



# First-Half 2014 Results and Outlook

*July 31, 2014*

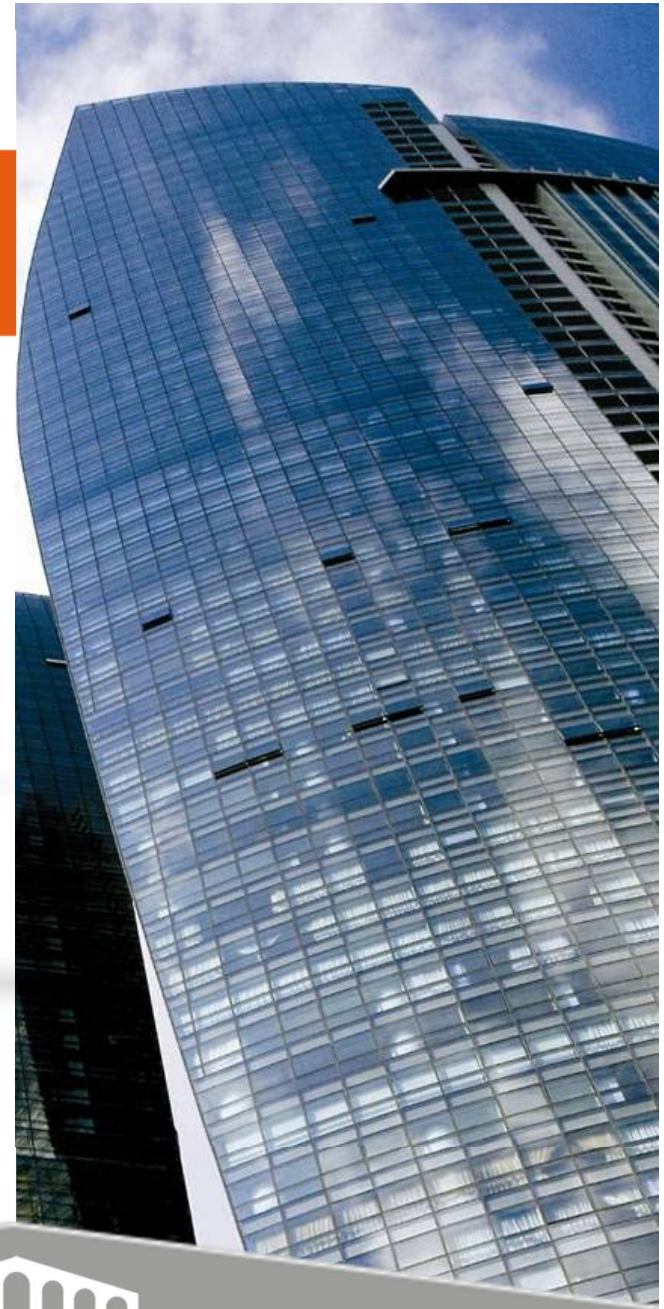


# Contents

- ➔ Highlights
- ➔ First-half 2014 results
- ➔ Moving towards our strategic goals
- ➔ Outlook and action plan for H2

CONTENTS

  
SAINT-GOBAIN



## 1. First-half 2014 highlights

# First-half 2014 key figures

*Amounts in €m*

	H1-2013*	H1-2014	H1-14/ H1-13*	H1-14/ H1-13*   -f-  **
Sales	20,651	20,446	-1.0%	+4.1%
EBITDA	1,939	1,997	+3.0%	
Operating income	1,224	1,330	+8.7%	+14.8%
Recurring*** net income	402	511	+27.1%	
Net income	313	671	+114%	
Free cash flow****	644	713	+10.7%	
Net debt	9,482	8,519	-10.2%	

\* 2013: restated in line with IFRS 10-11 and IFRIC 21

\*\* like-for-like (comparable structure and average H1-2013 exchange rates)

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

\*\*\*\* excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions

## H1-2014: Markets improving, in line with H2-2013

- In **Western Europe**, growth was powered by the UK, Germany and Scandinavia, while France remained down
- In **North America**, construction and industrial markets proved buoyant
- In **Asia and emerging countries**, the construction market held firm, although Brazil slowed in Q2

## H1-2014: Results on an upward trend

- **Organic growth** boosted by favorable weather conditions in Europe in Q1; continued rise in **sales prices (up 1.2%)**
- **Cost savings** in line with objectives: **€240m** in H1
- **Operating income up 14.8%** like-for-like\*
- Deconsolidation of **Verallia North America** as of April 11, 2014, generating a **capital gain of €375m**
- Stronger balance sheet: **net debt** cut by almost **€1bn**

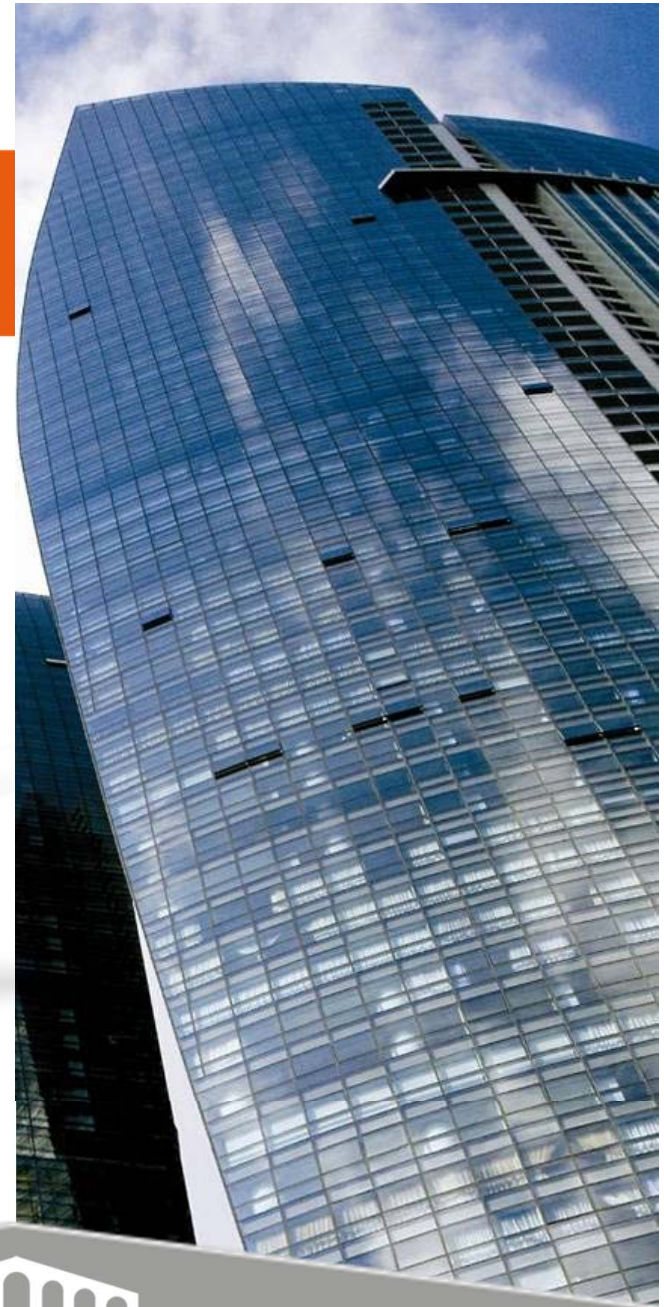
*\* change based on comparable structure and average H1-2013 exchange rates*





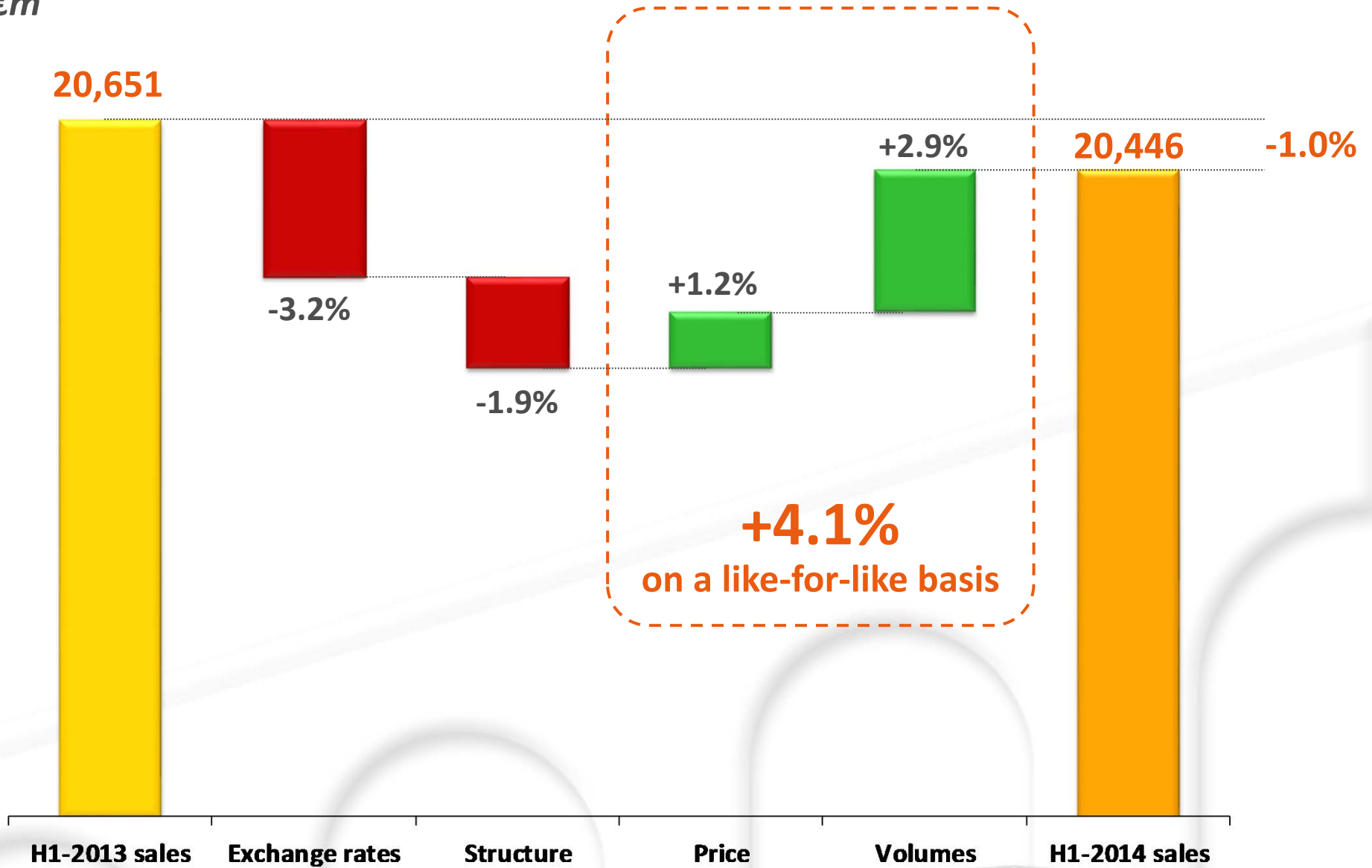
## 2. First-half 2014 results

- Group
- Business Sectors
- Geographic areas



# Sales

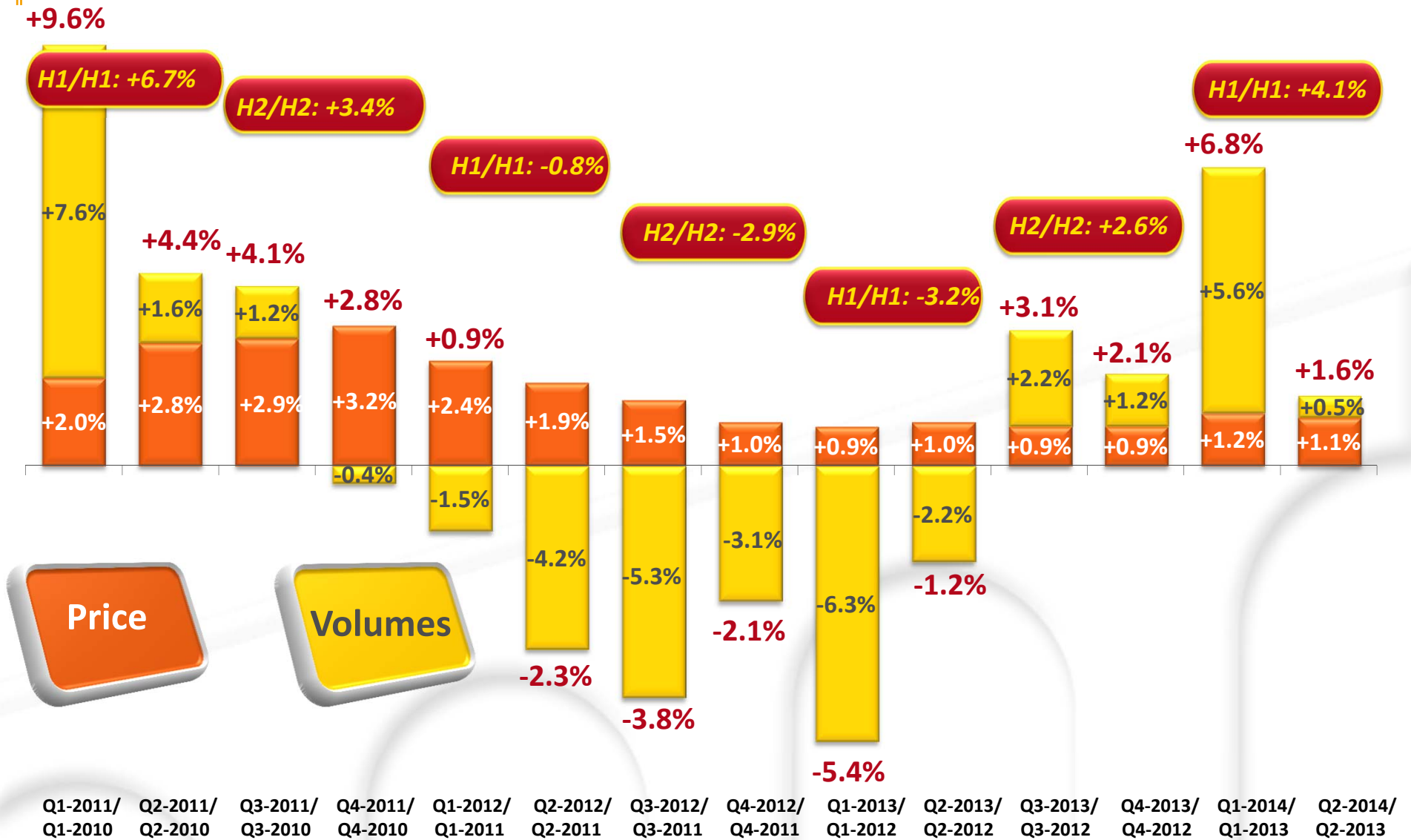
€m





# Quarterly organic growth

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



Price

Volumes

Q1-2011/ Q2-2011/ Q3-2011/ Q4-2011/ Q1-2012/ Q2-2012/ Q3-2012/ Q4-2012/ Q1-2013/ Q2-2013/ Q3-2013/ Q4-2013/ Q1-2014/ Q2-2014/  
 Q1-2010 Q2-2010 Q3-2010 Q4-2010 Q1-2011 Q2-2011 Q3-2011 Q4-2011 Q1-2012 Q2-2012 Q3-2012 Q4-2012 Q1-2013 Q2-2013

