Financial information at 23 November 2018

A contrasted first semester 2018/2019 (1 March to 31 August 2018) :

- **Group debt refinancing process achieved**
- **A significant inventory reduction : -6,3% since March 1st 2018**
- **Revenue: €278.4 million (down -8.6%)**
- **Gross operating income: €14.8 million (5.3% of revenue)**

Income Statement from 1 March 2018 to 31 August 2018

Financial data under IFRS (*) in millions of euros	First half 2017/2018	First half 2018/2019	Change
Revenues	304,8	278,4	-8,6%
Gross margin (3)	159,7	139,3	-12,7%
As a % of revenue	52,4%	50,1%	
Current Gross Operating Income (4)	22,1	14,8	-23,7%
As a % of revenue	7,3%	5,3%	
Depreciation, amortization, and miscellaneous items expenses, net	-17,8	-19,8	14,7%
Current Operating Income	4,3	-5,0	-78,3%
As a % of revenue	1,4%	-1,8%	
Other income and expenses	-6,8	-3,8	
Operating income	-2,3	-8,5	
As a % of revenue	-0,8%	-3,1%	
Financial profit	-5,1	-11,1	
Net income from continuing operations	-5,0	-19,3	
As a % of revenue	-1,6%	-6,9%	
Net income from discontinued operations	-0,5	0	
Net income, Group share	-5,6	-19,4	
As a % of revenue	-1,8%	-7,0%	

* Level of Statutory Auditor diligence: audit procedures have been conducted and the audit report related to certification is currently being prepared.

(1) Period from 1 March 2017 to 31 August 2017.
(2) Period from 1 March 2018 to 31 August 2018.
(3) Revenue, less consumables.
(4) Current operating income, restated for net depreciation, amortisation and provisions.

ENVIRONMENT AND HIGHLIGHTS

The Orchestra-Prémaman Group generated consolidated revenue of €278.4m in the first half of fiscal year 2018/2019, a decline of -8.6% on revenue earned in H1 2017/2018.

This fall in activity over the first half of the year can be attributed to adverse market conditions, posting a decline by -7,0% in France (source: Institut Francais de la Mode, period March – August) ; Group's activity has also suffered from the debt refinancing process.

Business was down -4.5% in France (where the Group recorded 65% of its revenue for the period) and -15.7% abroad.
Branch activity was down -9.1% and commission-affiliation business fell -9.4%. Together, these two main distribution channels accounted for 94.4% of consolidated revenue for the period.

As of 31 August 2018, nearly 1.8 million customers owned a Club card, up 1.4% compared to 31 August 2017. The Group still generates nearly 90% of its revenue from Club members.

The Online business continued to deliver growth (+2.1%), driven by the marked acceleration in online sales of childcare products (+86.2%) and the development of its Greek website (+104.0%).

The store network is consistently shifting from 100% textile stores towards mixed stores and megastores :

- The overall network amounts 596 stores, to be compared with 603 stores (-1%) as of February, 28th 2018,
- It does account for 318000m2, to be compared with 312000m2 (+2%) as of February 28th, 2018,
- During the period, main openings did take place in Clermont Ferrand (2400m2), Narbonne (1648m2), Montivilliers (1622m2) et St Quentin (1168m2).

Sales plans developed during summer time delivered during period from September to October:

- leading to a revenue decrease by -19% in September and increase by +14% in October, altogether a -5% as compared to last year (non audited data),
- as well as significant card members recruitment, which number has reached 1.95 million in September and a record high 2,04 millions in October.

However, November activity will be impacted by social movements in France.

Orchestra-Prémaman has opened new stores during these two months, the first one in Casablanca (Morocco – 300 m2, +0.1%) and the second one in Larissa (Greece – 900m2, +0.3%).

OPERATING INCOME AT 31 AUGUST 2018

The decrease seen in Group profitability (gross operating income at 5.3% of revenue, to be compared with 7.3% last year same period) was mainly due to revenue reduction, a reinforced US Dollar impacting textile activity margin, partly compensated by childcare margin improvement, consequence of initiatives lead during the year and self-owned Premaman brand development as well as managed salaries and operating costs.

After deducting allowances (mainly investment amortisation), current operating income came out at -€5.0m.

"Other operating income and expenses" recorded the following main expenses: US and Russian subsidiaries' restructuring costs for €0.6m, net restructuring costs related to the reorganisation of the management team for €0.8m, the impact of asset disposals for €0.7m and debt refinancing costs for €0.8m.

Operating income stood at -€8.5m.

Financial income posted a net expense of €11.1m (vs €5.1m in the first half of last year), which variation is mainly explained by non cash elements, including:

- A financial debt revaluation in accordance with IFRS 9 by -€2,7m
- Unfavourable currency translation effects by -€3.7m.

Group net income amounted to -€19.4m.

BALANCE SHEET ITEMS

H1 2018/2019 net creation was 4,300 m² in France and mainly at the branch level.

Investments totalled €11.7m in the first half, predominantly including:

- €6.5m in intangible fixed assets (development costs €3.6m, licences and software €1.9m, leasehold rights and franchises €0.2m, and ongoing structure-building IT projects €0.8m),
- €4.5m in property, plant and equipment (mainly new stores and renovations).

Inventory stood at €257.3m at 31 August 2018 versus €274.7m at 28 February 2018. This 6.3% decline was due to the inventory reduction policy implemented at the Group level.

Group consolidated capital totalled €87.7m at 31 August 2018, i.e., 14.6% of the balance sheet total.

As of 31 August 2018, consolidated net financial debt was up €41.9m at €232.9m (versus €191.0m at 28 February 2018). This is resulting from New Money raised by the Group with new partners as well as current accounts increase during the refinancing period, which amount €19m at the end of August.

In October, Orchestra Prémaman realized a capital increase amounting €22.7m and subscribed above 79% leading, among others, to a capitalization of these current accounts.

CONTINUED RESTRUCTURING OF GENERAL MANAGEMENT

In August 2018, the Group appointed Mathieu Hamelle as Vice President in charge of Sales, to replace Agathe Boidin.

OUTLOOK

As H1 2018/2019 revenue trend saw an 8.6% decline in business, the Group is anticipating a full year 2018/2019 revenue between €557m and €570m and maintains its anticipation of current gross operating income forecast to between 5% and 6% of annual revenue for the 2018/2019 fiscal year.

This adjustment reflects the challenging economic situation (consumer demand in France over the half year was at a five-year low, source – Kantar Worldpanel survey of H1 2018 – France textiles / shoes / accessories) and a first half-year which was affected by the renegotiation of Group financing.

The Group remains focused on the corporate transformation started at the beginning of the year, and confirms for H2 2018/2019 its main objective to reduce inventories through a dynamic sales strategy, an optimised product offer and a revised supply chain.

Pierre Mestre, chairman, declared: "I personally consider that current share value does not represent Orchestra Premaman's enterprise value. Therefore, I don't exclude to reinforce my participation on the Group's capital in the next days, in accordance with applicable market regulations".

ORCHESTRA-PREMAMAN
A limited company with capital of €12,159,825
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Next press release:
Q3 2018/2019 revenue out 10 January 2019 after market close.

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