

PRESS RELEASE

2008 consolidated results

Paris, 30th April 2009:

Groupe VIAL (ISIN: FR0010340406), France's leading independent industrial joinery discount group, announces its audited consolidated annual results for the full year to 31st December 2008.

• **2008 consolidated results**

2008 was marked by the combination of various factors that heavily weighed on Groupe VIAL's activity and profitability:

- a rapid and substantial deterioration in the economic environment, with the new housing market grinding to a halt, the individual loans market closing shop and economic uncertainty resulting in a substantial slowdown in demand for joinery products;
- a substantial hike in the prices of basic materials, notably over the first half of the year;
- a major industrial incident that disrupted the entire Group (new ERP).

Although corrective measures were instigated over the second half of 2008, disruptions continued. The net loss for the year was thus -€23.4 million, in line with the Group's guidance (-€21 million), as it includes €4.1 million in non-recurrent elements associated with the cancellation of industrialisation projects: construction of a double-glazing plant (Istres, southern France) and acquisition of production plants in Romania.

Over 2008, **sales** totalled €105.8 million, a slight fall of 1.5%. At constant scope (i.e. excluding stores opened in 2008 and 2007), activity was down 10.6%. Compared to the slump in the new housing market, Groupe VIAL's sales held up relatively well, thanks notably to the broadening of Renovation product ranges from May 2008.

Gross profit came to €30.1 million in 2008, down 53% on the previous year. This underachievement was due to the increase in the prices of raw materials and the decrease in sales prices approved in order to maintain prices at an attractive level in a highly-competitive market. However, the sharp deterioration in gross profit was first and foremost due to major disruptions associated with the implementation of the new ERP.

EBITDA for the financial year was thus a negative €20.5 million, despite personnel costs being kept under control (+11%), with the workforce increasing from 388 employees at the end of 2007 to 445 employees at the end of 2008. External expenses rose by 34% because of the growth of the distribution network.

Once €3.7 million in depreciations and provisions, notably including a provision for the stopping of the construction of the glass plant, are taken into account, there was an **operating loss** of -€25.9 million.

The **financial loss** was -€8.5 million, and consists of the following:

- +€1.9 million income from cash investments in negotiable deposit certificates;
- -€7.5 million cost of debt associated with the payment of interest on OCEANE bonds and the syndicated loan
- -€2.9 million in financial charges essentially associated with an allowance for the depreciation of debt associated with the Romanian plants that the Group had planned to purchase.

Once a tax credit of €11 million is taken into account, **the net loss** for 2008 came to -€23.4 million.

<i>(€ millions, IFRS)</i>	2007	2008
Sales	107.3	105.8
Gross result	64.4	30.1
Personnel expenses	-13.0	-14.5
External expenses	-24.7	-33.1
Taxes	-1.9	-2.6
Other operating income and expenses	-0.3	-0.4
EBITDA ¹	24.5	-20.5
Depreciation	-2.1	-2.6
Provisions and write-backs	-0.7	-1.1
Recurring operating result	21.7	-24.2
Operating result	21.8	-25.9
Finance income	1.6	1.9
Cost of gross debt	-4.2	-7.5
Other financial cost and income	0.0	-2.9
Tax	-6.6	+11.0
Consolidated net result	12.7	-23.4

¹ EBITDA: Recurring operating income before depreciation and provisions

The annual financial report is available on Groupe VIAL's website: www.groupe-vial.com, in the documents and financial reports section.

- **Financial structure**

At 31st December 2008, consolidated shareholders equity amounted to €36.0 million, following the negative impact of the annual loss and the payment of dividends.

Gross debt at 31st December 2008 was €122.7 million and breaks down as follows: €8.4 million within the coming year, €36.6 million between one and five years and €77.7 million beyond that. Cash and financial assets totalled +€34.1 million at the same date.

We would like to remind you that Groupe VIAL has obtained, from its banking pool, an authorisation to exceed the covenants defined by the loan contracts. New covenants, adapted to the Group's economic situation, have been established. These came into effect on 31st December 2008 and are valid until 31st December 2010. These new covenants were fully met by Groupe VIAL at 31st December 2008.

Over the second half of 2008, Groupe VIAL significantly intensified its efforts to limit its Working Capital Requirements. The change in WCR was thus +€10.5 million over the year. This decrease in WCR was thus the result of a reduction in inventories (-8% over the year) and, more importantly, the virtual disappearance of accounts receivables (-80% to €2.9 million).). Indeed, the Group took the decision to no longer grant its customers credit in order to limit the risk of payment defaults.

Once tax is taken into account, net cash flow came to -€0.6 million in 2008, vs. -€23.3 million in 2007.

- **Debt-cutting operation**

In March 2009, Vial Holding purchased some of the bonds convertible into and/or exchangeable for new or existing shares (OCEANE) issued in October 2007 by Groupe VIAL, for €7.1 million. This operation allowed the Group to cut its consolidated debt by €35 million and to record capital gains of €27.4 million. It also allowed it to cut associated interest costs.

- **Implementation of ERP**

The implementation of ERP is continuing in accordance with the market plan. At the end of March 2009, the production, distribution, accounting and sales administration sides were all connected to the system, as were all stores in the Group's French network.

Although implementation is going well, it will still take some time to make the entire system fully reliable. The next stage in the process is thus to have a fully operational system by the end of the first half of 2009.

- **Outlook and guidance**

Groupe VIAL is currently focussing its efforts on maintaining its cash position and on breaking even again as soon as possible. Furthermore, as shown by the weak level of activity over the first quarter, the economic situation remains unfavourable. Groupe VIAL has therefore taken a number of strategic decisions:

- the new catalogue, which comes out in May, will focus on Renovation products;
- there will be no external growth or industrialisation projects: the construction of the glass plant (Istres) and the integration of the Group's Romanian partner have been postponed indefinitely;
- the close of stores that have failed to meet the Group's profitability demands.

About Groupe VIAL (www.groupe-vial.com):

Listed on Euronext Paris (Compartment C) of NYSE Euronext since December 2006, Groupe VIAL manufactures and distributes aluminium, PVC and wood joinery products (doors, windows, gates, stairs, etc.) offering unparalleled value for money through tight control of supply lines; efficient, modern production facilities and the 71-store VIAL Menuiseries distribution network (including 6 stores in Spain and 1 store in Portugal).

Public site: www.vial-menuiseries.com

Listed on **Euronext Paris** compartment C of NYSE Euronext
Reuters: **VIA.PA** - Bloomberg: **VIA FP**



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