

First-half 2006 results

Analyst – Investor meeting

London, July 31, 2006




SAINT-GOBAIN

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First-half 2006 highlights



Saint-Gobain in H1-2006: key figures

	Amount in €m	Change H1-2006/H1-2005	
		Actual	At constant exchange rates*
Net sales	20,551	+21.8%	+19.8%
Operating income	1,815	+32.3%	+29.8%
Net income excl. capital gains	813	+26.6%	

* average exchange rates for H1-2005

H1-2006: A robust economic environment

- > Buoyant **construction** markets in the US and most European countries, with the first signs of an upturn in Germany
- > Healthy levels of **corporate spending and industrial output**
- > Further strong growth in **emerging countries**
- > Continuing hike in the **cost of energy and certain raw materials**

H1-2006: Strong upswing in Group performances

- > **6.3% organic growth** (5.6% excl. Gypsum), reflecting:
 - a **3.0%** hike in **sales prices**
 - a **3.3%** upturn in **sales volumes**
- > Improved **operating margin**
(**8.8%** versus 8.1% in H1-2005)
- > Further increase in **cash flow from operations*** (**+22.9%**)

* *excl. capital gains taxes*

H1-2006: Growth powered by Construction Products and Building Distribution businesses

- > **Vigorous growth** of CP and Building Distribution sectors

	Net sales	Op. inc.
Building Distribution	+14%	+15%
Construction Products	+76%	+149%
<i>Construction Products pro forma including Gypsum in 2005</i>	+12.9%	+37.5%

- > **Business levels held firm** in HPM (except Reinforcements)
- > Decrease in **profitability** for Flat Glass and Packaging businesses (unfavorable comparison basis), but first signs of an upturn in operating income versus H2-2005

H1 2006 milestones

- > **BPB integration:** €20m in cost synergies in H1-2006, €50m expected over the full year
- > **Divestments:** €715m (including **Calmar** and **Synflex**)
- > **Continuing bolt-on acquisitions:** ~ 40 operations bringing onboard ~€500m of full-year sales
- > 36% **growth-driven increase** in **capital expenditure**
 - Gypsum: 10.5% of sales
 - emerging countries and Asia: close to 30% of total Group capital expenditure

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First-half 2006 Results



H1-2006: Key figures

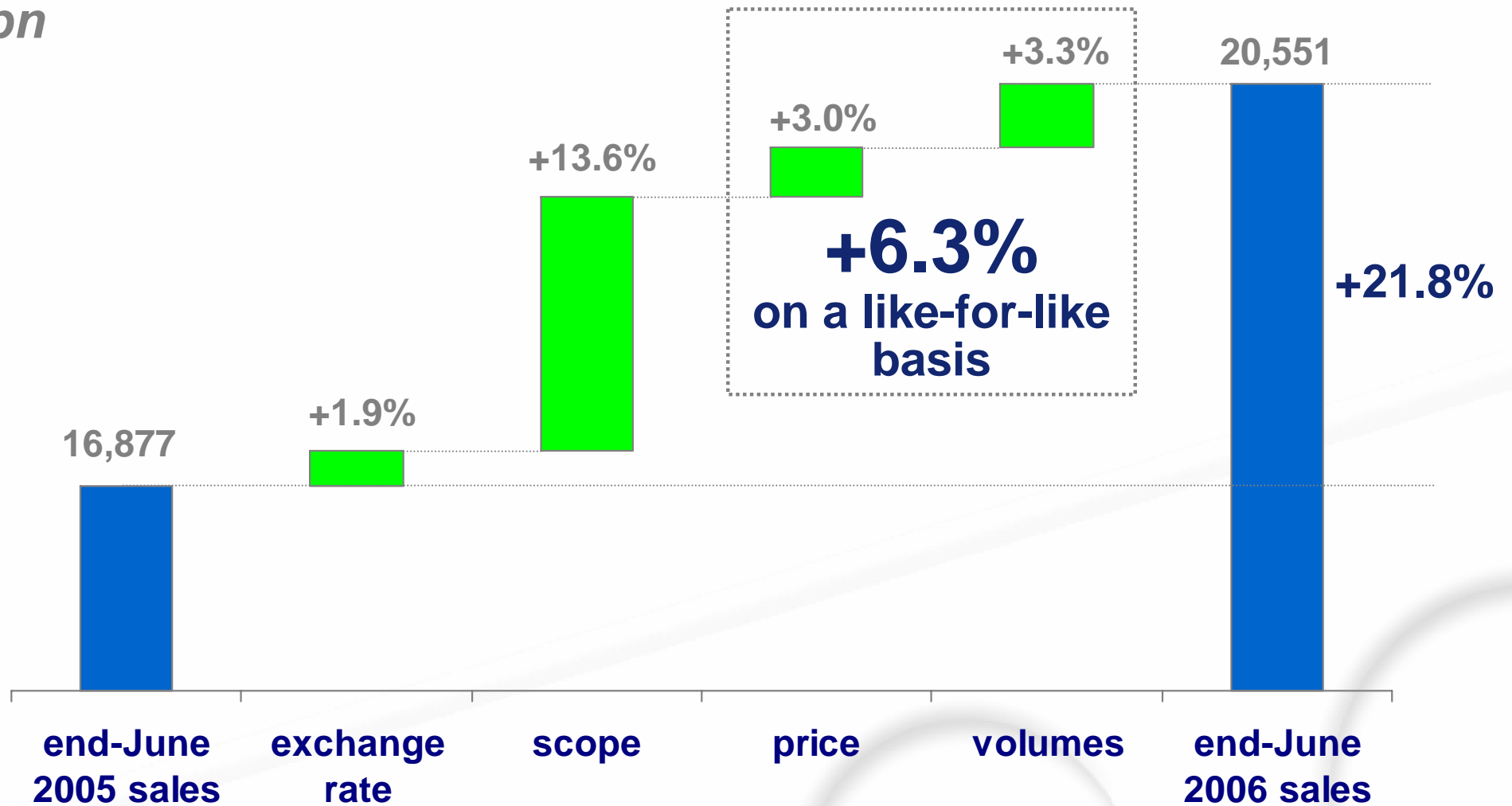
<i>In €m</i>	H1-2005	H1-2006	% change
Net sales	16,877	20,551	+21.8%
Operating income	1,372	1,815	+32.3%
Non-operating expenses*	-108	-157	+45.4%
Capital gains and losses and exceptional write-offs	+4	+13	n.m.
Business income*	1,268	1,671	+31.8%
Net financial expense	-266	-374	+40.6%
Income taxes	-359	-479	+33.4%
Minority interests	-16	-19	+18.7%
Net income*	632	797	+26.1%
Net income excl. capital gains*	642	813	+26.6%
Amortization and depreciation	689	887**	+28.7%
Operating cash flow excl. cap. gains taxes	1,360	1,672	+22.9%
Capital expenditure	598	811	+35.6%
Net debt	7,463	13,738	+84.1%

* incl. a pre-tax asbestos-related charge of €50m at June 30, 2006, versus €54m at end-June 2005

** incl. €9m in additional amortization resulting from the allocation of the acquisition cost of BPB to certain assets (gypsum quarries, industrial facilities, etc.)

