Picard Bondco S.A.

Unaudited Condensed Consolidated Interim Financial Statements as at and for the three and six months ended September 30, 2017

November 29, 2017

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Introduction

Highlights

The financial results of Picard Bondco S.A. and its consolidated subsidiaries (the "Group" or "Picard") for Q2 2018 (the quarter ended September 30, 2017) include the following highlights:

- Q2 2018 sales of goods increased by 4.1% to €286.0 million, from €274.8 million in Q2 2017, mainly due to a 2.2% increase in our French like-for-like sales;
- Q2 2018 gross profit increased by 3.9% to €127.4 million, from €122.6 million in Q2 2017; and
- Q2 2018 EBITDA decreased by 16.5% to €24.3 million, from €29.1 million in Q2 2017. Excluding the negative impact of a provision on social charges and a provision for restructuring in Sweden, EBITDA increased by 2.4%, to €29.8 million.

CEO Philippe Dailliez commented: "Our Q2 2018 sales of goods increased by €11.2 million, or 4.1%, as compared to Q2 2017. French like-for-like sales showed dynamic growth and increased by 2.2%, mainly due to an increase in our average basket. This growth has been enabled by successful changes in our promotional and commercial offers, as well as communication efforts in September which supported our sales growth. In addition, we experienced a positive calendar effect estimated at 0.8% for the quarter. Our expansion strategy also enabled us to increase our French sales by €4.5 million, while our sales outside of France increased by €0.8 million. In Sweden, we have decided to change our approach in order to reduce losses and increase profitability in the country. We have therefore signed and started a partnership with ICA, one of the largest Swedish retailers, to open corners presenting a Picard lay-out within their Swedish supermarkets and hypermarkets. In addition, we have decided to downsize our own stores network in Sweden by closing six loss-making stores in the coming months.

Our Q2 2018 gross profit increased by €4.8 million, or 3.9%, from €122.6 million in Q2 2017 to €127.4 million in Q2 2018, supported by the increase of our sales of goods. The slight decrease in our gross margin from 44.6% in Q2 2017 to 44.5% in Q2 2018 reflected mainly changes to our promotions and discount practices in September.

During the quarter, EBITDA decreased by €4.8 million, or 16.5%, from €29.1 million in Q2 2017 to €24.3 million in Q2 2018. During the quarter, we recorded a €4.6 million provision following a reassessment by the administration in charge of collecting social security payments in France ("URSSAF") following an audit of prior periods (calendar years 2014 to 2016). Although we dispute this decision and intend to challenge it, we recorded a provision in our consolidated accounts to cover this risk. In addition, we recorded a €0.8 million restructuring provision for the closure of six loss-making stores in Sweden. Excluding these two provisions, our EBITDA increased by 2.4%, from €29.1 million in Q2 2017 to €29.8 million in Q2 2018, thanks to our dynamic like-for-like French sales and well-controlled recurring expenses.

In light of the continuing challenging market conditions relating to slow GDP growth and the maturing French frozen food market, management remains particularly cautious with respect to future results. In this context, our strategy for the coming quarters remains focused on optimizing our sales performance (in particular, by increasing our use of various communication channels, including digital communication, to improve customer outreach), opening new stores in France and pursuing prudent international expansion driven notably by franchised stores and partnerships, while maintaining our gross margin and closely monitoring our costs."

About Picard

Picard is the leading retailer of frozen food products in France, and the pioneer in the sector. 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 prices. 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. As of September 30, 2017, we had 993 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion, one franchised store in the French West Indies and 12 franchised stores in mainland France), 16 stores in Belgium, 15 stores and ten corners in Sweden, one store in Luxembourg, six franchised stores in Switzerland, and three franchised stores and three corners in Japan. We also sell Picard-branded products in Italy through a commercial agreement with an Italian retailer and in the UK through a partnership with Ocado.

On October 14, 2010, Picard Groupe S.A.S. was acquired by funds managed or advised by Lion Capital LLP ("Lion Capital"). Lion Capital is a consumer retail-oriented investment firm with a focus on investments in mid-size and large, consumer-oriented brands in Europe and North America.

On August 19, 2015, Aryzta, a world-wide group active in the food industry and leader in the manufacturing and distribution of bakery-related products to industrial companies acquired a 49.5% interest in the Picard Group's indirect parent company Lux HoldCo, from Lion Capital. Aryzta also benefits from a call option exercisable in 2018, 2019 and 2020, allowing it to acquire all the remaining shares of the Picard Group's indirect parent company Lux HoldCo, and Lion Capital benefits from "drag" rights under certain circumstances.

On October 6, 2010, Picard Bondco S.A. issued €300 million aggregate principal amount of 9% Senior Notes due 2018 (the "2010 Senior Notes"), and on October 14, 2010, Lion Polaris S.A.S. (a subsidiary of Picard Bondco S.A., which merged with Picard Groupe S.A. on June 20, 2011 and was renamed Picard Groupe S.A.S.) borrowed €625 million under senior credit facilities. In 2010 and 2011, Picard PIKco S.A. (the direct parent company of Picard Bondco S.A.) also issued 12% PIK Notes due 2019 (the "PIK Notes") in an original aggregate principal amount of €95 million.

On August 1, 2013, Picard Groupe S.A.S. issued €480 million aggregate principal amount of floating rate senior secured notes due 2019 (the "Existing Senior Secured Notes"), the proceeds of which were used, along with cash in hand, to permanently repay the €625 million senior credit facilities in their entirety. On the same date, Picard Groupe S.A.S. entered into a €30 million revolving credit facility (the "Revolving Credit Facility").

On September 29, 2014, Picard Bondco S.A. elected to redeem €115 million of its 2010 Senior Notes. The partial redemption occurred on October 29, 2014. On March 9, 2015, Picard Bondco S.A. redeemed the remaining €185 million outstanding of its 2010 Senior Notes (the "Redemption").

