**Picard Bondco S.A.**

**Supplemental Report**

**February 5, 2015**

Note: This supplements the annual and quarterly reports required under the indenture governing the 9 % Senior Notes due 2018 issued by Picard Bondco S.A., the indenture governing the 12% PIK Notes due 2019 issued by Picard PIKCo S.A., and the indenture governing the Floating Rate Notes due 2019 issue by Picard Groupe S.A.S. and the Revolving Credit FacilityAgreement.

# INTRODUCTION

## Highlights

Based on unaudited accounting records and preliminary management reporting, we estimate that for the three months ended December 31, 2014, our sales increased by approximately 3.7%, mainly driven by a 2.5% increase in our French stores like-for-like sales during the three-months ended December 31, 2014 as a result of our active R&D program and our strong advertising campaigns, such as the "*la forêt enneigée*" television spot we launched during a 15-day period to promote our special Christmas product. We also expect our EBITDA for the three months ended December 31, 2014 to increase compared to the same period in the prior year due to an increase in sales. During these three months, we offered 76 new temporary SKUs for the Christmas season to our customers.

A partial redemption of the €115 million in aggregate principal amount of the 9% Senior Notes due 2018 issued by Picard Bondco S.A. occurred on October 29, 2014, using €121 million of cash, including accrued and unpaid interest through the redemption date and a prepayment premium.

The results described above have been derived from our accounting records and preliminary management reporting and are unaudited. We have not yet prepared consolidated financial statements for the three months ended December 31, 2014 nor have we completed our quarter-end accounting close processes. Accordingly, the results in our consolidated financial statements for the three months ended December 31, 2014 may differ from our estimated preliminary results above. In addition, the preliminary results for the three months ended December 31, 2014 may not be indicative of any future period.

We continue to successfully develop our network of stores and, during the three months ended December 31, 2014, we opened 13 additional stores, including 7 stores in France, 4 in Belgium, 1 in Sweden and 1 in Luxembourg.

## About Picard

We are the leading retailer of frozen food products in France, and are a pioneer in the sector. In calendar year 2013, we had an approximately 18.8% market share (including ice cream products) of the approximately €7.0 billion French frozen food market. We offer our customers approximately 1,100 different frozen food SKUs, including unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full range of ready-made starters, main courses, desserts and ice cream at various price points. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food.

We sell under our own Picard brands (97% of our sales), as well as a few national and international brands, such as, but not limited to, Häagen-Dazs, Charal, and Ben & Jerry's. Our Picard products are sold exclusively through our network as well as through Home Service, which mainly operates in major French cities. We have successfully expanded this network over the years, and we opened an average of 36 new stores per year from 1994 to 2008 and an average of 33 new stores per year over the last five years. As of December 31, 2014, we had 1,000 stores, 926 of which are located in mainland France (along with 2 additional franchised stores in Corsica and 7 in La Réunion), 38 in Italy, 18 in Belgium, 8 in Sweden and 1 in Luxembourg. Most of our stores are located in or near city centers and metropolitan areas.

We outsource the manufacturing of all of our products to approximately 200 different suppliers, allowing us to concentrate on quality control and new product research, development and innovation. We continuously review our product offering and introduce on average approximately 200 new SKUs a year. Many of our products are unique to us, which we believe attracts customers to our stores.

We have successfully increased our sales over the last ten years from €749.5 million for the year ended March 31, 2004 to €1,336.3 million for the year ended March 31, 2014, representing a compound annual growth rate ("CAGR") of 6.0% despite significant economic challenges. Over the same period, we generated a like-for-like sales CAGR of 1.7%. For the year ended March 31, 2014, sales in France accounted for 97% of our total sales, with sales in Italy, Belgium and Sweden generating the remaining balance.

**Reporting**

This is a supplement the annual reports and quarterly reports required under the indenture governing the Senior Notes (the "Senior Notes Indenture"), the indenture governing the PIK Notes (the "PIK Notes Indenture"), the indenture governing the Senior Secured Notes (the "Senior Secured Notes Indenture" and together with the Senior Notes Indenture and the PIK Notes Indenture, the "Indentures") and the agreement governing the Revolving Credit Facility (the "Revolving Credit Facility Agreement") for the period ended March 31, 2014. This report supplements the report issued on June 26, 2014 and on November 28, 2014.

**For Further Information**

**Contact**

For further information, please contact:
Guillaume Degauque
Email: investor_relations@picard.fr

## TABLE OF CONTENTS

| | Page |
|---|---|
| INTRODUCTION | i |
| CERTAIN DEFINITIONS USED IN THIS SUPPLEMENTAL REPORT | 1 |
| FORWARD-LOOKING STATEMENTS | 3 |
| HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA | 5 |
| FFINANCIAL AND OTHER INFORMATION INCLUDED IN THIS SUPPLEMENTAL REPORT | 6 |
| RISK FACTORS | 8 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS | 18 |
| INDUSTRY | 38 |
| BUSINESS | 42 |
| MANAGEMENT | 64 |

## CERTAIN DEFINITIONS USED IN THIS SUPPLEMENTAL REPORT

Unless indicated otherwise in this supplemental report or the context requires otherwise, all references to;

- the "Acquisition" are to the acquisition on October 14, 2010 directly or indirectly, of all the issued and outstanding capital stock of Picard Groupe S.A. by Lion Capital, together with minority co-investors, and existing management;
- "CICE" are to the Competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) pursuant to Article 244 *quater C* of the French Tax Code;
- the "Company" are to Picard Bondco;
- "CRM" are to our Customer Relationship Management program that we are implementing to gather additional information about our customers, including their shopping habits, tastes and preferences;
- "EU" are to the European Union;
- "euro", "euros", "€" or "EUR" are to the single currency of the member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;
- "French stores like-for-like sales" are to like-for-like sales made through stores in mainland France, excluding franchises in Corsica and La Réunion;
- "French TopCo" are to Lion Polaris II S.A.S., a *société par actions simplifiée* formed under the laws of France on July 30, 2010, and registered with the *registre du commerce et des sociétés de Melun* under the number 524 290 178 RCS Melun. The registered office of Lion Polaris II S.A.S. is located at 37 bis, rue Royale—77300 Fontainebleau, France;
- "Home Service" are to our home delivery service which allows customers to order our products by telephone or over the internet;
- "Lion Capital" are to Lion Capital LLP or funds advised and managed by Lion Capital LLP;
- "Lux TopCo" are to Lion/Polaris Lux TopCo S.à.r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, having a share capital of €2,656,603.75 and registered with the Luxembourg Register of Commerce and Companies under number B-156-509;
- "LuxCo 1" are to Lion/Polaris Lux 1 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, having a corporate capital of €2,651,727 and registered with the Luxembourg Register of Commerce and Companies under number B-154-183;
- "LuxCo 3" are to Lion/Polaris Lux 3 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B-154-902;
- "LuxCo 4" are to Lion/Polaris Lux 4 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B-154-903;
- "Notes" are to, together, the Senior Secured Notes, the Senior Notes and the PIK Notes;
- "Picard Bondco" are to Picard Bondco, a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 154 899;

- "PG Intra-Group Loan" are to the €20 million intra-group loan granted by Picard Groupe S.A.S. to Picard Surgelés in accordance with an intra-group loan agreement dated August 1, 2013 between the Picard Groupe S.A.S. and Picard Surgelés;
- "Picard PIKco" are to Picard PIKco S.A., a public limited liability (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 156 504;
- "Picard Surgelati" are to Picard I Surgelati S.p.A., an Italian company having its registered office at via per origgio 393—21042 Caronno Pertusella (VA) and registered under number 01275750121;
- "Picard Surgelés" are to Picard Surgelés S.A.S., a *société par actions simplifiée* incorporated under the laws of France (formerly known as Picard Surgelés S.A.);
- "PIK Notes" are to the €95 million original principal amount of 12% payment-in-kind notes due 2019 issued by Picard PIKco on November 30, 2010, March 4, 2011, March 8, 2011 and March 25, 2011 and the additional payment-in-kind notes issued from time to time under the PIK Notes Indenture;
- "Primex" are to Primex International S.A., a *société anonyme* incorporated under the laws of France and registered with the *registre du commerce et des sociétés de Paris* under number 328 667 944;
- "Revolving Credit Facility" are to the €30 million multi-currency revolving credit facility available pursuant to a senior revolving credit facility agreement (the "Revolving Credit Facility Agreement"), entered into on August 1, 2013, as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios*, Picard Groupe S.A.S., certain of its subsidiaries and certain lenders;
- "Senior Credit Facilities" are to the term and revolving credit facilities available pursuant to a senior term and revolving facilities agreement (the "Senior Credit Agreement"), entered into on September 14, 2010, among, *inter alia*, the Picard Bondco, certain of its subsidiaries and certain lenders, which was canceled and repaid in full in August 2013;
- "Senior Notes" are to the €300,000,000 9% Senior Notes due 2018 issued by Picard Bondco on October 6, 2010, €115,000,000 of which Picard Bondco redeemed on October 29, 2014;
- "SKUs" are to stock keeping units;
- "SMIC" are to the French statutory minimum wage (*salaire minimum interprofessionnel de croissance*);
- "total tickets" are to the number of transactions that take place in a given period;
- "United States" or "U.S." are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and
- "we", the "group", "Picard Group", "Picard", "our" or "us" are to Picard Bondco and its subsidiaries unless the context suggests otherwise.

## FORWARD-LOOKING STATEMENTS

This supplemental report contains forward-looking statements, including statements about our markets and our strategy, future operations, industry forecasts, expected investments and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as “anticipate”, “believe”, “continue”, “ongoing”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “target”, “seek” or similar words or phrases, or the negatives of those words or phrases, may identify forward- looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause future results to differ materially from those expected or implied by the forward-looking statements. Our future results could differ materially from those anticipated in our forward-looking statements for many reasons, including the factors described in the section entitled “*Risk Factors*” in this supplemental report. For example, factors that could cause our future results to vary from projected future results include, but are not limited to:

- our strategy, outlook and growth prospects;
- fluctuations in the price and availability of food ingredients and packaging material;
- our exposure to product liability claims;
- the failure to protect our image, reputation and brand;
- the failure to develop successful and innovative products;
- our dependence on third-party suppliers;
- the efficiency of our supply chain and information technology system;
- the competitive environment in which we operate;
- our dependence on key executives and highly qualified managers;
- the impact of regulations on us and our operations;
- the fact that interests of our principal shareholder may be inconsistent with interests of holders of Notes;
- our significant leverage, which may make it difficult to operate our businesses;
- the covenants contained in the Indentures and our Revolving Credit Facility Agreement, which limit our operating and financial flexibility; and
- other factors discussed under “*Risk Factors*”.

Accordingly, prospective investors should not rely on these forward-looking statements, which speak only as of the date of this supplemental report or as otherwise indicated. We do not have any obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of such forward-looking statement or to reflect the occurrence of unanticipated events.

In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our noteholders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks described in the “*Risk Factors*” section of this supplemental report are not exhaustive. Other sections of this supplemental report describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and

rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause future results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on forward-looking statements as a prediction of future results.

## HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Historical and current market data used throughout this supplemental report were obtained from internal Picard analyses and industry surveys and publications prepared by Kantar Consumer Panel, Nielsen Retailers Panel and OC&C.

Any information sourced from third parties contained in this supplemental report has been accurately reproduced and, as far as Picard is aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. All third party sources have been cited where used.

Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in industry publications is not guaranteed. We have not independently verified this market data. While we are not aware of any misstatements regarding any industry or similar data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "*Risk Factors*" section in this supplemental report.

## FFINANCIAL AND OTHER INFORMATION INCLUDED IN THIS SUPPLEMENTAL REPORT

### Presentation of Financial Information

***Financial statements presented***

This supplemental report represents the audited consolidated financial statements of Picard Bondco S.A., the reporting entity for the Picard Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU" or "IFRS"), as of and for the years ended March 31, 2012, 2013 and 2014 (the "Audited Financial Statements") and the condensed unaudited consolidated financial statements as of and for the six months ended September 30, 2014, with unaudited comparative information for the six months ended September 30, 2013 (the "Unaudited Interim Financial Statements" and, together with the Audited Financial Statements, the "Financial Statements").

***Rounding Adjustments***

Rounding adjustments have been made in calculating some of the financial and other information included in this supplemental report. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

### Other Financial Measures

The following are the primary EBITDA-based financial measures that are presented in this supplemental report; they are derived from income statement account items calculated in accordance with IFRS-EU and are used by management as indicators of operating performance:

EBITDA, which is a non-IFRS measure that represents operating profit before depreciation, amortization, and provisions allowances. EBITDA differs from the definitions of "Consolidated EBITDA" and "EBITDA" under the Indentures and the Revolving Credit Facility Agreement, respectively, which notably exclude certain exceptional and non-recurring items that are reflected in EBITDA.

EBITDA to cash-flow conversion, which is a non-IFRS measure that represents net cash provided by operating activities before interest expense and corporate income tax plus net cash used in investing activities divided by EBITDA.

EBITDA margin, which is a non-IFRS measure that represents EBITDA divided by sales.

We also present like-for-like sales growth, which represents the change in sales from our stores in France and Italy that have been open for more than 12 months. For the purpose of like-for-like calculations, a store will be included (i) on the first day of the twelfth month following its opening date if it was opened between the first and the fifteenth day of any given month and (ii) on the first day of the thirteenth month following its opening date in all other cases. Like-for-like sales growth is presented because we believe it is frequently used by investors and other interested parties in evaluating companies in the retail sector. However, other companies may define like-for-like sales growth in a different manner than we do. French stores like-for-like sales represents like-for-like sales made through stores in mainland France excluding franchises in Corsica and La Réunion. We also reflect some adjustments to our sales, based on either a positive or a negative calendar effect, e.g., due to the number of weekends or bank holidays, or events increasing traffic, such as Easter, in a period.

Like-for-like sales growth, along with EBITDA, EBITDA to cash-flow conversion, EBITDA margin, net debt and pro forma net debt as presented in this supplemental report are not measurements of financial performance under IFRS-EU and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS-EU. For a reconciliation of EBITDA to operating profit under IFRS-EU, see "*Summary Historical Financial Information and Other Data*".

These other financial measures contained in this supplemental report are unaudited and have not been prepared in accordance with SEC requirements, IFRS-EU or the accounting standards of any other

jurisdiction. The financial information included in this supplemental report is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC.

## RISK FACTORS

*This supplemental report contains forward-looking statements that involve risks and uncertainties. Our future results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this supplemental report.*

### Risks Related to Our Business

***We are dependent on third-party suppliers to produce our products.***

We rely on third-party suppliers for all of our products, which exposes us to risks that such suppliers may fail to meet timelines, provide us with sufficient products or comply with our specifications. We require our suppliers to meet certain specifications and standards to ensure the high quality of our products. The use of third-party suppliers increases the demands on our quality control personnel and exposes us to risks that the products provided by our suppliers may not meet the relevant quality standards. For example, in February 2013, we, along with other retailers involved in the distribution of prepared meals, discovered that two of our beef prepared products contained horsemeat. The meat used by one of our suppliers for the preparation of these two products had been sourced from a meat supplier not pre-approved by us, in violation of our contractual specifications. In response, we removed those products from our stores and took measures to increase monitoring of our third-party suppliers, such as reinforcing our audit program to ensure strict compliance with our specifications, in particular by ensuring that ingredients are correctly pre-validated by our quality service (in terms of quality and origin) as well as systematically performing DNA tests (Polymerase Chain Reaction) to identify species on all our beef products. In addition, we have established a reinforced control plan on our seafood and other meat products. Despite the measures that we have taken in response to the above-mentioned incident, it resulted in decreased traffic to our stores and had an adverse effect on our business, with our French stores like-for-like sales performance for the financial year that followed the incident being significantly lower than in the previous financial year. There can be no assurance that similar incidents will not occur in the future.

Furthermore, we believe that there are a limited number of competent, high-quality third-party suppliers in the industry, and if we were required to obtain additional or alternative agreements or arrangements in the future with third-party suppliers, we may be unable to do so on satisfactory terms or in a timely manner. This could limit our ability to implement our business plan or meet customer demand. Any adverse changes to our relationships with our suppliers or quality issues caused by our suppliers could have a material adverse effect on our business, results of operations or financial condition and prospects, including on our image, brand and reputation.

***Adverse developments with respect to the safety and quality of our products and/or the food industry in general or health concerns may damage our reputation, increase our costs of operations or decrease demand for our products.***

Food safety and the public's perception that our products are safe and healthy are essential to our image and business. We sell food products for human consumption, which exposes us to safety risks such as product contamination, spoilage, misbranding or product tampering. Product contamination (including the presence of a foreign object, substance, chemical or other agent or residue or the introduction of a genetically modified organism), spoilage, misbranding or product tampering could require product withdrawals or recalls or destruction of inventory and could result in negative publicity, temporary warehouse closures and substantial costs of compliance or remediation. We may be impacted by publicity regarding any assertion that our products caused illness or injury. We could also be subject to claims or lawsuits relating to an actual or alleged illness stemming from product contamination or any other incidents that compromise the safety and quality of our products.

A significant lawsuit or widespread product recall or other events leading to the loss of consumer confidence in the safety and quality of our products could damage our brand, reputation and image and negatively impact our sales, profitability and prospects for growth. We strive to control the risks related to product quality and safety through the implementation of, and strict adherence to, our quality standards. We maintain systems designed to monitor food safety risks and require our suppliers to do so as well. However, we cannot guarantee that our efforts will continue to be successful or that such risks will not materialize. In

addition, even if our own products are not affected by contamination or other incidents that compromise their safety and quality, negative publicity about our industry, ingredients or the health implications of frozen food products could result in reduced consumer demand for our products.

For example, in 2013 a laboratory appointed by the Italian food safety authorities allegedly found that one of our products, a red berry mix, contained traces of Hepatitis A, as part of a wider European contamination of certain red berry products. We contest the findings of the analysis in question, based on the results of our own tests conducted in public and private laboratories. Following the allegations of contamination, we carried out a product recall of the implicated products. While limited publicity arose as a result of that incident, it is possible that future allegations of a similar nature could have a material adverse effect on our reputation. See "*Business—Legal Proceedings*".

We are also subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, which could require us or our suppliers to find alternative supplies or ingredients that may or may not be available at commercially reasonable prices and within acceptable time constraints. In addition, such governmental regulations may require us to identify replacement products to offer to our customers or, alternatively, to discontinue certain offerings or limit the range of products we offer. We may be unable to find substitutes that are as appealing to our customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for our products.

Furthermore, consumers have been increasingly focused on food safety, health and wellness with respect to the food products they buy and their ingredients. Demand for our products could be affected by consumer concerns regarding the health effects of ingredients such as trans fats, sugar, processed wheat or other product attributes.

***Failure to protect our image, reputation and brand could materially affect our business.***

Our brand, image and reputation constitute a significant part of our value proposition. Our success over the years has rested largely on our ability to develop our brand and image as the leading retailer of premium quality, competitively priced frozen food in France. Our customers expect that we will provide them with a large selection of quality, healthy and safe products, and this reputation has strengthened our image and brand, fuelling our expansion. Any event, such as a significant product recall, that could damage our image, reputation or brand could have a material adverse effect on our business, results of operations, financial condition and prospects. See "*—We are dependent on third-party suppliers to produce our products*".

In addition, our principal brand names and trademarks (such as Picard, Picard Surgelés and the snowflake logo) are key assets of our business. See "*Business—Intellectual Property*". We rely upon a combination of copyright and trademark laws to establish and protect our intellectual property rights, but cannot be certain that the actions we have taken or will take in the future will be adequate to prevent violation of our proprietary rights. There can be no assurance that litigation will not be necessary to enforce our trademark or proprietary rights or to defend ourselves against claimed infringement of the rights of third parties. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of our brand, which could lead to decreased consumer demand and have a material adverse effect on our business, results of operations or financial condition and prospects.

***We are vulnerable to fluctuations in the availability and price of food ingredients and packaging materials, as well as to the price of electricity.***

We and our suppliers use significant quantities of food ingredients and packaging materials. These ingredients and materials are subject to fluctuations in availability and price. Such fluctuations are attributable to, among other things, changes in supply and demand for crops or other commodities, energy prices, and government-sponsored agricultural and livestock programs. In particular, the availability and the price of vegetables and other agricultural commodities, including meat and fish, can be volatile. General economic conditions, unanticipated demand, problems in production or distribution, natural

disasters, weather conditions during the growing and harvesting seasons, plant and livestock diseases and local, national or international quarantines can also adversely affect availability and prices of commodities in the long and short terms. In the future, we may be affected by the imposition of national or international quotas regulating, for example, volumes of raw materials, especially on fish and seafood products. If the French government or any other regulatory body establishes such measures, the price of raw materials could increase, and our gross margins would be affected.

While we generally have long-term relationships with our suppliers, and alternate suppliers are generally available, we do not have long-term contracts with suppliers, and, as a result, they could increase the prices of their products or fail to deliver sufficient quantities to us. Although we attempt to reduce our exposure to price fluctuations to a limited extent by buying certain inventory at opportune moments during the year and holding it for sale until periods of high demand or shortages, our ability to avoid the adverse effects of a pronounced, sustained price increase in raw materials is limited.

Increases in prices or scarcity of ingredients or packaging materials required for our products could increase our costs and disrupt our operations. In addition, our ability to pass along higher costs through price increases to our customers is dependent upon competitive pricing conditions in our industry. As a result, changes in our input costs could impact our gross margins. In addition, even if we are able to pass increased costs on to our customers, the higher prices of our products might lead to reduced consumer demand or negative changes in the product mix.

In addition, significant amounts of electricity are needed to maintain our cold chain requirements for appropriate storage of materials and products before they are sold, and we expect that our electricity costs will increase in the future. Such increases may be significant.

***Sales of our products are subject to changing consumer preferences.***

The success of our business depends on the continued appeal of the range of products we offer through our network of stores and Home Service. A shift in consumer preferences could have a material adverse effect on our business, results of operations and financial condition and prospects. Given the varied backgrounds and tastes of our customer base, we must offer a sufficient range of products to satisfy a broad spectrum of preferences.

We devote significant resources to developing and marketing new products and expanding and improving existing product lines, thus trying to predict and adapt to changes in consumer preferences. However, our efforts may not result in the volume of sales or profitability anticipated. If we are unable to accurately predict, identify and interpret the changing tastes and dietary habits of consumers, our sales may decline and our operating results could suffer.

***Failure to develop successful and innovative products could adversely affect our business.***

We are dedicated to developing successful and innovative new products and do so primarily through the efforts of our integrated research and development ("R&D") department, which creates new products throughout the year. Many of our suppliers also carry out their own R&D and proactively propose new recipes and products to sell in our stores. We believe that continuously renewing our product offering is essential for keeping up with changes in the market and stimulating demand from both potential and existing customers. On average, we introduce approximately 200 new SKUs annually, including alternative flavors, sizes and packaging for our existing products. If we are unable to continue developing an adequate range of new products, the attractiveness of our brand could be diminished and cause us to become less competitive. However, there are inherent risks associated with new product or packaging offerings, including uncertainties about trade and consumer acceptance. We may incur certain costs related to developing and marketing new products or expanding existing product lines and cannot guarantee their profitability or popularity.

***A failure in our cold chain could lead to unsafe food conditions and increased costs.***

"Cold chain" requirements, setting out the temperatures at which our ingredients and products are stored, are established by statute and by us to help guarantee the safety of our food products. Our cold chain

is maintained from the moment the ingredients arrive at, or are frozen by, our suppliers, through our products' transportation phase and ultimately to the time of sale in our stores or through Home Service. These standards ensure the quality, freshness and safety of our products, and those characteristics are recognized by our customers and have become associated with our brand. A failure in the cold chain could lead to food contamination, risks to the health of our customers, fines and damage to our brand and reputation, each of which could subsequently affect our business, results of operations, financial condition and prospects.

