ORCHESTRA©

Financial information at May 29th, 2019

Results for the financial year
from March 1st, 2018 to February 28th, 2019

- **Revenue: €570.8M (-6,8%)**
- **Current Gross Operating Income: €2.7M, 0.5% of sales**
- **Net Income Group share of €-88.2M**

A particularly difficult and contrasted 2018/2019 period marked by:

- **the ended renegotiation of bank and bond debts**
- **a highly competitive promotional strategy, constrained by social movements in France**
- **a major reduction in stocks: €-32.1M (-11.7 %) compared to March 1st, 2018**

Financial data under IFRS (*), in € million	**Period 2017/2018 (1)**	**Period 2018/2019 (2)**	***Variation***
Revenue	**612.7**	**570.8**	*-6.8%*
Gross margin	**308.4**	**266.8**	*-13,5%*
As a % of Sales	*50.3%*	*46.7%*	
Current Gross Operating Income	**38.2**	**2.7**	*-93,1%*
As a % of Sales	6.2%	0.5%	
Net provisions	**-38.9**	**-54.1**	*39.1%*
Current Operating Income	**-0.7**	**-51.4**	
As a % of Sales	-0.1%	-9.0%	
Other income and expenses	**-14.9**	**-9.5**	
Operating Income	**-15.6**	**-60.9**	
As a % of Sales	-2.5%	-10.7%	
Financial Income	**-5,5**	**-21.0**	
Net Income from continuing operations	**-19.8**	**-88.0**	
As a % of Sales	-3.2%	-15.4%	
Net Income from discontinued operations	**-0.5**	**0.0**	
Net Income, Group share	**-20.5**	**-88.2**	
As a % of Sales	-3.3%	-15.5%	

* Level of review of auditors: the audit procedures on the consolidated annual financial statements for fiscal year have been completed and the auditors report is in preparation
(1) Period from March 1st, 2017 to February 28th, 2018
(2) Period from March 1st, 2018 to February 28th, 2019

GROUP REVENUES

IFRS - In €m	Period 2017/2018	Period 2018/2019	2018/2019 vs. 2017/2018
Branches	323.5	304.0	-6.0%
Affiliate commission	251.1	231.7	-7.7%
Internet	18.8	20.9	10.8%
Trading & Misc.	19.3	14.3	-25.8%
Consolidated revenue	**612.7**	**570.8**	**-6.8%**
of which France	388.9	355.8	-8.5%
of which Belux	77.8	71.1	-8.5%
of which International (excl. Belux)	146.1	143.9	-1.5%

During the closing period ended end of February 2019, Orchestra-Prémaman Group posted consolidated Revenue of €570.8M, meaning a decrease of 6.8% compared to previous closing period.

This decline in revenue was in step with generally tough economic climate (-8.6% compared with previous closing): France witnessed the worst first-half period in terms of consumption in five years (source: Kantar Worldpanel survey H1 2018 - France textiles/shoes/accessories). Top-line performances also suffered considerably from the renegotiation of the Group's debt financing.

Over the second semester of the period closing on the end of February 2019, the Group performance decreased by 4.6% compared to the previous closing period. After a positive turnaround of the trend on September and October with a revenue decrease of only 4.5% compare to previous year, social movements in France (« gilets jaunes ») strongly impacted the revenue in decrease from mid-November through road blocks on the outskirts of the city where many stores are located.

Coping with this crisis, the Group set up highly competitive promotional strategy (rounding prices and French « festival des prix ») to sustain in-store traffic and to massively destock previous collections. These actions led to increased January and February turnover of +2.5% compared to previous closing period.

On the reporting period closing on the end of February 2019, the business evolves as follow:

- In France, revenue decreased by 8.5%, impacted by the Textile business decline (-10.0%) with a global child textile market evolution of -6.2% (source IFM) on specialized distribution. Childcare business is still very dynamic with a 4.3% growth;
- Belux Area has a decrease in revenue of 8.5% compared to previous period. A new management has been named on the second semester of the period.

