

# 2005 Estimated Results and Outlook for 2006

Analysts – Investors Meeting

January 30, 2006



  
**SAINT-GOBAIN**

- 1** 2005 Highlights
- 2** 2005 Estimated results
- 3** Operating performance
- 4** Saint-Gobain's strategy
- 5** Outlook and objectives for 2006



# 1

## 2005 Highlights



# Saint-Gobain in 2005: key figures

estimated

	Incl. BPB*	Excl. BPB*		
	Total	Total	Change 2005/2004	
	(€m)	(€m)	at actual exchange rates	at constant exchange rates**
Net sales	35,110	34,873	+8.4%	+7.4%
Operating income	2,860	2,868	+4.6%	+3.3%
Business income	2,554	2,611	+8.0%	
Net income	1,264	1,318	+6.4%	
Net income excl. capital gains	1,284	1,328	+3.0%	

\* fully consolidated as from December 1, 2005

\*\* based on average 2004 exchange rates

# 2005: a mixed economic climate

- > A booming **Residential Construction** market (new construction and renovation) in the United States and Europe, barring Germany and, to a lesser extent, the UK
- > Healthy levels of **capital expenditure and industrial output**, notably in the United States
- > Ongoing strong expansion in **emerging countries** (Brazil, Russia, India and China)
- > Hike in the **cost of energy** (natural gas), transport and certain raw materials, particularly in the US

# The Group's performances once again improved in 2005

- > **Organic growth of 2.7%**, underpinned by:
  - a further **increase of 1.9% in sales prices**
  - a **0.8% upturn in sales volumes**, in particular in the second half (+2.0%)
- > A **4.9% improvement in cash flow from operations**
- > An **increase of 4.6% in operating income** and of **8.0% in business income**

# Saint-Gobain in 2005: strong growth in Building Distribution and Construction Products Sectors

> Sharp improvement in performance:

- <b>Building Distribution</b>	<b>Sales: +13.2%</b>	<b>Op. inc.: +16.5%</b>
- <b>CP</b>	<b>Sales: +6.8%</b>	<b>Op. inc.: +14.8%</b>

> Further progress in **Ceramics & Plastics and Abrasives**

**Sales: +3.1%**      **Op. inc.: +10.3%**

> Slowdown in profitability for the **Flat Glass, Packaging** and **Reinforcements** businesses due to the difficulty of passing on inflating **energy costs** and **high start-up expenditure in emerging countries**

# 2

## 2005 Estimated results

A. Group

B. Asbestos claims



# Saint-Gobain excl. BPB:

## Key figures (in € million)

	2004	2005	Change %
<b>Net sales</b>	32,172	34,873	<b>+8.4%</b>
<b>Operating income</b>	2,743	2,868	<b>+4.6%</b>
Non-operating costs*	(271)	(252)	-7.0%
Other business income and expenses	(54)	(5)	n/m
<b>Business income*</b>	<b>2,418</b>	<b>2,611</b>	<b>+8.0%</b>
Net financial income (expense)	(535)	(550)	+2.8%
Income taxes	(616)	(721)	+17.0%
Minority interests	(36)	(30)	-16.7%
<b>Net income*</b>	<b>1,239</b>	<b>1,318</b>	<b>+6.4%</b>
<b>Net income excluding capital gains (losses)*</b>	<b>1,289</b>	<b>1,328</b>	<b>+3.0%</b>
Depreciation and amortization	1,374	1,396	+1.6%
<b>Cash flow from operations</b> excluding capital gains tax*	<b>2,635</b>	<b>2,767</b>	<b>+5.0%</b>
<b>Capital expenditure</b>	<b>1,540</b>	<b>1,705</b>	<b>+10.7%</b>
<b>Net debt</b>	<b>6,218</b>	<b>6,571</b>	<b>+5.7%</b>

\* inc. pre-tax asbestos-related charge: €100m in 2005; €108m in 2004

# BPB – December 2005

## Key figures (€m)

*before and after Saint-Gobain restatements*

	before	after	restatements
<b>Net sales</b>	<b>263</b>	<b>237</b>	Elimination of BPB-Saint-Gobain sales: €(26)m
<b>Operating income</b>	<b>24</b>	<b>(8)</b>	Revaluation of inventory: €(32)m
Asset write-downs	0	(13)	ERP write-down
Restructuring costs	0	(36)	of which: HQ closure: €(23)m Termination of Savings Plan: €(13)m
<b>Business income</b>	<b>24</b>	<b>(57)</b>	
Net financial income (expense)	(2)	(18)	Finance costs relating to the acquisition (Dec. 15 – Dec. 31): €(11)m; Exceptional items: €(5)m
Share in earnings of equity investees	1	1	
Income taxes	(6)	20	Taxes related to the foregoing adjustments
<b>Net income</b>	<b>17</b>	<b>(54)</b>	

# Saint-Gobain and BPB:

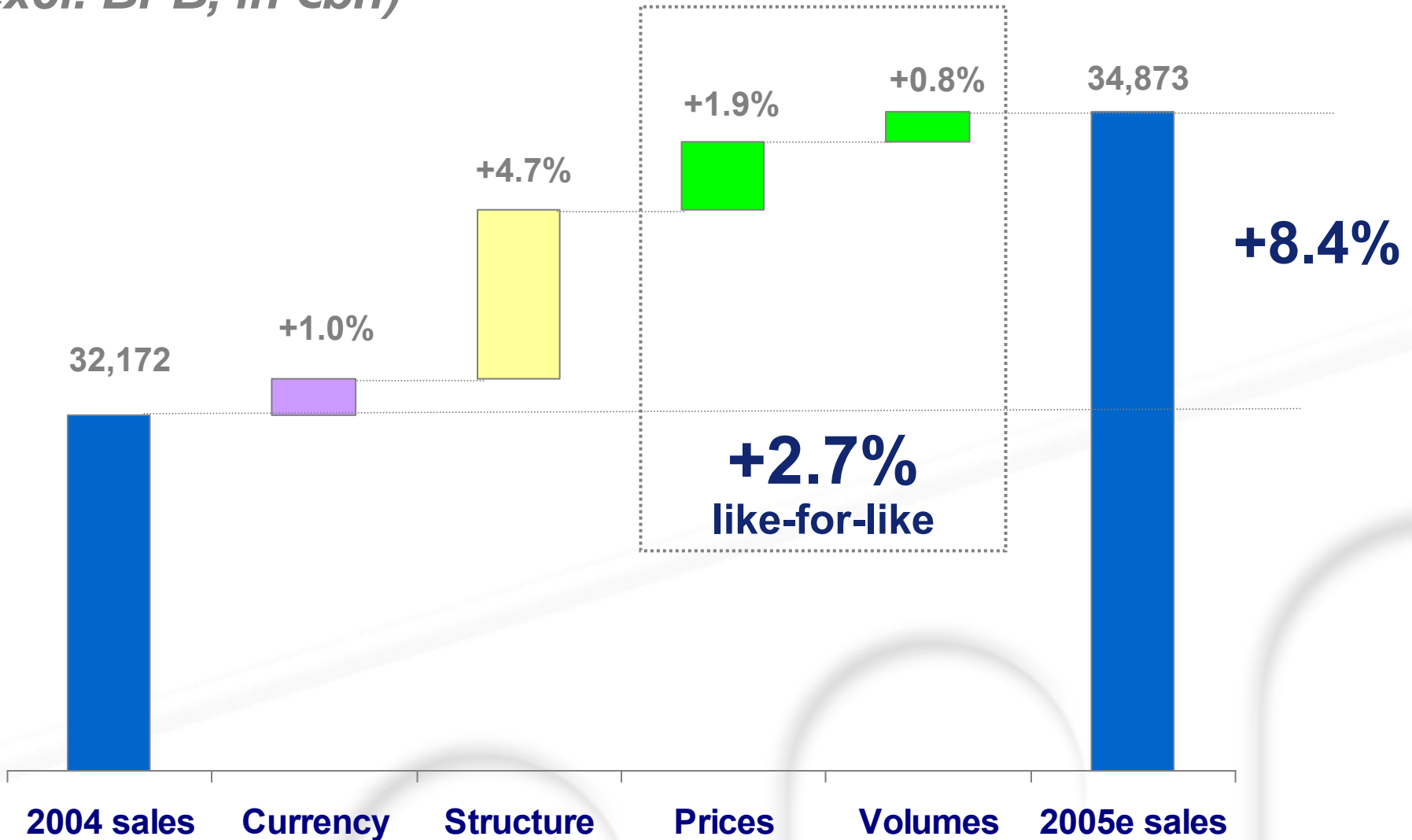
## Key figures (€m)

	2004	2005	% Change
<b>Net sales</b>	<b>32,172</b>	<b>35,110</b>	<b>+9.1%</b>
<b>Operating income</b>	<b>2,743</b>	<b>2,860</b>	<b>+4.3%</b>
Non-operating costs*	(271)	(288)	+6.3%
Other business income and expenses	(54)	(18)	n.m.
<b>Business income*</b>	<b>2,418</b>	<b>2,554</b>	<b>+5.6%</b>
Net financial income (expense)	(535)	(569)	+6.4%
Income taxes	(616)	(701)	+13.8%
Minority interests	(36)	(30)	-16.7%
<b>Net income*</b>	<b>1,239</b>	<b>1,264</b>	<b>+2.0%</b>
<b>EPS excluding treasury stock</b>	<b>3.70</b>	<b>3.75</b>	<b>+1.4%</b>
<b>Net debt</b>	<b>6,218</b>	<b>12,853</b>	<b>+107%</b>

\* incl. pre-tax asbestos-related charge: €100m in 2005,  
€108m in 2004

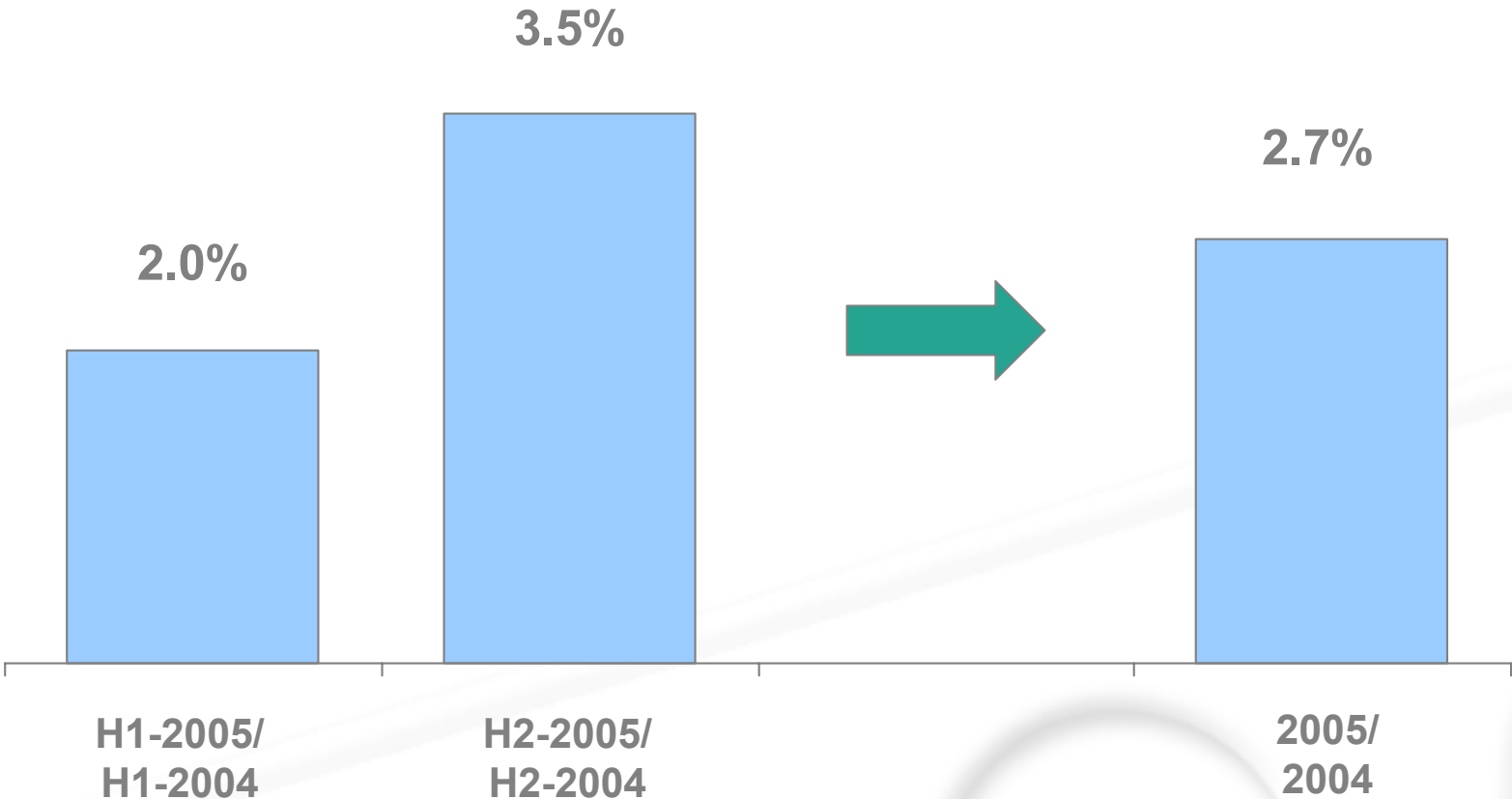
# Net sales

(excl. BPB, in €bn)