## Impact of changes in accounting standards applicable in 2014 (IFRS 10-11 and IFRIC 21) on the income statement

Amounts in €m	H1-2013			FY-2013		
	publish.	impact	restated	publish.	impact	restated
Sales	20,771	-120	20,651	42,025	-264	41,761
Operating income	1,260	-36	1,224	2,764	-10	2,754
Net financial expense	(403)	+3	(400)	(795)	+5	(790)
Income tax	(231)	+17	(214)	(476)	+13	(463)
Recurring* net income	422	-20	402	1,027	+0	1,027
Net income	332	-19	313	595	+1	596
Free cash flow**	646	-2	644	1,157	+19	1,176

- IFRIC 21: Impact on operating income:  
-€31m in H1, +€31m in H2, zero impact over the full year
- IFRS 10 & 11: -€264m impact on sales and -€10m impact on operating income over the full year

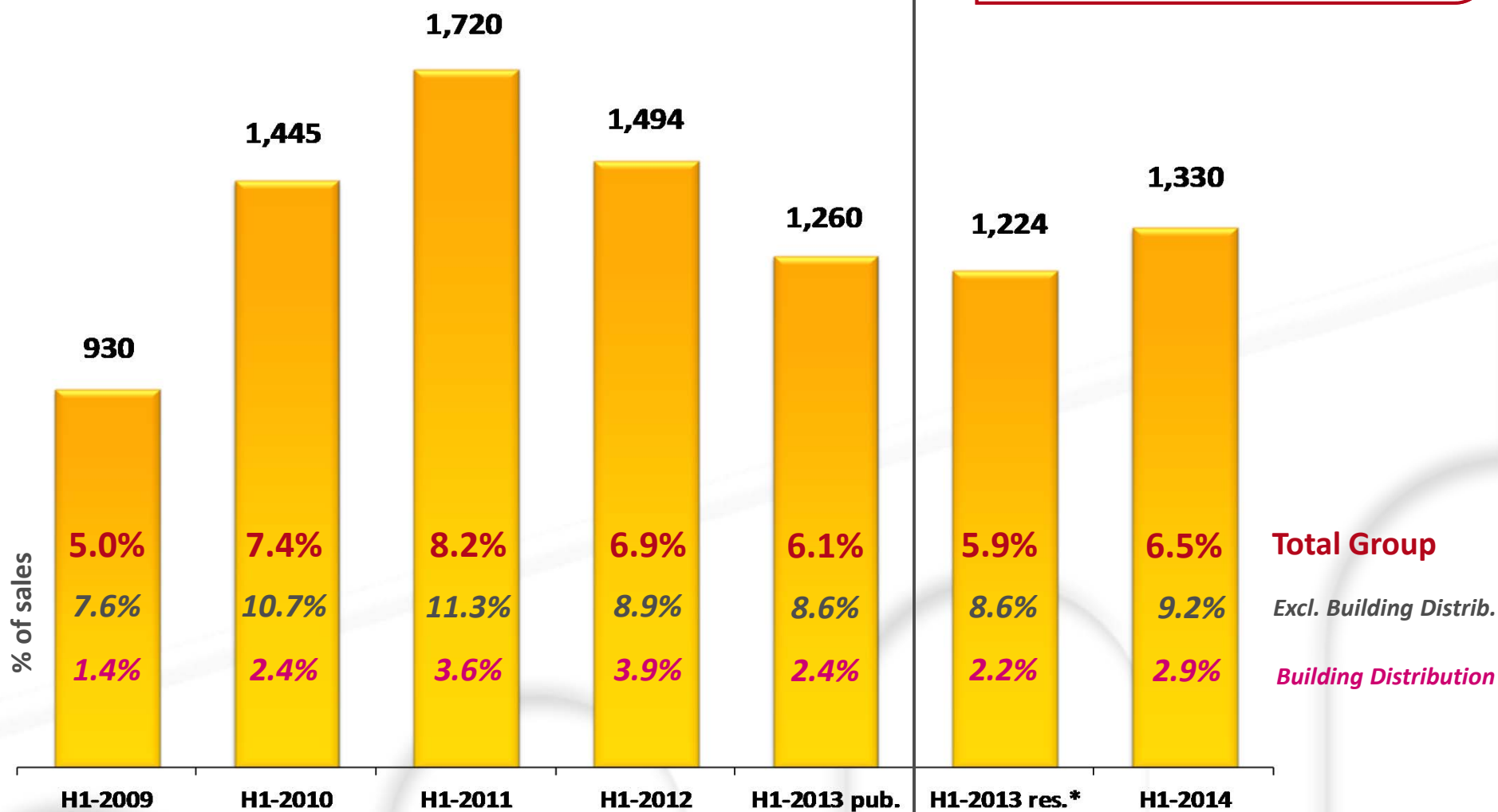
\* excluding capital gains and losses on disposals, exceptional asset write-downs and material non-recurring provisions

\*\* excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions

# Half-year operating income

(€m and % of sales)

**H1-2014/H1-2013\***  
**+8.7%**  
**+14.8% like-for-like\*\***



\* IFRS 10-11 and IFRIC 21:  
H1-2013 impact -€36m

\*\* change based on comparable structure and average H1-2013 exchange rates

# Non-operating items

€m

	H1-13	H1-14	Change
<b>Operating income</b>	1,224*	1,330	+8.7%
<b>Non-operating costs</b>	(259)	(16)	
<i>o/w:</i>			
Provision for asbestos-related litigation	(45)	(45)	
Other expenses	(214)	29	
<b>Other operating expenses</b>	(26)	(54)	
<i>o/w:</i>			
Disposal gains	85	398	
Asset write-downs	(109)	(452)	
<b>Business income</b>	939*	1,260	+34.2%

\* IFRS 10-11 and IFRIC 21 restatements: -€36m

# Outstanding claims

## *Asbestos-related claims in the US*

- **Around US\$ 65m** paid out over the 12 months to end-June 2014 (US\$ 88m at end-2013)
- **€45m** accrual to the provision in H1-2014, bringing the total balance sheet provision to US\$ 588m at end-June 2014 (US\$ 561m at end-2013)

	<b>H1-2013</b>	<b>FY-2013</b>	<b>H1-2014*</b>
<b>New claims</b>	<b>2,000</b>	<b>4,500</b>	<b>2,000</b>
<b>Settled claims</b>	<b>2,000</b>	<b>4,500</b>	<b>3,000</b>
<b>Outstanding claims</b>	<b>43,000</b>	<b>43,000</b>	<b>38,000**</b>

*\* estimated*

*\*\* after the transfer of 4,000 claims to inactive dockets*



# Net financial expense and Income tax

€m

	H1-13*	H1-14
<b>Net financial expense</b>	400	354
<b>Average cost of gross debt**</b>	4.7%	4.5%
<b>Income tax</b>	214	212
<b>Tax rate on recurring net income</b>	32%	32%

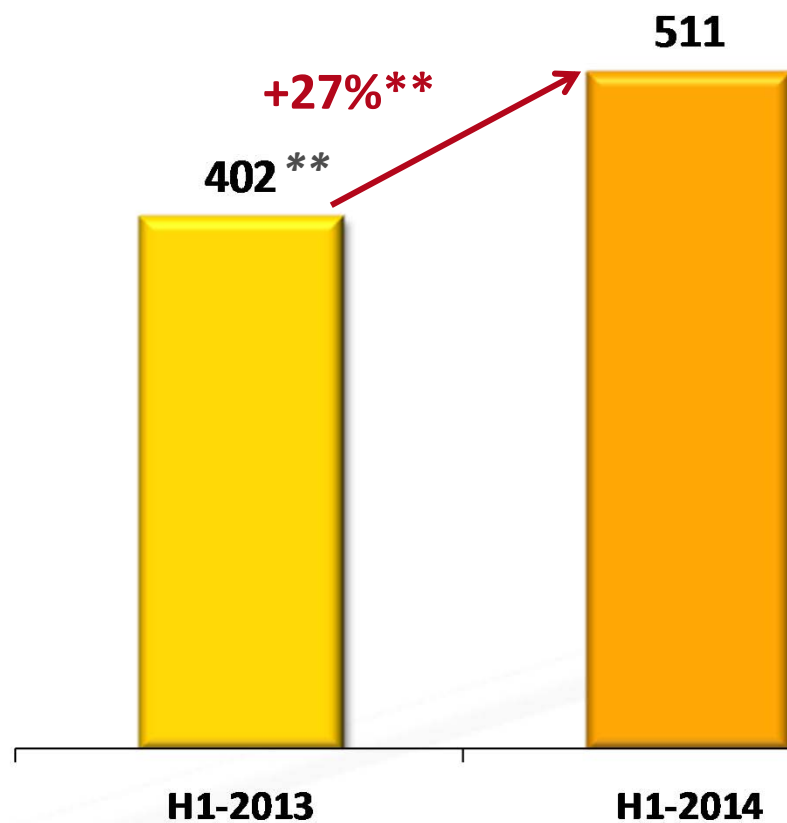
\* including the impact of IFRS 10-11 and IFRIC 21 in H1-2013:

- net financial income (expense): -€3m

- income tax: -€17m

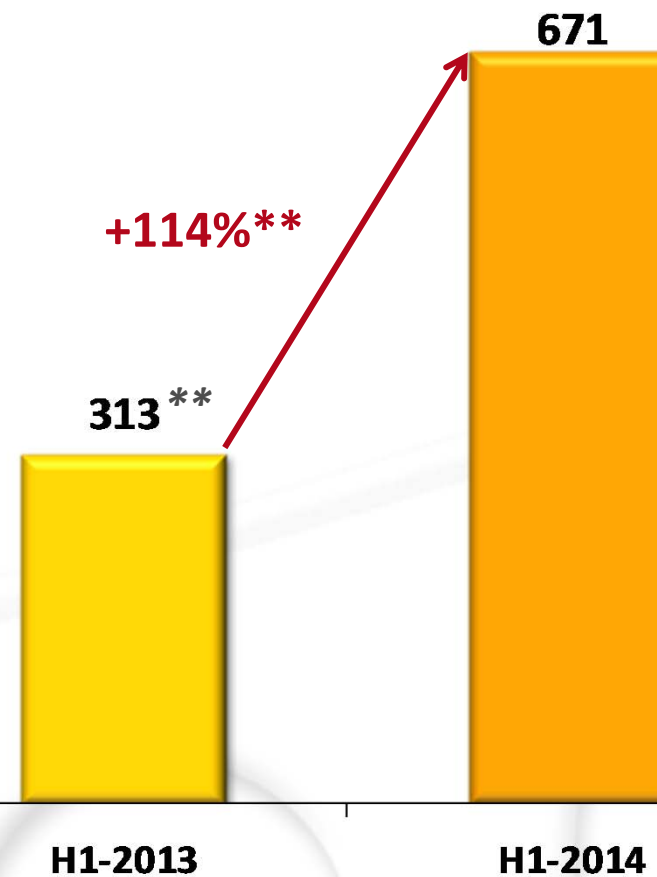
\*\* at June 30

## Recurring\* net income €m



**Recurring EPS\*: €0.91 (+25%)**

## Net income €m

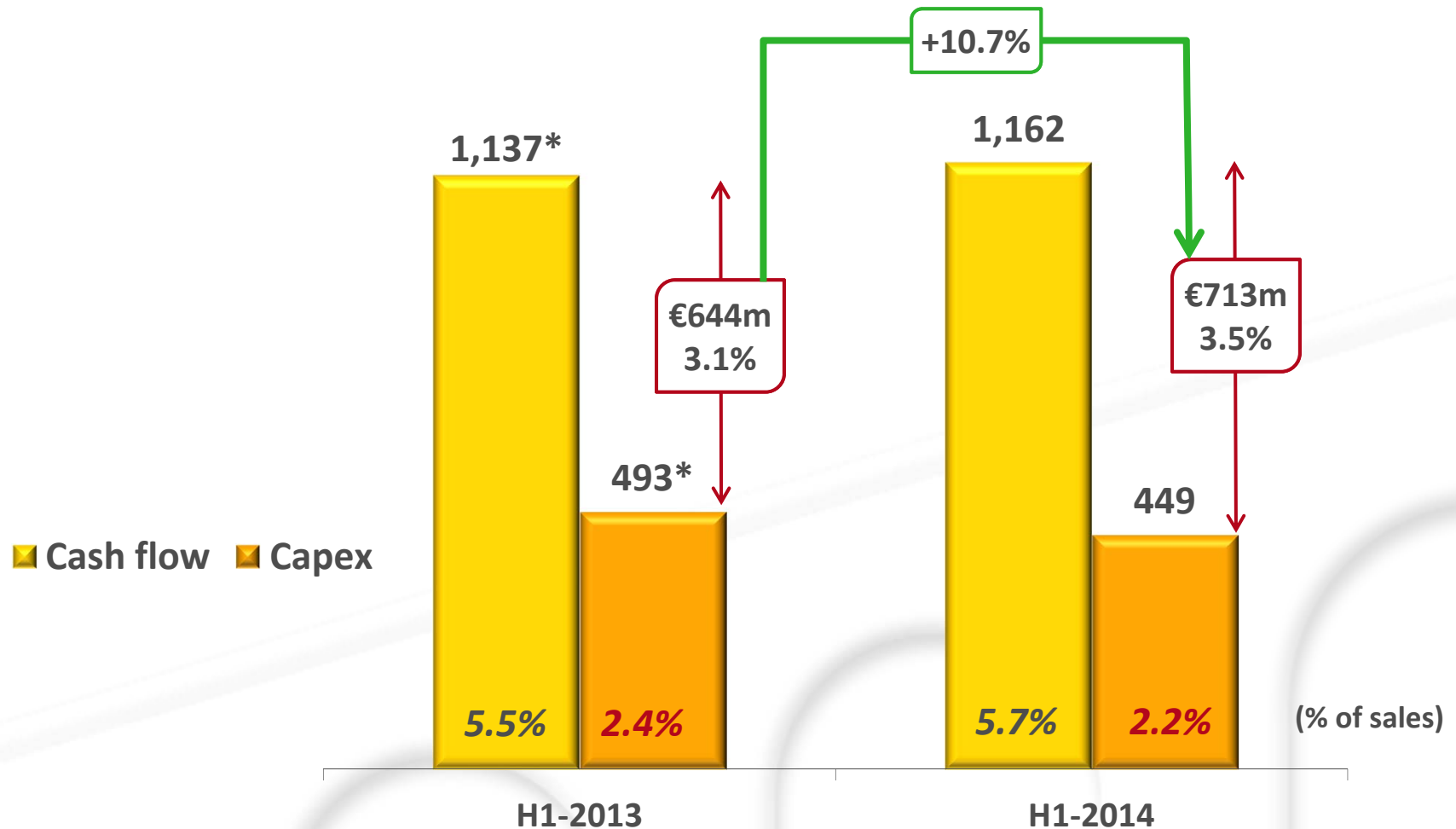


**EPS: €1.19 (+109%)**

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

\*\* including the impact of IFRS 10-11 and IFRIC 21 in H1-2013: -€20m on recurring net income and -€19m on net income