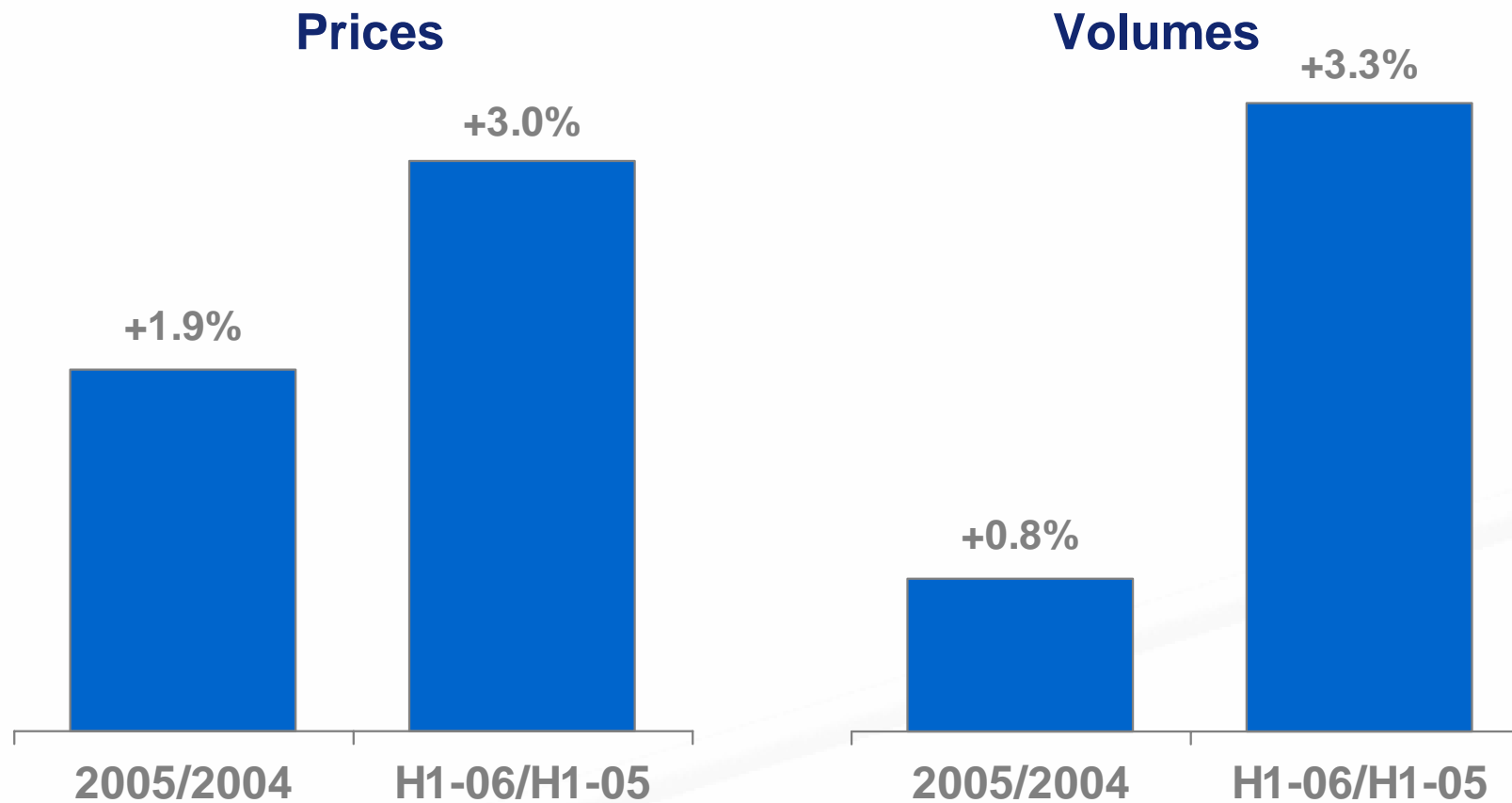
Net sales

In €bn



Strong organic and external growth

Trends in sales prices and volumes



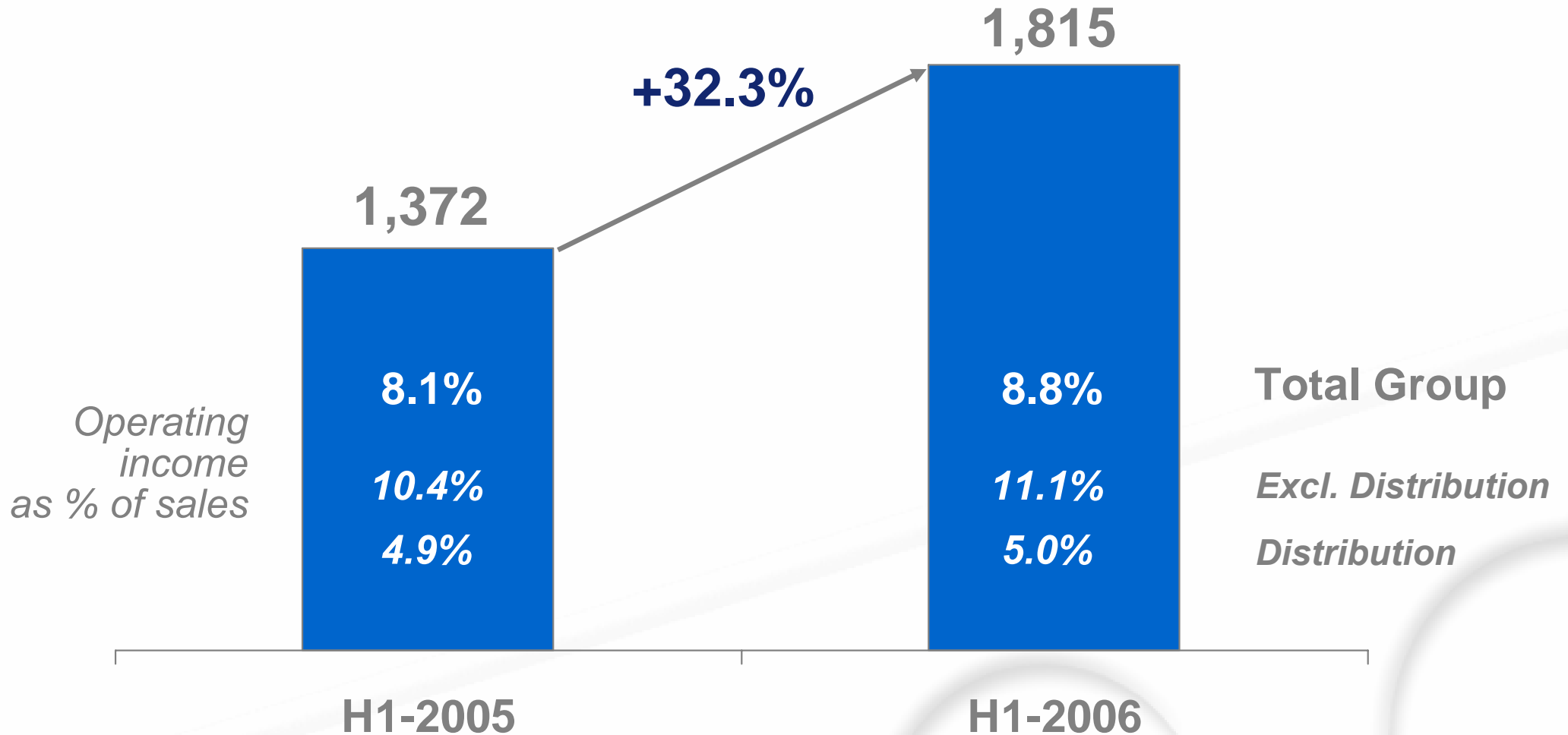
Increased pace of sales price rises

Strong upswing in sales volumes

- % annual change on a like-for-like basis
- Group composite index
- current prices in local currencies

Operating income

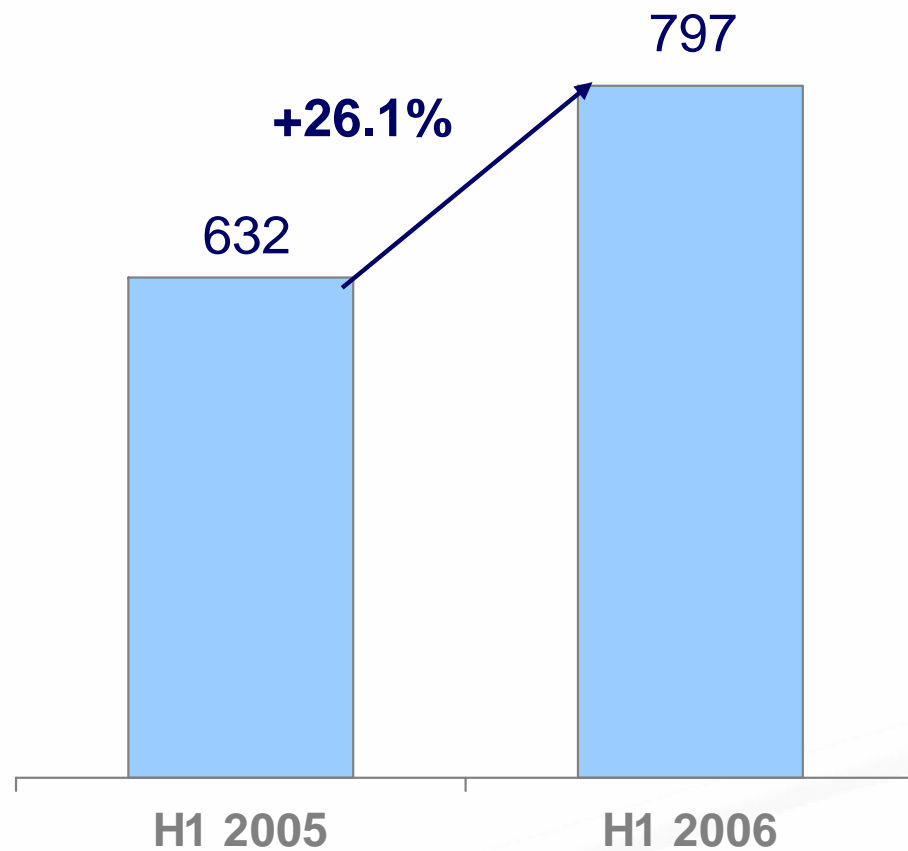
In €m



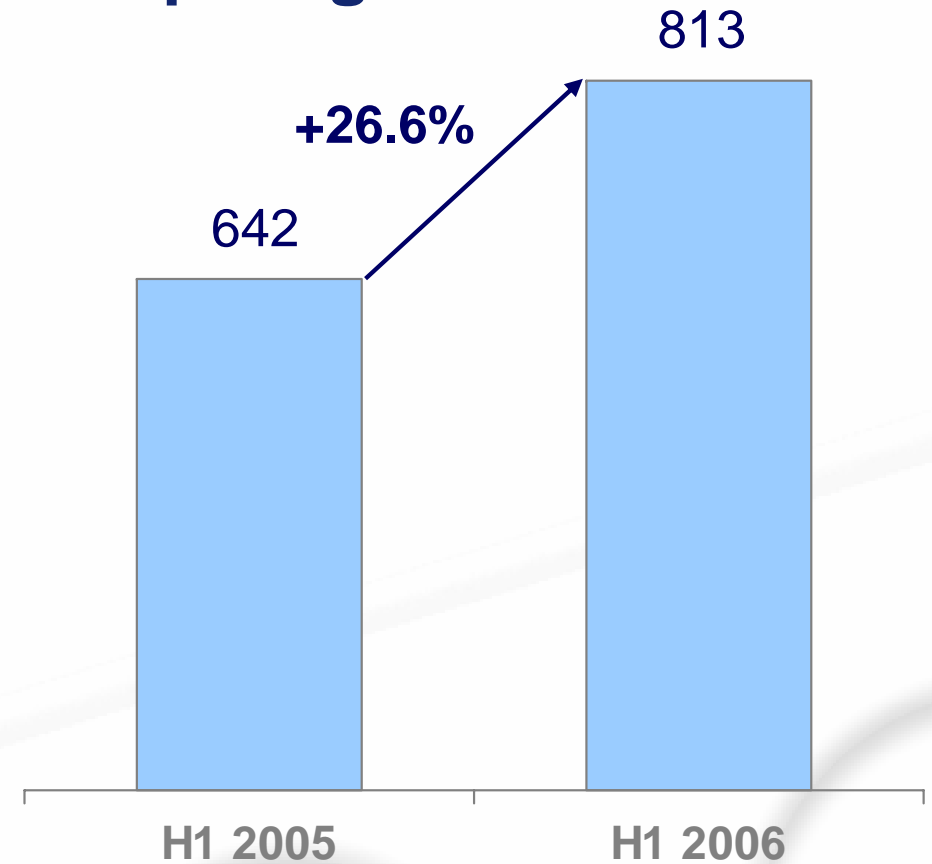
> **up 29.8%** at constant exchange rates

Net income

In €m



Net income excl. capital gains



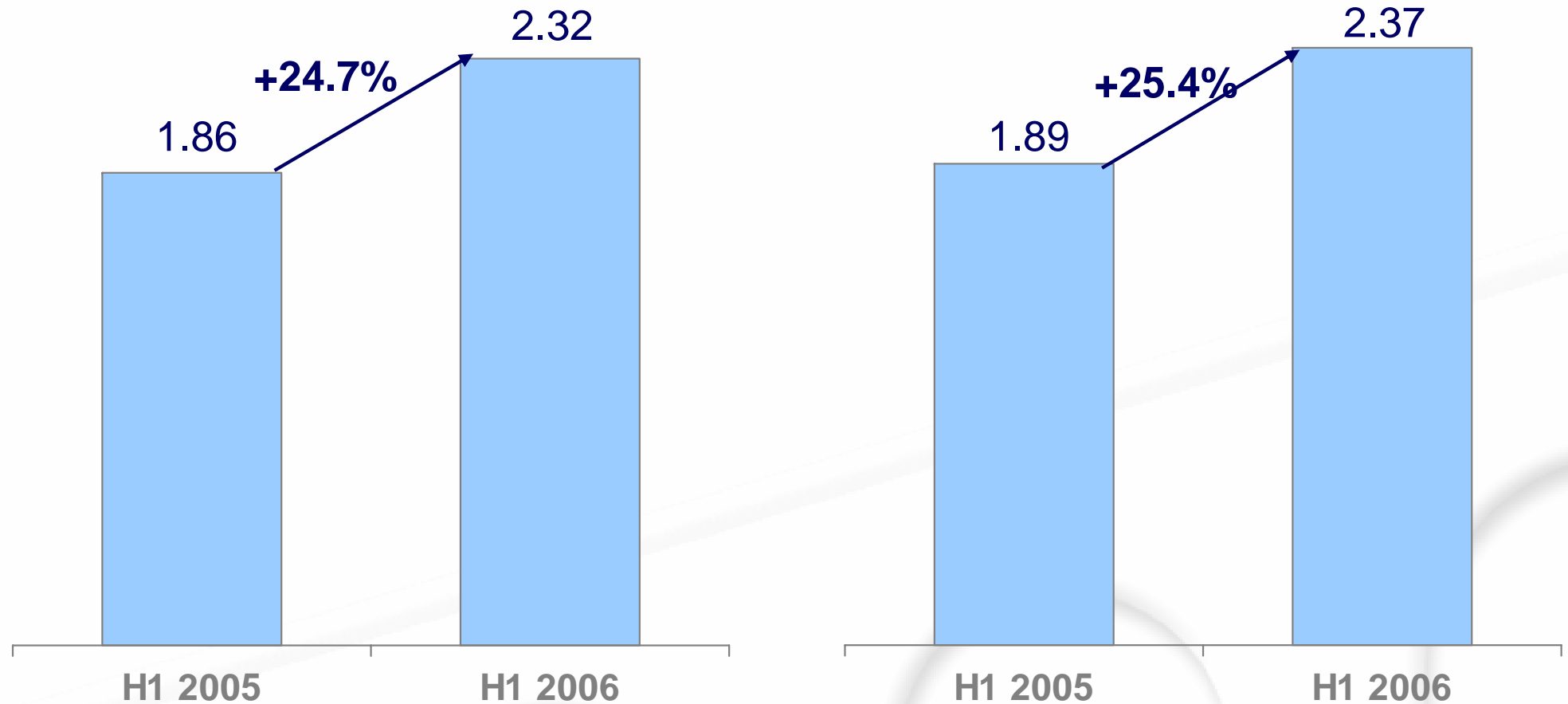
Accretive impact of BPB on net income for first-half 2006: ~ +18%