On February 20, 2015, Picard Groupe S.A.S. issued €342 million aggregate principal amount of additional Existing Senior Secured Notes (the "Additional Senior Secured Notes" and, together with the Existing Senior Secured Notes, the "Senior Secured Notes"), while, at the same time, Picard Bondco S.A. issued €428 million aggregate principal amount of 7.75% Senior Notes due 2020 (the "Senior Notes" and, together with the Additional Senior Secured Notes and the Redemption, the "Refinancing"). The proceeds of the Additional Senior Secured Notes and the Senior Notes were used to (i) redeem the 2010 Senior Notes, (ii) pay the unpaid interest and the redemption premium associated with the Redemption, (iii) fund distributions to the shareholders of the Picard Group and (iv) pay all fees and expenses related to the Refinancing. In connection with the Refinancing, Picard PIKco S.A. issued additional PIK Notes in an aggregate principal amount of €40 million and repurchased and cancelled €20 million of previously-issued PIK Notes. On February 20, 2015, the terms of the PIK Notes were also amended to extend the maturity date to 2020, among other things.

On April 1, 2016, Picard Groupe S.A.S. elected to redeem €50 million of its Senior Secured Notes. The partial redemption occurred on May 3, 2016.

Reporting

This report is the report as of and for the quarter ended September 30, 2017 required pursuant to Section 4.03 of each of the indenture governing the Senior Secured Notes, as supplemented from time to time (the "Senior Secured Notes Indenture"), the indenture governing the PIK Notes, as amended and supplemented from time to time (the "PIK Notes Indenture") and the indenture governing the Senior Notes (the "Senior Notes Indenture" and, together with the Senior Secured Notes Indenture and the PIK Notes Indenture, the "Indentures"), as well as clause 23.3 and clause 1.1.(a) of Schedule 14 of the agreement governing the Revolving Credit Facility (the "Revolving Credit Facility Agreement").

Presentation of Financial Information

Financial statements presented

This report contains the unaudited condensed consolidated interim 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").

We have prepared the unaudited condensed consolidated interim financial statements of Picard Bondco S.A. from April 1, 2017 to September 30, 2017, which are presented in this report in accordance with IFRS, including (i) the consolidated balance sheet as of September 30, 2017, (ii) the consolidated income statement and the consolidated statement of comprehensive income for the three- and six-month periods ended September 30, 2017 and (iii) the consolidated statement of cash flows for the six-month periods ended September 30, 2017. See the "Notes to the Unaudited Interim Condensed Consolidated Financial Statements" of Picard Bondco S.A. for a discussion of Picard Bondco S.A.'s accounting policies.

The accounting policies of Picard Bondco S.A. as set out in the Picard Bondco annual financial statements as of and for the year ended March 31, 2017 under IFRS have been consistently applied, except for the adoption of new standards and interpretations effective as of April 1, 2017. See note 2.2 of the "Notes to the Unaudited Condensed Consolidated Interim Financial Statements" of Picard Bondco S.A. for a discussion of Picard Bondco S.A.'s accounting policies.

Other Financial Measures

EBITDA and French like-for-like sales are the primary non-IFRS financial measures that are presented in this report.

EBITDA is a non-IFRS measure that represents operating profit before depreciation and amortization. This measure is derived from income statement account items calculated in accordance with IFRS and is used by management as an indicator of operating performance. EBITDA differs from the definitions of "Consolidated EBITDA" under the Indentures and the Revolving Credit Facility Agreement.

EBITDA, as presented in this report, is not a measurement of financial performance under IFRS-EU and should not be considered as an alternative to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS-EU.

"French like-for-like sales" refers to like-for-like sales made through directly-operated stores in mainland France, excluding franchises in mainland France, Corsica, the French West Indies and La Réunion. 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.

For Further Information

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Management's Discussion and Analysis of Financial Condition and Results of Operations for Picard Bondco S.A.

The historical information discussed below for Picard Bondco S.A. is as of and for the three- and six-month periods ended September 30, 2016 and September 30, 2017 and is not necessarily representative of Picard Bondco S.A.'s results of operations for any future period or our financial condition at any future date. We have prepared the unaudited condensed consolidated interim financial statements for Picard Bondco S.A. from April 1, 2017 to September 30, 2017, included herein, in accordance with IFRS; such financial information has not been audited by any auditor.

The following discussion includes forward-looking statements based on assumptions about our future business. Our future results could differ materially from those contained in these forward-looking statements. Percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

In this report, unless otherwise indicated, all amounts are expressed in millions of euro.

Selected Condensed Consolidated Financial Information of Picard Bondco S.A.

	Three months* ended		Six months* ended	
Currency: in million of €	**September 30, 2016**	**September 30, 2017**	**September 30, 2016**	**September 30, 2017**
Sales of goods	**274.8**	**286.0**	**582.0**	**602.6**
Cost of goods sold	(152.2)	(158.6)	(324.1)	(335.5)
Gross profit	**122.6**	**127.4**	**257.9**	**267.1**
Other operating income	1.4	1.2	2.1	2.4
Other purchase and external expenses	(51.6)	(54.1)	(106.0)	(110.9)
Taxes	(3.3)	(3.3)	(7.3)	(6.6)
Personnel expenses	(39.4)	(41.7)	(78.9)	(82.8)
Other operating expenses	(0.6)	(5.3)	(1.0)	(5.7)
EBITDA	**29.1**	**24.3**	**66.8**	**63.5**
Depreciation, amortization and provision allowances	(8.4)	(10.1)	(16.6)	(18.6)
Operating profit	**20.7**	**14.3**	**50.2**	**44.9**
Finance costs	(18.1)	(17.7)	(36.3)	(35.6)
Finance income	0.0	0.0	0.1	0.1
Share of profit in an associate	0.1	0.1	0.2	0.1
Income before tax	**2.8**	**(3.3)**	**14.1**	**9.5**
Income tax expense	(1.4)	0.7	(7.0)	(1.4)
Net income	**1.4**	**(2.6)**	**7.1**	**8.1**
Equity holders of the parent	1.4	(2.0)	7.2	8.9
Non-controlling interests	(0.0)	(0.6)	(0.1)	(0.8)
EBITDA adjusted for URSSAF reassessment and restructuring provisions (**)	**29.1**	**29.8**	**66.8**	**69.0**

(*) Unaudited.
(**) EBITDA as adjusted to exclude a €4.63 million provision on social charges related to a reassessment by the URSSAF and a €0.83 million restructuring provision for the closure of six loss-making stores in Sweden.