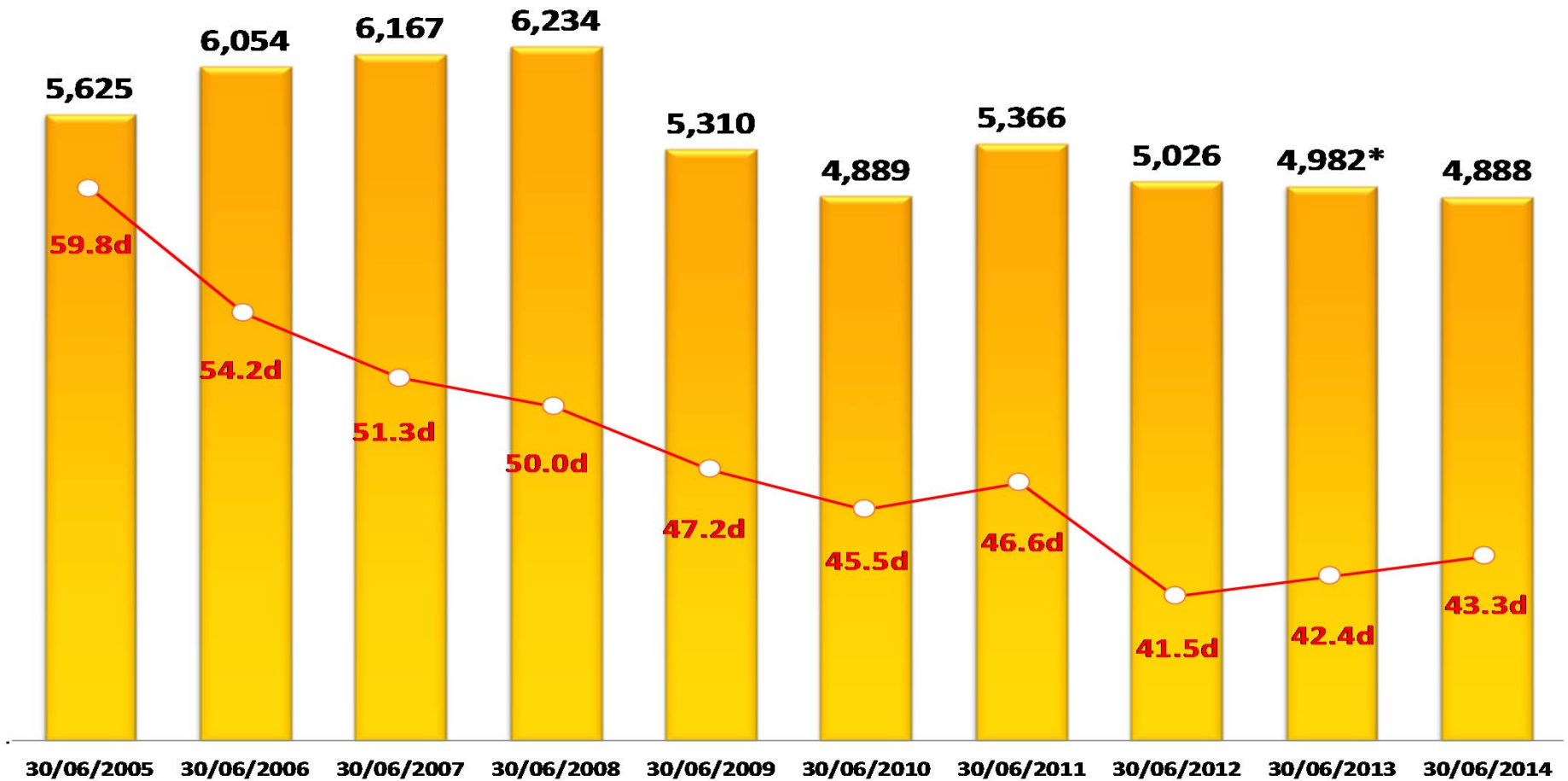
# Cash flow from operations *(excl. tax impact of capital gains/losses)* and Capex *(€m and % of sales)*



\* including the impact of IFRS 10-11 and IFRIC 21 in H1-2013:  
Cash flow from operations: -€28m  
Capex: -€26m

# Tight rein on operating WCR

(at June 30, in €m and in no. of days)

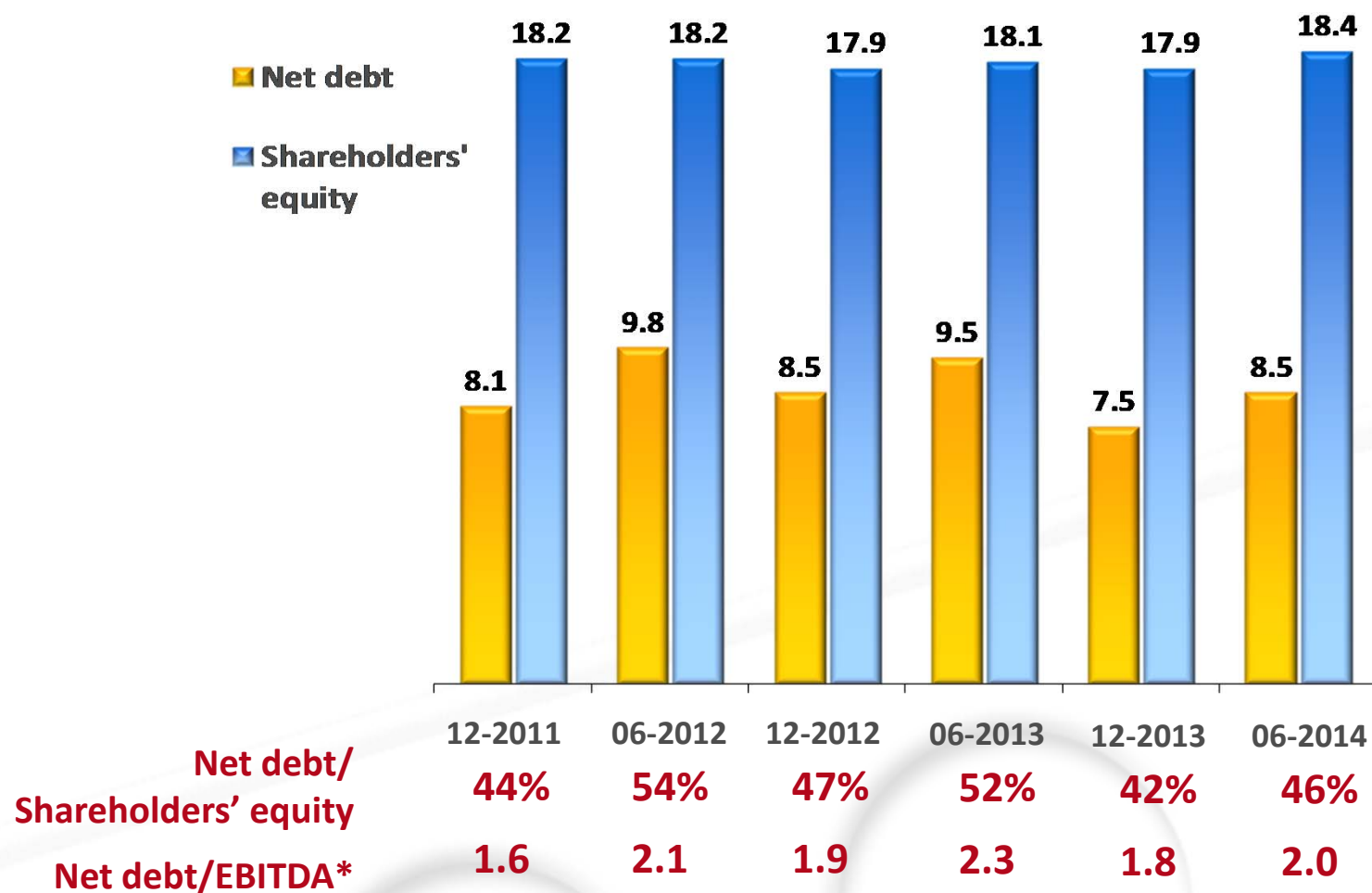


**Operating working capital remains at a good level**

\* proforma including Verallia North America (IFRS 5)

