Building Distribution:
a return to growth

Saint-Gobain Investor Day
November 15th 2010


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Agenda

- **Key Facts**
- **Business Update**
- **Strategy**
- **Conclusion**

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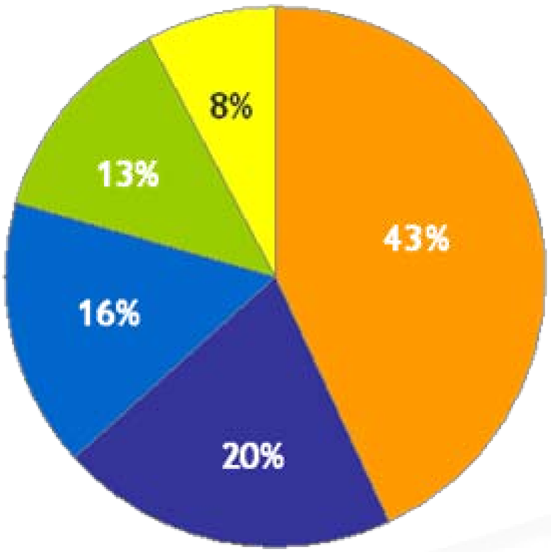
A local business - #1 leader in Europe

- **N°1 European** distributor for Building Materials with multiple brands & **€17.1bn of sales** (2009)
- A **local business** served by a network of **4,160 branches in 26 countries**
- A **people driven business: 68,000 people** delivering almost **200 million** customers contacts per year
- A **dedicated market approach**: **generalist and specialist brands** towards **professional customers** & project oriented **private** customers

A balanced portfolio of markets & countries

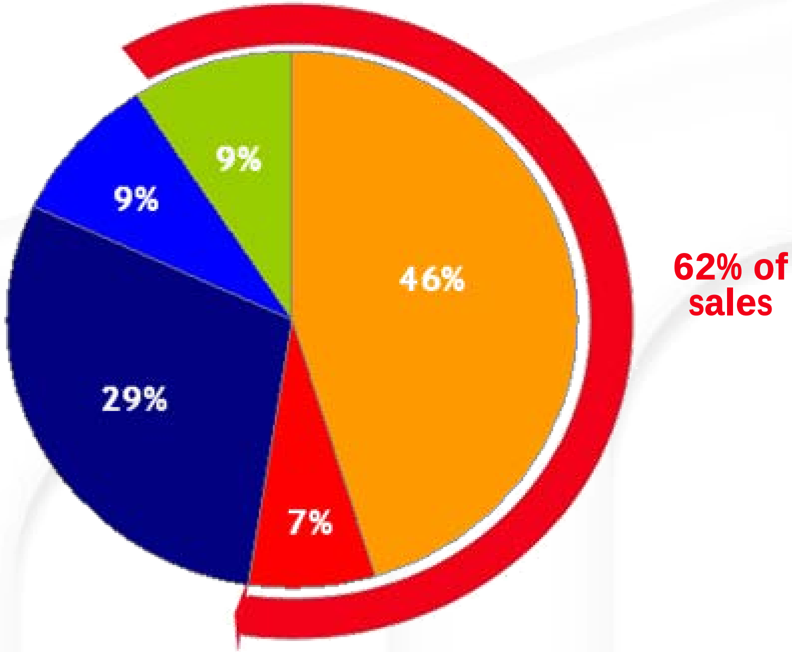


% of turnover

(# of branches)

- France (1,900)
- Nordic countries & Switzerland (440)
- UK & Holland (945)
- Germany & Eastern Europe (490)
- Other countries (385)

- Residential renovation
- Non residential renovation
- Infrastructure & civil works