***We may be subject to product liability claims arising out of the consumption of our products.***

Consumption of a misbranded, altered, contaminated or spoiled product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury or death stemming from the consumption of one of our products which could negatively affect our business. While we are not currently the subject of material product liability claims for damages as a result of the consumption or use of our products, and we submit our products to extensive testing, we may still be exposed to liability claims in the future. Awards of damages, settlement amounts and fees and expenses resulting from such claims and the public relations implications of any such claims, could have an adverse effect on our business. The availability and price of insurance to cover claims for damages are subject to market forces that we do not control, and such insurance would not cover damage to our reputation. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time-consuming and may divert our management's time and resources towards defending them rather than operating our business. Any adverse publicity concerning such claims could cause customers to lose confidence in the safety and quality of our products and damage our reputation and brand image.

***We are exposed to economic and other trends that could adversely impact our operations in France, Italy, Belgium, Sweden and Luxembourg.***

We conduct our operations principally in France, and the expansion of our network of stores is an integral part of our business strategy. We are thus particularly influenced by economic developments and changes in consumer habits in France, and a significant economic downturn in France could have a material adverse effect on our business. In addition, our more limited operations in Northern Italy, Belgium, Sweden and Luxembourg expose us, although to a much lesser extent than in France, to economic trends in those regions as well. To the extent we extend our store network into other countries and territories, we will become exposed to economic trends in such countries and territories.

Our business and the food retail industry as a whole have been affected by the current global economic crisis since 2008 and by the effects on household consumption of the uncertainty and volatility resulting from the European sovereign debt crisis. We have been affected by negative macroeconomic trends beginning in the fourth quarter of 2008 as the financial crisis began to affect the French economy and domestic consumer confidence there.

While we believe that our business model has proven resilient throughout the economic crisis, we cannot predict whether it will continue to be successful in the future. In particular, we may not be able to achieve positive growth or if we are able to do so, such growth may be low. For example, during calendar year 2013, France's GDP growth reached 0.3% and during the financial year ended March 31, 2014 our French stores like-for-like sales decreased by 3.3%, which reflected not only the economic situation in France, but also the impact of the February 2013 horsemeat incident. While we seek to lessen the impact of the economic crisis through management of our selling prices, production costs, volumes, inventories and working capital, the economic crisis and future changes in economic conditions in France, Italy, Belgium, Sweden and Luxembourg, as well as globally, could result in short-term and long-term decreases in consumer confidence and demand, increases in selling prices, production costs and volatility of raw material prices.

***Our continued profit growth depends on our ability to manage the expansion of our operations.***

We have grown rapidly by opening an average of 33 stores, in mainland France, over the last 5 years. We believe that there remains potential to open stores during the next decade, based on our criteria for new

openings and growth strategy, in line with historical expansion albeit at a slower pace. We intend to continue to expand our network of stores in the future based on our internally developed “geomarketing” analysis. In addition, we may seek to further extend our network using a franchise model in smaller cities in France to complement our owned stores.

Historically, the increase in the density of our network of stores in France has not affected our average sales per store. We cannot guarantee that opening additional stores will not adversely affect our existing stores through cannibalization or that our strategy of adding new stores to the network will continue to be profitable. While we have a history of managing our growth successfully, future business growth could place a significant strain on our managerial, operational and financial resources. Our ability to capitalize on future growth will depend on our ability to continue to implement and improve operational, financial and information systems on a timely basis and to expand, train, motivate and manage our workforce. However, our personnel, systems, procedures and controls may not be adequate to support continued expansion, and failure to manage our expansion effectively may lead to increased costs, a decline in sales and reduced profitability. Based on these factors and others beyond our control, we cannot be certain that there will continue to be future opportunities to allow for growth on par with historical rates.

***We may experience difficulties implementing overseas and international expansion plans.***

In addition to our expansion in mainland France, we may consider a selective and measured geographical expansion of our business into other countries and territories that we believe will contribute to our growth and future performance. For example, we opened 6 net stores in Belgium, 1 net store in Sweden, 1 store in Italy and 1 store in Luxembourg in the nine months ended December 31, 2014. If we expand our overseas and international operations, including expanding into new countries and regions, we may encounter risks posed by, for example, the adaptation of our business model to non-French consumer preferences, different national or territorial health and consumer safety standards, a lack of local business experience and exposure to economic conditions in additional markets. We may also have difficulty hiring experts or qualified executives or employees in the countries and territories in which we plan to expand. In addition, expansion requires significant start-up costs and we may also be unable to successfully integrate the services, products and personnel of any new stores we open or acquire into our operations, which may ultimately translate into a lack of return on our investment. We cannot guarantee that future efforts at expansion will be successful. Based on these risks, we may not achieve results in new countries and territories that are comparable to those achieved in mainland France, which may subsequently impact our overall business, financial condition and prospects.

***We may be unable to implement our business strategy.***

Our current business strategy focuses primarily on increasing French stores like-for-like sales, notably by using information from our CRM program, further implementing our existing stores remodeling program in France and on the further expansion of our store network in France, Belgium, Sweden, Luxembourg and other countries and regions. We have also been developing initiatives such as the development of Home Service, mainly through our website. Given the various risks to which we are exposed and the uncertainties inherent in our business, we cannot guarantee the successful implementation of our business strategy. If we do not meet our strategic objectives or achieve the results initially expected, our business, results of operations or financial condition and prospects may be adversely affected.

***Some of our current stores are franchised and this presents a number of disadvantages and risks.***

Our stores in La Réunion and Corsica are franchised. We also intend to open franchised stores in Switzerland and in smaller cities throughout mainland France.

Franchise arrangements present a number of drawbacks, such as:

- our limited influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to facilitate change in store ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings and inability or unwillingness of franchisees to participate in our strategic initiatives;

- the need to have the support of our franchisees for marketing programs and any new capital intensive or strategic initiatives which we may seek to undertake, and the successful execution thereof;
- the fact that franchisees are independent operators and we cannot control many factors that impact the traffic in their stores, which directly affect the sales we generate in their stores; and
- our limited influence over the decision of franchisees to invest in other businesses or incur excessive indebtedness.

Additionally, we rely on positive brand recognition to attract customers. Our brand could be harmed by the actions of any of our franchisees. Any damage to our reputation, brand image or brand name through either a single event or series of events involving, or due to perceptions (such as overall quality of our service) regarding our franchisees could have a material adverse effect on our ability to market our products and attract and retain customers.

***The market for our products is highly competitive, and we may not continue to compete effectively.***

The frozen food market is highly competitive. Our competitors include not only distributors, retailers and, to a lesser extent, large manufacturers of frozen food, but also distributors and retailers of fresh products, baked goods and chilled, ready-made meals. These other competitors include generalist grocers, supermarket chains, hard discounters, specialists (including home delivery distributors) and convenience stores. Our competitors generally compete with us on the basis of location, quality of products, service, price, product variety and store condition. While we believe that we have developed a unique position in the French frozen food market as both a developer and distributor of premium quality, competitively priced frozen food products, there can be no assurance that we can successfully compete with these companies or that new competitors will not enter the industry. In recent years, generalist grocers and supermarkets have begun offering lines of frozen food products that are similar to our own, which has resulted in increased competition. In addition, some of our competitors have substantially greater financial, marketing and other resources than our own, creating competitive pressures that could cause us to lose market share and may require us to lower prices, to increase capital, marketing and advertising expenditures or to increase the use of discounting or promotional campaigns, and may also restrict our ability to increase prices, including in response to commodity and other cost increases. These risks could adversely affect our sales volumes and margins and result in a decrease in our operating results.

***The efficiency of our supply chain and information technology system is critical to our business and operations.***

Our performance depends on accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making processes. We and our suppliers are exposed to operational risks, such as the breakdown or failure of equipment, interruption of power supplies or processes, fires, floods or any other natural disasters, acts of sabotage or vandalism, and industrial accidents. We rely on our information technology systems for communication among our suppliers, stores, warehouses and headquarters and for Home Service. While we maintain certain controls designed to manage operational risks, including continued upgrading of modern technology for breakdown diagnosis, we may be adversely affected if our controls fail to detect or contain operational risks. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure and to maintain the related automated and manual control processes, we could be subject to negative impacts, including billing and collection errors, business disruptions and damages related to security breaches. Any disruption caused by failures in our information technology infrastructure or underlying equipment or of communication networks could delay or otherwise impact our day-to-day business and decision-making processes and negatively impact our performance.

Moreover, from time to time we may introduce new IT systems which may become subject to technical issues not previously experienced or foreseen by us, negatively impacting our day-to-day operations, which may result in billing and collection errors. In addition, we use outsourcing arrangements with third parties, notably in our logistics operations, and we do not control the facilities or operations of our suppliers. An interruption of operations at any of their or our facilities or any failure by them to deliver

on their contractual commitments may have an adverse effect on our business, results of operations, financial condition and prospects.

***Increased transportation costs or disruption of transportation services could adversely affect our business and financial results.***

Transportation of our products is an important element of our cost structure. We require the use of refrigerated trailers to ship our products from our suppliers' facilities to our warehouses and from our warehouses to our stores. In the year ended March 31, 2014, transportation costs (excluding transportation costs incurred by our suppliers, which are generally included in the prices we pay for products) accounted for 2% of our sales. Transportation costs have historically significantly fluctuated over time, in particular in connection with oil prices, and increases could result in reduced profits. We are dependent on third parties for our transportation, and this service could be disrupted. Any increases in the cost of transportation, and any disruption in transportation, could have a material negative impact on our business, results of operations and financial conditions and prospects. For example, the French government has historically introduced new taxes based on environmental and other initiatives, and there is no guarantee it will not do so in the future, which could impact our transportation costs.

***Significant disruption in our workforce or the workforce of our suppliers could adversely affect us.***

As of March 31, 2014 we employed 4,114 full-time equivalent employees, 95.6% of whom were located in France. Approximately 86% of our employees work in our store network. We could experience labor disputes and work stoppages and difficulty in attracting and retaining operative personnel at one or more of our stores due to localized strikes or strikes in the larger retail food industry sector. We are also exposed to similar risks involving the workforce of our third-party suppliers, including all of our warehouse operators. In particular, a labor stoppage or other interruption at one of our suppliers or warehouses would impact our ability to supply our stores and could have a negative effect on our operations as a result. For instance, in January 2014, STEF, our principal logistics partner, experienced a work stoppage, which also impacted our operations. As we do not directly control our suppliers, including our warehouses, or their operations, we have no control over and limited information on labor relations between our suppliers and their workforces. We cannot assure you that a future labor disturbance, work stoppage, or failure to attract and retain operative personnel at any of our or our suppliers' facilities in France or elsewhere would not have an adverse effect on that facility's operations and, potentially, on our business, results of operations, financial condition and prospects.

***We are dependent upon key executives and highly qualified managers whose retention we cannot assure.***

Our success partly depends upon the continued services of our CEO, Philippe Pauze, our CFO, Christine Declercq, and other key executives and highly qualified managers, such as those in our R&D, Quality and Marketing departments. Our executives' and managers' knowledge of the market, our business and our company represents a key strength of our business model, and our experience and human capital serves as a barrier to entry to potential competitors. The success of our business strategy and our future growth also depend on our ability to attract, train, retain, motivate and manage skilled managerial, sales, administration, development and operating personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material negative impact on our business, results of operations, financial condition and prospects.

***Compliance with European directives and regulations and government laws and regulations applicable to us could have a material adverse effect on our business, financial condition and results of operations.***

As a developer and retailer of food products for human consumption, we are subject to stringent production, packaging, health, quality, labeling and distribution standards. National regulations that have implemented European directives applicable to frozen food products establish highly technical requirements regarding labeling, manufacturing, transportation and storage of frozen food products. Local governmental authorities also set out bacteriological conditions and restrictions. Each of our stores, our outsourced warehouse facilities and our suppliers' facilities is subject to licensing and reporting requirements and official quality controls by numerous governmental authorities. These governmental authorities include European, national and local health, environmental, labor relations, sanitation, building,

zoning, fire and safety departments. Difficulty in obtaining or failure to obtain the necessary licenses or approvals could delay or prevent the development or operation of a given retail location or warehouse facility. Any changes in those regulations may require us to implement new quality controls and possibly to invest in new equipment, which could delay the development of new products and increase our operating costs.

***We are subject to increasingly stringent health, safety and environmental regulations.***

We are subject to numerous health, safety and environmental regulations, including local, national and European directives and regulations relating to the creation and maintenance of the conditions called for our cold chain requirements, the remediation of water supply and use, water discharges, air emissions, waste management, noise pollution, and workplace and product health and safety. In addition, we are subject to regulations relating to asbestos in the workplace. Health, safety and environmental legislation in Europe and elsewhere has tended to become broader and stricter over time, and enforcement has become more stringent. We try to follow and anticipate such changes, but any failure to do so may lead to penalties or fines. If health, safety and environmental laws and regulations in France, Italy and the other countries in which we have operations or from which we source ingredients are strengthened in the future, the extent and timing of investments required to maintain compliance may differ from our internal planning and may limit the availability of funding for other investments. In addition, if the costs of compliance with health, safety and environmental laws and regulations continue to increase and it is not possible for us pass through these additional costs into the price of our products, any such changes could result in lower profitability. Changes in applicable laws or regulations or evolving interpretations thereof may result in increased compliance costs, capital expenditures and other financial obligations which could affect our profitability or impede the production or distribution of our products and affect our net operating revenues.

All of our products must comply with strict national and international hygiene regulations. Our stores, our outsourced warehouses and our suppliers' production facilities are regularly subject to inspections by authorities for compliance with hygiene regulations applicable to the sale, storage and manufacturing of foodstuffs and the traceability of genetically modified organisms, meats and other raw materials. Despite the precautions we undertake or require our suppliers to undertake, should any non-compliance with such regulations be discovered during an inspection, authorities may temporarily shut down the store, warehouse or facility concerned and levy a fine for such non-compliance, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore, health, safety and environmental laws and regulations and civil liability (tort) rules could expose us to liabilities. Under some of these laws and regulations, we could be liable for investigating or remediating contamination at properties we own or occupy, even if the contamination was caused by a party unrelated to us or was not due to fault and even if the activity which resulted in the contamination was legal. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our properties, could result in substantial unanticipated costs. In some circumstances, we could be required to pay fines or damages under these laws and regulations. Regulatory authorities may also require us to curtail operations or close facilities temporarily or permanently. In addition, although we monitor the exposure of our employees and neighbors to risks related to our operations, we may be subject to health claims resulting from actual or alleged exposure to hazardous materials, as well as to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations.

Although we believe that we conduct our operations in a way that reduces health, safety and environmental risks and have in place appropriate systems for identifying and managing potential liabilities, we may not have identified or addressed all sources of health, safety and environmental risks, and there can be no assurance that we will not incur health, safety and environmental related losses or that any losses incurred will not have an adverse effect on our results of operations , financial condition and prospects.

***Due to the seasonality of our business, our revenue and operating results may vary quarter to quarter.***

Our sales and cash flows have historically been affected by seasonal cyclicality. Sales of frozen food products, including seafood, frozen vegetables and complete frozen meals, have historically tended to be higher during the winter months. December sales have historically been approximately double those of other months due to Christmas and New Year celebrations. Sales increase again, albeit at a significantly lower level, around Valentine's Day, due to our strong marketing campaigns and around Easter and decrease during the summer months, as declines in sales in urban areas are only partially offset by increases in summer vacation destinations. At the end of the summer vacation period, sales increase slightly as customers tend to restock their freezers upon returning home. These fluctuations in our inventory can also affect our working capital requirements. In addition, because Easter falls on a different date each year, some years may include two Easters while others may include no Easter. For these reasons, sequential quarterly comparisons may not be a good indication of our performance or how we may perform in the future. If seasonal fluctuations are greater than anticipated, there could be an adverse effect on our financial condition, results of operations or cash flows.

***We rent most of our stores pursuant to commercial leases that may be subject to adjustments that could increase our expenses and have an adverse effect on our profitability and results of operations.***

Most of our stores are leased pursuant to commercial leases for a term of nine years (with an option for the lessee to terminate at the end of the third and sixth years), and rent constitutes a significant portion of our expenses. The commercial leases that we sign with our landlords provide for an annual (or every 3 years in certain cases) adjustment of the rent as a function of changes in certain indices. Currently, the applicable index for most of our leases is the national cost of construction index (*Indice national du Coût de la Construction* ("ICC")). If the ICC or any other new replacement index increases at a higher rate compared to the past performance of the ICC (which has increased considerably in recent years), rents linked to these indices will be adjusted upward, potentially increasing our expenses and having an adverse effect on our profitability and results of operations.

Parties to an eligible commercial lease for retail properties (such as our stores) were able to select the French commercial rent index (*Indice trimestriel des Loyers Commerciaux*) ("ILC") as an alternative to the ICC. Since 2010, most of our new commercial lease agreements have an indexation clause based on the ILC. With the enactment of the law on craft, commerce and very small corporations, dated June 18, 2014, the ILC became mandatory for new lease agreements. Store leases based on the ILC represent 17% of total store leases as at March 31, 2014 and 95% of new stores leases signed in the year ending March 31, 2014. The ILC is calculated on the basis of the ICC (25%), the consumer price index (or CPI) (50%) and the retail sector revenues value index (or ICAV) (25%). Generally, the ILC is less volatile than the ICC. However, the ILC can increase at a higher rate than the ICC over a certain period. Rents linked to the ILC could accordingly be adjusted upward at a faster rate, potentially increasing our expenses and having an adverse effect on our profitability and results of operations.

There may be additional changes to the ICC or ILC in terms of scope or method of calculation, which could have an adverse effect on our profitability and results of operations.

***The social security contributions we are required to make for our employees may increase and the tax credits we benefit from may decrease.***

Pursuant to Articles L.241-13 et seq. of the French Social Security Code, the social security contributions that we are required to make in respect of the compensation paid to a large number of our employees are subject to a formula-based reduction. Beginning January 1, 2011, these reductions have been calculated on the basis of annual compensation instead of monthly compensation as used historically. This change has had an adverse effect on our profitability, and an additional change in the provisions applicable to this reduction, particularly with respect to the reduction rate or the calculation basis, could result in a further increase in our wage and salary expenses.

The CICE, a tax credit introduced in France on December 29, 2012 by the "*Loi de Finances rectificative*" to boost competitiveness and employment to the benefit of companies, is based on the remunerations that employers pay to their employees during a calendar year. The CICE is calculated on the

gross amount of remunerations paid to employees over the course of a calendar year that do not exceed 2.5 times the SMIC. Changes to the CICE, including changes in the conditions or requirements thereunder or the accounting of tax treatment thereunder, may result in the decrease or elimination of the expected positive impact of the CICE on our results of operations.

***Market perceptions concerning the instability of the euro and the potential re-introduction of individual currencies within the eurozone could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated.***

Recent developments in the eurozone have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict. For example, an anti-austerity party won the parliamentary elections in Greece on January 25, 2015 and subsequently formed a government with another anti-austerity party. The formation of this new Greek government could lead to the renegotiation of bailout terms or terms relating to the repayment of Greek national debt and concerns about Greece's exit from the eurozone, which could, in turn, undermine confidence in the overall stability of the euro.

If the eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency, or that the eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may negatively affect our business, results of operations and financial condition, especially as our operations are primarily in Europe. In addition, the departure of one or more countries from the eurozone may lead to the imposition of, among other things, exchange rate control laws. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and/or the value of the Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated and, because we have a substantial amount of debt denominated in euro, our financial condition may be materially affected.

Furthermore, the Indentures contain covenants restricting our and our subsidiaries' corporate activities. See "*—We are subject to covenants, which limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations*". Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by those covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

***The interests of our ultimate principal shareholder may be inconsistent with the interests of the holders of the Notes.***

Our principal shareholder, Lion Capital, indirectly owns, together with minority co-investors, approximately 98.6% of our issued and outstanding ordinary shares through investment management funds. The interests of our principal shareholder could conflict with the interests of investors in any of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholder could cause us to pursue acquisitions or divestitures and other transactions or to make large dividend payments (subject to limitations in the Indentures and the Revolving Credit Facility) or other distributions or payments to it as the shareholder, even though such transactions may involve increased risk for the holders of each of the Notes. Our principal shareholders also pursue opportunities outside of the Group that may compete with the Group. Furthermore, no assurance can be given that our principal

shareholder will not sell all or any part of its shareholding at any time nor that it will not look to reduce its holding by means of a sale to a strategic investor, an equity offering or otherwise. In particular, over the last few months, our principal shareholder has been reviewing strategic options and has held informal discussions with selected parties, including international strategic investors, concerning potential international partnerships or the sale of a stake in Picard. If recent discussions on minority investments were to progress, they could lead to a change in the equity ownership structure of the Group and ultimately a change of control.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the years ended March 31, 2012, March 31, 2013 and March 31, 2014 as well as the six-months ended September 30, 2013 and September 30, 2014. In addition, the following discussion and analysis summarizes EBITDA for the years ended March 31, 2012, 2013 and 2014 and the six months ended September 30, 2014, which is a non-IFRS measure that represents operating profit before depreciation, amortization, and provisions allowances. This measure is derived from income statement account items calculated in accordance with IFRS-EU and is used by management as an indicator of operating performance.*

*Income statement figures, which are presented under the caption "Management Discussion and Analysis—Year ended March 31, 2014 compared to Year Ended March 31, 2013", for the year ended March 31, 2013, are based on the Audited Financial Statements as of March 31, 2014 and are restated from the Audited Financial Statements as of March 31, 2013. The income statement figures for the year ended March 31, 2013 have been restated to reclassify an Italian post employment benefit from "personnel expenses" to "finance costs".*

### Introduction

We are the leading retailer of frozen food products in France, and are a pioneer in the sector. In calendar year 2013, we had an approximately 18.8% market share (including ice cream products) of the approximately €7.0 billion French frozen food market. We offer our customers approximately 1,100 different frozen food SKUs, including unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full range of ready-made starters, main courses, desserts and ice cream at various price points. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food.

We sell under our own Picard brands (97% of our sales), as well as a few national and international brands, such as, but not limited to, Häagen-Dazs, Charal and Ben & Jerry's. Our Picard products are sold exclusively through our network as well as through Home Service, which mainly operates in major French cities. We have successfully expanded this network over the years, and we opened an average of 36 new stores per year from 1994 to 2008 and an average of 33 new stores per year over the last five years. As of December 31, 2014, we had 1,000 stores, 926 of which are located in mainland France (along with 2 additional franchised stores in Corsica and 7 in La Réunion), 38 in Italy, 18 in Belgium, 8 in Sweden and 1 in Luxembourg. Most of our stores are located in or near city centers and metropolitan areas.

We outsource the manufacturing of all of our products to approximately 200 different suppliers, allowing us to concentrate on quality control and new product research, development and innovation. We continuously review our product offering and introduce on average approximately 200 new SKUs a year. Many of our products are unique to us, which we believe attracts customers to our stores.

We have successfully increased our sales over the last ten years from €749.5 million for the year ended March 31, 2004 to €1,336.3 million for the year ended March 31, 2014, representing a compound annual growth rate ("CAGR") of 6.0% despite significant economic challenges. Over the same period, we

generated a like-for-like sales CAGR of 1.7%. For the year ended March 31, 2014, sales in France accounted for 97% of our total sales, with sales in Italy, Belgium and Sweden generating the remaining balance.

## Factors that Affect Our Results of Operations

You should consider the following factors when analyzing our financial condition and results of operations.

### *Expansion of store network*

As of September 30, 2014, we had 919 stores in mainland France, 38 stores in Italy, 14 stores in Belgium and 7 stores in Sweden, as well as 2 franchised stores in Corsica and 7 franchised stores in La Réunion. For the six months ended September 30, 2014, 96.8% of total sales in France. We opened 26 new stores in mainland France in the year ended March 31, 2013 and 19 in the year ended March 31, 2014. As of December, 31 2014, this number increased to 926 stores in mainland France (along with 2 additional franchised stores in Corsica and 7 in La Réunion), 38 stores in Italy, 18 stores in Belgium, 8 stores in Sweden and our first store in Luxembourg, which opened in October 2014. This change in scale affects the comparability of our results during those periods by increasing both revenues and expenses. We expect to continue our strategic expansion into locations that meet our demographic and other commercial criteria.

Given the sustained expansion of our network over time, our management finds it useful to analyze sales growth in France (excluding Home Service) and in Italy on a "like-for-like" basis in order to understand the evolution of the results of our existing stores, excluding the effects of network expansion.