Earnings per share excluding treasury stock

In €

EPS

EPS excl. cap. gains

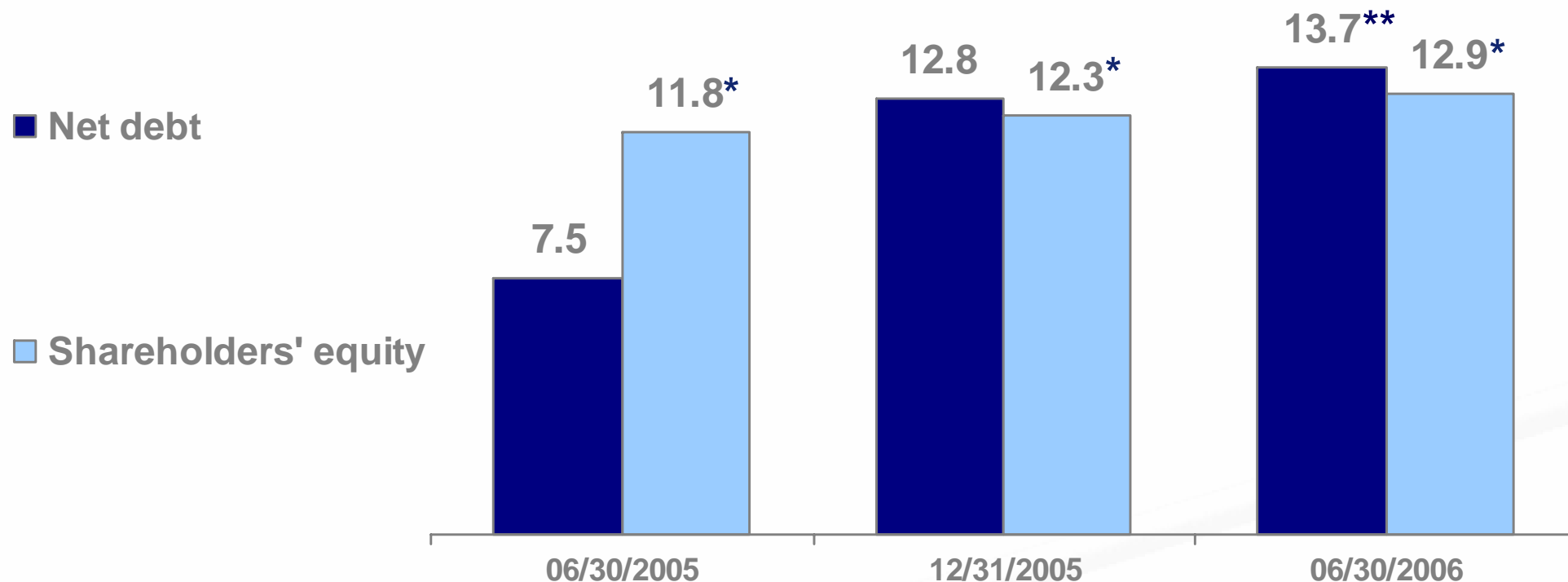


Number of shares making up capital stock
(excluding treasury stock):

340,058,134 shares at June 30, 2005

343,262,396 shares at June 30, 2006

Net debt & shareholders' equity *(in €bn)*



Net debt/equity	64%	104%	106%
Net debt/Ebitda	1.8 <i>(2xH1)</i>	2.6 <i>(pf)</i>	2.5 <i>(2xH1)</i>
Interest cover	5.2 <i>(actual)</i>	4.2 <i>(pf)</i>	4.8 <i>(actual)</i>

* Equity (IAS 8 impact)

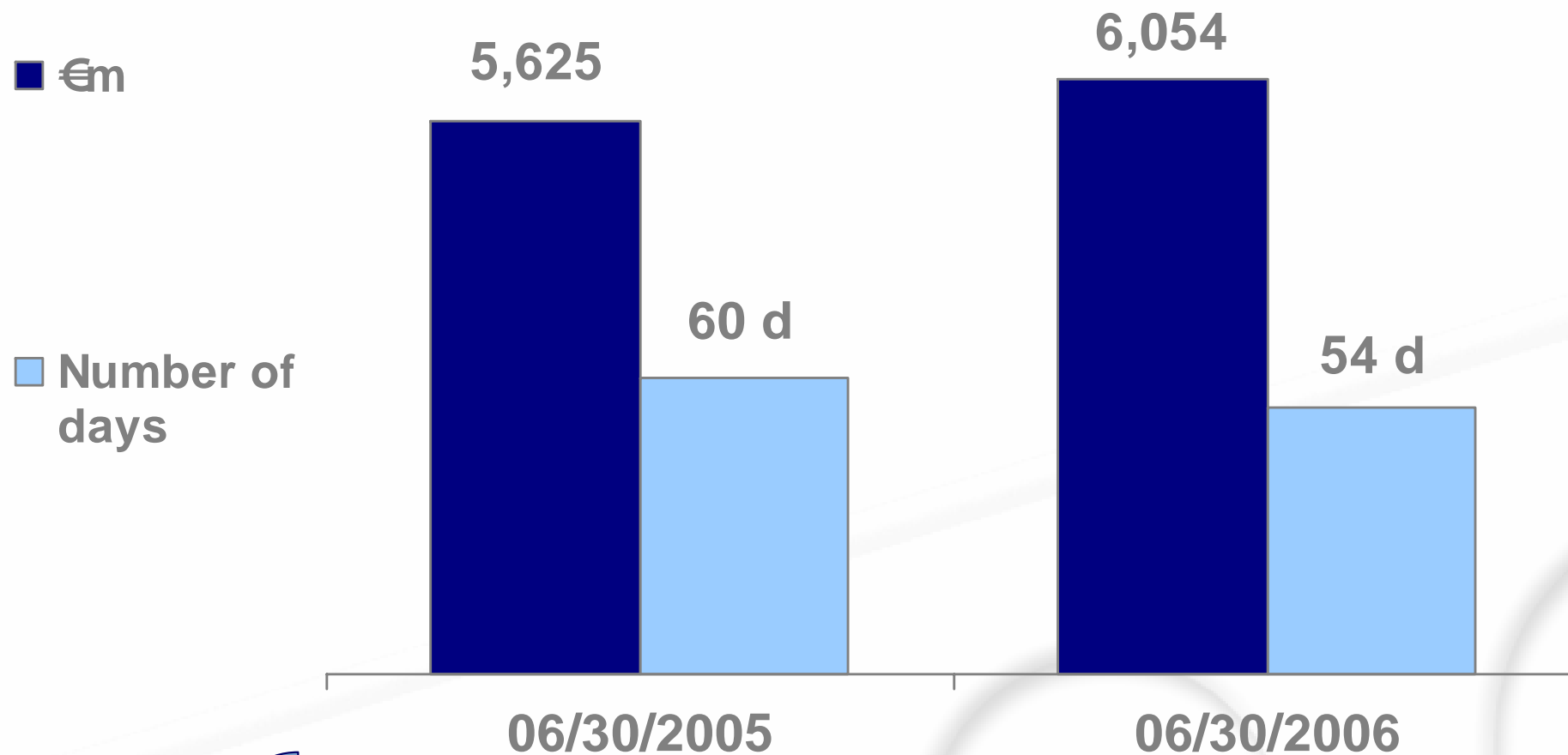
- Change of accounting method: restated actuarial gains and losses recognized in equity in accordance with IAS 19 (negative impact of €218m at end-December 2005, positive impact of €367m at end-June 2006)
- Correction of errors (€66m)

** Debt

- Before payment for Calmar (€560m) on July 5, 2006)

Operating working capital

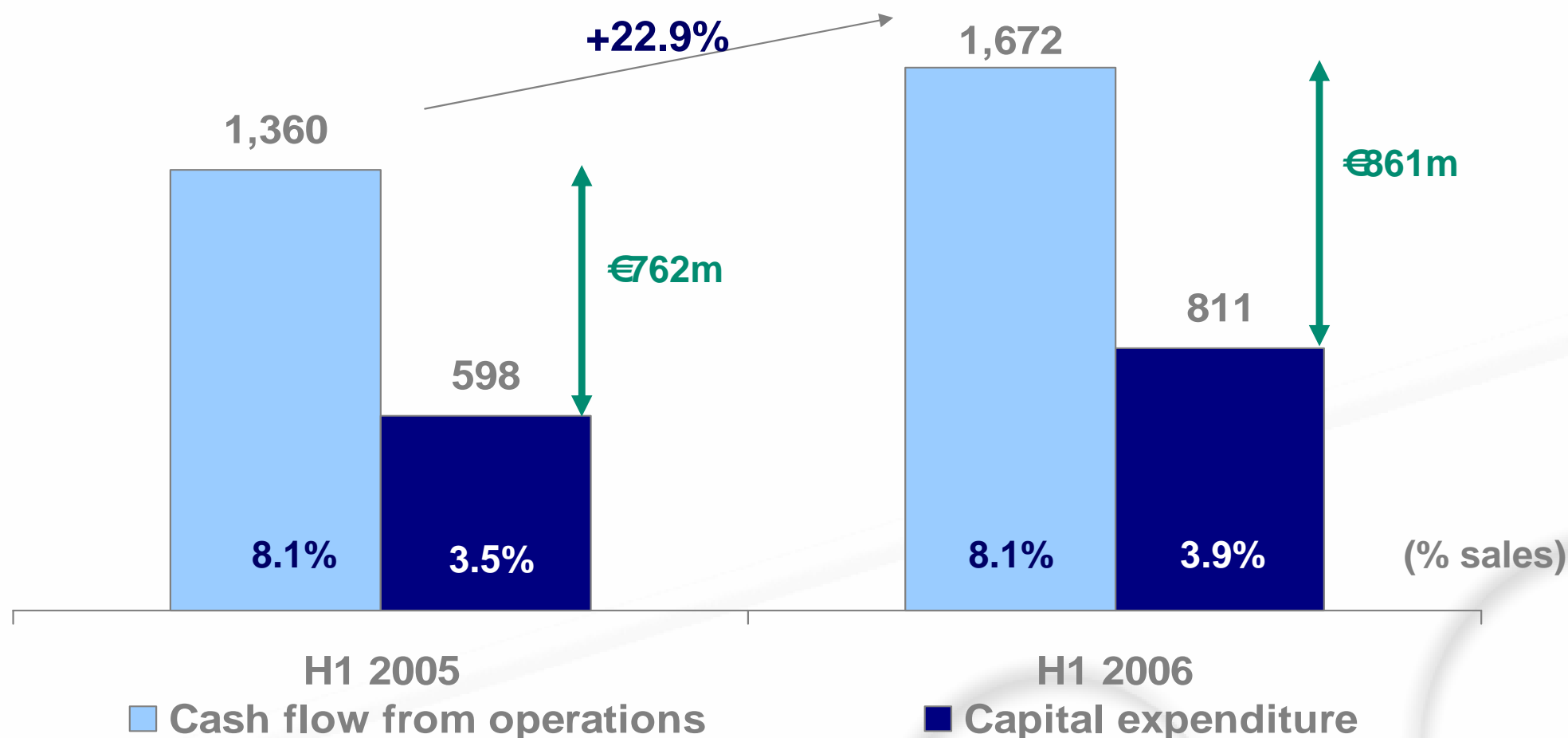
(in €m and number of days)



Further improvement in operating working capital

Cash flow and capital expenditure

In €m (excl. capital gains taxes)



- Strong growth in cash flow from operations
- Growth-driven increase in capital expenditure

H1-2006 acquisitions and disposals

> Acquisitions

€346m

o/w Building Distribution €306m*

Construction Products €33m

> Disposals

€715m*

* o/w:
acquisition of JP Corry paid in H2
disposal of Calmar - payment received in July 2006 for €560m
asset disposals of €43m

Asbestos claims against CertainTeed in the US

Trends 2004-2006

	2004	2005	H1 2006*	Trailing 12-month basis to end-June 2006*
New claims	18,000	17,000	4,000	11,000
Claims resolved	20,000	20,000	8,000	15,000
Claims pending	106,000	100,000	86,000**	