# Net debt and Shareholders' equity

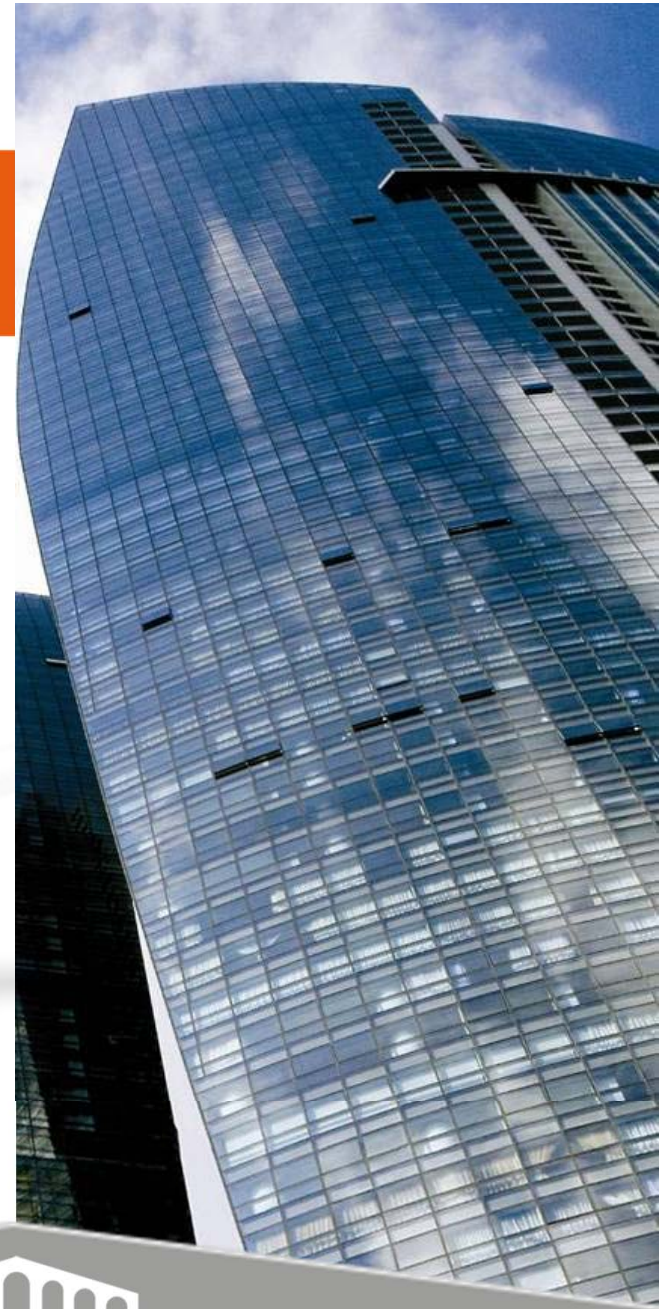
€bn



**Persistently strong balance sheet**

\* EBITDA = operating income + depreciation/amortization, over 12 months





## 2. First-half 2014 results

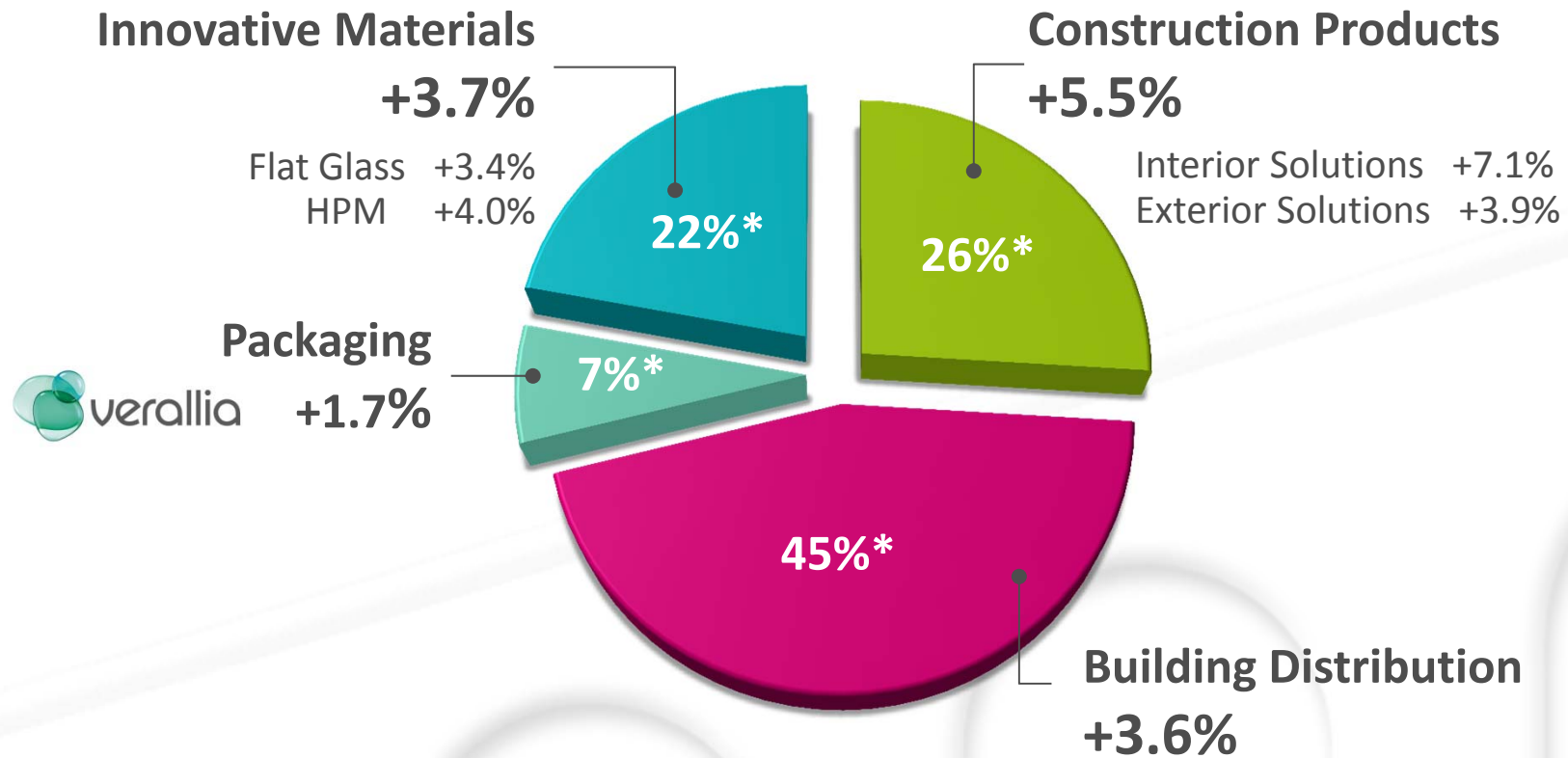
- Group
- Business Sectors
- Geographic areas

*2013 figures restated in line with IFRS 10-11 and IFRIC 21*

# Sales trends by Business Sector

% change in H1-2014/H1-2013 like-for-like sales

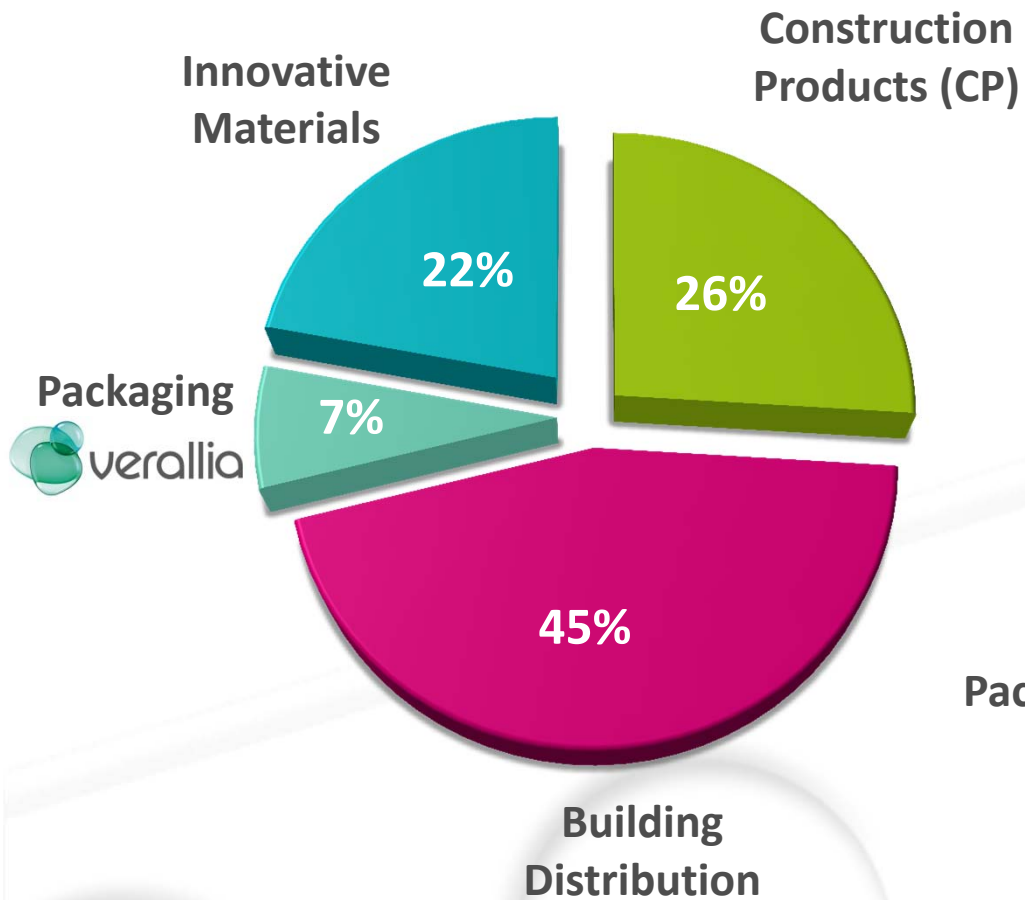
**Group: +4.1%**



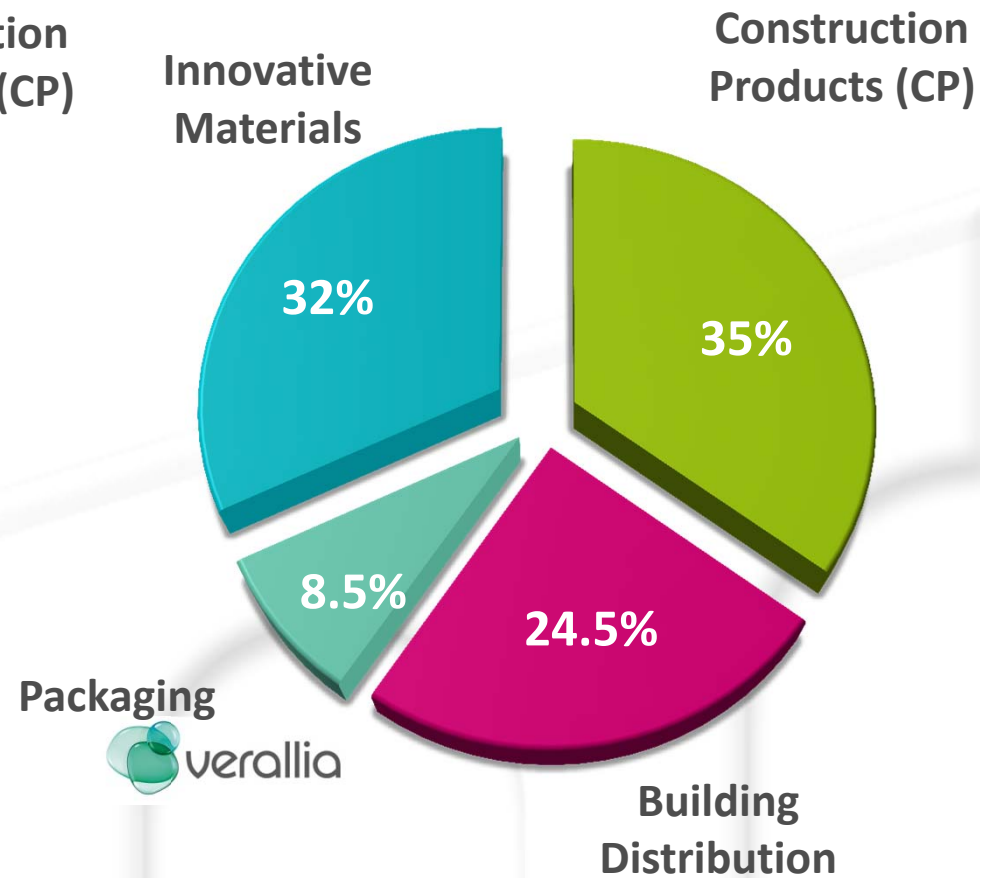
\* breakdown of H1-2014 sales

# Breakdown of sales and industrial assets by Business Sector

H1-2014 sales



Industrial assets at June 30, 2014



# Innovative Materials (Flat Glass - HPM)

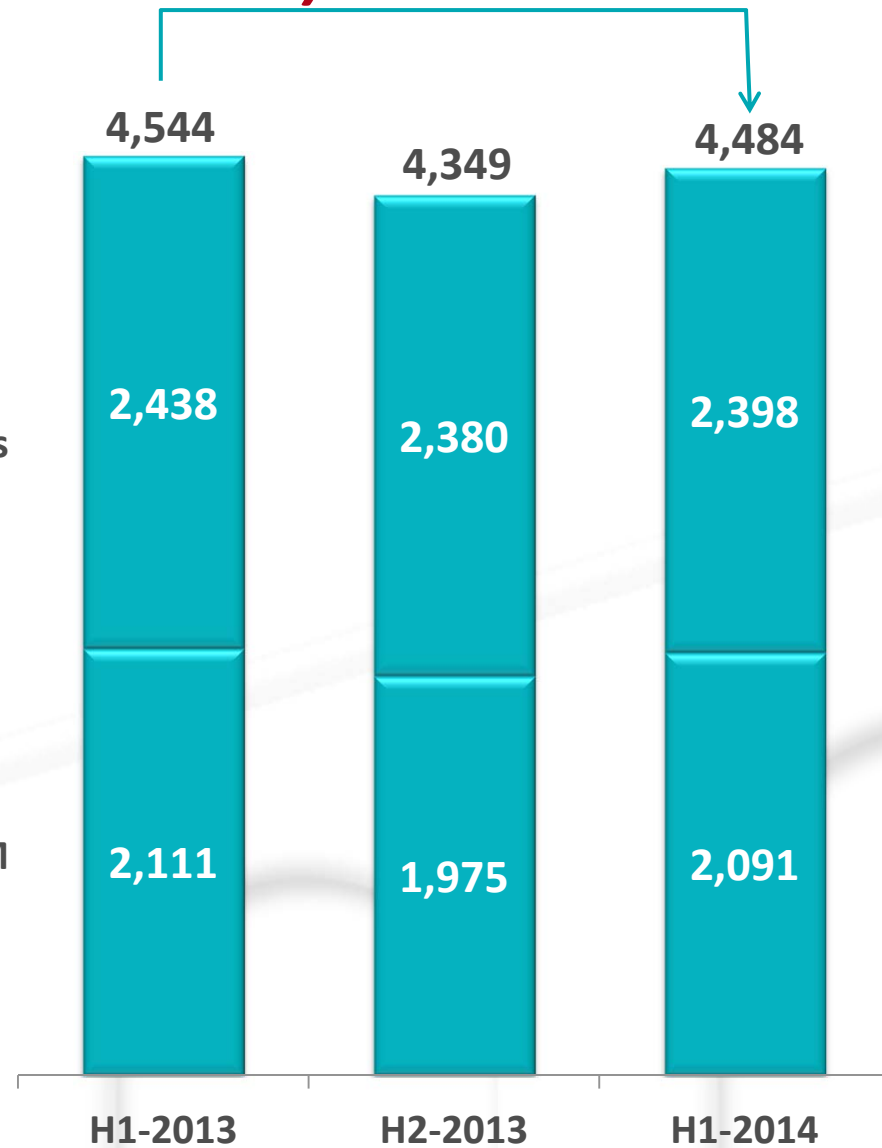
Sales (€m)

-1.3%

Organic growth (like-for-like)	
	H1-2014/H1-2013
Innovative Materials	+3.7%
Flat Glass	+3.4%
HPM	+4.0%

