
# 2008 Results and Outlook for 2009

## Analyst-Investor meeting

*February 2009*

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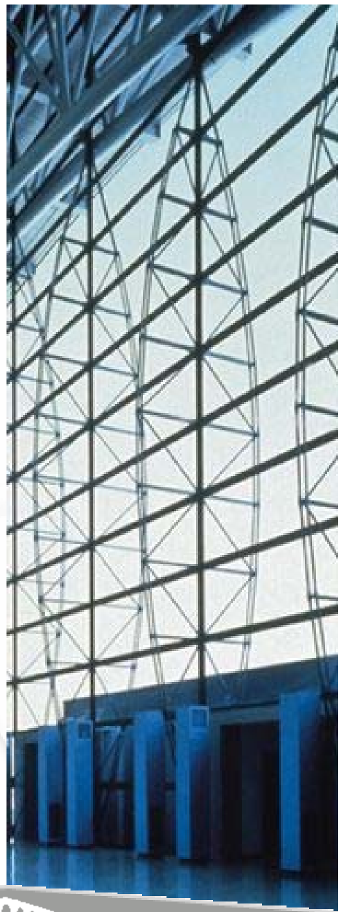

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# 1 2008 Highlights

2008 results in line with revised objectives

Sharp downturn in economic climate

Robust reaction to crisis

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# 2008 results in line with revised objectives

> **Sales up 3.7%** to €43.8bn at constant exchange rates*

> **Single-digit decline in operating income** at constant exchange rates* **and in recurring net income**

➔**Operating income: -9.1%** (€3,649m)

➔**Recurring net income: -9.5%** (€1,914m)

** average exchange rates for 2007*

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# Sharp downturn in economic climate at the end of 2008

> **Significant escalation** in the **financial crisis** from October 2008

> **Globalization** of **economic crisis**:
- **collapse** of **auto industry**
- **renewed decline** in **construction** in the **US** and **continuing slowdown in Western and Eastern Europe**
- **spread** of the **crisis to all emerging countries**
- **US** and **UK enter recession**

> **Freeze** on **asset transactions** as a result of the **credit crunch**

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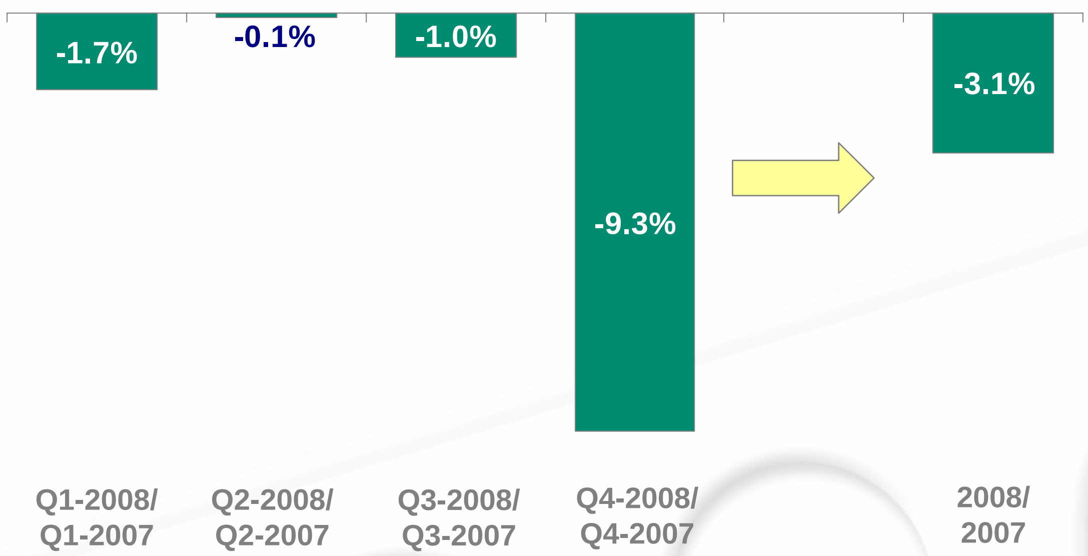
# Steep fall in volumes in the 4th quarter

*Organic sales growth: volume effect in %, per quarter*

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# Robust reaction to crisis

## > Robust operating measures

- **healthy increase** in **sales prices (+3.4%)**
- **cost reductions** and **adjustments** to industrial facilities: **€400m of cost savings in 2008**

## > Tight rein on cash and balance sheet

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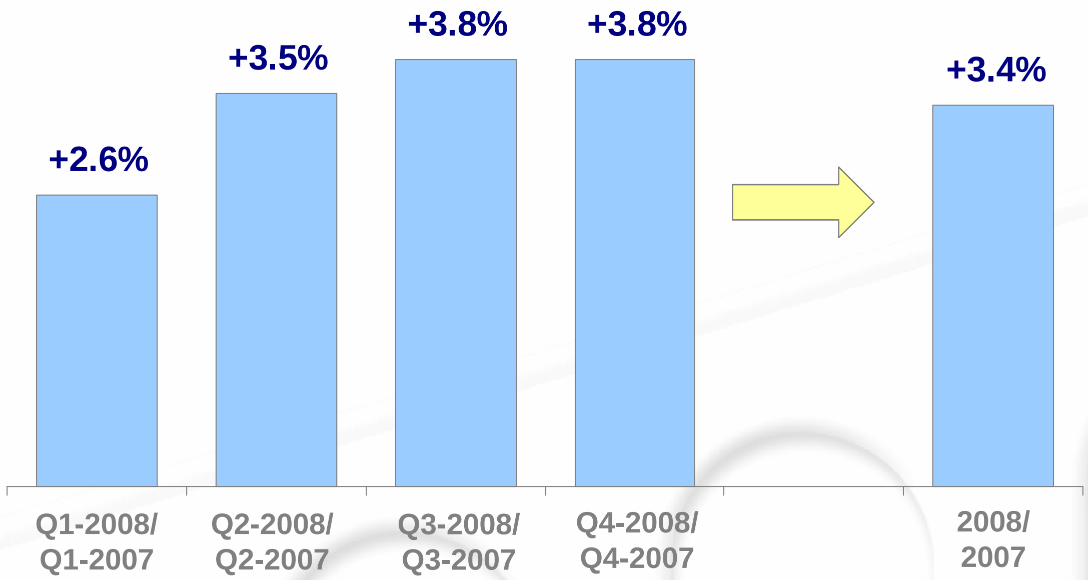
# Regular increase in sales prices

*Organic sales growth: price effect in %, per quarter*




# Sales prices hold up well, including in worst hit sectors

*Organic sales growth: price and volume effect in %, per half-year*

***Interior Solutions in the UK and Spain***


***Building Distribution***

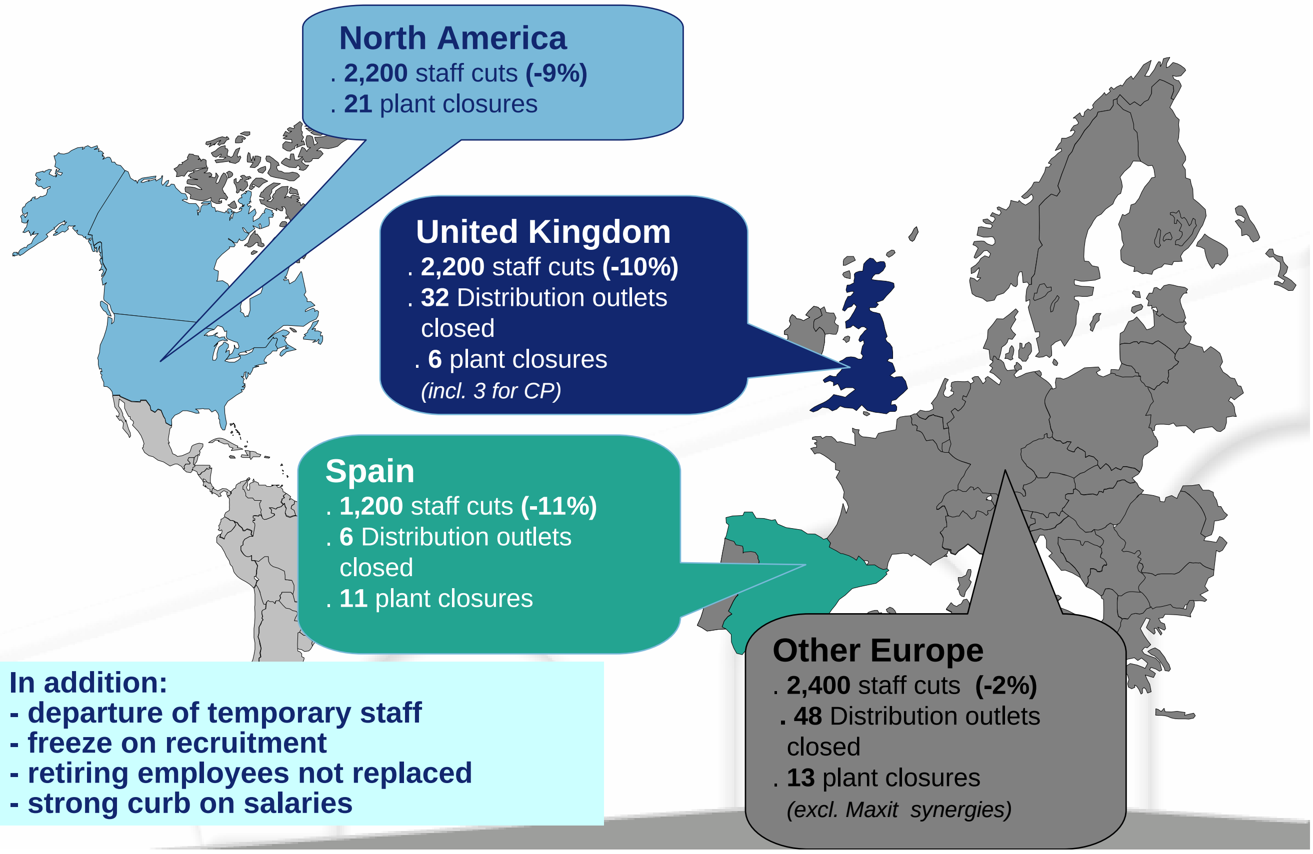
# Acceleration in cost reduction programs

| | 2008/2007 target | 2008/2007 actual |
|---|---|---|
| Cost savings (€m) *(estimations)* | 300 | 400 |
| Staff cuts | 4,000 | 8,000 |
| Restructuring costs (€m) | | 190 |