- > Average cost of settlement at end-June 2006: **USD 2,200***
- > Payouts: **~USD 75m*** (trailing 12-month basis) (2005: USD 88m; 2004: USD 140m)
- > Additional charge of **€50m** to the provision in H1 2006***

* estimated

** after the transfer of 10,000 claims to an "inactive docket" in H1-2006 further to court rulings

*** end-June: 50% of the 2005 charge

Asbestos claims against CertainTeed in the US

Legislation reform update

Federal reforms

- > May 26, 2005: **bipartisan** vote by the Senate Judiciary Committee on the Asbestos Trust Fund bill
- > February 2006: failure to obtain a majority of votes in the Senate to waive a technical budgetary requirement
- > May 2006: amended bill debated by the Senate Judiciary Committee but **likelihood of reform** in 2006 is **remote**

State reforms

- > Favorable developments in several **States** (OH, MS, TX, GA, FL, KS, SC)
- > Similar initiatives undertaken in many other States (MI, NY, PA, TN, VA, AR, LA)
- > **Positive impact** on new claims and pending claims transferred to an “inactive docket”

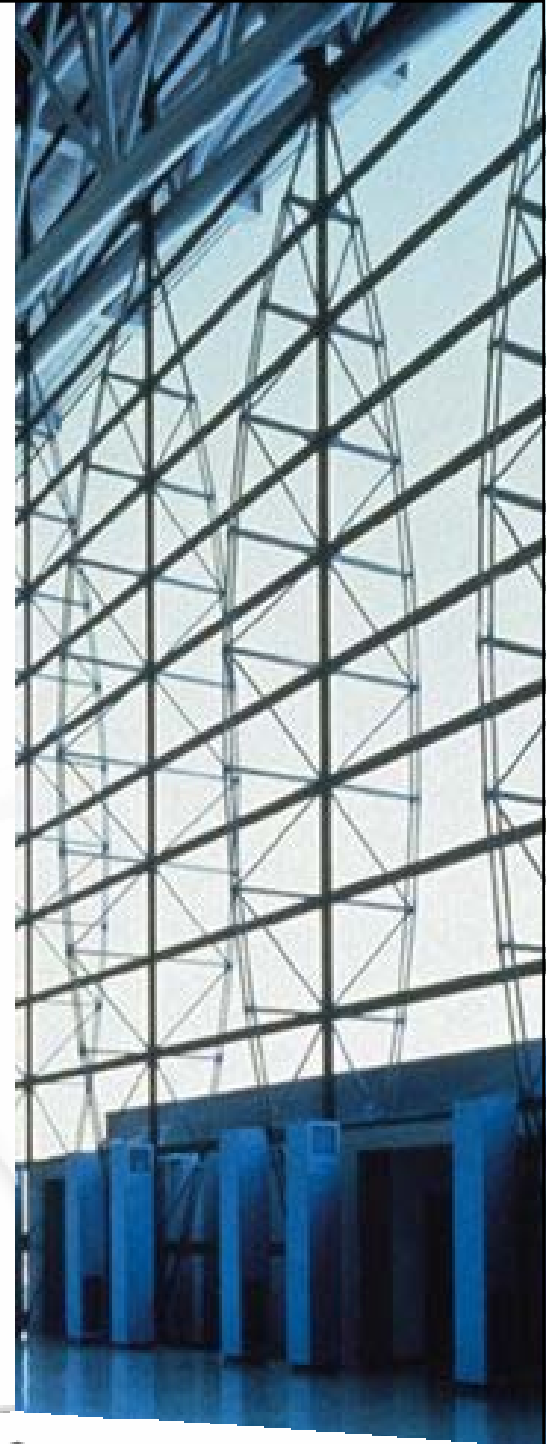
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Operating performance in first-half 2006

A. Performance by sector

B. Performance by geographic area

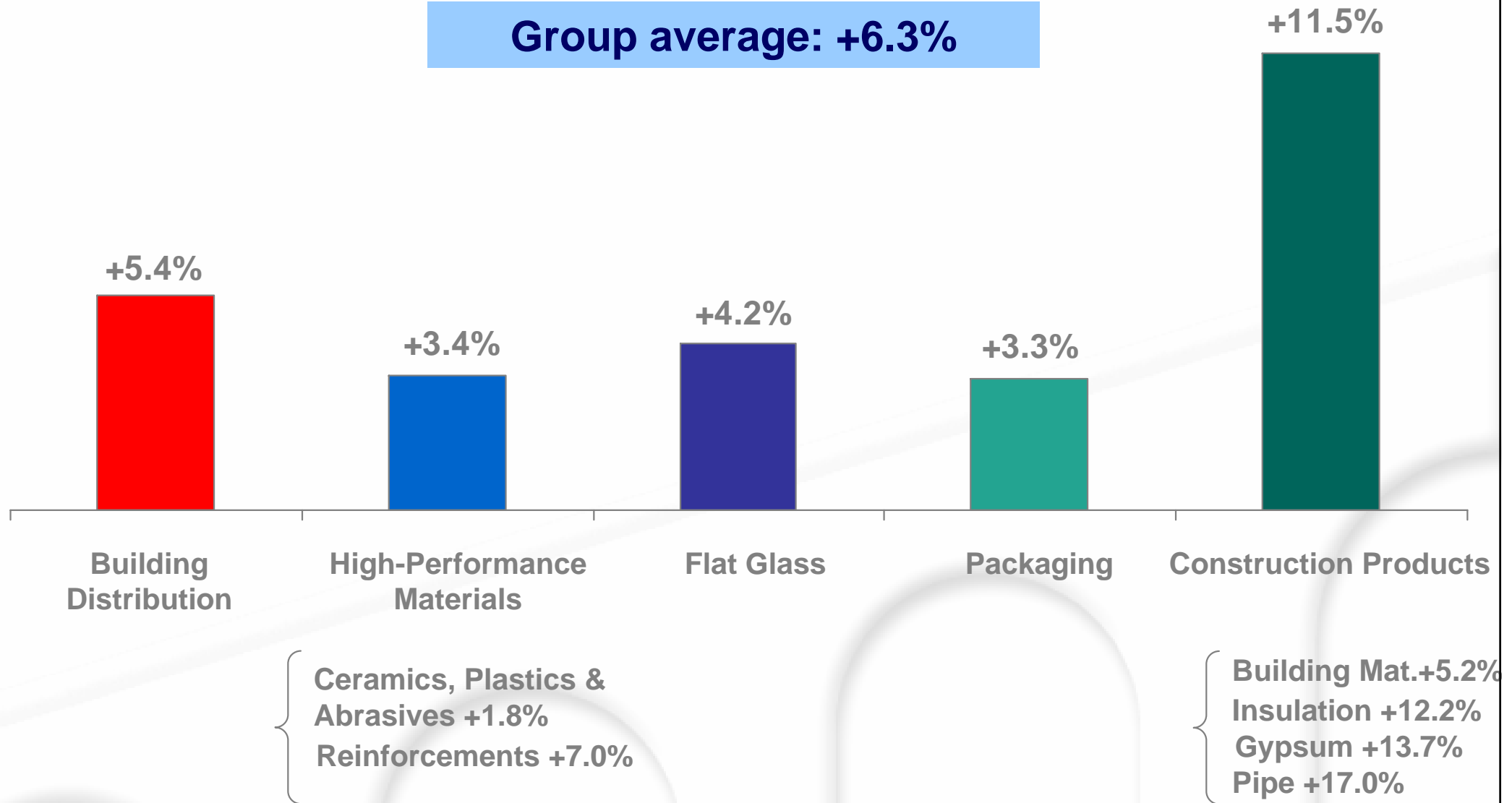
C. BPB integration



Organic growth (at end-June 2006)

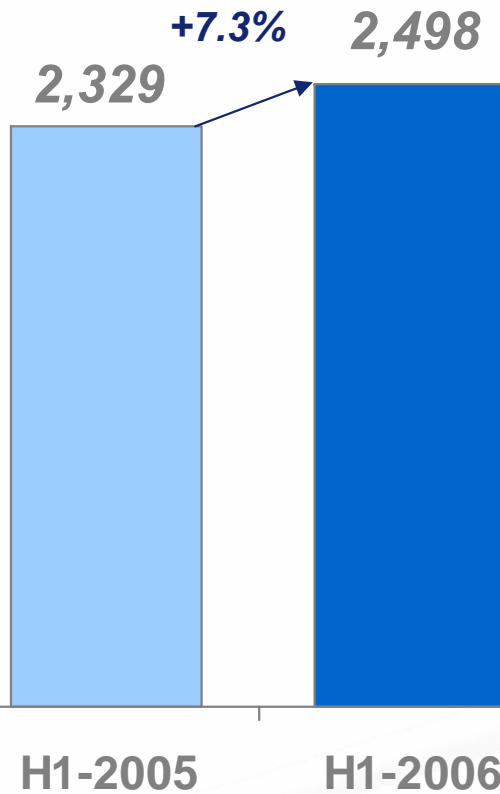
% change in H1-2006/H1-2005 net sales on a like-for-like basis

Group average: +6.3%

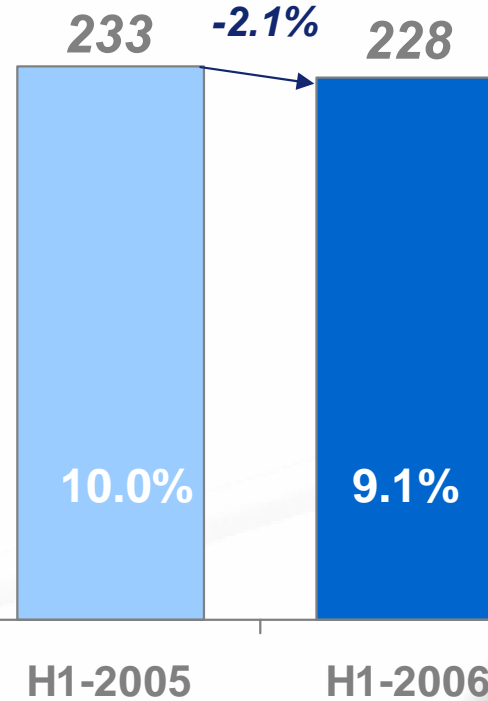


Flat Glass

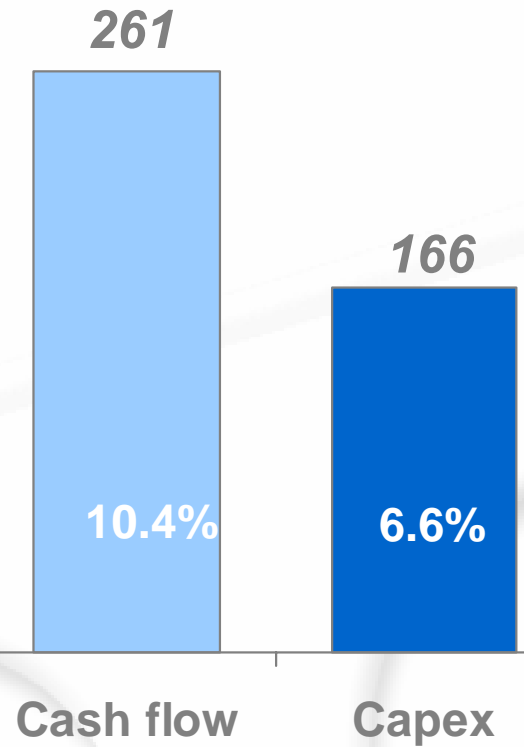
*Net sales
(in €m)*



*Operating income
(in €m and as % of sales)*



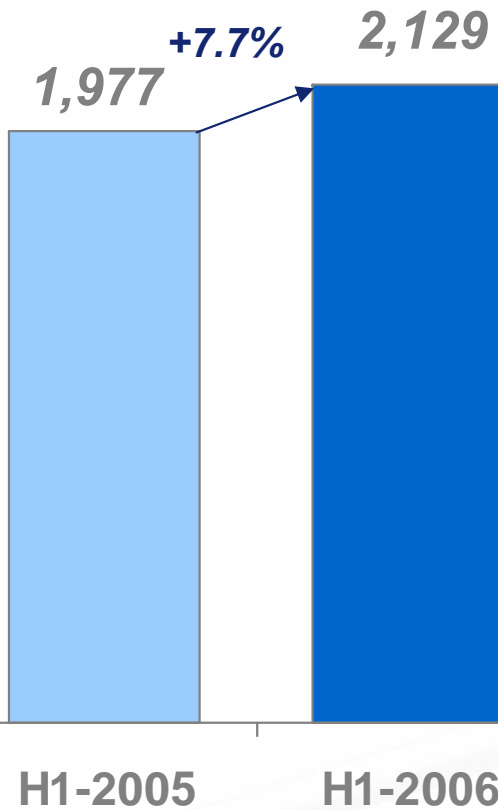
*Cash flow & Capex
(in €m and as % of sales)*



