SAINT-GOBAIN

PRESS release

Paris, October 25, 2012

Sales for the first nine months of 2012: up 2.9% to €32.5 billion

Organic growth: -1.8%, of which **-3.8% in Q3**

Highlights:

- Sales prices: **up 1.9% over 9 months** and 1.5% in Q3
- Sales volumes: **down 3.7% over 9 months** and 5.3% in Q3
- **Q2 business trends confirmed in Q3**, but negative impact of fewer trading days than in 2011 and of very strong 3Q 2011 comparatives for construction in North America
- Swift implementation of **new cost cutting measures**

Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain, commented:

*"Saint-Gobain's trading performance in the third quarter confirms the general economic slowdown observed in Western Europe since May, as well as difficulties in the Group's main markets in Asia and emerging countries. In the US, exceptionally strong third-quarter 2011 comparatives (boosted by severe storms) significantly curtailed the positive impact of the ongoing improvement in residential construction in the quarter. Against this backdrop, we maintained our **focus on sales prices** with the aim of passing on the rise in raw material and energy costs over the year as a whole.*
*Given the continuing slowdown in most of its markets in a highly uncertain macroeconomic environment, the Group continues to firmly roll out its **new cost cutting measures and cash management programs. Thanks to the strong commitment of our teams, we are maintaining our objectives overall, although we expect the sequential decline in our second-half operating income to be slightly more significant than anticipated at the end of July**."*

Saint-Gobain delivered a **2.9% rise in sales** over the first nine months of 2012, **up to €32,541 million** versus €31,629 million in the same period one year earlier.

The **currency impact** was a positive **2.0%**, mainly reflecting gains in the US dollar and pound sterling against the euro. **Changes in Group structure also had a positive 2.7% impact**, resulting mainly from sales contributed by companies acquired over the last 12 months (Brossette, Build Center and Solar Gard in particular).

On a like-for-like basis (constant Group structure and exchange rates), **sales retreated 1.8%**, with volumes **down 3.7%** and **prices up 1.9%**.

Consolidated sales for the **third quarter** came in at €10,951 million, **up 1.8%** on third-quarter 2011 (€10,754 million). This reflects a positive 2.8% Group structure impact, a positive 2.8% currency effect, and **negative organic growth of 3.8%, with a decline of 5.3% in volumes and a rise of 1.5% in prices.**

Overall, **trading in the third quarter confirms the slowdown observed in the three months to June 30** (negative organic growth of 2.3%, with prices up 1.9% and volumes down 4.2%). With the exception of Verallia, which delivered another resilient performance (3.2% organic growth in the third quarter), all of the Group's Business Sectors and Divisions saw sales volumes decline in the three months to September 30, reflecting the gradual deterioration in the global economic environment since May. This situation was exacerbated by fewer trading days than in 2011 (a loss of one day over the quarter, of which two days in September, resulting in a negative 8.8% impact on the Group's September sales), which chiefly affected Building Distribution sales and, to a lesser extent, sales for Interior Solutions. **Based on a constant number of trading days, the Group's negative organic growth would have been 2.8% rather than 3.8% for the third quarter**.
Among the main geographic areas in which the Group operates, only North America remained upbeat, spurred by ongoing improvements in the construction market. This was despite the very tough third-quarter 2011 comparatives for this market (renovation activity in the prior-year period had been boosted by severe storms). Against this backdrop, sales prices were up in all of the Group's Business Sectors and Divisions.

The table below presents sales trends by Business Sector and major geographic area:

	Sales for the first nine months of 2011 (€m)	Sales for the first nine months of 2012 (€m)	% change on an actual structure basis	% change on a comparable structure basis	% change on a like-for-like basis
BUSINESS SECTOR					
Innovative Materials (1)	**7,230**	**7,182**	**-0.7%**	**-2.6%**	**-4.5%**
Flat Glass	*4,121*	*3,860*	*-6.3%*	*-6.7%*	*-6.8%*
High-Performance Materials	*3,133*	*3,340*	*+6.6%*	*+2.6%*	*-1.7%*
Construction Products (1)	**8,703**	**8,904**	**+2.3%**	**+1.0%**	**-1.7%**
Interior Solutions	*4,122*	*4,334*	*+5.1%*	*+3.0%*	*+0.6%*
Exterior Solutions	*4,620*	*4,609*	*-0.2%*	*-0.8%*	*-3.8%*
Building Distribution	**13,763**	**14,379**	**+4.5%**	**-0.1%**	**-1.4%**
Packaging (Verallia)	**2,718**	**2,855**	**+5.0%**	**+6.1%**	**+3.1%**
Internal sales and other	*(785)*	*(779)*	------	-------	-------
GROUP	**31,629**	**32,541**	**+2.9%**	**+0.2%**	**-1.8%**
GEOGRAPHIC AREA					
France	8,922	9,024	+1.1%	-2.7%	-2.7%
Other Western Europe	13,497	13,542	+0.3%	-2.0%	-4.0%
North America	4,214	4,782	+13.5%	+11.4%	+1.7%
Emerging countries and Asia/Pacific	6,466	6,524	+0.9%	-0.9%	-0.3%
Internal sales	*(1,470)*	*(1,331)*	-----	-----	-----
GROUP	**31,629**	**32,541**	**+2.9%**	**+0.2%**	**-1.8%**

(1) Including inter-division eliminations.