Our management also uses two key performance indicators, which are total tickets and average basket. "Total tickets" measures the number of transactions that take place in a given period, while "average basket" measures the average euro value of all such transactions.

The expansion of our store network in the past (and our expected continued expansion in the future) also affects comparisons of our results of operations because of the "ramp-up period". Despite our expansion, our average sales per store at existing stores have remained stable during the periods under review.

### *Economic conditions*

Sales have historically been affected by overall macroeconomic conditions. During periods of slow or negative GDP growth, the value of our average basket has typically declined, as consumers increased the share of less expensive products in their shopping baskets and reduced the number of products purchased from basket.

Although sales have been adversely affected by the current economic downturn, French stores like-for-like sales growth has historically been more resilient than the overall economy, reaching respectively 3.3% and 1.0% for the fiscal years ended March 31, 2012 and March 31, 2013, compared to a GDP growth rate of 1.7% and 0.0% respectively in calendar years 2011 and 2012. The fiscal year ending March 31, 2014 saw a 3.3% decline in French stores like-for-like sales, driven by the horsemeat incident in February 2013 as well as a slow 2013 French GDP growth of 0.3%. We saw a return of outperformance against French GDP in the last six-months ending September 30, 2014, with our French stores like-for-like sales growth reaching 0.8% compared to a French GDP growth of -0.1% and 0.3% in the second and third quarters of calendar year 2014 respectively. *See "Risk Factors—Risks Related to Our Business*". We are exposed to economic and other trends that could adversely impact our operations in France, Italy, Belgium, Sweden and Luxembourg.

Since 2008, consumers have responded to the economic downturn in France by decreasing their spending. We saw declines in our average basket in France from €23.0 to €22.8 to €22.1 during the years ended March 31, 2012, 2013 and 2014, respectively. At the same time, our customers have on average purchased more of the less expensive SKUs and reduced the number of SKUs purchased as the economy has continued to suffer. However, we maintained traffic in our stores through innovation, the use of

marketing and promotional campaigns, and the number of total tickets in France remained flat at 59.6 million during the years ended March 31, 2013 and 2014. While we have increased the prices of some of our products due to the increase in prices of certain raw materials, our prices remained stable on average as a result of our promotion strategy which highlights products that have on average a lower value combined with the fact that we have developed individual products to meet consumer demand. In addition, since the second half of 2012, we have devoted additional resources to advertising and promotion campaigns such as the "*Dix jours shopping*", which familiarize our clients with the varied elements within our product range. As a result, we achieved positive French stores like-for-like sales growth performance in a difficult economic environment. A more recent advertising initiative was launched during calendar year 2014, which was the 40th anniversary of Picard. Campaigns for the anniversary started at the very end of the financial year, in March 2014, with a large commercial operation in which the 40 "best of" products were offered with a discount of 40%. This operation was relayed in the media by an unprecedented large-scale campaign.

| French stores like-for-like sales growth (period-over-period) | Year ended March 31, | | | Year ending March 31, 2015 | | | 12 months ended September 30, |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | Q1 | Q2 | H1 | 2014 |
| Average Basket | (0.4)% | (0.5)% | (1.8)% | (0.9)% | 0.3% | (0.3)% | (0.7)% |
| Tickets | 3.7% | 1.5% | (1.6)% | 2.3% | (0.2)% | 1.1% | 0.0% |
| Sales | 3.3% | 1.0% | (3.3)% | 1.5% | 0.1% | 0.8% | (0.7)% |

### *Horsemeat incident*

In February 2013, we, along with other prepared food retailers, discovered that two of our beef prepared products contained horsemeat. The meat used by one of our suppliers for the preparation of these two products had been sourced from a meat supplier not pre-approved by us, in violation of our specifications. Our business was materially negatively impacted by this event. We immediately took a series of steps in response to this incident, including removing the affected products from our stores, increasing monitoring of our third-party suppliers, and exclusively sourcing our beef from France. We also reinforced our audit program to ensure strict compliance with our specifications, in particular by (i) ensuring that ingredients are correctly pre-validated by our quality service (in terms of quality and origin), (ii) systematically performing DNA tests (Polymerase Chain Reaction) to identify species on all our beef products and (iii) tightening our control plan on our seafood and other meat products. Despite these measures, our French stores like-for-like sales in the quarters following the incident declined compared to the same months in prior periods. It has since been determined that we and, consequently, our consumers were the victims of fraud, where horsemeat intended and certified as fit for human consumption had been sold to the affected supplier relabeled as beef. Additionally, none of these impacted products posed any health or safety risk. We have communicated regularly with customers throughout the incident and we continue to be dedicated to our eight pillars of differentiation: (i) product innovation, taste and variety, (ii) best practices to retain the quality and freshness of our products, (iii) healthy focus, (iv) systematic and strict quality controls, (v) reduction of the impact of our business activities on the environment, (vi) product affordability and convenience, (vii) our strong retail network and robust customer service and (viii) best commercial practices.

For the year ended March 31, 2014, our Group's sales decreased by 0.9% and our French stores like-for-like sales decreased by 3.3% driven by the decline in sales of prepared products in the frozen food industry following the horsemeat incident in February 2013 and the difficult economic conditions in France.

### *Seasonality and comparability of results*

Sales and cash flows are affected by seasonal variations. Sales of frozen food, including seafood, frozen vegetables and complete frozen meals tend to be higher during the winter months, with December sales being approximately double those of other months due to Christmas and New Year's celebrations. We offer a particularly varied and innovative range of festive products during this period that translates into significantly higher sales for such period (with increases in both average basket and number of tickets). As

a result, our cash on balance sheet is at its highest level in December, after the Christmas period, and decreases in January and February, when our trade payables become due. Sales increase again, albeit at a significantly lower pace, around Valentine's Day, due to our strong marketing campaigns and during Easter and decrease during the summer months as declines in sales in urban areas are only partially offset by increases at summer vacation destinations. At the end of the summer vacation period, sales increase slightly as customers tend to restock their freezers upon returning home. In addition, because Easter falls on a different date each year, some years may include two Easters while others may have no Easter at all. For instance, we experienced a negative calendar effect during the year ended March 31, 2014 as no Easter holiday occurred during that period (i.e. Easter occurred during the last quarter of the year ended March 31, 2013 and during the first quarter of the year ending March 31, 2015). As a result of these variations, sequential interim period comparisons may not be a good indication of our performance while the calendar effects we experience may bias year-on-year comparisons.

***Sensitivity of our cost structure***

Excluding purchases of goods sold, we have a largely fixed cost base, which does not fluctuate with the volume of products sold. Instead, our costs generally increase from period to period based on the store openings that define our dynamic expansion strategy and the sensitivity of certain costs to inflation. We are able to control some costs, such as advertising and labor but must maintain sufficient sales of goods to absorb the rise in our expenses to maintain or improve our margins. Moreover, as we expand internationally, we will experience higher costs in the absence of economies derived from existing common platforms and shared resources. In the past, we have proactively managed our cost base. However, certain expenses, such as rents, energy or prices of raw materials, are outside our control. See "*Risk Factors—Risks Related to Our Business—We are vulnerable to fluctuations in the availability and price of food ingredients and packaging material, as well as to the price of electricity*".

## Key Income Statement Items

Below is a summary description of the key elements of the line items of our income statement.

***Sales***

Sales consist of total revenues from sales of products through our network of stores and Home Service, including delivery fees.

***Cost of goods sold***

Cost of goods sold consists principally of our costs for the food products we purchase from suppliers. This line item also includes costs for the delivery of products from suppliers to our warehouses, which is included in the product price, as well as packaging costs and insurance.

***Other purchases and external expenses***

Other purchases and external expenses consists principally of rent for our leased stores, payments for the operation of our logistics platform (which is fully outsourced), publicity, store maintenance, transportation from our warehouses to our stores and Home Service regional bases, energy and other utilities, credit card fees, costs related to temporary employees and consulting fees.

***Taxes other than on income***

Taxes other than on income includes the real estate tax ("*cotisation foncière des entreprises*"), local taxes ("*taxes locales*"), tax on corporate vehicles ("*taxe sur les véhicules de société*") as well as other taxes, including social contribution for solidarity by companies ("*contribution sociale de solidarité des sociétés*") and tax on commercial areas ("*taxe sur les surfaces commerciales*"). This line item also included a 2% fish tax ("*taxe poisson*") that was in turn included in the price of our products, but was abolished on January 1, 2012. This item does not include taxes on income ("*impôt sur les bénéfices*") or the company value-added contribution ("*cotisation sur la valeur ajoutée des entreprises*"), which are recorded under the line item "Income tax expense".

***Personnel expenses***

Personnel expenses include principally base salaries and bonuses, payroll charges as well as legal and contractual profit sharing. All our French employees benefit from a legal profit sharing mechanism based on our financial results that in the past has been the equivalent of approximately two months of salary per year. In addition, all our French employees participate in a profit sharing tied to sales performance compared to budget.

***Depreciation, amortization and provisions***

Depreciation, amortization and provisions includes regular depreciation and amortization of non-current assets such as store freezers, Home Service delivery vans and computer hardware and software, but excludes amortization of goodwill (which is a separate line item in the income statement) and impairment and write-downs of non-current assets (which are recorded under "Non-recurring expenses" and "Non-recurring income"). It also includes provisions for operational risks and disputes (principally employment litigation and supplier litigation in the year ended March 31, 2013 see "*Business—Legal Proceedings*") and write-offs of overdue receivables.

***Finance costs***

Historically, finance costs principally included interest expense and expenses relating to our hedging contracts used to hedge the floating rate interest expenses under our Existing Senior Facilities and our Senior Secured Notes.

***Finance income***

Financial income primarily includes income on receivables, income on short-term investments and income relating to our hedging contracts.

***Income tax expense***

Income tax expense is taxes paid on income, including the company value-added contribution ("*cotisation sur la valeur ajoutée des entreprises*"). It does not include other taxes due by us, which are recorded under the line item "Taxes other than on income".

**Results of operations**

***Six Months Ended September 30, 2014, Compared to Six Months Ended September 30, 2013***

The following discussion presents selected condensed consolidated financial information of Picard Bondco S.A. for the six months ended September 30, 2014 and 2013.

| | Six months ended | |
|---|---|---|
| | September 30, 2013 | September 30, 2014 |
| | €in millions | |
| **Sales** | **563.0** | **575.3** |
| Cost of goods sold | (315.6) | (320.4) |
| **Gross profit** | **247.4** | **254.9** |
| Other operating income | 1.3 | 3.8 |
| Other purchase and external expenses | (105.6) | (108.2) |
| Taxes | (7.9) | (8.3) |
| Personnel expenses | (75.3) | (77.6) |
| Other operating expenses | (1.6) | (2.0) |
| **EBITDA** | **58.2** | **62.6** |
| Depreciation, Amortization and provisions allowances | (16.7) | (16.4) |
| **Operating profit** | **41.5** | **46.2** |
| Finance costs excluding non-recurring finance costs | (28.3) | (26.4) |
| Non-recurring finance costs | (17.8) | (6.8) |

| | Six months ended | |
|---|---|---|
| | September 30, 2013 | September 30, 2014 |
| | €in millions | |
| Finance income | 0.9 | 1.1 |
| Share of profit in an associate | 0.1 | 0.3 |
| **Income before tax** | **(3.5)** | **14.4** |
| Income tax expense | 4.2 | (6.7) |
| **Net income** | **0.7** | **7.7** |
| Equity holders of the parent | 1.1 | 7.9 |
| Non-controlling interests | (0.4) | (0.3) |

*Sales*

Sales increased by €12.3 million, or 2.2%, from €563.0 million for the six months ended September 30, 2013 to €575.3 million for the six months ended September 30, 2014, resulting from additional sales from the new stores we opened during the last twelve months combined with French stores like-for-like sales growth. At 0.8%, for the six months ended September 2014, French stores like-for-like sales growth resulted from a 1.1% increase in traffic in our stores partly offset by a 0.3% decrease in the average basket. Furthermore, for the six months ended September 30, 2014, our French Store like-for-like increased by 0.5% when adjusted for the positive calendar effect (i.e., Easter occurring during the three months ended June 30, 2014 as compared to no Easter occurring in the three months ended June 30, 2013).

Total sales in Italy decreased by €0.6 million, or 5.4%, from €11.2 million for the six months ended September 30, 2013 to €10.6 million for the six months ended September 30, 2014, reflecting a 0.3% like-for-like sales decline as well as the closure of some loss-making stores. Like-for-like sales remained affected by the unfavorable economic environment.

Sales in Belgium and Sweden increased by €2.5 million from €5.3 million for the six months ended September 30, 2013 to €7.8 million for the six months ended September 30, 2014 driven by the net opening of 5 and 2 stores, respectively, in the last twelve months.

*Cost of goods sold*

Cost of goods sold increased by €4.8 million, or 1.5%, from €315.6 million for the six months ended September 30, 2013 to €320.4 million for the six months ended September 30, 2014, mainly due to an increased volume of purchases. Cost of goods sold as a percentage of sales of goods slightly decreased from 56.1% for the six months ended September 30, 2013 to 55.7% for the six months ended September 30, 2014 driven by better negotiations with our suppliers and fewer goods sold under promotions.

*Gross Profit*

Gross profit increased by €7.5 million, or 3.0%, from €247.4 million for the six months ended September 30, 2013 to €254.9 million for the six months ended September 30, 2014, as a result of higher sales and an improved margin rate. Gross profit as a percentage of sales of goods increased from 43.9% for the six months ended September 30, 2013 to 44.3% for the six months ended September 30, 2014.

*Other operating income*

Other operating income increased by €2.5 million from €1.3 million for the six months ended September 30, 2013 to €3.8 million for the six months ended September 30, 2014, mainly as a result of a €1 million grant received from French authorities in connection with energy savings initiatives previously undertaken by the Group as well as the settlement of claims with two of the Group's suppliers.

*Other purchases and external expenses*

Other purchases and external expenses increased by €2.6 million, or 2.5%, from €105.6 million for the six months ended September 30, 2013 to €108.2 million for the six months ended September 30, 2014, mainly as a result of higher store rents due to the expansion of our store network in France, as well as in Belgium and Sweden, combined with higher energy and maintenance costs. Other purchases and external expenses as a percentage of sales of goods remained flat at 18.8% for the six months ended September 30, 2013 and for the six months ended September 30, 2014.

*Taxes other than on income*

Taxes other than on income increased by €0.4 million, or 5.1%, from €7.9 million for the six months ended September 30, 2013 to €8.3 million for the six months ended September 30, 2014. This increase resulted mainly from higher French social taxes (*forfait social*) in connection with legal employee profit sharing combined with higher retail tax (*Tascom)*. Taxes other than on income as a percentage of sales of goods remained stable at 1.4% for the six months ended September 30, 2013 and for the six months ended September 30, 2014.

*Personnel expenses*

Personnel expenses increased by €2.3 million, or 3.1%, from €75.3 million for the six months ended September 30, 2013 to €77.6 million for the six months ended September 30, 2014. As a proportion of sales of goods, personnel expenses increased from 13.4% for the six months ended September 30, 2013 to 13.5% for the six months ended September 30, 2014.

Wages and salaries increased by €2.4 million, or 4.6%, from €52.1 million for the six months ended September 30, 2013 to €54.5 million for the six months ended September 30, 2014, as a result of new store openings in France, Belgium and Sweden, combined with annual salary increases granted to personnel at our French stores. As a proportion of sales of goods, wages and salaries slightly increased from 9.3% for the six months ended September 30, 2013 to 9.5% for the six months ended September 30, 2014.

Profit sharing increased by €0.2 million, or 4.2%, from €4.8 million for the six months ended September 30, 2013 to €5.0 million for the six months ended September 30, 2014.

Other personnel expenses decreased by €0.3 million, or 1.6%, from €18.4 million for the six months ended September 30, 2013 to €18.1 million for the six months ended September 30, 2014, reflecting notably the €1.0 million increase in the CICE which has been in effect since January 2013 and which increased from 4% to 6% from January 2014 and was recorded as a reduction of payroll charges. Excluding the CICE, payroll charges increased by €0.7 million, or 4.0%, from €17.5 million for the six months ended September 30, 2013 to €18.2 million for the six months ended September 30, 2014, which reflected the increased number of employees in connection with store openings in France, Belgium and Sweden. As a proportion of sales of goods, payroll charges slightly decreased from 2.8% for the six months ended September 30, 2013 to 2.7% the six months ended September 30, 2014 (excluding the CICE, as a percentage of sales of goods payroll charges increased from 3.1% for the six months ended September 30, 2013 to 3.2% for the six months ended September 30, 2014).

*EBITDA*

EBITDA increased by €4.4 million, or 7.6%, from €58.2 million for the six months ended September 30, 2013 to €62.6 million for the six months ended September 30, 2014. This improvement was the result of increased sales and gross profit margin, partially offset by costs of development of our network in France, Belgium and Sweden. As a proportion of sales of goods, EBITDA increased from 10.3% for the six months ended September 30, 2013 to 10.9% for the six months ended September 30, 2014.

*Depreciation, amortization and provisions*

Depreciation, amortization and provisions decreased from €16.7 million for the six months ended September 30, 2013 to €16.4 million for the six months ended September 30, 2014. This decrease was mainly explained by the limited increase in depreciation and amortization following lower capital

expenditures related to stores openings in France, Belgium and Sweden, offset by a reversal of unused provisions. As a proportion of sales of goods, this item decreased from 3.0% for the six months ended September 30, 2013 to 2.9% for the six months ended September 30, 2014.

*Operating profit*

Operating profit increased by €4.7 million from €41.5 million for the six months ended September 30, 2013 to €46.2 million for the six months ended September 30, 2014. As a proportion of sales of goods, operating profit increased from 7.4% for the six months ended September 30, 2013 to 8.0% for the six months ended September 30, 2014.

*Finance costs*

Finance costs decreased by €12.9 million, from €46.1 million for the six months ended September 30, 2013 to €33.2 million for the six months ended September 30, 2014. This decrease is notably explained by the refinancing of the Senior Credit Facilities on August 1, 2013, which resulted in a non-recurring finance cost of €17.8 million reflecting the write-off of the non amortized issuing fees of the Term Loans A&B under the Senior Credit Facilities which were fully repaid, and the termination cost of the related swaps partially offset by the publication of the irrevocable redemption notice of €115 million in aggregate principal amount of the Senior Notes on September 29, 2014, which resulted in a non-recurring finance cost of €6.8 million reflecting the write-off of the non amortized issuance fees of such Senior Notes and an early redemption premium of €5.1 million. Excluding these non-recurring costs, finance costs decreased by €1.9 million, or 6.7% due to the decrease in interest expense reflecting mainly a decrease in the average rate due to a lower hedging rate.

*Finance income*

Finance income increased by €0.2 million from €0.9 million for the six months ended September 30, 2013 to €1.1 million for the six months ended September 30, 2014.

*Income before Tax*

Income before tax increased by €17.9 million, from a loss of €3.5 million for the six months ended September 30, 2013, to a profit of €14.4 million for the six months ended September 30, 2014. Excluding the non-recurring finance costs amounting to €17.8 million for the six months ended September 30, 2013 and €6.8 million for the six months ended September 30, 2014, income before tax increased by €6.9 million, or 48.3% from €14.3 million for the six months ended September 30, 2013 to €21.2 million for the six months ended September 30, 2014. As a proportion of sales of goods, this item increased from -0.6% for the six months ended September 30, 2013 to 2.5% for the six months ended September 30, 2014.

*Income tax expense*

Income tax expense increased by €10.9 million, from a tax credit of €4.2 million for the six months ended September 30, 2013, to an expense of €6.7 million for the six months ended September 30, 2014 reflecting notably the tax credit recorded in the six months ended September 30 , 2013 in connection with the €17.8 million non-recurring finance costs related to the refinancing of the Senior Credit Facilities on August 1, 2013 compared to the tax credit recorded in the six months ended September 30, 2014 in connection with the €6.8 million non-recurring finance costs related to the partial redemption of the Senior Notes.

*Net income*

Net income increased by €7.0 million, from €0.7 million for the six months ended September 30, 2013 to €7.7 million for the six months ended September 30, 2014, as a result of the factors described above.

***Year Ended March 31, 2014, Compared to Year Ended March 31, 2013***

The following discussion presents selected condensed consolidated financial information of Picard Bondco S.A. for the year ended December 31, 2014 and 2013.

| | Year ended March 31, | |
|---|---|---|
| | 2013[(1)] | 2014 |
| | (€in millions) | |
| **Sales** | **1,349.0** | **1,336.3** |
| Cost of goods sold | (764.1) | (754.9) |
| **Gross profit** | **584.9** | **581.4** |
| Other operating income | 2.9 | 3.7 |
| Other purchase and external expenses | (220.7) | (228.6) |
| Taxes | (16.4) | (16.0) |
| Personnel expenses | (157.8) | (158.9) |
| Other operating expenses | (4.3) | (3.7) |
| **EBITDA** | **188.6** | **177.9** |
| Depreciation, Amortization and provisions allowances | (29.0) | (34.6) |
| **Operating profit** | **159.6** | **143.3** |
| Finance costs excluding non-recurring finance costs | (61.3) | (54.4) |
| Non-recurring finance costs | (3.7) | (17.8) |
| Finance income | 1.9 | 1.6 |
| Share of profit in an associate | 0.2 | 0.5 |
| **Income before tax** | **96.7** | **73.2** |
| Income tax expense | (29.9) | (16.7) |
| **Net income** | **66.8** | **56.5** |
| Equity holders of the parent | 66.8 | 56.6 |
| Non-controlling interests | 0.0 | (0.1) |

(1) Income statement figures for the year ended March 31, 2013 are based on the Audited Financial Statements as of March 31, 2014 and are restated from the Audited Financial Statements as of March 31, 2013. The income statement figures for the year ended March 31, 2013 have been restated to reclassify a €0.3 million Italian post employment benefit from "personnel expenses" to "finance costs".

*Sales*

Sales were adversely affected by the continuing difficult economic conditions in France, as well as by the continuing impact (notably with respect to our ready-made products) of the discovery of horsemeat in certain products in February 2013, which affected the whole frozen food market.

In this context, our sales decreased by €12.7 million, or 0.9%, from €1,349.0 million for the twelve months ended March 31, 2013 to €1,336.3 million for the twelve months ended March 31, 2014. This decrease resulted from a like-for-like sales decline partially offset by sales from new store openings. In France, sales decreased by €21.8 million, or 1.7%, from €1,318.5 million for the twelve months ended March 31, 2013 to €1,296.7 million for the twelve months ended March 31, 2014, reflecting a French stores like-for-like sales decline of 3.3%. This French stores like-for-like sales decline resulted from a 1.6% decrease in the total number of tickets and a 1.8% decrease in the average basket, principally driven by a negative calendar effect (as there was no Easter occurring during the three months ended June 30, 2013 and the three months ended March 31, 2014 as compared to Easter occurring in the three months ended June 30, 2012 and late in the three months ended March 31, 2013). When restated to exclude this calendar effect, French stores like-for-like sales decreased by 2.4%.

Total sales in Italy remained stable at €24.8 million for the twelve months ended March 31, 2013 and 2014, as additional sales from the eight new stores we opened since April 2012 were offset by a decline in sales due to the closure of five stores since April 2012 and a 2.8% like-for-like sales decrease as a result of the sharp deterioration of the economic environment and the adverse calendar effect.

Sales in Belgium and Sweden increased by €9.1 million from €5.7 million for the twelve months ended March 31, 2013 to €14.8 million for the twelve months ended March 31, 2014.

*Cost of goods sold*

Our cost of goods sold decreased by €9.2 million, or 1.2%, from €764.1 million for the year ended March 31, 2013 to €754.9 million for the year ended March 31, 2014, as a result of the activity slowdown described above. Cost of goods sold as a percentage of sales slightly decreased from 56.6% for the year ended March 31, 2013 to 56.5% for the year ended March 31, 2014 driven by better negotiations with our suppliers.

*Gross Profit*

Our gross profit slightly decreased by €3.5 million, or 0.6%, from €584.9 million for the year ended March 31, 2013 to €581.4 million for the year ended March 31, 2014, as a result of lower sales. Gross profit as a percentage of sales of goods increased from 43.4% for the year ended March 31, 2013 to 43.5% for the year ended March 31, 2014.

