SAINT-GOBAIN

PRESS RELEASE

Paris, February 23, 2017

2016 Results

Strong progress in results

- Organic growth of 2.6% led by volumes; prices stable, with a progression of 0.6% in H2
- Negative 2.9% currency impact on sales (with a negative 2.3% impact in H2); negative 1.0% Group structure impact
- Further rise in operating income up 10.8% like-for-like, and operating margin up to 7.2% from 6.7%
- Further strong 20.0% increase in recurring net income[1]
- 29.0% increase in free cash flow[2] to €1,258 million
- Acceleration of acquisitions in H2, totaling €362 million over the full year
- Increase in net debt to €5.6 billion, due namely to optimization of pension costs; buyback and cancelation of 11 million shares during the year
- *2016 dividend increased to €1.26, to be paid wholly in cash*

(€m)	2015	**2016**	**Change**	**Change** like-for-like
Sales	39,623	**39,093**	**-1.3%**	**+2.6%**
EBITDA	3,844	**3,998**	**+4.0%**	**+7.4%**
Operating income	2,636	**2,818**	**+6.9%**	**+10.8%**
Recurring net income[1]	1,165	**1,398**	**+20.0%**	
Net attributable income	1,295	**1,311**	**+1.2%**	
Free cash flow[2]	975	**1,258**	**+29.0%**	

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

"Saint-Gobain showed strong progress in its 2016 results. We saw the benefits of our optimisation efforts and of our development in emerging markets, in a more supportive economic environment than 2015. As expected, France stabilized over the year as new-build activities recovered. All other regions enjoyed good momentum. The Group also benefited from its focus on pricing against a backdrop of lower energy and raw material costs.

In 2017, Saint-Gobain will maintain focus on its operational and strategic priorities. We expect both costs and prices to begin to rise again. The economic environment should be positive overall, although uncertainties remain in some of our markets. In this context, we are targeting a further like-for-like increase in operating income in 2017."

1. *Recurring net income: net attributable income from continuing operations excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.*
2. *Cash flow from continuing operations excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, less capital expenditure of continuing operations.*

Operating performance

The Group reported 2016 **sales** of **€39,093 million**, including a significant 2.9% negative **currency impact** due namely to the depreciation of the pound sterling – and to a lesser extent Latin American currencies – against the euro.
The negative 1.0% **Group structure impact** reflects the time-lag between the impact of disposals made to optimize the Building Distribution portfolio in late 2015/early 2016 and the acquisitions carried out mostly at the end of the period.
On a like-for-like basis, sales were up 2.6%, driven by volume growth in all of our Business Sectors and regions. Based on a constant number of working days (negative calendar effect in the second half), volumes continued to increase in the six months to December 31, at the same pace as the first half. Prices stabilized over the year, gaining 0.6% in the second half amid an uptick in inflation.

The Group's operating margin[1] increased to 7.2% from 6.7% in 2015, with 7.4% for the second half (versus 6.9% in second-half 2015). In line with our objectives, we saw a further like-for-like increase in operating income, up 11.5% in the second half, bringing growth over the full year to 10.8%.
In 2016, the Group's **capital expenditure** was **€1.37 billion**, in line with our objective; we made **€270 million in cost savings** (versus 2015), exceeding our €250 million target.
Free cash flow jumped 29% to €1,258 million, in line with the Group's operating performance.
Operating working capital requirements remained at a good level of 28 days, despite a rise of 1.7 days' sales, after the record low of 2015.
The Group continued to pursue its **acquisitions strategy**, representing close to €300 million in full-year sales.
Regarding the plan to acquire a controlling interest in Sika, the Group is confident that SWH's rights will be restored.

Performance of Group Business Sectors

Innovative Materials sales climbed 4.5% like-for-like over the year, in line with the first half. The operating margin for the Business Sector widened to 11.2% from 10.5%, driven by the rebound in Flat Glass and a good performance from HPM.

- **Flat Glass** like-for-like sales increased 6.5% over the year, in line with the first half, led by both construction and automotive in Asia and emerging countries. In Western Europe, construction volumes and prices both improved, benefiting from higher float prices and, as from the second half, from a rise in the price of downstream glass; automotive glass stabilized at a good level.
  This organic growth, combined with the optimization of operating leverage over recent years, resulted in a further increase in operating margin, up from 7.9% to 9.1%, and 9.5% in second-half 2016.
- **High-Performance Materials** (HPM) sales rose 2.2% on a like-for-like basis. Despite the decline in industrial markets in the US, all HPM businesses advanced in the second half, led by Asia and emerging countries. Plastics also benefited from robust momentum in Europe. Ceramics stabilized over the year, with a less favorable mix in the second half. Textile Solutions were buoyed by the sharp rise in Roofing volumes in the US.
  The operating margin for the year widened to 13.7% from 13.4%, and stood at 13.3% for the second half (13.2% in second-half 2015).