The following discussion and analysis summarizes EBITDA for the three- and six-month periods ended September 30, 2016 and September 30, 2017. EBITDA is a non-IFRS measure that represents operating profit before depreciation and amortization. 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. EBITDA differs from the definitions of "Consolidated EBITDA" under the Indentures and our Revolving Credit Facility Agreement. See "Presentation of Financial Information".

Results of Operations

Expansion of store network

As of September 30, 2017, we had 993 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion, one franchised store in the French West Indies and 12 franchised stores in mainland France), 16 stores in Belgium, 15 stores and ten corners in Sweden, one store in Luxembourg, as well as three franchised stores and three corners in Japan and six franchised stores in Switzerland.

Sales of goods

Six months ended September 30, 2017 and September 30, 2016

Our sales of goods increased by €20.6 million, or 3.5%, from €582.0 million for the six months ended September 30, 2016 to €602.6 million for the six months ended September 30, 2017.

In France, sales of goods increased by €18.2 million, or 3.2%, from €569.5 million for the six months ended September 30, 2016 to €587.7 million for the six months ended September 30, 2017. French like-for-like sales increased by 1.6% in the six months ended September 30, 2017, as compared to the six months ended September 30, 2016, as a result of a 1.3% increase in the average basket size, combined with a 0.3% increase in the total number of tickets. The period experienced a positive calendar effect, mainly comprising the impact of Easter occurring in the six months ended September 30, 2017 but not during the six months ended September 30, 2016 and a favorable calendar effect due to one additional Saturday compared to the same period last year, partially offset by the positioning of some bank holidays. As adjusted to exclude such calendar effect, French like-for-like sales would have increased by an estimated 1.3%.

Sales in Belgium and Luxembourg increased by €0.4 million, from €6.4 million for the six months ended September 30, 2016 to €6.8 million for the six months ended September 30, 2017, driven by both increases in the number of tickets and the average basket size.

Sales in Sweden increased by €0.2 million from €4.3 million for the six months ended September 30, 2016 to €4.5 million for the six months ended September 30, 2017 in spite of a loss-making store closure during the three months ended March 31, 2017. Sales benefited from positive like-for-like sales development, as well as the opening of ten corners in ICA's hypermarkets and supermarkets. As part of the reorganization of our activities in Sweden, we entered into a new partnership with one of the largest Swedish retailers - ICA - to open corners presenting a Picard lay-out and branding within ICA's supermarkets and hypermarkets.

Additionally, sales to franchised stores and partners located in Switzerland, Japan, the United Kingdom and Italy increased by €1.7 million, from €1.8 million for the six months ended September 30, 2016 to €3.5 million for the six months ended September 30, 2017. In particular, sales in Switzerland increased by €0.1 million, from €0.6 million to €0.7 million and sales in Japan increased by €0.5 million, from €0.4 million to €0.9 million following the opening by Aeon of three franchised stores during the year ended March 31, 2017. Sales in the United Kingdom through our partnership with Ocado amounted to €1.2 million in the six months ended September 30, 2017 following the commencement of the partnership in October 2016. Finally, sales in Italy decreased by €0.1 million from €0.8 million in the six months ended September 30, 2016 to €0.7 million in the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Our sales of goods increased by €11.2 million, or 4.1%, from €274.8 million for the three months ended September 30, 2016 to €286.0 million for the three months ended September 30, 2017.

In France, sales of goods increased by €10.5 million, or 3.9%, from €268.8 million for the three months ended September 30, 2016 to €279.3 million for the three months ended September 30, 2017. French like-for-like sales increased by 2.2% in the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, as a result of a 2.0% increase in the average basket size, combined with a 0.1% increase in the total number of tickets. The quarter experienced a positive calendar effect due to one additional Saturday compared to the same period last year. As adjusted to exclude such calendar effect, French like-for-like sales would have increased by an estimated 1.4%. This increase was mainly driven by a strong performance in September on which specific attention had been placed (additional communication efforts, renewed promotions and reshaped commercial offers).

Sales in Belgium and Luxembourg increased by €0.2 million, from €2.9 million for the three months ended September 30, 2016 to €3.1 million for the three months ended September 30, 2017, following the increase in like-for-like sales.

Sales in Sweden increased by €0.2 million, from €2.1 million for the three months ended September 30, 2016 to €2.3 million for the three months ended September 30, 2017 in spite of a store closure during the three months ended March 31, 2017. Sales mainly benefited from the start of sales of goods to ICA, following the opening of ten corners in ICA's hypermarkets and supermarkets. As part of the reorganization of our activities in Sweden, we entered into a partnership with one of the largest Swedish retailers - ICA - to open corners presenting a Picard lay-out and branding within its supermarkets and hypermarkets.