Flat Glass

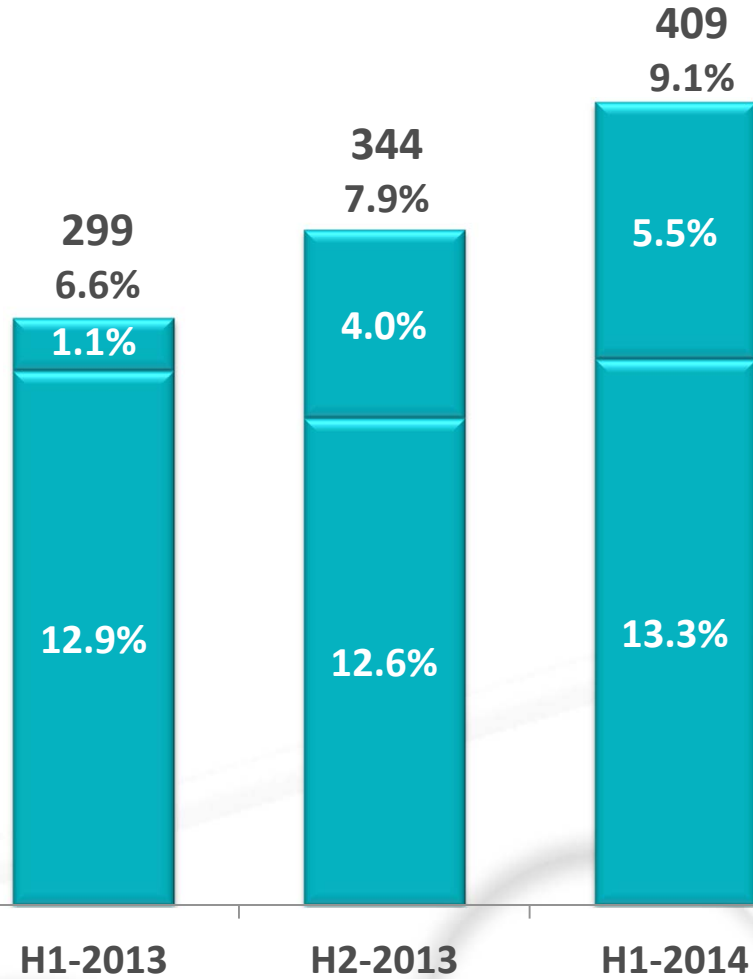
HPM



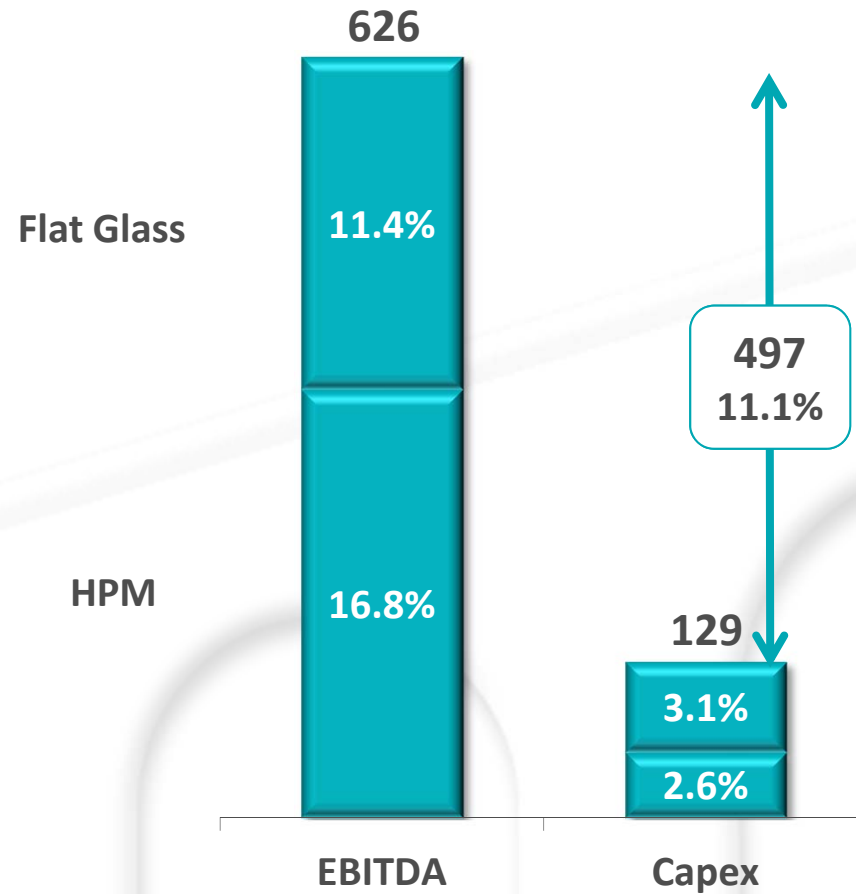
# Innovative Materials (Flat Glass - HPM)

(€m and % of sales)

### Operating income



### EBITDA & Capex H1-2014





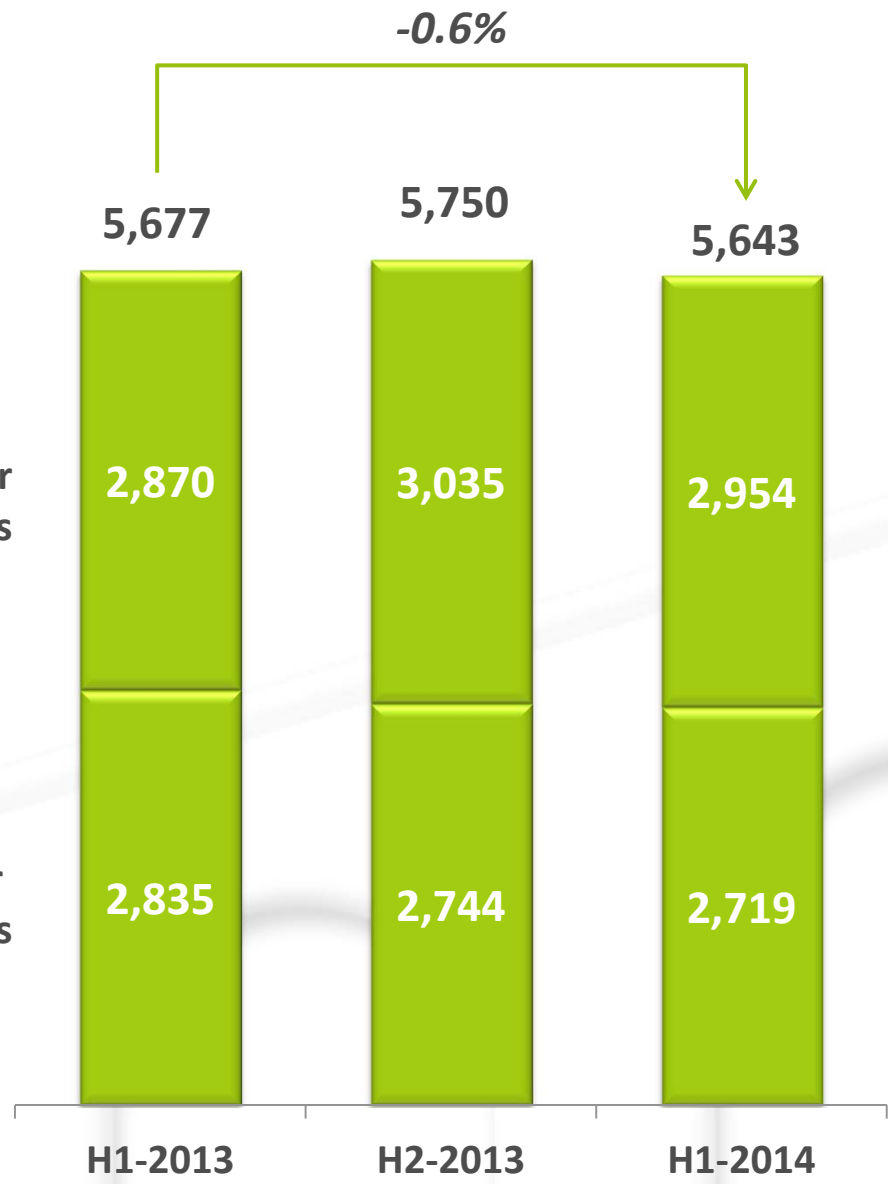
# Construction Products

Sales (€m)

Organic growth (like-for-like)	
	H1-2014/H1-2013
Construction Products	+5.5%
Interior Solutions	+7.1%
Exterior Solutions	+3.9%

Interior Solutions

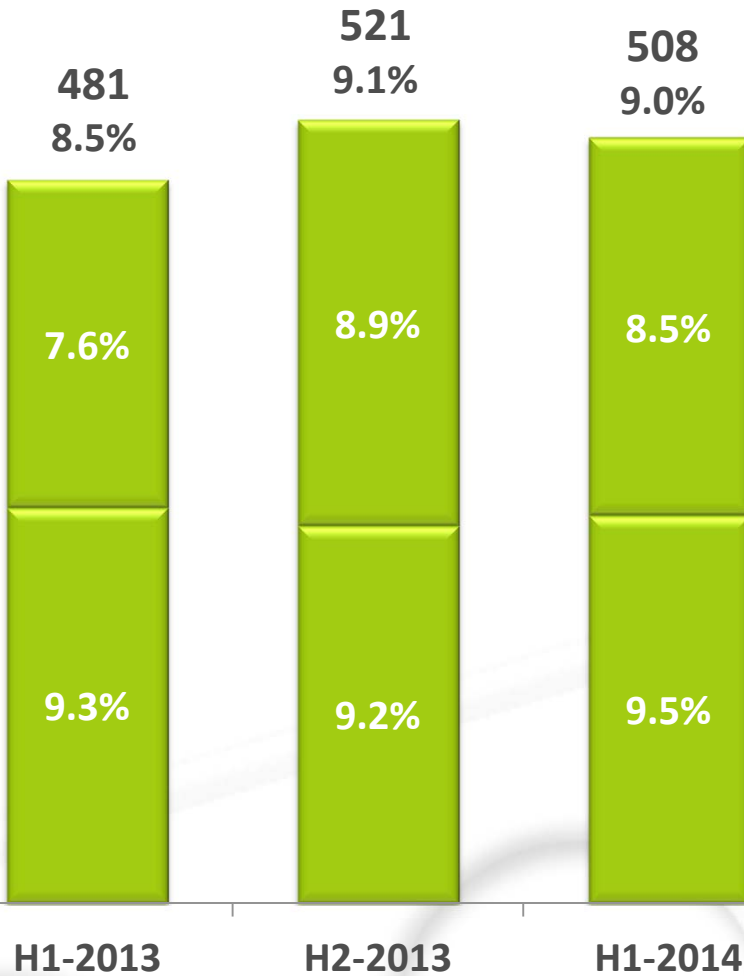
Exterior Solutions



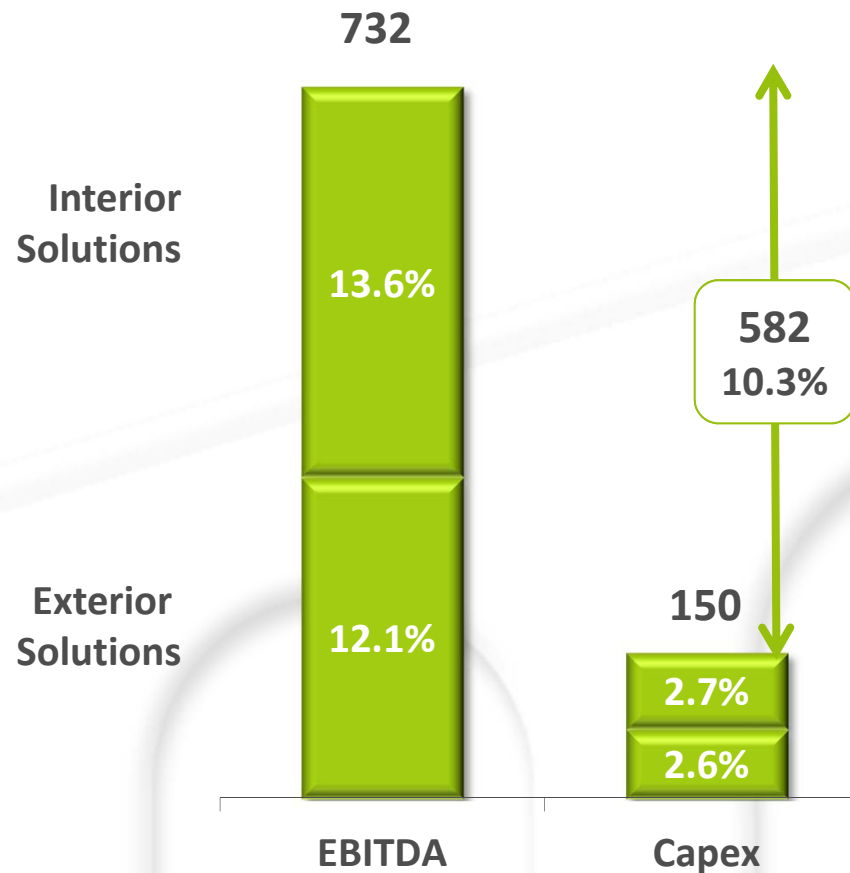
# Construction Products

(€m and % of sales)

## Operating income



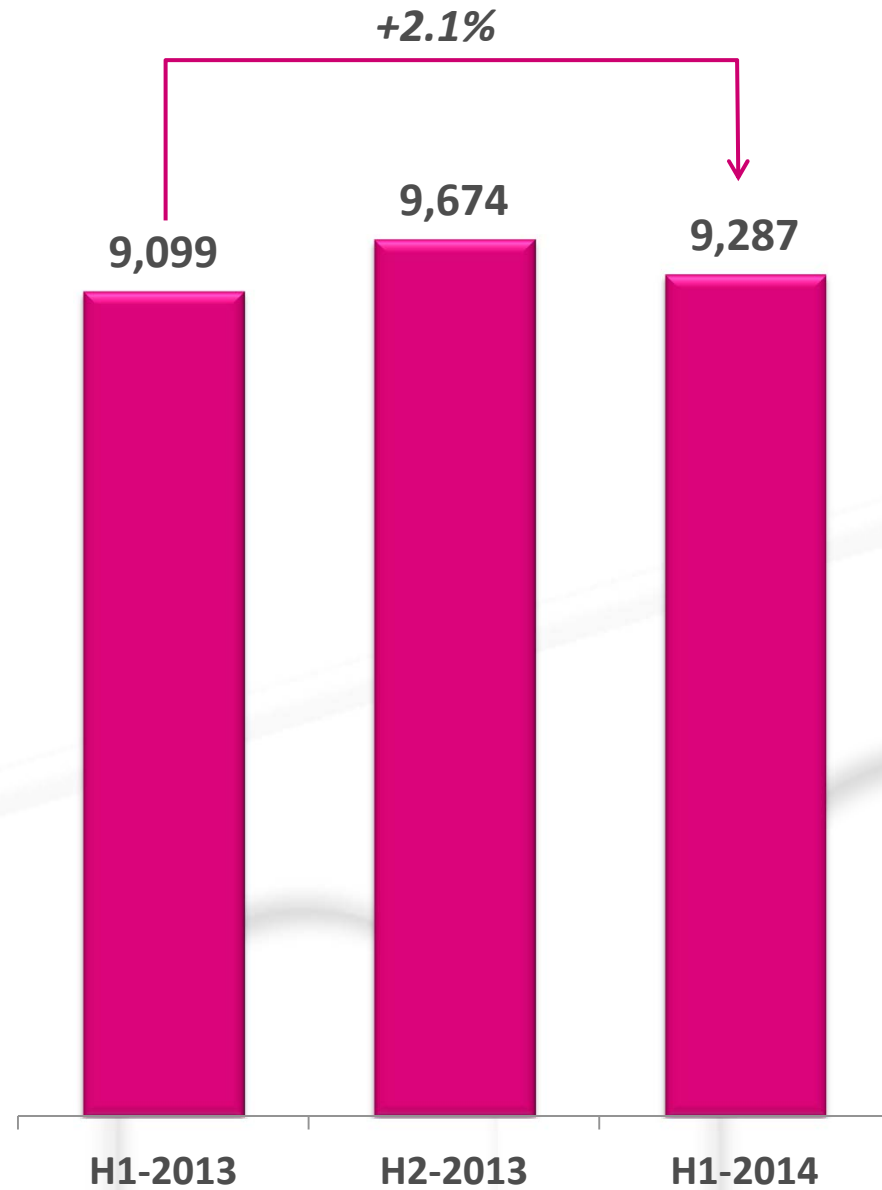
## EBITDA & Capex H1-2014



# Building Distribution

Sales (€m)