# Organic growth

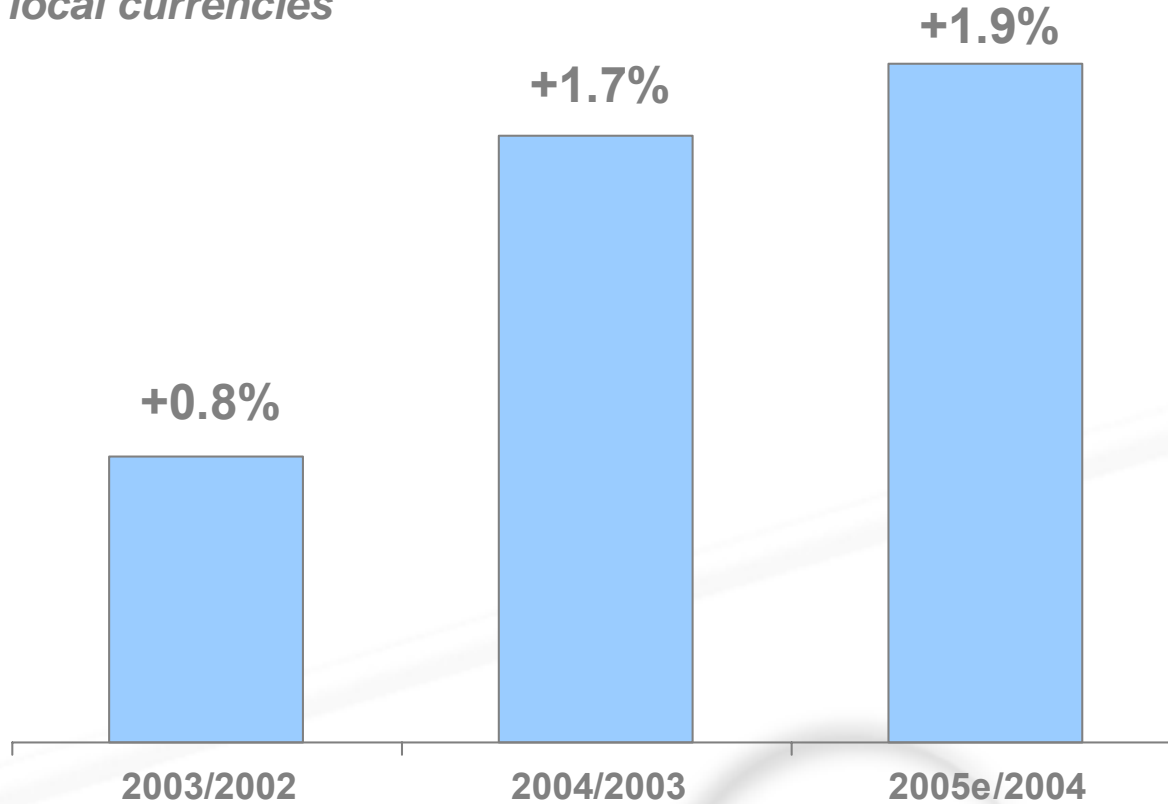
(excl. BPB)



**Acceleration of organic growth in H2**

# Price trends

- % change on a comparable structure basis
- Group composite index
- Current prices in local currencies  
(excl. BPB)

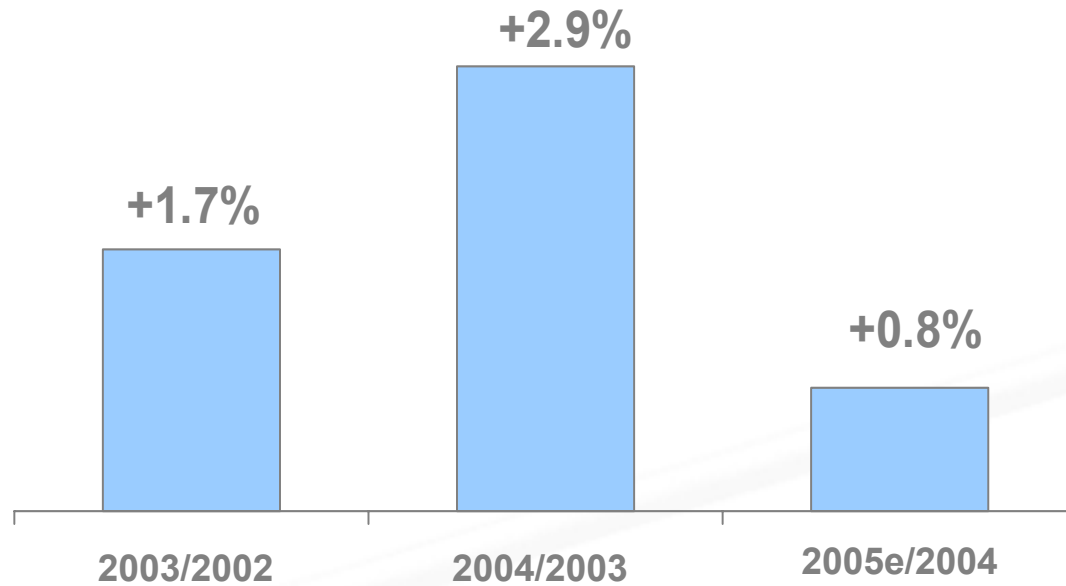


**Increasing upturn in sales prices**

# Volume trends

- % change on a comparable structure basis
- Group composite index

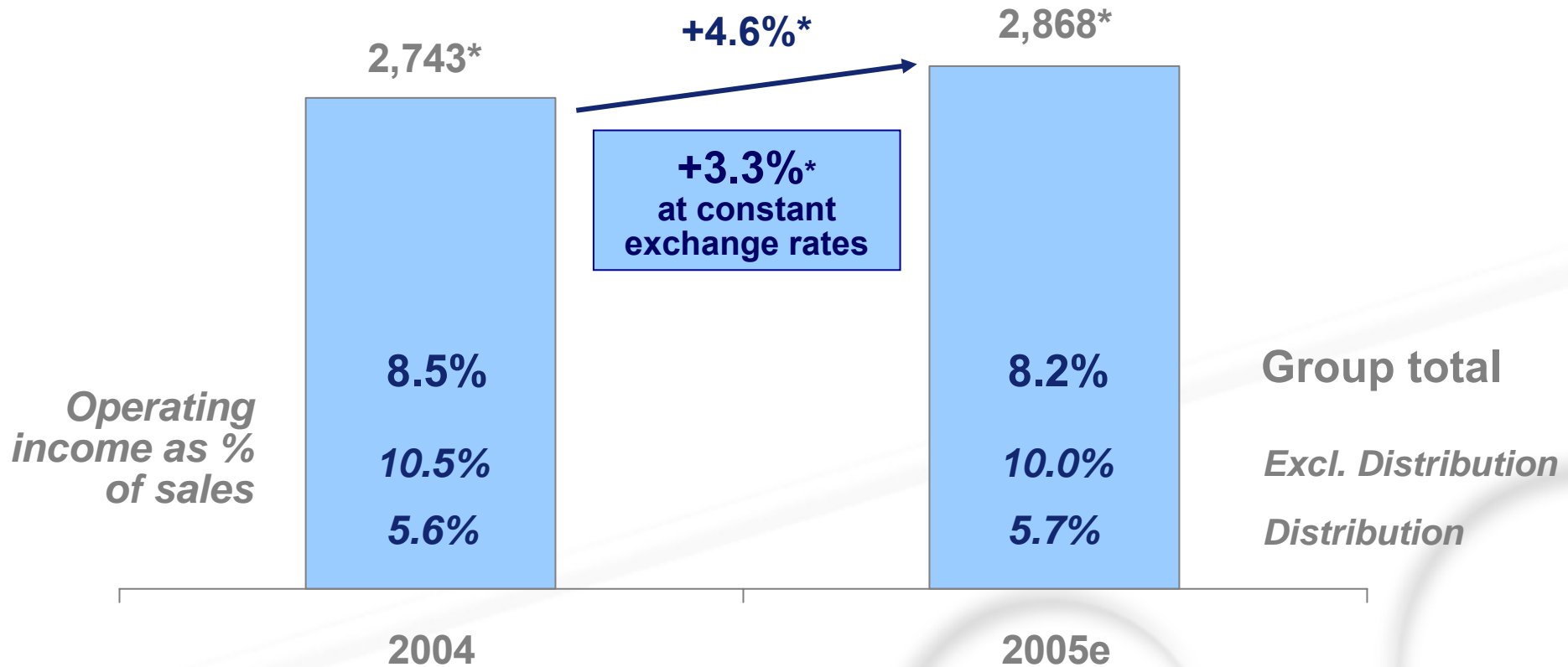
(excl. BPB)



**Recovery in sales volumes in the 2<sup>nd</sup> half**

# Operating income

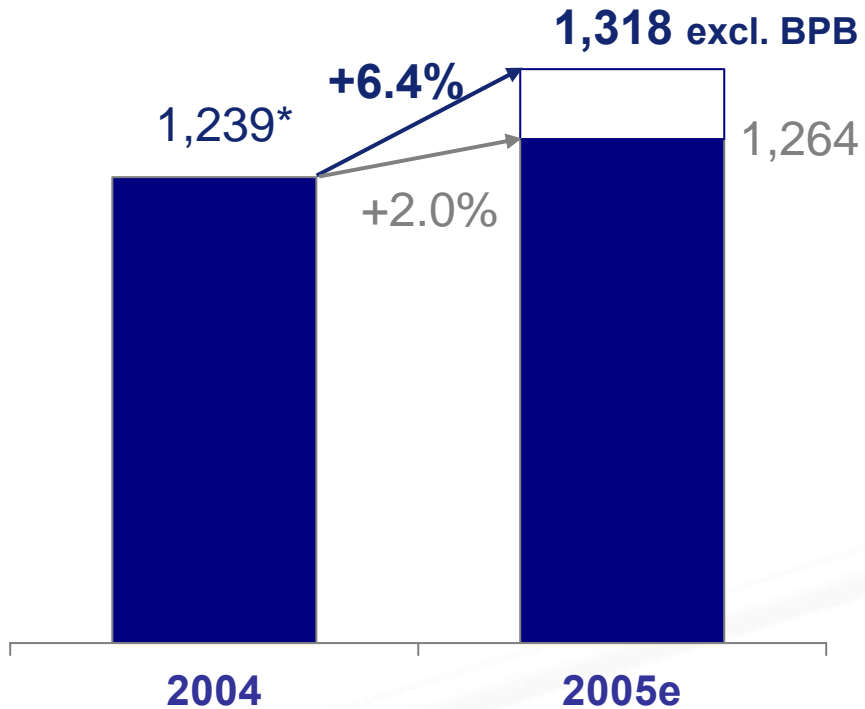
(excl. BPB, in €m and as % of sales)



\* Including Group Savings Plan and stock option costs (€32 million in 2004, €41 million in 2005)

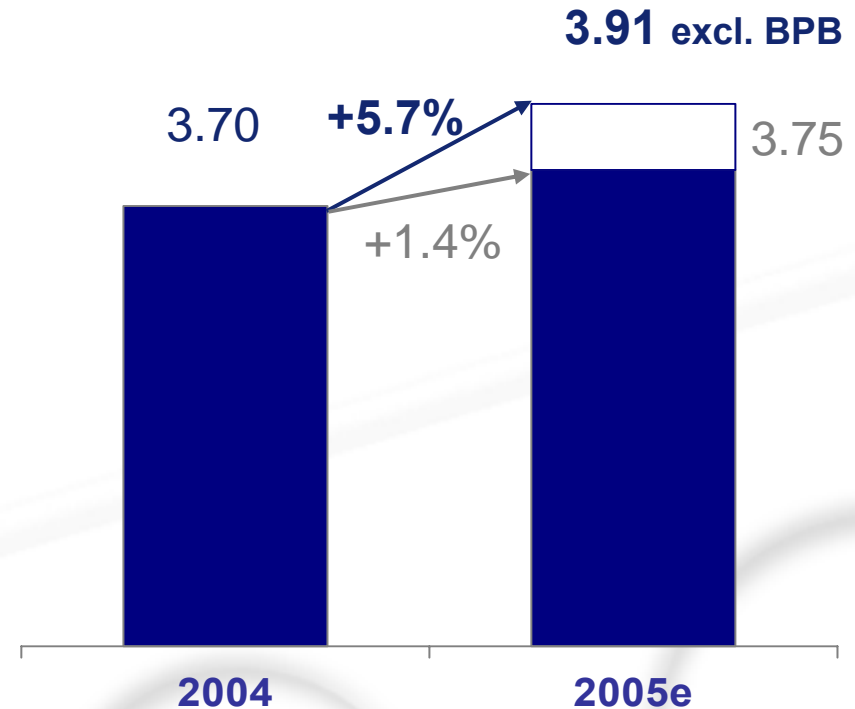
# Net income

(incl. and excl. BPB, in €m)