Additionally, sales to franchised stores and partners located in Switzerland, Japan, the United Kingdom and Italy increased by €0.4 million, from €0.9 million for the three months ended September 30, 2016 to €1.3 million for the three months ended September 30, 2017. In particular, sales in Switzerland amounted to €0.3 million in the three months ended September 30, 2017, remaining flat compared to the same period last year, sales in Japan increased by €0.1 million, from €0.3 million in the three months ended September 30, 2016 to €0.4 million in the three months ended September 30, 2017 following the opening by Aeon of three franchised stores. Sales in the United Kingdom through our partnership with Ocado amounted to €0.2 million in the three months ended September 30, 2017 following the commencement of our partnership in October 2016. Finally, sales in Italy increased by €0.1 million from €0.3 million in the three months ended September 30, 2016 to €0.4 million in the three months ended September 30, 2017.

Cost of goods sold

Six months ended September 30, 2017 and September 30, 2016

Our cost of goods sold increased by €11.4 million, or 3.5%, from €324.1 million for the six months ended September 30, 2016 to €335.5 million for the six months ended September 30, 2017, primarily due to an increased volume of purchases from our suppliers. Cost of goods sold as a percentage of sales remained stable at 55.7% for the six months ended September 30, 2016 and for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Our cost of goods sold increased by €6.4 million, or 4.2%, from €152.2 million for the three months ended September 30, 2016 to €158.6 million for the three months ended September 30, 2017, mainly due to an increased volume of purchases from our suppliers. Cost of goods sold as a percentage of sales increased from 55.4% for the three months ended September 30, 2016 to 55.5% for the three months ended September 30, 2017.

Gross profit

Six months ended September 30, 2017 and September 30, 2016

Our gross profit increased by €9.2 million, or 3.6%, from €257.9 million for the six months ended September 30, 2016 to €267.1 million for the six months ended September 30, 2017, mainly as a result of higher sales. Gross profit as a percentage of sales of goods remained flat at 44.3% for the six months ended September 30, 2016 and for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Our gross profit increased by €4.8 million, or 3.9%, from €122.6 million for the three months ended September 30, 2016 to €127.4 million for the three months ended September 30, 2017, mainly as a result of higher sales. Gross profit as a percentage of sales of goods slightly decreased from 44.6% for the three months ended September 30, 2016 to 44.5% for the three months ended September 30, 2017. This decrease was a consequence of a renewed promotional offer in September, which led to significant sales increases over the month of September.

Other operating income

Six months ended September 30, 2017 and September 30, 2016

Other operating income increased by €0.3 million from €2.1 million for the six months ended September 30, 2016 to €2.4 million for the six months ended September 30, 2017. This increase was primarily due to a €0.4 million increase in capitalized expenses, due to higher investments in IT projects.

Three months ended September 30, 2017 and September 30, 2016

Other operating income decreased by €0.2 million from €1.4 million for the three months ended September 30, 2016 to €1.2 million for the three months ended September 30, 2017.

Other purchases and external expenses

Six months ended September 30, 2017 and September 30, 2016

Our other purchases and external expenses increased by €4.9 million, or 4.6%, from €106.0 million for the six months ended September 30, 2016 to €110.9 million for the six months ended September 30, 2017. This increase was primarily due to higher energy costs following an increase in the number of stores combined with an increase in prices and logistics costs that grew in line with our sales. This increase was also due to higher advertising expenses incurred in connection with the annual significant communication campaigns for Easter, which occurred during the six months ended September 30, 2017 but not during the six months ended September 30, 2016. This increase was also due to additional communication efforts in September this year. In addition, following the decision to close six loss-making stores in Sweden, a provision for restructuring was recorded with a €0.5 million impact on rents and maintenance costs. Other purchases and external expenses as a percentage of sales of goods increased from 18.2% for the six months ended September 30, 2016 to 18.4% for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Our other purchases and external expenses increased by €2.5 million, or 4.8%, from €51.6 million for the three months ended September 30, 2016 to €54.1 million for the three months ended September 30, 2017. This increase was primarily due to higher energy costs following an increase in the number of stores combined with an increase in prices and logistics costs that grew in line with our sales. This increase was also due to higher advertising expenses incurred in September to support our promotion and sales. In addition, following the decision to close six loss-making stores in Sweden, a provision for restructuring was recorded with a €0.5 million impact on rents and maintenance costs. Other purchases and external expenses as a percentage of sales of goods increased from 18.8% for the three months ended September 30, 2016 to 18.9% for the three months ended September 30, 2017.

Taxes

Six months ended September 30, 2017 and September 30, 2016

Taxes decreased from €7.3 million for the six months ended September 30, 2016 to €6.6 million for the six months ended September 30, 2017. This decrease resulted mainly from a change in the accounting for the French tax on commercial areas which was implemented on April 1, 2016. Following a change in legislation and in accordance with the interpretation IFRIC 21 – "Levies", the tax on commercial areas is now recognized on a pro rata basis, instead of being fully accounted for on January 1st of each year. This change in accounting treatment triggered a €0.8 million additional charge recorded in the six months ended September 30, 2016 in connection with the tax on commercial areas compared with the six months ended September 30, 2017. Due to this accounting method change, taxes as a percentage of sales of goods decreased from 1.3% for the six months ended September 30, 2016 to 1.1% for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Taxes remained flat at €3.3 million for the three months ended September 30, 2016 and for the three months ended September 30, 2017. Taxes as a percentage of sales of goods remained flat at 1.2% for the three months ended September 30, 2016 and for the three months ended September 30, 2017.

Personnel expenses

Six months ended September 30, 2017 and September 30, 2016

Personnel expenses increased by €3.9 million, or 4.9%, from €78.9 million for the six months ended September 30, 2016 to €82.8 million for the six months ended September 30, 2017. As a proportion of sales of goods, personnel expenses increased from 13.6% for the six months ended September 30, 2016 to 13.7% for the six months ended September 30, 2017.