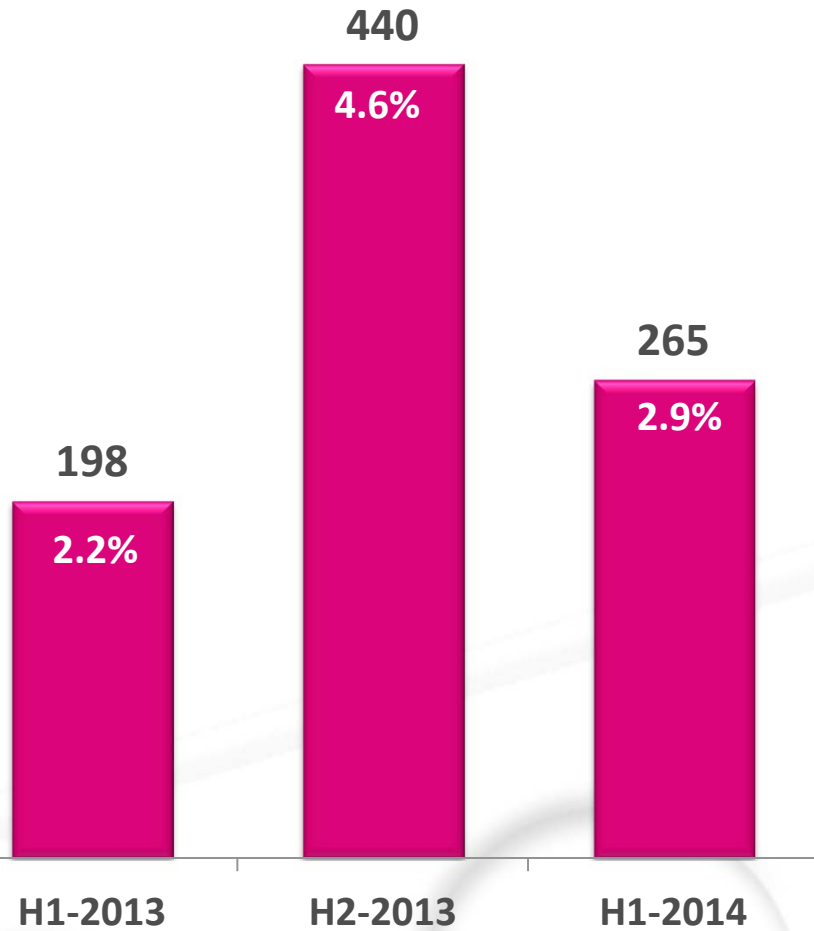
Organic growth (like-for-like)	
	H1-2014/H1-2013
Building Distribution	+3.6%



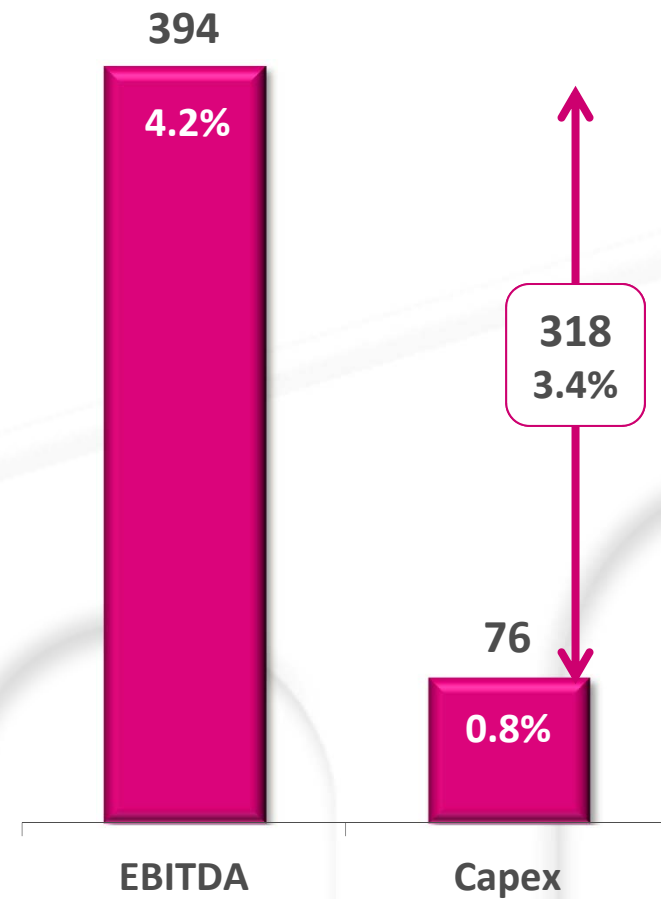
# Building Distribution

(€m and % of sales)

## Operating income



## EBITDA & Capex H1-2014



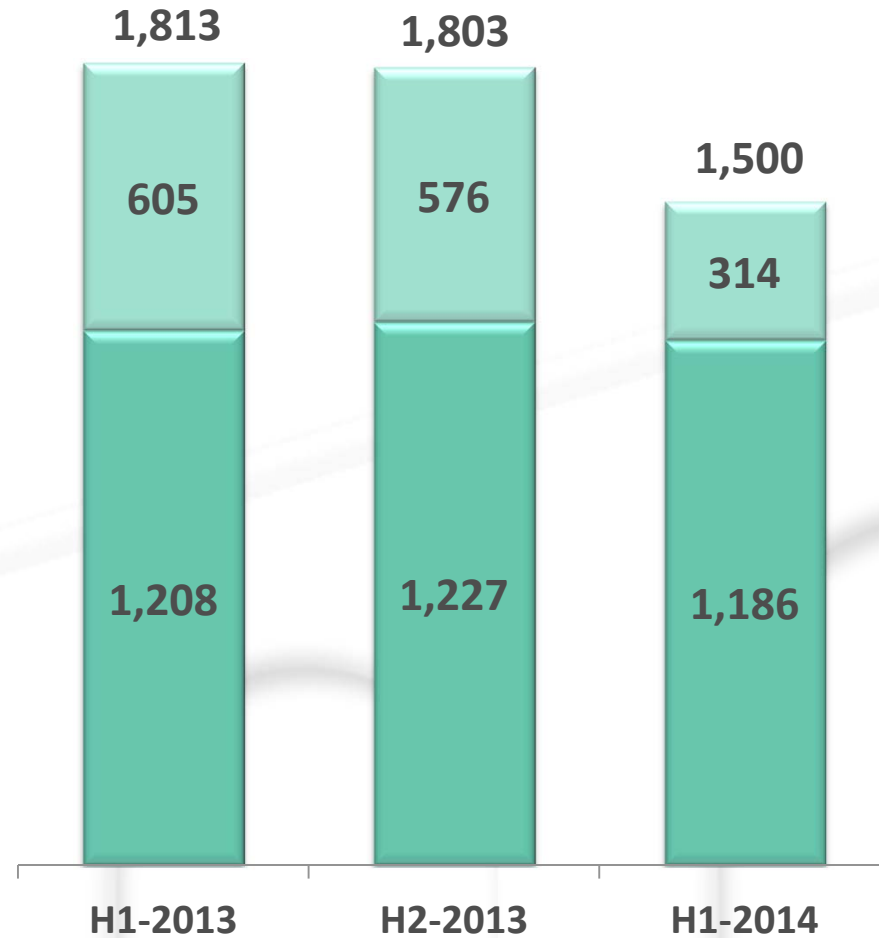
# Packaging

Sales (€m)



Verallia North America

Organic growth (like-for-like)	
	H1-2014/H1-2013
Packaging	+1.7%



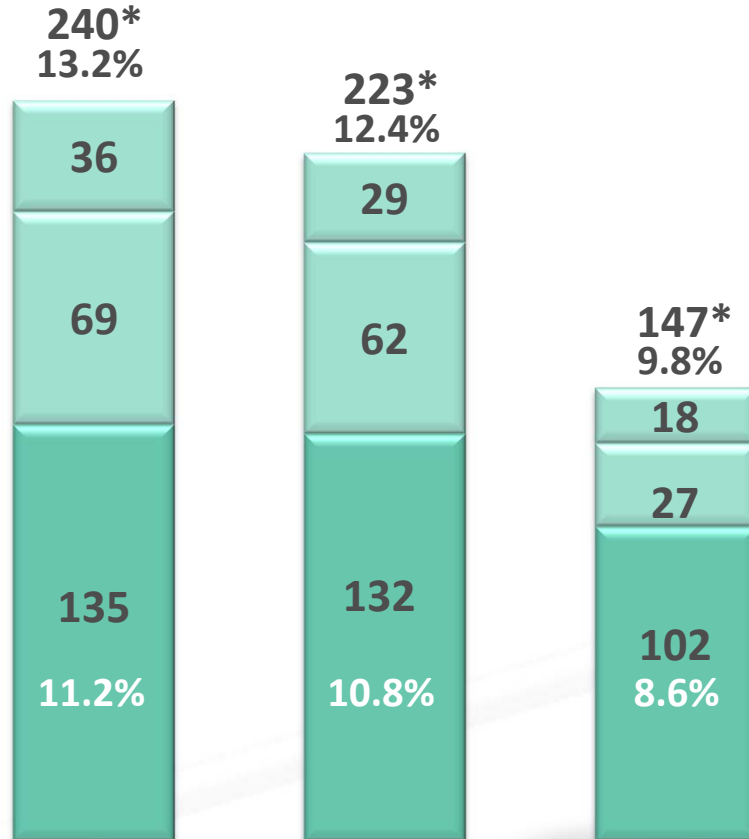
# Packaging

(€m and % of sales)

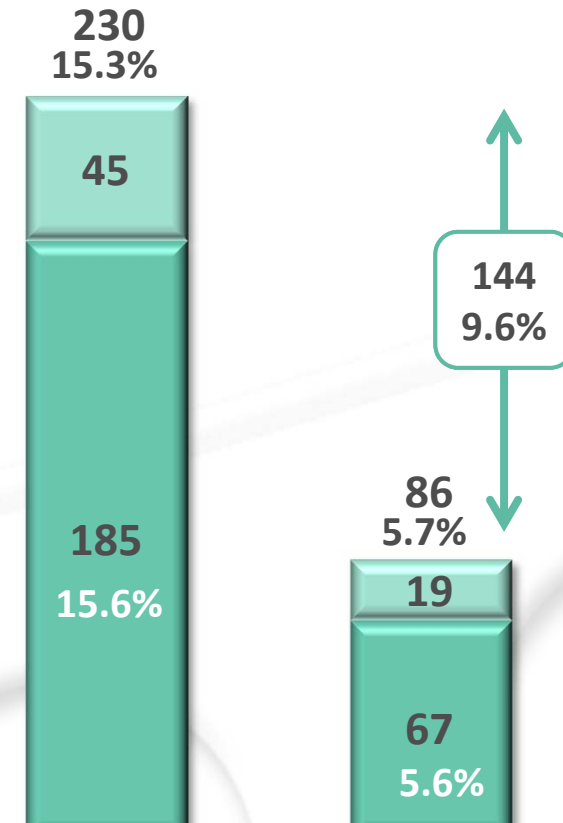


Verallia North America

## Operating income



## EBITDA & Capex H1-2014



H1-2013

H2-2013

H1-2014

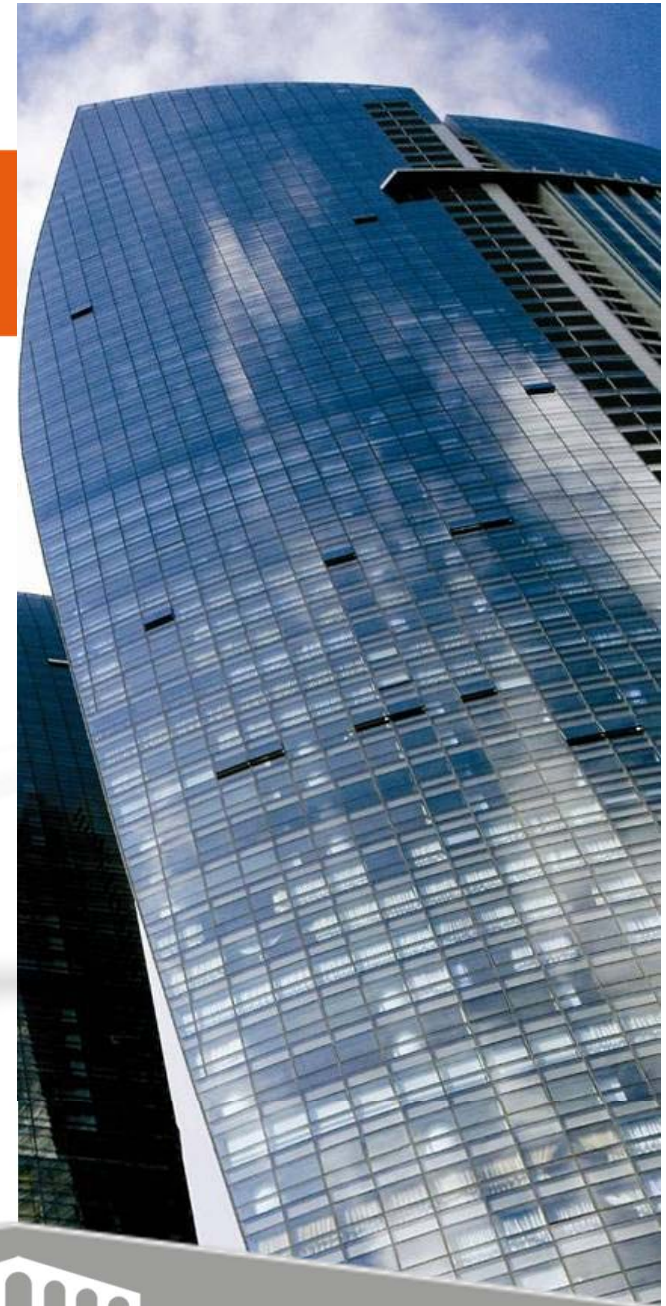
EBITDA

Capex

\* after discontinuing depreciation of VNA's fixed assets as of Jan. 1, 2013 (IFRS 5):  
€36m in H1-2013, €29m in H2-2013 and €18m in H1-2014