# EPS excl. treasury stock

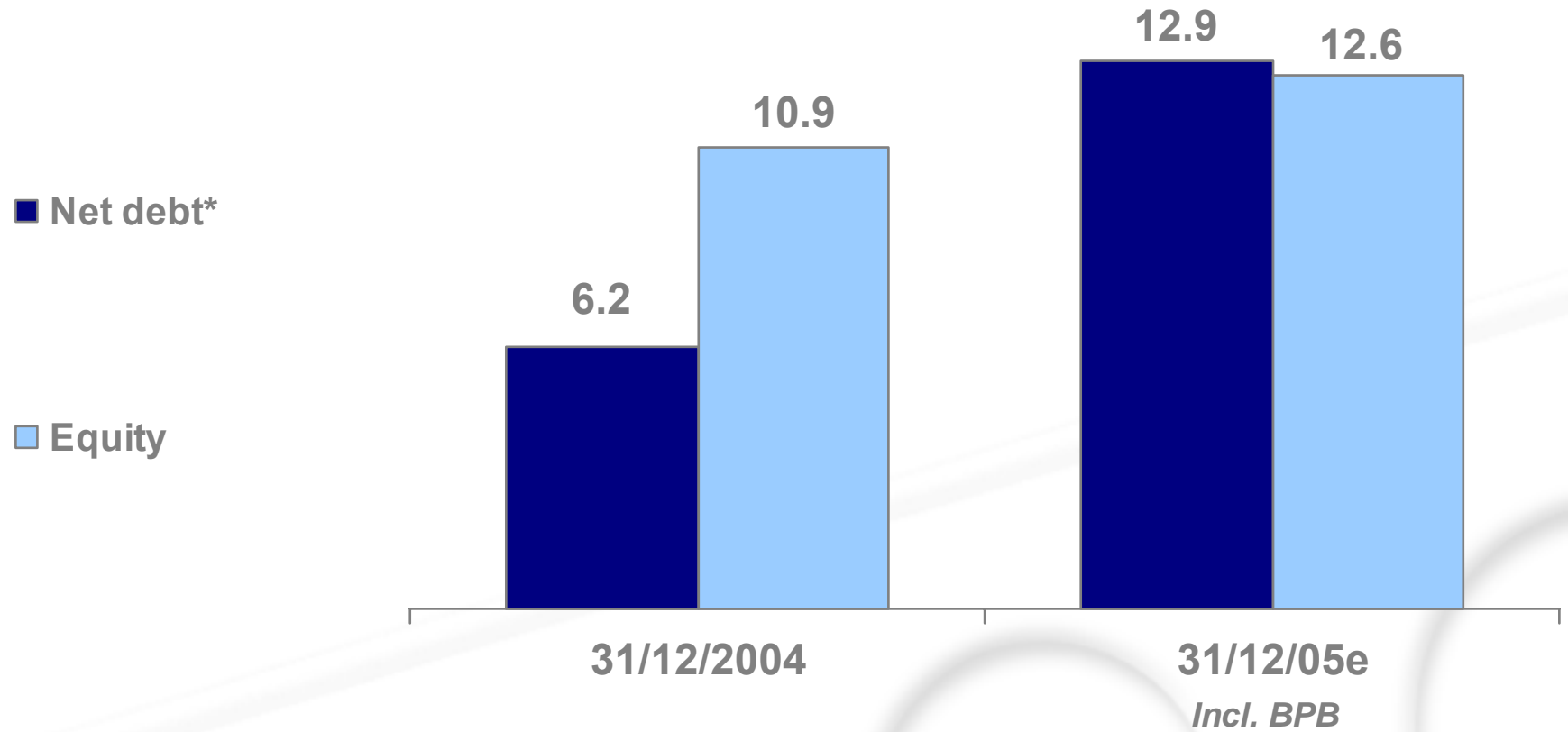
(incl. and excl. BPB, in €m)



No. of shares at 12/31 excl. treasury stock	335.1m	336.9m
Total capital stock	341.0m	345.3m

# Net debt and equity

*in €bn*



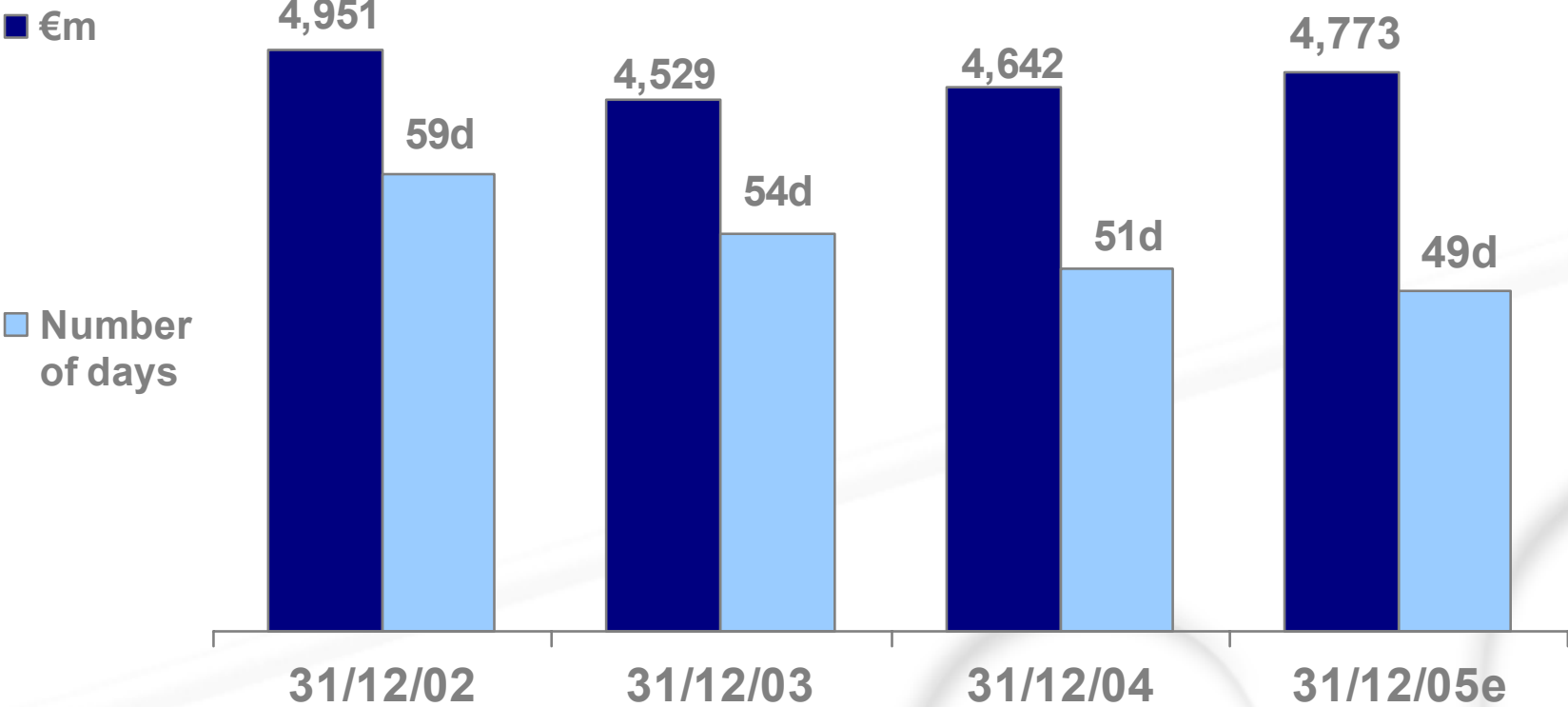
Net debt/equity

57%

102%

# Operating working capital

(excl. BPB, in €m and number of days)

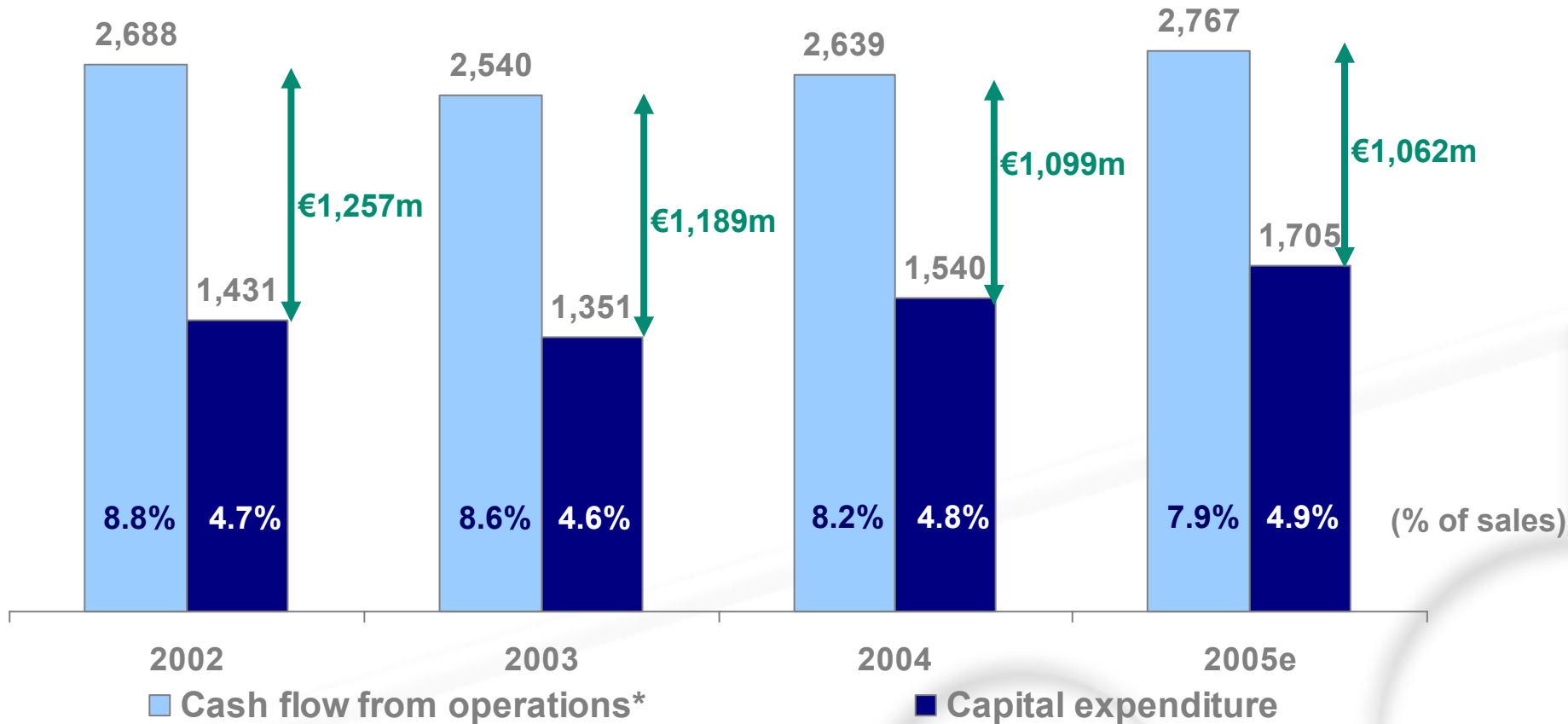


**Reduction of 10 days in three years**

2002 and 2003 under French GAAP  
2004 and 2005 under IFRS

# Cash flow and capital expenditure

(excl. BPB, in €m, excluding capital gains tax)



- Continuing high levels of cash flow from operations
- Large-scale investments in emerging countries

\* after asbestos-related charge  
2002 and 2003 under French GAAP  
2004 and 2005 under IFRS

# Acquisitions and divestitures in 2005

## > **New businesses**

- Building Distribution €628m  
*(of which Optimera 203, Sanitas 225)*
- High-Performance Materials €48m

## > **Historic businesses**

*(of which 82% in emerging countries)*

€386m

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**Total (excl. BPB) €1,062m**

## > BPB

€5,929m

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**Total acquisitions €6,991 m**

## > **Divestitures (incl. Stradal)**

€363m

# 2

## 2005 Estimated results

A. Group

B. Asbestos claims



# Asbestos claims against CertainTeed in the US

## 2005 developments

- > Number of **new claims** continued to **level out**
- > Renewed **decrease** in **outstanding claims**
- > Fall in the **average cost** of settlement (trailing 12-month basis)
- > **€100 million** (\$125m) set aside to the **provision** for 2005 - Total provision at December 31, 2005: \$422m
- > Reduction in **cash-outs** in 2005, to **\$88m** (compared with \$140m in 2004)

# Asbestos claims against CertainTeed in the US

## New claims filed in 2005

	2004	2005	H1 2005*	H2 2005*
Total	18,000	17,000	10,000**	7,000***

\* estimated

\*\* incl. 3,000 mass claims filed in KY

\*\*\* incl. 3,000 mass claims filed in TX



> Claims fell or leveled out in almost all States

# Asbestos claims against CertainTeed in the US

## Claims settled in 2005

	2004	2005	H1 2005*	H2 2005*
Settled	20,000	20,000	13,000	7,000
Outstanding	106,000	100,000	100,000**	100,000

\*\* After 3,000 claims transferred to an "inactive docket"

- > The number of claims settled was slightly higher than the number of new claims → outstanding ~ 100,000 claims

<i>Trailing 12-month basis</i>	06-30-04	<b>12-31-04</b>	06-31-05*	<b>12-31-05*</b>
Average cost	\$2,700	<b>\$2,900</b>	\$2,500	<b>\$2,800</b>

- > Average settlement cost still under \$3,000

\* estimated

# Asbestos claims against CertainTeed in the US

## Legislation reform update

### Federal reforms

- > May 26, 2005: **bipartisan vote** by the US Senate Judiciary Committee on the Asbestos Trust Fund bill
- > **Vote** may be put before the full Senate in February 2006
- > In any case, the process is expected to take several months

### State reforms

- > Favorable developments in several **States**
- > **Positive impact** on inflows of new claims

