

PRESS release

First-quarter 2013 sales down 4.8% to €9.7 billion. Organic growth: -5.4%

Paris, April 25, 2013.

- Sales prices prove resilient: **up 0.9%**.
- Significant impact of harsh winter weather and fewer working days (-3.7%) on sales volumes: **down 6.3%**.
- **Robust** organic growth in the **US**, driven by businesses related to residential construction (CP Sector).
- Return to **growth** in **Asia and emerging countries: up 1.5%** like-for-like.
- Continued slowdown in Western Europe, exacerbated by harsh weather conditions.
- **2013 targets** confirmed.

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

“Amid a further general slowdown in economies across Europe, the Group’s first-quarter trading was severely affected by fewer working days compared to first-quarter 2012 (2.4 days less, accounting for a negative impact of around 3.7% on consolidated sales in the first three months of the year) and by very harsh winter weather, particularly in Western Europe. Faced with these tough market conditions – which brisk trading in North America and a return to growth in Asia and emerging countries did not fully offset – we continue to firmly implement our action plan. In particular, we continue to raise our prices in order to broadly counter the rising cost of raw materials and energy over the year as a whole, while vigorously pursuing our cost cutting program.”

We anticipate a gradual recovery in the Group’s trading over the next few quarters and confirm our target of a recovery in operating income in the second half, after having bottomed out between mid-2012 and mid-2013”.

Saint-Gobain posted **€9,674 million** in sales for the first quarter of 2013, down 4.8% on the same year-ago period (€10,162 million).

Exchange rates had a negative 1.3% impact on sales, mainly attributable to the depreciation against the euro of the currencies of the main emerging countries where the Group operates (particularly the Brazilian real) and, to a lesser extent, the weaker British pound. **Changes in Group structure had a positive 1.9% impact**, resulting mainly from the acquisition of Brossette as of April 1, 2012. **Like-for-like (constant Group structure and exchange rates)**, sales fell **5.4%**, with **volumes declining 6.3%** while **sales prices advanced 0.9%**.

These figures reflect the impact on Group trading of fewer working days than in first-quarter 2012 (2.4 days less, **accounting for a negative impact of around 3.7% on consolidated first-quarter sales**) and the particularly harsh weather conditions in January and March, namely in Europe. They also point to the continued economic slowdown in most European countries, which could not be fully offset by brisk trading in North America and a return to growth in Asia and emerging countries.

In line with the economic scenario announced in February:

- in **North America**, the Group benefited from robust momentum in US residential construction (helping Construction Products to deliver double-digit organic growth in the country) and from resilient industrial output and household consumption;
- in **Asia and emerging countries**, trading got back into positive territory, driven mainly by a recovery in Latin America;
- in **Western Europe**, the Group's markets contracted – severely affected by a long harsh winter – amid a general slowdown in economies across the region;
- lastly, **businesses related to household consumption (Packaging, Verallia)** held up well.

Sales prices remained a key priority for the Group: after a rise of 1.7% over 2012, they **moved up 0.9%** in the first quarter of 2013 in a lower inflationary environment overall, particularly as regards raw materials and energy.

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

	Q1 2012 sales (€m)	Q1 2013 sales (€m)	% change on an actual structure basis	% change on a comparable structure basis	% change like-for-like
<u>BY BUSINESS SECTOR</u>					
Innovative Materials (1)	2,381	2,211	-7.2%	-7.3%	-5.2%
Flat Glass	1,290	1,200	-7.0%	-6.8%	-4.9%
High-Performance Materials	1,104	1,014	-8.1%	-8.5%	-6.4%
Construction Products (1)	2,817	2,754	-2.2%	-3.7%	-1.9%
Interior Solutions	1,408	1,367	-2.9%	-5.8%	-4.4%
Exterior Solutions	1,420	1,399	-1.5%	-1.6%	+0.7%
Building Distribution	4,343	4,110	-5.4%	-9.0%	-8.6%
Packaging (Verallia)	880	835	-5.1%	-3.7%	-2.6%
Internal sales and misc.	(259)	(236)	-----	-----	-----
GROUP	10,162	9,674	-4.8%	-6.7%	-5.4%
<u>GEOGRAPHIC AREA</u>					
France	2,896	2,803	-3.2%	-8.8%	-8.8%
Other Western European countries	4,180	3,804	-9.0%	-9.4%	-9.5%
North America	1,519	1,556	+2.5%	+2.4%	+3.1%
Emerging countries and Asia/Pacific	2,027	1,943	-4.2%	-4.4%	+1.5%
Internal sales	(460)	(432)	-----	-----	-----
GROUP	10,162	9,674	-4.8%	-6.7%	-5.4%

(1) After eliminating inter-division sales.

Like-for-like performance of Group Business Sectors

The deteriorating economic environment in Western Europe, coupled with harsh winter weather and fewer working days than in first-quarter 2012 (**2.4 days less, accounting for a negative impact of around 3.7% on consolidated sales**), led to all of the Group's Business Sectors reporting negative organic growth in the first quarter.

Innovative Materials sales fell 5.2%, hit by declining sales volumes, while sales prices remained broadly stable over the quarter.

- **Flat Glass sales were down 4.9%**. Conditions on the Division's main markets (construction, automotive and solar) in Western Europe remained very tough (double-digit declines), and are not as yet conducive to an increase in sales prices – particularly float glass – despite significant capacity reductions. In contrast, business in Asia and emerging countries (particularly Latin America) rallied, both in construction and automotive markets.

- **High-Performance Materials (HPM) sales retreated 6.4%**, reflecting the decline in businesses related to capital spending (Ceramics) in both mature and fast-growing markets. However, HPM's other activities (Abrasives, Plastics, Textile Solutions) held up well, particularly in the US and in Asia and emerging countries.

