SAINT-GOBAIN

October 22, 2008

PRESS release

# SALES FOR THE FIRST NINE MONTHS OF 2008

► **+2.5% ON A REPORTED BASIS**

► **+2.4% LIKE-FOR-LIKE**

The Saint-Gobain Group delivered consolidated sales of **€33,435 million** for the first nine months of 2008, versus €32,630 million for the same year-ago period, representing a **rise of 2.5% on a reported basis and of 5.6% at constant exchange rates*.**

Changes in the scope of consolidation over the first nine months of the year accounted for a 3.1% increase in sales, offset by a broadly equivalent negative exchange rate impact (3.0%) stemming from the decline in value of the US dollar and pound sterling.

**On a like-for-like basis (constant Group structure and exchange rates*)**, **the Group's sales advanced €755 million over the nine-month period, or 2.4%**, buoyed by a significant 3.3% rise in sales prices. Sales volumes fell back slightly by 0.9%. **In the third quarter alone, the Group reported organic growth of 2.8%** (including a positive 3.8% price impact and a negative 1.0% volume effect).

**All of the Group's business sectors saw a rise in like-for-like sales over the first nine months of 2008.** Third-quarter figures for the residential construction market in the US benefited from a favorable basis for comparison and a momentary rebound in renovation businesses related to siding and roofing products. In western Europe, business tailed off in the third quarter with a deceleration in volumes in most countries and a recession taking hold and intensifying in Spain and the UK. Overall, demand related to industrial output and capital spending held firm at satisfactory levels in both Europe and the US.

Broadly speaking, demand across all of the Group's businesses remained **satisfactory in France** (organic growth of **3.2%**, boosted by sales price increases) and **vigorous in emerging countries and Asia (up 11.4%)**.

*(*) Based on average exchange rates for the first nine months of 2007.*

Sales trends by business sector and geographic area are as follows:

| | Sales for the first nine months of 2008 (€ millions) | Sales for the first nine months of 2007 (€ millions) | Change based on actual structure (%) | Change based on comparable structure (%) | Change based on comparable structure and exchange rates (%) |
|---|---|---|---|---|---|
| **SECTORS** | | | | | |
| **Flat Glass** | **4,278** | **4,152** | **+3.0%** | **+2.5%** | **+4.5%** |
| **High-Performance Materials** *(1)* | **3,193** | **3,670** | **-13.0%** | **-0.3%** | **+4.5%** |
| **Construction Products** *(1)* | **9,211** | **8,447** | **+9.0%** | **-1.1%** | **+3.0%** |
| *Interior Solutions* | *4,724* | *5,028* | *-6.0%* | *-7.1%* | *-3.4%* |
| *Exterior Solutions* | *4,512* | *3,442* | *+31.1%* | *+7.8%* | *+12.4%* |
| **Building Distribution** | **15,051** | **14,445** | **+4.2%** | **-1.9%** | **+0.2%** |
| **Packaging** | **2,628** | **2,712** | **-3.1%** | **+3.8%** | **+7.9%** |
| *Internal sales and misc.* | *(926)* | *(796)* | -------- | -------- | -------- |
| **GROUP** | **33,435** | **32,630** | **+2.5%** | **-0.6%** | **+2.4%** |
| **GEOGRAPHIC AREAS** | | | | | |
| **France** | **9,910** | **9,702** | **+2.1%** | **+3.2%** | **+3.2%** |
| **Other western European countries** | **15,364** | **14,960** | **+2.7%** | **-3.6%** | **-0.4%** |
| **North America** | **4,179** | **4,475** | **-6.6%** | **-10.4%** | **+0.9%** |
| **Emerging countries and Asia-Pacific** | **5,611** | **5,112** | **+9.8%** | **+11.2%** | **+11.4%** |
| *Internal sales* | *(1,629)* | *(1,619)* | ----- | ----- | ----- |
| **GROUP** | **33,435** | **32,630** | **+2.5%** | **-0.6%** | **+2.4%** |

*(1) Including inter-division eliminations.*

## Performance of Group sectors

**The Flat Glass sector achieved further sales growth** in both the nine months to September 30, 2008 and in the third quarter of the year **(respectively, 4.5% and 4.0% on a like-for-like basis),** powered by ongoing vigorous organic growth in Asia and emerging countries. Against a backdrop of persistent inflation in energy and commodities, sales prices held firm overall in western Europe, despite a dip in volumes (with the exception of energy-efficient glass, which once again reported double-digit growth). On the automotive markets, the continued strong growth in emerging countries did not entirely offset the third-quarter slowdown observed in western Europe.