- Residential new construction
- Non residential new construction

A focused, steady & experienced team

Benoît BAZIN
Sector CEO

- **Patrick BERTRAND** — Lapeyre & South America

- **Udo BRANDT** — Germany & Holland

- **Brian CHAMBERS** — North America

- **Christophe CHAPAT** — Eastern Europe

- **Peter HINDLE** — UK & Ireland

- **Kåre O. MALO** — Nordic Countries & Switzerland

- **Patrice RICHARD** — Point.P, Spain & Italy

- **Gérard ASPAR** — New concepts

- **Gilles-Henri DUBOUILLON** — HR

- **Jacques FINESCHI** — Developement & Acquisitions

- **François JANNY** — Finance & IT

- **Kåre O. MALO** — Purchasing & Marketing

- **Mark SADOFF** — Legal

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Strong crisis management

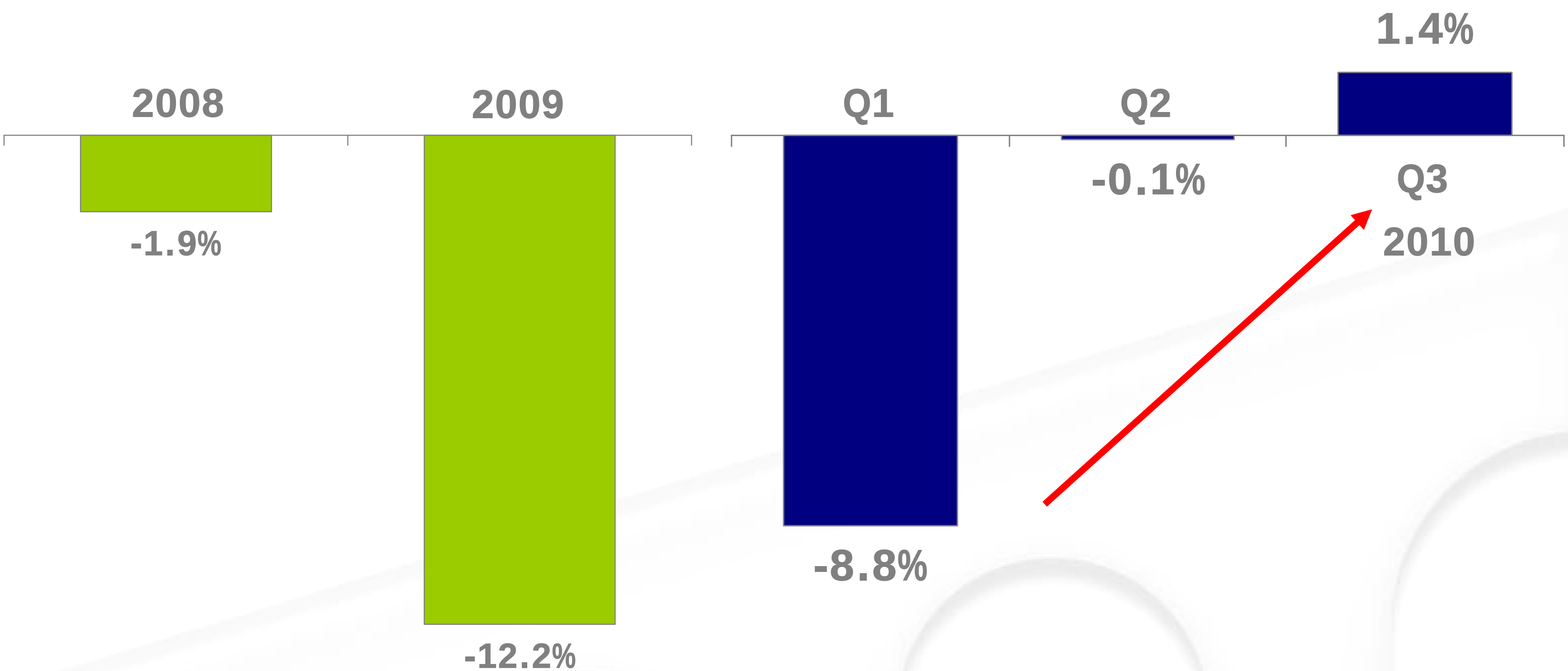
- **Satisfactory gross margin evolution** (**flat from 2007 to 2010**)
  - Solid pricing & purchasing action plans & customer risk management

- **€450m of cost savings (2008-2010)**
  - Significant headcount reduction (excl. acquisitions) : **-15%**
  - Selective network restructuring : **-7%** (300 closures)

- **Significant free cash flow generation** (**2009 better than 2008**)
  - Capex 2009: **-51%** versus 2007
  - Working Capital 2009: **-47%** versus 2007

- **Acquisitions freeze** (until H1 2010)

Back to positive internal growth



Turning now into moderate positive figures

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Reinforced positions during the crisis

- 0 to -10%
- -20 to -30%
- -10 to -20%
- > -30%

	From peak to low (2007-2010)	Market share evolution (2008-2010)	Q3 & H2 2010 sales trend
France		+	= / +
United Kingdom		=	+
Nordic countries		++	+
Germany		= / +	+
Other regions		=	-
Total Sector		+	+