Wages and salaries increased by €2.6 million, or 4.7%, from €55.5 million for the six months ended September 30, 2016 to €58.1 million for the six months ended September 30, 2017, as a result of annual salary increases in France, Belgium and Sweden and the expansion of our store network. As a proportion of sales of goods, wages and salaries increased from 9.5% for the six months ended September 30, 2016 to 9.6% for the six months ended September 30, 2017.

Employee profit sharing in France increased from €5.2 million for the six months ended September 30, 2016 to €5.7 million for the six months ended September 30, 2017, as a result of higher contractual profit sharing ("*intéressement*") following the renewal of our profit-sharing agreement and a good sales performance.

Other personnel expenses increased by €0.8 million, or 4.4%, from €18.2 million for the six months ended September 30, 2016 to €19.0 million for the six months ended September 30, 2017 and included a €0.3 million restructuring provision for the closure of six loss-making stores in Sweden. The impact of the competitiveness and employment tax credit ("*Crédit d'impôt pour la compétitivité et l'emploi*") (the "CICE") was recorded as a reduction of social security costs of €2.8 million in the six months ended September 30, 2016 and €3.2 million in the six months ended September 30, 2017. Excluding the impact of the CICE, social security costs increased by €1.1 million, or 6.0%, from €18.4 million for the six months ended September 30, 2016 to €19.5 million for the six months ended September 30, 2017. This increase was mainly explained by the increase in wages and salaries.

Three months ended September 30, 2017 and September 30, 2016

Personnel expenses increased by €2.3 million, or 5.8%, from €39.4 million for the three months ended September 30, 2016 to €41.7 million for the three months ended September 30, 2017. As a proportion of sales of goods, personnel expenses increased from 14.3% for the three months ended September 30, 2016 to 14.6% for the three months ended September 30, 2017.

Wages and salaries increased by €1.7 million, or 6.0%, from €28.1 million for the three months ended September 30, 2016 to €29.8 million for the three months ended September 30, 2017, as a result of annual salary increases in France, Belgium and Sweden and the expansion of our store network. As a proportion of sales of goods, wages and salaries increased from 10.2% for the three months ended September 30, 2016 to 10.4% for the three months ended September 30, 2017.

Employee profit sharing in France increased by €0.2 million, from €2.2 million for the three months ended September 30, 2016 to €2.4 million for the three months ended September 30, 2017, as a result of higher contractual profit sharing ("*intéressement*") following the renewal of the agreement and a good sales performance.

Other personnel expenses increased by €0.3 million, from €9.1 million for the three months ended September 30, 2016 to €9.4 million for the three months ended September 30, 2017 and included a €0.3 million restructuring provision for the closure of six loss-making stores in Sweden. The impact of the CICE was recorded as a reduction of social security costs of €1.4 million in the three months ended September 30, 2016 and €1.7 million in the three months ended September 30, 2017). Excluding the impact of the CICE, social security costs increased by €0.5 million, from €9.4 million for the three months ended September 30, 2016 to €9.9 million for the three months ended September 30, 2017. This increase was mainly explained by the increase in wages.

Other operating expenses

Six months ended September 30, 2017 and September 30, 2016

Other operating expenses increased by €4.6 million from €1.0 million for the six months ended September 30, 2016 to €5.7 million for the six months ended September 30, 2017. This increase was mainly explained by a €4.6 million provision regarding a reassessment on social charges. From June to October 2017, the French administrative body responsible for collecting social security payments ("URSSAF") conducted an audit of our social charges payments for the calendar years 2014 to 2016. The observation letter received on November 10, 2017 indicated a reassessment amounting to €4.3 million (plus potential penalties), mainly concerning the "*allègements Fillon*" (social charges reduction on low wages). The Group believes that it has arguments to contest this decision even if the administration confirms its conclusion. The Group will challenge the reassessment before the relevant court. However, the Group recorded a €4.6 million provision during the six-month period ended September 30, 2017 to cover the risk associated with the reassessment and potential penalties. In addition, the Group now accrues it social security charges taking into account the conclusions of the audit. Excluding this provision, other operating expenses remained flat.

Three months ended September 30, 2017 and September 30, 2016

Other operating expenses increased by €4.7 million from €0.6 million for the three months ended September 30, 2016 to €5.3 million for the three months ended September 30, 2017. This increase was mainly explained by a €4.6 million provision regarding a reassessment on social charges (as described above).

EBITDA

Six months ended September 30, 2017 and September 30, 2016

EBITDA decreased by €3.3 million, or 4.9%, from €66.8 million for the six months ended September 30, 2016 to €63.5 million for the six months ended September 30, 2017. As a proportion of sales of goods, EBITDA decreased from 11.5% for the six months ended September 30, 2016 to 10.5% for the six months ended September 30, 2017. This decrease was mainly explained by the €4.6 million provision regarding the URSSAF reassessment and the €0.8 million restructuring provision in Sweden. Excluding these provisions, EBITDA increased by €2.2 million or 3.3%, from €66.8 million for the six months ended September 30, 2016 to €69.0 million for the six months ended September 30, 2017 mainly due to the increase in sales of goods and the controlled increase in operational expenses.

Three months ended September 30, 2017 and September 30, 2016

EBITDA decreased by €4.8 million, or 16.5%, from €29.1 million for the three months ended September 30, 2016 to €24.3 million for the three months ended September 30, 2017. As a proportion of sales of goods, EBITDA decreased from 10.6% for the three months ended September 30, 2016 to 8.5% for the three months ended September 30, 2017. This decrease was mainly explained by the €4.6 million provision regarding the URSSAF reassessment and the €0.8 million restructuring provision in Sweden. Excluding these provisions, EBITDA increased by €0.7 million or 2.4%, from €29.1 million for the three months ended September 30, 2016 to €29.8 million for the three months ended September 30, 2017 mainly due to the increase in sales and the controlled increase in operational expenses.