## 2. First-half 2014 results

- Group
- Business Sectors
- Geographic areas

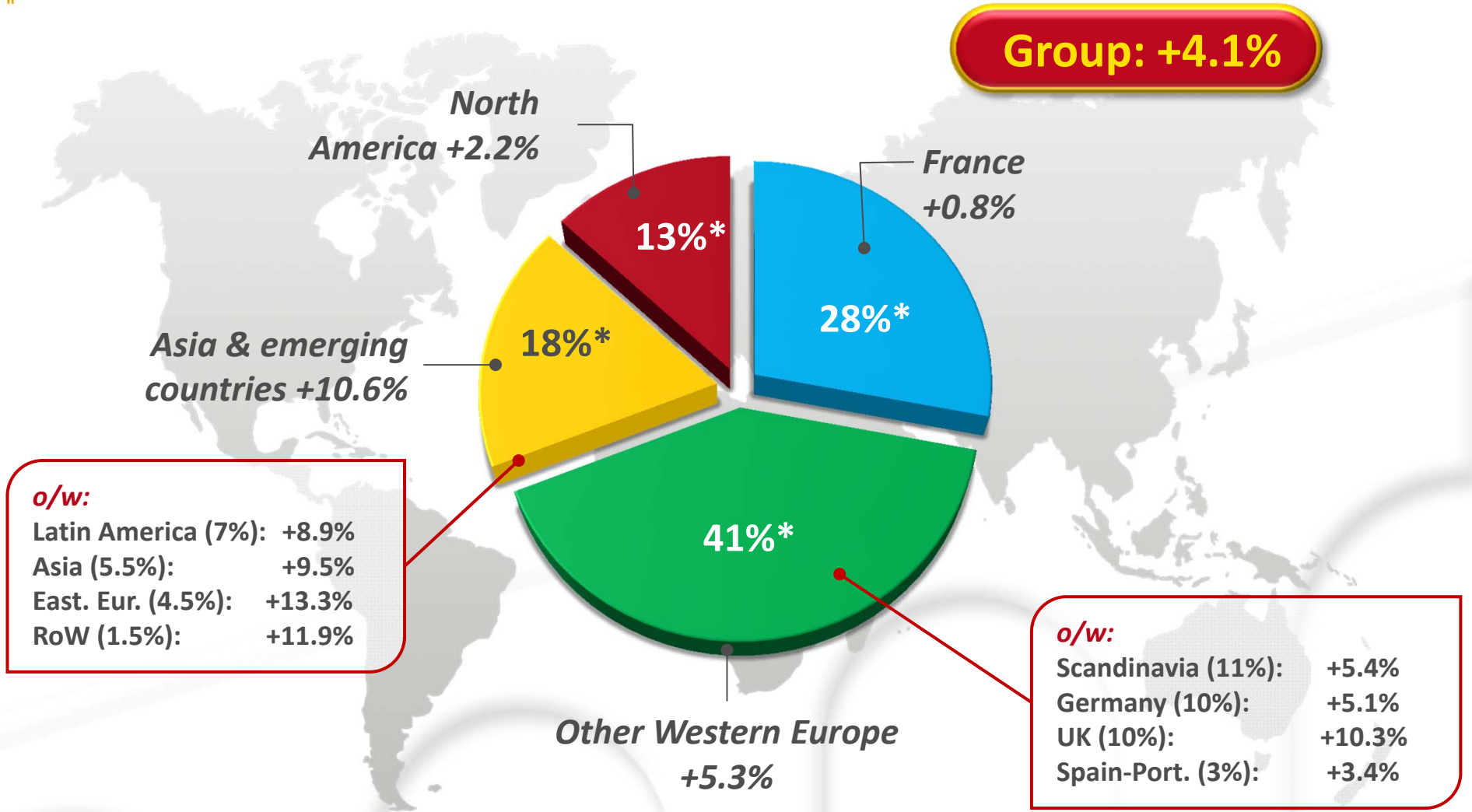
*2013 figures restated in line with IFRS 10-11 and IFRIC 21*



# Sales trends by geographic area

% change in H1-2014/H1-2013 like-for-like sales

**Group: +4.1%**

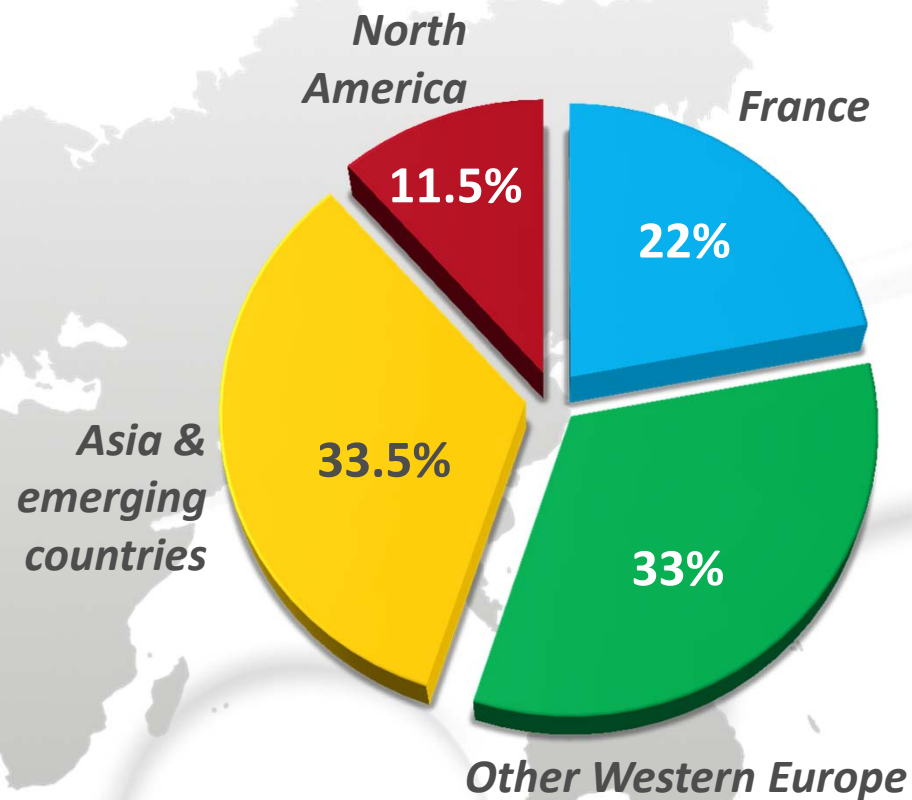
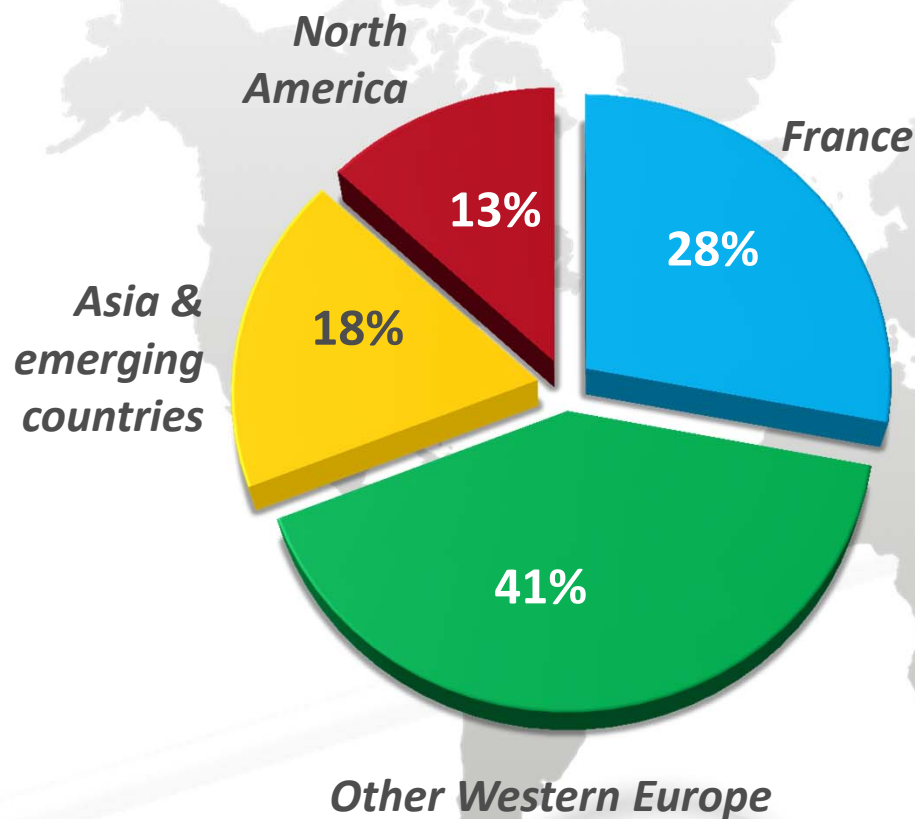


\* breakdown of H1-2014 sales

# Breakdown of sales and industrial assets by geographic area

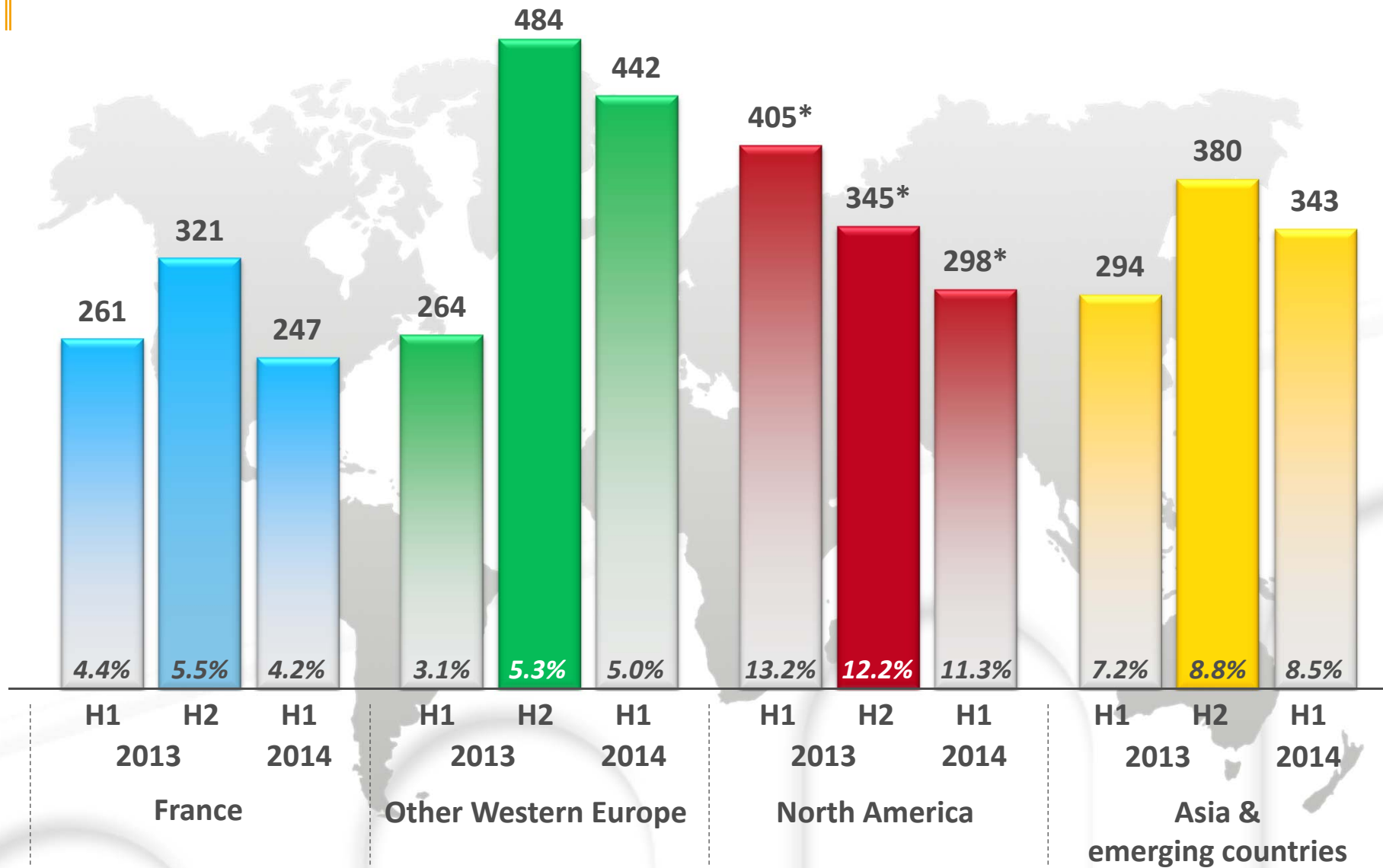
H1-2014 sales

Industrial assets at June 30, 2014



# Operating income by geographic area

(€m and % of sales)