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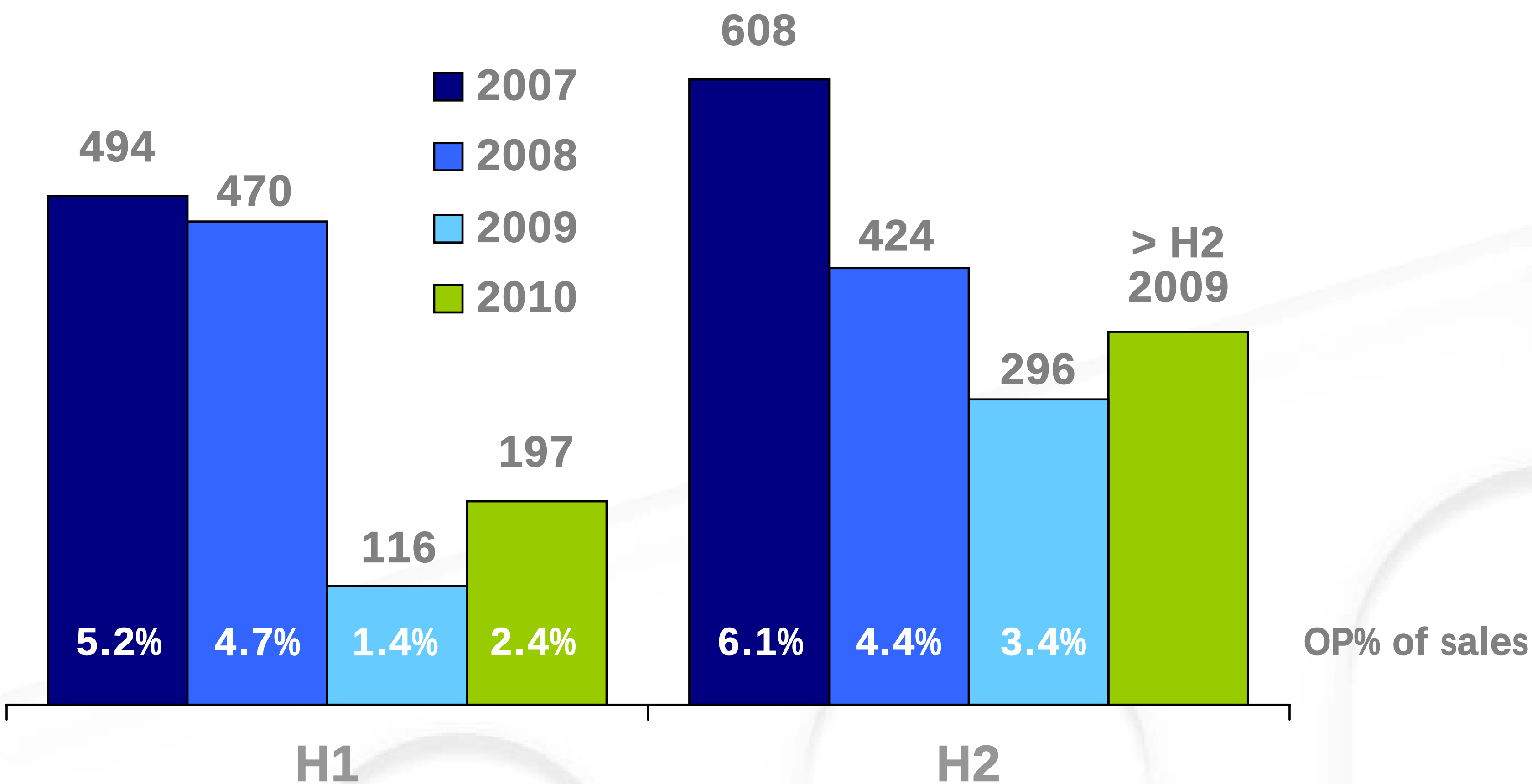
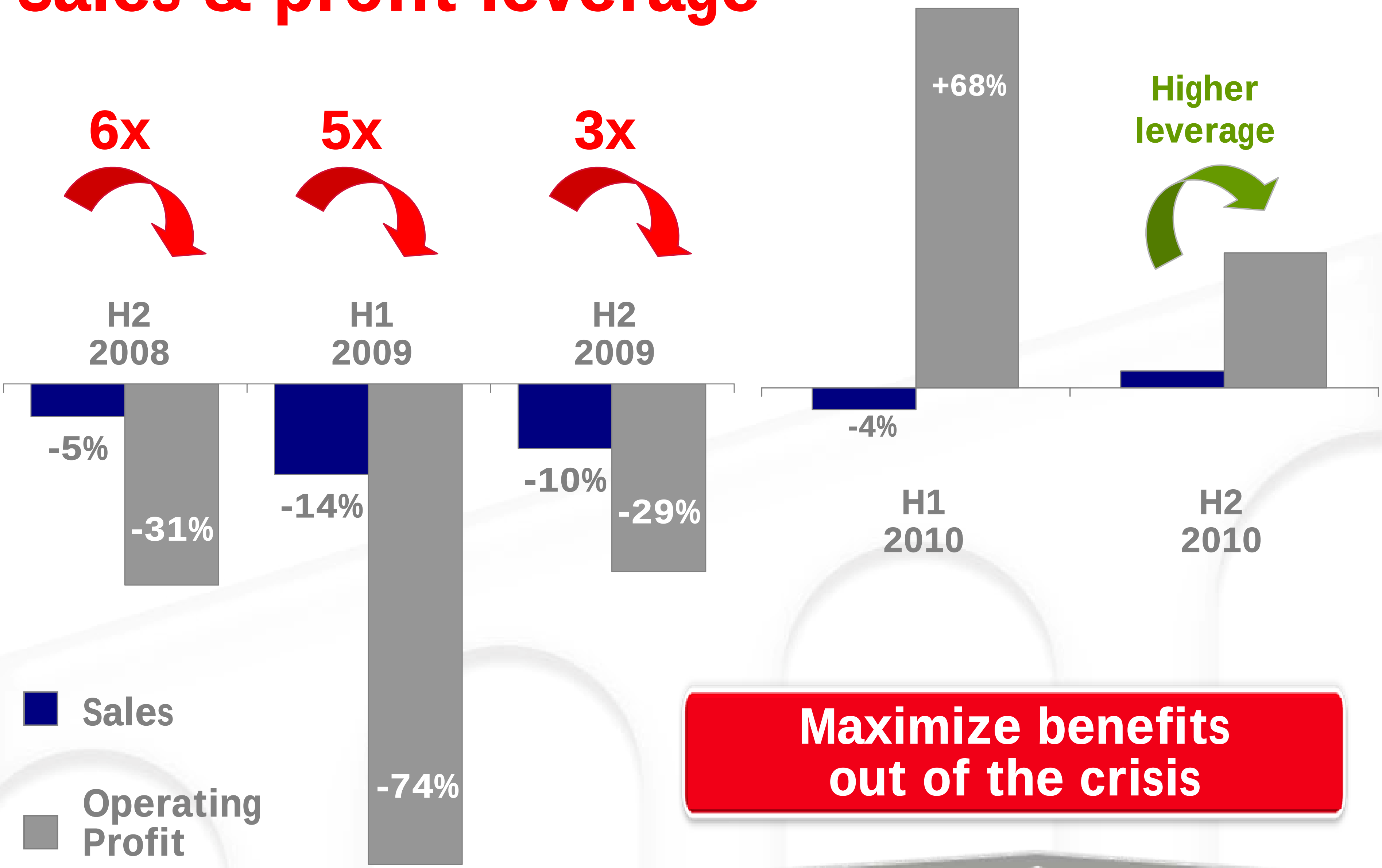
A clear rebound of operating profit



