

Financial information at 30 November 2017

H1 2017/2018 Results (1 March to 31 August 2017)

- Revenue: €304.8 million (+2.5%)
- Gross operating income: €22.1 million (7.3% of revenue)

Operating profitability on the rise

INCOME STATEMENT FROM 1 MARCH 2017 TO 31 AUGUST 2017

Financial data under IFRS (*) in millions of euros	First half 2016/2017 (1)	First half 2017/2018 (2)	Change
Revenues	297,4	304,8	2,5%
Gross margin (3)	150,5	159,7	6,1%
<i>As a % of revenue</i>	50,6%	52,4%	
Current Gross Operating Income (4)	20,3	22,1	8,9%
<i>As a % of revenue</i>	6,8%	7,3%	
Depreciation, amortization, and miscellaneous items expenses, net	-17,9	-17,8	-0,6%
Current Operating Income	2,4	4,3	79,2%
<i>As a % of revenue</i>	0,8%	1,4%	
Other income and expenses	-5,8	-6,8	
Operating income	-3,5	-2,3	
<i>As a % of revenue</i>	-1,2%	-0,8%	
Financial profit	-10,1	-5,1	
Net income from continuing operations	-9,0	-5,0	
<i>As a % of revenue</i>	-3,0%	-1,6%	
Net income from discontinued operations	-1,6	-0,5	
Net income, Group share	-10,8	-5,6	
<i>As a % of revenue</i>	-3,6%	-1,8%	

* Level of Statutory Auditor diligence: limited review procedures are conducted and the Statutory Auditors' Report on interim financial information is currently being prepared.

(1) Period from 1 March 2016 to 31 August 2016 and restated as explained in the financial release of 16 March 2017

(2) Period from 1 March 2017 to 31 August 2017

(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 €304.8m in the first half of fiscal year 2017-2018, an improvement of +2.5% on revenue earned in H1 2016-2017.

This growth in activity over the first half of the year can be attributed to:

- a net increase of +17,000 m² in retail space run as branches and under commission-affiliation schemes,
- a sharp rise in Childcare Products business, up +12.1% in France and abroad, representing revenue of €60.2m. Childcare Products now account for 20% of total revenue (versus 18% in the first half of 2016).

Business was up +2.4% in France (where the Group recorded 63.1% of its revenue for the period) and +2.6% abroad.

Branch activity improved +4.6%, while commission-affiliation business held steady. Together, these two main distribution channels accounted for 95.0% of consolidated revenue for the period.

First-half highlights included:

- growth in Group operating profitability,
- non-recurring transactions impacting Group net income.

At August 31, 2017, nearly 1.8 million customers owned a Club card, up +2.3% compared to August 31, 2016. The Group still generates nearly 91% of its revenue from Club members.

Web business was stable over the first half.

OPERATING INCOME AT 31 AUGUST 2017

The gross profit margin climbed on the back of:

- a less aggressive discounting policy, primarily impacting the Textile business,
- an improvement in profit margins on Childcare Products.

With operating expenses kept under control, gross operating income amounted to €22.1m, i.e. 7.3% of revenue, versus €20.3m and 6.8% respectively in H1 2016-2017.

After deducting allowances (mainly investment amortisation), current operating income came out at €4.3m.

“Other operating income and expenses” recorded the following main expenses: costs associated with the Destination Maternity deal for €3.1m, tax penalties and risks for €1.7m, restructuring costs for €1.1m and the impact of asset disposals for €0.9m

Operating income came out at -€2.3m after share of associates and joint-ventures.

Financial income posted a net expense of €5.1m (vs. €10.1m in the first half of last year), including:

- the cost of net financial net, which fell to €3.8m (vs. €4.0m in H1 2016-2017),
- losses on derivatives totalling €0.8m (non-cash derivatives, vs. €4.6m in H1 2016-2017).

Net income from discontinued operations stood at -€0.5m (vs. -€1.6m last year).



Group net income amounted to -€5.6m.

BALANCE SHEET ITEMS

Growth was robust in H1 2017/2018, with the net creation of some 17.000 m² in additional retail space in France and abroad.

Investments totalled €18.3m in the first half, predominantly including:

- €10.1m in intangible fixed assets (development costs €4.3m, leasehold rights and franchises €0.3m, licences and software €2.1m, and structure-building IT projects €3.1m),
- €8.2m in property, plant and equipment (mainly new stores and renovations).

Inventory growth amounted to €287.4m at 31 August 2017 vs. €261.1m at 31 August 2016, predominantly resulting from network expansion and partially from the postponement of back-to-school sales.

Group consolidated capital came to €116.2m at 31 August 2017, i.e. 19.1% of the balance sheet total.

At 31 August 2017, consolidated net financial debt amounted to €208.9m (versus €203.9m at 31 August 2016).

DESTINATION MATERNITY

Despite constant and significant efforts undertaken by both groups since the merger agreement was finalised last December, and in light of the inherent challenges of complying with stock market regulations in force, both in France and the United States, combined with the uncertainties of being able to meet these regulatory requirements without taking on unreasonable measures and costs (particularly in terms of registering and floating Orchestra shares on the US market, where they have never been listed), both parties have determined that it is in the best interests of their respective shareholders to terminate the merger agreement.

CONTINUED RESTRUCTURING OF GENERAL MANAGEMENT

In May 2017, Sylvain Cheret joined the Group as Head of the Supply Chain with the objective of creating a Supply Chain Division, streamlining inventories and increasing sales.

In October 2017, the Group appointed Philippe Dayraud as Vice President in charge of Childcare.

OUTLOOK

In the second half of 2017-2018, the Orchestra-Prémaman Group will step up its efforts to improve profitability, continue deleveraging and reduce WCR and inventories.