Depreciation, amortization and provision allowances

Six months ended September 30, 2017 and September 30, 2016

Depreciation, amortization and provision allowances increased by €2.0 million from €16.6 million for the six months ended September 30, 2016 to €18.6 million for the six months ended September 30, 2017. This increase was primarily due to higher IT capital expenditures in France and the expansion of our store network, as well as a €1.3 million non-recurring depreciation of the assets of the six Swedish stores to be closed. As a proportion of sales of goods, depreciation, amortization and provision allowances increased from 2.9% for the six months ended September 30, 2016 to 3.1% for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Depreciation, amortization and provision allowances increased by €1.7 million, from €8.4 million for the three months ended September 30, 2016 to €10.1 million for the three months ended September 30, 2017. This increase was primarily due to higher IT capital expenditures in France and the expansion of our store network, as well as a €1.3 million non-recurring depreciation of the assets of the six Swedish stores to be closed. As a proportion of sales of goods, depreciation, amortization and provision allowances increased from 3.1% for the three months ended September 30, 2016 to 3.5% for the three months ended September 30, 2017.

Operating profit

Six months ended September 30, 2017 and September 30, 2016

Operating profit decreased by €5.3 million, or 10.6%, from €50.2 million for the six months ended September 30, 2016, to €44.9 million for the six months ended September 30, 2017. As a proportion of sales of goods, operating profit decreased from 8.6% for the six months ended September 30, 2016 to 7.5% for the six months ended September 30, 2017. This decrease was mainly explained by the non-recurring provision following the URSSAF reassessment on social charges as well as the restructuring provision and the depreciation of assets of the six loss-making stores in Sweden. Excluding these items, operating profit increased by €1.5 million, or 3.0%, from €50.2 million for the six months ended September 30, 2016, to €51.7 million for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Operating profit decreased by €6.4 million, or 30.9%, from €20.7 million for the three months ended September 30, 2016 to €14.3 million for the three months ended September 30, 2017. As a proportion of sales of goods, operating profit decreased from 7.5% for the three months ended September 30, 2016 to 5.0% for the three months ended September 30, 2017. This decrease was mainly explained by the non-recurring provision following the URSSAF reassessment on social charges as well as the restructuring provision and the depreciation of assets of the six loss-making stores in Sweden. Excluding these items, operating profit increased by €0.4 million, or 1.9%, from €20.7 million for the three months ended September 30, 2016, to €21.1 million for the three months ended September 30, 2017.

Finance costs

Six months ended September 30, 2017 and September 30, 2016

Finance costs decreased by €0.7 million from €36.3 million for the six months ended September 30, 2016 to €35.6 million for the six months ended September 30, 2017. This decrease in finance costs was mainly due to a decrease in our interest expense following the €50.0 million partial redemption of the Senior Secured Notes that occurred in May 2016, which was partially offset by a €0.5 million gain relating to our hedging contracts recorded last year.

Three months ended September 30, 2017 and September 30, 2016

Finance costs decreased by €0.4 million from €18.1 million for the three months ended September 30, 2016 to €17.7 million for the three months ended September 30, 2017. This decrease in finance costs was mainly explained by a €0.2 improvement of the foreign exchange gains and losses.

Income before tax

Six months ended September 30, 2017 and September 30, 2016

Income before tax decreased by €4.6 million, from €14.1 million for the six months ended September 30, 2016 to €9.5 million for the six months ended September 30, 2017. As a proportion of sales of goods, income before tax decreased from 2.4% for the six months ended September 30, 2016 to 1.6% for the six months ended September 30, 2017.

Three months ended June 30, 2017 and June 30, 2016

Income before tax decreased by €6.1 million, from an income of €2.8 million for the three months ended September 30, 2016 to a loss of €3.3 million for the three months ended September 30, 2017.

Income tax expense

Six months ended September 30, 2017 and September 30, 2016

Income tax expense decreased by €5.6 million from €7.0 million for the six months ended September 30, 2016 to €1.4 million for the six months ended September 30, 2017.

Income tax expense included non-recurring deferred tax income of €3.3 million relating to the accounting impact of changes in tax rates on long-term deferred taxes. This effect resulted from the reduction in the corporate income tax rate in France, adopted in the 2017 Budget Act and applicable starting in 2020, and which reduces the tax rate used to calculate our deferred tax liability from 34.43% to 28.92%. As a result, long-term deferred taxes on pensions and regulated provisions were revalued based on the rate that is expected to be applicable as of 2020.

Excluding this non-recurring effect, income tax expense amounted to €4.7 million for the six months ended September 30, 2017.

Three months ended September 30, 2017 and September 30, 2016

Income tax expense decreased by €2.1 million from an expense of €1.4 million for the three months ended September 30, 2016 to a credit of €0.7 million for the three months ended September 30, 2017, following the decrease in income before tax.

Net income

Six months ended September 30, 2017 and September 30, 2016

Net income increased by €1.0 million, from €7.1 million for the six months ended September 30, 2016 to €8.1 million for the six months ended September 30, 2017, as a result of the factors described above.

Three months ended September 30, 2017 and September 30, 2016

Net income decreased by €4.0 million, from a profit of €1.4 million for the three months ended September 30, 2016 to a loss of €2.6 million for the three months ended September 30, 2017, as a result of the factors described above.

Certain material differences in the financial condition and results of operations between Picard Bondco S.A. and Lion Polaris II S.A.S. (the direct parent of Picard Groupe S.A.S.)

