PRESS release

Paris, February 25, 2015

2014 Results

Operating income up 7.0% on a like-for-like basis excluding VNA

- Organic growth at 2.2%; at 0.2% in H2 with a slowdown in volumes
- Negative 1.5% currency impact on sales but positive 0.3% impact in H2; negative 2.4% Group structure impact with the disposal of Verallia North America (VNA)
- Sharp 60% rally in net income
- Net debt reduced to €7.2 billion
- **2014 dividend: stable at €1.24**, 50% payable in cash and 50% in cash or in shares at shareholders' discretion

(€m)	2013*	**2014**	**Change**	**Change** (like-for-like excluding VNA)
Sales	41,761	**41,054**	**-1.7%**	**+2.2%**
EBITDA	4,161	**4,151**	**-0.2%**	**+3.9%**
Operating income	2,754	**2,797**	**+1.6%**	**+7.0%**
Recurring[1] net income	1,027	**1,103**	**+7.4%**	
Net income	595	**953**	**+60%**	
Free cash flow[2]	1,176	**1,002**	**-15%**	

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

"2014 confirmed the improvement in the Group's results despite a challenging macroeconomic climate in France and uncertainty in Germany. Other regions reported good levels of growth. We continued to cut costs on all fronts.

During the year, Saint-Gobain embarked on a significant reorganization of its business portfolio, with the plan to acquire a controlling interest in Sika and the launch of a competitive bidding process for the sale of Verallia. This marks an acceleration in the roll-out of the strategy we unveiled in November 2013.

In 2015, we will continue to implement our strategic priorities and we are targeting a further like-for-like improvement in operating income along with continuing high levels of free cash flow."

* 2013 figures restated in this document to reflect the impacts of IFRS 10 and IFRS 11, and of IFRIC 21 (Levies) for the half-year analysis.
1. Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
2. Excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

Operating performance

Sales climbed 2.2% on a like-for-like basis in 2014. Based on reported figures, sales were down 1.7% due to the negative 1.5% currency impact and the negative 2.4% impact resulting from changes in Group structure – chiefly related to the disposal of Verallia North America.
Volumes moved up 1.1% over the year despite retreating 0.7% in the second half. Sales prices rose 1.1% over the year, in spite of a less inflationary environment and declining prices for Exterior Products in the US in the second half.
All of the Group's businesses reported organic growth in 2014. In the second half, Exterior Solutions were affected by the contraction in the Roofing business, while Building Distribution and Interior Solutions were hit by the downturn in construction in France and Germany.
Out of our four regions, only France failed to advance, down 1.3% year-on-year.

The Group's operating margin increased to 6.8% from 6.6% in 2013, and came in at 7.1% for the second half. Operating income climbed 7.0% on a like-for-like basis excluding Verallia North America, and remained stable in the six months to December 31 despite a 0.7% dip in volumes.

The Group's focus on its **action plan priorities** continues to pay off:

- sales prices increased despite a less inflationary environment;
- costs were scaled back by €450 million in 2014 compared to 2013, with a significant impact in Flat Glass which saw its margin rally at 5.9% versus 2.6% in the previous year;
- capital expenditure remained in check at €1.4 billion, with a strong focus on growth capex outside Western Europe;
- net debt was reduced to €7.2 billion thanks to an ongoing tight rein on cash.

Performance of Group Business Sectors

Innovative Materials sales moved up 3.9% in 2014 on a like-for-like basis, and advanced 4.2% in the second half. The operating margin for the Business Sector widened, from 7.2% to 9.4% (9.6% in the second half), driven by the improved performance for Flat Glass.