**The High-Performance Materials sector stepped up its organic growth (4.5% over the first nine months of 2008**, including **7.8% over the third quarter).** This performance was driven by solid capital spending in all geographic areas, with operations directly related to industrial output or construction markets growing more modestly.

**Nine-month sales for the Construction Products (CP) sector advanced 3.0% on a like-for-like basis (6.0% in the third quarter alone)**, driven by significant price rises (up 4.5%, including 7.2% in the third quarter alone) and an ongoing strong growth momentum (15.4% over the nine months to September 30, 2008) in Asia and emerging countries.

- Interior Solutions (Insulation and Gypsum) saw like-for-like sales retreat 3.4% over the first nine months of the year, hampered by the lingering tough conditions in North America, lower volumes in western Europe (particularly in the UK and Spain) and lower sales prices in eastern Europe.

- By contrast, Exterior Solutions enjoyed double-digit organic growth (12.4% over the first nine months of 2008 and 18.8% over the third quarter), bolstered by sharp sales price increases as well as a healthy trading environment in all of its markets. In particular, the upturn in sales of siding and roofing products in the US observed in the three months to June 30, 2008 continued into the third quarter of the year, buoyed by higher sales prices, against a backdrop of rising energy and raw materials costs.

**Building Distribution posted a 4.2% rise in sales on a reported basis**, boosted by acquisitions carried out at the end of 2007 and in 2008. Like-for-like, sales remained virtually flat (up 0.2%) over the first nine months of the year, reflecting the further weakening of activity in the UK and Spain in the third quarter that was not offset by continued growth on French and Scandinavian markets.

**The Packaging sector continued to enjoy vibrant trading conditions** in all of its markets, posting organic growth of 7.9% for the first nine months of the year (10.5% for the third quarter alone).

## Analysis by geographic area

France, emerging countries and Asia led the Group's organic growth momentum over the first nine months of 2008. On a constant Group structure and exchange rate basis, **growth remained satisfactory in France, at 3.2%,** chiefly fueled by the rise in sales prices, despite the slowdown observed on the construction market in the third quarter.

**Other western European countries reported a slight 0.4% decline on a like-for-like basis**, as the downturn in the UK and Spanish markets gathered pace. However, growth remained satisfactory in Germany, Scandinavia, and to a lesser extent Italy.

**Sales for North America edged up 0.9% like-for-like**, boosted by a sharp upturn in activity during the third quarter (up 9.2%), especially in Exterior Products.

**Asia and emerging countries continued to deliver vigorous like-for-like growth, at 11.4%**. Latin America and Asia turned in particularly strong growth performances of 18.2% and 16.8% respectively, while business flattened out in central and eastern Europe (up 1.2% over the nine months to September 30, 2008 with the rise in volumes during the third quarter being offset by lower sales prices).

## Update on asbestos claims in the United States

Some 4,000 claims were filed against CertainTeed in the first nine months of 2008, versus 5,000 in the nine months to September 30, 2007. After taking into account claims settled or transferred to inactive dockets during the period, the number of outstanding claims at September 30, 2008 continued to fall, to stand at 70,000 at September 30, 2008 versus 73,000 at June 30, 2008 and 74,000 at December 31, 2007.

## Situation of the Group and outlook

In the third quarter of 2008, the Group's sales **held up satisfactorily** overall, underpinned essentially on an operational level by the priority given to raising sales prices.

In addition, the Group boasts a number of **key strengths** that will help it withstand the increasingly challenging economic environment.

Firstly, Saint-Gobain has a **solid financial structure** and healthy liquidity position, especially given that most of the Group's debt is in the form of bonds, with no maturities before July 2009 (€1 billion).