*Other purchases and external expenses*

Our other purchases and external expenses increased by €7.9 million, or 3.6%, from €220.7 million for the year ended March 31, 2013 to €228.6 million for the year ended March 31, 2014. This increase was mainly due to higher advertising expenses, resulting from an increase in consumer outreach, notably in the form of publicity campaigns to support sales in the difficult economic environment, combined with additional costs related to the expansion of our store network in France, as well as in Belgium and Sweden, and increased store rents and energy costs. Other purchases and external expenses as a percentage of sales of goods increased from 16.4% for the year ended March 31, 2013 to 17.1% for the year ended March 31, 2014.

*Taxes other than on income*

Taxes other than on income decreased by €0.4 million, or 2.4%, from €16.4 million for the year ended March 31, 2013 to €16.0 million for the year ended March 31, 2014. This decrease resulted mainly from a lower level of French social taxes ("*forfait social*") in connection with employee profit-sharing (both legal and contractual). Taxes other than on income as a percentage of sales of goods remained stable at 1.2% for the year ended March 31, 2013 and 2014.

*Personnel expenses*

Personnel expenses increased by €1.1 million, or 0.7%, from €157.8 million for the year ended March 31, 2013 to €158.9 million for the year ended March 31, 2014. As proportion of sales of goods, personnel expenses increased from 11.7% for the year ended March 31, 2013 to 11.9% for the year ended March 31, 2014.

Wages and salaries increased by €4.2 million, or 4.1%, from €103.2 million for the year ended March 31, 2013 to €107.4 million for the year ended March 31, 2014, primarily as a result of new store openings in France, Belgium and Sweden. As a proportion of sales of goods, wages and salaries increased from 7.7% for the year ended March 31, 2013 to 8.0% for the year ended March 31, 2014.

Profit sharing decreased by €1.2 million, or 8.2%, from €14.6 million for the year ended March 31, 2013 to €13.4 million for the year ended March 31, 2014.

Other personnel expenses decreased by €1.9 million, or 4.8%, from €40.0 million for the year ended March 31, 2013 to €38.1 million for the year ended March 31, 2014, mainly due to a €1.6 million decrease in payroll charges. This decrease resulted mainly from a €3.1 million increase in the CICE, which has been in effect since January 2013 and which is recorded as a reduction of payroll charges. Excluding the CICE, payroll charges increased by €1.5 million, or 4.3%, from €35.2 million for the year ended March 31, 2013 to €36.7 million for the year ended March 31, 2014, which reflected mainly the increased number of employees in connection with stores openings in France, Belgium and Sweden. As a proportion of sales of goods, payroll charges slightly decreased from 2.5% for the year ended March 31, 2013 to 2.4% for the year ended March 31, 2014. Excluding the CICE, as a proportion of sales of goods, payroll charges

increased slightly from 2.6% for the year ended March 31, 2013 to 2.7% for the year ended March 31, 2014.

*EBITDA*

EBITDA decreased by €10.7 million, or 5.7%, from €188.6 million for the year ended March 31, 2013 to €177.9 million for the year ended March 31, 2014. This decrease was the result of the slowdown of activity partly offset by the increase in gross profit margin and reflected the largely fixed nature of our cost base, as well as the higher advertising expenses described above and also higher set-up expansion costs in Belgium and Sweden as we opened more stores in these countries in the year ended March 31, 2014 than in the previous financial year. As a proportion of sales of goods, EBITDA decreased from 14.0% for the year ended March 31, 2013 to 13.3% for the year ended March 31, 2014.

*Depreciation, amortization and provisions*

Depreciation, amortization and provisions increased by €5.6 million from €29.0 million for the year ended March 31, 2013 to €34.6 million for the year ended March 31, 2014. This increase was mainly due to store openings in France, Belgium and Sweden. As a proportion of sales of goods, this item increased from 2.1% for the year ended March 31, 2013 to 2.6% for the year ended March 31, 2014.

*Operating profit*

Operating profit decreased by €16.3 million, or 10.2%, from €159.6 million for the year ended March 31, 2013, to €143.3 million for the year ended March 31, 2014. As a proportion of sales of goods, operating profit decreased from 11.8% for the year ended March 31, 2013 to 10.7% for the year ended March 31, 2014.

*Finance costs*

Finance costs increased by €7.2 million, or 11.1%, from €65.0 million for the year ended March 31, 2013 to €72.2 million for the year ended March 31, 2014. This increase was largely due to the refinancing of the Senior Credit Facilities on August 1, 2013, which resulted in a non-recurring finance cost of €17.8 million reflecting the write-off of the non-amortized issuing fees of the Term Loans A&B under the Senior Credit Facilities which were fully repaid, and the termination cost of the related swaps, compared with a non-recurring finance cost of €3.7 million incurred during the twelve-month period ended March 31, 2013 in connection with the write-off of the non-amortized issuing fees related to the repayments of the Term Loans A&B of €35.7 million in July 2012 and €60 million in October 2012. This net increase of €14.1 million in one-off finance cost was partially offset by a decrease in interest expense mainly related to the repayments made in July 2012, October 2012 and April 2013 of amounts under the Senior Credit Facilities, combined with a decrease in banking margins for the Term Loan A from March 2013.

*Finance income*

Finance income decreased by €0.3 million, from €1.9 million for the year ended March 31, 2013 to €1.6 million for the year ended March 31, 2014.

*Income before Tax*

Income before tax decreased by €23.5 million, or 24.3%, from €96.7 million for the year ended March 31, 2013 to €73.2 million for the year ended March 31, 2014. Excluding the effect of non-recurring finance costs amounting to €3.7 million for the year ended March 31, 2013 and €17.8 million for the year ended March 31, 2014, income before tax decreased by €9.4 million, or 9.4%, from €100.4 million for the year ended March 31, 2013 to €91.0 million for the year ended March 31, 2014. As a proportion of sales of goods, this item decreased from 7.2% for the year ended March 31, 2013 to 5.5% for the year ended March 31, 2014, or from 7.4% to 6.8% when excluding the non-recurring finance costs.

*Income tax expense*

Income tax expense decreased by €13.2 million, from €29.9 million for the year ended March 31, 2013 to €16.7 million for the year ended March 31, 2014, mainly reflecting the tax credit generated by the €17.8 million non-recurring finance costs related to the refinancing of the Senior Credit Facilities on August 1, 2013. As a proportion of sales of goods, this item decreased from 2.2% for the year ended March 31, 2013 to 1.2% for the year ended March 31, 2014.

*Net income*

Net income decreased by €10.3 million, from €66.8 million for the year ended March 31, 2013 to €56.5 million for the year ended March 31, 2014, as a result of the factors described above. Excluding the non-recurring finance costs amounting to €2.4 million net of tax credits for the twelve months ended March 31, 2013 and to €11.7 million net of tax credits for the twelve months ended March 31, 2014, net income decreased by €1.0 million from €69.2 million for the twelve months ended March 31, 2013 to €68.2 million for the twelve months ended March 31, 2014.

***Year Ended March 31, 2013, Compared to Year Ended March 31, 2012s***

The following discussion presents selected condensed consolidated financial information of Picard Bondco S.A. for the year ended March 31, 2013 and 2012.

| | Year ended March 31, | |
|---|---|---|
| | **2012** | **2013[(1)]** |
| | **(€in millions)** | |
| Sales | 1,298.2 | 1,349.0 |
| Cost of goods sold | (738.6) | (764.1) |
| **Gross profit** | **559.6** | **584.9** |
| Other operating income | 5.6 | 2.9 |
| Other purchase and external expenses | (203.5) | (220.7) |
| Taxes | (17.3) | (16.4) |
| Personnel expenses | (152.7) | (158.1) |
| Other operating expenses | (3.6) | (4.3) |
| **EBITDA** | **188.0** | **188.3** |
| Depreciation, amortization and provisions allowances | (30.5) | (29.0) |
| **Operating profit** | **157.5** | **159.3** |
| Finance costs | (66.4) | (64.7) |
| Finance income | 1.7 | 1.9 |
| Share of profit in an associate | 0.8 | 0.2 |
| **Income before tax** | **93.7** | **96.7** |
| Income tax expenses | (20.0) | (29.9) |
| **Net income** | **73.7** | **66.8** |
| Equity holders of the parent | 73.7 | 66.8 |
| Non-controlling interest | — | — |

(1) Income statement figures for the year ended March 31, 2013 are based on the Audited Financial Statements as of March 31, 2013 and differ from the restated income statement figures for the year ended March 31, 2013 which are presented under the caption "*Management Discussion and Analysis—Year Ended March 31, 2014, Compared to Year Ended March 31, 2013*".

*Sales*

Sales increased by €50.8 million, or 3.9%, from €1,298.2 million for the year ended March 31, 2012 to €1,349.0 million for the year ended March 31, 2013, primarily due to increased volumes in our French stores. This increase in French store sales from €1,249.8 million to €1,292.2 million reflected mainly a 1.0% French stores like-for-like sales growth (resulting in a €12.3 million increase in sales) driven by a 1.5% increase in the total number of tickets, partially offset by a 0.5% decline in the average basket as well

as an increase in the new stores. The sales of our French stores were adversely affected by difficult economic conditions and, for the three months ended March 31, 2013, by the decline in sales of ready-made products due to the discovery of horsemeat in certain products, which has affected the whole frozen food market.

Total sales in Italy increased by €3.3 million, or 15.3%, from €21.5 million for the year ended March 31, 2012 to €24.8 million for the year ended March 31, 2013, reflecting additional sales from our recent store openings partially offset by a decrease of 2.1% in like-for-like sales as a result of the deterioration of the economic environment.

Total sales from our stores in Belgium and Sweden (the first of which opened during the year ended March 31, 2013) amounted to €5.3 million and €0.4 million, respectively, for the year ended March 31, 2013.

*Cost of goods sold*

Cost of goods sold increased by €25.5 million, or 3.5%, from €738.6 million for the year ended March 31, 2012 to €764.1 million for the year ended March 31, 2013. This increase reflected mainly a higher volume of purchases related to our new store openings and improved French stores like-for-like sales. Cost of goods sold as a percentage of sales decreased from 56.9% for the year ended March 31, 2012 to 56.6% for the year ended March 31, 2013. As volumes continued to grow, we were able to negotiate more favorable pricing terms with our suppliers.

*Gross profit*

Gross profit increased by €25.3 million, or 4.5%, from €559.6 million for the year ended March 31, 2012 to €584.9 million for the year ended March 31, 2013. Gross profit as a percentage of sales of goods increased from 43.1% for the year ended March 31, 2012 to 43.4% for the year ended March 31, 2013 due to more advantageous pricing terms we were able to negotiate with our suppliers.

*Other purchases and external expenses*

Other purchases and external expenses increased by €17.2 million, or 8.5%, from €203.5 million for the year ended March 31, 2012 to €220.7 million for the year ended March 31, 2013. This increase mainly reflected additional costs related to the expansion of our store network in France, as well as Italy, Belgium and Sweden. Other purchases and external expenses as a percentage of sales of goods increased from 15.7% for the year ended March 31, 2012 to 16.4% for the year ended March 31, 2013 reflecting following the outsourcing of all our warehouse operations from October 2011, increased store rents, and energy and maintenance expenses combined with higher advertising investment, mainly reflecting an increase in consumer outreach, notably in the form of advertising campaigns to support sales in the difficult economic environment and to respond to the horsemeat incident.

*Taxes other than on income*

Taxes other than on income decreased by €0.9 million or 5.2% from €17.3 million for the year ended March 31, 2012 to €16.4 million for the year ended March 31, 2013. This decrease primarily reflects the abolition of the fish tax ("*taxe poisson*") as from January 1, 2012, partly offset by higher French social taxes ("*forfait social*") in connection with employee profit-sharing (both legal and contractual), which increased from 8% to 20%. Taxes other than on income as a percentage of sales of goods decreased from 1.3% for the year ended March 31, 2012 to 1.2% for the year ended March 31, 2013.

*Personnel expenses*

Personnel expenses increased by €5.4 million, or 3.5%, from €152.7 million for the year ended March 31, 2012 to €158.1 million for the year ended March 31, 2013. As a proportion of sales of goods, personnel expenses decreased from 11.8% for the year ended March 31, 2012 to 11.7% for the year ended March 31, 2013.

Wages and salaries increased by €5.2 million, or 5.3%, from €98.0 million for the year ended March 31, 2012 to €103.2 million for the year ended March 31, 2013, as a result of new store openings in France, Italy, Belgium and Sweden combined with annual salary increases granted to personnel at our French stores, partly offset by the outsourcing of the Nemours and Sorgues warehouses from October 2011. As a proportion of sales of goods, wages and salaries increased from 7.5% for the year ended March 31, 2012 to 7.7% for the year ended March 31, 2013.

At €14.6 million for the year ended March 31, 2013, profit sharing remained stable in comparison with profit sharing for the year ended March 31, 2012. The increase in legal profit sharing for the year ended March 31, 2012, resulting from the sale of our warehouses and the meat tax reimbursement, was equivalent to the increase in the contractual profit sharing for the year ended March 31, 2013.

Other personnel expenses increased by €0.2 million, or 0.5%, from €40.1 million for the year ended March 31, 2012 to €40.3 million for the year ended March 31, 2013, notably due to an increase in other employee benefits expense by €0.5 million partly offset by the €0.3 million decrease in payroll charges. This decrease resulted mainly from the impact of the CICE, which has been in effect since January 2013 and was recorded in the fourth quarter of financial year 2013 as a reduction of payroll charges. Excluding the CICE, payroll charges increased by €0.6 million, or 1.6%, from €34.6 million for the year ended March 31, 2012 to €35.2 million for the year ended March 31, 2013, which reflected the increased number of employees in connection with stores openings in France, Italy, Belgium and Sweden partly offset by the outsourcing of the Nemours and Sorgues warehouses. As a proportion of sales of goods, payroll charges slightly decreased from 2.7% for the year ended March 31, 2012 to 2.5% for the year ended March 31, 2013 (or 2.6% excluding the CICE), mainly as a result of the outsourcing of our two logistics warehouses from October 2011.

*EBITDA*

EBITDA increased by €0.3 million, or 0.2%, from €188.0 million for the year ended March 31, 2012 to €188.3 million for the year ended March 31, 2013. The results for the year ended March 31, 2012 included a €0.5 million non-recurring capital gain realized in connection with the sale of warehouses in September 2011 and the €2.1 million included in other operating income from the reimbursement of a meat tax. Excluding the non-recurring capital gain, the meat tax reimbursement and their impact of €0.9 million on profit sharing, EBITDA increased by €2 million, or 1.1%, from €186.3 million for the year ended March 31, 2012 to €188.3 million for the year ended March 31, 2013. As a proportion of sales of goods, excluding the non-recurring capital gain, the meat tax reimbursement and their impact on profit sharing, EBITDA margin slightly decreased from 14.5% for the year ended March 31, 2012 to 14.0% for the year ended March 31, 2013.

*Depreciation, amortization and provisions*

Depreciation, amortization and provisions decreased by €1.5 million from €30.5 million for the year ended March 31, 2012 to €29.0 million for the year ended March 31, 2013. As a proportion of sales of goods, this item decreased from 2.3% for the year ended March 31, 2012 to 2.1% for the year ended March 31, 2013.

*Operating profit*

Operating profit increased by €1.8 million, or 1.1%, from €157.5 million for the year ended March 31, 2012, to €159.3 million for the year ended March 31, 2013. As a proportion of sales of goods, operating profit decreased from 12.1% for the year ended March 31, 2012 to 11.8% for the year ended March 31, 2013. Excluding the net impact of non-recurring items of €1.7 million that had a positive impact on the year ended March 31, 2012, operating profit increased by €3.5 million or 2.2%. Excluding these non-recurring items, operating profit as a proportion of sales of goods slightly declined from 12% for the year ended March 31, 2012 to 11.8% for the year ended March 31, 2013.

*Finance costs*

Finance costs decreased by €1.7 million, or 2.6%, from €66.4 million for the year ended March 31, 2012 to €64.7 million for the year ended March 31, 2013 due to the decrease in interest expense of €1.5 million mainly related to the repayments made in October 2011, January 2012, April 2012, July 2012 and October 2012 of amounts under the €625 million Senior Credit Facilities Agreement, combined with a decrease in banking margins for the term loan A facility of the Senior Credit Facilities and partly offset by the increase in the amortization of issuing fees reflecting the non-cash write-off of €3.7 million recorded as a result of the debt prepayment of €35.7 million in July 2012 and €60 million in October 2012.

*Finance income*

Finance income increased by €0.2 million, from €1.7 million for the year ended March 31, 2012 to €1.9 million for the year ended March 31, 2013.

*Income before Tax*

Income before tax increased by €3 million, or 3.2%, from €93.7 million for the year ended March 31, 2012 to €96.7 million for the year ended March 31, 2013. As a proportion of sales of goods, this item remained flat at 7.2% for the years ended March 31, 2012 and March 31, 2013.

*Income tax expense*

Income tax expense increased by €9.9 million, from €20.0 million for the year ended March 31, 2012 to €29.9 million for the year ended March 31, 2013, notably, as a result of an increase in non-deductible interest in France. As a proportion of sales of goods, this item increased from 1.5% for the year ended March 31, 2012 to 2.2% for the year ended March 31, 2013.

*Net income*

Net income decreased by €6.9 million, from €73.7 million for the year ended March 31, 2012 to €66.8 million for the year ended March 31, 2013, as a result of the factors described above.

**Liquidity and Capital Resources**

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the indebtedness of our subsidiaries, and the interest we are obligated to pay on such indebtedness, which affects our net financial expenses;
- prevailing interest rates, which affect our debt service requirements;
- our ability and the ability of our subsidiaries to continue to borrow funds from financial institutions; and
- our capital expenditure requirements, which consist mainly of costs to build and equip additional stores, maintenance expenses (including store remodelings) and IT projects.

Our cash requirements consist mainly of the following:

- funding capital expenditures;
- funding operating activities;
- servicing our indebtedness and the indebtedness of our subsidiaries; and
- paying taxes.

Our sources of liquidity consist mainly of the following:

- cash generated from our operating activities;
- structurally negative working capital inflow generated by our business model;

- borrowings under our Revolving Credit Facility;
- borrowings under debt securities, such as the Senior Notes and the Senior Secured Notes; and
- capital contributions from our shareholders.

We generate working capital inflow because our customers pay cash for our products while we benefit from suppliers' credit. Changes in working capital are mainly driven by trade working capital, particularly the level of inventories and payment terms to merchandise suppliers, and overhead working capital. Our monthly working capital is seasonal, with significant positive cashflow in December and January.

***Consolidated Cashflow***

The following table summarizes certain elements of the consolidated cashflow statement of Picard Bondco for the years ended March 31, 2012, 2013 and 2014. Data provided in this table for the years ended March 31, 2012, 2013 and 2014 and the six months ended September 30, 2013 and 2014 come from our consolidated statement of cashflows as set out in the Picard Bondco audited consolidated financial statements.

| | Year ended March 31, | | | Six months ended September 30, | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2013** | **2014** |
| | | | **(€in millions)** | | |
| Net cash provided by operating activities before interest expense and corporate income tax | 187.6 | 195.2 | 165.9 | 41.9 | 58.9 |
| Corporate income tax | (5.2) | (14.4) | (20.8) | (14.7) | (7.4) |
| **Net cash provided by operating activities before interest expense and after corporate income tax** | **182.4** | **180.8** | **145.1** | **27.2** | **51.5** |
| **Net cash used in investing activities** | **(28.9)** | **(43.4)** | **(31.7)** | **(17.7)** | **(18.7)** |
| Issuance of shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interests paid | (75.2) | (57.7) | (52.8) | (26.9) | (24.9) |
| Borrowings: new debt raised and repayment | (22.3) | (111.1) | (17.1) | (16.9) | (0.4) |
| **Net cash used in financing activities** | **(97.5)** | **(168.8)** | **(69.9)** | **(43.8)** | **(25.3)** |
| **Change in cash and cash equivalents** | **56.1** | **(31.4)** | **43.5** | **(34.4)** | **7.6** |
| Net cash and cash equivalents at beginning of financial year | 80.2 | 136.3 | 104.9 | 104.9 | 148.4 |
| Net cash and cash equivalents at end of financial year | 136.3 | 104.9 | 148.4 | 70.5 | 156.0 |

*Net cash provided by operating activities before interest expense and after corporate income tax*

Net cash provided by operating activities before interest expense and after corporate income tax increased by €24.3 million, from €27.2 million in the six months ended September 30, 2013 to €51.5 million in the six months ended September 30, 2014, mainly as a result of a €4.7 million improvement in operating profit and a €7.3 million decrease in income tax paid following reimbursement of the CICE tax credit for the first time in August 2014, combined with a €4.9 million increase in working capital compared to a €17.7 million increase in the six months ended September 30, 2013.

Net cash provided by operating activities before interest expense and after corporate income tax decreased by €35.7 million, from €180.8 million in the year ended March 31, 2013 to €145.1 million in the year ended March 31, 2014, mainly as a result of a €29.3 million decrease in net cash provided by operating activities before interest expense and corporate income tax expense reflecting mainly a €16.2 million decrease in operating profit combined with the payment of the non-recurring €9.4 million fees related to the issuance of the Senior Secured Notes. Corporate income tax increased by €6.4 million which reflected the full utilization of tax losses carried forward.

Net cash provided by operating activities before interest expense and after corporate income tax decreased by €1.6 million, from €182.4 million in the year ended March 31, 2012 to €180.8 million in the year ended March 31, 2013, as a result of a €9.2 million increase in corporate income tax partly offset by an increase in net cash provided by operating activities before interest expense and corporate income tax of €7.6 million.

*Net cash used in investing activities*

The €0.9 million increase in the net cash used in investing activities, from €17.7 million in the six months ended September 30, 2013 to €18.7 million in the six months ended September 30, 2014, reflected mainly higher purchases of intangible assets.

The €11.7 million decrease in the net cash used in investing activities, from €43.4 million in the year ended March 31, 2013 to €31.7 million in the year ended March 31, 2014, mainly reflected lower investing activities.

The €14.5 million increase in the net cash used in investing activities, from €28.9 million in the year ended March 31, 2012 to €43.4 million in the year ended March 31, 2013, mainly reflected the €10.1 million non-recurring proceeds received in September 2011 in relation to the sale of two of our logistics warehouses to a third party.

Our investing activities during the periods under review were principally related to the purchase of property, plant and equipment and intangible assets in connection with new and existing stores and IT equipment and software.

*Net cash used in financing activities*

Net cash used in financing activities decreased by €18.5 million, from €43.8 million for the six months ended September 30, 2013 to €25.3 million for the six months ended September 30, 2014. Net cash used in financing activities for the six months ended September 30, 2014 mainly reflected interest paid of €24.9 million. Net cash used in financing activities for the six months ended September 30, 2013 mainly reflected the full repayment of the senior secured term loans A and B on August 1, 2013 in a total amount of €496.7 million partly financed by the issuance of the €480.0 million Senior Secured Notes, combined with €26.9 million of interest paid.

Net cash used in financing activities decreased by €98.9 million, from €168.8 million for the year ended March 31, 2013 to €69.9 million for the year ended March 31, 2014. Net cash used in financing activities for the year ended March 31, 2014 mainly reflected the full repayment of the senior secured term loans A and B on August 1, 2013 for a total amount of €496.7 million, partly financed by the issuance of the €480.0 million Senior Secured Notes. The €168.8 million net cash used in financing activities for the year ended March 31,2013 reflected notably the €110.5 million partial repayments of the senior secured term loans A and B which included €95.7 million of prepayments made in July 2012 and October 2012.