# 3

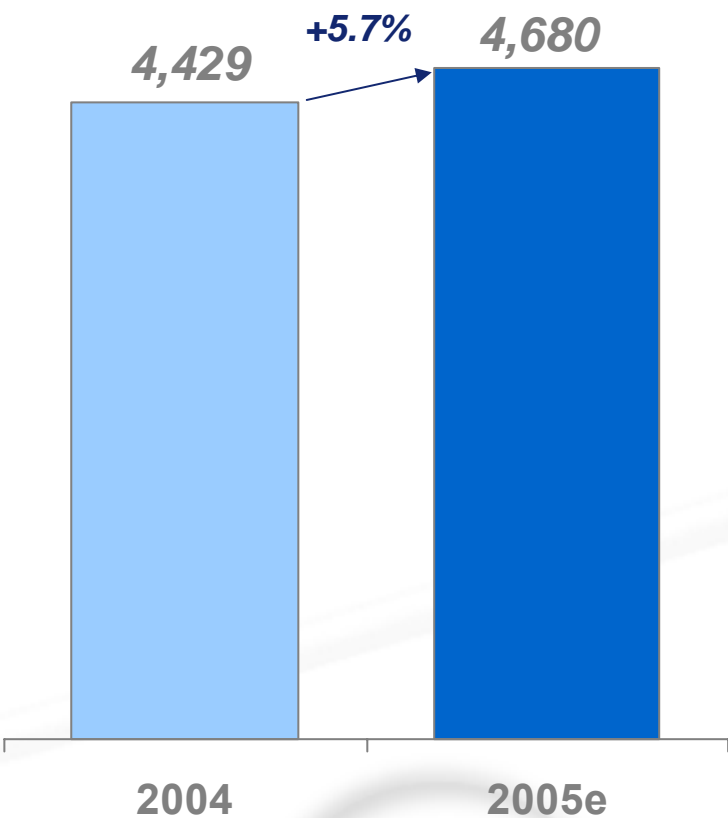
## Operating performance

- A. Results and developments per sector
- B. Results by geographic area
- C. BPB integration



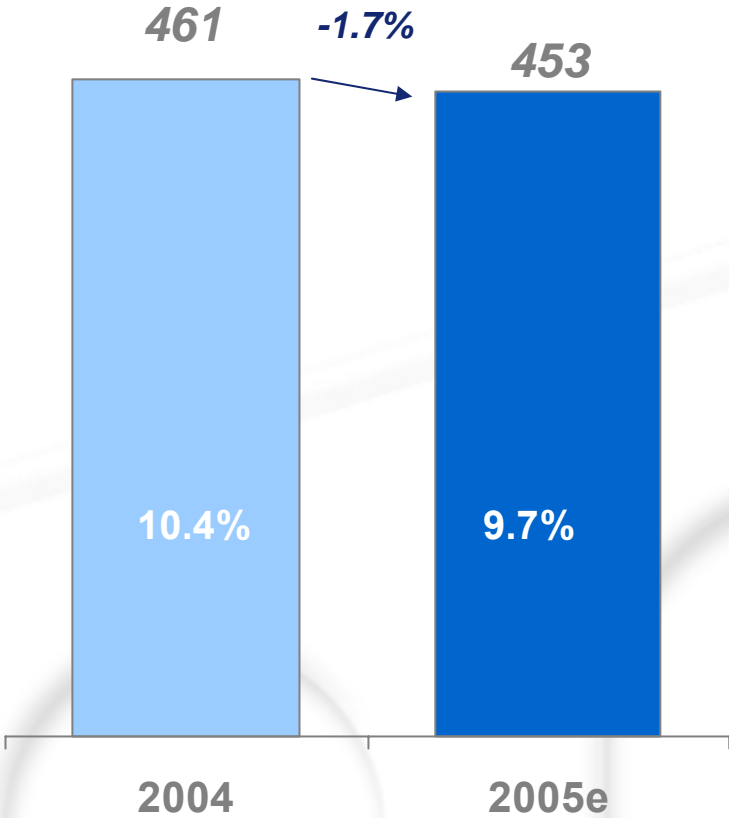
# Flat Glass

Net sales (in €m)



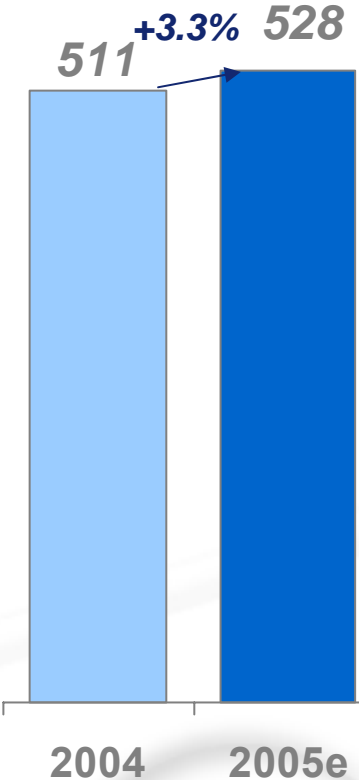
**+0.4% like-for-like**

Operating income (in €m and as % of sales)

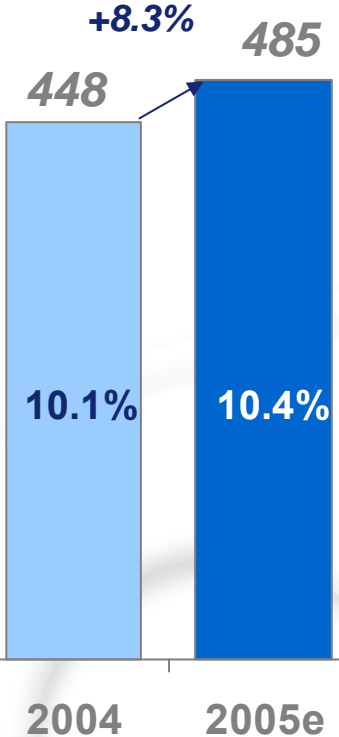


# Flat Glass

*Cash flow from operations (in €m)*

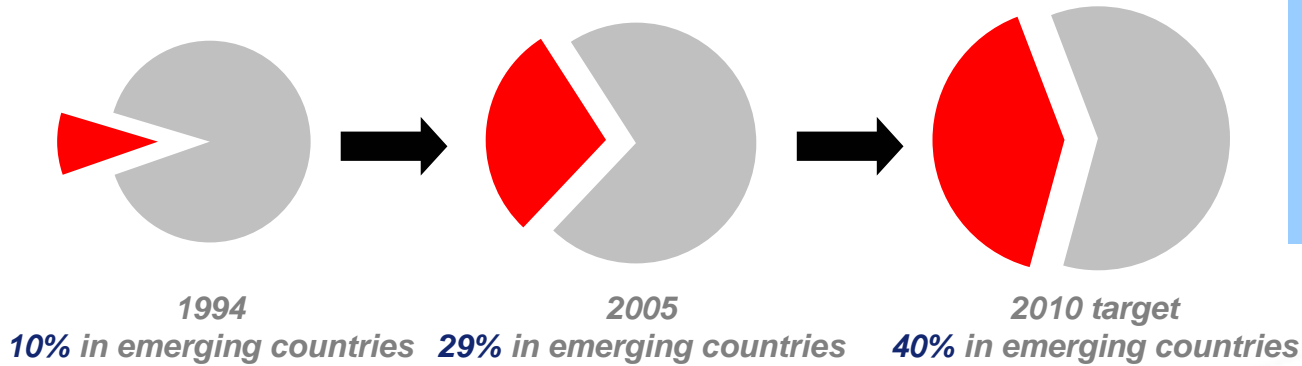


*Capital expenditure (in €m and as % of sales)*



# Flat Glass

> Continued rapid expansion of the **Flat Glass Sector** in emerging countries (57% of 2005 capital expenditure)



**2005 achievements:**  
- Launch of new float-lines in India and China, start of construction in Romania  
- Sekurit opening and extension in India, China and Poland

> Continued focus on innovation: R&D costs up 9% in 2005

**Innovative products**



SGG Cool-lite SKN 172



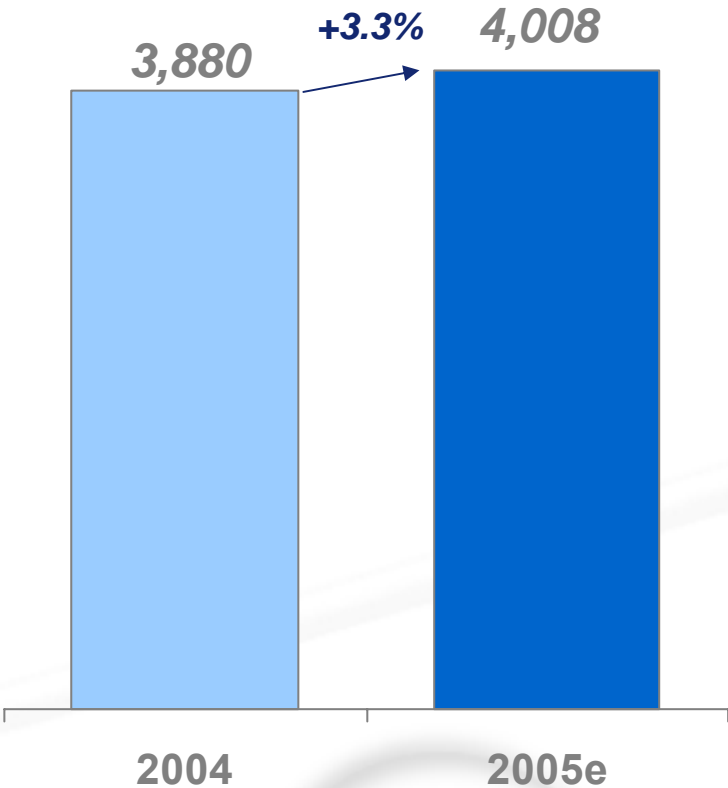
SGG Planitherm Ultra II



Ferrari 575 Superamerica's electrochromic glazing roof

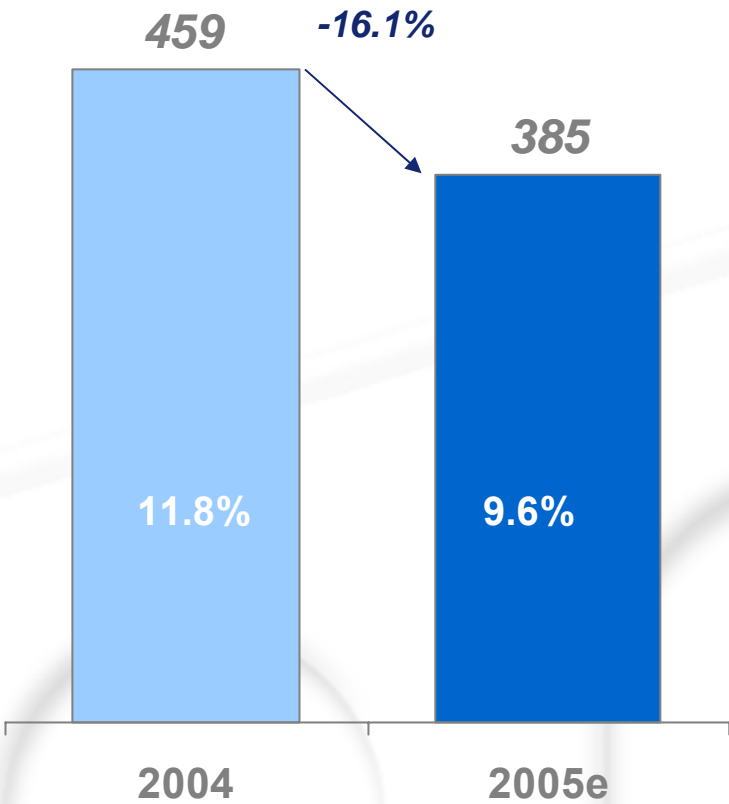
# Packaging

*Net sales (in €m)*



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

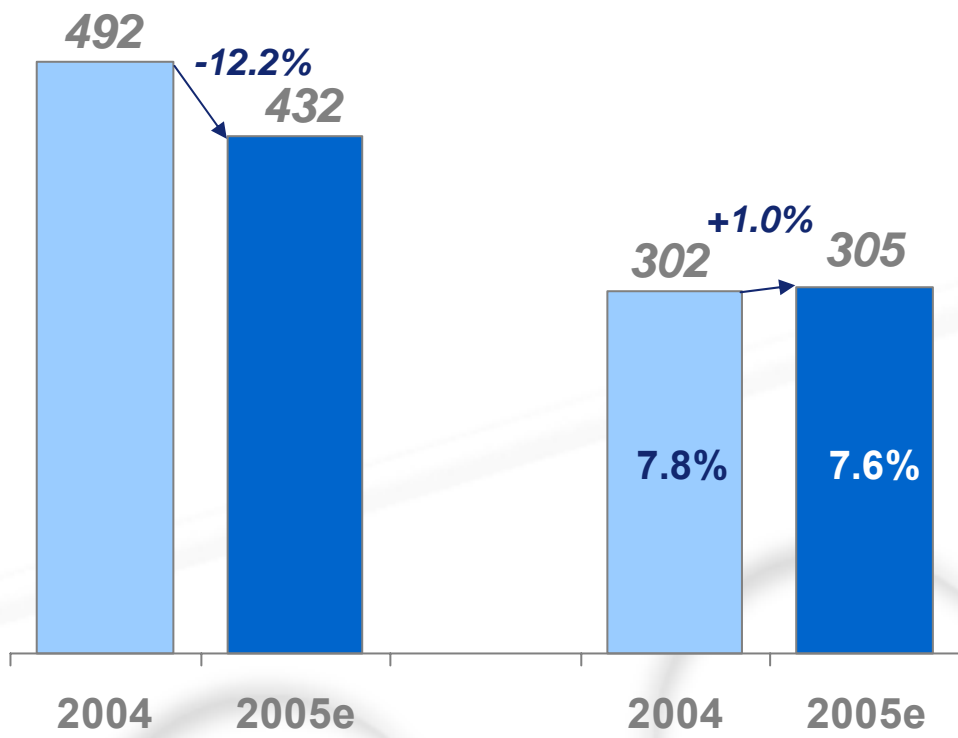
*Operating income (in €m and as % of sales)*