**Cost savings in excess of targets**

# Action on costs: swift capacity adjustments

***8,000 staff cuts in 2008 (versus 4,000 announced in July), representing 5% of employees in the region (Europe & North America)***




**In addition:**
- departure of temporary staff
- freeze on recruitment
- retiring employees not replaced
- strong curb on salaries

# Swift adjustment of capacity to economic climate

> **Flat Glass Europe**
- halt in production at 2 floats (Belgium and Portugal) for 2009
- halt in production lines at Sekurit (10% capacity in October, 25% in November and 60% in December)
- closure of three processing facilities
- load reductions (equivalent to one float line in Q4 2008)

> **CP**
- closure of 18 sites (excl. Maxit), including 14 in 2008
- integration of Maxit: closure of 23 sites and cost synergies: €12m in 2008 and €48m in 2009 (versus the €30m forecast at the time of acquisition)
- significant cutbacks in the number of Gypsum and Insulation teams

> **Building Distribution**
- closure of 86 outlets in Europe
- 3,400 staff cuts (excl. temporary staff) since May 2008

# Robust reaction to crisis

> Robust operating measures

> Tight rein on cash and balance sheet

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# Strict financial discipline

> **Large scale-back in expenditure** (capex and financial investments)

> Continuing **high level of free cash flow*** **(>€1.3bn)**, thanks to contributions from all sectors

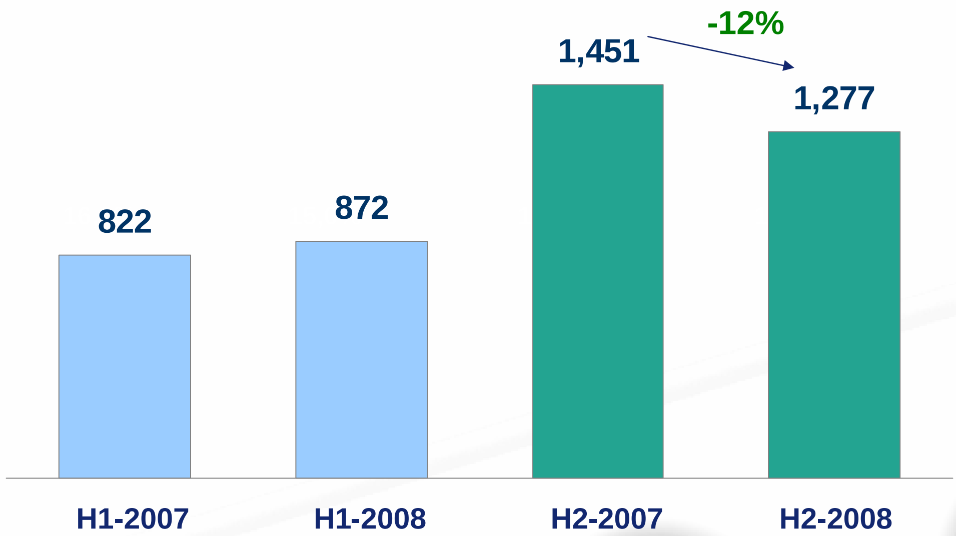
> Ongoing **improvement** in **working capital** **(gain of 2 days in 2008)** and **satisfactory return on capital** **(ROI: 20.9%** and **ROCE: 12.1%)**

> **Anticipation** of **financing needs:**
➔ **Successful bond** issues **(€1.75bn)**

** excluding tax impact of capital gains and losses and exceptional asset write-downs*

# Capital expenditure curbed

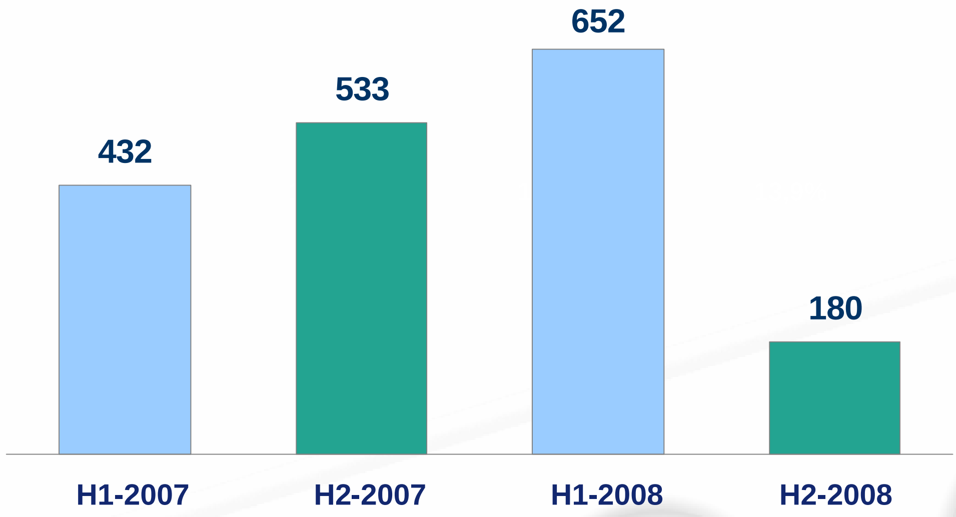
*(€m)*




- **Significant reduction in second-half 2008**
- **Growth projects highly selective**

# Sharp drop in acquisitions as from fall 2008

*(excl. Maxit*, in €m)*




**Acquisitions scaled back as from second-half 2008**

* *Maxit acquisition signed in 2007, completed in early 2008*

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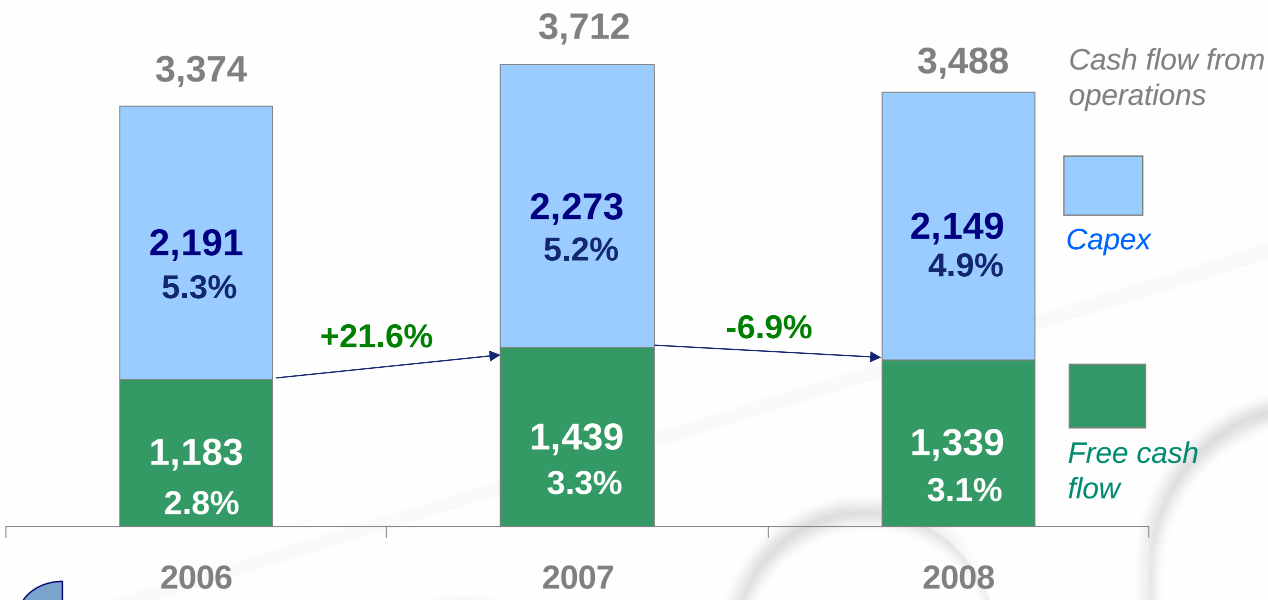
# Free cash flow close to 2007 level

*(€m and % of sales, excluding tax impact of capital gains and losses and exceptional asset write-downs)*




