AFFLELOU

Press release

Paris, March 28, 2019

Afflelou's second quarter and first half results for the 2018/2019 fiscal year, as of and for the three months ended January 31, 2019

- **Network sales[1] up by 6.2% at €211.2 million, with 5.9% like-for-like network sales growth[2] for the quarter**
- **Adjusted EBITDA[3] up by 4.5% at €22.1 million for the quarter**

Afflelou and its subsidiaries (the "**Group**") publishes its second quarter results for the fiscal year ended July 31, 2019.

Commercial performance of AFFLELOU

Network sales reached €211.2 million in the second quarter of the current fiscal year, up by 6.2% from the second quarter of the prior fiscal year, and €401.9 million for the first half of the current fiscal year, up by 6.5% as compared with the same period in the prior fiscal year.

The historical ALAIN AFFLELOU banner continued to perform very well in its main geographical areas. In France, sales grew strongly in spite of the "yellow vests" (*gilets jaunes*) demonstrations, with marginal impacts on our sales in December 2018. The hearing aid banner delivered sales growth of almost 30% during the first half of the fiscal year, representing a significant gain in market share. Our discount banner also performed well in terms of like-for-like sales. Each of our banners in France outperformed their respective markets, notably at Alain Afflelou Acousticien, with 24% of growth during the 2018 calendar year, versus +6.6% for the overall market, as estimated by GFK.

Our banner in Spain also performed well, significantly outperforming the optical sector in the 2018 calendar year. In the Other countries segment, the Group reported double-digit growth in Belgium and Switzerland.

The Group had 1,422 stores as of January 31, 2019, representing a decrease of 11 stores from the previous year, corresponding mainly to the rationalization of our discount banner in France, and the termination of a master franchise agreement in the hearing aid sector in Spain.

Afflelou's financial performance

Strong sales across the Group's networks drove financial performance during the second quarter.

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[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.

Adjusted EBITDA increased by 4.5%, to €22.1 million, as compared to €21.1 million for the same period in the prior fiscal year, despite negative impacts relating to the phasing of our frames put on display in our wholesale activity, together with the phasing of our communication campaigns in the first quarter, which will be balanced out in the second half of the fiscal year.

In France, the Group's profitability increased by €0.4 million during the second quarter, as compared to the same quarter of the previous year, at €18.4 million as compared with 18.0 million. Profitability during the first half of the current fiscal year is still slightly below the previous year, reflecting the aforementioned point relating to communications and exclusive frames phasing. Our directly owned stores structure and our hearing aid activity improved strongly, with the hearing aid activity reaching profitability for the first quarter since its launch. In Spain, the Group's profitability grew at €3.2 million this quarter, as compared to €2.8 million for the same period in the previous year, thanks to a strong improvement on its directly owned stores structure and good performances linked to the network activity. Lastly, the Other countries segment also grew, thanks to performances in the most mature regions, Switzerland and Belgium.

In this positive context, the Group generated strong cash flows, showing a net debt of €371.2 million at the end of January 2019, as compared with €409.9 million at the end of January 2018.

Didier PASCUAL, Chairman and Chief Executive Officer of Afflelou, stated: *"Our network reported its eighth consecutive half year of growth in like-for-like sales. We are gaining market share in our main regions, with dramatic growth in the hearing aid segment. The profitability for our Group grows as a result of these factors. It's reassuring situation when facing digital transformation and upcoming regulatory changes in France".*

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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 2016, the Group operated the largest franchise network of optical products (in terms of store numbers) and the ALAIN AFFLELOU banner ranked fourth in France with a 9% 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 1,460 stores in 17 countries as of July 31, 2018.

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Investor relations contact AFFLELOU

André Verneyre, Head of financial operations and investor relations / averneyre@afflelou.net + 33 01 49 37 73 50

Press contact AFFLELOU

Marion Tarneaud, Corporate communication manager / mtarneaud@afflelou.net +33 1 49 37 74 59