Like-for-like performance of Group Business Sectors

Innovative Materials sales were down 4.5% over the nine-month period after declining 7.2% in the third quarter. Trading conditions in Flat Glass remained challenging, while HPM also saw business stall over the third quarter, prompted by a slowdown in industrial production and capital spending, especially in Western Europe. On a positive note, sales prices for the Business Sector continued to climb in the three months to September 30, despite the strong basis for comparison.

- **In line with the six months to June 30, Flat Glass** saw **sales slide 6.8% in the first nine months of the year (**and **7.0% in the third quarter)**, hit by the contraction in its main markets (automotive and construction in Western Europe, solar power) and by sluggish sales volumes in Asia and emerging countries. In contrast, after falling in the six months to June 30, sales prices stabilized in the third quarter but do not yet reflect the first *float* glass price increases implemented after July. Consequently, despite the vigorous cost cutting measures taken, the Division's nine-month performance continued to be heavily impacted by the hike in the cost of raw materials and energy.

- After robust trading in the first six months of 2012, **HPM**'s third-quarter performance was dented by the slowdown in the global economic environment. This was exacerbated by strong third-quarter 2011 comparatives. **HPM sales therefore slipped 1.7% over the nine months to September 30** (and **7.8% in the third quarter**), reflecting the decline in volumes in Western Europe and emerging countries, as well as in North America to a lesser extent. However, the Group's cost cutting measures and upbeat sales prices should help limit the impact of this slowdown on the Division's second-half performance.

Construction Products (CP) sales **fell 1.7% over the nine months to September 30** and **4.3% in the third quarter**, owing to a drop in sales volumes in Western Europe and – in the third quarter – the impact of very tough year-on-year comparatives (third-quarter 2011 had been boosted by severe storms in the US). Sales prices remained upbeat for all businesses and geographic areas.

- **Interior Solutions** reported timid organic growth in both **the first nine months of 2012 (up 0.6%)** and **the third quarter (up 0.3%)**, spurred by sales price rises, mainly in US plasterboard early in the year. Sales volumes retreated in Western Europe, chiefly as a result of fewer trading days than in 2011, but continued to recover in the United States on the back of the construction market upturn. Sales volumes in Asia and emerging countries remained upbeat.

- **Exterior Solutions like-for-like sales declined 3.8% in the first nine months of 2012 and 8.5% in the third quarter**, hit by both a sharp fall in Pipe sales and by very strong third-quarter 2011 comparatives for Exterior Products (severe storms in early-2011 gave a one-off boost to roofing repairs in the US). This temporarily offsets the favorable impact of the rebound in construction. The Industrial Mortars business delivered further robust organic growth in Asia and emerging countries for the third quarter, but its performance was hit by the worsening economic crisis in Western Europe. For the division as a whole, the benefits of cost cutting measures are beginning to filter through and sales price momentum remains positive across the Division (particularly Industrial Mortars), although these does not fully offset the impact of spiraling raw material and energy costs over the first nine months.

Building Distribution like-for-like sales were down 1.4% over the first nine months of 2012 (and **3.0% in the third quarter**). Germany, Scandinavia and the US continued to grow over the nine-month period but stabilized in the third quarter, while France held up well and gained market share in a slacker trading environment. The Business Sector's other countries reported softer trading over the nine months to September 30 and especially in the third quarter, due chiefly to fewer trading days than in 2011 (a loss of one day over the quarter, of which two days in September, resulting in a negative 8.2% impact on September sales). Based on a constant number of trading days, the Business Sector would have delivered negative organic growth of 1.8% for the third quarter. Against this deteriorating economic backdrop, the Business Sector continues to roll out measures focused on sales momentum, protecting trading margins thanks to upbeat sales prices, and maintaining a tight rein on costs.

Packaging (Verallia) delivered **3.1% organic growth over the first nine months of the year (3.2% in the third quarter)**. This performance was chiefly fuelled by sales price increases resulting – particularly in the third quarter – from the mechanisms adopted to pass on energy costs to prices. Sales volumes remained upbeat in France, the US and Brazil, but were down in most other countries, and particularly in Southern and Eastern Europe.

Like-for-like analysis by geographic area

In line with first-half 2012 trends, trading in Western Europe and in Asia and emerging countries slowed further in the third quarter, while North American operations continued to benefit from the ongoing recovery in the construction market.

- In **France** and **other Western Europe countries**, organic growth came in at a **negative 2.7% and 4.0%, respectively, over the nine months to September 30** (**negative organic growth of 2.4% and 5.7%, respectively, in the third quarter**). This downturn resulted chiefly from difficulties in Flat Glass and Pipe, but also reflects softening industrial and construction markets in most European countries, particularly over the past three months.