**Free cash flow represents more than 3% of sales in 2008**

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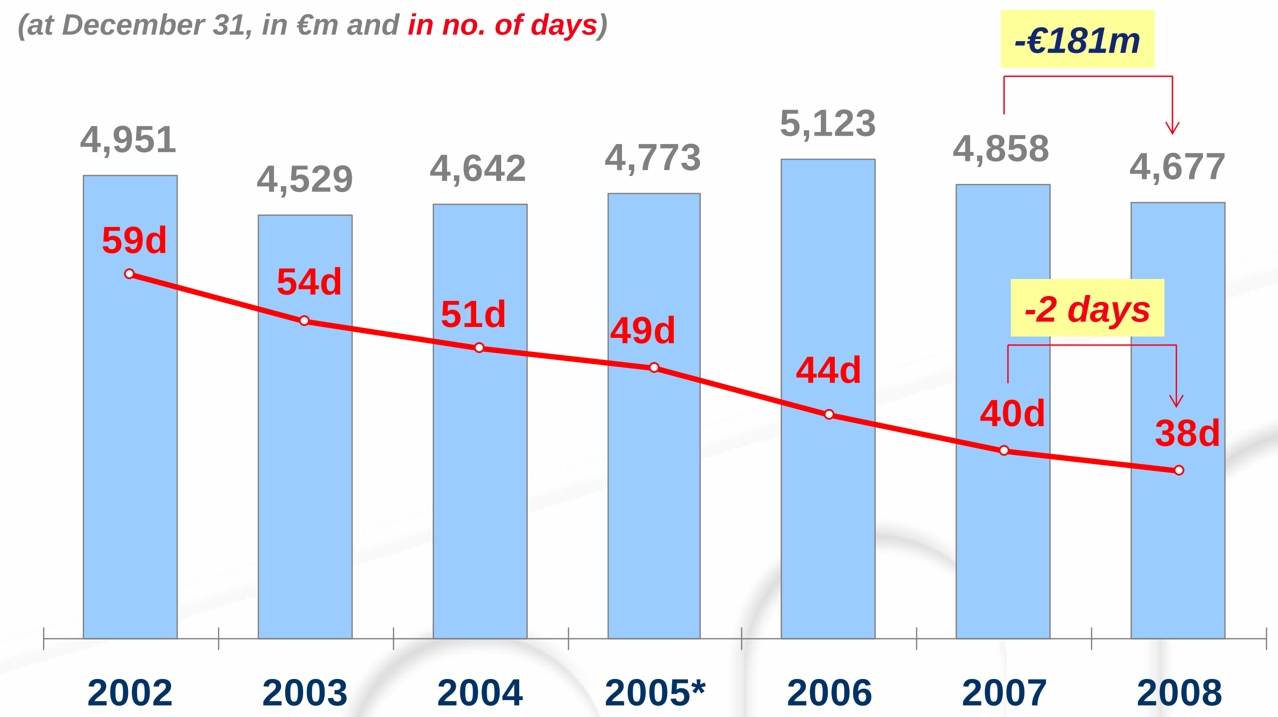
# Further improvement in operating working capital: gain of 2 days (-€181m)




2002 and 2003 under French GAAP
2004 and 2005 under IFRS
* 2005 excl. Gypsum

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# Anticipation of financing needs

> **Medium term**
- Maturity of Maxit loan extended as early as Oct. 2008 ➔ **Oct. 2010**
- Successful bond issues between September 2008 and January 2009: **€1.75bn**

> **Short term**
- Ready access to commercial paper
- Satisfactory liquidity (**€1.9bn**) and undrawn back-up credit lines (**€3.2bn**)

> **Persistently robust financial structure**

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# 2

# 2008 Results

Group

Sectors

Geographic Areas

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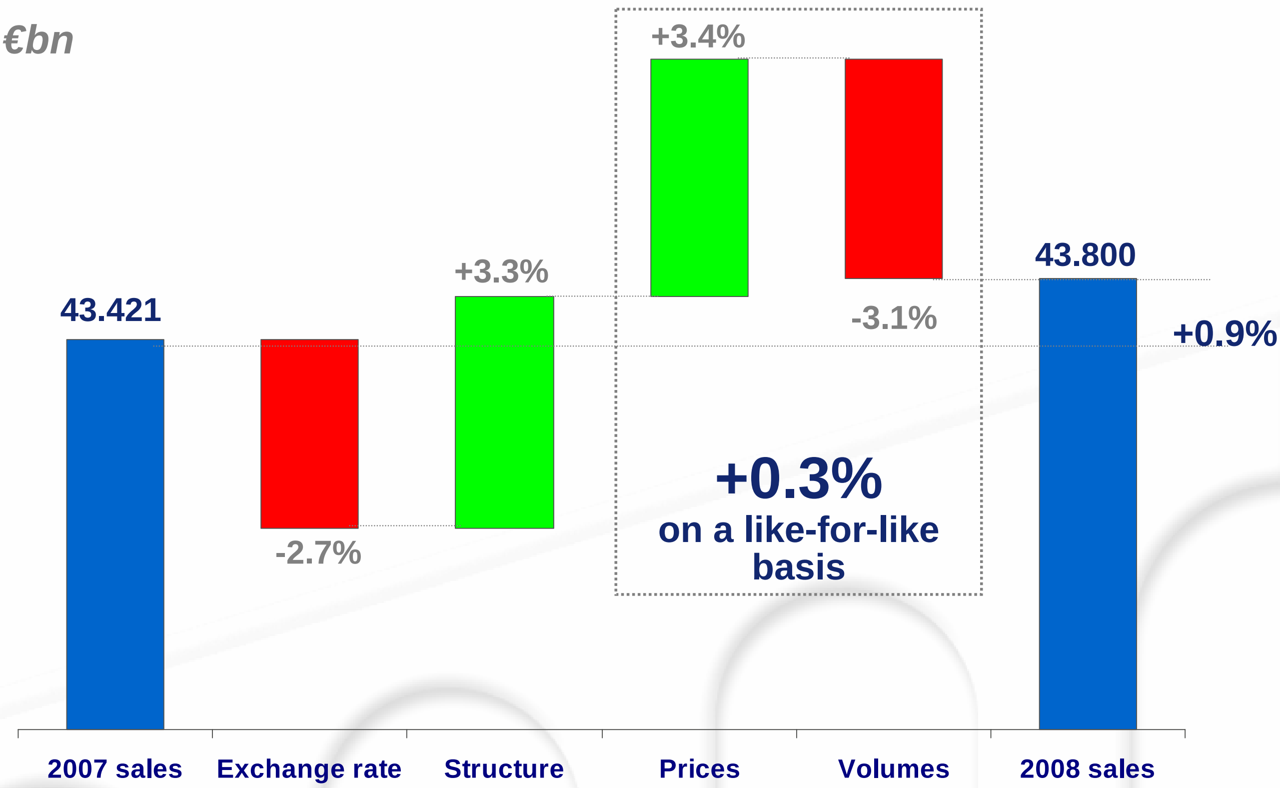
## Sales

*€bn*

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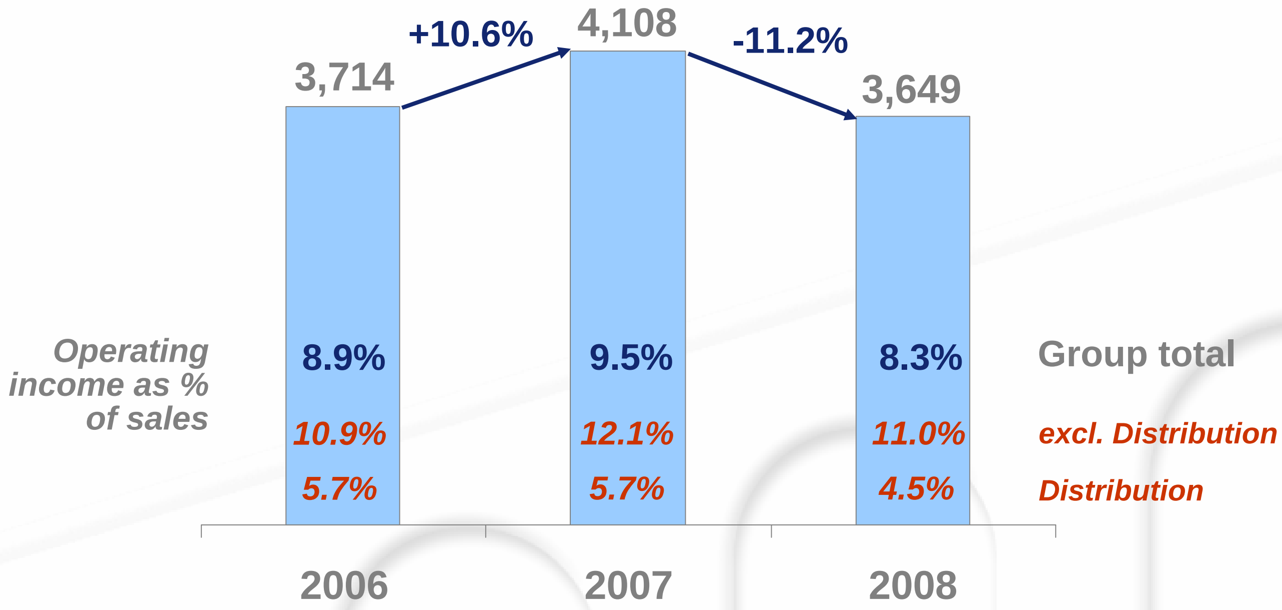
# Operating income