On-going margin improvement since H1 2009

Sales & profit leverage



Maximize benefits out of the crisis

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Saint-Gobain Building Distribution long term goal

- **Be THE Reference** : BEST Distributor for employees to work for & for customers & suppliers to deal with

- **Innovate** on our core business and **set the tone & pace** ahead of our peers

- Strengthen our global & local **leadership** and translate it into accelerated **growth** & increased **profitability**

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Saint-Gobain Building Distribution Growth Strategy

- Consolidate our business by driving **day to day operational excellence** on key fundamentals
- Deliver success on differentiating projects
- Make selective growth investments & strengthen our core business

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Top operational stakes

Above the market growth & further share gains (Sales)

Commerce — **Pricing**

Selling prices action plans to increase trade margin (OP)

Lower cost to sales ratio & recover best productivity (OP)

Cost — **Purchasing**

Purchasing & product offering action plans (OP & Cash)

- High level managers on **operational groups** for best practice sharing & execution
- Move towards a **more synergistic Sector**

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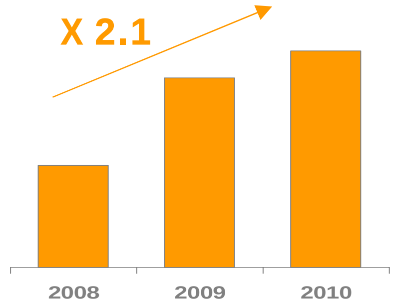
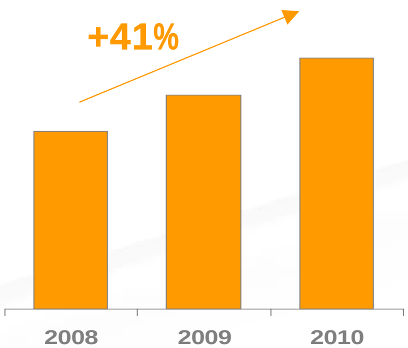
Commerce excellence (example)

