ACCELERATING THE TRANSFORMATION OF THE GROUP
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- ACCELERATION OF PORTFOLIO ROTATION
  - >€3bn sales disposal program well underway

- NEW ORGANIZATION
  - Closer to the markets + more agile + leaner

- ACCELERATED PATH TO NORMATIVE PROFITABILITY TARGETS
  - €250m new savings in addition to the existing program
  - >100 bps margin improvement in total thanks to the transformation program by 2021
A PLAN STRUCTURED AROUND TWO KEY COMPONENTS

- An active and value creating portfolio management
- A leaner and more agile organization
An active and value creating portfolio management

A PLAN STRUCTURED AROUND TWO KEY COMPONENTS

- More than 10 business units targeted for divestment
- Criteria: standalone value, synergies with Saint-Gobain, timing
- 3 processes launched
  - **Pipe China (Xuzhou plant)** sold for ~€200m in November 2018 – 2017 sales ~€250m
  - **Silicon carbide business** (part of HPM): process launched – 2017 sales ~€120m
  - **Building Distribution Germany**: process launched – 2017 sales ~€1.9bn

→ Portfolio to be further revisited without any taboo by each of the new business units of the new organization

On track to deliver the objective of >€3bn sales disposed by the end of 2019 with €1bn of proceeds and ~40 bps impact on operating margin
A plan structured around two key components

- > €500m per year over 2017-2020
- Clear value creation threshold
  - ROCE > WACC by year 3
- Excellent recent track record
  - ~100 acquisitions 2013-2017
  - <6 x EBITDA after synergies
- Priorities
  - Bolt-on acquisitions, especially in the regional businesses
  - Technological building blocks, especially in High Performance Solutions
  - Emerging market platforms

Continuation of our successful acquisition policy

An active and value creating portfolio management
A PLAN STRUCTURED AROUND TWO KEY COMPONENTS

A leaner and more agile organization
A NEW ORGANIZATION ...

- … more **aligned** with its markets
- … more **agile**
- … more **synergistic**
A NEW ORGANIZATION …

- … more **aligned** with its markets
- … more **agile**
- … more **synergistic**
NEW ORGANIZATION OF THE GROUP

- **4 Regions** in charge of businesses serving **local markets**
  - *Distribution, Construction Products, Architectural Glass*

- **A High Performance Solutions** unit in charge of businesses serving **worldwide markets**
  - *High-Performance Materials, Automotive Glass*
ORIENTATION BY REGION FOR LOCAL BUSINESSES

- Products and services travel only short distances and are supplied locally
- Ultra-quick reactivity & logistics are essential to success
- In-depth knowledge of customer (architects, contractors, applicators, distributors, end-users…) and of local market specifics is a must
- Digital is breaking the traditional supply chain silos
  - Building Information Modelling
  - Increased involvement of end-user

Being organized by country and region is the most efficient way to exploit Saint-Gobain’s unique assets
Products and services are of high unit value and can travel long distances

Added value based on co-innovation with customer: tailor-made technological solutions

Intimacy with the application and with the customer is key – digital is reinforcing this need and opening new opportunities

Worldwide R&D critical mass is a must

Being organized by markets is the most efficient way to exploit Saint-Gobain’s unique assets
NEW GROUP PRESENTATION: SALES BREAKDOWN

**Sales by business**
- High Performance Solutions: 35%
- Northern Europe Region: 12%
- Southern Europe – MEA Region: 18%
- Americas Region: 31%
- Asia-Pacific Region: 4%

**Sales by geographical area**
- France: 25%
- Other Western Europe: 20%
- Emerging markets and Asia: 13%
- North America: 42%

H1-2018 figures
NEW GROUP PRESENTATION: OPERATING INCOME BREAKDOWN

**Ol by business**

- 36% High Performance Solutions
- 25% Northern Europe Region
- 19% Southern Europe – MEA Region
- 14% Americas Region
- 6% Asia-Pacific Region

**Ol by geographical area**

- 33% France
- 33% Other Western Europe
- 21% Emerging markets and Asia
- 13% North America

H1-2018 figures
H1 2018 FIGURES ACCORDING TO NEW REPORTING LINES

New organization breakdown

- **Asia-Pacific**: +0.6% / OI 9.1%
- **High Performance Solutions**: +7.6% / OI 14.3%
- **Americas**: +9.8% / OI 7.9%
- **Southern Europe MEA**: +4.1% / OI 4.2%
- **Northern Europe**: +3.1% / OI 4.9%

Industry / Distribution breakdown in European Regions

- **Northern Europe and Southern Europe & MEA**
  - Sales and operating income (%)
    - Industry: 32% (68%)
    - Distribution: 61% (39%)

H1-2018
Sales breakdown
Organic growth in % / Operating income as a % of sales
A NEW ORGANIZATION ...