*(€m and as % of sales)*

**At constant exchange rates:**
**-9.1% for the full yr**
**-2.3% in H1**
**-16.2% in H2**




# Non-operating costs

*(€m)*

| | 2007 | 2008 | % change |
|---|---|---|---|
| **Operating income** | **4,108** | **3,649** | -11.2% |
| ***Non-operating costs*** | ***(984)*** | ***(710)*** | |
| o/w: | | | |
| Provision for asbestos-related litigation | (90) | (75) | |
| Provision for Flat Glass fines | (694) | (400) | |
| Restructuring costs | (172) | (190) | |
| ***Other items*** | ***30*** | ***(128)*** | |
| Gains on asset disposals | 394 | 53 | |
| Asset write-downs | (364) | (181) | |
| **Business income** | **3,156** | **2,814** | -10.8% |

# Outstanding claims

## *Absestos claims against CertainTeed in the US*

> **Approximately $71m paid out** *($73m in 2007)* and **a further €75m set aside to the provision** in 2008 *(€90m in 2007), bringing the total coverage to $502m at end-2008 (versus $473m at end-2007)*

| | 2007 | 2008* |
|---|---|---|
| New claims | 6,000 | 5,000 |
| Settled claims | 8,000 | 8,000 |
| Outstanding claims | 74,000 | 68,000** |

** estimated*
*** after the transfer of 3,000 claims to "inactive dockets"*

## *Flat Glass*

> European Commission decision handed down in December 2008 against **automotive glass business: €896m**

> The Group is to file a suspensive **appeal** and has set up a bank guarantee

> **Provision of €960m**, after an additional allocation of **€400m** at December 31, 2008

# Net financial expense and income tax

*(€m)*

| | 2007 | 2008 |
|---|---|---|
| **Net financial expense** | **(701)** | **(750)** |
| *Cost of net debt** | *5.4%* | *5.5%* |

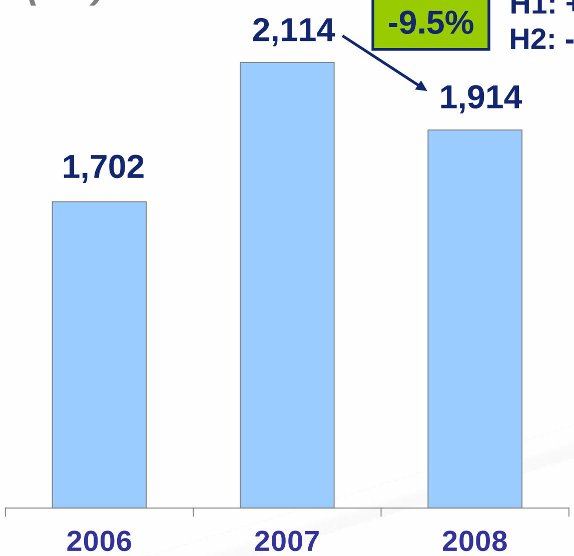
* *78% at fixed rates*

| | 2007 | 2008 |
|---|---|---|
| **Income tax** | **(926)** | **(638)** |
| *Tax rate on recurring net income* | *31%* | *26%* |

> Favorable impact of the exit from the global consolidated tax regime (end-2006) and organizational streamlining programs (particularly mergers between legal entities)

# Recurring net income

## Recurring* net income
*(€m)*




## Recurring* EPS
*(€)*


> Net income (€1,378m) down 7.3% and EPS (€3.60) down 9.3%

** excluding capital gains and losses, asset write-downs and provision for Flat Glass fines*

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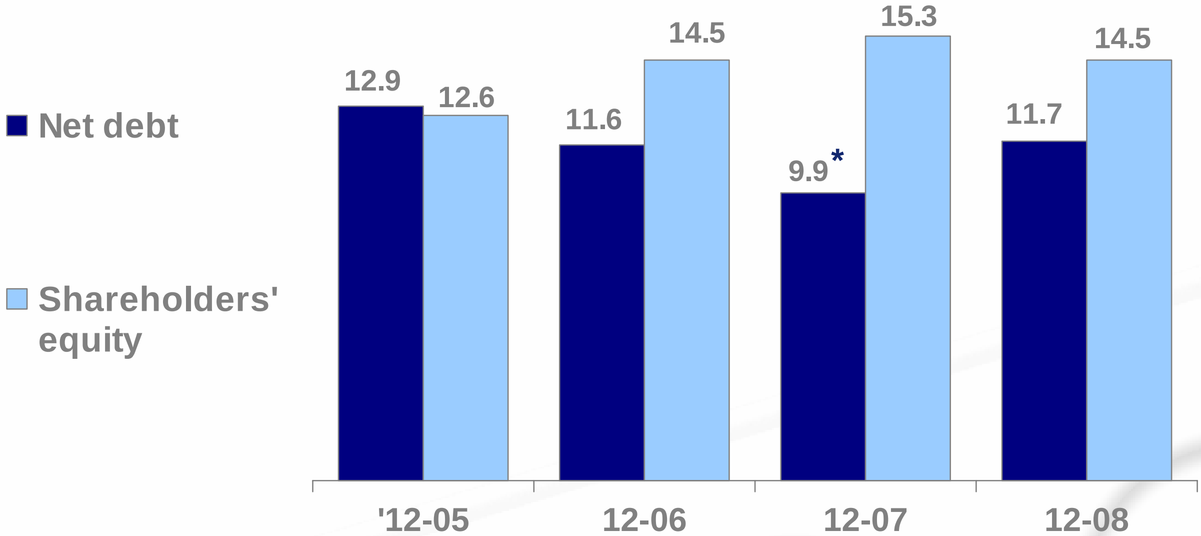
# Net debt and shareholders' equity

*€bn*




| | '12-05 | 12-06 | 12-07 | 12-08 |
|---|---|---|---|---|
| Net debt/equity | 102% | 80% | 65% | 80% |
| Interest cover | 4.2*** | 5.0 | 5.9 | 4.9 |
| Net debt/EBITDA** | 2.6*** | 2.2 | 1.7 | 2.3 |

* €12bn following Maxit acquisition
** EBITDA = operating income + depreciation
*** 2005: proforma BPB

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# Additional balance sheet data

> **Average cost** of **net debt: 5.5% (78% at fixed rates, average maturity ~4 years)**

> **Bond debt: €9.9bn** (including **€1bn** issued in **January 2009**) with annual maturities of €1bn-€1.4bn, and **€2.5bn** in other **long-term debt** (incl. **€2bn Maxit loan** extended until **October 2010**)

> **Short-term debt: €2.2bn at December 31, 2008** and **cash & cash equivalents + undrawn back-up credit lines: €5.1bn**

> **No** financial **covenants** applicable to debt drawn down

> Increase in **provision for pensions** from **€1,807m in 2007 to €2,443m in 2008**

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# 2

# 2008 Results

Group

Sectors

Geographic Areas

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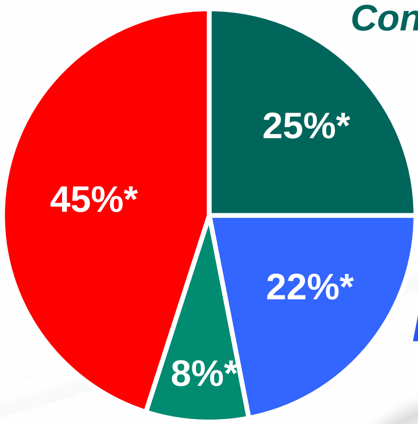
# Organic growth