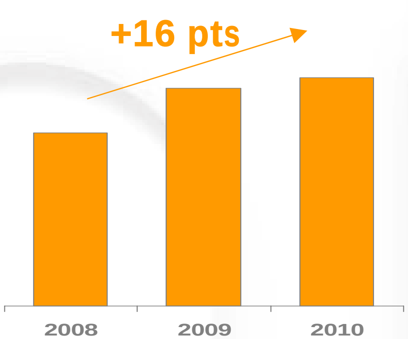
Monthly visits



# of Customers



% customers billed monthly



- **Sales force efficiency** within Point.P

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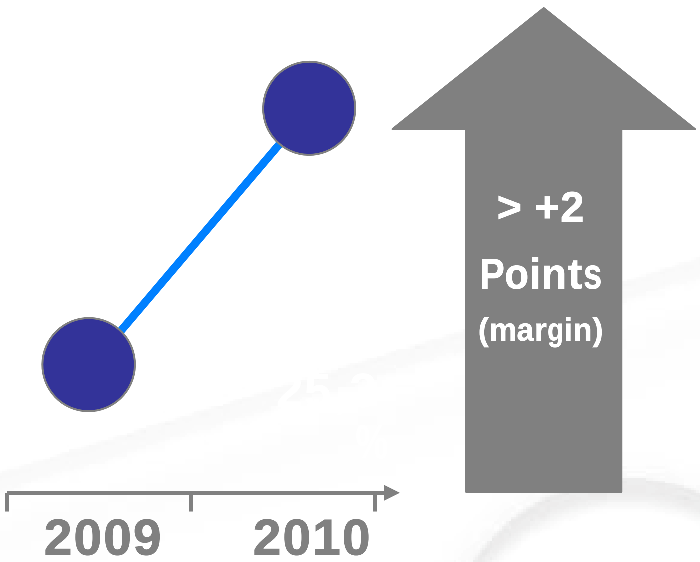
Pricing excellence (examples)

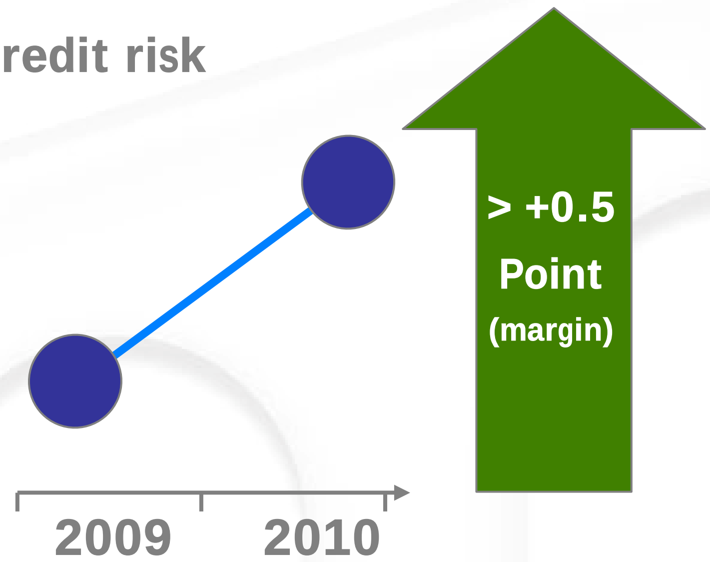
Optimera Norway

Pricing action plan
(September 2009 - 2010)