Net cash used in financing activities increased by €71.3 million, from €97.5 million for the year ended March 31, 2012 to €168.8 million for the year ended March 31, 2013, as a result of the €88.8 million increase in debt repayment which mainly reflected the partial repayments of the €625 million senior bank loan made in April 2012, July 2012 and October 2012 for a total amount of €110.5 million, which included €95.7 million of prepayments made in July 2012 and October 2012. This increase in debt repayment was partly offset by the €17.5 million decrease in interest paid from €75.2 million for the year ended March 31, 2012 to €57.7 million for the year ended March 31, 2013 due to the decrease in interest paid under the €625 million Senior Credit Facilities as a result of the partial debt repayment and the decrease in banking margins in relation to the term loan A of the Senior Credit Facilities, combined with the fact that, for the year ended March 31, 2012, the €13.5 million in interest due on April 1, 2011 in respect of the Senior Notes was paid in April 2011 and the interest due on April 1, 2012 was paid on March 31, 2012.

*Capital Expenditures*

Capital expenditures relate mainly to the opening of new stores, the remodelling of existing stores and IT. In the six months ended September 30, 2014, capital expenditures increased by €0.5 million, from €18.4 million in the six months ended September 30, 2013 to €18.8 million in the six months ended September 30, 2014. Capital expenditures as a percentage of sales of goods remained stable at 3.3% in the six months ended September 30, 2013 and in the six months ended September 30, 2014.

In the year ended March 31, 2014, capital expenditures decreased by €10.6 million, from €43.1 million in the year ended March 31, 2013 to €32.5 million in the year ended March 31, 2014. Capital expenditures as a percentage of sales of goods decreased from 3.2% in the year ended March 31, 2013 to 2.4% in the year ended March 31, 2014 mainly as a result of lower remodelling expenditures, maintenance works, widening and transfer works along with the slight decline in the number of new store openings in France and decreased average cost of an opening combined with lower IT-related capital expenditures partly offset by capital expenditures related to new stores openings in Belgium and Sweden. Capital expenditures, excluding remodelling and store openings in France, represent 1.4% of sales of goods in the year ended March 31, 2013 and 1.0% of sales of goods in the year ended March 31, 2014. Our French capital expenditures dedicated to expansion are shown in the table below as "France—New Stores", and our other store capital expenditures are principally dedicated to general maintenance, security and safety investments.

In the year ended March 31, 2013, capital expenditures increased by €6.9 million, from €36.2 million in the year ended March 31, 2012 to €43.1 million in the year ended March 31, 2013. Capital expenditures as a percentage of sales of goods increased from 2.8% in the year ended March 31, 2012 to 3.2% in the year ended March 31, 2013 mainly as a result of higher remodeling expenditures, maintenance works, widening the surface of our existing stores and store location transfer works as well as new stores openings in Belgium and Sweden, partly offset by the slight decline in the number of new store openings in France and lower IT-related capital expenditures. Capital expenditures, excluding remodeling and store openings in France, represent 1.2% of sales of goods in the year ended March 31, 2012 and 1.4% of sales of goods in the year ended March 31, 2013.

The table below sets out our consolidated capital expenditures for financial years 2012, 2013 and 2014:

| | Year ended March 31, | | | Six months ended September 30, | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2013** | **2014** |
| | | | **(€in millions)** | | |
| France Stores | **23.4** | **31.7** | **23.5** | **14.0** | **14.9** |
| New stores | 11.5 | 10.4 | 6.9 | 2.6 | 2.9 |
| Store remodelling[1] | 9.7 | 13.0 | 11.4 | 8.0 | 9.7 |
| Other store capital expenditures[2] | 2.2 | 8.3 | 5.2 | 3.3 | 2.4 |
| Logistics | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 |
| Information technology & software[3] | 11.0 | 5.3 | 2.7 | 1.2 | 2.5 |
| Others—Home delivery | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 |
| Italy capital expenditures[4] | 1.5 | 2.3 | 0.4 | 0.2 | 0.2 |
| Belgium and Sweden capital expenditures[4] | 0.0 | 3.5 | 5.7 | 3.1 | 1.1 |
| **Total capital expenditures** | **36.2** | **43.1** | **32.5** | **18.4** | **18.8** |
| *Capital expenditures as a percentage of sales of goods* | | | | | |
| France new stores | 0.9% | 0.8% | 0.5% | 0.5% | 0.5% |
| Store remodelling | 0.7% | 1.0% | 0.9% | 1.4% | 1.7% |
| Other capital expenditures | 1.2% | 1.4% | 1.0% | 1.4% | 1.1% |
| **Capital expenditures as a percentage of sales of goods** | **2.8%** | **3.2%** | **2.4%** | **3.3%** | **3.3%** |

(1) The decline in store remodelling expenditures in the year ended March 31, 2014 relates to the decrease in the number of remodelling operations (from 101 in the year ended March 31, 2013 to 73 in the year ended March 31, 2014), partly offset by the increased average cost of a remodelling. The rise in store remodelling expenditures in the year ended March 31, 2013 relates to the increase in the number of remodelling operations (from 78 in the year ended March 3, 2012 to 101 in the year ended March 31, 2013), the roll out of our new store concept and increased average cost of a remodelling reflecting notably the replacement of some cold rooms.
(2) Other store capital expenditures principally comprise maintenance works and security and safety investments, such as access for the disabled and fire alarms.
(3) The decrease in IT investments in the year ended March 31, 2013 and 2014 is due to the completion in previous years of major IT projects such as the new cash register system implemented in our store network.
(4) The capital expenditures in Italy, Belgium and Sweden in the years ended March 31, 2012, 2013 and March 31, 2014 mainly relate to store openings.

### Capital Resources

Our main sources of financing for the year ended March 31, 2014 were the Senior Notes, the Senior Secured Notes and the Revolving Credit Facility. We define net financial debt (excluding any shareholder loans) as bank loans and borrowings plus liabilities under finance leases plus other financial debt plus bank guarantees less cash and cash equivalents. The table below represents our net financial debt as at March 31, 2013 and March 31, 2014:

| As at March 31, | |
|---|---|
| 2013 | 2014 |
| (€in millions) | |
| 696.8[(1)] | 635.8[(2)] |

(1) Net debt as of March 31, 2013, is total debt, consisting of the outstanding aggregate principal amount of the Term Loans A&B under the Senior Credit Facilities (with a carrying value under IFRS of €478.4 million), finance leases (amounting to €2.3 million), bank guarantees (amounting to €2.9 million) and the outstanding aggregate principal amount of the Senior Notes (with a carrying value under IFRS of €291.3 million), minus cash and cash equivalents.
(2) Net debt as of March 31, 2014, is total debt, consisting of the outstanding aggregate principal amount of the Senior Secured Notes (with a carrying value under IFRS of €471.3 million), finance leases (amounting to €1.2 million), bank guarantees (amounting to €3.0 million) and the outstanding aggregate principal amount of the Senior Notes (with a carrying value under IFRS of €292.5 million), minus cash and cash equivalents.

### Hedging Policy

In the ordinary course of our business, we are exposed to market risk arising from fluctuations in interest rates. To manage this risk effectively, we enter into hedging transactions and use derivative financial instruments, pursuant to established internal guidelines and policies. We do not enter into financial instruments for trading or speculative purposes.

We utilize interest rate derivative instruments to reduce our exposure to changes in the variable EURIBOR rates on our outstanding debt portfolio. On August 1, 2013, we signed an interest rate swap with a notional amount of €312 million (which will gradually decrease to €161 million over the period of the agreement) whereby we have agreed to pay a fixed rate of 0.5377% and will receive a variable rate equal to EURIBOR 3-month on the notional amount. This agreement matures on August 1, 2016 and is used to hedge our exposure to changes in future interest cash-flows related to the Senior Secured Notes.

The fair value of our interest rate derivative instrument as of March 31, 2014 was a net liability of €0.8 million.

The two former interest rate swap agreements related to the fully repaid senior secured term loans were terminated on August 1, 2013.

Substantially all of our revenues (except for our sales in Sweden), expenses and obligations are denominated in euro. As a result, we are not subject to material market risk relating to exchange rate fluctuations.

### Contractual Obligations and Commercial Commitments

The table below sets out our contractual obligations and commitments at March 31, 2014:

| Contractual obligations | Total | Less than 1 year | 1–5 years | More than 5 years |
|---|---|---|---|---|
| | (€in millions) | | | |
| Long-term debt obligations | 1,038.8 | 49.5 | 498.3 | 491.0 |
| Finance lease obligations | 1.2 | 0.2 | 1.0 | — |
| Operating lease obligations | 117.5 | 51.6 | 56.2 | 9.7 |
| **Total** | 1,157.5 | 101.3 | 555.5 | 500.7 |

## Off Balance Sheet Commitments

### *Partnerships*

Picard Surgelés has agreed with certain of its suppliers to negotiate an annual volume of purchases. Suppliers may produce and store products dedicated to Picard Surgelés, but the transfer of ownership of these products occurs only at the time of delivery of the goods to Picard Surgelés or its subcontractors' warehouses.

## Critical Accounting Policies and Estimates

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Future results may differ from these estimates.

A description of the accounting rules and methods that we apply under IFRS is provided in the notes to the Audited Consolidated Annual Financial Statements of Picard Bondco included in the annual report date June 26, 2014.

# INDUSTRY

*Certain of the information set forth in this section has been derived from external sources, including Kantar Consumers Panel and Nielsen Retailers Panel, among others. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in industry publications is not guaranteed. We have not independently verified these market data.*

*The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements".*

*Market share data presented in this section are measured by sales.*

## Frozen Food

We operate in the frozen food distribution segment of the packaged food industry in mainland France, Italy, Belgium, Sweden and Luxembourg and on a franchised basis in Corsica and La Réunion. We define frozen food as any type of food that has been deep frozen for preservation purposes, including ice cream. Deep freezing is a food preservation process by which food products are frozen and kept at a temperature of –18°C or colder until sold to consumers.

Frozen food products compete primarily against fresh food, processed food and other preserved food such as canned food and vacuum-packed food. We believe that frozen food products are attractive compared with other types of food products because:

- they offer nutritional quality and taste at least similar to that of fresh food;
- they retain nutrients and vitamins longer and are less perishable than fresh food due to the deep freezing process;
- they can be unfrozen and prepared on an "as-needed" basis which helps avoid waste and overconsumption;
- fruits and vegetables can be harvested at their maturity and then frozen, making it easier for consumers to enjoy them throughout the year;
- prices of frozen food generally tend to be stable and less subject to seasonal variations when compared with the prices of fresh food products; and
- they tend to be easier to prepare.

Frozen food products are typically divided into eight main categories: vegetables, potato-based products, prepared meals, starters, fish, meat, ice cream and desserts. We distribute frozen food products in each of these categories.

During the six months ended September 30, 2014, we sold 96.8% (in value) of our products in France, with the remaining 1.8% in Italy, and 1.4% in Belgium and Sweden.

## The French Frozen Food Market

France is an attractive market for frozen food retailers with approximately 98% of French households purchasing frozen products (excluding ice cream) at least once a year.

Frozen food is a niche segment within the food industry. Frozen food products are required to comply with statutory cold chain requirements that address consumer food safety. Given the specialist nature of the business, the need for strong and specialized logistics and distribution platforms and tight control over the cold chain, barriers to entry are high.

Between calendar years 2000 and 2013, the French frozen food market for at-home consumption grew by approximately 25%, from approximately €5.6 billion in 2000 to approximately €7.0 billion in

2013. During the same period, we consolidated our leadership position and our sales in France increased almost threefold, from approximately €532 million in 2000 to €1,296.7 million in the year ended March 31, 2014. We believe that we have influenced the consumption habits of French consumers, namely their perceptions of and preferences for frozen food, while heightening general awareness of frozen food products.

**Main Competitors and Market Shares**

We are the leading distributor of frozen food in France with an approximately 18.8% share (including ice cream) of the French frozen food market in calendar year 2013. We distribute and sell our frozen food products directly to retail consumers exclusively through our own network of specialist stores and Home Service.

We compete primarily with:

- multiple grocers, including hypermarkets, supermarkets and convenience stores, which include the drive market and, in 2013, represented, collectively, 52.9% of the French frozen food market;
- other frozen food specialist stores and home delivery retailers, which, in 2013, represented, collectively, 15.4% of the French frozen food market;
- hard discounters, such as Lidl and Leader Price, which, in 2013, represented, collectively, 12.9% of the French frozen food market; and
- fresh food distributors, including multiple grocers and hard discounters, as well as smaller retail stores and delicatessens, where consumers can purchase alternatives to frozen food products, such as fresh food, processed food and other types of preserved food.

We had the largest market share of all frozen food distributors in France for the calendar year 2013, as well as a diversified product base.

Our strong position spans across all product categories and we enjoy a significant market share in categories such as vegetables, prepared meals, desserts, starters, fish and meat.

***Multiple grocers***

Multiple grocers consist of hypermarkets such as Carrefour and Leclerc, supermarkets such as Casino and convenience stores, such as Daily Monop' and Carrefour City. The frozen food market share of multiple grocers in France has declined from 62.1% in 2000 to 52.9% in 2013. In 2013, Nielsen Retailers Panel estimated that multiple grocers generated frozen food sales of €3.7 billion.

We believe that we and other specialist stores are able to offer a wider variety of frozen food products and, in the case of Picard, at better prices, than most multiple grocers. For example, most of our stores in France offer approximately 1,100 different frozen food SKUs. Hypermarket chains are characterized by a large choice of products (500-750 SKUs) and competitiveness on price, and are typically located outside of city centers. Supermarkets and convenience stores, such as Casino, Daily Monop', Carrefour Market and Carrefour City are located closer to customers' homes in city centers, but carry a smaller range of frozen products (100-300 SKUs) at a higher price point as well as a range of fresh food, and thus compete with us in terms of both location and product offerings.

In past years, some of the multiple grocers with whom we compete launched offerings that attempted to replicate our products and business model. We believe that these attempts to replicate our business model have been unsuccessful due to a lack of focus, a lack of dedicated innovation teams, weak relationships with suppliers and our competitors' general difficulty in matching the quality, range and value-for-money of our products. Our recent strategy, however, has been to enhance our competitiveness as many retailers are now entering the upmarket range of frozen food products, leading to an increase in product mix and higher average prices, while some of our suppliers have started to distribute their products to multiple retailers under their own brands.

***Specialist stores and home delivery retailers***

Specialist stores and home delivery retailers mainly consist of ourselves, Toupargel, Thiriet and small local retailers specializing solely in the distribution of frozen food products (Maximo, Argel, Bofrost, Eismann). These competitors generally offer basic products at prices lower than branded products offered by multiple grocers, as well as more expensive product offerings in the case of Toupargel and Thiriet. They usually sell frozen food products of their own brands, rather than national brands, though some, like Toupargel, also sell national brands and fresh products, along with other items such as home care products.

The frozen food market share of specialist stores and home delivery retailers in France (including ourselves) has increased from 29.8% in 2000 to 34.1% in 2013. We believe this increase was largely due to the increase in our market share, which more than offset the decline in market share of the other specialist stores and home delivery retailers during the same period.

We are the only specialist frozen food retailer with a national presence and the largest specialist frozen food retailer in France, with a market share approximately three times larger than those of our closest competitors, Toupargel and Thiriet.

We believe that specialist stores are more attractive to consumers than multiple grocers and hard discounters for reasons, including:

- they offer a wider range of frozen food products;
- they have fewer out-of-stock products as a result of their cold chain expertise;
- they offer a better overall shopping experience, including well-organized stores with clear product presentations and a better control of the cold chain; and
- their proximity to consumers increases the likelihood that products will be delivered quickly, which also helps maintain the integrity of the cold chain for the convenience and safety of the consumers.

***Hard discounters***

Hard discounters are retailers that sell consumer goods at aggressive prices, such as Lidl, Leader Price and Aldi. Hard discounters generally offer frozen food products at prices significantly lower than specialists and multiple grocers. They compete, however, on a more limited product range, usually focusing on more affordable and lower-quality products. They frequently target low-income households.

The frozen food market share of hard discounters in France has increased from 8.5% in 2000 to 13% in 2013, which is in line with their food retail market share gain. Hard discounters were also the fastest growing frozen food distribution channel between 2000 and 2006, increasing their market share from 8.5% in 2000 to 14.5% in 2006, which was less than their penetration of the food retail market as a whole and mostly at the expense of multiple grocers. Since then, their market share has slightly decreased, falling to 13% in 2013. Nielsen Retailers Panel estimates that hard discounters accounted for approximately €910 million of French frozen food market sales in 2013.

***Drive***

The drive market in France consists of online grocery shopping, whereby the products ordered online are packed and delivered to a specific site to which the customer has easy access, essentially allowing customers to drive through the site and quickly pick up their orders. Approximately 3% of food products were bought using the drive concept in France in 2013 and 6.2% of products purchased using the drive concept were frozen food products.

**Market Trends**

We believe that the following trends affect and will continue to affect the frozen food industry.

***Demographic Trends***

France’s demographic structure has changed, with more women employed full-time, smaller household sizes and a higher proportion of single-parent families. These trends have decreased the time devoted to meal preparation and increased the demand for easy-to-prepare food options. Frozen food addresses this need by offering ready-made meals, including individual portions, as well as ready-to-cook ingredients allowing customers to save time on the preparation of home-made meals.

***Changing Consumer Lifestyles***

Food manufacturers and distributors are highly attuned to the changing preferences and needs of consumers, who have increasingly busy lifestyles and are more focused on health and nutrition. They have addressed these customers’ demands by introducing and marketing a variety of convenient, high-quality and healthy food products, or updating certain core products. Industry participants seek to gain a competitive advantage by addressing consumer demands through new product introductions, core products updates and marketing. We continue to expand and refine our frozen food offerings so that they remain relevant and continue to be preferred by consumers.

***Focus on Healthy Food***

Consumers are becoming more educated on issues that affect the quality of their food and diet. For example, recent health campaigns in France have educated consumers on the benefits of fresh fruit and vegetables and encouraged French consumers to eat five portions a day. Frozen food products offer nutritional quality and taste similar to that of fresh food and retain nutrients and vitamins longer through deep freezing. The rising rates of cardiovascular disease and obesity have influenced and, we believe, will continue to influence food choices. At the same time, consumers are paying increased attention to the quality of ingredients used, as well as their traceability, sustainability and health effects. As a result of these trends, processed food manufacturers have proposed healthier recipes that are lower in salt, fat and sugar and include more fruits and vegetables. We also expect an increase in the demand for non-processed fruits and vegetables.

***Monitoring/Quality Control***

In addition, following the discovery of horsemeat in certain frozen food products labelled beef throughout the industry in February 2013, the industry has been adversely impacted as some customers have temporarily lost confidence in prepared frozen food products. In response to this issue, market participants, including Picard, have increased monitoring and testing of products, improved traceability mechanisms, introduced alternative shortened supply chains with a focus on local production and launched marketing campaigns to restore consumer confidence.

## BUSINESS

### Overview

We are the leading retailer of frozen food products in France, and are a pioneer in the sector. In calendar year 2013, we had an approximately 18.8% market share (including ice cream products) of the approximately €7.0 billion French frozen food market. We offer our customers approximately 1,100 different frozen food SKUs, including unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full range of ready-made starters, main courses, desserts and ice cream at various price points. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food.

We sell under our own Picard brands (97% of our sales), as well as a few national and international brands, such as, but not limited to, Häagen-Dazs, Charal and Ben & Jerry’s. Our Picard products are sold exclusively through our network as well as through Home Service, which mainly operates in major French cities. We have successfully expanded this network over the years, and we opened an average of 36 new stores per year from 1994 to 2008 and an average of 33 new stores per year over the last five years. As of December 31, 2014, we had 1,000 stores, 926 of which are located in mainland France (along with 2 additional franchised stores in Corsica and 7 in La Réunion), 38 in Italy, 18 in Belgium, 8 in Sweden and 1 in Luxembourg. Most of our stores are located in or near city centers and metropolitan areas.

We outsource the manufacturing of all of our products to approximately 200 different suppliers, allowing us to concentrate on quality control and new product research, development and innovation. We continuously review our product offering and introduce on average approximately 200 new SKUs a year. Many of our products are unique to us, which we believe attracts customers to our stores.

We have successfully increased our sales over the last ten years from €749.5 million for the year ended March 31, 2004 to €1,336.3 million for the year ended March 31, 2014, representing a compound annual growth rate (“CAGR”) of 6.0% despite significant economic challenges. Over the same period, we generated a like-for-like sales CAGR of 1.7%. For the year ended March 31, 2014, sales in France accounted for 97% of our total sales, with sales in Italy, Belgium and Sweden generating the remaining balance.

### History

Our predecessor was founded in 1906 as *les Glacières de Fontainebleau S.A.* by Raymond Picard and originally manufactured and distributed ice blocks. In the 1940s our predecessor began our first wholesale activity in frozen foods. In 1971, we launched our first frozen food catalogue and home delivery sales. In 1973, Armand Decelle acquired the business and became the chairman and CEO. Under his direction, we first focused on the home delivery of unprocessed quality food products, such as vegetables and seafood. In 1974, we opened our first retail store in Paris and we opened stores outside of Paris in Antibes (in the South of France) and Lyon (France’s second largest metropolitan area) in 1987. That same year, we opened our 100th store and by 1997 we operated 300 stores. During this period, our product line also evolved to include more sophisticated products, such as prepared meals. In the 40 years since opening our first retail store we have become a household name in France known for providing premium quality, natural and competitively priced products.

In 1984, we changed our name to Picard Surgelés and we co-founded Primex, a French importer, with a family-owned partner and we currently hold approximately 37% of its share capital. Primex is our main supplier of fish, as well as a supplier of meat products. In 1991, Carrefour, the listed French food retailer, acquired a 10% stake in Picard Surgelés and in 1994 raised that stake to approximately 74%. From 1994 until 2001, Picard Surgelés and Picard Surgelati operated as subsidiaries of Carrefour. During the 1990s, we more than doubled our presence in France, growing from 184 stores in 1991 to 441 stores in 2000.

In 2001, we were sold to an LBO consortium headed by Candover, which acquired approximately 79% of our share capital. We were subsequently acquired in a secondary LBO in 2004 by funds advised by BC Partners. From 2005 to 2009, we grew from over 600 stores to over 800 stores in France and Italy, opening an average of 46 new stores per year. Philippe Pauze became our CEO in April 2009. On September 14, 2010, an indirect, wholly-owned subsidiary of Picard Bondco entered into a securities purchase agreement to acquire, directly or indirectly, all of the issued and outstanding capital stock of Picard. Since completion of the Acquisition, Lion Capital has been Picard Bondco's principal shareholder through its investment management funds and indirectly owns, together with minority co-investors, approximately 98.6% of Picard Bondco's issued and outstanding ordinary shares. Since completion of the Acquisition, Picard management holds an approximately 1.4% indirect interest in Picard Bondco (based on ordinary shares).

The Acquisition was completed in October 2010 and since June 30, 2010, we continued to expand, opening 105 net stores in mainland France and 8 net stores in Italy. In addition, since the Acquisition and, in line with our international expansion strategy, we opened stores in Belgium, Sweden and Luxembourg, along with franchised stores in Corsica and franchised stores in La Réunion. As of December 31, 2014, we had 1,000 stores, 926 of which are located in mainland France (along with 2 additional franchised stores in Corsica and 7 in La Réunion), 38 in Italy, 18 in Belgium, 8 in Sweden and 1 in Luxembourg. We are considering expanding our franchised store model to other markets, including throughout mainland France, with a view to increase our presence in smaller cities. We also expect to open stores in Switzerland and also intend to further expand in Belgium and Sweden while considering other opportunities to expand into new countries and regions in the future. Recently, we opened nine corners, through which we sell a limited range of products in Japan through a commercial agreement with a local partner familiar with the local regulatory environment, food retail market and culture.

## Our Competitive Strengths

We believe that our unique position in the frozen food market as both a developer of premium quality products and a retailer results from the following key strengths:

### *Strong, well-recognized brand in France*

*Picard* is the leading brand in the French frozen food market and among the most widely recognized retail brands in France. In October 2014, the consulting firm OC&C released the results of a 6,000 consumer panel study in which French consumers ranked Picard as their favorite retail banner (ahead of internet retailer Amazon and other companies such as Yves Rocher, Thiriet, Vente-privée and IKEA). We believe that our leading brand position results from a combination of factors, including our reputation for quality and convenience, the range and diversity of our products and our national footprint of stores situated in high traffic areas. In addition, we constantly seek to innovate and maintain the relevance of our product range. For example, in recent years, we have increasingly focused on healthier and natural products, including our "*Nature et mieux-être*" line, which includes products such as steamed vegetables, as well as a range of low-fat products, comprising the "*Plus d'équilibre*" line of low-fat meals.