The consolidated financial information of Picard Bondco S.A. does not reflect intercompany loans between Picard Bondco S.A. and its subsidiaries. On February 20, 2015, Picard Groupe S.A.S. issued €342 million in aggregate principal amount of Additional Senior Secured Notes and Picard Bondco S.A. issued €428 million in aggregate principal amount of Senior Notes. In connection therewith, a loan in an aggregate principal amount of €428 million from Picard Bondco S.A. to Lion/Polaris Lux 3 S.A., a loan in an aggregate principal amount of €428 million from Lion/Polaris Lux 3 S.A. to Lion/Polaris Lux 4 S.A. and a loan in an aggregate principal amount of €428 million from Lion/Polaris Lux 4 S.A. to Lion Polaris II S.A.S. were made, in each case due February 2020, bearing interest at a rate of 7.75% plus a margin.

In addition, Picard Groupe S.A.S. is the issuer of the Senior Secured Notes. The Senior Secured Notes are guaranteed on a senior basis by Lion/Polaris Lux 3 S.A., Lion/Polaris Lux 4 S.A., Lion Polaris II S.A.S. and Picard Surgelés S.A.S. and on a subordinated basis by Picard Bondco S.A. Picard Bondco S.A. is the issuer of the Senior Notes. The Senior Notes are guaranteed on a subordinated basis by Lion Polaris II S.A.S., Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A.

The results of operations of Picard Bondco S.A. and its subsidiaries do not differ materially from those of Lion Polaris II S.A.S. and its subsidiaries. The difference in EBITDA is primarily due to the holding company expenses of Picard Bondco S.A., Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A.

Picard Bondco S.A.

Unaudited interim condensed consolidated financial statements

September 30, 2017

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(In thousand of €)	Notes	For the three-month period ended September 30, 2017	For the three-month period ended September 30, 2016	For the six-month period ended September 30, 2017	For the six-month period ended September 30, 2016
Sales of goods	*4*	286 038	274 775	602 564	582 029
Cost of good sold		(158 618)	(152 208)	(335 453)	(324 131)
Gross profit		**127 420**	**122 567**	**267 111**	**257 898**
Other operating income	*5.1*	1 201	1 417	2 402	2 114
Other purchase and external expenses		(54 058)	(51 628)	(110 918)	(106 037)
Taxes		(3 282)	(3 279)	(6 628)	(7 276)
Personnel expenses	*5.2*	(41 657)	(39 375)	(82 757)	(78 947)
Depreciation and amortization		(10 065)	(8 412)	(18 645)	(16 622)
Other operating expenses	*5.3*	(5 299)	(559)	(5 671)	(952)
Operating profit		**14 261**	**20 732**	**44 895**	**50 179**
Finance costs	*5.4*	(17 674)	(18 069)	(35 570)	(36 307)
Finance income	*5.4*	39	34	77	77
Share of profit in an associate		74	108	142	185
Income before tax		**(3 300)**	**2 805**	**9 544**	**14 134**
Income tax expense	*6*	661	(1 395)	(1 423)	(7 010)
Net income		**(2 639)**	**1 409**	**8 121**	**7 123**
Attributable to:					
Equity holders of the parent		(2 046)	1 410	8 874	7 222
Non-controlling interests		(593)	(1)	(753)	(99)
Earnings per share:					
Basic earnings per share (in euros)		(0,77)	0,53	3,36	2,73
Fully diluted earnings per share (in euros)		(0,77)	0,53	3,36	2,73

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousand of €)	Notes	For the three-month period ended September 30, 2017	For the three-month period ended September 30, 2016	For the six-month period ended September 30, 2017	For the six-month period ended September 30, 2016
Net income		**(2 639)**	**1 409**	**8 121**	**7 123**
Items to be reclassified to profit and loss:					
Net gain / (loss) on cash flow hedges	***8.3***	-	200		540
Income tax		-	(69)	-	(186)
		-	131	-	354
Foreign currency translation		(28)	42	(8)	38
Items not to be reclassified to profit and loss:					
Actuarial gains / (loss) of the period		-	-	-	-
Income tax		-	-	-	-
		-	-	-	-
Other comprehensive income / (loss) for the period, net of		*(28)*	*173*	*(8)*	*392*
Comprehensive income		**(2 667)**	**1 582**	**8 113**	**7 515**
Attributable to:					
Equity holders of the parent		(2 074)	1 583	8 866	7 614
Non-controlling interests		(593)	(1)	(753)	(99)