Sector

- Pricing
- Purchasing
- Credit risk



Best practice sharing

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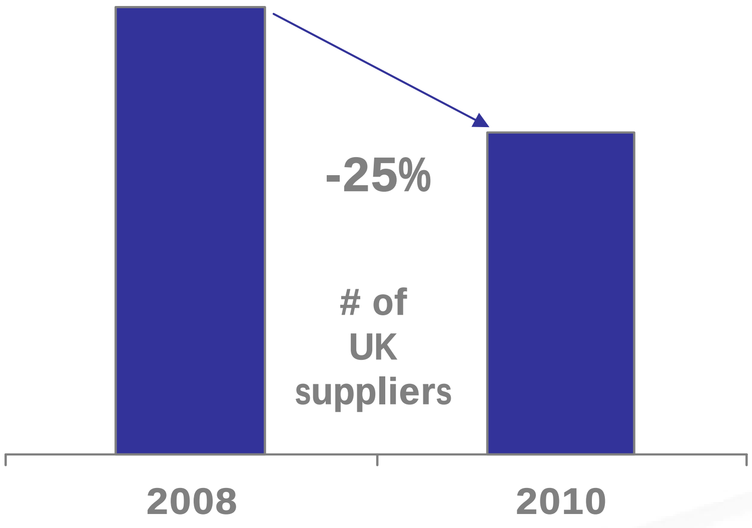
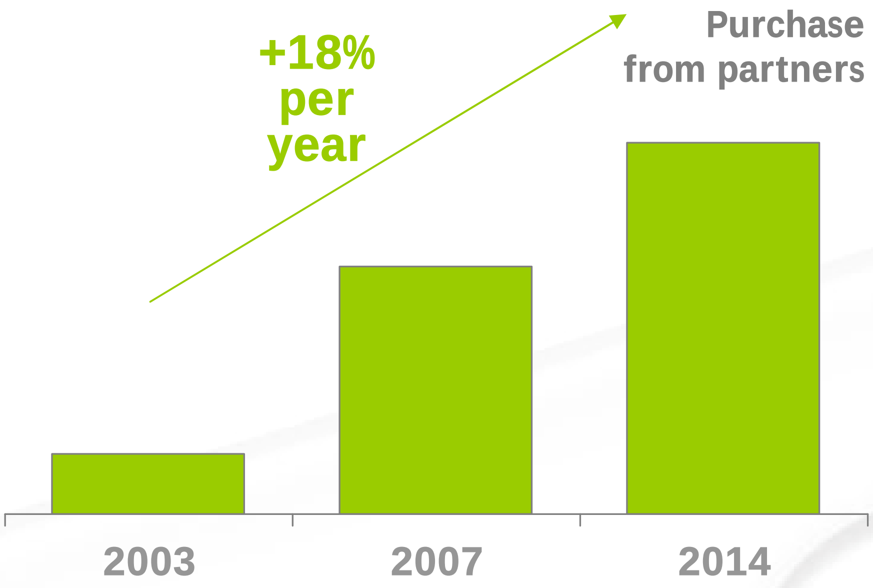
Purchasing excellence (examples)





- UK suppliers concentration
- Similar actions in **all countries**
- Selective & higher growth for Sector **partners**

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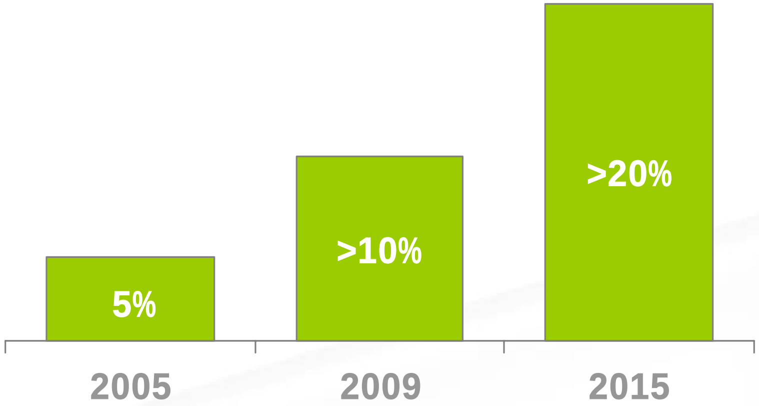
Purchasing excellence (examples)

- **Private label** (%) in plumbing sanitary & heating



- Increased sourcing in **low cost countries**

NOVIPro

Alterna

Cost excellence (examples)

- **> 50 initiatives within the Sector in order to reduce all operating costs** (headcount, transportation, occupancy, marketing, etc.)
- **United Kingdom: 2010 productivity back to 2007 levels**
- **Denmark: back-office merger between Dahl & Optimera**: -15% on personnel expenses