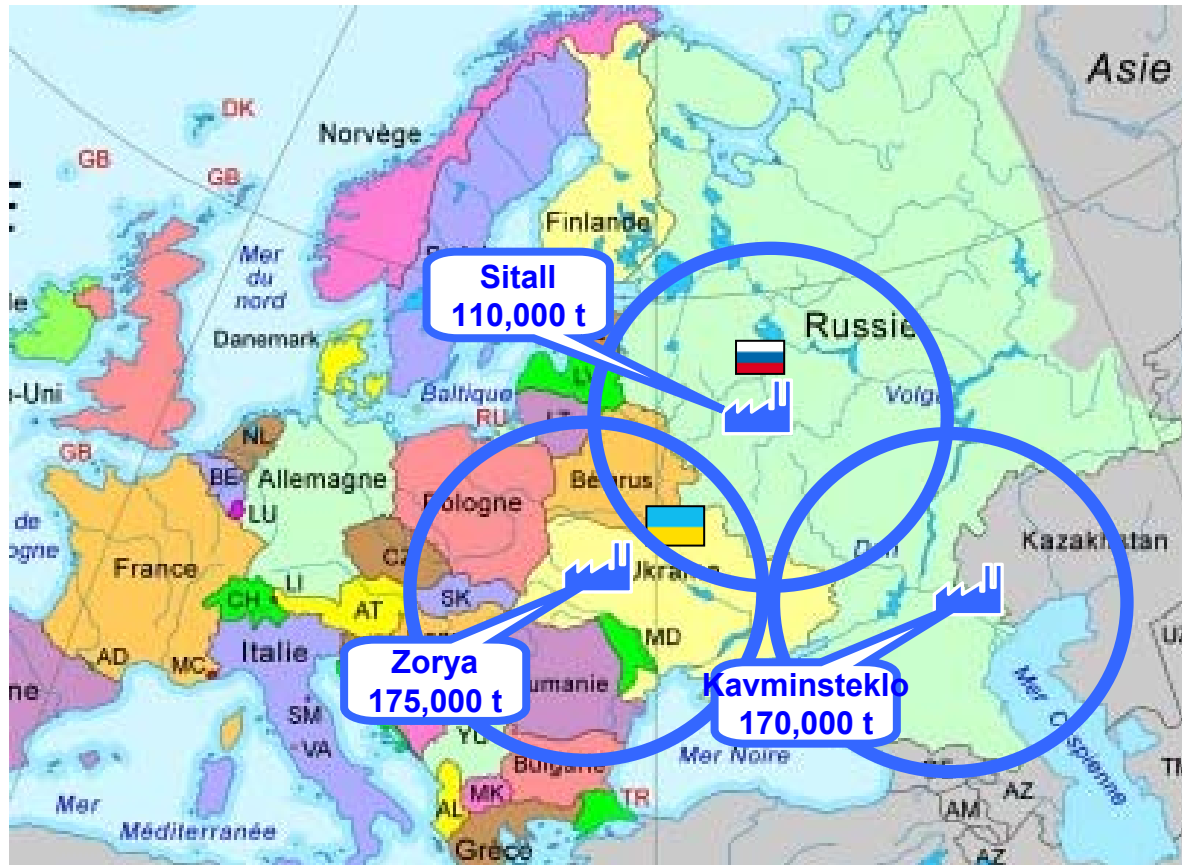
# Packaging

*Cash flow from operations (in €m)*

*Capital expenditure (in €m and as % of sales)*



# Bottles and jars: expansion into Eastern Europe



> Acquisition of **Zorya**, 2<sup>nd</sup> largest Ukrainian producer, with sales of €23 million in 2004

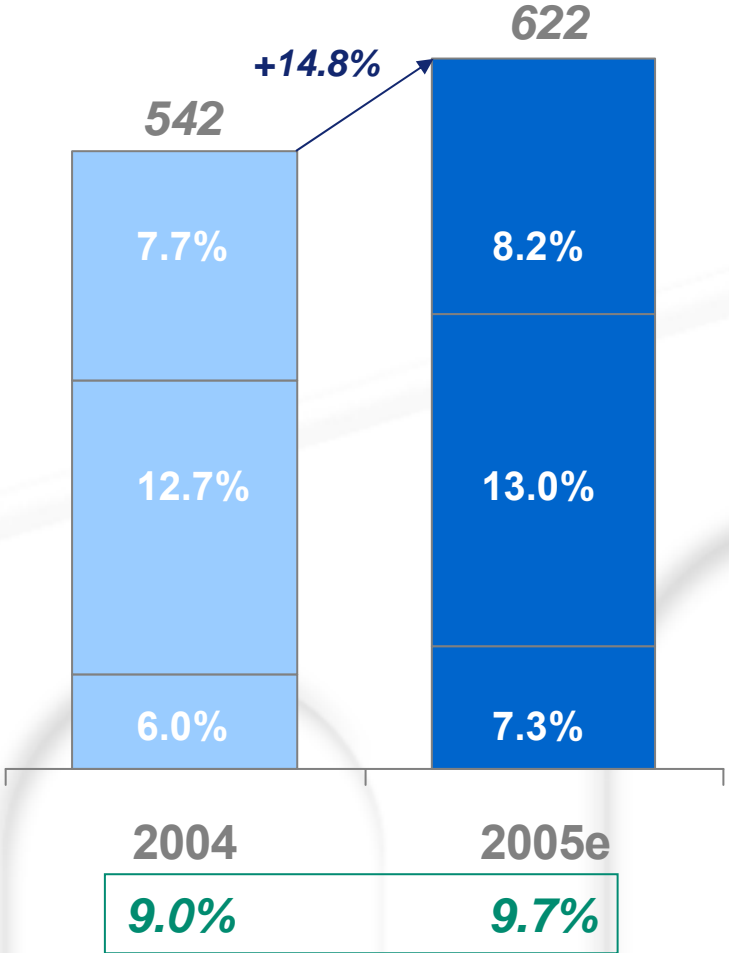
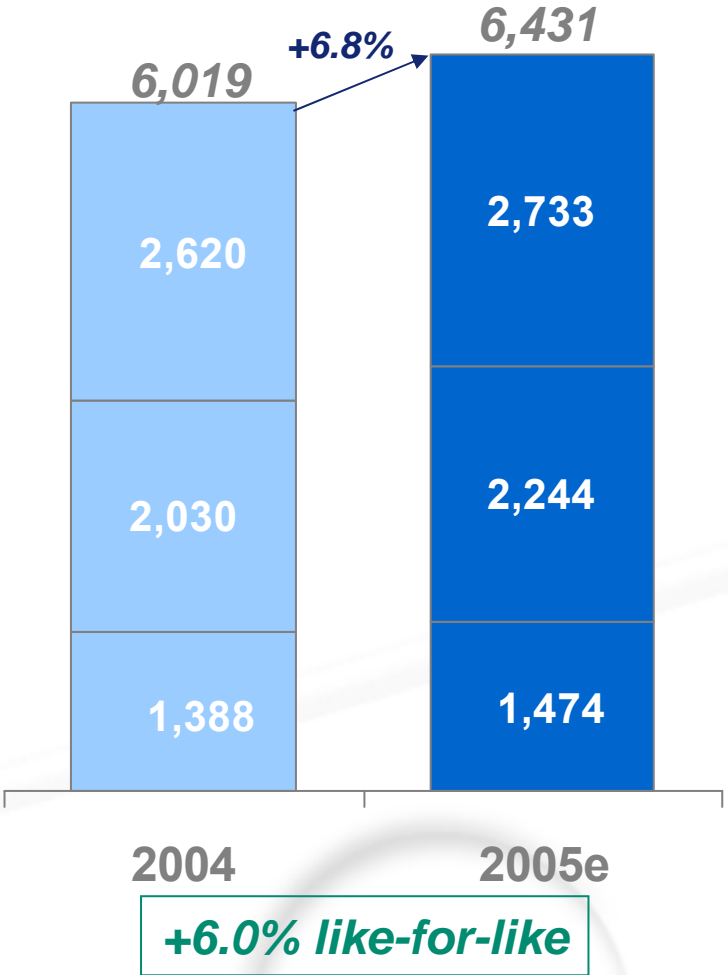
> Acquisition of **Kavminsteklo** and **Sitall**, with sales of €26 million and €20 million, respectively, in 2004

# Construction Products

(excl. Gypsum)

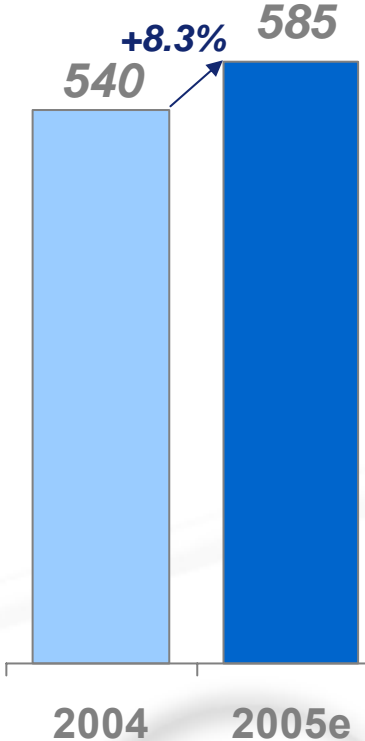
Net sales (in €m)

Operating income (in €m and as % of sales)

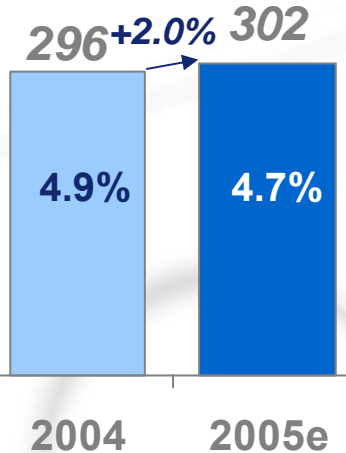


# Construction Products

*Cash flow from operations (in €m)*



*Capital expenditure (in €m and as % of sales)*



# Construction Products (CP) after BPB acquisition

**2005 net sales:  
€1.5bn**

2005 organic growth: +5.6%

**Infrastructure  
(pipe)**



**2005 net sales:  
€2.7bn**

2005 organic growth: +5.2%

**Exterior fittings  
(roofing, siding, mortars)**



**2005 net sales: €5.8bn**

2005 organic growth: ~ +7% (pro forma BPB)

**Interior fittings  
(insulation, gypsum)**



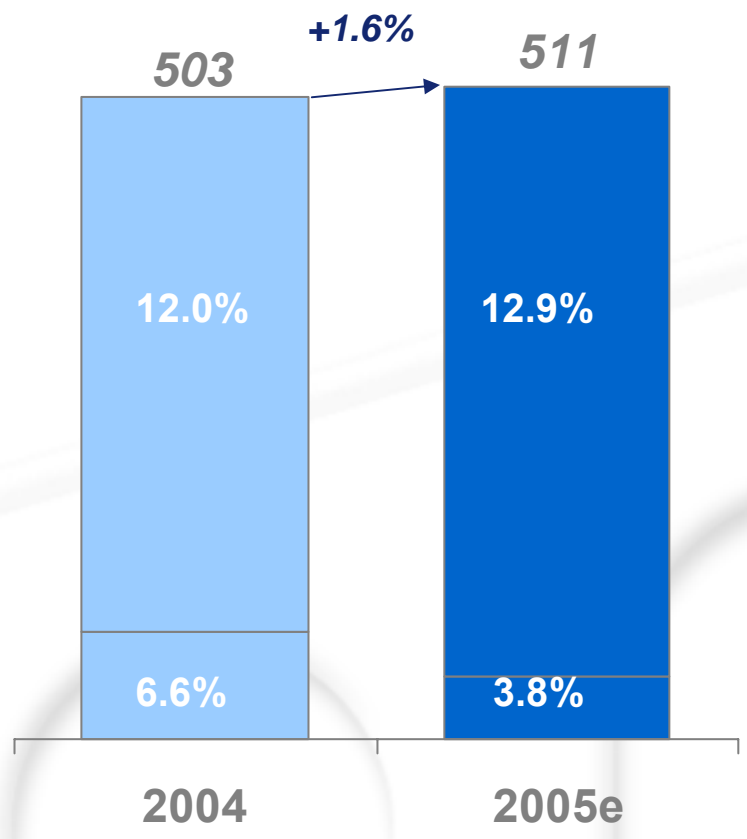
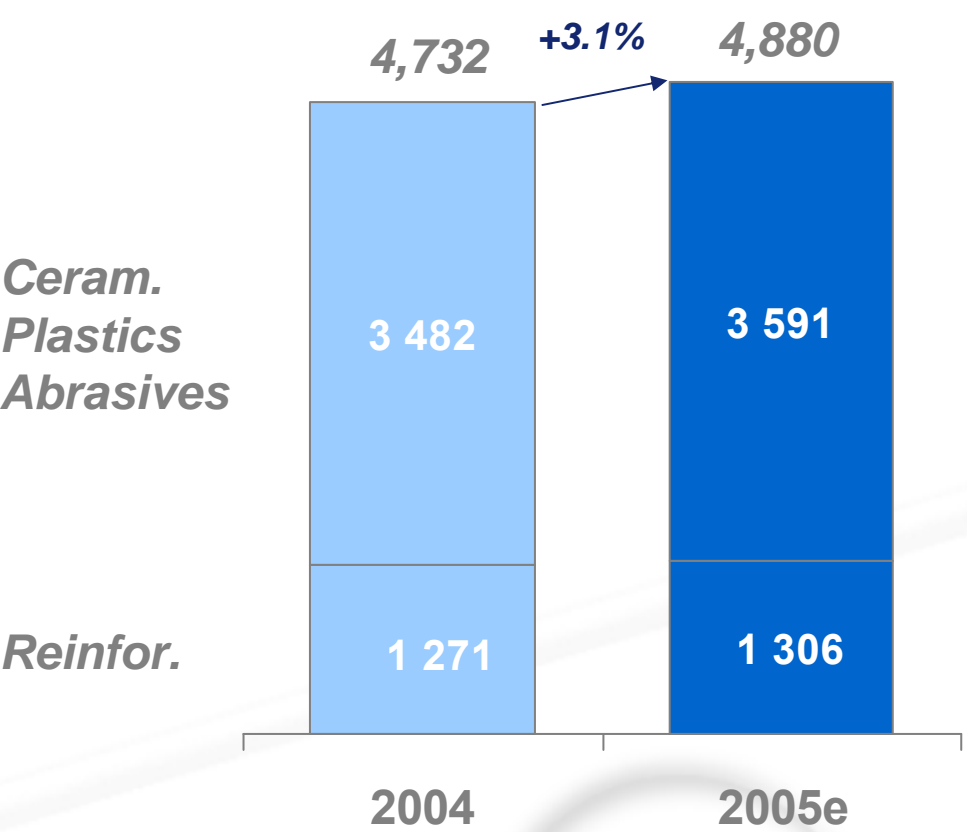
- > €10bn in sales after BPB
- > three distinct markets
- > organic growth of +6% in 2005, ~ +6.3% pro forma BPB