Construction Products (CP) sales fell 1.9%, owing to the downturn in sales volumes in Western Europe. Sales prices remained upbeat across the Business Sector.

- **Interior Solutions** reported a **4.4% drop** in sales, chiefly due to the drop in volumes in Western Europe that was not fully offset by the sharp **8.8%** rebound in Asia and emerging countries. Sales prices remained upbeat, buoyed by the significant increases implemented in the US early in the year, particularly in Gypsum.
- **Exterior Solutions** reported a **very slight 0.7% rise in sales**, which conceals a very mixed performance from its different businesses. Exterior Products delivered double-digit growth fuelled by the ongoing recovery in US residential construction. Pipe sales declined further, albeit at a slower pace than in first-quarter 2012, hit by the impact of austerity measures in Europe which the start of an upturn in exports (the first deliveries under the US\$ 200 million contract with Kuwait will only be made at the end of the second quarter) could not offset. Industrial Mortars continued to enjoy strong growth in Asia and emerging countries, but were hit in Europe by the economic slowdown and harsh weather conditions. Sales prices for the Division remained upbeat.

Building Distribution reported an 8.6% drop in sales, hit by very harsh weather conditions in the first three months of 2013 and by fewer working days than in the same year-ago period (2.6 days less over the quarter, accounting for a **negative 3.9% impact on volumes for the Business Sector**). Volumes were down in all of the countries where the Group operates, while sales prices went up. Trading in France proved fairly resilient, as a result of further market share gains in a tough economic environment.

Packaging (Verallia) saw sales fall 2.6% over the quarter, despite a rise in its sales prices in all of the countries where it operates (up 2.5% on average). Volumes were down in the US and in most European countries, but advanced in Russia and Latin America.

Like-for-like analysis by geographic area

In line with the economic scenario announced by the Group in February, an analysis of trading by geographic area reveals a sharp contrast between Western Europe – which continued on a downward trend – and other regions (North America and Asia and emerging countries) – which either reported further gains or returned to growth.

- In **France and other Western European countries**, sales declined by 8.8% and 9.5%, respectively, affected not only by the general slowdown in economies across Europe, but also, in most countries, by harsh winter weather (in January and March) and fewer working days than in first-quarter 2012. These factors adversely impacted all of the Group's Business Sectors and Divisions (particularly Building Distribution), which all reported volume declines over the three months to March 31 as a result. In contrast, sales prices held up well.
- **North America** delivered **3.1%** organic growth, buoyed by the ongoing recovery in businesses related to residential construction (CP Sector) and despite a tough basis for comparison. Moreover, amid resilient industrial markets and household consumption, all of the Group's businesses enjoyed positive trends in sales prices.
- **Asia and emerging countries** got back on the growth track, with sales **up 1.5%**, driven by the sharp 5.4% upturn in Latin American markets which offset the contraction in Asia (particularly China and South Korea). Sales for Eastern Europe were broadly stable, with difficulties in Poland and the Czech Republic offset by a very bullish performance from Russia and the Baltics.

Update on asbestos claims in the US

Some 1,000 claims were filed against CertainTeed in the first three months of 2013, on a par with the same period in 2012. Taking into account around 1,000 claims settled in the period (versus 2,000 in first-quarter 2012), the total number of outstanding claims remained stable compared to end-December 2012, at 43,000.

Outlook and objectives for 2013

After a particularly tough first quarter affected by significantly fewer working days than in first-quarter 2012 and by very harsh winter weather – namely in Europe – the Group expects trading to gradually improve over the next few quarters, particularly in North America and in Asia and emerging countries (regions which together represented 44% of consolidated operating income and 46% of the Group's fixed assets in 2012):

- **in North America**, the gradual upturn in residential new-build and renovation markets should continue, while industrial output should remain at a good level;
- **in Asia and emerging countries**, trading should continue to improve steadily, but stark contrasts will persist from one country to the next, with robust growth in Mexico, Argentina and Russia, moderate growth in Brazil and China, a slowdown in India, and stability in Eastern Europe;
- **in Western Europe**, industrial markets (particularly automotive) should continue to contract, while construction market trends should remain challenging. Regulatory measures promoting

energy efficiency in new-builds and existing homes should support demand, however, and allow the Group to outperform its underlying markets;

- lastly, **household consumption** should hold firm overall.

Against this backdrop, Saint-Gobain will continue to implement its action plan over the next few quarters, focusing in particular on:

- **increasing sales prices**, with the aim of passing on the rise in raw material and energy costs over the year as a whole;
- **pursuing its cost cutting program** in order to achieve savings of **€1,100 million** in 2013 (calculated on the 2011 cost base). As announced in February, we have rolled out new vigorous measures since the beginning of the year that will enable us to achieve in 2013 additional cost savings of €580 million compared to 2012;
- keeping a **close watch** on **cash management** and **financial strength**;

Saint-Gobain will also **continue to pursue its strategic goals** (development in high-growth countries, energy efficiency and energy markets, and consolidation in Building Distribution and Construction Products). Profitability will remain a constant focus, underpinned by strict financial discipline.

The Group is therefore **confirming its targets for full-year 2013:**

- **a recovery in operating income in the second half**, after having bottomed out between mid-2012 and mid-2013;
- **a high level of free cash flow**, namely as a result of a €200 million reduction in capital expenditure;
- **a robust balance sheet, strengthened by the disposal of Verallia North America.**

Forthcoming results announcement:

First-half 2013 earnings: July 24, 2013, after close of trading on the Paris Bourse.

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