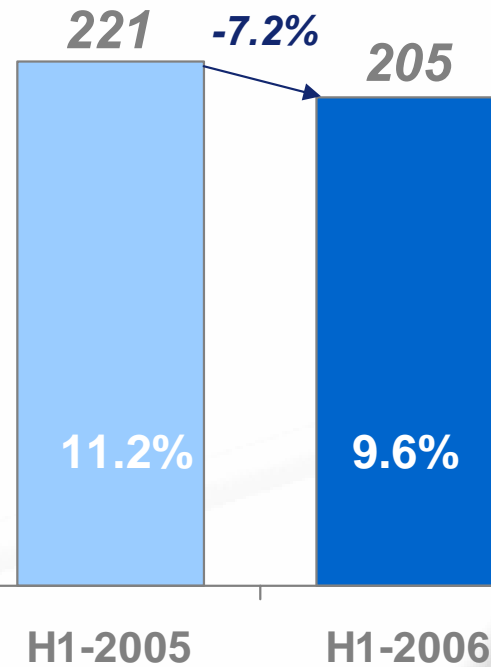
+4.2%
like-for-like

Packaging

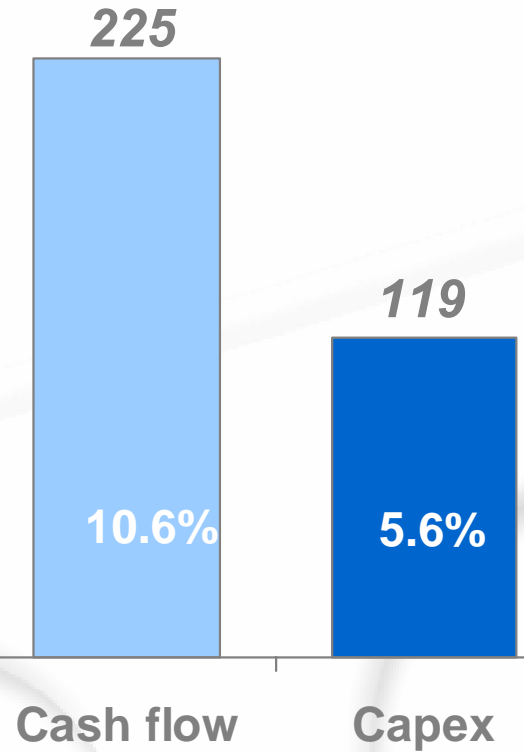
*Net sales
(in €m)*



*Operating income
(in €m and as % of sales)*



*Cash flow & Capex
(in €m and as % of sales)*



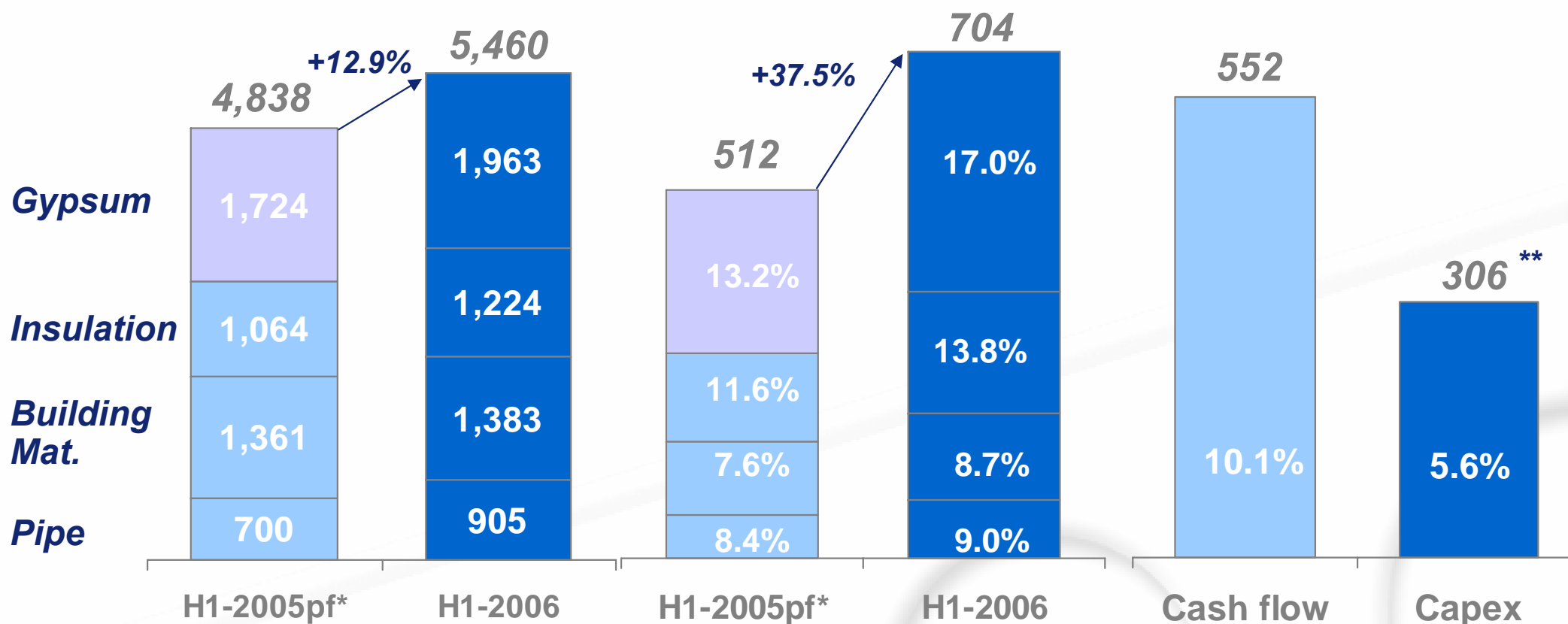
+3.3%
like-for-like

Construction Products

*Net sales
(in €m)*

*Operating income
(in €m and as % of sales)*

*Cash flow & Capex
(in €m and as % of sales)*



+11.5%
like-for-like

10.6%

12.9%

* H1-2005: pro forma including Gypsum

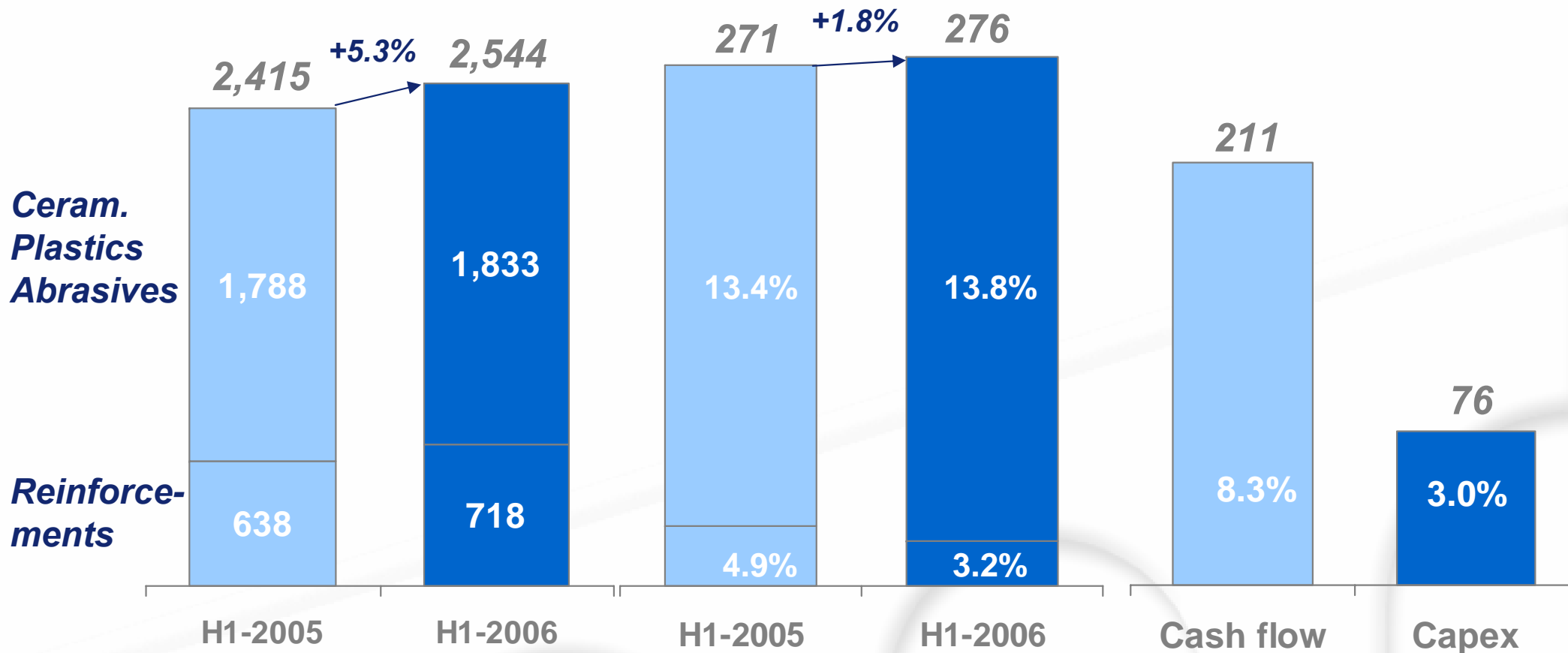
** o/w Gypsum: €207m, 10.5% of sales

High-Performance Materials

*Net sales
(in €m)*

*Operating income
(in €m and as % of sales)*

*Cash flow & Capex
(in €m and as % of sales)*