- ... more aligned with its markets
- ... more agile
- ... more synergistic
A SIMPLIFIED DECISION MAKING PROCESS

SECTORS

Activities

P&L business units (countries or businesses)

TODAY

REGIONS

P&L business units (countries or businesses)

On 01/01/2019

High Performance Solutions
IMMEDIATE AGILITY BENEFITS

■ Quick decision making
  → From 3 levels of approval to 1 for most decisions

■ Business models adapted to market / country specifics
  → From “one size fits all” management to “tailor made” management

■ Reduced management structure
  → From a matrix to a simplified and direct line of management
NEW SENIOR MANAGEMENT TEAM

Claire PEDINI
Senior Vice-President
Human Resources and Digital Transformation

SREEDHAR N.
Chief Financial Officer

Pierre-André de CHALENDAR
Chairman and Chief Executive Officer

Benoit BAZIN
Chief Operating Officer

Antoine VIGNIAL
Corporate Secretary in charge of Corporate Social Responsibility

Laurent GUILLOT
Senior Vice-President,
CEO High Performance Solutions

Patrick DUPIN
Senior Vice-President,
CEO Northern Europe Region

Guillaume TEXIER
Senior Vice-President,
CEO Southern Europe & MEA Region

Thomas KINISKY
Senior Vice-President, Innovation and Chairman North America

Javier GIMENO
Senior Vice-President,
CEO Asia-Pacific Region
A NEW ORGANIZATION ...

- ... more **aligned** with its markets
- ... more **agile**
- ... more **synergistic**
MORE SYNERGIES TO THE BENEFIT OF OUR CUSTOMERS

For our customers: the same Saint-Gobain offer …

- Strong brands
- Strict arm’s length principle between industry and distribution businesses

… plus much more

- Better services ➔ optimized logistics and digital services
- A better offer ➔ market knowledge, innovation capability, Saint-Gobain transversal solutions
- A better visibility ➔ Saint-Gobain brand

Synergies at 3 levels: local, market, global
Leverage the unique local density of our businesses across the full Saint-Gobain portfolio

Seize growth opportunities while offering a seamless customer journey

ILLUSTRATION: SYNERGIES BETWEEN OUR LOCAL BUSINESSES

**UK:** Saint-Gobain prefab frame systems in light-weight construction

**Finland:** a unique customer service, shared e-shop and common logistics

**France:** saint-gobain.fr, leveraging our knowledge of distribution and construction products

**Brazil:** common prescription: Glass, Pipe, Insulation, Cement board, Mortars and Gypsum

**Entrance into prefab market thanks to cross-businesses engineered solutions**

**More efficient sales forces & more time dedicated to cross-selling and upselling**

**A complete offer to accompany our end-users in their renovation projects**

**An improved customer experience with a common offering**
MARKET SYNERGIES

- Better address our global markets to develop cross-selling
- Leverage our global reach to follow our customers worldwide

ILLUSTRATION: SYNERGIES BETWEEN OUR GLOBAL BUSINESSES

- Synergies in the Automotive market
  - Glass products from Sekurit, Bearings and Seals

- Synergies in the Aerospace market
  - Glass cockpit windows and Radomes

- Synergies in our industrial markets
  - Adhesives, Abrasives and Tapes
  - Synergies in distribution networks in our industrial markets
GLOBAL SYNERGIES

A central organization for certain key functions...

- **Industrial Performance**
  - Operational benchmarks & standards, supply chain, excellence programs & Industry 4.0, strategic investments

- **Marketing & Development**
  - Strategic product management & Saint-Gobain offering, digital roadmap, commercial excellence tools

- **Innovation & R&D**
  - 8 transversal R&D centers with 3,700 R&D associates

- **Further concentration of shared service centers**
  - Finance, HR...

- **Central IT**
  - Global infrastructure, global system delivery center, digital platforms

... to achieve selected identified goals

- **Critical mass**
- **Expertise**
- **Best practices sharing**
- **Powerful roll-out of excellence programs**
- **Cost reduction**
GLOBAL SYNERGIES

ILLUSTRATION: SUCCESSFUL TRANSFERS AND COLLABORATIONS BETWEEN BUSINESSES IN R&D

- Fire-resistant plasterboard developed thanks to Ceramics expertise in high temperature
- Sage Glass@ Electrochromic Glazing first developed by Sekurit for Ferrari and adapted to building markets
- Transversal Program on acoustics: Insulation, Mortars, Ceiling, Sekurit, Building Glass and Bearings
- External Thermal Insulation Composite Systems (ETICS) developed in coordination between Mortars, Gypsum, Insulation and Adfors
€250M ADDITIONAL SAVINGS

New program: €250m by 2021

Levers:
- Streamlining of the central organization
- Synergies between businesses within countries: e.g. logistics, back office…
- Reduction of SG&A and fixed costs
- Accelerated decision making and empowerment

Accelerated implementation starting 1/1/2019

Existing program: ~€300m / year over 2017-2020

Levers:
- Purchasing
- Operational improvement
- Industry 4.0

Reinforced thanks to new central industrial organization

In addition to …
THE TRANSFORMATION WILL ALLOW US TO ACCELERATE OUR PATH TO OUR FINANCIAL TARGETS

An active and value creating portfolio management

A leaner and more agile organization

SUBSTANTIAL GROWTH ACCELERATION

>100 BPS OF ADDITIONAL OPERATING MARGIN BY 2021
AN ACCELERATED IMPLEMENTATION TIMELINE

- **July 2018**: Initial announcement
- **November 2018**: Details of the organization disclosed
- **January 2019**: New organization in place
- **December 2019**: Disposals target reached
  - >€3bn sales divested
- **December 2020**: Transformation fully implemented
  - >100 bps profitability impact in 2021
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