1. Operating margin = Operating income expressed as a percentage of sales.

Construction Products (CP) reported 1.4% organic growth, including 1.1% in the second half. The operating margin improved, up to 9.3% from 8.5% despite the decline in Pipe.

- **Interior Solutions** showed good organic growth, at 3.7% (2.2% in the second half owing to the negative calendar impact). Sales were up in Western Europe; the price effect was slightly negative but neutral in the second half. Trading in North America continued to advance, albeit at a slower rate than the first half; prices remained negative over the year but improved in the six months to December 31. Asia and emerging countries continued to deliver growth.
  Good volume levels coupled with productivity gains and a fall in costs – particularly energy – drove a sharp improvement in the operating margin, which reached 10.3% in 2016 compared to 8.9% in 2015.
- **Exterior Solutions** like-for-like sales stabilized over the second half (slipping 0.1%) and were down by 1.1% over the year, hit by the downturn in Pipe. This business continued to suffer from contracting markets in its main regions except Brazil, where the comparison basis was particularly weak. Exterior Products in the US reported strong volume growth, boosted especially by favorable weather impacts; prices remained down over the year but to a lesser extent in the second half. Mortars posted like-for-like growth powered by Asia and emerging countries, despite their exposure to the Brazilian market.
  The operating margin was 7.9% versus 8.0% in 2015.

Building Distribution reported 2.7% organic sales growth for the year, with 2.2% in the second half, slightly up on the first half based on a comparable number of working days. Trading in France benefited from the upturn in new-builds, while renovation stabilized at a low level in a still deflationary environment, including at the end of the year. Scandinavia confirmed its good momentum over the full year, as did Spain and the Netherlands. The UK has not shown signs of weakness since the Brexit vote and continued to advance in line with the first half. Germany enjoyed good growth, although momentum slowed in the second half. Brazil continued to suffer from the market downturn.
The operating margin was 3.4% for the year versus 3.2% in 2015 (4.0% in the second half compared to 3.8% in second-half 2015), impacted by the negative price effect which stabilized in the six months to December 31.

<u>Analysis by region</u>

- In line with our expectations, **France** stabilized over the year (slipping 0.1% like-for-like). Trading edged down 0.7% in the second half, hit by an unfavorable calendar impact. The decline in Pipe was offset by an improvement in the new-build market, while renovation stabilized at a low level in a still deflationary environment. The operating margin leveled off at 2.9%.
- **Other Western European countries** saw like-for-like sales growth of 3.6%, with 2.9% growth in the second half (impacted by a negative calendar impact). This reflects upbeat market conditions in all of our main countries, including in the second half. Only Germany posted a slowdown in growth in the six months to December 31, related in particular to Interior Solutions. The operating margin climbed to 6.2% in 2016 from 5.7% in 2015.
- **North America** reported 2.0% like-for-like sales growth, buoyed by volumes in both Exterior Products and Interior Solutions, mainly in the first half. Industrial markets were down slightly. Prices continued to have a negative impact, although this eased in the second half. The operating margin rose to 10.5% from 9.1% in 2015, driven mainly by volumes.
- **Asia and emerging countries** continued to advance, reporting 6.1% organic growth (7.3% in the second half). Trading remained robust in all regions despite the slowdown in Brazil. The region delivered further growth in its operating margin, up to 10.9% from 10.3% in 2015.

Analysis of the 2016 consolidated financial statements

The 2016 consolidated financial statements were approved and adopted by Saint-Gobain's Board of Directors at its meeting of February 23, 2017. The consolidated financial statements were audited and certified by the statutory auditors.