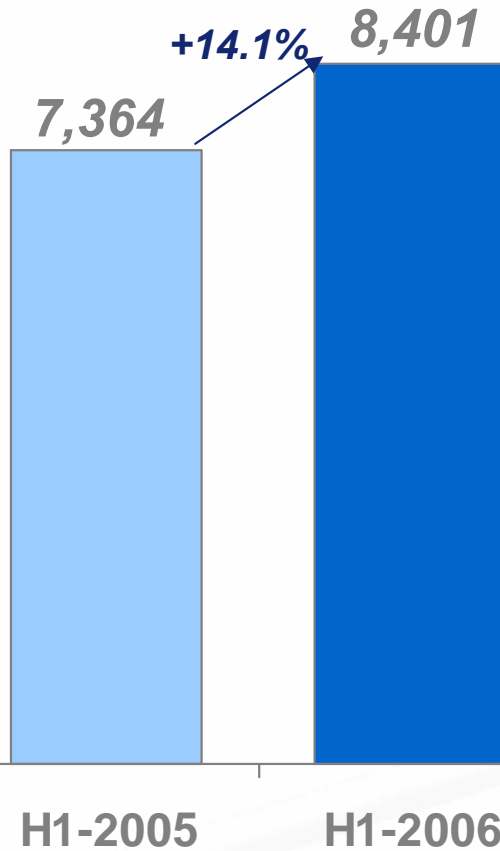


+3.4%
like-for-like

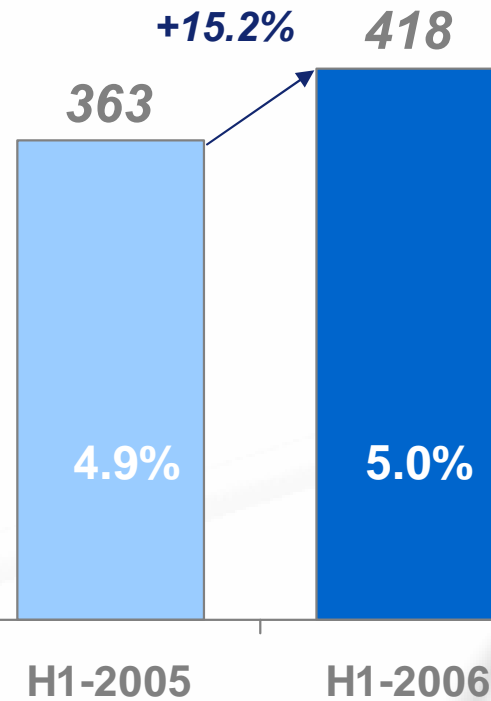
11.2% **10.8%**

Building Distribution

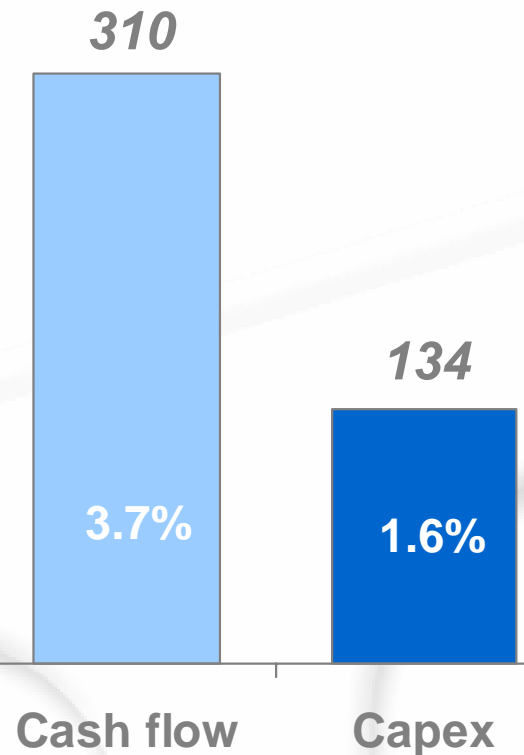
*Net sales
(in €m)*



*Operating income
(in €m and as % of sales)*



*Cash flow & Capex
(in €m and as % of sales)*



+5.4%
like-for-like

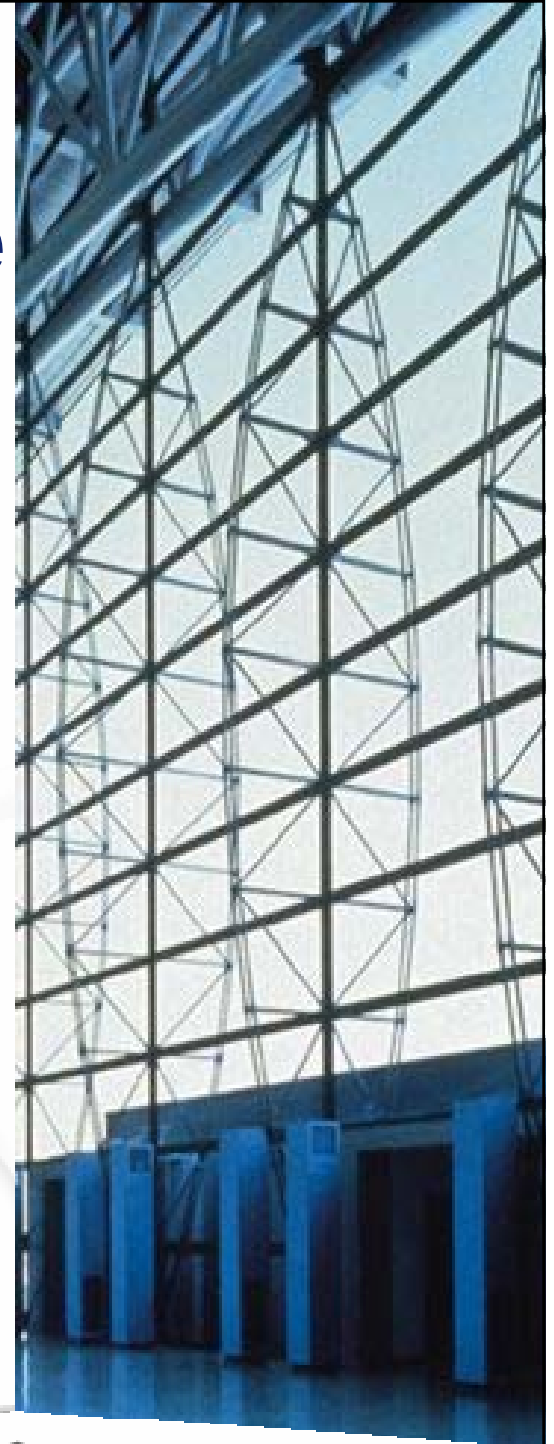
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Operating performance in first-half 2006

A. Performance by sector

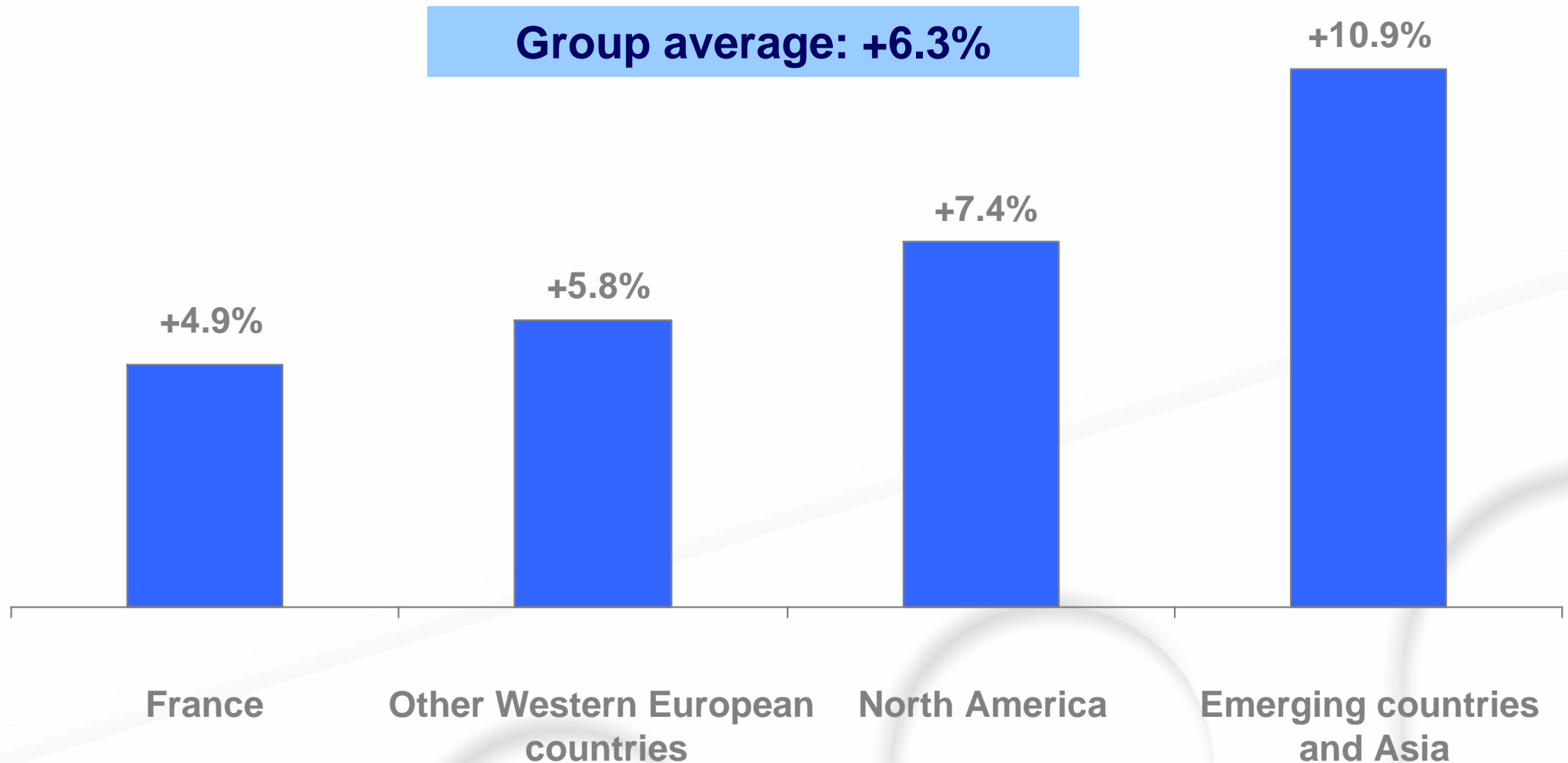
B. Performance by geographic area

C. BPB integration



Organic growth by geographic area (end-June 2006)

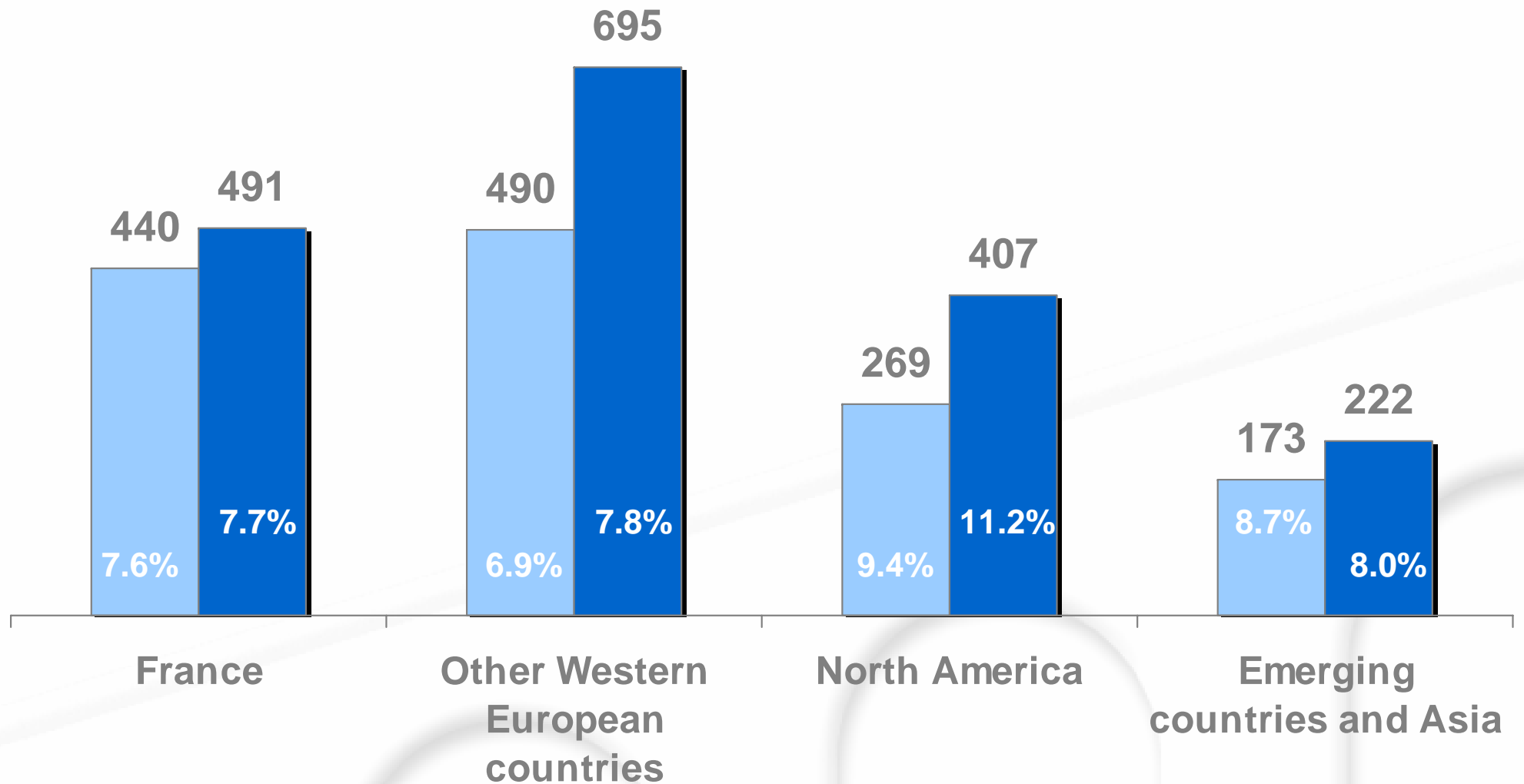
% change in like-for-like sales: H1-2006-H1-2005



