ORCHESTRA

KIDS FASHION • MATERNITY • CHILDCARE

November 29th, 2019

Results for the first semester 2019/2020

- **Revenue: €280.9M (+0.9% in a declining market);**
- **Priority given to cash generation at the expense of gross margin;**
- **Current gross operating income: €11.8M (including a positive impact of €25M related to the first application of IFRS 16);**
- **Structure expenses decreased markedly: 7.3% of the revenue against 8.2% previous year;**
- **Non-cash charges: €93.8M;**
- **Cash-flow generation: €13.4M over the semester.**

INCOME STATEMENT FROM MARCH 1ST TO AUGUST 31TH 2019

Financial data under IFRS in millions of euros	1st semester 2018/2019 *(1)*	1st semester 2019/2020 *excl. IFRS16 (2)*	1st semester 2019/2020 *incl. IFRS16 (2)*	Variation
Revenues	**278.4**	**280.9**	**280.9**	*0.9%*
Gross Margin (3)	**139.3**	**123.4**	**123.4**	*-11.4%*
As a % of revenue	*50.1%*	*43.9%*	*43.9%*	
Current Gross Operating Income	**14.8**	**-13.2**	**11.8**	*-20.3%*
As a % of revenue	*5.3%*	*-4.7%*	*4.2%*	
Depreciation, amortization and miscellaneous items expenses, net	**-19.8**	**-46.7**	**-70.0**	*-354.2%*
Current Operating Income	**-5.0**	**-59.9**	**-58.3**	*-1162.7%*
As a % of revenue	*-1.8%*	*-21.3%*	*-20.7%*	
Other income and expenses	**-3.8**	**-3.3**	**-3.3**	
Operating Income	**-8.5**	**-63.3**	**-61.6**	
As a % of revenue	*-3.1%*	*-22.5%*	*-21.9%*	
Financial profit	**-11.1**	**-6.0**	**-12.3**	
Net income from continuing operations	**-19.3**	**-91.2**	**-95.8**	
As a % of revenue	*-6.9%*	*-32.5%*	*-34.1%*	
Net income from discontinued operations	**0.0**	**0.0**	**0.0**	
Net income, Groupe share	**-19.4**	**-91.1**	**-95.7**	
As a % of revenue	*-7.0%*	*-32.4%*	*-34.1%*	

(1) Period from March 1st, 2018 to August 31th, 2018
(2) Period from March 1st, 2018 to August 31th, 2018
(3) Revenue, less consumables

The statement of account through audits and inspections conducted by Auditors:
Limited review procedures of interim consolidated financial statements as at 31 August 2019 have been performed and the report on segmented information is currently being issued.

HIGHLIGHTS AND ACTIVITY OF THE PERIOD

During the first semester of 2019/2020 (from March 1st, 2019 to August 31st, 2019), Orchestra-Prémaman Group realized a consolidated Revenue of €280.9M, up to +0.9% compared to the same period last year.

Despite a difficult market environment, this performance was mainly driven by optimized price positioning and differentiated marketing operations such as the distribution of a monthly magazine since March 2019 which enhanced the visibility of Orchestra in commercial areas.

Business is up +0.8% in France and +0.4% abroad. More specifically, the Group recorded a growth of +3.9% in French textile market over the first half of the year while the market is declining by -1.9% (source IFM).

The Web business continues to expand (+30.3%) driven by strong Childcare sales on this channel (+38.3%) and the growth of Web sales in France (+25.6%).

As of August 31st,2019 the Group has 2 million club members, an increase of +14.5% compared to August 31st,2018. This increase is due to proactive policy in recruitment and retention of Club members, ensuing future revenues. As a reminder, the Club ensures more than 90% of the Group revenue.

CONSOLIDATED RESULTS

The Group has elected to apply IFRS 16 on a simplified-retrospective basis, without restating the published financial statements

Over the first semester 2019/2020, the gross margin for the Group amounted to €123.4M (against €139.3M compared to the same period previous year). It is impacted by the implementation of an aggressive pricing policy to improve cash generation.

The current gross operating income stood at €11.8M against €14.8M€ on the same period last year. It includes a positive impact of €25M linked to the first application of IFRS 16. Excluding the effect of this standard, it would be a negative current gross operating income of €-13.2M. Despite a noticeable reduction of structure expenses (now representing 7.3% of revenue versus 8.2% on the same period previous year), operating profitability is impacted by lower gross margin over the semester.

Over the first semester 2019/2020, the Group posted a current operating income of €58.3M after including amortization and provisions (of which €23.3M of non-cash impact of the depreciation charge recognized under IFRS 16)

The operating income is negative, representing €-61.6M against €-8.5M at the end of the first semester last year.

Financial profit amounted to €-12.3M (of which €6.3M of interest expenses on lease liabilities following the first application of IFRS 16) against €-11.1M on the same period previous year.

In total, the Group reached a net income Group share of €-95.7M related to the first semester 2019/2020 (versus €-19.4M at the same period last year), after taking into account mainly non-cash items representing a total of €93.8M mainly made up of the following elements:

- €23.3M following the first time application of IFRS 16, broken down into amortization expense (€18.1M) and depreciation (€5.2M);
- €21.9M of amortization expense excluding the first application of IFRS 16;
- €20.7M related to the derecognition of deferred tax assets on tax losses carried forward split between France and Belgium;
- €16.4M of impairment of assets related to stores.

It has to be noted that the Group prioritized its cash-flow generation to the detriment of its operating profitability. This effect combined with working capital need optimization generated positive cash-flow of €13.4M over the semester.

BALANCE SHEET ITEMS

Over the period, the Group had a net creation of 2,251 m² in France and mainly at branch level (stores openings, commission-affiliation stores to branch stores and creation of openings of dedicated selling corners to our partners)

Investments at the end of the first semester 2019 amounted to €6.1M mainly related to IT expenditure as part of Group digitalization completion, and, to a lesser extent, stores renovation/openings.

As expected, the stock (net of provision) stood at €246.3M at August 31th, 2019 (against €257.3M at August 31th, 2018).

Consolidated shareholders' equity was €-54.2M at August 31th, 2019 due to negative net result generated over the period.

Consolidated net financial debt amounted to €414.1M at August 31th, 2019 (of which €179.2M of rental debts related to IFRS 16 implementation). The amount was €250.1M at February 28th, 2019.

SUBSEQUENT EVENTS

As of September 22, 2019, the Board of Directors of Orchestra-Prémaman has taken note of the resignation of Mr. Stefan JANISZEWSKI as chief executive and appointed in place Mr. Pierre MESTRE who combines the functions of chief executive and chairman of the Board.

Orchestra-Prémaman announces that it has requested and obtained, by judgement rendered on 24 September 2019, the opening of safeguard proceedings in its favor for an initial period of 6 months.

Orchestra-Prémaman announces that it has filed on September 26th, 2019 a request for the opening in Belgium of judicial reorganization proceedings with collective agreement (procédure de réorganisation judiciaire par un accord collectif) in favor of Orchestra-Prémaman Belgium SA, its Belgian subsidiary, for a 6-month period. The judgment has been obtained on October 23th, 2019.

Orchestra-Prémaman will draft a reorganization plan in France and a judicial reorganization proceedings in Belgium. These proceedings suspend, pending the establishment of a safeguard plan, the payment of debts which arose before the opening of the proceedings

Information will be regularly disclosed to the market all along the progress of these proceedings.

Next appointment

Third quarter revenue of 2019-2020 on January 9th, 2020 before Stock opening

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ORCHESTRA-PREMAMAN

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