*% change in 2008/2007 sales on a like-for-like basis*

**Group: +0.3%**




***Construction Products* +1.4%**

Interior Solutions -5.0%
Exterior Solutions +10.8%

***Building Distribution* -1.9%**

***Innovative Materials* +1.3%**

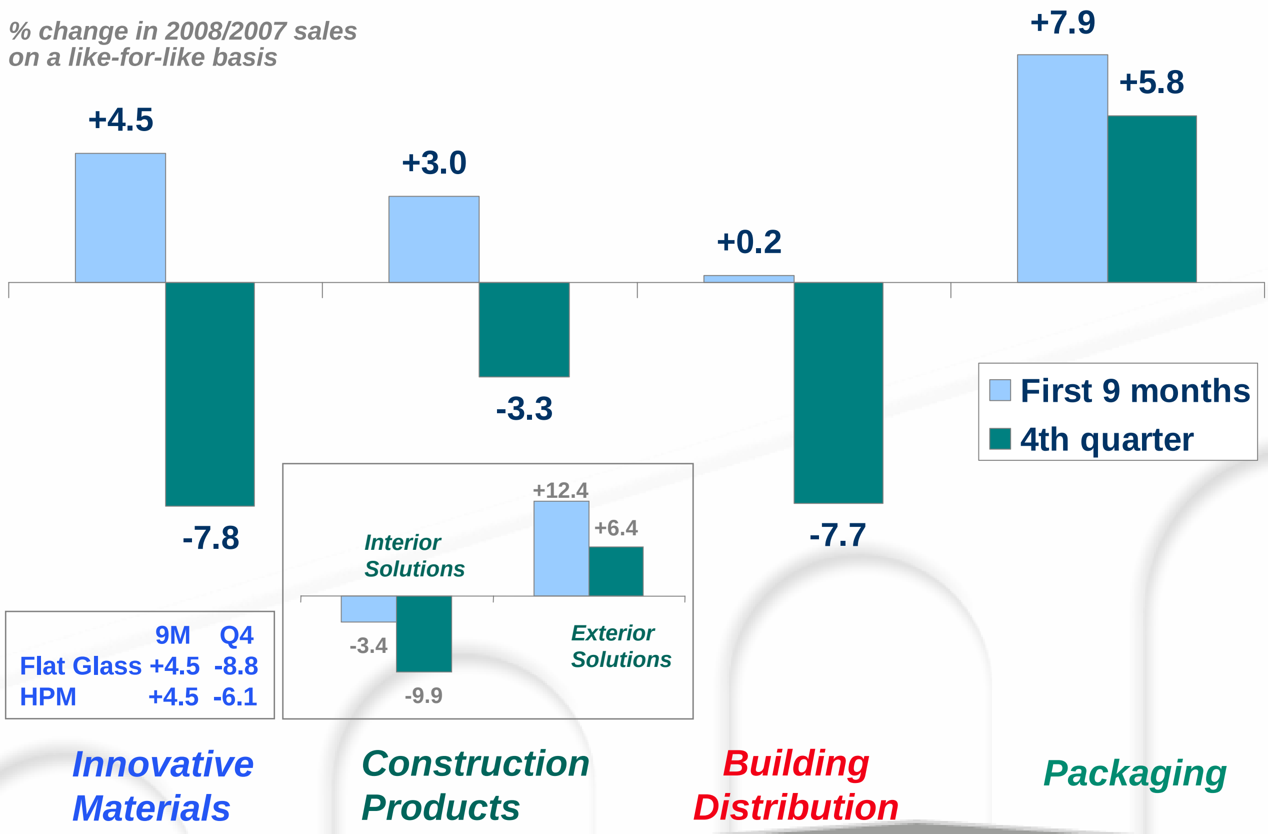
Flat Glass +1.0%
HPM +1.9%

***Packaging* +7.4%**

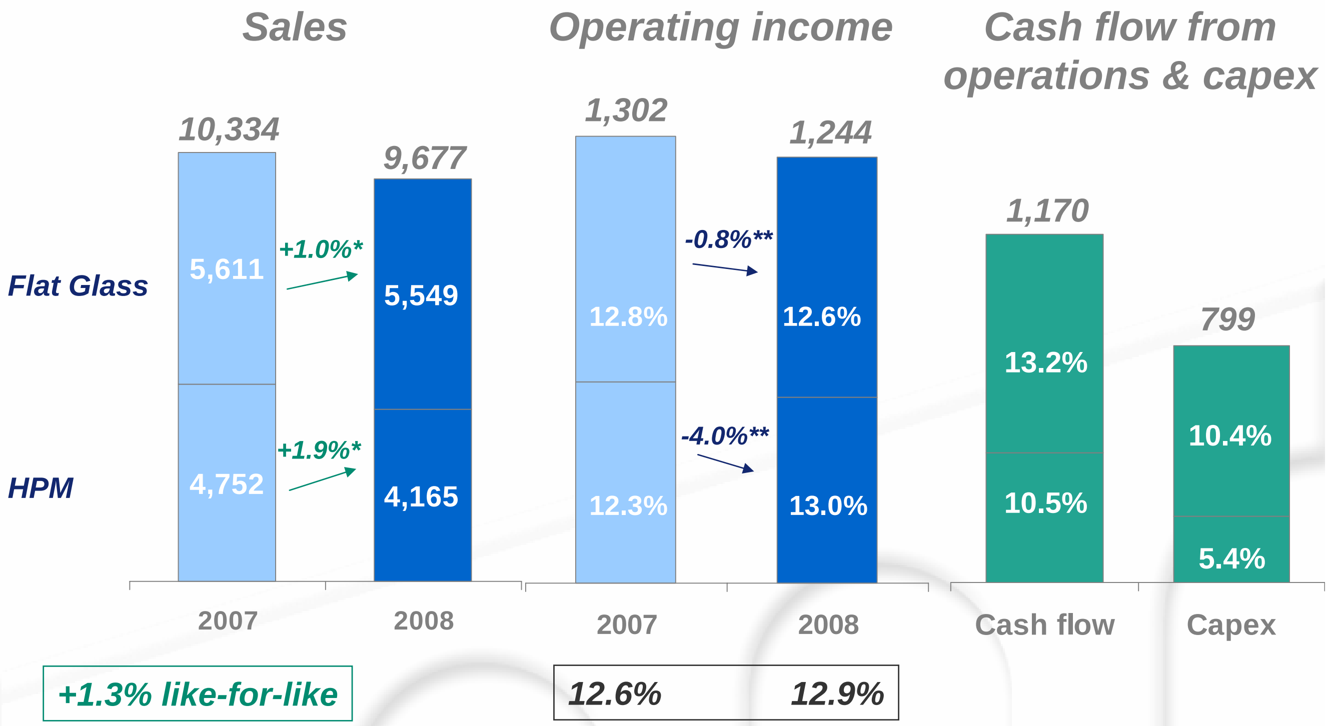
** 2008 sales breakdown*

# Organic growth by sector: steep decline in Q4

*% change in 2008/2007 sales on a like-for-like basis*



# Innovative Materials *(Flat Glass - HPM)* *(€m and % of sales)*




* like-for-like
** at constant exchange rates

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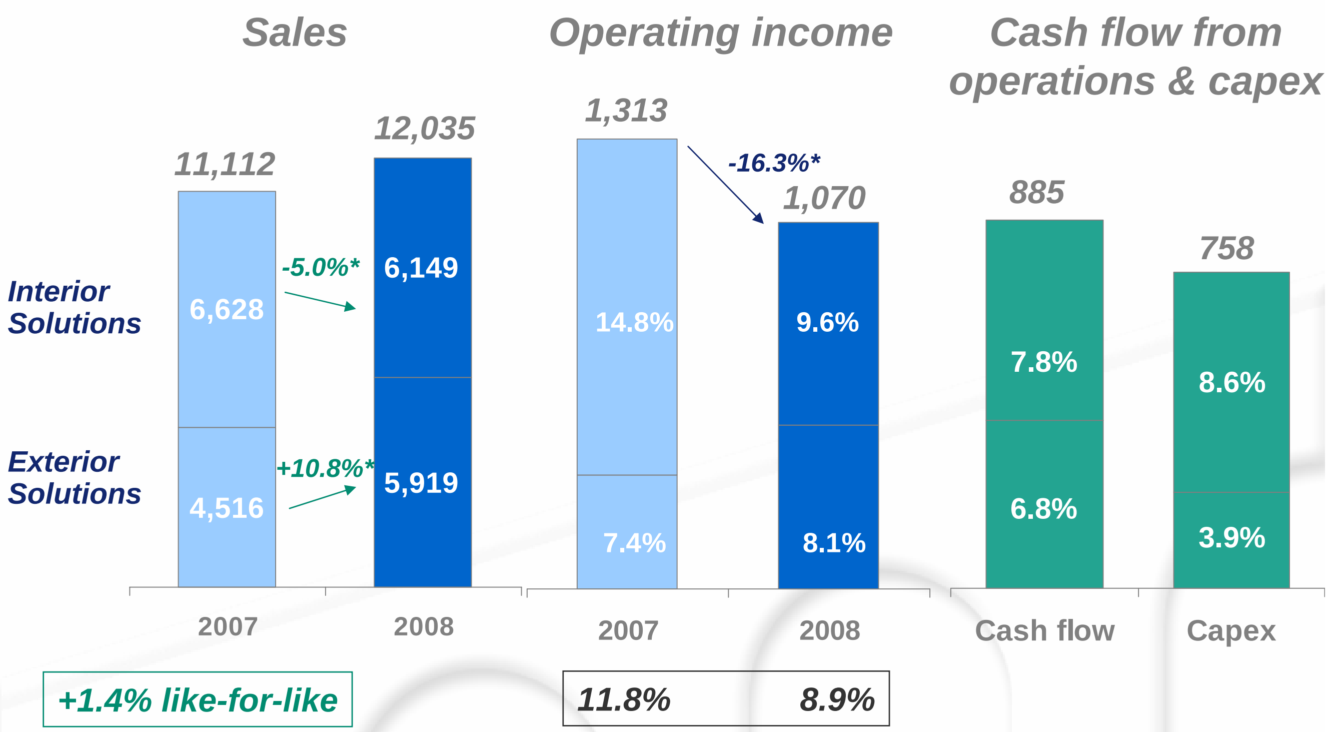
# Construction Products *(€m and % of sales)*




* like-for-like
** at constant exchange rates

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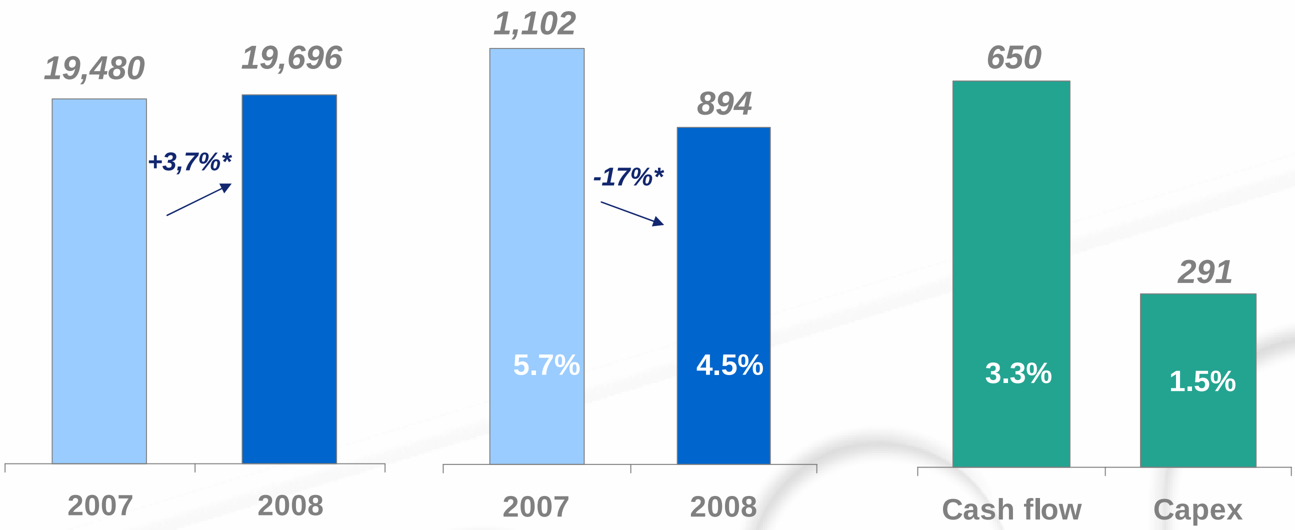
# Building Distribution *(€m and % of sales)*