Operating income by geographic area

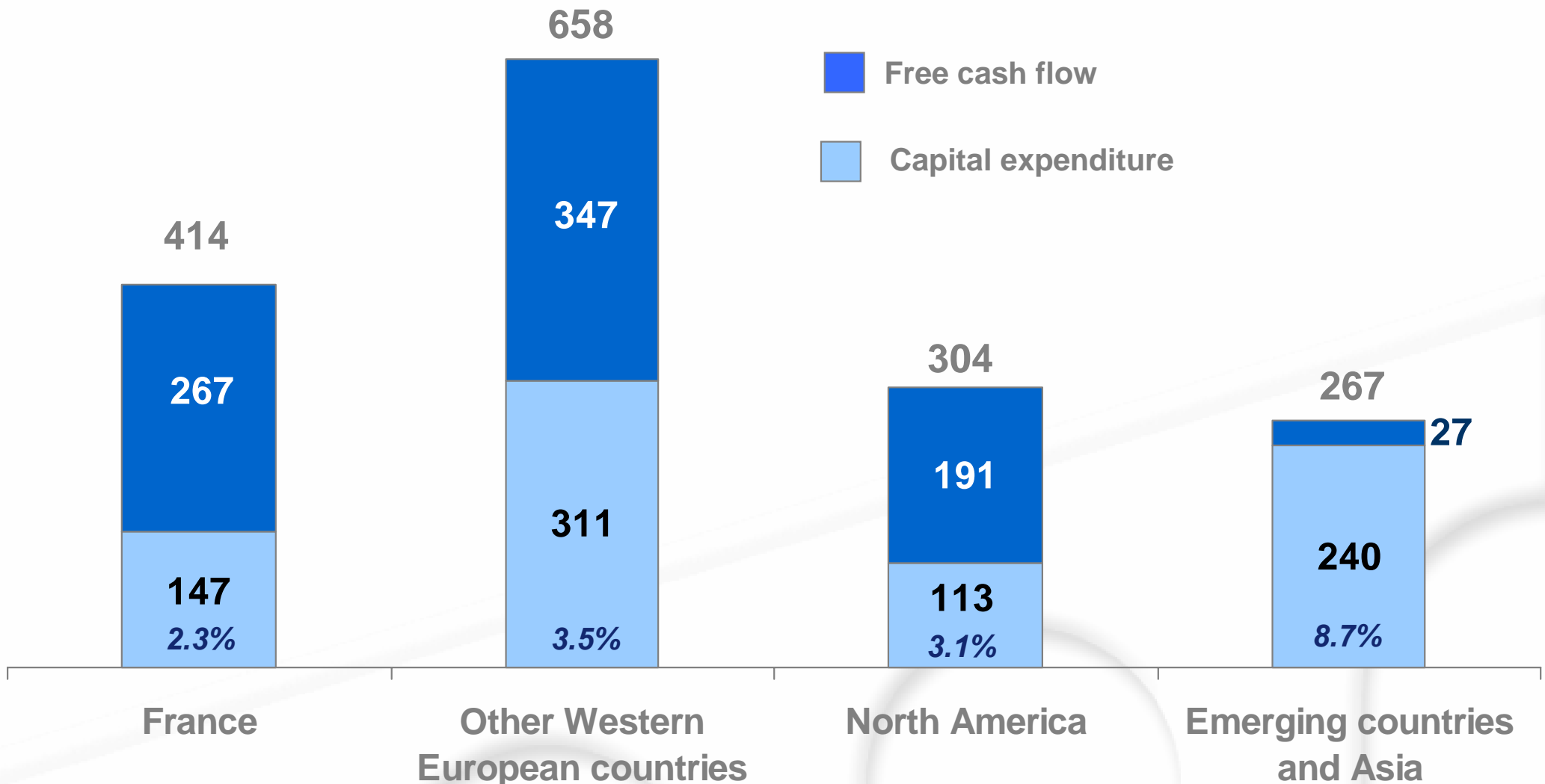
(in €m and as % of sales)

■ H1-05 ■ H1-06



Cash flow and capex by geographic area

(in €m and as % of sales)



Free cash flow = Cash flow – Capital expenditure

3

Operating performance in first-half 2006

A. Performance by sector

B. Performance by geographic area

C. BPB integration



Update on the BPB integration

- > Better-than-expected **performances**
- > **Cost synergies** implemented ahead of schedule
- > Retooled operational **organization** since early-March 2006 and excellent **integration of teams**
- > High potential for **commercial synergies**
- > Attractive **growth** prospects

Better-than-expected results for Gypsum in H1-2006

<i>In €m</i>	H1-2005 <i>pro forma</i>	H1-2006	Change H1-2006 /H1-2005pf	2006 target**
Net sales	1,724	1,963	+13.9%	+8%
Operating income	227	334*	+47.1%	+20%
Operating margin	13.2%	17.0%		14%

* Including €20m in cost synergies

** as published in January 2006

Initial sales and operating income targets for the year significantly exceeded

Vigorous growth in the Gypsum business

- > **+13.7% organic growth** in H1-2006, including:
 - an 8.2% price impact
 - a 5.5% volume effect
- > **€207m of capital spending** in H1-2006 (10.5% of sales) of which :
 - €88m new capacity in the UK and Spain
 - €18m new capacity in Asia (China, India)
- > Capital spending over the second half of 2006 should be in line with the six months to June 30, 2006 (capacity investments in France and the US)

Cost synergies implemented ahead of schedule

<i>In €m</i>	2006			2007
	H1-06/H1-05	H2-06/H2-05	Total 2006/2005	Total 2007/2005
Impact of cost synergies on op. inc.	+20	+30	+50*	+100

* versus initial target of €40m

- Confirmation of synergies worth €100m in 2007
- Estimated synergies for 2006 raised to €50m from €40m

Attractive growth prospects for interior building solutions

> Creation of a **joint strategic marketing department** with the Insulation business in April 2006

> Accelerated expansion in **emerging countries**

Some examples:

- **Gypsum/Industrial mortars synergies**




- Turkey: investment by the mortars business in Gypsum's new plant near Ankara
- Acquisition projects in emerging countries

- **Gypsum/Insulation synergies**

- Russia: set-up of a plasterboard plant at Insulation's Yegorievsk site
→ start-up in 2008

Attractive growth prospects for interior building solutions

- > **Expanded range** of products and solutions
- > Regulatory measures in Europe promoting **energy efficiency**

<i>Insulation: an example</i>	
	EnVG, EID
	New 2006 standard
	RT 2005, energy savings certificates

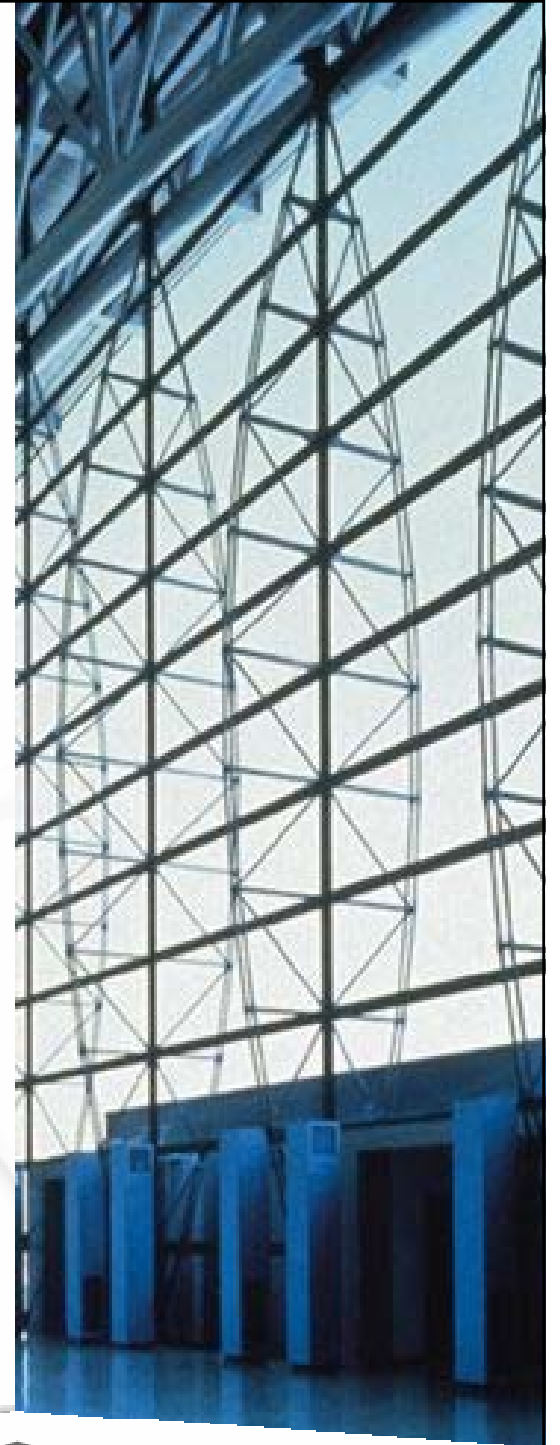
- > **United States:** no significant additional capacity expected before end-2007

Overview of first-half 2006

- > Sharp increase in **sales prices** offsetting spiraling raw materials and energy costs
- > Marked upturn in **sales volumes**
- > Highly satisfactory performances reported by the **Construction Products** and **Building Distribution** sectors
- > Improved **profitability** and strong contribution from **BPB**

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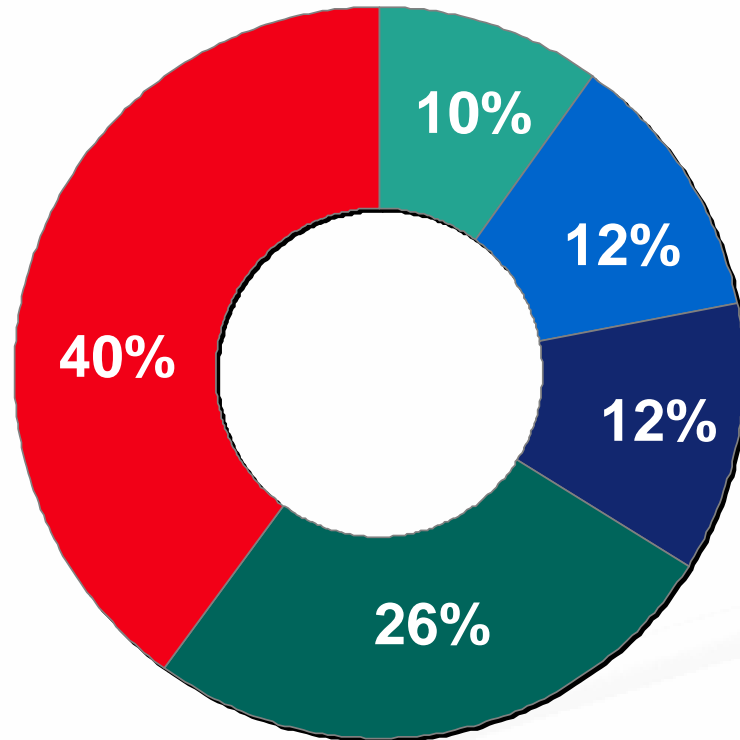
Strategic avenues for development



