

AFFLELOU

Press release

Paris, March 26, 2020

**Afflelou's second quarter and first half results for the 2019/2020 fiscal year,
as of and for the three months ended January 31, 2020**

- **Network sales¹ down by 8.9% in France, due to industry-wide difficulties in connection with the implementation of new *100% santé* regulation, with other regions generally stable**
 - **Adjusted EBITDA² up by 4.2%, reaching €23.0 million for the quarter, despite lower network activity**
-

Commercial performance of AFFLELOU

Total network sales declined by 6.9% to €196.5 million in the second quarter of the current fiscal year, and 3.4% to €388.0 million in the first half of the current fiscal year as compared with the same period in the prior fiscal year.

The quarter was marked by difficulties in connection with the implementation of the *100% santé* regulatory changes in the optical and hearing aid sector in France. It resulted in a strong decline in sales during January, following a calendar year of strong growth of the optical market in France and outperformance of the market by the Alain Afflelou banner. More generally, while it is still too early to assess the impact of the *100% santé* changes on our sector and our business, the early effects we are seeing is a proportion of people opting for the zero consumer cost offer, with the related impact on total sales, in line with our expectations.

In the other geographical areas where we operate, sales were nearly stable. In Spain, sales grew slightly, despite the closure of our flagship store in Barcelona the year before, and the relaunch of our hearing activity has been well-received, with encouraging sales performance during the quarter. In our Other Countries segment, sales were also well-oriented, other than in Belgium, which has faced a tougher competitive environment in recent months.

The Group had 1,417 stores as of January 31, 2020, representing a decrease of five stores from the previous year, corresponding to the rationalization of our discount banner in France, while the Alain Afflelou banner continued to expand in the optical and hearing aid networks, particularly in France.

Afflelou's financial performance

Adjusted EBITDA increased by 4.2%, to €23.0 million, as compared to €22.1 million for the same period in the prior fiscal year, despite the negative impact of our French activities in January. This solid performance stems from good performances of our wholesale activity and revenues from network's

¹ Network sales comprise sales (excluding VAT) to end customers by all of the Group's distribution channels, including directly-owned stores. Sales of the franchisees are based on monthly sales reports provided by the franchisees pursuant to their reporting obligations under the franchise agreements.

² Like-for-like network sales growth is based on sales of stores that were open through the periods under consideration, based on a full fiscal year, and which did not undergo any substantial changes during those periods (such as construction or refurbishment work of a duration of more than one month), so that sales performance in a period may be comparable to that of the prior period. Like-for-like network sales are calculated at current exchange rates as a very small portion of network sales are currently exposed to currency risk.

³ Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements, before (i) depreciation and amortization of property, plant and equipment, and intangible assets, (ii) changes in provisions for trade receivables and inventories, and (iii) management fees, management long term incentives and acquisition price supplements, if applicable in each case.

purchases, while the network activities in Spain and the Other Countries segment were positively oriented, which translated into higher profitability in those areas.

COVID-19

In late 2019, a novel strain of coronavirus was first detected in Wuhan, China. Since then, the virus has spread to over 100 countries, including France and Spain, where our core operations are located. On March 15, 2020, the French government ordered all but certain essential businesses closed and imposed significant limitations on the circulation of the populace and the governments in the other European jurisdictions in which we operate also implemented similar measures. In this context, we have temporarily closed all of our directly owned stores in the main European jurisdictions in which we operate, and we have advised our franchisees to do the same. While it is premature to accurately predict the ultimate impact of these developments and while network sales were generally positively oriented as of March 15, 2020, we expect our results for the quarter ending April 30, 2020 to be significantly impacted with potential continuing, adverse impacts beyond April 30, 2020. In this context, we have also drawn our Revolving Credit Facility as a precaution, increasing our cash on balance sheet by €30 million.

Didier PASCUAL, Chairman and Chief Executive Officer of Afflelou, stated

In light of the ongoing COVID-19 situation, we are taking strong measures to face the challenges posed by the pandemic and, as always, the health and safety of our clients, franchisees and employees are our highest priority. First, in order to protect the health of those working and visiting our stores, we decided to close our directly-owned stores beginning on March 16, 2020, and recommended our franchisees to do the same. Second, we also closed our various European headquarters locations and switched to teleworking. Third, we decided to drawdown on our €30 million revolving line of credit to proactively prevent any cashflow issues. In order to prudently reduce costs during this unusual and uncertain time, a vast majority of our employees in our directly owned stores network have been temporarily laid off beginning on March 16, 2020 and also certain people in the headquarters. Additionally, we have plans for providing support to our franchisees, in terms of advice as well as financial support. The COVID-19 situation is exceptional and it is difficult to assess the mid- and long-term consequences it will have on the world, our industry and our business, but we believe that the actions we have taken so far will put us, our franchisees and our employees in the best position to continue addressing and adapting to the COVID-19 crisis.

* * *

About Afflelou:

Founded in Bordeaux in 1972 by Alain Afflelou, the Group is one of Europe's leading franchisors of optical products and hearing aids. In 2018, the Group operated the largest franchise network of optical products (in terms of store numbers) and the Alain Afflelou banner ranked third in France with a 9.5% market share (in terms of store numbers), in a historically fragmented market that includes many independent retailers. The Group has a long-standing presence in France, but also a strong foothold in Spain, where it operates the largest banner of optical products (in terms of store numbers) and the fourth largest (in terms of revenue). The Group, which is continuing its global expansion, is present worldwide, with 1,425 stores in 19 countries as of July 31, 2019.

* * *

Forward Looking Statements

This press release may include forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Company's or any of its affiliates' intentions, beliefs or current expectations concerning, among other things, the Company's or any of its affiliates' results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward looking statements are not guarantees of future performance and that the Company's or any of its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward looking statements contained in this press release. In addition, even if the Company's or any of its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

* * *

Investor relations contact AFFLELOU André Verneyre / averneyre@afflelou.net + 33 01 49 37 73 50
Press contact AFFLELOU Marion Tarneaud / mtarneaud@afflelou.net +33 1 49 37 74 59