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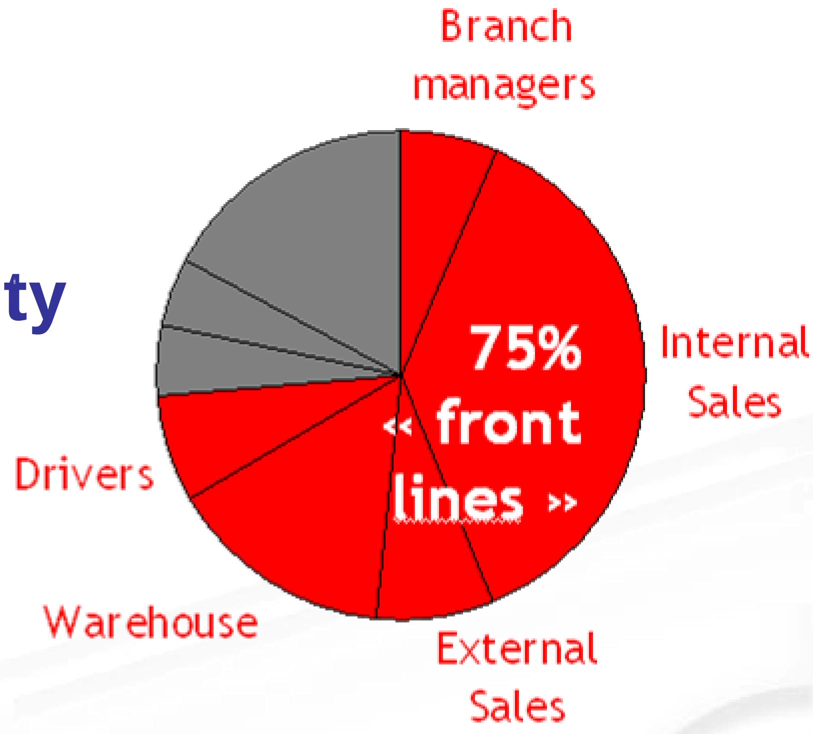
Saint-Gobain Building Distribution Growth Strategy

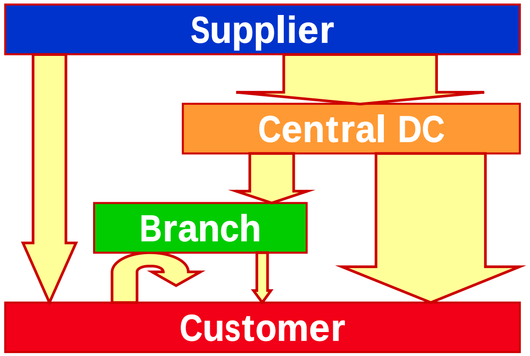
- Consolidate our business by driving day to day operational excellence on key fundamentals
- Deliver success on **differentiating projects**
- Make selective growth investments & strengthen our core business

HR action plans

- Recover pre-crisis **productivity**
- Optimize **"front lines" efficiency**
- Invest in **training** & continue EHS progress
- Enhance **talent** pools & **diversity**



Logistics projects



- Optimization of supplier to customer route & network of **Central Distribution Centers**

- Optimization of **downstream transportation** (branches to customers)

- Centralization of branch **re-ordering process**

- New tools for **warehouse management** within Central Distribution Centers

Central Distribution Center (Dahl Sweden)

Commitment to customer

- "Any order before 5pm will get delivered next day before noon time"

Logistics set up

- 1 central DC (Stockholm)
- >100 trucks (3rd party)
- 5,000 to 6,000 deliveries / day

Significant market share gains

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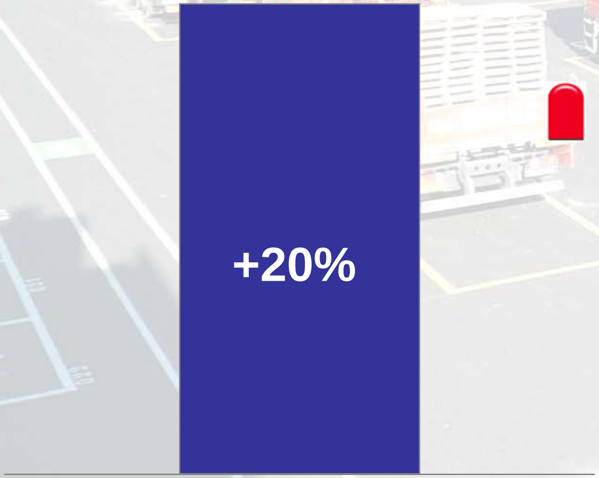
Downstream transport (Point.P Île de France)

- **Cost optimization** of deliveries & geo-localization of trucks
- **Customer information** by SMS & higher accuracy of delivery



- **Superior growth** of delivered sales with pool of trucks (2010 YTD)

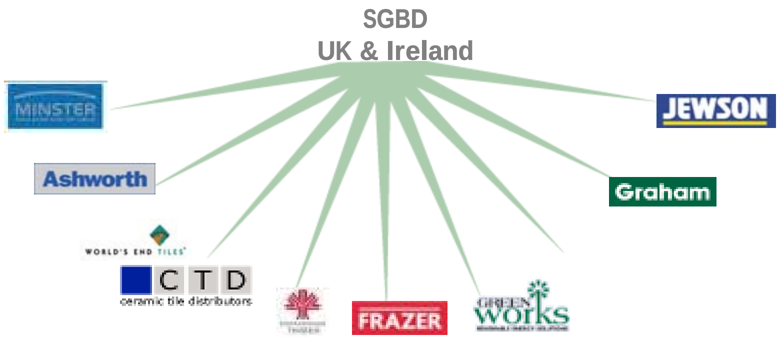
Saint-Gobain Building Distribution Growth Strategy