- Abroad (without Belux), revenue of the closing period ending on February 2019 reached €143.9M (-1.5% compared to previous closing). Group business in Greece (+2.6%) and in Switzerland (+2.4%) show encouraging performance;
- Textile business is in decline by 7.8% at Group;
- Childcare business is rather stable at -0.4%.
- Web business is still growing (+10.8%) and corresponding revenue reached €20.9M on the period. This performance is sustained by the significant increase in sales over the Childcare segment (+103.1%). Web sales show a very good performance over Greece (+62.9%), Switzerland (+192.5%) and Belgium (+11.1%).

In the context of business plans implemented on previous summer, the Group pursues its club members' subscription, ensuing future revenues. This loyalty program now includes 2.1 million subscribers as end of February 2019, a record with an increase 12.4% compared to end of February 2018. As a reminder, the Club ensures more than 90% of the Group revenue.

STORES NETWORK

in number and thousands of m²	28/02/2018		28/02/2019		Variation 28/02/2019 vs. 28/02/2018	
	Number	Surface area	Number	Surface area	Number	Surface area
Branches	315	196.8	316	200.6	1	3.8
Affiliate commission	248	115.7	229	113.9	-19	-1.9
Total	**563**	**312.5**	**545**	**314.4**	**-18**	**1.9**
Textile	414	138.0	377	126.1	-37	-11.9
Mixed stores and megastores	128	163.9	146	177.2	18	13.3
Outlet Stores	21	10.6	22	11.1	1	0.5
Total	**563**	**312.5**	**545**	**314.4**	**-18**	**1.9**
o.w. France	312	195.3	305	199.3	-7	3.9
o.w. Belux	62	54.2	58	52.5	-4	-1.8
o.w. International (excl. Belux)	189	62.9	182	62.7	-7	-0.2

During the closing period ended end of February 2019, the net number of stores decreased by 18

Nevertheless, the Group surface of sales remains stable due to the pursuit of the stores network reorganisation through the stores transformation to mixed stores and megastores.

In this context mixed stores and megastores represent 56.4% of the stores network (versus 52.4% as of February 28th, 2018) with a total of 146 stores as of February 28th, 2019.

CONSOLIDATED RESULTS

During the closing period ended end of February 2019, the Group was strongly impacted by key events:

- the bank and bond debts renegotiation took place during the first semester in difficult market conditions which resulted in operational difficulties such as a shortage in the products supply and disruptions in supply chain mainly due to sudden downgrading by credit insurance
- social movements in France starting on November 17th resulted in a strong drop in traffic for stores located on the outskirts of the city during several weeks due to road blocks and for stores located downtown which suffered from manifestations on weekends.

Coping with this crisis, the Group set up highly competitive promotional strategy in order to sustain in-store traffic from mid-December to end of the 2018/19 year-end, covering winter and private sales periods:

- to maintain the turnover close to the level predicted before the crisis, by accepting the deterioration of the overall profitability due to strong margin reduction, especially on the oldest stocks. The global impact of this crisis on Orchestra-Prémaman EBITDA is estimated to €31M.
- to protect the current Group cash; Textile collections being purchased several months in advance with closed regulation commitments like letter of credit, the sudden and strong drop in business activity linked to social movements had a short-term strong impact on Group cash, in the same proportion as turnover

In this context, significant measures had been taken by the Group from November:

- Childcare products reduction in stocks and rotation acceleration;
- Acceleration of old stocks disposal trough digital channels. The Group has entered into partnerships end of 2018/2019 with key e-commerce players (Showroom Privé and Veepee);
- Strong investments limitation (especially related to stores network and IT);
- Operational cost saving measures (travel, recruitment freeze).