We continuously strive to make our prepared meals as balanced as possible, including reducing the levels of salt, saturated fat and hidden sugars. We endeavor to ensure that none of our products contain genetically modified organisms ("GMOs"), artificial colorings, hydrogenated fats or other harmful additives. Moreover, we have devised various niche ranges to meet the specific needs of some of our customers such as gluten-free products or products designed for lacto-ovo-vegetarians. We have also designed a range of products intended to meet the needs of our customers who are looking for a quick, tasty and nutritious prepared meal that is specifically designed for one person and is affordable; the "*formules express*" is priced at €2.00 per unit, which tends to be very popular amongst our customers. The breadth of our product offering is highlighted by one of our taglines, namely, "Picard, a new taste everyday" ("*Picard, chaque jour a un goût nouveau*"). In addition, our strong brand recognition and the fact that consumers associate our food with nutrition, authenticity and taste are key drivers of consumer interest in our products, visits to our stores and our ability to generate high sales volumes and attractive margins. Our strong brand recognition also provides us with a solid platform to further expand both our retail network of stores and Home Service.

***Wide range of premium quality products***

We offer customers approximately 1,100 quality SKUs ranging from unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full range of prepared starters, main courses, desserts and ice cream. We offer a wide range of prepared meals, including traditional French meals, international food, gourmet products and special occasion products. In addition, we offer a range of seasonal products throughout the year. We believe we offer the best value for money in comparison to our competitors. We provide a large selection of products at a variety of price points within each of our product categories, enabling us to capture a broader spectrum of consumers. We believe that the breadth of our product range constitutes a significant barrier to entry. Our range is approximately 1.7 times that of the frozen food range generally stocked by grocers and approximately 7.6 times that of the range generally stocked by convenience stores and hard discounters. Given the breadth and quality of our customer proposition, and a wide and renewed product offering, which also includes snacks, we believe that we compete not only in the frozen food category but more widely for a share in other markets such as the bakery market and consequently see further growth potential for our business. Many of our products are unique to Picard, which we believe attracts customers to our stores. In addition, our R&D staff benefits from close relationships with suppliers, who frequently propose new products to us on an exclusive basis, enabling us to maintain a competitive edge. We introduce on average approximately 200 new SKUs per year and we continuously review, update and replace our products to ensure that we always offer our customers innovative and interesting choices. Our experience leads us to believe that our commitment to innovation, our expertise and our ability to create new products each year is unmatched.

***Leading market position and extensive store network in France***

We have been the leading retailer of frozen food products in France since 1999. We more than doubled our market share (including ice cream) from approximately 9% in 2000 to approximately 18.8% in 2013 and believe we have been instrumental in influencing the consumption habits of French consumers toward frozen food, helping to drive the growth of the market with our innovation and commitment to quality. Our market position is supported by our extensive store network, which consists of 926 stores in France as of December 31, 2014 (along with 2 franchised stores in Corsica and 7 franchised stores in La Réunion), which enables us to cover nearly the whole territory of metropolitan France. Due to our extensive experience, and the great care we take, in opening stores, we have been successful at identifying attractive locations; we believe that our store portfolio has a remarkably homogenous performance and we have only rarely closed stores (only 22 in the past four decades in France). We believe that our extensive, high-quality network of retail stores positions us favorably relative to our competitors that do not have such an extensive network and also represents a significant barrier to entry to other competitors.

***Flexible business model***

We develop most of our products internally but outsource the manufacturing of all of our products to approximately 200 different suppliers. Accordingly, we can typically shift production from one supplier to another with little disruption, and we are generally not dependent on any one supplier. In the calendar year ended December 31, 2014, our largest supplier represented approximately 6.3% of our purchases by value and our top ten suppliers represented 41.3% of our purchases by value. In addition, all of our logistics, including all of our ten warehouses, is outsourced. As of December 31, 2014, 810 of our 926 stores in mainland France were leased pursuant to “commercial leases”, which grant significant rights under French law to lessees compared to leases in many other jurisdictions. We believe that our business model grants us significant flexibility and ability to expand, particularly given the modest capital expenditures required to expand our store network, allowing management to focus on the higher value-added aspects of our business, such as reviewing our product range and keeping operating costs low.

***Cash generative and high margin business***

Gross profit as a percentage of sales of goods increased from 43.1% for the year ended March 31, 2012 to 43.7% for the twelve months ended September 30, 2014, which we believe is among the highest in the food retail industry, reflecting our strong brand recognition, favorable pricing arrangements with our suppliers and what we believe to be our ability to pass through commodity price increases to our customers. Our business also benefits from relatively low capital expenditure requirements, which is supported by our

standardized store format allowing for cost-efficient store openings and maintenance. Over the last two years, our total annual capital expenditure has averaged less than 3% of sales, of which approximately 39% during the year ended March 31, 2014 were related to new store openings. In addition, our working capital is structurally negative, meaning that our working capital requirements tend to generate a cash inflow as we grow the business. Our strong margins, favorable working capital structure and low capital expenditure requirements have allowed us to generate significant cashflow even during the recent economic downturn and has resulted in an average annual EBITDA to cash-flow conversion rate of 78% for the last two years. This has allowed us to reduce our financial leverage, in terms of net debt to EBITDA, from 5.7x as of June 30, 2010 (pro forma for the Acquisition and the financings related thereto) to 3.4x as of September 30, 2014.

***Attractive and promising market***

Between calendar years 2000 and 2013, the French frozen food market for at-home consumption grew by approximately 25%, from approximately €5.6 billion in 2000 to approximately €7.0 billion in 2013. During the same period, we consolidated our leadership position and our sales in France grew almost threefold, from approximately €532 million in 2000 to €1,296.7 million in the year ended March 31, 2014. We believe future market growth will continue to be driven by favorable demographic and sociological trends, such as increases in single-parent families and single-person households, decreases in the amount of time allocated each day to the preparation of meals and an increasing focus on healthy food. Frozen food products offer nutritional quality and taste similar to that of fresh food and retain nutrients and vitamins longer through deep freezing. In addition, our target market extends beyond the frozen food segment into the much larger packaged and chilled food sectors, as we also compete against alternatives, such as fresh products from farmers' markets, traditional bakeries and butcher shops and upscale delicatessens. We believe that French consumers increasingly accept frozen food made from quality ingredients as a healthy, tasty and convenient alternative to fresh food products. In addition, customers are increasingly sensitive to the fact that frozen food significantly limits food waste as customers can use several portions at different times.

***Experienced senior management team with strong track record***

We have a senior management team composed of ten experienced retail executives with an aggregate tenure of more than 100 years at Picard. The team is led by our Chief Executive Officer Philippe Pauze. Philippe joined our team in April 2009 and has 40 years of experience in the food industry (including 37 years in the food retail industry). Philippe is supported by Christine Declercq, who has been our Chief Financial Officer for 10 years, and by the other members of our senior management team, some of whom have been with us for more than 29 years. We believe that the collective industry knowledge and leadership of our senior management team and their record of accomplishment in responding to challenging economic conditions and achieving profitable sales growth will enable us to continue to deliver strong financial results in the future.

## Our Strategy

The key components of our strategy are to:

***Increase our like-for-like sales growth***

We have historically had robust like-for-like sales growth and plan to increase our like-for-like sales growth through various channels of communications, including marketing efforts aimed at reinforcing the critical importance of quality and provenance of our products, highlighting our commitment to quality controls and analyses on all our products, and assisting our customers with any questions they may have. See "*Risk Factors—Risks Related to Our Business—We are dependent on third-party suppliers to produce our products*". In addition, we continue to bolster sales by emphasizing Picard's fundamental values through a series of communication campaigns, which we started in the summer of 2013, including our recently designed brochure highlighting eight reasons to choose Picard ("*8 bonnes raisons de préférer Picard*"). We also plan to boost our sales through regular promotions such as the "ten days of shopping" ("*les dix jours shopping*") biannual promotions, typically in June and October, and more specific advertising campaigns to boost sales of seasonal products such as "spring is already at Picard" ("*le*

*printemps est déjà chez Picard*"). We also intend to increase our like-for-like sales growth through the implementation of various operational initiatives, including continued product innovations, incentivization programs at the store level, further enhancement of our brand awareness through, among other initiatives, increased marketing efforts and the expansion of our store network.

We plan to fine-tune product pricing and develop additional marketing and promotional campaigns, as well as allow more sophisticated in-store merchandizing tailored to local consumption and purchasing patterns. We have been increasing our advertisement campaigns and, have since April 2014, launched a series of television campaigns. In addition, we intend to capitalize on the fact that our website has been redesigned and on our recently launched a "Picard app" available on smartphones to further reinforce our CRM program and enhance our reputation as a unique frozen food retailer. By improving like-for-like sales growth, we believe we can maintain our EBITDA margins while keeping our market share. We believe that the continued implementation of our CRM program provides us with an effective framework for deepening our understanding of our customers. We believe this will provide us with the information necessary to develop new products that are responsive to current trends and evolving consumer preferences, which in turn will increase sales.

***Strengthen our leading market position***

We intend to continue to strengthen our position as the leading retailer of frozen food products in France and are continuously looking for new possibilities to expand and innovate our business model, our local footprint and product offering. In order to do so, we will maintain our commitment to offering customers a wide range of premium quality products at a variety of price points while continuing to develop innovative products that are unique to Picard. We also plan to continue investing in our internal research capabilities and our staff, developing
long-term partnerships with leading suppliers and, when necessary, remodeling our stores to ensure that we provide our customers with a superior retail shopping experience. We continuously aim to improve the packaging of our products and intend to adopt a "clean label" approach to enable our customers to more easily ascertain the ingredients contained in our products and their respective origins. We believe that the strength of our brand is one of the most significant factors that contributes to our competitive position in the French frozen food sector. We will continue to strengthen our market position by promoting our brand, products, stores and services.

***Continue our selective expansion strategy in France***

We believe that, over time, there is the potential to continue our successful expansion strategy in France. We believe we can grow our current network from 926 operated retail stores in mainland France as of December 31, 2014 to approximately 1,200, in the medium term, without meaningful adverse effects on our average sales per store. We monitor the cannibalization of sales in surrounding stores following the opening of a new store and have not noticed an increase in cannibalization in the past few years. We believe that a higher density of stores will contribute to top-of-mind awareness for customers and support store visit frequency. We believe that, in addition, we could further expand our franchised store model to increase our local presence in smaller cities throughout mainland France. We believe that the further implementation of our franchised model, after successful implementation in Corsica and La Réunion, will increase brand awareness, while helping us negotiate better terms with our suppliers through increased volumes, with no or limited additional capital expenditures. Our management team identifies sites based on demographics, the availability of suitable retail space, local economic conditions and other factors that we believe are relevant to the successful expansion of our store network and that should enable us to capitalize on the anticipated increased traffic and sales volume of our new stores. We believe that our new stores will benefit from strong brand awareness and existing marketing campaigns, and consequently require only limited incremental marketing support.

***Develop our online platform and Home Service***

Although Home Service had historically been mostly a telephone-based business, we believe that the Internet provides us with an opportunity for future growth into a distribution channel that is complementary to our network of stores. Further increasing our online sales will enable us to capture an additional segment

of the market and supplement visits to our stores by offering consumers an additional element of convenience. In order to capitalize on the potential to increase our online sales, we significantly redesigned our website. Our new design, which is comprised of presentation suggestions and recipe plans along with a broad range of information about our products, is intended to act as a showcase for our entire range of Picard products as well as to provide a user-friendly e-commerce website with state-of-the-art online shopping tools for our customers. Moreover, increasing Home Service sales by boosting online orders aims to reduce the structural costs associated with telephone ordering services. For the six months ended September 30, 2014, Home Service accounted for 1.8% of our sales.

***Develop our international markets***

We plan to further expand our existing international network of stores and explore strategic alternatives to further develop our international presence. In the financial year ended March 31, 2014, we opened 8 net stores in Belgium, and 5 stores in Sweden. In the nine months ended December 31, 2014 we opened 6 net new stores in Belgium, 1 new store in Sweden and opened our first store in Luxembourg. We have seen promising results in these new markets with relatively high sales per store, principally in Belgium. Although most of the products we sell in Belgium and Sweden reflect our product range in France, highlighting our appeal as a French retailer of premium frozen food, we also sell some products that are tailored specifically to the local market, such as frozen venison products in Sweden. We intend to continue our expansion in Belgium, Sweden, Luxembourg and are planning the opening of stores in Switzerland as well as exploring opportunities to expand into new countries and regions. We recently opened nine corners and sell a limited range of products in Japan, through a commercial agreement with a local partner familiar with the local regulatory environment, food retail market and culture. We are also looking for strategic alternatives to develop our international markets. Our international operations (consisting of sales in Italy, Belgium and Sweden) accounted for 3.2% of our sales for the six months ended September 30, 2014.

## Our Brand

We are a pioneer in the French frozen food sector and have become known for delivering variety, innovation, premium quality, health, convenience and unique value to our customers. We created and developed the concept of convenience frozen food stores in France over this period and are now inextricably linked to it. We believe that we have helped drive the growth of the French frozen food market with our innovation and commitment to quality, which has also led to a positive and strong awareness of our brand and our reputation for quality, health and safety.

## Our Products

We offer more premium quality frozen food products in terms of number of SKUs than any of our competitors. We have developed an assortment that includes approximately 1,100 SKUs in stores at a time and covers the entire spectrum of alimentary needs. Our product range includes starters, main courses, desserts and snacks and, as of March 31, 2014 is organized into the following nine categories: fruits and vegetables, meat, fish and seafood, starters, prepared meals, bakery products, desserts (excluding ice cream), ice cream and grocery products/other products. We offer a wide range of prepared meals, including traditional French meals, international food, gourmet products and special occasion products, and we recently introduced a range of baby food. In Italy, we have adapted our product offering to local tastes and preferences. Similarly, in Sweden, we sell some products that are tailored to the local market, including frozen venison products. All of our products are aimed at responding to customer preference for food which is flavorful, satisfying, nutritionally valuable, healthy, easy to prepare and economical.

In recent years we have been increasingly focused on healthier, natural and low-fat products. These include our "*Nature et mieux-être*" line of products, such as steamed vegetables, our "*Plus d'équilibre*" line of low-fat meals and products, as well as other organic products and vegetarian meals. We limit the use of chemicals and artificial flavoring across all of our product categories and increased our offerings of non-allergenic products. We also list the number of calories and nutritional values on our packaging.

Fruits and vegetables and fish and seafood are our largest categories in terms of sales, together generating approximately 35.6% of our sales in France in the six months ended September 30, 2014. Our

sales by product category for the years ended March 31, 2012, 2013 and 2014 as well as for the six-months ended September 30, 2014 are set forth in the following table:

| | Years ended March 31, | | | | | | Six months ended September 30, | |
|---|---|---|---|---|---|---|---|---|
| **Product Category** | **2012** | | **2013** | | **2014** | | **2014** | |
| | **(€in millions)** | **%** | **(€in millions)** | **%** | **(€in millions)** | **%** | **(€in millions)** | **%** |
| Fruits and vegetables | 232.3 | 18.8 | 244.2 | 19.0 | 245.8 | 19.4 | 100.3 | 18.6 |
| Fish and seafood | 222.7 | 18 | 226.5 | 17.6 | 219.0 | 17.3 | 92.9 | 17.2 |
| Starters | 202.9 | 16.4 | 210.6 | 16.3 | 208.3 | 16.5 | 91.0 | 16.7 |
| Ready meals | 198.0 | 16 | 209.2 | 16.2 | 205.7 | 16.3 | 82.8 | 15.2 |
| Meat | 153.5 | 12.4 | 158.2 | 12.3 | 150.9 | 11.9 | 63.7 | 11.7 |
| Ice cream | 104.1 | 8.3 | 104.0 | 8.1 | 103.3 | 8.2 | 58.6 | 10.7 |
| Desserts (excluding ice cream) | 83.0 | 6.7 | 88.3 | 6.9 | 86.1 | 6.8 | 32.4 | 6.0 |
| Bakery products | 22.6 | 1.8 | 23.7 | 1.8 | 24.6 | 1.9 | 10.8 | 2.0 |
| Grocery products | 18.7 | 1.5 | 20.3 | 1.6 | 21.7 | 1.7 | 7.2 | 1.3 |
| Other | 11.4 | 0.9 | 3.2 | 0.2 | 0.0 | 0.0 | 3.5 | 0.6 |
| **Total retail France** | **1,249.2** | **100.0** | **1,288.2** | **100.0** | **1,265.4** | **100.0** | **543.2** | **100.0** |
| Other (including Home Delivery, Italy, Belgium and Sweden) | 49 | | 60.7 | | 70.9 | | 32.1 | |
| **Total** | **1,298.2** | | **1,349.0** | | **1,336.3** | | **575.31** | |

In addition to our own brands, we promote a small number of our suppliers' national brands, especially in the ice cream family such as Häagen-Dazs, Ben & Jerry's, Magnum, Mars and Carte d'Or, pursuant to marketing co-operation agreements. Together these brands represented 3.1% of our sales for the year ended March 31, 2014.

***Product innovation and research & development***

Product innovation and improvement are an important part of our business. Our R&D, marketing and purchasing departments are centralized and organized according to our nine families of products in order to coordinate the innovation and development process. We believe that product innovation is one of the main ways we differentiate ourselves from competitors, answer market needs and improve the quality of our food, thus allowing us to generate comfortable margins. We constantly review and update our range of products to keep up with our customers' changing needs and preferences and we introduce approximately 200 new SKUs per year (representing nearly 18% of our offering of approximately 1,100 SKUs). Our new products are rolled out throughout the year and linked to promotions and seasonal demand (for example, we launch special products for Christmas and New Year celebrations, the Chinese New Year and Valentine's Day).

Our innovation policy focuses on developing original products, some of which we anticipate will set trends and create new segments in the frozen food market. Some of our most successful products, such as *moëlleux au chocolat*, have brought popular traditional foods to the frozen food category for the first time. We believe our ability to initiate market trends is partly due to our regular introduction of new products using flavors or techniques that are relatively new in France (examples of which are set out in the table below). We also rely on direct customer feedback, notably through our customer service hotline, in addition to proposals from our suppliers and our own research team. Our R&D team works closely with our purchasing and marketing teams in order to quickly improve our products in response to customer feedback. We believe that we are able, as a result, to quickly improve our products in response to customer comments.

The following table lists and describes some of our significant product innovations.

| Year Launched | Product | Description |
|---|---|---|
| 1988 | Papillotes | Papillotes were originally launched using tin foil. In 1998, Picard launched the first-ever papillotes in greaseproof paper (more convenient and quicker to heat in a microwave). |
| 1989-1990 | IQF (“Individual Quick Freeze”) ready meals | Ready meals, incorporating the latest technical innovations, such as powdered seasoning, sauce drops and coating techniques. |
| 1995 | Formule Express | A range of individual meals packed in a special microwaveable tray. |
| 2000 | Moëlleux au chocolat | Warm chocolate cake. |
| 2002 | Cuisine japonaise | Fresh frozen sushi. |
| 2005 | Verrines apéritives salées et les verrines sucrées | Savory and sweet “verrines”. |
| 2006 | Mélanges de légumes natures en sachet cuisson vapeur et micro-ondables | Specially packaged mixed vegetables to be steamed in the microwave. |
| 2007 | “Délice d’un instant” | Savory and sweet individually packaged pre-cooked products to be reheated in the microwave in two to three minutes. |
| 2008 | “Bons Petits Plats Picard” | Individually packaged pre-cooked daily meals including veal risotto, rabbit with olives and white rice as well as sweet crepes and pancakes, to be reheated. |
| 2009 | Fruits BIO | Development of organic product line with a large offering of fruits. |
| 2010 | Gratins individuels | Individually packaged ready meals to be reheated in the microwave in two to three minutes, including gratin of pasta with ham and gratin of pasta with scallops and leeks. |
| 2010 | Nouvelle Sauces et Aides Culinaires | Line of sauces in cube form with updated packaging with a range including pepper sauce and mushroom sauce to be reheated in a few minutes in coconut milk, lemon juice or broth. |
| 2011 | “Délice d’un instant” | Individually packaged bagels, smoked salmon and brownies. |
| 2012 | Gamme Enfant “Mes Premiers Repas” | A range of ready-meals and mashed vegetables for infants. |
| 2013 | Glaces “Super creamy tour” | A range of ice creams to enjoy in front of the TV. |
| 2014 | “La forêt enneigée” | A Christmas dessert. |

Our R&D staff of seven dedicated full-time employees benefits from close relationships with our suppliers, who frequently propose to us ideas for new prepared products hoping to take advantage of our unique position in the market and the quality of our store network. On average, it takes five to twelve months to develop and launch a new product, a period during which we work with a Picard-certified supplier, apply our quality controls to samples, perform taste tests and prepare for sales of the new product in our stores.

We believe we have remained at the forefront of product innovation and improvement by focusing on improving the quality of recipes, ingredients and user-friendliness, including average cooking times. Our staff of purchasers and product managers carries out our efforts in the area of product improvement.

### *Purchasing and Suppliers*

We work with approximately 200 suppliers, which supply us with prepared foods and unprocessed frozen food products, including meat, fish, starters, fruits, vegetables, bakery products and ice cream. We select our suppliers based on strict specifications related to product quality and generally reappoint our suppliers of unprocessed food annually and our suppliers of prepared foods every two to three years. We believe the caliber of our suppliers has contributed to Picard's strong track record of quality control.

We do not believe that we are dependent on any one supplier or that the loss of any one supplier would have a material adverse effect on our business. In the calendar year ended December 31, 2014, our five largest suppliers represented 26.8% of our purchases by value, our 10 largest suppliers represented 41.3% of our purchases by value and our 20 largest suppliers represented 59% of our purchases by value. Our largest supplier represented approximately 6.3% of our purchases by value. We develop most of our products internally but outsource the manufacturing to approximately 200 different suppliers. We invite our suppliers to diversify their own client bases as well.

For the introduction of each new product, we require that our suppliers commit to minimum volume requirements for the initial four months of the product's availability. We do not otherwise impose volume requirements contractually.

#### *Prepared Products*

We subcontract the production of prepared products, such as frozen meals, but they are prepared according to our recipes and specifications. We assign to one of our product managers responsibility for overseeing the production process and ensuring conformity with our specifications, including the supplier origin of each ingredient. In the event a supplier does not adhere to our specifications, we have the right to terminate such supplier immediately, and have done so in the past including in the wake of the horsemeat incident. 69% of our products are sourced from suppliers based in France including, as of March 18, 2013, 100% of the beef products are sourced from suppliers in France, while the remainder is obtained from suppliers located abroad, including in Italy, Belgium, the United Kingdom and Thailand. In designing our product specifications, we also focus on the length of the supply chain, choosing shorter supply chains where possible, to ensure freshness and effective traceability and a lower carbon footprint. In addition, we now ensure that the country of origin of beef contained in our prepared products is clearly displayed on the packaging and intend to do so for all the main ingredients contained in each of our products.

#### *Unprocessed Products*

Our suppliers are responsible for the selection and supervision of the food they deliver to us, according to our specifications. We work very closely with our suppliers, whether directly or through our importers, to ensure that our specifications as to quality and quantity are complied with. We treat our suppliers as partners, emphasizing to them that they are harvesting or fishing for us and for our brands. Our contracts with our suppliers typically fix prices for one year, which helps minimize price fluctuation. For high-volume purchases, we generally work with multiple suppliers.

In 2014, we imported products from around the globe, including, for example, New Zealand, Canada, Chile, Italy and Norway. Notably, most of our contracts with suppliers are priced in euros, so we do not have any significant foreign exchange risk.

In order to better manage the importation of seafood and meat products from Norway and New Zealand, we co-founded Primex. For the year ended March 31, 2014, purchases from Primex amounted to €40.5 million, or 5.4%, of our purchases (by value) (compared with €45.1 million for the year ended March 31, 2013 (6% of our purchases (by value)) and €43.1 million for the year ended March 31, 2012 (5.9% of our purchases (by value)).