- Like-for-like, **Flat Glass** sales were up 3.4% both over the full year and in the second half. In Western Europe, construction markets remained fragile with prices for commodity products – float glass – stable, but an improved price effect owing to the growing share of high value-added products; the automotive Flat Glass business continued to report small gains. Healthy trading was confirmed in Asia and emerging countries, despite the slowdown in Brazil, fuelled in particular by the downturn in the automotive market.
  Thanks to increased cost cutting efforts, the operating margin rallied, at 5.9% of sales in 2014 (6.3% in the second half) from 2.6% in the previous year.
- **High-Performance Materials (HPM)** delivered a 4.5% year-on-year improvement, up 5.0% in the second half. Performance gains were recorded in all regions, particularly in North America, buoyed by continued upbeat trends in industrial markets. All HPM businesses delivered good organic growth, including Ceramics with a favorable basis for comparison.
  The operating margin for the year widened to 13.4% from 12.7% in 2013.

Boosted by its first-half performance, **Construction Products (CP) sales** moved up 2.9% on a like-for-like basis in 2014 and 0.4% in the second half, owing chiefly to a deterioration in the US Exterior Solutions market. The operating margin improved slightly, at 9.0% versus 8.8% in 2013.

- **Interior Solutions** reported 4.7% organic growth, on the back of continued strong volume and price momentum in the US and a good performance in Asia and emerging countries. In Western Europe, after a first quarter buoyed by mild winter weather, trading proved resilient thanks to our strategic positioning in energy efficiency and despite the downward pressure on prices in a deflationary environment.
  The operating margin advanced during both halves of the year, coming out at 8.8% for 2014 compared to 8.3% one year earlier.

- **Exterior Solutions** posted 1.0% organic growth, advancing 3.9% in the first half but retreating 1.6% in the second following a downturn in both volumes and prices for US Exterior Products. Pipe was boosted by export contracts and continued to improve, despite a tougher basis for comparison in the second half and the closure of cast iron production capacity in China in the middle of the year. Mortars posted double-digit growth in Asia and emerging countries, but continued to suffer from the macroeconomic climate in Western Europe.
  The operating margin held firm at 9.1% of sales despite the sharp deterioration in Exterior Products: margin growth was strong in both Mortars and Pipe, spurred by a positive price-cost spread (commodities and energy).

Building Distribution posted 0.8% organic growth, helped by mild winter weather in the first quarter and despite a 1.8% decline in the second half due to the downturn in the French and German markets.
In France, sales declined over the year despite increased market share, hurt by the sharp contraction in the new-build market and sluggish renovation activity. Germany, which was stable over the year, retreated in the second half amid a persistently uncertain economic climate. The upbeat momentum in the UK and Scandinavia was confirmed over the year as a whole. Brazil continued to report good growth despite the general economic slowdown in the country.
Operating income for the Business Sector improved, at €661 million compared to €638 million in 2013, owing to strict cost discipline and a resilient commercial margin. Although the operating margin fell to 4.2% in the second half (versus 4.6% in 2013), hit by slack volumes in France and Germany, Building Distribution still managed to deliver annual margin growth, at 3.5% versus 3.4% in 2013.

Packaging (Verallia) sales were up 1.6% on a like-for-like basis. In Europe, volumes rose 1.4% over the year, thereby confirming the recovery begun in the six months to June 30 in a competitive pricing environment. Latin America continued to deliver good growth, with price trends reflecting the impact of inflation.
Excluding VNA, which was sold on April 11, 2014, the operating margin came in at 9.6%. The margin was 10.6% in the second half, confirming the upturn in results in line with expectations, after a first half affected by non-recurring items.

<u>Analysis by geographic area</u>

Over the year as a whole, the Group's organic growth was powered by Asia and emerging markets. Profitability improved despite a slowdown in France and the deterioration in the US, attributable solely to Exterior Products.