Meanwhile, on December the Group requested and obtained a total of €12.0M payments postponements from the government (€2.0M of social contributions spread through 2019 and €10.0M of VAT of which the spread-out has been extended over the June-December 2019 period)

These initiatives have been since complemented with commercial initiatives, taken during previous months and whose effects are expected on the 2019/2020 period:

- Stores products offer development and targeted Childcare corners openings in stores where it wasn't already available
- Prémaman brand offer development
- And significant communication sustaining revenues

Thus, the Group **Gross Margin** decreased to €266.8M (versus €308.4M on the previous closing period), representing 46.7% of the revenue (versus 50.3%).

EBITDA reached +€2.7M (versus €38.2M in 2017/18), ie a €35.5M reduction mainly due to:

- Decrease in Gross Margin by €41.6M
- And decrease in operation expenses by €6.1M

Net provision increased by €54.1M (versus €38.9M in 2017/18), as a result of:
- Increased depreciation by €39.7M (versus €34.7M in 2017/2018) mainly due to Group ERP software implementation (M3);
- Increased impairment provision by €14.3M (versus €4.2M in 2017/2018) following the tangible and intangible assets depreciation which was tested by the Group

Consequently, the **current operating income** reached €-51.4M in 2018/2019 (versus €-0.7M in 2017/2018).

Other operational income and expenses reached €-9.5M mainly due to non-recurring items:
- Gain or loss on investment sales (€1.1M);
- Expenses net of restructuring (€1.3M);
- Tax reassessments and penalties (€1.5M);
- Net loss from discontinued operations (€2.1M) and syndication expenses (€1.2M).

Thus, the **operating income** accounted as a loss for €-60.9M in 2018/2019 (versus €-15.6M on the previous closing period).

Financial income has a deficit of €-21.0M (versus €-5.5M). This variation deals with:
- Cost of net financial debt of €14.9M versus €7.7M in 2017/2018;
- Other financial income and expenses of €-6.0M (versus €-8.3M compared to previous closing period), mainly due to non-cash exchange rate impact.

The Group reached a **net income, Group share** of €-88.2M on 2018/2019 (versus a loss of €-20.5M in 2017/2018).

BALANCE SHEET ITEMS

Investments payments reached €22.6M (€29.1M in 2017/2018) and is the result of the following:
- Intangible assets for €13.3M (mainly due to R&D costs for €7.0M, licenses and software for €5.1M)
- Tangible assets for €9.6M (mainly due to new stores acquisition and existing stores renovation for a total amount of €7.7M)

Inventory (net of provision) accounted for €242.6M as of February 28th, 2019 (versus €274.7M compared to previous year). Inventory reduction strategy and supply chain optimization leaded to a stock reduction of €32.1M, ie 58% of 2020 stock reduction target.

Consolidated shareholders equity reached €40.3M as of February 28th, 2019, ie 8% of total balance sheet.

Net financial debt as of February 28th, 2019 reached to €232.2M (versus €191.0M at 2018 year-end). It is mainly composed of:
- Bonds for €107.0M;
- New Money financing for €22.7M;

- Bank debts (ex multicurrency syndicated loan) for €62,6M;
- Other bank debts for €35.3M;
- Deposits and cautions for €15.3M;
- Current accounts on related-parties for €9.7M;
- Cash and cash equivalent for €8.2M.

Next appointment

Annual General Assembly: July 17th,2019

1st quarter revenue 2019/2020: July 11th, 2019 after Stock Exchange closing

Contacts:

ACTIFIN – Stéphane RUIZ – 01 56 88 11 15 – sruiz@actifin.fr

ACTIFIN – Victoire DEMEESTERE – 01 56 88 11 24 – vdemeestere@actifin.fr

ORCHESTRA-PREMAMAN

A public limited company with capital of €12,159,825

Headquarter: 200 avenue des Tamaris, Zac Saint Antoine, 34130 Saint-Aunès.

Registration n°: 398 471 565 in the Montpellier Trade and Companies Register