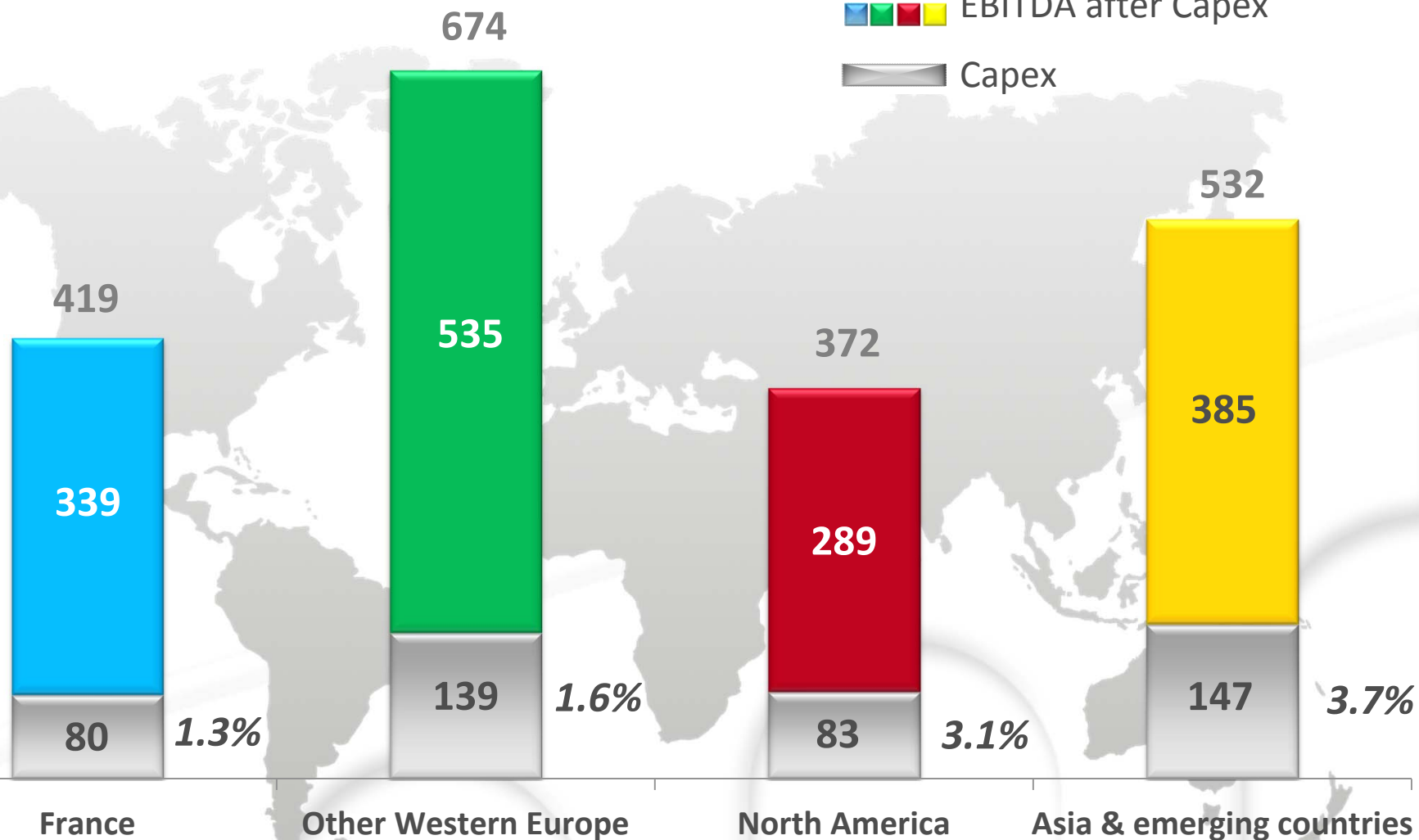
\* o/w VNA: €105m in H1-2013, €91m in H2-2013 and €45m in H1-2014

# EBITDA and Capex by geographic area

(H1-2014, €m and % of sales)

EBITDA after Capex

Capex





### 3. Moving towards our strategic goals



# Constant progress in implementing our strategic goals

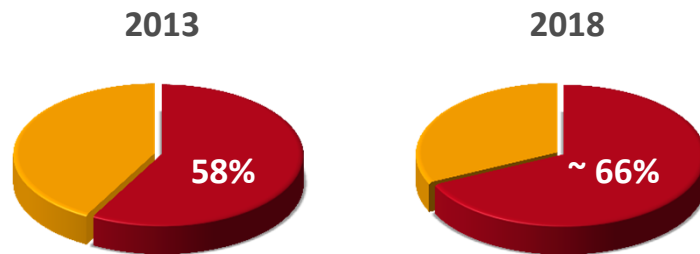


- ➔ Strengthen the **Group profile** to raise the potential for organic growth
- ➔ Increase the Group's focus on **differentiation**
- ➔ Manage the Group with **four key priorities**

# Strengthen the Group profile to raise the potential for organic growth

## Focus investments outside Western Europe

Innovative Materials and Construction Products industrial assets in North America, Asia and emerging countries, 2013-2018 (at constant exchange rates):



→ end-June 2014: ~ **60%**,  
a rise of **2 points**

## Accelerate development in fast-growing regions:

- New commercial offices in Ghana and Kenya  
→ ~ **+40%** on sales in sub-Saharan Africa\* at end-June 2014
- Start-up of new float line in India
- Two additional Weber sites and a new plasterboard plant in Brazil
- Sekurit: development in Mexico and joint venture considered in Indonesia
- Ceiling plant reopened in the US

\* excluding South Africa



# Strengthen the Group profile to raise the potential for organic growth

- Reduction of the Group's capital intensity in developed countries
  - ~ **-2 points at end-June 2014** (versus end-June 2013), thanks mainly to the saturation of production capacities and a tight rein on investments
- Finalization of the **Verallia North America disposal** and confirmation of the acquisitions policy announced in November 2013
- Development on highly innovative **industrial niches**:
  - Acquisition of **LS** (high-performance polymers)
  - Acquisition of **Phoenix** (high-performance ceramics)

# Increase the Group's focus on differentiation

➔ Thanks to R&D and marketing efforts, **high-profile innovations** on the market:

- **VIEWCLEAR® II** glass: ~ 95% less external condensation
- **WEBER.THERM** system: external wall insulation system with glass siding
- **ISODUO** system: first glass wool/bio-sourced (wood) insulation panel
- **NORTON GEMINI XXL** grinding wheel: fastest steel cutter on the market

➔ Development in all aspects of **tomorrow's Habitat:**

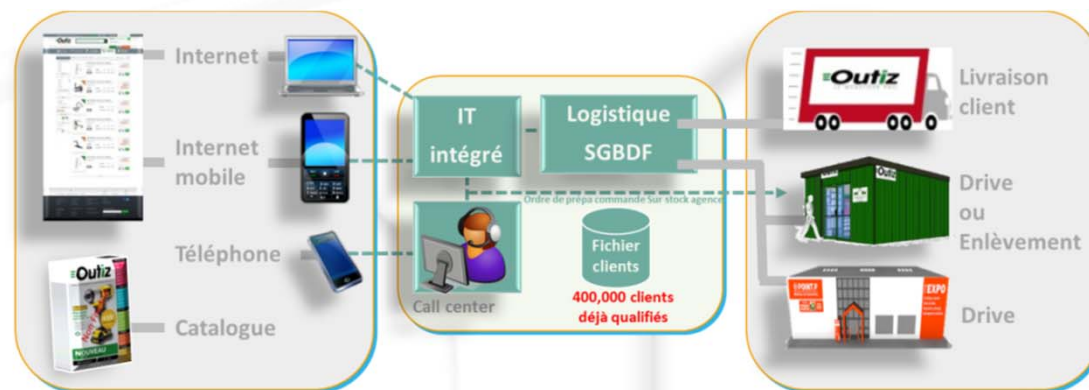
- **Energy House** in the UK
- **Training programs** stepped up: Jewson's Timber Star Performance Program; "Multi-comfort" training center in Russia; FFB\*-Point.P agreement

*\* Fédération Française du Bâtiment*

# Increase the Group's focus on differentiation

➔ All of the Group's businesses mobilized to capitalize on **digital opportunities**:

- **Structured digital strategies** in all businesses and development of new key skills
- **Broader spectrum of services**:
  - CertainTeed PitchPerfect: more than a budget tool, the app also provides sales assistance
  - Dahl comprehensive warehouse management system with automatic restocking
  - Development of 'Service Drive 1h' designed by La Plateforme du Bâtiment
- **Additional synergies unlocked** between distribution formats, particularly in the supply chain



# Increase the Group's focus on differentiation

## *Example of Dahl's multi-channel offering in Denmark*

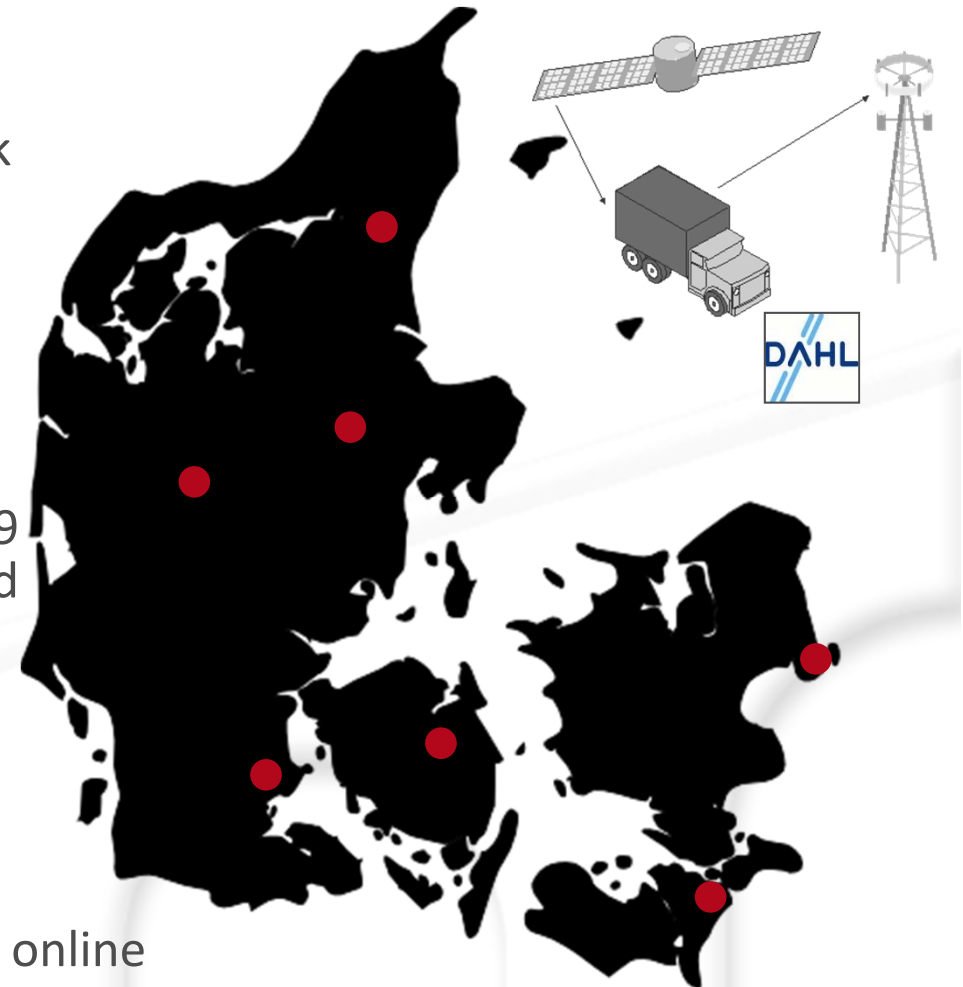
### ➤ Deliveries from 7:00 am across Denmark

- Tracking and traceability
- SMS and e-mail alerts
- Delivery as close as possible to site

### ➤ Central warehouse linked up to its 9 regional storage facilities and around 40,000 available articles

### ➤ Result: ~ 40% of distribution sales made online

### ➤ **Brødrene Dahl** named **"Best online business in Denmark"** by the Danish e-commerce association





## 4. Outlook and action plan for H2-2014



## Outlook for H2-2014: Economic climate

- Western Europe:
  - Ongoing **improvement, driven** by the **UK**
  - **Subdued markets in France**
  
- North America:
  - **Upbeat construction markets**
  - **Improving industrial markets**
  
- Asia and emerging countries:
  - **Satisfactory level of growth**, with Brazil less bullish
  
- **Household consumption markets** affected by competitive pressure on prices

## Confirmation of our priorities for action in 2014

- **Priority focus on increasing sales prices**, amid a small rise in raw material and energy costs
- **Additional cost savings of €450m over the year** (calculated on the 2013 cost base)
- **Capex program stepped up to around €1,500m**, focused on growth capex outside Western Europe (around €550m)
- **Renewed commitment to invest in R&D** in order to support its differentiated, high value-added strategy



# Outlook for H2-2014: Group businesses

## ➤ Innovative Materials:

- Flat Glass: profitability to continue to improve gradually
- HPM: trading and profitability to remain at a good level

## ➤ Construction Products:

- Good momentum in North America
- Ongoing improvement in Europe, with contrasting situations from one country to the next
- Satisfactory pace of growth in Asia and emerging countries
- Positive impact of major Pipe contracts

## ➤ Building Distribution:

- Further improvement in trading levels, held back by France
- Operating margin to hold firm in H2

## ➤ Packaging (Verallia):

- Improved profitability in H2 after bottoming out in H1

# Conclusion



- **Continued progress in pursuit of our strategic goals**, particularly in innovation, technology and emerging countries
- **Strict financial discipline**
- Confirmation of the objective of a **clear improvement in operating income** based on comparable Group structure and exchange rates
- Continued **high level of free cash flow**

## *Important disclaimer - forward-looking statements*

*This presentation contains forward-looking statements with respect to Saint-Gobain's financial condition, results, business, strategy, plans and outlook. Forward-looking statements are generally identified by the use of the words "expect", "anticipate", "believe", "intend", "estimate", "plan" and similar expressions. Although Saint-Gobain believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of its future performance. Actual results may differ materially from the forward-looking statements as a result of a number of known and unknown risks, uncertainties and other factors, many of which are difficult to predict and are generally beyond the control of Saint-Gobain, including but not limited to the risks described in Saint-Gobain's registration document available on its website ([www.saint-gobain.com](http://www.saint-gobain.com)). Accordingly, readers of this document are cautioned against relying on these forward-looking statements. These forward-looking statements are made as of the date of this document. Saint-Gobain disclaims any intention or obligation to complete, update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. This presentation does not constitute any offer to purchase or exchange, nor any solicitation of an offer to sell or exchange securities of Saint-Gobain. No representation or warranty, expressed or implied, is given on behalf of Saint-Gobain or any of its directors, officers, employees, shareholders, agents, representatives or advisers as to the relevance, completeness or fairness of the information or opinions contained in this presentation.*



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*July 31, 2014*