**Sales** | **Operating income** | **Cash flow from operations & capex**




***-1.9% like-for-like***

***o/w: France +1%, UK -11.2%, Germany -2.1%, Scandinavia +0.9%***

** at constant exchange rates*

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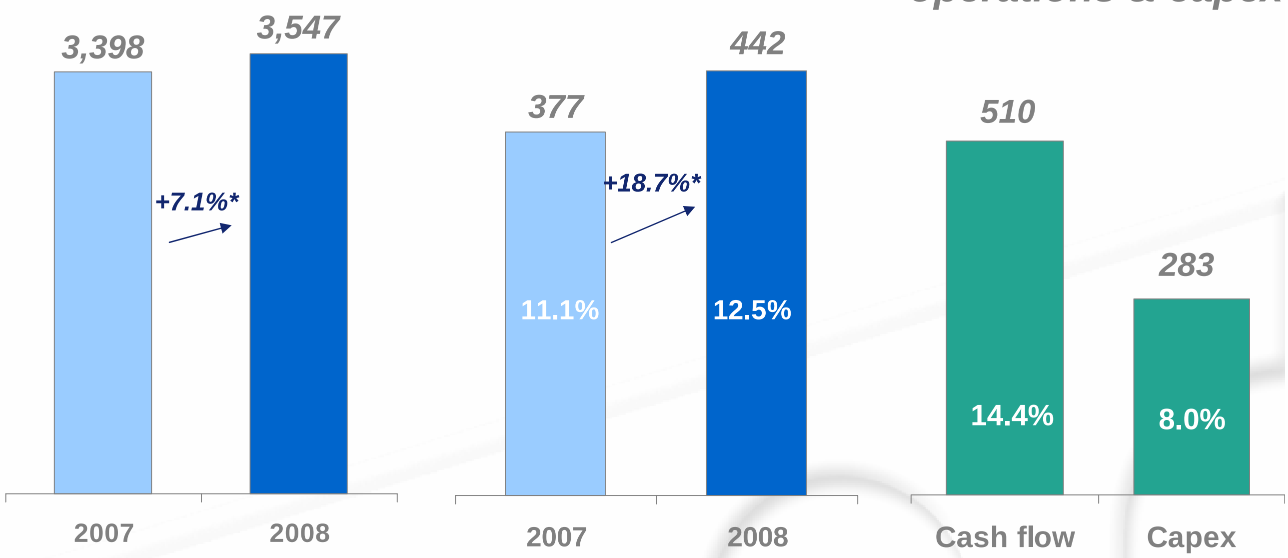
# Packaging *(€m and % of sales)*

***excluding divested businesses***

**Sales** | **Operating income** | **Cash flow from operations & capex**




***+7.4% like-for-like***

** at constant exchange rates*

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# 2

# 2008 Results

Group

Sectors

Geographic Areas

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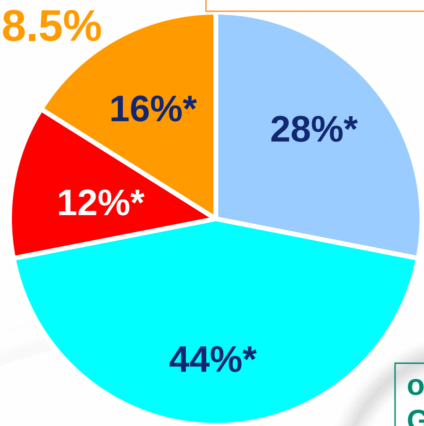
## Organic growth by geographic area

*% change in 2008/2007 sales*
*on a like-for-like basis*

**Group: +0.3%**




o/w:
Latin Am. (5%) : +15.4%
Asia (4%) : +12.1%
East. Eur. (6%) : -0.8%

o/w:
Germany (10%) : +2.3%
Scandinavia (10%) : +1.5%
Spain-Port. (6%) : -8.3%
UK (9%) : -9.3%

** 2008 sales breakdown*

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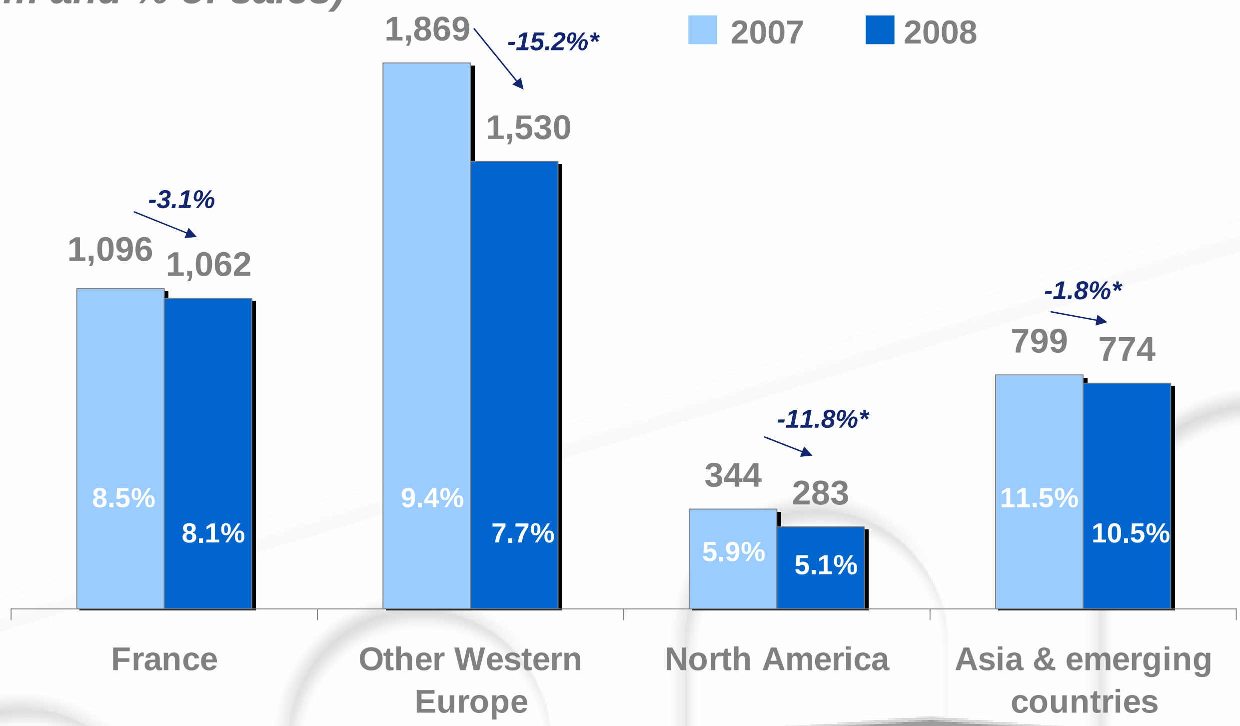
# Operating income by geographic area – full year