- **France** posted negative 1.3% organic growth as volumes declined in the construction market, even though the Group continues to outperform its markets. Despite a further decline in volumes, the operating margin held firm at 4.7% (5.0% in 2013).
- **Other Western European countries** reported 2.6% like-for-like sales growth, with sales stable in the second half due to the strong downturn in Germany. The recovery over the year reflects good market conditions in the UK and to a lesser extent in Scandinavia. Trading improved in Southern European countries and particularly Spain, while volumes in Benelux were hit by restructuring operations in Flat Glass. The operating margin rallied, at 5.3% from 4.3% previously.
- **North America** saw continued brisk trading on the construction market and a significant improvement in the Group's industrial activities, as the region posted 2.8% organic growth. Only Exterior Products had a negative impact on sales and margin. The operating margin came in at 10.4% in 2014 (excluding VNA: 10.1% versus 11.7% in 2013).
- **Asia and emerging countries** reported good 7.7% organic growth over the year, and 4.9% growth in the second half. This slower pace of growth was mainly seen in Brazil, Eastern Europe (Poland and the Czech Republic) and in China, which was hit by a plant closure. In contrast, trading in India and Mexico picked up pace during the year. The operating margin was up from 8.0% to 9.3% in 2014.

2014 consolidated financial statements

The Group's consolidated financial statements were approved and adopted by Saint-Gobain's Board of Directors at its meeting of February 25, 2015. The comparative income statement for 2013 shown below has been restated to reflect the impacts of IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint Arrangements) and of IFRIC 21 (Levies) for the half-year analysis.

Key consolidated data are shown below:

€m	**2013 *restated**** **(A)**	**2014** **(B)**	**% change** **(B)/(A)**	**2013 *published***
Sales and ancillary revenue	**41,761**	**41,054**	**-1.7%**	**42,025**
Operating income	**2,754**	**2,797**	**1.6%**	**2,764**
Operating depreciation and amortization	1,407	1,354	-3.8%	1,425
EBITDA (operating income + operating depr./amort.)	4,161	4,151	-0.2%	4,189
Non-operating costs	(490)	(190)	-61.2%	(492)
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(381)	(398)	4.5%	(381)
Business income	**1,883**	**2,209**	**17.3%**	**1,891**
Net financial expense	(790)	(696)	-11.9%	(795)
Income tax	(463)	(513)	10.8%	(476)
Share in net income of associates	2	0	n.s.	11
Income before minority interests	**632**	**1,000**	**58.2%**	**631**
Minority interests	37	47	27.0%	36
Net income	**595**	**953**	**60.2%**	**595**
Earnings per share[2] (in €)	1.08	1.70	57.4%	1.08
Recurring[1] net income	**1,027**	**1,103**	**7.4%**	**1,027**
Recurring[1] earnings per share[2] (in €)	1.86	1.97	5.9%	1.86
Cash flow from operations[3]	2,520	2,510	-0.4%	2,537
Cash flow from operations excl. capital gains tax[4]	2,493	2,439	-2.2%	2,511
Capital expenditure	1,317	1,437	9.1%	1,354
Free cash flow (excluding capital gains tax)[4]	**1,176**	**1,002**	**-14.8%**	**1,157**
Investments in securities	102	95	-6.9%	100
Net debt	**7,513**	**7,221**	**-3.9%**	**7,521**

* 2013 figures restated to reflect the impacts of IFRS 10 and IFRS 11.

1 Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
2 Calculated based on the number of shares outstanding (excluding treasury stock) at December 31 (560,385,966 shares in 2014 versus 551,417,617 shares in 2013) following the cancellation of 6,100,000 shares on November 28, 2014.
3 Excluding material non-recurring provisions.
4 Excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

The comments below were drawn up **based on restated 2013 figures**.

Consolidated sales were down 1.7%. The **currency impact** was a negative 1.5%, resulting primarily from the fall in Latin American and Scandinavian currencies against the euro. The currency impact breaks down as a negative 3.2% impact in the first half and a positive 0.3% effect in the second, owing mainly to the depreciation of the euro against the US dollar. The **impact of changes in Group structure** was a negative 2.4%, primarily reflecting the disposal of VNA on April 11, 2014, along with the sale of certain non-core Exterior Solutions and Building Distribution businesses. Like-for-like (comparable Group structure and exchange rates), sales moved up 2.2%, with both **sales prices** and **volumes** gaining 1.1%.