**The world's leading producer of functional materials**

# High-Performance Materials

Net sales (in €m)

Operating income (in €m and as % of sales)



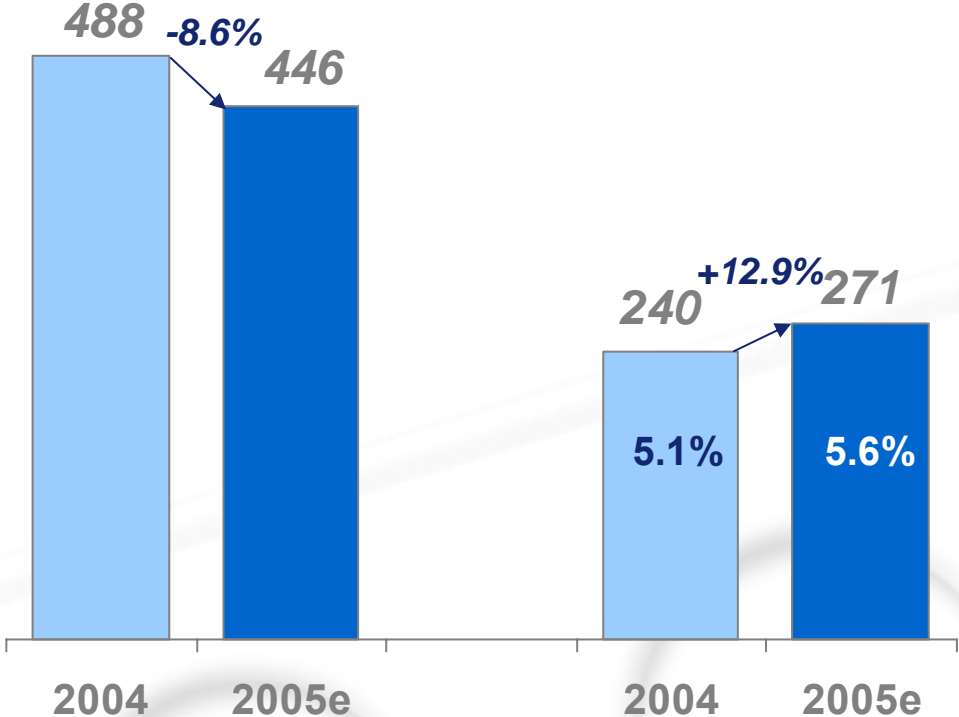
**+1.4% like-for-like**

**10.6%**      **10.5%**

# High-Performance Materials

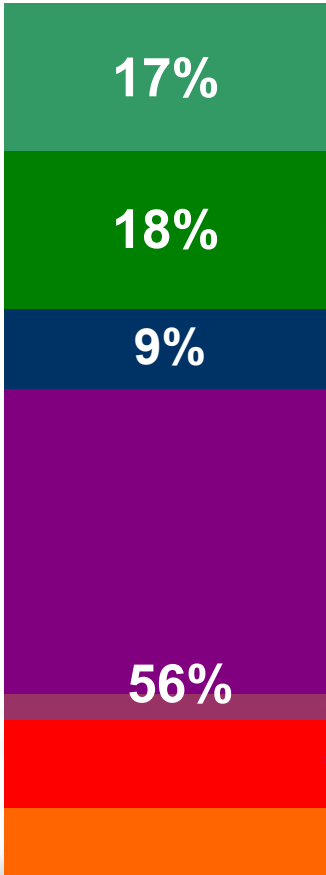
*Cash flow from operations (in €m)*

*Capital expenditure (in €m and as % of sales)*



# HPM: robust, varied markets

## HPM end-markets



Construc.

Transport

Household equipment

Industry

## Buoyant markets

**Aeronautics**  
Upturn in the segments supplied by the sector (defense and US civil defense programs)

**Glass industry**  
Markets still robust after an excellent year in 2005

**Defense/Security**  
Participation in all major US supply programs

**Healthcare**  
Sustained strong profitable growth

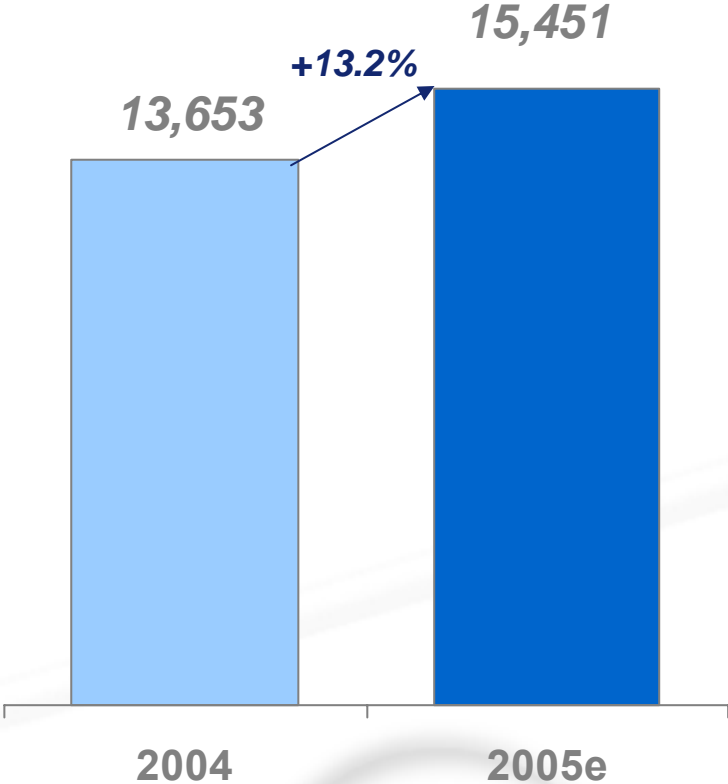
**Energy**  
Buoyant market driven by high energy prices

## Innovative products

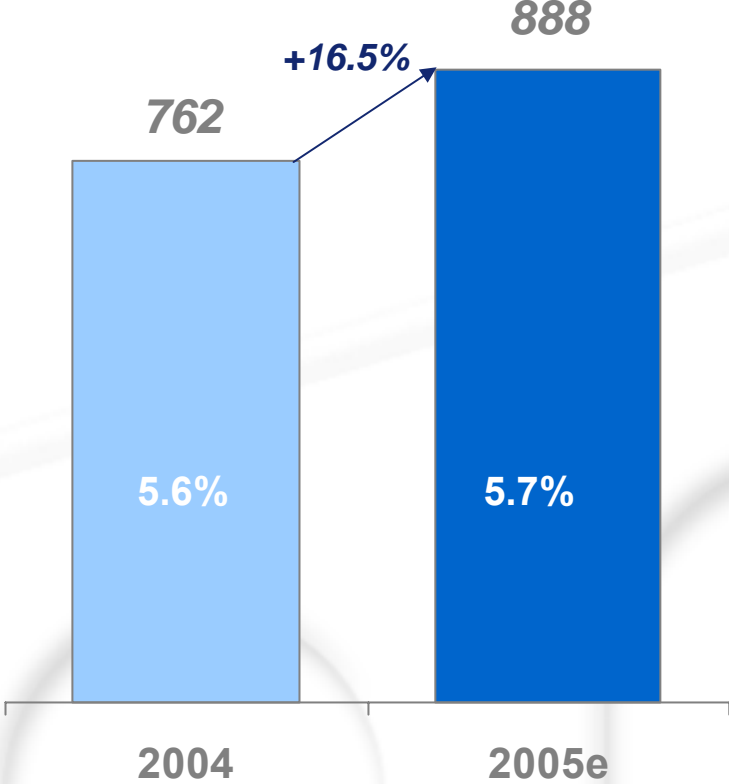


# Building Distribution

Net sales (in €m)



Operating income (in €m and as % of sales)

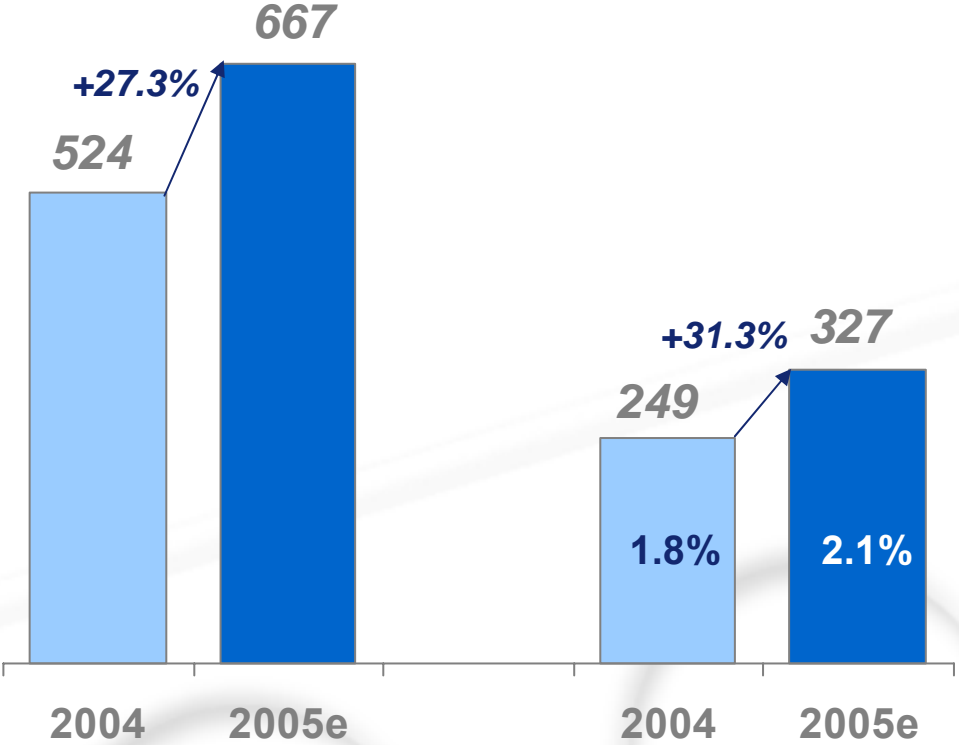


**+2.7% like-for-like**

# Building Distribution

*Cash flow from operations (in €m)*

*Capital expenditure (in €m and as % of sales)*



# New businesses, new countries

## > Continued expansion of **specialized businesses**:

- ✓ Acquisition of Sanitas Troesch in Switzerland (bathroom distribution)
- ✓ Contribution of BPB's specialized distribution business (Spain, Belgium, France)
- ✓ March 2006: launch of Aquamondo, a new concept in bathrooms



## > Ongoing growth of **Platform**

- ✓ 14 new Platforms opened in 2005 (including 6 in France)
- ✓ CAGR of + 52% of sales between 1999 and 2005



## > **Geographic expansion**:

- ✓ Operations in two new countries: Switzerland and Slovakia
- ✓ Opening of la Maison in China in July 2005



# The Scandinavian success story



## Dahl, an example of successful integration

- ✓ Contribution to 2005 net income: €65m
- ✓ Higher value creation in 2005 with operating income of €109m (€95m in 2004)
- ✓ 19% jump in sales since 2003, 2005 organic growth > 7%



## Continuation of regional growth strategy: Optimera

- ✓ General distributor  
No. 1 in Norway
- ✓ Sales of ~ €600m  
(full year)

**/OPTIMERA/**

**DAHL**



# 3

## Operating performance

- A. Results and developments by sector
- B. Results by geographic area
- C. BPB integration