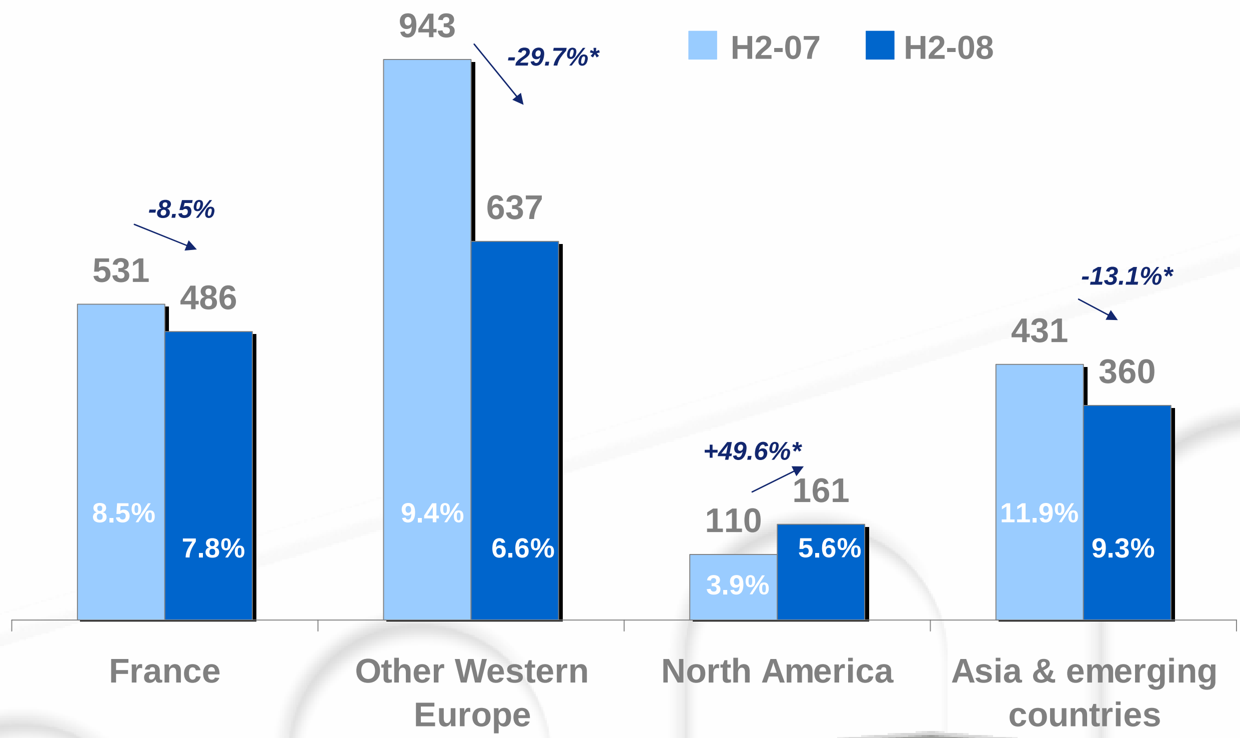
*(€m and % of sales)*




* at constant exchange rates

# Operating income by geographic area – H2

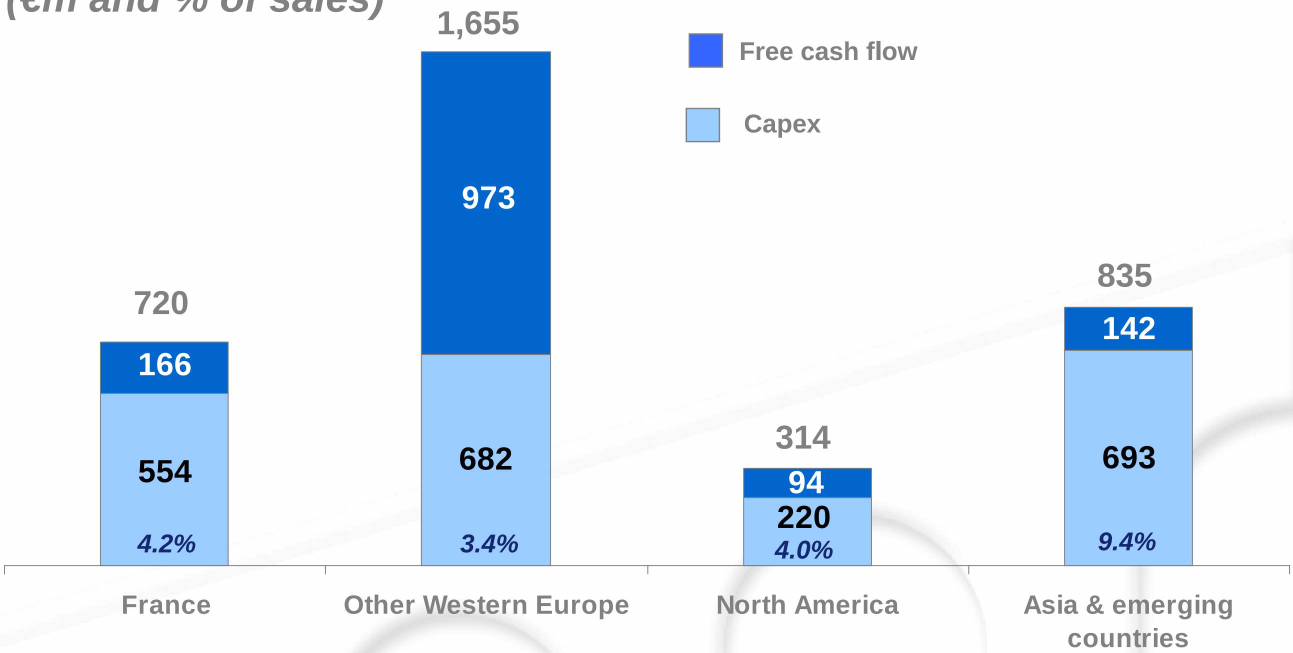
*(€m and % of sales)*




* at constant exchange rates

# Cash flow and capex by geographic area – full year

*(€m and % of sales)*




**Free cash flow = Cash flow from operations – Capex**

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# 3

# Outlook for 2009 and Action Plan

- Leverage our strategic positioning in a challenging environment
- Step up measures launched in 2008 and prepare for the future

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# A crisis of unprecedented depth and scale

> Gradual **downturn** in **construction** markets:
> - since July 2006 in the **US**, with housing starts at a record low at end-2008
> - taking hold of all **European countries** at the end of 2007, with the UK and Spain particularly hard hit

> **Contraction in industrial markets particularly pronounced** for the **automotive** market since H2-2008

> **Steep decline** in **Eastern Europe in 2008 and slowdown** in **Latin America** and **Asia** since **end-2008**

> **2009: financial crisis and global recession**

**Challenging market conditions in 2009**

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# 2009 outlook for the Group

> **Limited visibility (energy and commodity prices, exchange rates, credit, etc.)**

> **Widespread downturn in the Group's main markets, chiefly in Europe**

> **Higher basis for comparison in H1**

> **Uncertainty as to the extent and timing of benefits from stimulus packages**

**Significant challenges for the Group**

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# Construction stimulus packages: a global priority

Renovation and energy efficiency – Increased regulation

### United States

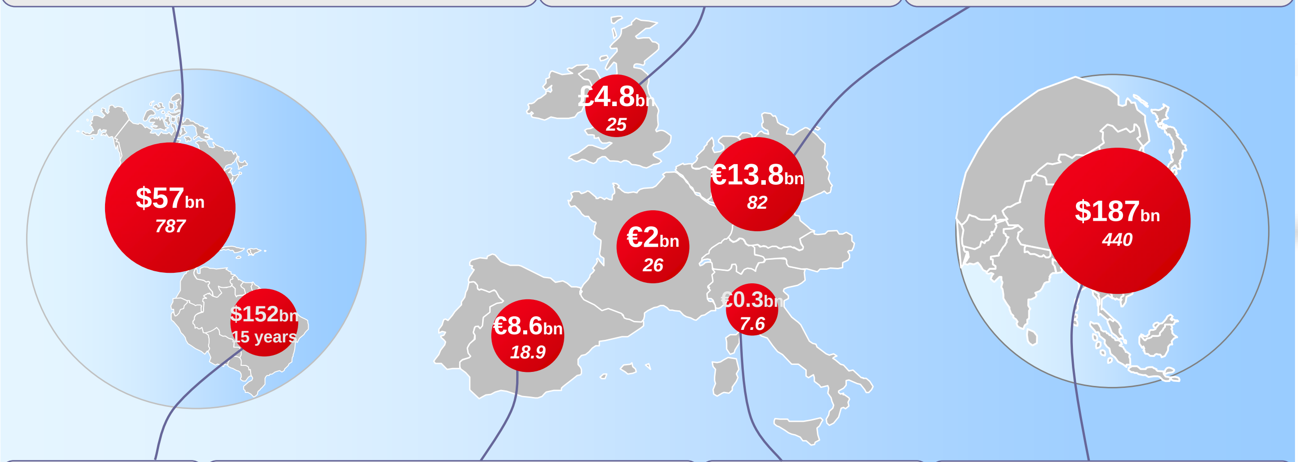
- Improvement in **energy efficiency** of public buildings (**$31bn**) and low-cost housing (**$6bn**)
- Development of **renewable energy sources**, 6 million housing units, R&D (**$20bn**)
- Backing for mortgage loans and capital injections (>**$200bn**)

### United Kingdom

- Construction and rehabilitation of social housing and **promotion of clean energy sources (£3bn)**
- Mortgage repayment aid (**£1.8bn**)

### Germany

- Domestic housing improvements no longer taxed + aid (**€1.8bn**)
- Plan to reduce domestic $CO_2$ emissions (**€3bn**)
- Construction, **energy upgrades** for public buildings (**€9bn**)




### Brazil

- Construction of housing units o/w **300,000 in 2009** (**$152bn** over 15 years)

### Spain

- Mortgage repayment aid
- Municipal investment funds focused on **construction sector (€8bn)**
- Upgrade in housing units (**€120m**), public and military buildings (**€400m**)

### Italy

- Interest charges capped for first-time buyers (**€300m**)

### China

- Reconstruction of Sichuan province (**$146bn**)
- Construction of **social housing units** (**$41bn**)

# Construction in France: strong short-term support as part of a longer-term strategy

Environment think tank – Acceleration in public investments – Focus on insulation

## Housing

### New

**+ 230,000 hous. units**

- **+ €15bn in sales**
- **+150,000 jobs created**
- **PTZ* doubled: €600m**
- Aid to first-time buyers: **€50m**

### Renovation

**€400m**

- Social housing: **€200m**
- Insalubrious housing: **€200m**
- Cumul. eco-PTZ* + tax credit
- **170,000** hous. units by 2011
- Energy consumption: **-38%** by 2012

## Non-housing

### New

**€200m**

- Nurseries
- Hospitals
- Retirement homes, etc.