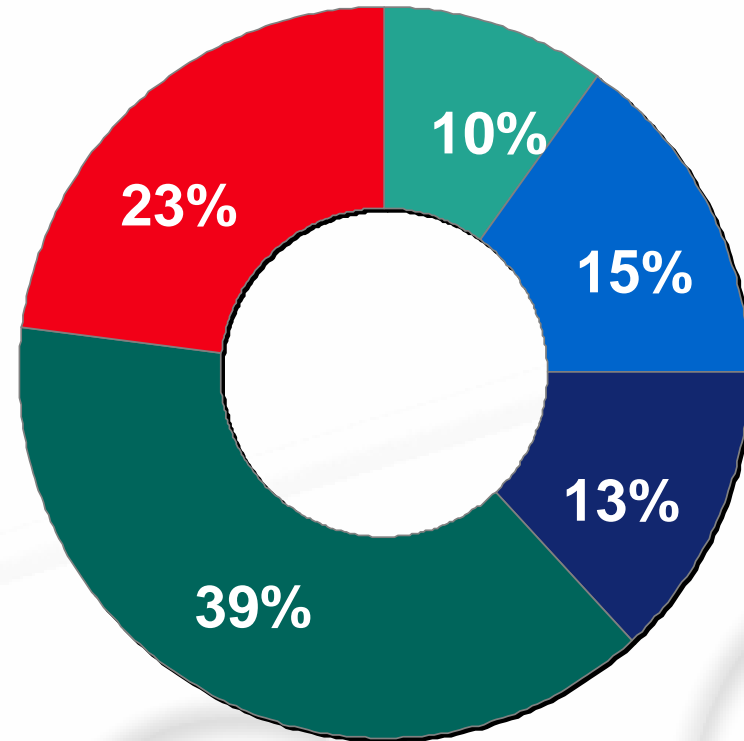
Saint-Gobain: H1-2006

(after the sale of Calmar)

Sales



Operating income



 Building Distribution
 Construction Products

 Packaging
 High-Performance Materials
 Flat Glass

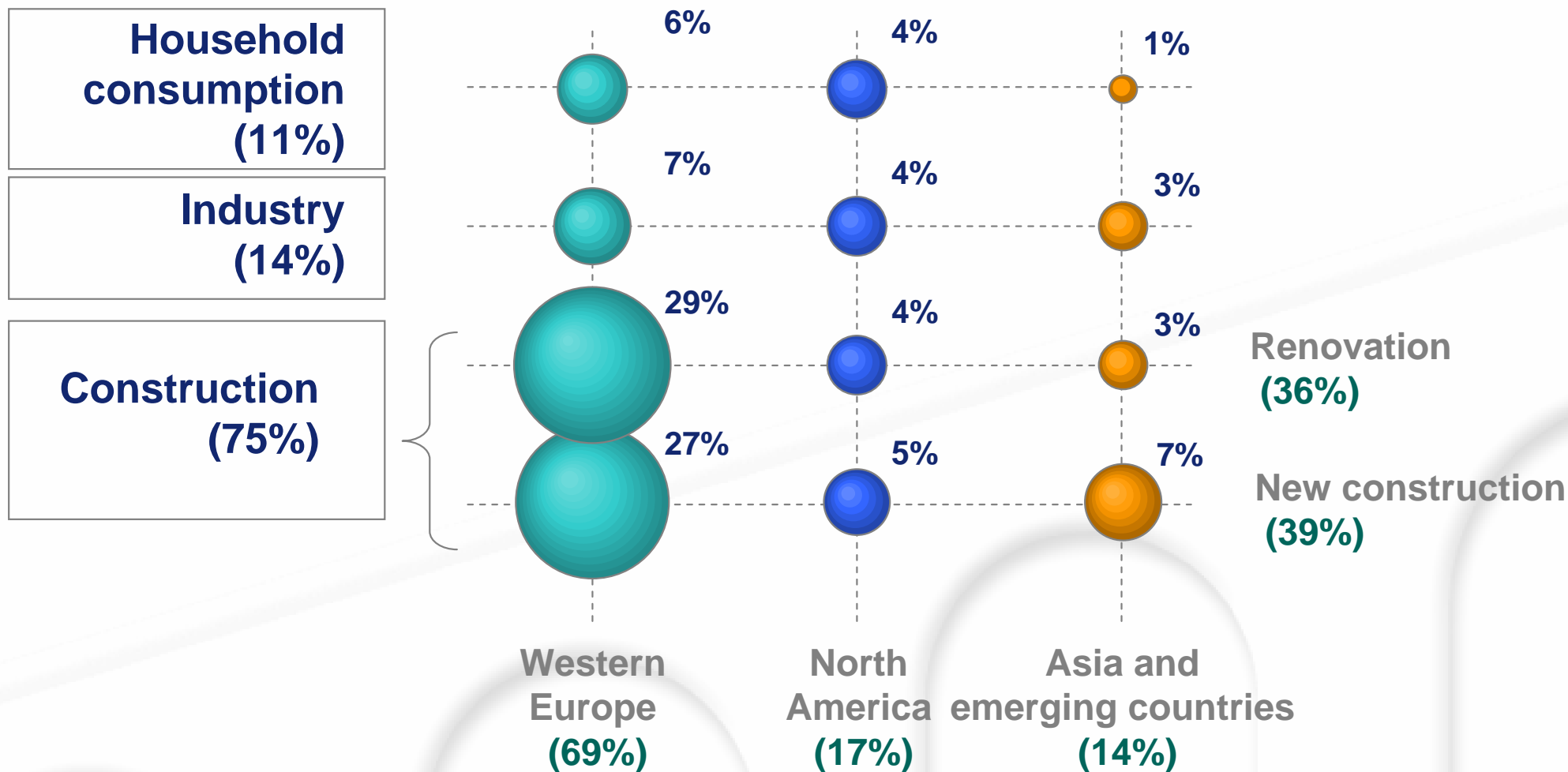
Strategy: 3 major avenues for development

Worldwide leader in housing

- > Prioritizing development of **construction** and **housing** related businesses
 - **> 80% of Group sales**
- > Fast-paced expansion in **emerging countries**
 - **~ 30% of Group sales (excl. Distribution)**
- > Ongoing **R&D and innovation** initiatives, particularly in High-Performance Materials and Flat Glass

Expanding presence in construction markets

% 2006 pro forma sales



Active portfolio management

- > Significant divestments through to mid-2007, in line with the Group's **business model** and its **growth and profitability prospects**
- > Process already started with the completion of the sale of **Calmar** (USD 745m, >10xEbitda) and **Synflex**
- > Other projects in progress, namely a joint venture with Owens Corning (Reinforcements & Composites)
- > Continued financial flexibility allowing scope for acquisition program



A leaner business portfolio presenting better growth and profitability prospects

Saint-Gobain's Reinforcements: two different businesses

Reinforcements & Composites
2005 sales ~ €850m

UPSTREAM (2/3 OF SALES): PLASTICS

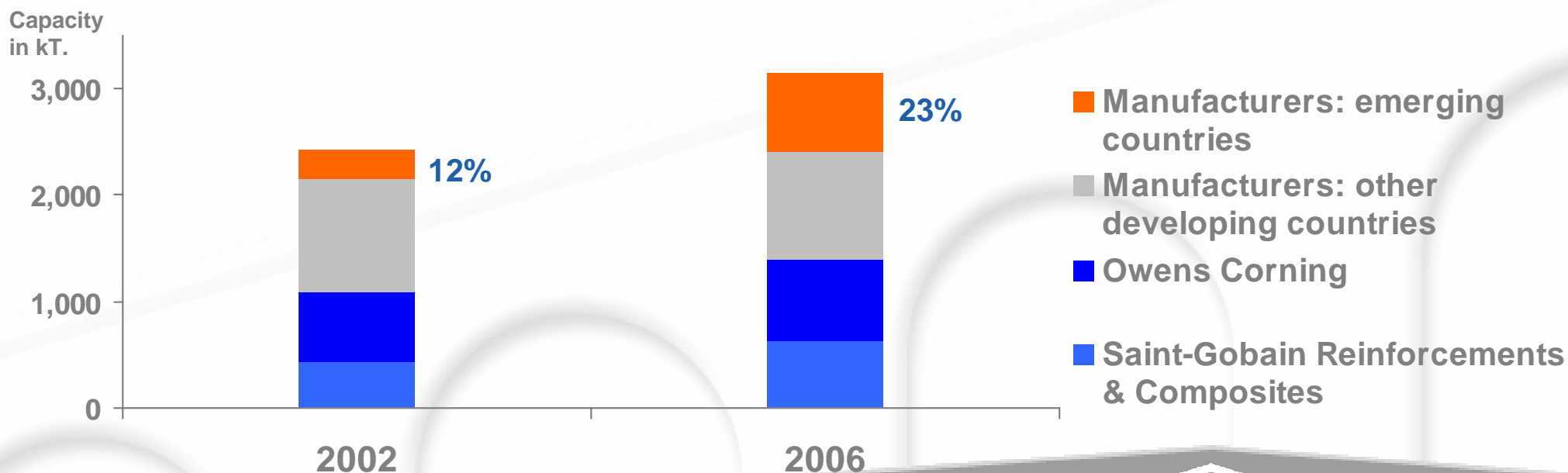
DOWNSTREAM (1/3 of sales): COMP. & INDUSTRY

Textile Solutions
2005 sales ~ €550m

UPSTREAM (1/3 of sales): TEXTILES

DOWNSTREAM (2/3 OF SALES): CONSTRUCTION

> Competitive positioning of Reinforcements & Composites



Alliance project with Owens Corning

- Agreement between Saint-Gobain and Owens Corning to form a joint venture in order to **maximize the value of the Reinforcements & Composites business**:
 - Estimated sales of USD 1.8bn (€1.5bn)
 - Owens Corning to take majority stake and assume management powers (JV 60/40)
 - Saint-Gobain may exercise a put option (and Owens Corning a call option) at the end of Year 4
- Joint venture accounted for by the equity method in Saint-Gobain's accounts
- Target timetable: 1Q 2007 (following approval of the competent authorities)
- The Textile Solutions business remains outside the scope of the transaction

5

Outlook and targets

- A. Outlook for second-half 2006
- B. Targets for 2006



A generally satisfactory macro-economic environment

Construction

- > Booming market in **France**, **Scandinavia** and **Spain**. Upturn in the **UK** and **Germany**
- > Slowdown (in terms of volumes) in residential construction in the **US** (as forecast), but uptrend in the non-residential market
- > Vigorous demand in **emerging countries**

Industry: **Worldwide** industrial activity remains at satisfactory levels

Household consumption: solid performance in the **US**, slight upswing in **Europe**

Uncertainties remain regarding energy prices, interest and dollar rates

H2-2006 outlook for Saint-Gobain's businesses

- > **Building Distribution** expected to continue expansion and improve profitability
- > **Construction Products (CP):**
 - robust growth in interior building solutions (BPB and Insulation), despite an unfavorable comparison basis versus H1-2006
 - strong business levels for the Pipe division
 - continuing good results for Building Materials
- > **High-Performance Materials (HPM):** performance expected to level out
- > **Flat Glass and Packaging:** improved profitability (rise in sales prices)

H2-2006 outlook: continued roll-out of the business model

- > Ongoing implementation of synergies related to the **BPB integration**
- > **Price effect** to remain favorable, offsetting rise in raw materials and energy costs
- > Further **bolt-on acquisitions**
(Building Distribution and Construction Products)
- > Continuing large-scale **growth-driven capital spending**
- > Ongoing **divestment plan**

2006 targets raised*

- > **27%-28% growth in operating income** at constant exchange rates**
- > **25%-26% growth in net income** excluding profit/(loss) on sales of non-current assets
- > **Strong organic growth** momentum versus 2005
- > **Sustained high levels of free cash flow** and **strong balance sheet structure**

* *after the sale of Calmar on June 30, 2006*

** *average exchange rates for 2005*

First-half 2006 results

Analyst – Investor meeting

London, July 31, 2006




SAINT-GOBAIN