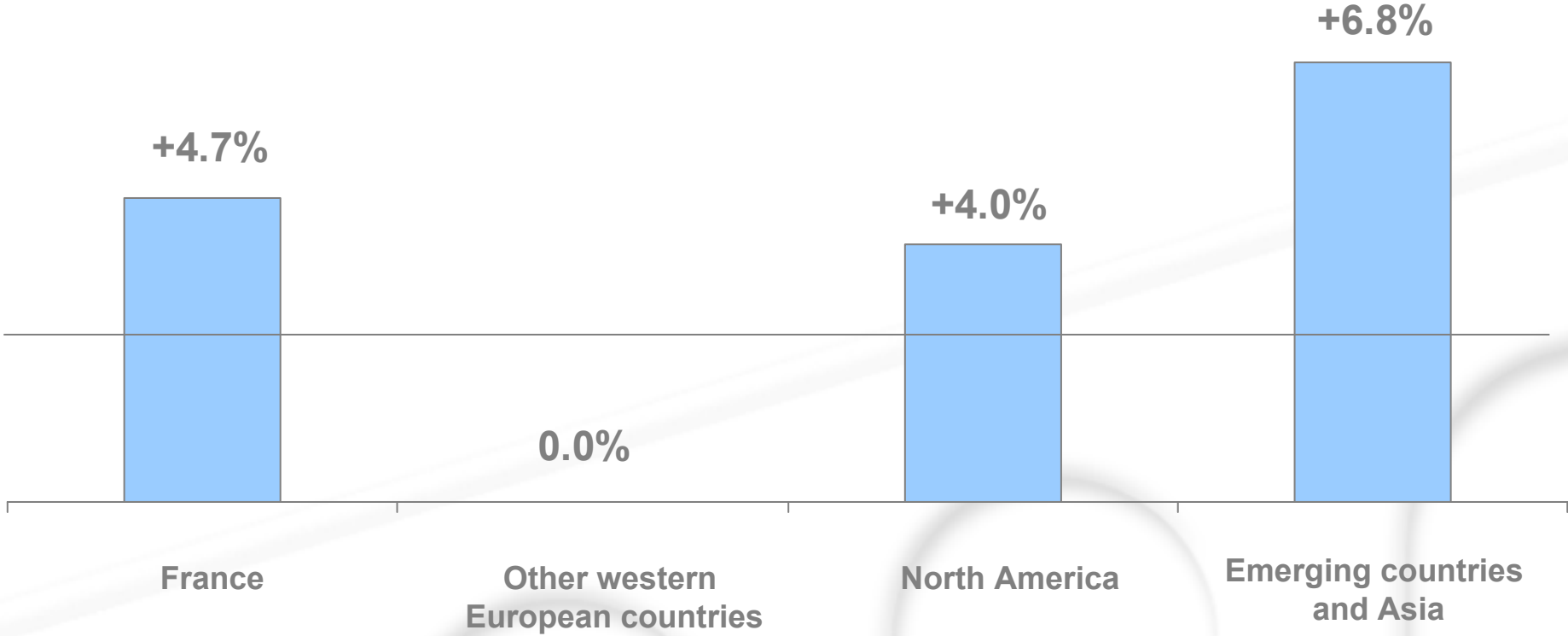


# Organic growth by geographic area

2005/2004 % change in net sales  
on a like-for-like basis

(excl. BPB)

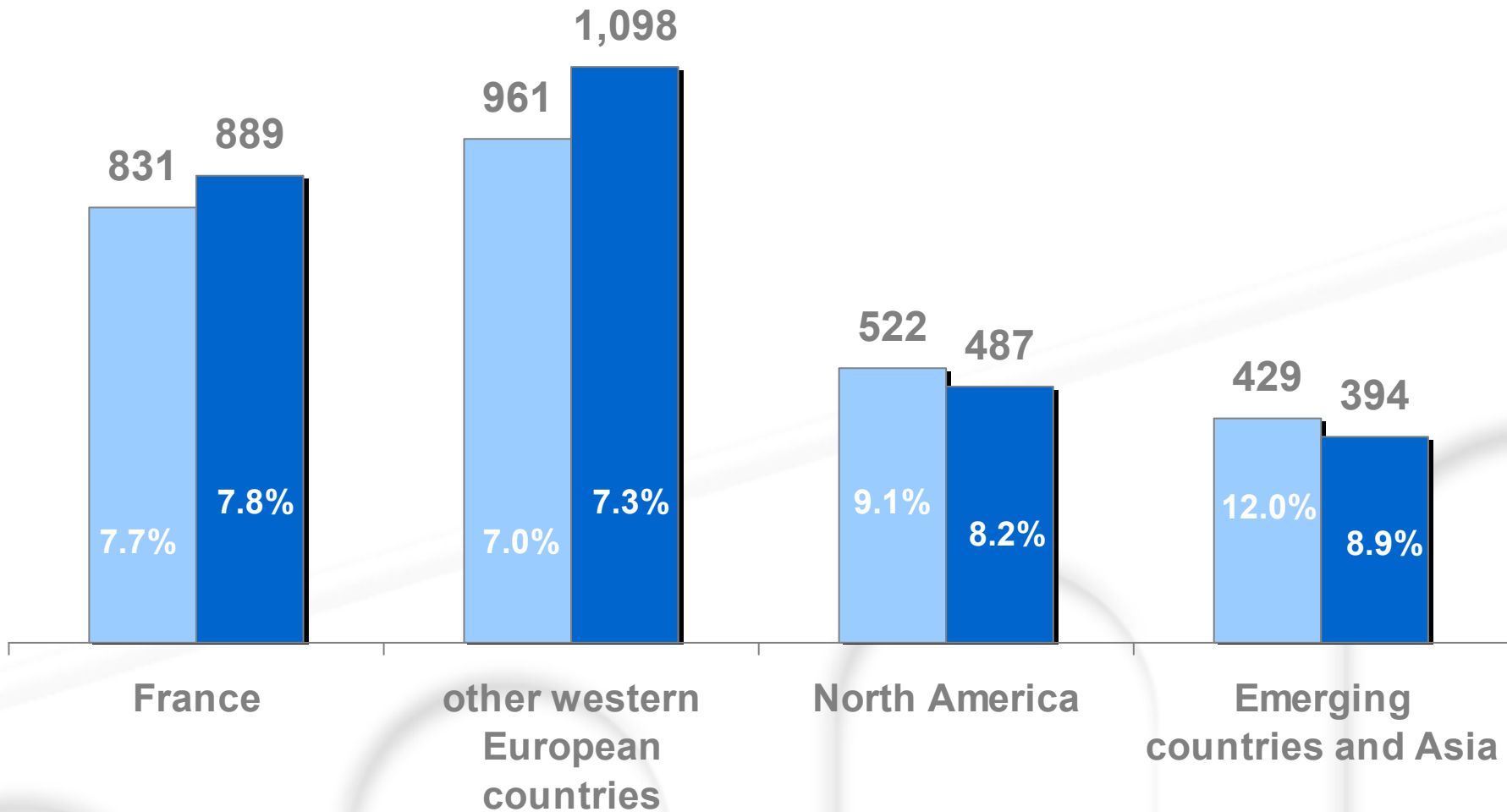
**Group average: +2.7%**



# Operating income by geographic area

(excl. BPB, in €m and as % of sales)

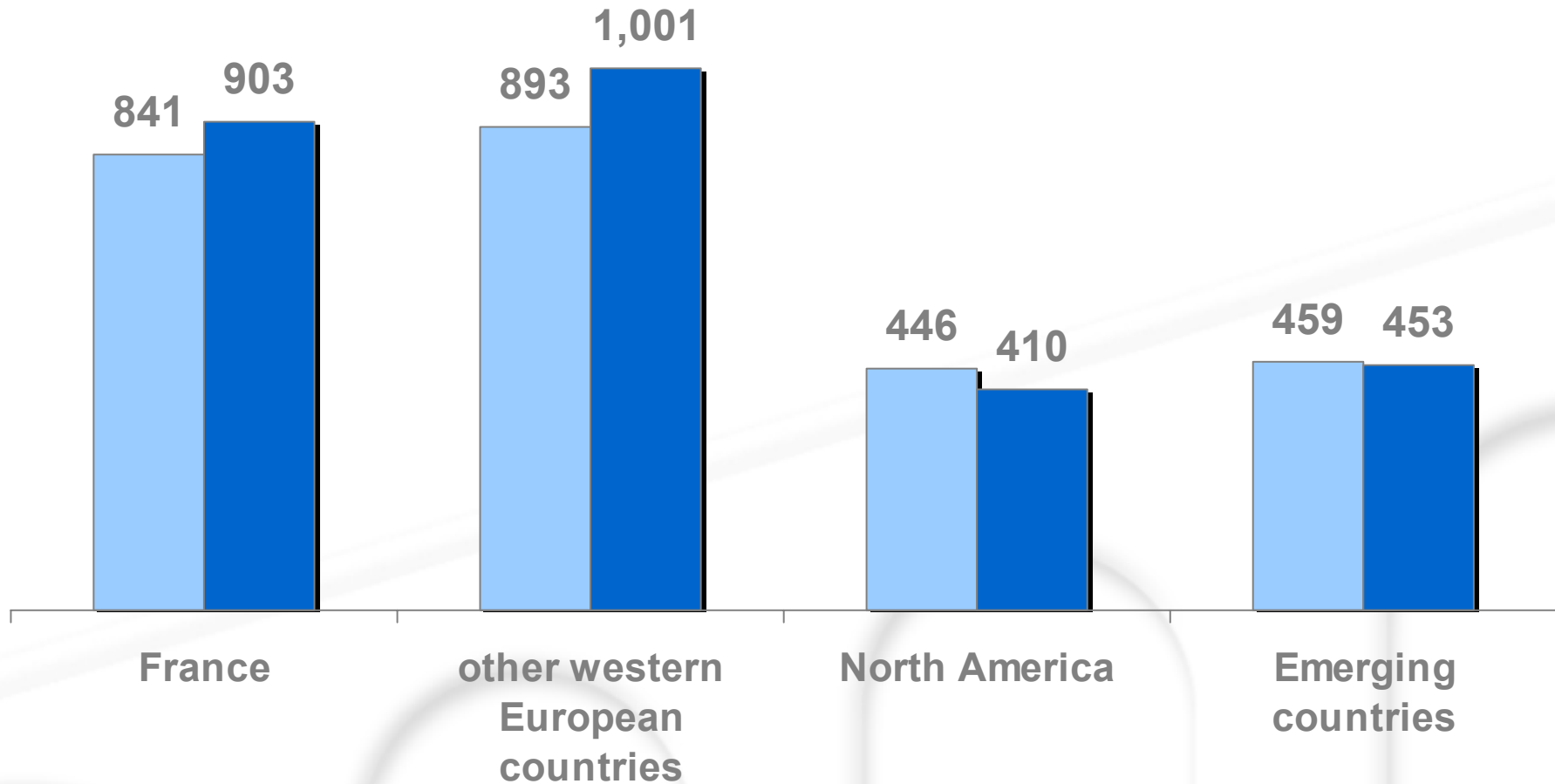
■ 2004 ■ 2005e



# Cash flow from operations by geographic area

(excl. BPB, in €m)

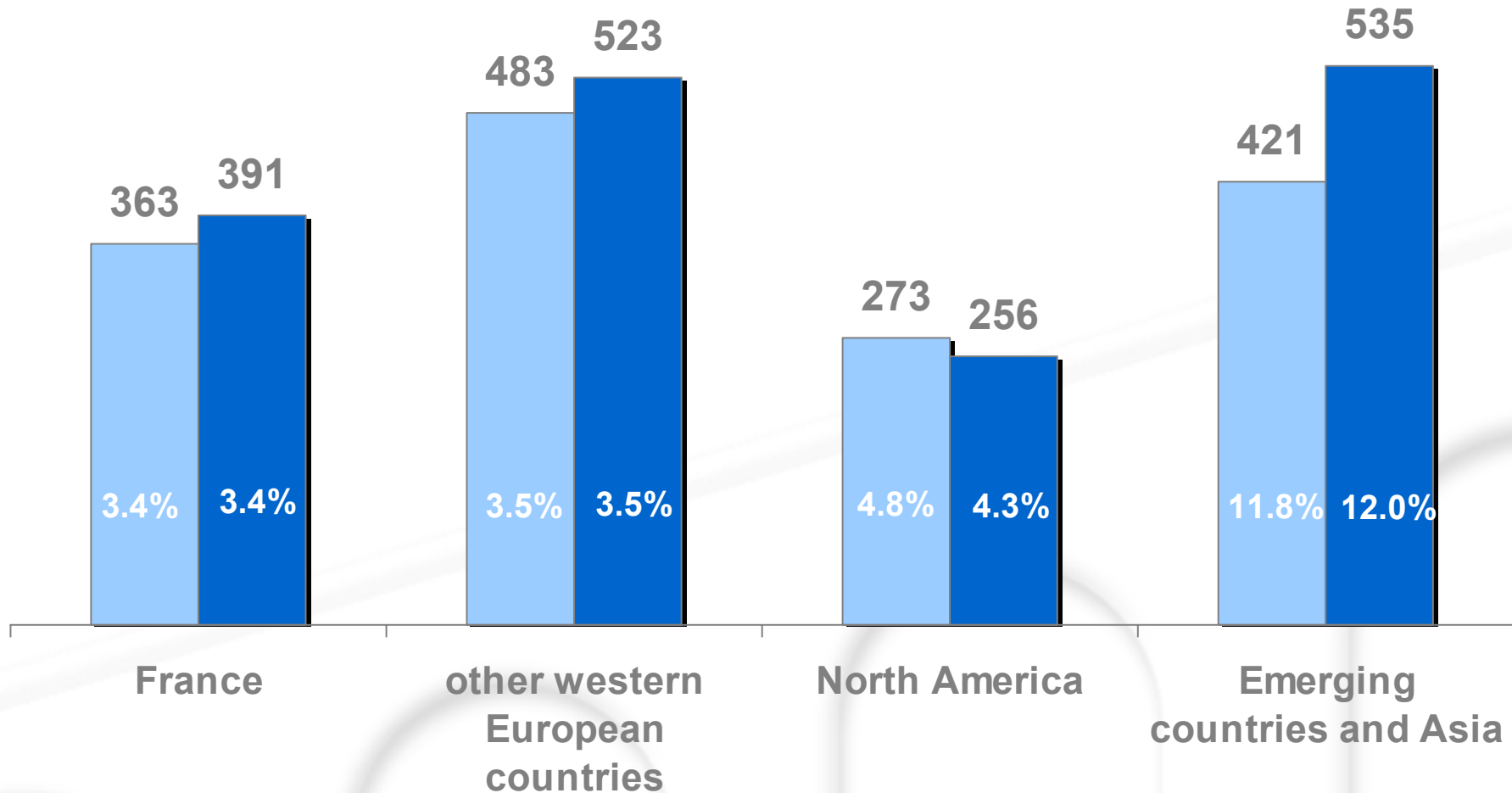
■ 2004 ■ 2005e



# Capital expenditure by geographic area

(excl. BPB, in €m and as % of sales)

