markets
- Continued impact of rising raw materials and energy costs in Exterior Solutions

### ➔ Building Distribution:

- Ongoing gradual improvement in trading
- Further margin growth

### ➔ Packaging (Verallia):

- Trading and profitability set to remain robust
- Organic growth and EBITDA targets confirmed

**Confirmation of gradual recovery in sales volumes and further improvement in operating performance**

## Priorities for H2-2011:

### Continue to deliver robust growth amid strict financial discipline

- Continue price-focused policy amid raw material and energy cost inflation
- Maintain close watch on costs
- Keep tight rein on cash flow and balance sheet
- Step up investment policy (capex and acquisitions), focused on the Group's key growth drivers
- Pursue R&D efforts

**Dynamic and selective development strategy**

# Many investments and acquisitions in the pipeline for H2: several projects in progress, focused on the Group's main growth drivers

## ➔ Asia and emerging countries:

- Float lines in Latin America and India
- Mortars, Gypsum in Asia, Latin America and Turkey
- Ceramics and Abrasives in China and India

## ➔ Energy efficiency and solar power:

- Electrochromic glazing
- Insulation in Russia
- 2 Avancis plants under construction

## ➔ Bolt-on acquisitions in Building Distribution

# Build Center and Brossette acquisitions

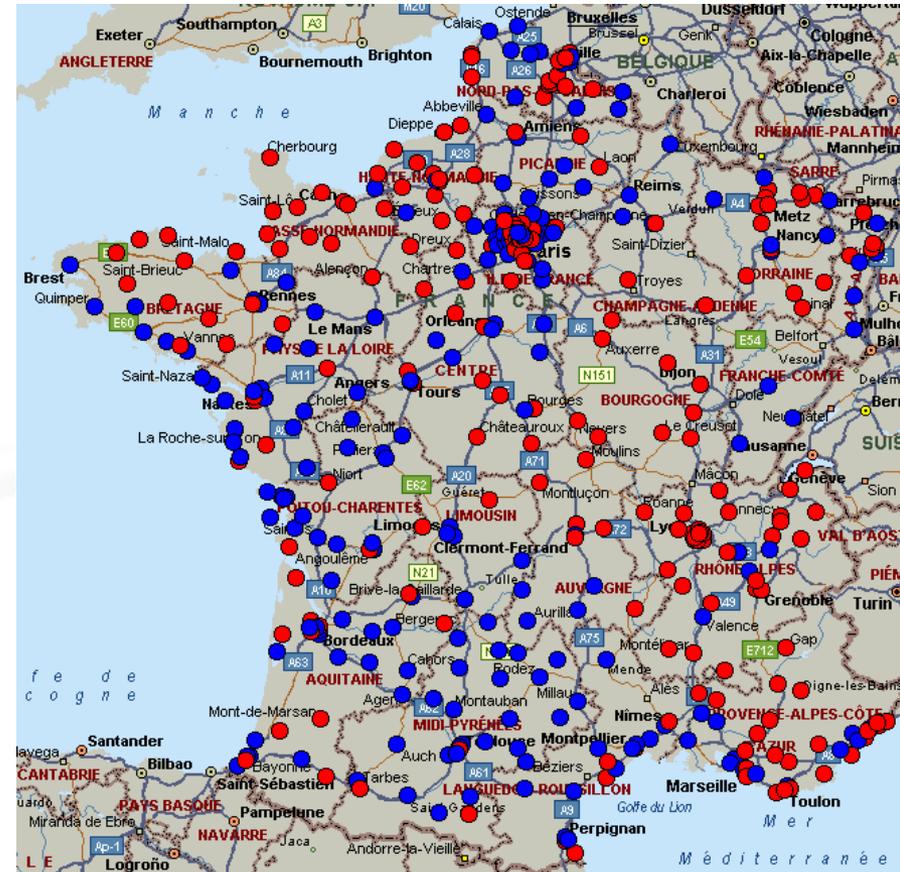
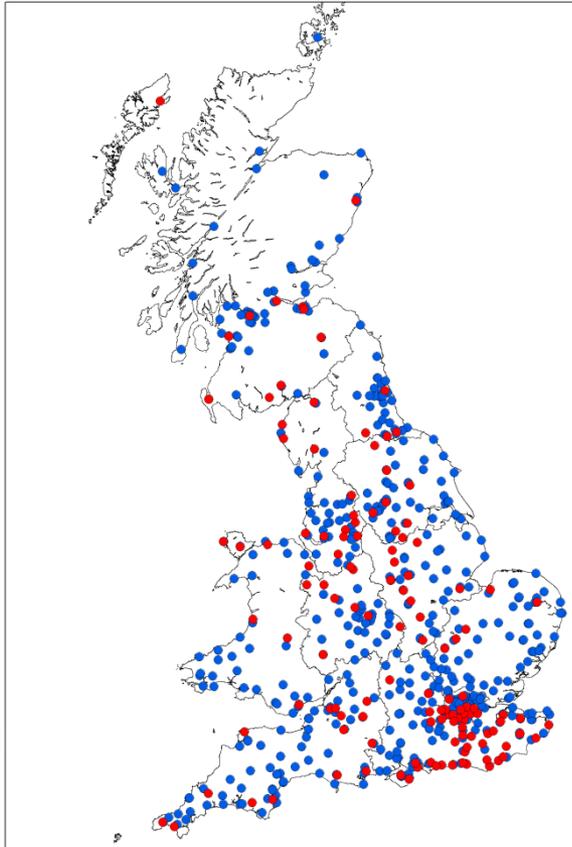
## ➔ Excellent strategic fit

- Consolidating the leadership of:
  - Building Distribution on the heating and plumbing distribution market in France
  - Jewson on the UK general merchandising market
- Recognized branch networks
- Very good fit in geographical terms

# Build Center and Brossette acquisitions: a very good fit in geographical terms

- Build Center
- Jewson

- Brossette
- DSC



# Build Center and Brossette acquisitions

## ➔ Attractive financial terms

- Contributing €1bn in sales
- Enterprise value multiple of 0.3 times 2010 sales
- Extensive synergies: around €50m in total over the medium-term
- Low goodwill
- Strong potential for improvement in earnings and profitability in the medium term
- Positive impact on the Group's ROCE in Y+2

# Objectives for full-year 2011 confirmed

- ➔ Robust organic growth
- ➔ Double-digit growth in operating income\*
- ➔ Free cash flow of €1.3bn, after a €500m rise in capex
- ➔ Continuing strong balance sheet

\* at constant exchange rates  
(average exchange rates for 2010)

## **Conclusion: a solid Group determined to continue benefiting fully from economic recovery**

- ➔ Strong strategic positioning in both high-growth and developed markets
- ➔ Strict cost discipline
- ➔ Capacity to increase sales prices in an inflationary environment
- ➔ Very strong balance sheet, allowing the Group to pursue a resolute development strategy and leverage growth opportunities