### Renovation

**€820m**

- “Plan Campus” center of excellence program
- Renovation of SNCF & post office buildings
- Renovation of public buildings

**Regulations stepped up:** Low-energy (**BBC**): 50 kWh/m²/yr, Public (**2010**), Private (**2012**)
Positive-energy (**BEPOS**) from **2020**

* Zero-interest loan

# Saint-Gobain: at the heart of stimulus plans for the construction industry

*Meet inevitable demand for energy efficiency and comfort*

> High-performance materials
> Innovative solutions
> Partnering the industry

ETICS

GREEN GLUE

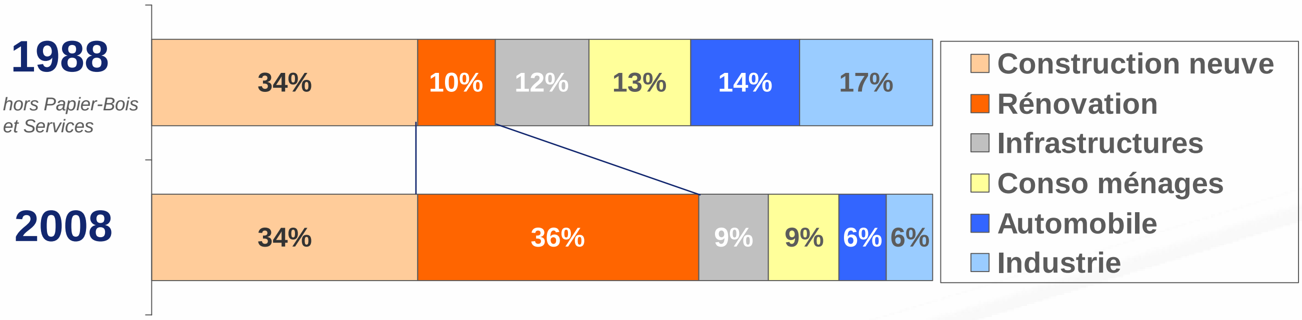
Saint-Gobain's cross-disciplinary offering

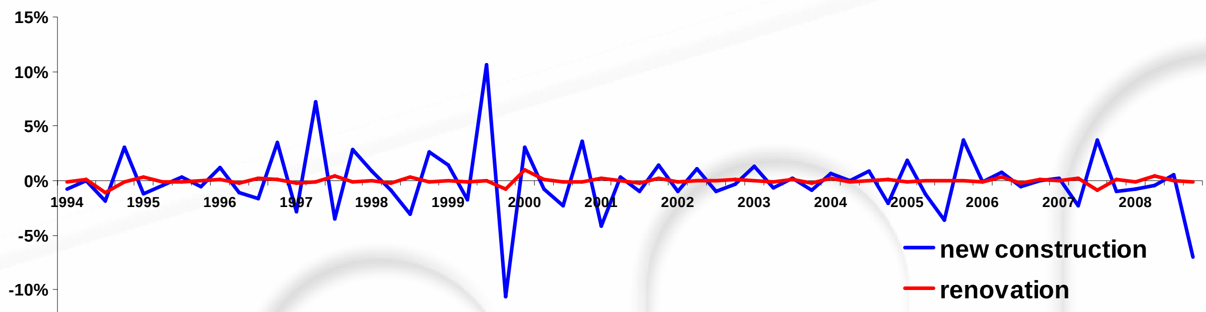
French President Nicolas Sarkozy on a visit to the Isover Placo training center in Vaujours

**Energy efficiency accounts for ~30% of the Group's sales and ~40% of operating income**

# Le Groupe est bien positionné pour faire face à la crise

*Une exposition accrue à la rénovation, nettement moins cyclique que le neuf*




Housing in France: trend deviation (quarterly data)

# 3 Outlook for 2009 and Action Plan

- Leverage our strategic positioning in a challenging environment
- Step up measures launched in 2008 and prepare for the future



## Step up measures launched in 2008

> **Mobilize company** around an effective and responsive organization

> **Vigorously intensify operating measures**

> Strengthen the Group's **financial flexibility**

- **Dividend**
- €1.5bn **rights issue**

## A tailored organization with a strong ability to react

> Efficient, reliable information/warning systems

> Streamlined organization

> Change in executive pay schemes (bonus)

- Committed, mutually-supportive staff
- Highly competent teams programmed for success

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## Operations management: continuing cost-cutting measures

> Sales prices a clear priority, as in 2008

> Further cost-cutting measures to add to programs launched in previous years which could be reinforced

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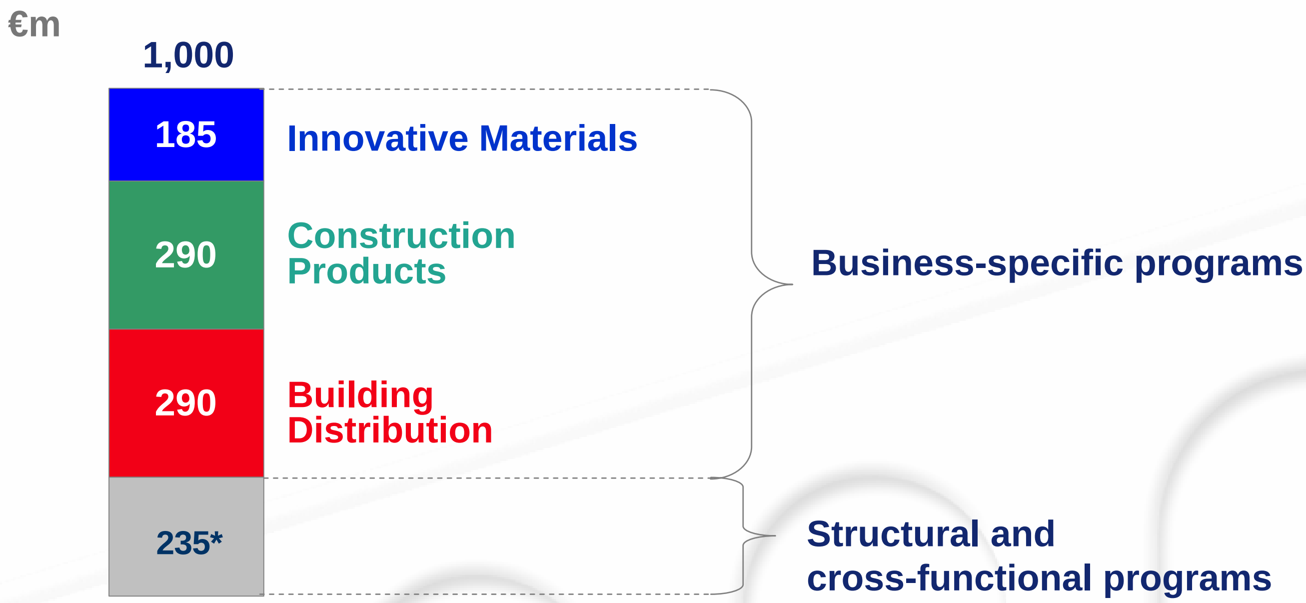
# Acceleration in cost-cutting programs

| | 2008/2007 target | 2008/2007 actual | 2009/2008 target |
|---|---|---|---|
| Cost savings (€m) *(estimated)* | 300 | 400 | 600* |
| Staff cuts | 4,000 | 8,000 | |
| Restructuring costs (€m) | | 190 | >300 |

**€1bn in cost savings in 2008-2009**

# €1bn in cost savings in 2008-2009




* ahead of targets (€180m at end-2009 to reach €300m by end-2010)

# Constant close monitoring of cash

> Continuing high level of free cash flow

> Capex scaled back: -€500m

> Acquisition projects put on hold

> Ongoing small and medium-sized divestments

> Tight rein on operating working capital: <40 days

Strengthen balance sheet

# Recommendation of Executive Management to the Board on March 19:

2008 dividend* *(paid in 2009)*

> Dividend policy adapted to circumstances

> Dividend per share: €1

➔ Net dividend yield at December 31, 2008: 3.0%

> Payment: in cash or in shares, at shareholders' discretion

** subject to approval by the Shareholders' Meeting of June 4, 2009*

# Saint-Gobain rights issue: anticipating financing needs

- Strengthen the Group's **financial flexibility**
  - Reduce debt/equity ratio
  - Strengthen credit rating
  - Provide satisfactory long-term access to all sources of financing
- …backed by vigorous **operating measures**

**Be better equipped to ride out the crisis**

SAINT-GOBAIN

# Continue to build for the future despite the crisis

> **Focus R&D efforts on the Group's strategic priorities** and high-potential projects

> **Continuing selective expansion in emerging countries** (~ 1/3 of sales excluding Distribution by 2010)

> **Persistently strong ambitions in solar technology:** capitalize on the Group's exceptional strengths

**Emerge from the crisis as a stronger organization**

SAINT-GOBAIN

# Conclusion

## An action plan that leverages all of the Group's strengths to turn the crisis into an opportunity

> Additional **cost saving** programs

> Large cut-back in **investments**

> Ongoing small and medium-sized **divestments**

> **Sale of the Packaging business** when appropriate

> Recommendation of Executive Management to the Board on March 19, 2009: reduction of **dividend**

> **Rights** issue

**Saint-Gobain will be one of the main beneficiaries of economic recovery**


# 2008 Results and Outlook for 2009

Analyst-Investor meeting

*February 2009*

SAINT-GOBAIN