■ 2004 ■ 2005e



# 2005 estimated results in a nutshell

- > A further **increase in sales prices**
- > An **upturn in sales volumes** in the second half
- > Results spearheaded by:
  - **Building Distribution: operating income up 16.5%**
  - **Construction Products: operating income up 14.8%**
- > **Rising energy costs** impacted Packaging and, to a lesser extent, Flat Glass

# 3

## Operating performance

- A. Results and developments by sector
- B. Results by geographic area
- C. BPB integration



# Update on BPB integration

- > **Organizational structure and performance in line with Saint-Gobain's expectations**
- > **Confirmed synergies worth €100 million**
- > **Swift implementation timetable**
- > **A tailored organization**

# Confirmed synergies

- > Work jointly undertaken with BPB confirmed Saint-Gobain's assessments: full-year (2007) synergies worth **€100 million**
- > Detailed analysis of potential synergies reveals significant purchasing and head office synergies, which will be **implemented rapidly**
- > This assessment was **confirmed** by an area analysis:

Western Europe + HQ	€70 million
North America	€20 million
Emerging countries	€10 million

# Swift implementation timetable

- > **Initial steps** implemented in December:
  - harmonization of IT systems
  - decision to close HQ at Sefton Park,
  - delisting
  - preliminary purchasing negotiations
- > **Creation of 16 project teams**, who will report on their findings at the end of the first quarter and recommend an **organizational model to support operations in each country (BPB/Isover)**
- > **In 2006, 40% of synergies** will be achieved:
  - a **€40m impact on operating income**
  - a **positive impact on net income** (after restructuring costs)

# A tailored organization


## C Imauven - Construction Products



**JP Clavel**  
Gypsum



**CA Tardy**  
Insulation



**JP Clavel -**  
Western / Central  
Europe

**JP Clavel -**  
France, Germany, Benelux, Italy,  
Switzerland, Spain, Austria,  
ex-Yugoslavia

**P Mathieu -** Western Europe

**M Woertler -** Central Europe

**J Colley –**  
North / Eastern  
Europe

**J Colley -**  
UK, Ireland, Finland, Russia,  
Baltics, Eastern Europe,  
Scandinavia, Turkey, Greece

**J Rooze -** Eastern Europe

**P Rantamaki -** BBCS

**NC Larsen -** Scandinavia

**P Dachowski –**  
North America

**B Thompson -** North America

**H Deck -** North America

**CA Tardy -**  
South-Central America  
/ Asia

**L Naik -** Asia

**D Toro –** Mexico

**A Villiagran –** Brazil

**A Babeanu -** Asia

**JL Suarez -** South America

**M Higson -**  
South Africa/ Mid East

**S De Toit -** South Africa

**Managing operations and synergies**

**Strategy definition and implementation**

# Gypsum activity 2005 - 2006

> In line with forecasts (in €m)

	2005	2006	2006/2005 change
Net sales	~3,550	~3,850	~ + 8%
Synergies	0	+40	
<b>Op. income</b> after synergies	~460 *	~550 *	~ +20%
<b>Op. income</b> as % of sales	~13%	>14%	
Restructuring costs (impact on Business income)	-35	-30	

> **Objectives confirmed:**

- Saint-Gobain EPS (accretion) : **more than 11% in 2006**
- Synergies: positive net impact of **€100m** on Business income **in 2007**

*\*after additional estimated depreciation/amortization due to the revaluation of certain BPB assets (reallocation of goodwill in accordance with IFRS 3)*

# 4

## Saint-Gobain's strategy



# **Saint-Gobain's strategy**

- > Roll-out of the business model**
- > Expanding presence in construction markets**
- > 2005: developing competitive advantages across all businesses**
- > Ongoing vigorous development in emerging countries**
- > Active portfolio management**

# Roll-out of the business model

**Building  
Distribution**

**High-Performance  
Materials  
(HPM)**

- Significant internal and external growth opportunities
  - Leadership through innovation and service



  
SAINT-GOBAIN



**Flat Glass**

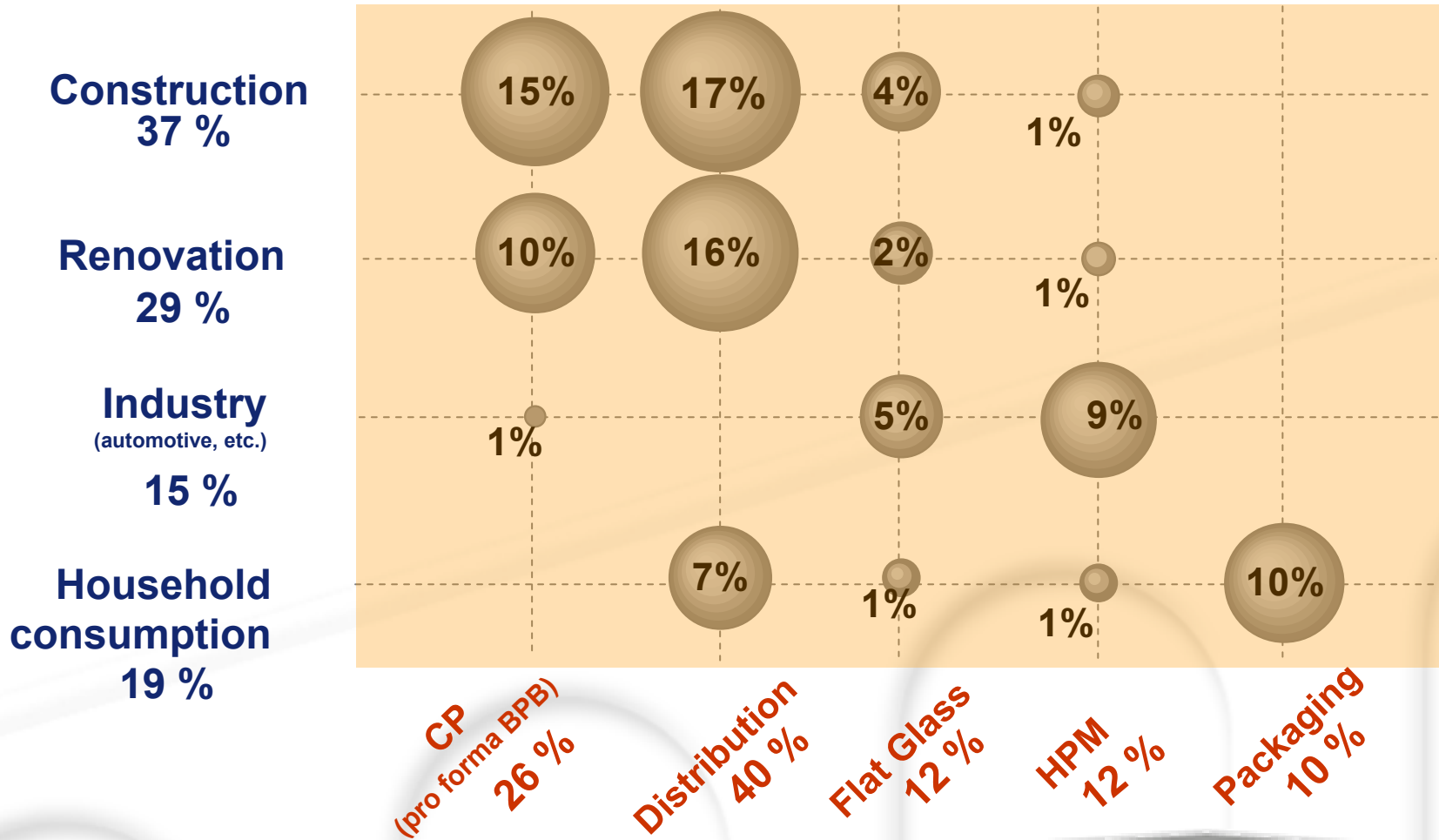
**Construction  
Products**

**Packaging**

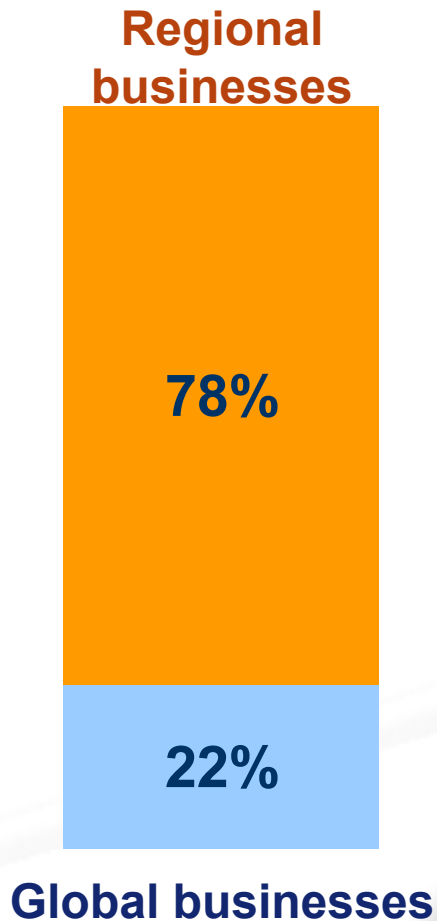
- Strong free cash flow levels
- High growth potential in emerging countries

# Expanding presence in construction markets

## Breakdown of Saint-Gobain's end-markets



# Developing competitive advantages across all businesses



Pro forma BPB 2005

## Strengthening leadership

- BPB acquisition
- Continuing vigorous pace of acquisitions in Building Distribution

## Innovation and cost optimization

- Increase in R&D expenditure rate for HPM
- Acquisition of Xugang in the Pipe Sector

# Stepping up management of the business portfolio

- > Large-scale divestitures planned for the next 18 months:
  - Based on 3 criteria:
    - consistency with the business model and synergies with the rest of the Group
    - growth potential
    - possibility of maximizing price and terms of the sale
  - process already underway: Calmar (Packaging)
  - other possibilities being considered
- > Ensuring financial flexibility to enable ongoing acquisitions



***A more cohesive business portfolio, with a higher growth potential and an appropriate balance between emerging and industrialized countries***

# 5

## Outlook and objectives for 2006



# 2006: moderate economic growth

## United States:

- **Capital expenditure and industrial output** should continue to grow, but at a slower pace than in 2005
- **Household consumption** should see a moderate increase
- **New residential construction** market expected to slow somewhat, particularly in H2
- **New non-residential construction** should recover

# 2006: moderate economic growth

## Western Europe:

- **New construction:**
  - French and Scandinavian markets to remain robust
  - German and UK markets set to stabilize
- Slight increase in **household consumption**
- **Automotive production** set to recover after a difficult end to 2005
- **Capital expenditure and industrial output** on the rise

## Emerging markets:

- **Continued vigorous growth**

# 2006: continuing uncertainties

## Particularly:

- > The cost of raw materials, **energy** and transport
- > The extent of rises in **sales prices**
- > **US dollar** trends
- > Political instability and/or uncertainty as regards energy costs

# Outlook for Saint-Gobain businesses in 2006

- **Building Distribution:** continuing expansion and further improvement in profitability
- **Construction Products (CP):**
  - vigorous growth in interior fittings (BPB and Insulation)
  - continuing improvement in the Pipe business
  - solid performance of Building Materials markets set to continue
- **High-Performance Materials (HPM):** slight improvement in performance
- **Flat Glass and Packaging:** moderate growth (rise in sales prices)



**2006 set to be another year of growth**

# 2006 objectives

- > Step up **organic growth**
- > Post a **23-25% rise in operating income** at constant exchange rates\*
- > Achieve an **18%-20% increase in net income** excluding profit (loss) on sales of non-current assets
- > Ensure consistently **high levels of free cash flow**
- > Maintain a **strong balance sheet structure**

\* average rates for 2005

# 2005 Estimated Results and Outlook for 2006

Analysts – Investors Meeting

January 30, 2006