Operating income rose 1.6%, despite the negative currency and Group structure impact (up 7.0% like-for-like excluding VNA). This drove a rise in the operating margin, which came in at 6.8% of sales from 6.6% in the prior-year period, bolstered by cost cutting efforts. Excluding Building Distribution, the operating margin increased from 8.9% to 9.3% in 2014.
The **EBITDA margin** (EBITDA = operating income plus operating depreciation and amortization) stood at 10.1% of sales (10.0% in 2013).

Non-operating costs fell sharply to €190 million (€490 million in 2013), reflecting a provision write-back in the first half linked to the reduction in the automotive Flat Glass fine, along with lower restructuring costs, particularly in second-half 2014. Non-operating costs include a €90 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US, unchanged from 2013.
The **net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees** was a negative €398 million, versus a negative €381 million in 2013. This line includes €408 million in gains on disposals of assets relating mainly to the VNA divestment, and €802 million in asset write-downs, of which €350 million was recorded in the second half. Most of the write-downs taken in the six months to December 31 reflect restructuring plans in Europe and the €235 million write-down recorded against goodwill and brands relating to Lapeyre (Building Distribution) following the deterioration in the French market in the second half. **Business income** jumped 17.3%.

Net financial expense improved sharply, at €696 million versus €790 million in 2013, with the cost of gross debt falling to 4.3% at December 31, 2014 from 4.4% at end-2013. Income tax expense on recurring net income came out at 34% versus 32% in 2013. **Income tax** increased from €463 million to €513 million, chiefly as a result of the improvement in pre-tax earnings.
Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) jumped 7.4% to €1,103 million.
Net income soared 60.2% to €953 million.

Capital expenditure totaled €1,437 million, in line with forecasts, representing 3.5% of sales (3.2% in 2013).
Cash flow from operations held firm at €2,510 million (€2,520 million in 2013). Before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, cash flow from operations retreated 2.2% to €2,439 million.
Due to the acceleration in the capital spending program compared to the low point in 2013, **free cash flow** (cash flow from operations less capital expenditure) was down 10.8% to €1,073 million. Before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, free cash flow dropped 14.9% to €1,002 million, at 2.4% of sales (2.8% of sales in 2013).
Operating working capital requirements (WCR) continued to improve in value terms (down €61 million to €3,356 million), representing 30 days' sales or 29 days' sales at constant exchange rates. This equals the record 29-day low at end-2013 and testifies to the Group's ongoing efforts to main strict cash discipline.
Investments in securities totaled just €95 million (€102 million in 2013) for small acquisitions focused on the Group's strategic growth drivers.
Net debt continues to fall, down 3.9% (to €7.2 billion) versus December 31, 2013, after decreasing 11.4% in the prior-year period. Net debt represents 39% of consolidated equity, versus 42% at end-2013.
The **net debt to EBITDA ratio** was 1.7 compared to 1.8 at December 31, 2013.

Update on asbestos claims in the US

Some 4,000 claims were filed against CertainTeed in 2014, slightly less than in 2013 (4,500). At the same time, some 6,500 claims were settled (versus 4,500 in 2013) and around 3,500 claims were placed in inactive dockets. As a result, the total number of outstanding claims at December 31, 2014 was around 37,000, a decrease of approximately 6,000 compared to end-2013.

A total of USD 68 million in indemnity payments were made in the 12 months to December 31, 2014, down on the USD 88 million paid out in 2013 due to certain settlements relating to 2012 that were postponed to 2013. In light of these trends and of the €90 million provision accrual in 2014, the total provision for CertainTeed's asbestos-related claims amounted to USD 571 million at December 31, 2014 compared to USD 561 million at December 31, 2013.

Dividend

At its meeting of February 25, Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 4, 2015 Shareholders' Meeting a **dividend of €1.24 per share**, **50% payable in cash and 50% in cash or in shares, at shareholders' discretion.**

For the payment of dividends in shares, the Board will recommend that the shareholders set the issue price for the new shares by applying a 10% discount to the average opening share price during the 20 trading days preceding the June 4, 2015 Shareholders' Meeting, after having deducted the dividend amount.

The dividend represents **62% of recurring net income**, and a dividend yield of 3.5% based on the closing share price at December 31, 2014 (€35.230).