- **North America** posted **1.7% organic growth over the nine months to September 30**, following a **4.1% drop in sales in the third quarter**. This was essentially due to exceptionally strong trading by US Exterior Products in the comparative third-quarter 2011 period – boosted by severe storms early in 2011 – which offset the benefits of the ongoing improvement in the construction market over the three months to September 30. While Verallia continued to enjoy robust activity, HPM sales volumes were hit by the slowdown in industrial markets.

- Trading in **Asia and emerging countries** continued on a downward trend, shrinking **0.3% over the nine months to September 30 and 2.8% in the third quarter**, and is not as yet showing any tangible signs of improvement.

Update on asbestos claims in the United States

Some 3,000 claims were filed against CertainTeed in the first nine months of 2012, in line with the same period one year earlier. Taking into account around 8,000 claims settled or transferred to inactive dockets in the nine-month period (versus 7,000 in the first nine months of 2011), **the total number of outstanding claims continued to fall**, down to **47,000** at September 30, 2012 versus 52,000 at December 31, 2011.

Outlook and objectives for full-year 2012

After a difficult third quarter hit by the gradual deterioration in the economic environment – particularly in Europe – since May, the Group expects the slowdown observed over the past three months to continue into the fourth quarter, with the global economic climate remaining highly fragile and unsettled:

- **in Western Europe**, industrial markets (especially automotive) should continue to contract. New-build and renovation markets should also continue to slow, but with stark contrasts persisting from one country to the next;

- **in North America**, industrial markets should lose further momentum, squeezed by the decline in industrial production and capital spending. In contrast, the upturn in residential construction markets should continue;

- **in Asia and emerging countries**, trading should stabilize before gradually picking up;

- lastly, **household consumption markets** should hold firm across all regions except Southern Europe.

Against this backdrop, trading for the Group in the fourth quarter is expected to remain subdued, despite more favorable basis for comparison and number of trading days than in the third quarter.

Consequently, given the considerable uncertainties currently facing the global economy, the Group will continue to firmly implement its action plan, by:

- maintaining its **priority focus on sales prices** with the **aim of achieving a moderate price increase over the year as a whole**, in an effort to pass on the rise in raw material and energy costs;

- firmly pursuing new **cost cutting measures**, with additional savings of €160 million in the second half, representing total cost savings of €500 million over the year as a whole **and a full-year impact (in 2013) of €750 million (calculated on the 2011 cost base)**. This cost cutting program, which aims to curtail the impact of a **limited decline in volumes over the full year**, will remain primarily focused on Europe;

- keeping a tight rein on **operating working capital**;

- maintaining a **strict cash management policy** in order to maintain a **high level of free cash flow and a strong balance sheet**. Capital expenditure and financial investments in the second half will therefore be reduced compared to the same year-ago period, by €200 million and €350 million, respectively.

Overall, the Group is maintaining its objectives, although **the sequential decline in second-half operating income should be slightly more significant** than anticipated at the end of July.

Forthcoming results announcement

Results for 2012: **February 20, 2013**, after close of trading on the Paris Bourse.

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Appendix : Sales by business sector and geographic area - Third Quarter

SALES	Q3 2011 (in EUR m)	Q3 2012 (in EUR m)	Change on an actual structure basis	Change on a comparable structure basis	Change on a comparable structure and currency basis
By sector and division:					
Innovative Materials (1)	**2,402**	**2,329**	**-3.0%**	**-4.7%**	**-7.2%**
Flat Glass	1,356	1,263	-6.9%	-6.7%	-7.0%
High-Performance Materials	1,051	1,068	+1.6%	-2.4%	-7.8%
Construction Products (1)	**2,990**	**3,001**	**+0.4%**	**-0.8%**	**-4.3%**
Interior Solutions	1,401	1,488	+6.2%	+4.2%	+0.3%
Exterior Solutions	1,603	1,526	-4.8%	-5.2%	-8.5%
Building Distribution	**4,720**	**4,923**	**+4.3%**	**-1.0%**	**-3.0%**
Packaging (Verallia)	**900**	**947**	**+5.2%**	**+7.3%**	**+3.2%**
Internal sales and misc.	-258	-249	*n.m.*	*n.m.*	*n.m.*
Group Total	**10,754**	**10,951**	**+1.8%**	**-1.0%**	**-3.8%**

(1) including intra-sector eliminations

By geographic area:					
France	**2,784**	**2,876**	**+3.3%**	**-2.4%**	**-2.4%**
Other Western European countries	**4,669**	**4,641**	**-0.6%**	**-2.9%**	**-5.7%**
North America	**1,441**	**1,590**	**+10.3%**	**+8.2%**	**-4.1%**
Emerging countries and Asia	**2,318**	**2,261**	**-2.5%**	**-3.1%**	**-2.8%**
Internal sales	-458	-417	*n.m.*	*n.m.*	*n.m.*
Group Total	**10,754**	**10,951**	**+1.8%**	**-1.0%**	**-3.8%**