In addition, from an operational standpoint, the Group has continued to generate **high levels of free cash flow** by paying close attention to working capital requirements and rigorously controlling capital spending. In the year to June 30, 2008, the Group posted free cash flow (net cash flows from operating activities less capital spending) of €1.4 billion. This trend continued into the third quarter.

Nevertheless, the economic environment has sharply deteriorated over recent weeks due to the magnitude of the financial crisis. Against a backdrop of lower visibility, the Group is anticipating an overall decrease in its business volumes in the fourth quarter in western Europe (particularly in the UK and Spain), and to a lesser extent, eastern Europe. Accordingly, the Group considers it prudent to revise its earnings assumptions downwards and is now expecting results for full-year 2008 **slightly below the targets announced at the end of July** (operating income at constant exchange rates* and recurring net income** close to the high 2007 levels).

In light of this situation, the Group will continue to demonstrate its **swift responsiveness** by intensifying, in those countries concerned, its purposeful and vigorous cost saving, workforce reduction and economic adaptation programs, as announced in July 2008.

Lastly, Saint-Gobain will continue to exploit the **front-ranking positions** it holds in all of its businesses and territories, in order to pursue a resolute policy on sales prices.

* average exchange rates for 2007
** excluding capital gains and losses, asset write-downs and Flat Glass fines (European Commission)

## Forthcoming results announcements

NB: As from the date of publication of its full-year 2008 results, the Group will publish its final annual results directly, rather than after its estimated figures as has been the case in previous years. Accordingly, forthcoming results announcements will be made on the following dates:

2008 sales: January 22, 2009 after close of trading on the Paris Bourse.
Final results for 2008: February 19, 2009 after close of trading on the Paris Bourse.

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## Debt at September 30, 2008

| Amounts in € billions | | Comments |
|---|---|---|
| **Breakdown of net debt** | | |
| Gross debt | 15.0 | Around **66%** of net debt at September 30, 2008 is **at fixed rates.** The average cost of net debt was **5.27%** for the nine months to September 30, 2008. |
| Cash and cash equivalents | 1.8 | |
| Net debt | 13.2 | |
| **Breakdown of gross debt** | **15.0** | |
| **Bond debt** | **8.9** | |
| July 2009 | 1.0 | |
| March 2010 | 0.4 | |
| April 2010 | 1.0 | |
| May 2011 | 1.1 | |
| April 2012 | 1.3 | |
| September 2013 | 0.8 | |
| Beyond 2013 | 3.4 | |
| **Other long-term debt** | **2.7** | o/w €2.1 billion relating to the Maxit acquisition (the Group is in advanced discussions to extend the maturity of this credit facility by one year, from October 2009 to October 2010). |
| **Breakdown of short-term debt** | **3.5** | *(Excluding bond debt)* |
| Commercial paper (< 3 months) | 1.5 | Maximum issue under the program: €3 billion. |
| Securitized trade receivables | 0.6 | €0.4 billion in USD and €0.2 billion in GBP. Renewed annually. |
| Debt contracted locally | 1.3 | More than 500 sources of financing. Renewed annually. |
| **Credit lines and cash and cash equivalents** | **5.0** | |
| Cash and cash equivalents | 1.8 | |
| Back-up credit lines | 3.2 | See breakdown below. At September 30, 2008. |
| **Breakdown of back-up credit lines** | **3.2** | |

All credit lines are confirmed and **undrawn**. **None are subject to Material Adverse Change ("MAC") clauses.**

| | Maturity | Financial covenants | Position at June 30, 2008 |
|---|---|---|---|
| Syndicated loan: €2.0 billion | Nov. 2011 | None | |
| Syndicated loan: €0.5 billion | Aug. 2010 | Net debt/Ebitda < 3.75 x | 2.4 x |
| | | EBITA*/ Net financial expense> 3.5 x | 5.9 x |
| 7 bilateral credit lines: €0.7 billion | 2009: 0.5 bn<br>2010: 0.2 bn | o/w €0.3 billion with identical or broader criteria than those of the above €0.5 billion bank loan. | |

* Operating income + amortization of intangible assets