- Consolidate our business by driving day to day operational excellence on key fundamentals

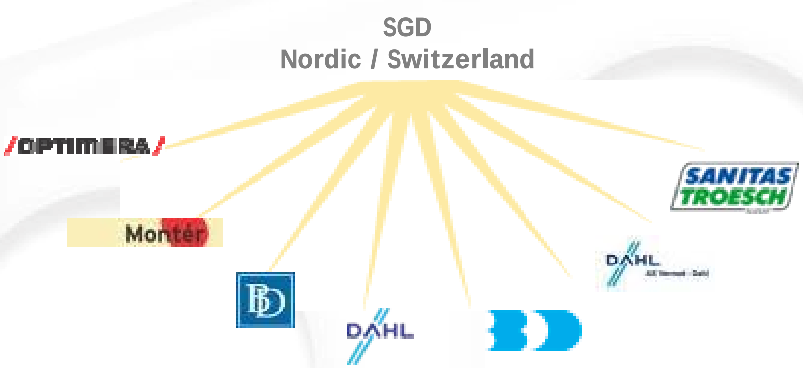
- Deliver success on differentiating projects

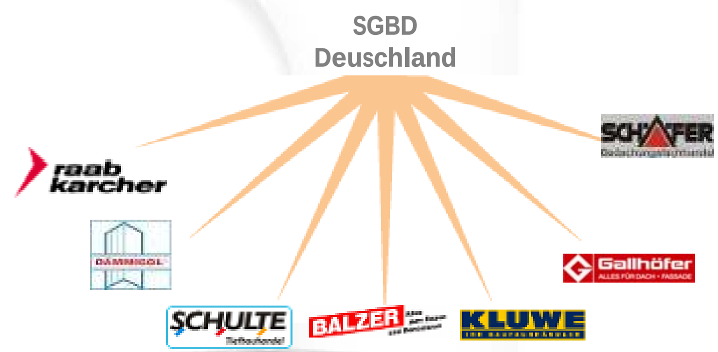
- Make selective **growth investments** & strengthen our **core business**

Leverage growth of each dedicated brand & format



- **~50%** of Sector sales through **specialist brands**
- Capture **growth & added value**
  - Support from suppliers
  - Team expertise
  - Dedicated marketing tools





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Strengthen our leadership positions

- **Select** growth investments to **strengthen areas** with **attractive** market and **solid competitive position**

- Still **significant growth & consolidation potential in highly fragmented mature markets** (5 big European players with < 15% market share)

- Focus on **bolt-on** to **mid-size acquisitions** with high value creation

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Cautious development in emerging markets

- **Compared to manufacturing, more limited growth due to high share of new construction & non residential**

- **Few established distribution networks**
  - Lots of small retailers and wholesales
  - High share of direct deliveries from suppliers on projects
  - Few and rather small acquisition targets
  - Risky Greenfield projects

- **Still a lot of informal practices**

Consolidate existing positions in **Eastern Europe** & **capture** growth in **South America**

Innovate in growth markets

Energy savings & renewable energies

SOLARKAUF

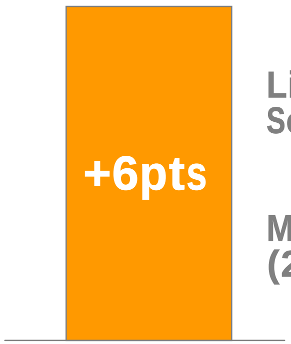
Training of customers

- France: local training of >30,000 customers

- France: increased growth & customers loyalty through energy certificates

Innovate in growth markets

- **Plateforme du Bâtiment**
  France + Spain



Like for like growth above Sector (2007-10)

Margin gain every year (2007-10)

- **3 formats**
  (Classic Compact Express)

- **New yard merchandising & self collect areas**

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Mid term financial objectives

- **Average sales growth:** **> 8% per year**
  (of which 4-5% internal growth)
- **Operating margin:** **~ 6% of sales**
- ROI > **25%**
- ROCE > **12%**

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Conclusion

- Still some way to go but on the **right track & back to growth again**
- Deliver on **operational priorities** while leveraging Sector & country **synergies**
- Benefit from a **preserved network** and **strong local brands**
- **Highly committed teams** focused on quality and speed of execution

Maximize benefits out of the crisis

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