### Quality Control

We are strongly committed to the quality and safety of our products which are attributes recognized by our customers. We apply stringent standards to surpass legal requirements and we employed a quality control team of 19 full-time employees (as of March 31, 2014) based out of Nemours and Issy-les-

Moulineaux in France. This team is responsible for monitoring the quality and safety of our products. Their role includes:

- monitoring international sanitary conditions and developments in order to anticipate issues with respect to the use or origin of certain products;
- instituting and enforcing strict guidelines which our suppliers must follow and performing random spot checks each year of our suppliers' production plants or with our suppliers of unprocessed products;
- performing additional internal controls such as testing deliveries to our warehouses and collecting samples in our stores; and
- conducting laboratory analyses geared at detecting, for example, genetically modified organisms or pesticides, as well as of March 2013, DNA tests on meat and fish products (since February 25, 2013 for beef products).

We perform 58,600 tests per year on 69% of our lots, in addition to systematic analyses performed by our suppliers. We test our products for bacteria, radioactivity, heavy metals, additives, GMO, species, weight, ingredients, taste and texture, and as a result of these tests, we reject, on average, 0.9% of processed products before they are shipped to our warehouses. As our tests are performed throughout the cold chain cycle, we may also reject products at various other points in the chain. We believe these tests are essential to the quality and reputation of our brand, and that we are able to effectively monitor the quality and safety of all our products. Our testing practices are often more stringent than required by current regulation. In the 40 years since we opened our first store, we have never been required to make a significant recall of our products for health or safety reasons. In addition, all of our suppliers must be certified by either ISO 22000, IFS, BRC, or by the external audit firm Bureau Veritas.

Our quality control plan regarding scientific activities and international sanitary alerts evolves each year. This is done in order to anticipate potential crises and be in a position to provide quick and adequate answers to them if they do materialize. The horsemeat incident which took place in February 2013 further reinforced the merits of DNA tests (Polymerase Chain Reaction) in identifying different species. These tests are now systematically performed on our beef products and a reinforced control plan is in place for our seafood and other meat products. We also aim to conduct regular audits of each of our suppliers and this audit program has also been reinforced by ensuring strict compliance with our specifications and, in particular, by ensuring that ingredients are correctly pre-validated by our quality service (in terms of quality and origin). The audits are conducted by a team of internal auditors and by certified third-party organizations. Despite our strict quality controls, we may need to recall certain of our products as a result of alterations or contaminations. For instance, we recalled some of our products in late 2013 in Italy when traces of Hepatitis A were allegedly found in a batch of our red berries mix.

We have fully implemented our integrated SAP platform in all of our stores, and all lots produced by our suppliers are logged into a system for tracking both delivery and quality controls. This platform enables us to more easily track each lot and perform our controls. Our quality control tests are decisive such that products are only purchased and delivered to our stores if they meet the test specifications.

Our competitors, suppliers and customers are aware of our very high cold chain standards. We go beyond the statutory cold chain requirements to ensure the safety of our products for our customers and equip our stores with state-of-the-art freezing equipment.

**Our Network of Stores and Home Service**

We distribute our products primarily through our retail network of stores in France, Italy, Belgium and Sweden, all of which are operated by us (except for 2 franchised stores in Corsica and 7 franchised stores in La Réunion). We also operate Home Service in parts of France, Belgium (mainly in and around Brussels), and Spain (only in Barcelona), which allows customers to order by telephone or over the Internet. It has been our continuing strategy to offer the same prices and promotions at all of our stores in France and through Home Service.

### *Store Ownership and Leasing*

As of December 31, 2014, we owned 106 of our 926 stores in mainland France, most of which we acquired historically upon the exercise of purchase options under our financial leases, and we rent the remaining 820 stores. Most of our leased stores in France are leased pursuant to "commercial leases" (*baux commerciaux*) which grant significant rights under French law to lessees compared to leases in many other jurisdictions. Most of these commercial leases are for nine-year terms (the statutory minimum) and provide termination rights for the tenant at the end of each three-year period upon six-months' prior notice. Finally, 10 of our stores in mainland France are leased pursuant to finance leases (*credits-baux*), which typically provide for a purchase option after a term of 12 years. We believe that our leasing strategy gives us a high level of flexibility in store management. In the year ended March 31, 2014 our rental expenses amounted to €61.3 million.

We rent our stores from a variety of landlords, including individuals and different types of companies.

The table below sets out our commercial lease expirations in mainland France, Italy, Belgium and Sweden, as of March 31, 2014.

| Calendar year | Number of leases | % of total leases |
|---|---|---|
| 2014 | 81 | 9% |
| 2015 | 96 | 10% |
| 2016 | 117 | 13% |
| 2017 | 97 | 10% |
| 2018 | 122 | 13% |
| 2019 | 82 | 9% |
| 2020 | 86 | 9% |
| 2021 | 104 | 11% |
| 2022 | 112 | 12% |
| 2023 and beyond | 27 | 3% |

The rent paid under most of our commercial lease agreements in France is a fixed sum which is annually reviewed relative to the ICC, published by the *Institut National de la Statistique et des Études Économiques*. Since 2010, most of our new commercial lease agreements have an indexation clause based on the ILC. Generally, the ILC is less volatile than the ICC. However, the ILC can increase at a higher rate than the ICC over a certain period. In 2013, the automatic adjustments in the ICC and ILC led to an increase of approximately €1.8 million, or 3.8%, in our invoiced rents. See "*Risk Factors—Risks Related to Our Business—We rent most of our stores pursuant to commercial leases that may be subject to adjustments that could increase our expenses and have a negative impact on our profitability and results of operations*".

In addition, in accordance with applicable regulations governing commercial leases, commercial rents can be adjusted upon the renewal of the lease, failing which, in the case of some of our leases, new rents may be determined by a competent court.

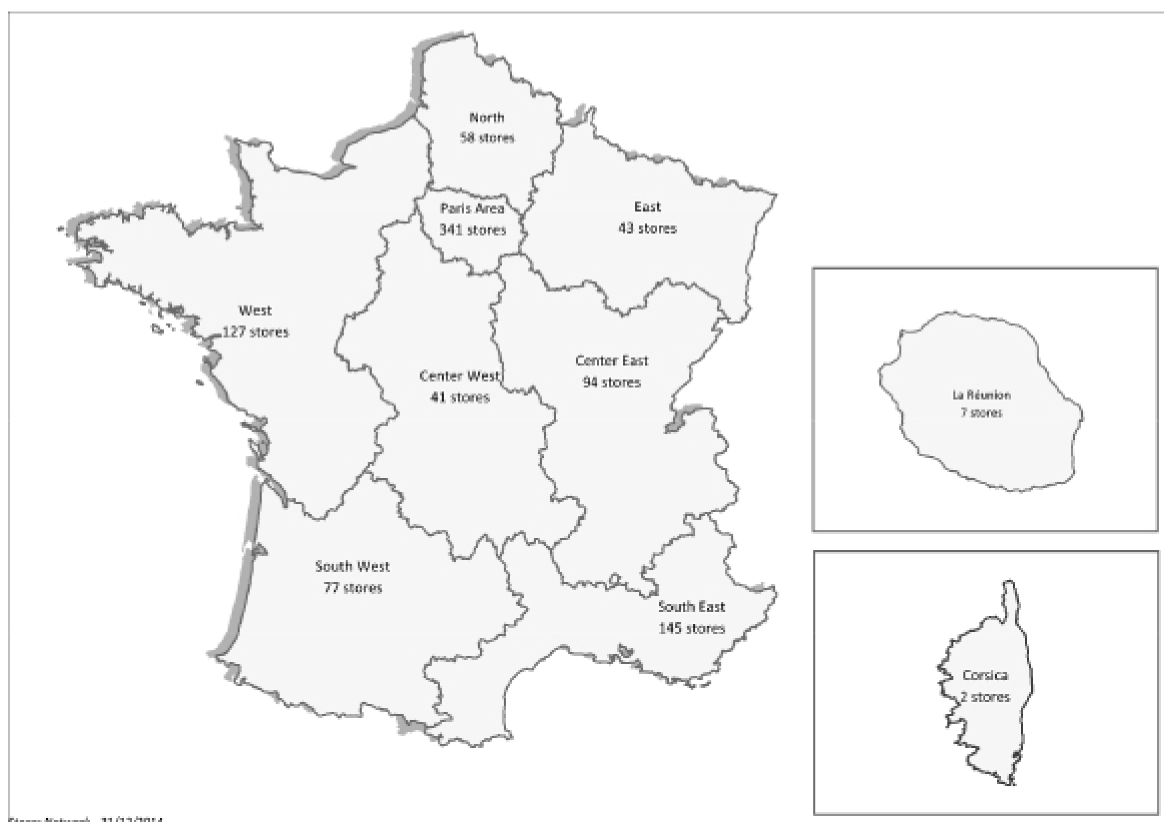
### *Stores in mainland France*

Our stores (which are equipped with closed freezers) emphasize quality, "clinical" cleanliness and customer service. Picard stores have an average size of approximately 239 square meters and employ on average between three and four full-time employees. We aim, to the extent possible, to give our stores a uniform appearance and refurbish them every six to eight years (in the last three years, approximately 252 of our stores were refurbished). Our stores are usually open from 9:00 a.m. to 7:30 p.m., except in Paris where they are usually open from 9:00 a.m. to 8:00 or 8:30 p.m., and most of them open on Sunday mornings.

Our network of stores covers the whole of mainland France. Our largest concentration of stores is in Paris and Ile-de-France (the area in and around Paris), where we have a total of 341 stores (36.8% of our

French store network) as of December 31, 2014, including 116 in Paris. We also have a strong presence in other urban areas, including 34 stores around Nice, Antibes and Cannes, 34 around Lyon, 36 in the Marseille region, 23 around Toulouse and 20 in the Bordeaux region. In recent years our presence in the west and southwest regions of France has been growing rapidly. We believe the size of our network is a significant barrier to entry.

The map below illustrates the location of our stores in France by region as of December 31, 2014:




Store Network as of December 31, 2014—Company Data

In the year ended March 31, 2014, our average sales per store were €1.38 million and our average sales per square meter, representing our average sales per store divided by our stores' average surface, was approximately €5,774. Despite our expansion, the opening of new stores has not reduced our average sales per store. Average sales per store during the first 12 months of operation amounted to approximately €1 million. The economics of our stores are relatively homogeneous across our network in France.

*Format*

We have standardized our stores into four formats: pedestrian, urban, traffic area and hypermarkets, each of which is chosen as a function of location and customer profile in order to maximize sales. This standardized format means that set-up costs are predictable and relatively low, with a payback period of approximately two years. Our pedestrian stores represent 26% of our network and are located in dense urban areas within walking distance for most of our customers. Our urban stores represent 17% of our network and have private parking lots. Our traffic stores comprise 34% of our network, are located along regional main roads and have private parking lots. Finally, our hypermarket stores account for 23% of our network, are the largest of our four store formats and are typically located on the outskirts of large and medium-sized cities.

Pedestrian and urban stores are proximity (or convenience) stores, where customers generally shop once a week and purchase in smaller quantities (the average basket amount is approximately €16 and €23

respectively). Traffic areas and hypermarket stores are destination stores, where customers generally shop two to three times a month and purchase in larger quantities (the average basket amount is approximately €28).

Our unique concept of "one-way" layout stores, where starters are placed near the store's entrance and desserts by the check-out, allows customers to naturally shop for a typical three-course meal by walking through the store without the need for shopping lists. This concept has a number of advantages. It encourages customers to discover our entire product range, attracts customers to promotions placed at the entrance of the store, reduces wasted time for customers by helping them to more easily find what they are looking for, allows for easy flow within a store and optimizes space allocation. As a result of information collected from our CRM program, we are currently piloting new layouts in some of our stores, with differentiated emphases on certain ranges of products, including organic food, snacking and special occasion items. Moreover, we continue to implement a modernized store concept which includes a new color scheme and signage to further improve the shopping experience of our customers and enhance the conviviality of our stores. Out of our 926 stores in France, more than half of them are based on this concept as at December 31, 2014.

*Positioning*

Our stores have a well-balanced geographical footprint and are mostly located in high-traffic locations in cities of 25,000 inhabitants or more. Positioning our stores in target catchment areas is a critical part of our ability to reach and serve our customer base. We position our stores and identify locations for expansion according to a demographic analysis we call "geomarketing", which allows us to analyze data from our network of existing stores and French demographic surveys in order to locate areas with untapped potential and priority zones for new development sites. The principal criteria we use to choose the locations of our new stores are:

- population density, which is adjusted for urban and non-urban areas;
- average taxable income per household; and
- socio-economics of potential customers.

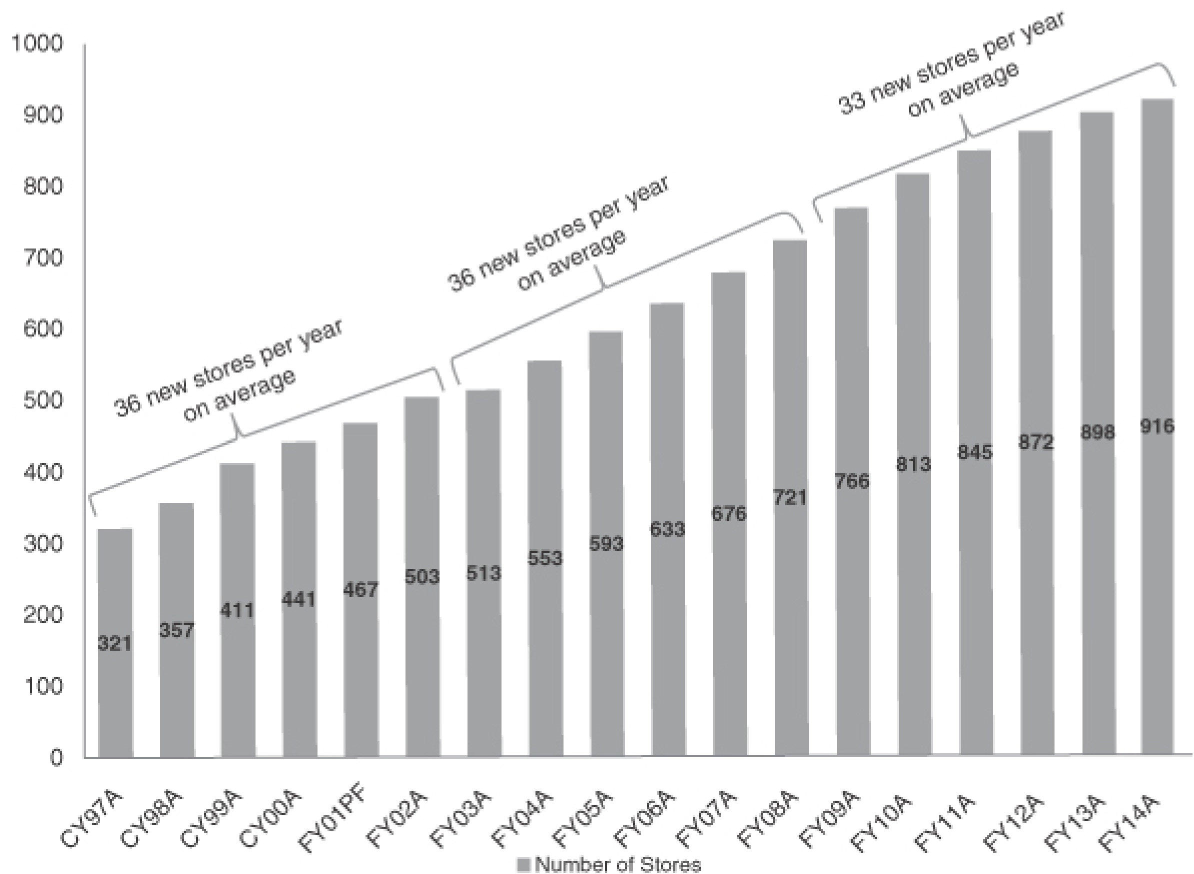
We also monitor our market share and revenues in our currently covered areas. We believe that our geomarketing tools allow us to see our market as a whole, to benchmark stores and evaluate the key factors to stores' success. Geomarketing operations are conducted by a team of five, headed by our director of development and based at our headquarters in Issy-les-Moulineaux.

Our objective is to become an everyday destination for our clients to ensure high and constant traffic in stores, the majority of our customers are between the ages of 35 and 65, with an average age of 51. This is in line with the French population's average age of 49. Our younger customers tend to purchase our products for their premium quality and serve them at parties. When these customers reach their thirties, they often develop into regular daily consumers of our products as their buying power increases and they search for convenient and quality food to serve their families.

*Expansion*

We continually seek opportunities to expand our store network in mainland France and have opened on average 36 new stores from the year ended March 31, 2002 to the year ended March 31, 2008 and an average of 33 new stores from the year ended March 31, 2008 to the year ended March 31, 2014. We opened 19, 26 and 29 new stores during the years ended March 31, 2014, 2013 and 2012, respectively. The greater density of our store network results in a limited degree of sales cannibalization which we regularly monitor. Our track record of opening stores without significant cannibalization is the result of a selective store expansion policy implemented by a team of 13 dedicated persons. On average, cannibalization has a short-term negative impact on sales of impacted stores, which resume their long-term trend line growth after one year and recover their initial sales level after two to three years.

**Picard France—Number of Stores Evolution, from calendar year 1997 to year ended March 31, 2014**




"CY" refers to calendar year and "FY" to fiscal year.

We plan to open approximately 80 new stores in mainland France over the next four years. As of December 31, 2014, of the 15 stores in France planned for the year ending March 31, 2015, we had already opened 11 stores and signed leases for a further 4 stores. Additionally, 3 premises have already been located and leases have been negotiated for these stores, which are expected to open during the three months ending June 30, 2016. We believe that there remains potential to open stores during the next decade, based on a criteria and growth strategy, in line with historical expansion, albeit at a slower pace. Since our first store opening in 1974, we have only closed a total of 22 stores in France, out of which 6 were closed in the last five years. Also, we have been able to locate more potential new store locations than the currently envisaged additional store openings. In addition to our external growth strategy, Picard is also exploring the possibility of aligning its expansion strategy with franchise stores in smaller cities in France where we do not have a presence. We believe that the further implementation of our franchised model, after successful implementation in Corsica and La Réunion, will increase brand awareness, while helping us negotiate better terms with our suppliers through increased volumes, with no or limited additional capital expenditures.

***Home Service***

Our Home Service customer base consists primarily of individuals or families who wish to order in bulk or are unable or unwilling to travel to our stores. Customers can order over the Internet and from our catalogue by telephone. We have two call centers accepting customer telephone orders, and our website, allows customers to order food online. Home Service is used by approximately 112,100 active customers and serves customers in densely populated areas in France, as well as in certain areas of Belgium (Brussels) and Spain (Barcelona). Through Home Service, our products are offered at retail store prices, plus a €5 to €6 delivery fee.

Our outsourced Cergy and Sorgues warehouses prepare and distribute products to our 21 Home Service regional bases. Orders are then delivered to our customers from these distribution centres by company-owned or leased delivery vans.

In the year ended March 31, 2014, Home Service sales (including delivery fees) were €24.3 million, representing 1.8% of our total sales. In the six months ended September 30, 2014, Home Services Sales were €10.9 million, representing 1.8% of our sales. We launched a new website in April 2013. This website, which is continuously being improved, is based on new technology and has been significantly redesigned. Our current design, which comprises presentation suggestions and recipe plans along with a broad range of information about our products, is intended to act both as a showcase for our entire range of Picard products as well as to provide a user-friendly e-commerce site with state-of-the-art online shopping tools to our customers. We have been seeking, through our new website, to shift Home Service orders from telephone orders to online orders which have a lower structural cost. Internet orders have accounted for more than half of the Home Service sales since the year ended March 31, 2013.

We believe that our renewed attention to this sales channel, especially through the changes to our website, will enhance its consumer appeal and strengthen customer loyalty, increase spending per customer and allow us to reach new customers. This new website should also enable us to develop a digital communication plan.

***Stores in Italy***

In 1999, we acquired Gelmarket S.p.A., the Italian subsidiary of Gel 2000 International S.A., a French distributor of frozen products then in administrative receivership, which became our subsidiary Picard Surgelati. This acquisition constituted our first international store expansion. Picard Surgelati's network at the time of the acquisition was comprised of 45 stores in the North of Italy and oriented towards a discount-focused clientele.

A number of the stores we acquired in the Gelmarket transaction were poorly located and produced low revenues with limited potential for growth. We therefore closed such stores in 2008. We have also reorganized our Italian store network and product lines so that they more closely correspond to our cost structures, product lines and customer profiles in France, while nevertheless adapting our offerings to Italian tastes. During the years ended March 31, 2011, 2012 and 2013, we opened 3, 6 and 8 new stores respectively in Northern Italy. Due to the continuing difficult economic situation in Italy, we are looking at alternative strategies in that market and have decided to temporarily suspend our expansion strategy. In the year ended March 31, 2014, we decided to close 4 stores in Italy.

As of December 31, 2014, we operated 38 stores in Northern Italy focused in large cities (Milan, Bologna and Turin). Total sales for the six months ended September 30, 2014 as well as for the years ended March 31, 2014, 2013 and 2012, respectively, were €10.6 million (1.8% of total sales), €24.8 million (1.9% of total sales), €24.8 million (1.8% of total sales) and €21.5 million (1.6% of total sales) albeit with a different store count.

Our typical Italian store offers approximately 765 SKUs, approximately 65% of which are Picard-branded products with Italian packaging or stickers, with the remaining products being national brands. We adapted our product offering in Italy to correspond to local tastes and preferences for frozen fish, raw fruits and vegetables and ice creams as well as to tailor the selection of ready-made meals to include a wider range of local dishes. Our products in Italy now have the same price positioning relative to competing national brands as our products in France.

Picard Surgelati has its headquarters at Saronno, near Milan.

***Stores in Other Countries and in French Overseas Departments, including Franchised Stores***

In the year ended March 31, 2013, we opened our second franchised store in Corsica, and we are currently envisaging opening additional franchised stores in Corsica in the future. The existing franchised stores are, and any future franchised stores are expected to be, operated by the relevant franchisee in a similar manner to the way we operate our own stores in mainland France. Moreover, since January 2013, 7

stores in La Réunion, a French overseas department were also opened on a franchised basis. We are considering expanding our franchised store model to other markets, including throughout mainland France, with a view to increase our presence in smaller cities. We may also consider expansion, on a franchised-based model, into other countries and regions in the future.

In addition, in line with our strategy of further overseas and international expansion we opened our first stores in Belgium and in Sweden, in each case during the year ended March 31, 2013. Since then we have continued to expand our store network in both countries by opening 14 additional net stores in Belgium and 6 additional stores in Sweden. Our expansion in Belgium targets Wallonia, rather than Flanders. We also recently opened our first store in Luxembourg. As at December 31, 2014, we had 18 stores in Belgium, 8 stores in Sweden and 1 in Luxembourg.

We will continue our expansion in Belgium, Sweden and Luxembourg.

**Employees**

As of March 31, 2014, we had 3,930 full-time equivalent employees in France, 104 in Italy, 53 in Belgium and 27 in Sweden. Approximately 70% of our employees are women. We also employ a number of temporary employees, principally in order to staff our stores during periods with higher customer demand. In the year ended March 31, 2014, for example, we employed from 280 to 2,093 temporary employees with a peak during the December holidays. As of September 30, 2014, we had 3,817 full-time employees in France, 101 in Italy, 48 in Belgium and 28 in Sweden.