€m	2015 (A)	2016 (B)	% change (B)/(A)
Sales and ancillary revenue	**39,623**	**39,093**	**-1.3%**
Operating income	**2,636**	**2,818**	**6.9%**
Operating depreciation and amortization	1,208	1,180	-2.3%
EBITDA (operating income + operating depr./amort.)	3,844	3,998	4.0%
Non-operating costs	(344)	(312)	-9.3%
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(998)	(202)	-79.8%
Business income	**1,294**	**2,304**	**78.1%**
Net financial expense	(629)	(541)	-14.0%
Income tax	(248)	(416)	67.7%
Share in net income of associates	0	5	n.s.
Net income from continuing operations	**417**	**1,352**	**224.2%**
Net income from discontinued operations	**929**	**0**	**n.s.**
Net income before minority interests	**1,346**	**1,352**	**0.4%**
Minority interests	51	41	-19.6%
Net attributable income	**1,295**	**1,311**	**1.2%**
Earnings per share[2] (in €)	2.32	2.36	1.7%
Recurring[1] net income from continuing operations	**1,165**	**1,398**	**20.0%**
Recurring[1] earnings per share[2] from continuing operations (in €)	2.09	2.53	21.1%
Cash flow from operations[3]	2,562	2,749	7.3%
Cash flow from operations excluding capital gains tax[4]	2,321	2,628	13.2%
Capital expenditure[5]	1,346	1,370	1.8%
Free cash flow[6]	**975**	**1,258**	**29.0%**
Investments in securities	227	362	59.5%
Net debt	**4,797**	**5,644**	**17.7%**

1. Recurring net income: net attributable income from continuing operations excluding capital gains and losses, asset write-downs and material non-recurring provisions.
2. Calculated based on the number of shares outstanding at December 31 (553,388,403 shares in 2016, versus 558,607,521 in 2015).
3. Cash flow from operations = operating cash flow from continuing operations excluding material non-recurring provisions.
4. Cash flow from operations excluding capital gains tax = (3) less the tax impact of capital gains and losses, asset write-downs and material non-recurring provisions.
5. Capital expenditure: investments in property, plant and equipment.
6. Free cash flow = (4) less capital expenditure of continuing operations.

Consolidated **sales** advanced 2.6% like-for-like, led by volume growth (stable price effect). On a reported basis, sales were down 1.3%, with a negative 2.9% **currency impact** due namely to the depreciation of the pound sterling – and to a lesser extent Latin American countries – against the euro. The negative 1.0% **Group structure impact** essentially reflects disposals carried out in the Building Distribution Sector.
Operating income increased 6.9% on a reported basis despite a negative currency impact and by 10.8% like-for-like. The operating margin stood at 7.2% of sales versus 6.7% of sales in 2015. **EBITDA** (operating income plus operating depreciation and amortization) climbed 4.0% to €3,998 million, or 10.2% of sales (9.7% of sales in 2015).

Non-operating costs fell to €312 million from €344 million in 2015, driven by lower restructuring costs thanks to a decrease in the second half. This amount also includes a €90 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US, unchanged from 2015.
The net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees was an expense of €202 million, compared to an expense of €998 million one year earlier. In 2016, this item includes €190 million in asset write-downs, chiefly in Interior Solutions and proppants. **Business income** rose 78.1%.

Net financial expense improved sharply, down 14.0% to €541 million from €629 million in 2015. This primarily reflects the decrease in average net debt over 12 months, compared to a decrease only late in the year in 2015 (disposal of Verallia in October 2015). The cost of gross debt also fell, to 3.4% at December 31, 2016 versus 3.9% at end-December 2015, due mainly to the September 2016 bond issue for €1 billion, at 0% and maturing in three and a half years.
The tax rate on recurring net income was 27%, compared to 29% in 2015, owing mainly to a favorable geographical mix and lower tax rates in certain countries. **Income tax expense** was €416 million compared to €248 million in 2015, which had seen the reversal of deferred tax liabilities linked to intangible asset write-downs.
Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) rose 20.0% to €1,398 million.
Net attributable income, which in 2015 included net income from discontinued operations (Verallia), climbed 1.2% in 2016 to €1,311 million.

Capital expenditure totaled €1,370 million, in line with our objective, representing 3.5% of sales (3.4% of sales in 2015).
Cash flow from operations rose 7.3% to €2,749 million (€2,562 million in 2015). Before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, cash flow from operations climbed 13.2% to €2,628 million and **free cash flow** increased 29.0% to €1,258 million (3.2% of sales versus 2.5% of sales in 2015).
Operating working capital requirements (WCR) remained at a good level of 28 days' sales, a rise of 1.7 days from the record low recorded in 2015 and representing an increase of €175 million in value terms (to €3,010 million).
Investments in securities totaled €362 million (€227 million in 2015) and relate to targeted acquisitions in Asia and emerging countries, technological niche markets, and efforts to consolidate the Group's positions in Building Distribution, especially in Nordic countries.
Net debt rose from €4.8 billion to €5.6 billion, due mainly to share buybacks of €418 million and a one-off contribution of USD 640 million to US pension funds (USD 422 million after the tax credit effective in 2017). This contribution will enable the Group to save around USD 20 million in finance costs each year. Net debt represents 29% of consolidated equity, compared to 25% at December 31, 2015.
The net debt to EBITDA ratio came out at 1.4 versus 1.2 at end-2015.