The ex-date, set at June 10, will be followed by an option period of 15 days, running from June 10 to June 24. Consequently, the dividend will be paid in cash or in shares on July 3, 2015.

2015 strategic priorities

2015 will be dedicated to firmly rolling out the strategy defined at the Group's November 27, 2013 Investor Meeting according to its three main goals:

- Improving the Group's growth potential by focusing more sharply on high value-added, asset-light activities; expanding its footprint in emerging countries; and further strengthening its business portfolio;
- Creating a stronger presence in differentiated products and solutions, with R&D efforts focused on local and co-developed projects with its customers and on the fast-growing markets of sustainable habitat and industrial applications. Marketing initiatives will also be stepped up, with an ambitious digital strategy and the development of ever stronger brands;
- Continuing to work towards management's priorities of achieving operational excellence, and further progress in Corporate Social Responsibility (CSR); attractive returns for shareholders; and a persistently solid financial structure.

The Group's plan to acquire a controlling interest in Sika announced on December 8, 2014 is fully aligned with this strategy. Sika's range of niche products presents an excellent fit with Saint-Gobain's own product offer, particularly chemical products for the construction market and adhesives. Sika's products and services draw on extensive technological expertise in waterproofing, soundproofing, sealing and bonding, and protecting and reinforcing structures. The transaction is subject to clearance from the competent anti-trust authorities.

Over the past few years, Sika has delivered remarkable growth (more than 8% average annual growth between 2007 and 2013) and capacity for development in emerging countries (38% of its sales are made in emerging countries). This strategic move therefore meets Saint-Gobain's dual aim of continuing to develop in emerging markets, Asia and the US (where Sika has a strong presence) and focusing on highly technical solutions offering significant value added.

Saint-Gobain wishes to continue developing the company with respect for its corporate culture, reputation and historical roots. Given the complementary nature of both groups' activities, the deal is expected to generate a large number of growth synergies, thanks chiefly to the geographic fit of our industrial sites and the combination of very strong brands. The synergies are estimated at €100 million as from the second year (2017) and at €180 million per year as from 2019.

On the same date as it announced its plan to acquire a controlling interest in Sika (December 8, 2014), the Group also unveiled its intention to divest its entire Packaging business (Verallia). This move is in line with Saint-Gobain's aim to reorganize its portfolio in order to increase its growth potential.

Following these two transactions, the Group's profile will be greatly enhanced and refocused on its target markets.

2015 outlook

In 2015, the Group should benefit from continued upbeat trading in the US as well as in Asia and emerging markets. In Western Europe, the recovery will be dampened by the decline in France. The first half will be impacted by a tough 2014 basis for comparison. Household consumption is expected to remain firm.

Saint-Gobain will continue to keep a close watch on cash and financial strength and aims to maintain a high level of free cash flow. In particular, it will:

- **keep its priority focus on increasing sales prices** amid a small rise in raw material costs and energy deflation;
- unlock additional savings of **€400 million** (calculated on the 2014 cost base) thanks to its ongoing **cost cutting program**;
- **pursue a capital expenditure program of under €1,600 million**, focused on growth capex outside Western Europe;
- **renew its commitment to invest in R&D** in order to support its differentiated, high value-added strategy.

In this setting, the Group is targeting a further like-for-like improvement in operating income for 2015 and a continuing high level of free cash flow.

In line with its strategy, Saint-Gobain will firmly **pursue its plan to divest Verallia** and also intends to finalize the **acquisition of a controlling interest in Sika** in the second half of 2015, as announced in December 2014.

Financial calendar

- Sales for the first quarter of 2015: *April 28, 2015*, after close of trading on the Paris Bourse.
- First-half 2015 results: *July 29, 2015*, after close of trading on the Paris Bourse.

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An information meeting for analysts and investors will be held at 8:30 a.m. (GMT+1) on February 26, 2015 and will be webcast live on Saint-Gobain's website, at: www.saint-gobain.com

Important disclaimer – forward-looking statements:

This press release 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). 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.

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