The breakdown of our annual average of full-time equivalent employees in France by activity as of March 31, 2012, 2013 and 2014 as well as September 30, 2014, was as follows:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 |
| Stores | 3,145 | 3,286 | 3,369 | 3,258 |
| Logistics/supply chain (packaging unit) | 98 | 80 | 93 | 89 |
| Home Service | 120 | 116 | 114 | 115 |
| Headquarters | 345 | 347 | 354 | 355 |
| **Total** | **3,708** | **3,829** | **3,930** | **3,817** |

The breakdown of our annual average of full-time equivalent employees by country as of March 31, 2012 and 2013, 2014 as well as September 30, 2014, was as follows:

| | As of March 31, | | | As of September 30, |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 |
| France | 3,708 | 3,829 | 3,930 | 3,817 |
| Italy | 99 | 113 | 104 | 101 |
| Belgium | — | 15 | 53 | 48 |
| Sweden | — | 3 | 27 | 28 |
| **Total** | **3,807** | **3,960** | **4,114** | **3,994** |

All our French employees benefit from a legal profit sharing mechanism based on our financial results that in the past has been equivalent of approximately two months of salary per year. In addition, we offer all our French employees the opportunity to participate in profit sharing tied to sales performance compared to budget. In some cases we offer work-time flexibility with the possibility of part-time work.

Our employees benefit from a training program centered on our values, products, business and management that exceeds legal requirements. We generally favor internal promotion for filling vacancies. In financial year 2014, 92% of store manager positions and 86% of store assistant positions were filled through internal promotions.

We have entered into various collective bargaining agreements in France. There are no material labor agreements or other arrangements whose expiry is pending and which we do not expect to be satisfactorily renewed or replaced in a timely manner. We believe that relations with our employees are good.

**Supply chain**

Supply chain functions include forecasting, sourcing of products, storage of goods in outsourced warehouses and transportation to our stores. The entirety of our logistics operations is outsourced (except for the final delivery of our products from warehouses to customers as part of our Home Service), providing us with greater flexibility. Orders to suppliers are centrally managed by our procurement department, based on monthly sales forecasts for each product. Each store is responsible for placing its own orders which are subsequently processed by our centralized logistics and transportation department.

***Cold Chain***

We believe that the strength of our logistics network is critical to the freshness of our products, quality control and customer satisfaction. To this end, we have established a high-standard cold chain to keep our products at temperatures of –18°C or less, with an ambient temperature in trucks of –22°C. These requirements apply at all stages of our logistics operations, including during the preparation and transport of our products by our suppliers.

***Warehousing***

Our substantial distribution network consists of ten distribution centers for stores and two for Home Delivery. In France, as of September 30, 2014, we stored our products in eight warehouses (seven for frozen food and one for grocery in Nemours), three of which are located in the Paris area, where our largest concentration of stores is.

All our warehouses in France are now outsourced to our logistics partners: STEF (the leading French company in frozen storage and transportation) and SOFRICA/SOFRILOG (the number two frozen storage specialist in France). Six of these warehouses are dedicated to serving our retail stores (Vitry sur Seine, Villeneuve sur Lot, Mions, Rennes, Trappes, Nemours), while the two other warehouses (Cergy and Sorgues) serve both our retail stores and Home Service. In addition, Home Service distribution is processed through 21 logistics bases, consisting of cross dock platforms. We also operate a packaging unit exclusively for unprocessed seafood, located in Nemours. In Italy, we have one warehouse, located in Montova, which is operated by Primafrost SPA, and exclusively serves our Italian stores.

In Sweden, in January 2013, we opened a new outsourced warehouse, in Stockholm, to support the international development of our local stores. Bringfrigoscandia AB, the leading Scandinavian company in frozen storage and transportation, is our local partner.

Our partners generally operate under three-year contracts, renewable for a one-year period.

The following figures show the volume and maximum capacity of our frozen food warehouses, excluding our Nemours warehouse, in France for the year ended March 31, 2014:

| Facility | Owned/Outsourced | Volume (in tons) | Maximum capacity (in tons) | Utilization rate (%) | Number of stores served | Year opened |
|---|---|---|---|---|---|---|
| Sorgues | Outsourced to STEF Logistique | 26,592 | 35,000 | 76% | 150 | 1992 |
| Vitry sur Seine | Outsourced to STEF Logistique | 34,283 | 37,000 | 93% | 178 | 1986 |
| Cergy | Outsourced to STEF Logistique | 28,507 | 36,000 | 79% | 176 | 1989 |
| Mions | Outsourced to STEF Logistique | 16,378 | 20,000 | 82% | 123 | 2006 |
| Villeneuve sur Lot | Outsourced to | 14,155 | 20,000 | 71% | 96 | 2004 |

| Facility | Owned/Outsourced | Volume (in tons) | Maximum capacity (in tons) | Utilization rate (%) | Number of stores served | Year opened |
|---|---|---|---|---|---|---|
| | SOFRICA | | | | | |
| Rennes | Outsourced to SOFRICA | 11,758 | 20,000 | 59% | 97 | 2007 |
| Trappes | Outsourced to SOFRICA | 18,522 | 25,000 | 74% | 96 | 2008 |
| **Total** | | **150,195** | **193,000** | **78%** | **916** | |

We believe our warehouses have sufficient capacity to support our estimated needs through March 31, 2016.

***Transport***

We have three principal transport needs: (i) from our suppliers to our warehouses, (ii) from our warehouses to our stores and Home Service bases and (iii) "last mile transport" from our Home Service bases to our Home Service customers. Deliveries from platforms to stores are conducted depending on the turnover of the store and on the physical capacity of the storage cold room, from daily frequency for bigger stores to once a week. Delivery frequency increases during peak periods, such as December. We deliver products from our warehouses to our 21 regional Home Service bases, and these bases ultimately dispatch deliveries to customers. The number of deliveries per week from our warehouses to the regional bases varies by region.

Transportation costs from suppliers to our warehouses are generally borne by the suppliers. Transportation of products between our warehouses or from our warehouses to our stores is outsourced to regional transporters. In addition, last-mile transport from Home Service platforms is handled by 85 delivery vans operated by us, of which 73 are leased.

***Product pricing***

Our customers expect us to provide them with premium quality products at good value. In order to remain competitive, while developing our products we pay attention not only to the quality of our ingredients and the taste of our products, but to pricing as well. We separate our products into three price categories: basic, mid-level and premium. Having products in each of these categories allows us to cater to our range of customers and their budgets and has helped us to maintain and increase customer traffic during the economic downturn.

Due to our large share of the market, we believe that we are able to negotiate with our suppliers more effectively than other retailers. Our price positioning has allowed us to generate a gross margin representing 43.5% and 43.4% of sales in the years ended March 31, 2014 and 2013, respectively. Our products are more expensive than those of hard discounters, but frequently less expensive than those sold by other specialists, in supermarkets or the fresh alternatives. We also believe that our products are typically of a higher quality than those sold by our competitors.

**Sustainability**

We are committed to reducing the impact of our business activities on the environment. Since 2009, we have structured a detailed action plan that covers issues such as reducing the environmental impact of our products (eco-design) and reducing our carbon footprint, including implementing eco-design in our stores and optimizing transportation of our goods, while always considering the well-being of our employees (in particular in respect of health and safety and working conditions) and our customers. Specifically, this approach has resulted in the implementation of several lifecycle analyses (environmental assessments), an increased seafood supply from sustainable sources (25 Marine Stewardship Council ("MSC") labelled products), 34 organic products, the replacement of our free plastic bags by low-priced recycled bags (resulting in a reduction of 40 million bags each year), the selling of an organic and fair-trade cooler since May 2010, and the environmental labeling of 75 of our products since July 2011 (on our

website). A third carbon footprint study was conducted for the 2013 calendar year (which compared the results of our first studies in 2009 and 2011) and we are working on the reduction of our energy consumption and refrigerant leaks. For example, we are testing a self-defrosting freezer using propane, which generates a lower level of carbon emissions and is easier for our store employees to use, resulting in fewer work-related injuries. We are also implementing an eco-design tool for our products. All of our initiatives are included in our Sustainable Development Reports published in 2012, 2013 and 2014.

**Customer Service and Customer Relationship Management**

We established a new department, Client Marketing and Domestic Sales ("*Marketing Client et Livraison à Domicile*") on April 1, 2011 as part of our strategy to develop a more comprehensive understanding of our customers. Emmanuelle Bazin, head of the department, was previously overseeing our expansion and development activities and remains head of Home Service.

Our approach to customer service is characterized by responsiveness to customers' questions, suggestions and other comments. We believe this approach allows us to better know our customers, improve our products and adapt our products to our customers' preferences.

Through our various sales channels, we seek to meet our customers' expectations for convenience, quality and variety. Most of our stores are open for part or all of the day seven days per week. In addition, through Home Service, orders can be received over the Internet seven days per week and delivery can be made within 48 hours. We also offer to reimburse any unsatisfied customers or replace any goods with which they are dissatisfied.

We have maintained a customer service hotline that has been available to our customers since 1985. In calendar year 2013, we received approximately 27,700 telephone calls and 11,600 emails. We also offer a health service whereby customers with special medical, diet and nutritional questions may telephone and speak to a physician or nutritionist. We have also joined certain social networks, including Facebook, which represent a useful way for our customers to share their experiences while providing us with an additional tool to better understand our customers. Our new internet website and recent launch, on October 30, 2014, of the "Picard app" for smartphones are also part of our plan to enhance customer outreach. The "Picard app", aims to increase traffic in our stores and includes a store locator, a catalogue of our products and various food recipes.

Our goal with respect to the development of consumer loyalty is to increase our interaction with customers with the aim of enhancing the consumer's commitment to benefit our brand.

To enhance the consumer's commitment to our brand, we plan to use an interactive platform to better understand clients' needs and purchasing mechanisms and increase the frequency of purchase of our products, as well as reinforce the client's commitment to the brand.

This platform will rely on four pillars:

- Reconciling all different sales channels in order to have a more precise understanding of the purchasing mechanisms used, thus enabling us to focus on clients' needs and consumption habits;
- Gathering the maximum information on our clients, their prospects, their centers of interests and expectations with respect to Picard by leveraging social networks;
- Actively contributing to the business with a return on investment modeled to include both a relational dimension and a transactional dimension, aiming to offer rewards and incentives to our customers; and
- Presenting a clear and simple approach for the client while being flexible and using both a test and learn and a step-by-step approach.

**Advertising and Promotion**

Advertising is an integral part of the promotion of our products, our stores and our brand. Our preferred methods of advertising are our monthly home mailings, newsletters, catalogues, in-store signage, billboards, daily regional press, radio and television. Since the summer of 2013, we have multiplied our communication campaigns by using different advertisement platforms as well as by increasing the number of advertisements. In addition to strengthening our online presence, we reintroduced television advertisements in April 2014. In the year ended March 31, 2014, we spent €30.2 million in France, Italy, Belgium and Sweden, or 2.3% of our sales of goods, on advertising costs. Our advertising costs (excluding non-recurring horsemeat incident communication) in France amounted to €27.8 million or 2.1% of our sales of goods for the year ended March 31, 2014. We spent a total of €23.0 million and €16.8 million on advertising in France in the years ended March 31, 2013 and 2012, respectively. However, despite these relatively low advertising and promotion expenditures, we continue to grow and enjoy one of the best brand awareness among French retailers. We believe that the recent increases in such expenditures have contributed to our sales in the continuing difficult economic condition and to respond to the horsemeat incident.

Our annual advertising budget focuses on the development of business store. We multiply commercial events to increase traffic and purchase occasions. These events are relayed by media (billboards, magazines or radio), by our monthly mailing (we print approximately 14 million copies per month) and in-store communication. Specific media are available in our stores to highlight our strengths in innovation, quality and proximity. Our newsletter, first launched in 1986, depicts the Picard lifestyle with its reports and its recipes. We printed approximately 800,000 copies per month of our newsletter for the year ended March 31, 2014. Our catalogue highlights the breadth of our products range: approximately 1,100 products, from daily ones to more festive. Our posters and menus cards deliver practical information on the accessibility of our products. Due to France's limited GDP growth and, in order to increase our store traffic, we also decided to launch television advertisements and have, since April 2014, launched three 15-day television spots, each targeting a different product.

In our stores, we feature 70 to 85 products (135 products in December) in a "selection of the month" promotion that lasts three to seven weeks and is changed 12 times a year. These promotions generally offer average price reductions of approximately 15%. Promotions usually account for approximately 25% of the sales of products on offer (except during the December holiday season where they represent 47% of store sales). Promotions are set nationally without differentiation among regions. Other promotional activities include the *Prix Malins* program introduced at the beginning of 2010 under which we have instituted a policy of introducing three discounted products every ten days for a total of nine per month. These nine products come from different categories and price points and are focused on introducing our customers to additional products within our varied offerings. In addition, we conduct a "ten days of shopping" ("*les dix jours shopping*") biannual promotion, typically in June and October, where we offer about 20 products at a discount of up to 30%.

Other promotional activities also include mass mailings in support of store openings and sales, daily regional press advertisements, radio spots and point-of-purchase advertising.

To boost sales of seasonal products (such as soups in November), we developed more specific advertising campaigns and to accentuate the strength and the notoriety of our brand, we implemented corporate campaigns in September 2013 and January 2014. Aware of the importance of considering regional issues, we also implemented for the first time in early 2014, campaigns and specific messages to Brittany and Côte d'Azur. In parallel, in order to enter more strongly in the eating habits of city dwellers, we established a weekly advertisement in the free press Direct Matin (1 million copies per day).

The year 2014 was the 40th anniversary of Picard. Campaigns for the anniversary started at the very end of the financial year, in March 2014, with a large commercial operation in which the 40 "best of" products were offered with a discount of 40%. This operation was relayed in the media by an unprecedented large-scale campaign.

More recently, we launched a 15-day television spot to promote the sales of our Christmas 2014 product, "*la forêt enneigée*".

## Information Systems

### *Headquarters and Network*

We have a dual IT system, which includes both the hardware and software in our retail stores and our centralized IT network.

Each retail store is equipped with a cash register system, scanners and a computer to manage sales and supply. This local system receives pricing and other information for a given SKU from our central IT system and uploads the store's commercial activity data to our headquarters' IT system on a daily basis.

Our central IT system is based upon software which is accessible through our network. We use CODA software for general accounting purposes, recording our assets' depreciation, human resource management and tracking our transactions with suppliers.

As the cash register replacement program was completed during the year ended March 31, 2012 and as the new web site project was completed during the year ended March 31, 2013, our project portfolio was not as extensive during the year ended March 31, 2014. In addition we also restricted our project portfolio, to a certain degree, in response to the impact of the horsemeat incident. However, maintenance of the application portfolio with different upgrades, including SAP, was conducted during the year.

Information system's elements addressing the international expansion plans have been consolidated, allowing a different commercial animation in each country. This year was also devoted to supporting a more dynamic trade policy both on the internet and in the stores. We have also developed our own applications to fulfil our specific needs in relation to the logistics of our supply chain and the management of our warehouses.

### *Logistics Management*

The supply chain management information system, from our retail stores to our suppliers, is covered by an integrated information system, SAP; i.e., each retail store follows the same ordering and reporting procedures, and we centralize the information relating to our retail stores' commercial activity daily to make the necessary adjustments, in particular relating to our supply chain. We use specific software, *Qlikview*, to analyze the information we gather from our distribution network.

In the first half of 2011, we completed the transformation of our supply chain IT system which began in June 2010 with the migration of our warehouses and the stores they serve to the new system on a rolling basis. The new system principally affects our supply chain and inventory management replacing fax and email ordering with an order proposal procedure. It also enables real-time stock management (rather than tracking by batch and each day-end) and inventory value based on weighted average price (rather than based on the last-known price).

## Intellectual Property

We use a variety of trade names, service marks and trademarks in our business. Except for the denominative trademark "Picard" and the word and device trademark "Picard Surgelés' Snowflake", both of which enjoy high brand recognition in France, we do not believe that any of our other trade names, service marks or trademarks is material to our business. "Picard" and "Picard Surgelés' Snowflake" are protected in the European Union by the OHMI (*Office de l'Harmonisation dans le Marché Intérieur*), as well as in countries where we could do business in the future, such as Switzerland.

## Insurance

We maintain insurance against various risks related to our business. This includes general third-party and products liability coverage, combined property damage and business interruption policies, as well as directors' and officers' liability coverage. We also maintain the workers' compensation and motor liability coverage that is compulsory in France, Italy, Belgium and Sweden. We consider our policies adequate to cover the major risks of our business, but there can be no assurance that this coverage will be sufficient to cover the cost of defence or damages in the event of a significant claim.

## Legal Proceedings

We are involved in a number of claims, principally relating to termination of employment, litigation with former suppliers and commercial rent adjustment claims that have arisen in the ordinary course of our business. As of March 31, 2014, we have recorded provisions of €3.5 million covering various operating risks in particular related to employee disputes. From time to time, we are also subject to tax audits.

Two members of our senior management have been under investigation in Italy, after a laboratory appointed by the Italian food safety authorities allegedly found traces of Hepatitis A in a batch of our red berries mix in 2013. We contest the findings of the analysis in question, based on the results of our own tests conducted in public and private laboratories. Based on advice from counsel and the facts known to date, we believe that the criminal proceedings, which are still at a preliminary stage, have no merit. To date, no charges have been brought against either member of senior management. Should charges be brought against a member of senior management, we believe that neither such charges nor any resultant conviction would impact our activities in Italy. As of the date of this supplemental report, no link has been made between consumption of our red berry mix and any individual case of Hepatitis A, nor has any civil claim been brought against us in relation to this matter.

### *Certain tax proceedings*

A tax audit of Picard Surgelés concerning the years ended March 31, 2011 to March 31, 2014 is currently in process. Due to the uncertainty of any potential amount of the tax reassessment, no provision has been booked in the financial statements as of September 30, 2014.

The Italian tax authorities conducted a tax audit of Picard Surgelati concerning the years ended March 31, 2009 to March 31, 2012. We received a first tax reassessment concerning the year ended March 31, 2009 that we challenged before the provincial court of Varese, which gave a ruling in our favor. This decision was appealed by the Italian tax authorities and is now pending. Additionally, we received a second tax reassessment concerning the year ended March 31, 2010 in July 2014. We appealed this reassessment before the provincial court of Varese. As of January 31, 2015, no tax reassessments have yet been issued regarding the years ended March 31, 2011 to March 31, 2012.

# MANAGEMENT

## Management of Picard Bondco

The board of directors of Picard Bondco is composed as of September 30, 2014 of the following members:

| Name | Age | Title |
|---|---|---|
| Richard Lewis | 47 | Director |
| Javier Ferrán | 57 | Director |
| Dalia Bleyer | 31 | Director |
| James Lees | 37 | Director |
| Ganash Lokanathen | 36 | Director |

The following paragraphs set forth biographical information regarding the individual directors of Picard Bondco.

*Richard Sean Lewis*, 47, has been Lion Capital's Compliance Officer since 2013. Prior to joining Lion Capital, he was Deputy Head, Company Secretariat at Fidelity Worldwide Investment for two years, Corporate Secretary at Hayfield Capital, LLC for one year, Corporate Secretary and Senior Vice President at Coda Octopus Group, Inc. for 4 years, Company Secretary and Vice President at JPMorgan Fleming Asset Management Limited for five years, Assistant Company Secretary for Legal & General Investment Management Limited for almost five years and Company Secretary at The Fairwater Group Limited for four years.

*Javier Ferrán*, 57, is a Partner of Lion Capital. Prior to joining Lion Capital, he completed a 20-year career with the Bacardi Group serving in a variety of key executive positions, including a tenure as the President and Chief Executive Officer of Bacardi Limited in 2003 and 2004, and as the Regional President Europe, Middle East and Africa from 1994. He received a BA from the University of Barcelona and a BA and MBA from ESADE, Barcelona.

*Dalia Bleyer*, 31, is a Client Relationship Manager at Aztec Financial Services (Luxembourg S.A.). She received a Bachelor of Economics and a Master in Banking from Vilnius University. She joined Picard as a director on September 1, 2014.

*James Lees,* 37, is a Financial Reporting Manager at Aztec Financial Services (Luxembourg S.A.). He has a Bachelor of Arts degree in Accounting from the University of Portsmouth and is a full member of the Association of Chartered Certified Accountants (ACCA). He joined Picard as a director on September 1, 2014.

*Ganash Lokanathen*, 36, is an Associate Director at Aztec Financial Services (Luxembourg S.A.). He received a B.A. in Accounting from Liverpool John Mores University and a Master in Investment and Treasury from Dublin City University. He is an Associate of the Institute of Chartered Accountants in Ireland (ICAI). He joined Picard as a director on September 1, 2014.

## Management of Picard Groupe S.A.S.

As of September 30, 2014, in accordance with French company law and following the transformation on October 14, 2010 of Picard Groupe S.A. from a *société anonyme* into a *société par actions simplifiée*, Picard Groupe S.A.S.'s affairs were managed by the chairman (*Président*). Picard Groupe S.A.S. was merged into Lion Polaris S.A.S. on June 20, 2011 and Lion Polaris S.A.S. was renamed Picard Groupe S.A.S. upon consummation of the merger.

The chairman has full executive authority to manage Picard Groupe S.A.S.'s affairs and broad powers to act on its behalf and to represent and bind it in dealings with third parties, subject to the powers expressly reserved by law or by Picard Groupe S.A.S.'s by-laws (*statuts*) to the general meeting of shareholders.

*Chairman*

Under French law, the chairman in a *société par actions simplifiée* has wide powers, which are limited by the corporate purposes set out in Picard Groupe S.A.S's. by-laws and matters expressly reserved by Picard Groupe S.A.S.'s by-laws to its shareholders. The chairman is responsible for conducting Picard Groupe S.A.S.'s general activities.

As of September 30, 2014, Picard Groupe S.A.S.'s chairman was Philippe Pauze.

*Senior management*

As of September 30, 2014 Picard Groupe S.A.S.'s senior management was made up of the following individuals:

| Name | Age | Title |
|---|---|---|
| Philippe Pauze | 64 | Chief Executive Officer |
| Christine Declercq | 52 | Chief Financial Officer |
| Emmanuelle Bazin | 45 | Client Marketing and Home Service Director |
| Philippe Maitre | 41 | Sales Director |
| Delphine Courtier | 45 | Marketing and Purchasing Director |
| Stéphane Blanc | 39 | Purchasing Director |
| Joël Amelot | 59 | Human Resources Director |
| Elisabeth Bouton | 48 | Quality and Sustainable Development Director |
| Yves Moine | 56 | Supply Chain Director |
| Hervé Guehl | 44 | Information Systems Director |
| Stefano Moretti | 45 | Director of International Operations |

Picard Groupe S.A.S.'s senior management is responsible for the daily operations of Picard.

Set forth below is a brief description of the business experience of the members of Picard's senior management.

*Philippe Pauze*, 64, obtained his degree from École Supérieure de Commerce de Paris. He has 39 years of experience in the food industry, including 37 years in the retail food industry, having worked at Carrefour Group, Panavi and Comptoir Modernes. He was appointed CEO of Picard in April 2009.

*Christine Declercq*, 52, received her degree in business management from the Institut Commercial de Nancy as well as an additional degree as a certified public accountant (*expert comptable*). She joined Picard as a deputy finance director in 2002 and became CFO in 2005.

*Emmanuelle Bazin*, 45, graduated from ISC Paris in business management. She joined Picard in 1992.

*Philippe Maitre*, 41, has a Master Degree in Public Law from University of Nice Sophia Antipolis. He joined Picard in 2004 as regional manager and became Sales Director in 2014.

*Delphine Courtier*, 45, graduated from Ecole Nationale Supérieure de Biologie Appliquée à la Nutrition et à l'Alimentation (ENSBANA), specializing as a food-processing engineer. She began her career with Picard in the marketing department and was appointed Marketing Manager in 2006 and Marketing and Purchasing Director in 2009.

*Stéphane Blanc*, 39, graduated from ESCA (Ecole Supérieure de Commerce d'Angers). He joined Picard in 2010.

*Joël Amelot*, 59, graduated from ENPC business school with a degree in accounting and corporate management. He joined Picard in 2004.

*Elisabeth Bouton*, 48, has a DUT degree (*diplôme universitaire de technologie*) specialized in biology applied to the food industry. She joined Picard in 2001.

*Yves Moine*, 56, has a degree in agronomical engineering from AgroParis Tech and holds a DEA degree (*diplôme d'études approfondies*) in industrial engineering from Ecole Centrale de Paris. He joined Picard in 2011.

*Hervé Guehl*, 44, has a degree in computer sciences. He joined Picard in 2005.

*Stefano Moretti*, 45, has a business degree from Parma University. He joined Picard in 2006.