Update on asbestos claims in the US

Some 3,200 claims were filed against CertainTeed in 2016, in line with 2015. At the same time, around 3,700 claims were settled (versus 4,600 in 2015), bringing the total number of outstanding claims to around 35,100 at December 31, 2016, a decrease of around 500 compared to end-2015.
A total of USD 97 million in indemnity payments were made in the 12 months to December 31, 2016, compared to USD 65 million in 2015 due to the catch-up in payments on settlements pending documentation and settlement payments in certain important cases. In light of these trends and of the €90 million provision accrual in 2016, the total provision for CertainTeed's asbestos-related claims amounted to USD 562 million at December 31, 2016, compared to USD 581 million at December 31, 2015.

Share buyback and dividend

In line with its objectives, in 2016 the Group bought back and later canceled around 11 million shares for €418 million, resulting in a decrease in the number of shares outstanding to 553.4 million shares at end-December 2016 (compared to 558.6 million shares at end-December 2015).

At today's meeting, Compagnie de Saint-Gobain's Board of Directors decided to recommend to the June 8, 2017 Shareholders' Meeting to pay in cash an **increased dividend of €1.26 per share** (versus €1.24 in 2015), demonstrating our focus on shareholder returns in the context of our strong 2016 results and confidence looking ahead. This dividend represents **50% of recurring net income** and a dividend yield of 2.85% based on the closing share price at December 30, 2016 (€44.255). The ex-dividend date has been set at June 12 and the dividend will be paid on June 14, 2017.

2017 outlook

In 2017 the Group should benefit from a gradual improvement in France, despite a still uncertain renovation market. Western Europe should deliver organic growth, despite less visibility in the UK. North America should continue to advance in construction markets, excluding the exceptional weather impacts of 2016, but will continue to face uncertainty in industry. Our operations in Asia and emerging countries should enjoy robust growth.

Saint-Gobain will continue its disciplined approach towards cash management and financial strength. In particular, it will pursue:

- **its focus on sales prices** amid an uptick in inflation;
- **its cost savings program**, with the aim of unlocking additional savings of **around €270 million** (calculated on the 2016 cost base);
- **its capital expenditure** program (around €1,600 million in 2017), with a focus on growth capex outside Western Europe and also on productivity and digital transformation;
- **its commitment to invest in R&D** to support its differentiated, high value-added strategy;
- **its focus on high levels of free cash flow generation**.

The Group is targeting a further like-for-like increase in operating income in 2017.

On May 17, 2017, the Group will hold an Investor Day to discuss its strategy.

Financial calendar

- An information meeting for analysts and investors will be held at *8:30am (GMT+1) on February 24, 2017* and will be broadcast live on www.saint-gobain.com

- Sales for the first quarter of 2017: *April 26, 2017*, after close of trading on the Paris Bourse.
- **Investor Day: *May 17, 2017***.
- First-half 2017 results: *July 27, 2017*, after close of trading on the Paris Bourse.

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*Data on **organic growth** and **like-for-like changes in sales or operating income** reflect the Group's underlying performance, excluding the impact of:*

- *changes in Group structure, by calculating indicators for the year under review based on the scope of consolidation of the previous year (Group structure impact);*
- *changes in foreign exchange rates, by calculating the indicators for the year under review and those for the previous year based on identical foreign exchange rates for the previous year (currency impact);*
- *changes in applicable accounting policies.*

All indicators contained in this press release (not defined in the footnotes) are explained in the notes to the 2016 consolidated financial statements, available by clicking here: www.saint-gobain.com/en/full-year-2016-results

The glossary below shows the note of the financial statements in which you can find an explanation of each indicator.
Glossary:

Cash flow from operations	*Note 3*
Net debt	*Note 8*
EBITDA	*Note 3*
Non-operating costs	*Note 3*
Operating income	*Note 3*
Net financial expense	*Note 8*
Recurring net income	*Note 3*
Net income from discontinued operations	*Note 2*
Business income	*Note 3*

For any further information, please visit www.saint-gobain.com