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In thousand of €)	Notes	September 30, 2017	March 31, 2017
Assets			
Goodwill		815 170	815 170
Property, plant and equipment		224 768	224 646
Other intangible assets		842 851	841 357
Investment in an associate		11 099	10 957
Other non-current financial assets	*7.1*	12 935	12 797
Total non-current assets		**1 906 823**	**1 904 928**
Inventories		88 337	88 087
Trade and other receivables		50 675	43 380
Income tax receivable		12 104	1 744
Current financial assets	*7.1*	379	379
Cash and cash equivalents	*8*	88 574	115 045
Total current assets		**240 069**	**248 635**
Total assets		**2 146 892**	**2 153 563**
Equity and liabilities			
Issued capital		2 642	2 642
Share premium		266 185	266 185
Other comprehensive income		8	(131)
Retained earnings		181 943	83 943
Net income of the period		8 874	97 934
Equity attributable to equity holders of the parent		**459 652**	**450 573**
Non-controlling interests		(1 132)	(456)
Total equity		**458 520**	**450 117**
Non-current liabilities			
Interest-bearing loans and borrowings	*7.2*	1 190 862	1 188 997
Other non current financial liabilities		90	88
Provisions		2 731	3 238
Employee benefit liability		7 575	7 301
Deferred tax liability		248 895	258 102
Total non-current liabilities		**1 450 153**	**1 457 725**
Current liabilities			
Trade and other payables		222 138	232 849
Income tax payable			1 823
Provisions	*3.1*	4 631	
Interest-bearing loans and borrowings	*7.3*	11 450	11 048
Total current liabilities		**238 219**	**245 721**
Total liabilities		**1 688 372**	**1 703 446**
Total equity and liabilities		**2 146 892**	**2 153 563**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In thousand of €	**Issued capital**	**Share premium**	**MRPS**	Cash flow hedge reserve	Actuarial gain / (losses)	Share Based payment	Foreign currency translation	**Total other comprehensive income**	**Retained earnings**	**Net income**	**Equity attributable to equity holders of the parent**	**Non-controlling interest**	**Total Equity**
As at March 31, 2016	**2 642**	**266 476**	**-**	(461)	(26)	-	(40)	**(527)**	**44 725**	**38 630**	**351 946**	**(104)**	**351 842**
Net income attribution	-	-	-	-	26	-	-	26	38 604	(38 630)	-	-	**-**
Net income for the period	-	-	-	-	-	-	-	-	-	7 222	**7 222**	(99)	**7 123**
Other comprehensive income	-	-	-	354	-	-	38	392	-	-	**392**	-	**392**
Total comprehensive income	**-**	**-**	**-**	**354**	**-**	**-**	**38**	**392**	**-**	**7 222**	**7 614**	**(99)**	**7 514**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	-	-	-	219	**219**
Other	-	(291)	-	-	-	-	-	-	291	-	-	-	
As at September 30, 2016	**2 642**	**266 477**	**-**	**(107)**	**-**	**-**	**(2)**	**(109)**	**83 620**	**7 222**	**359 560**	**16**	**359 576**
As at March 31, 2017	**2 642**	**266 185**	**-**	-	(147)	-	16	**(131)**	**83 943**	**97 934**	**450 573**	**(456)**	**450 117**
Net income attribution	-	-	-	-	147	-	-	147	97 787	(97 934)	-	-	**-**
Net income for the period	-	-	-	-	-	-	-	-	-	8 874	**8 874**	(753)	**8 121**
Other comprehensive income	-	-	-	-	-	-	(8)	(8)	-	-	**(8)**	-	**(8)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**	**(8)**	**-**	**8 874**	**8 866**	**(753)**	**8 113**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	211	-	**211**	77	**288**
Other	-	-	-	-	-	-	-	-	-	-	**-**	-	**-**
As at September 30, 2017	**2 642**	**266 185**	**-**	**-**	**-**	**-**	8	**8**	**181 943**	**8 874**	**459 652**	**(1 132)**	**458 520**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In thousand of €	Notes	For the six-month period ended September 30, 2017	For the six-month period ended September 30, 2016
Operating activities			
Operating profit		44 895	50 179
Depreciation and impairment of property, plant and equipment		16 170	14 587
Amortisation and impairment of intangible assets		2 475	2 035
Share-based transaction expense		-	-
Gain on disposal of property, plant and equipement		25	337
Other non cash operating items		4 092	(419)
Movements in provisions and pensions		219	225
Interest received		34	68
Dividends received from associate		-	188
Income tax paid		(24 504)	(23 219)
Operating cash flows before change in working capital requirements		*43 405*	*43 980*
Change in Inventories		(250)	(1 154)
Change in trade and other receivables and prepayments		(7 295)	1 432
Change in trade and other payables		(10 711)	(22 113)
Net cash flows from operating activities		**25 149**	**22 146**
Investing activities			
Proceeds from sale of property, plant and equipment		568	291
Disposal of Italy, net of cash disposed of		190	190
Purchase of property, plant and equipment		(15 434)	(14 762)
Purchase of intangible assets		(3 382)	(2 774)
Acquisition of subsidiaries, net of cash acquired			-
Purchase of financial instruments		(96)	(96)
Proceeds from sale of financial instruments			
Net cash used in investing activities		**(18 154)**	**(17 151)**
Financing activities			
Payment of finance lease liabilities		(121)	(126)
Proceeds from borrowings		-	-
Repayment of borrowings		-	(50 000)
Interest paid		(33 345)	(35 111)
Other cash items related to financing activities			
Net cash flows from/(used in) financing activities		**(33 466)**	**(85 237)**
Net increase / (decrease) in cash and cash equivalents		(26 471)	(80 242)
Cash and cash equivalents at beginning of the period	**8**	**115 045**	**122 591**
Cash and cash equivalents at end of the period	**8**	**88 574**	**42 349**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Picard Bondco S.A. (previously named Lion Polaris Lux 2 S.A.) is a limited liability company, incorporated on August 9, 2010 and having its registered office in Luxembourg. The registered office of Picard Bondco S.A. is at 7 rue Lou-Hemmer, L-1748 Luxembourg-Findel. Picard Bondco S.A. is an affiliate (fully controlled) of Picard PIKco S.A.

Picard Bondco S.A. was incorporated for the purpose of acquiring Picard Groupe S.A.S. ("Picard Group"), the leader in the frozen food production and distribution business in France. The acquisition was completed on October 14, 2010.

Picard Bondco S.A. (the "Company") and its subsidiaries (together, the "Group") operate in the frozen food production and distribution business, mainly in France. The Group's financial year ends on March 31.

The present unaudited interim condensed consolidated financial statements cover the period from April 1, 2017 to September 30, 2017.

2. Basis of preparation and accounting principles

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended September 30, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements as at and for the year ended March 31, 2017.

The unaudited interim condensed consolidated financial statements are presented in thousands of euros, the Group's functional and presentation currency. The figures in the tables have been individually rounded to the nearest thousand euros. Consequently, the totals and sub-totals may not correspond exactly to the sum of the reported amounts.

2.1.1 New accounting standards and interpretations in effect starting from April 1, 2017

Since April 1, 2017, the Group has applied the following new amendments, standards, and interpretations previously endorsed by the European Union:

- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* (applicable according to the IASB in annual periods beginning on or after January 1, 2017); and
- Amendments to IAS 7 – *Disclosure Initiative* (applicable according to the IASB in annual periods beginning on or after January 1, 2017).

The adoption of these policies had no significant impact on the Group’s financial statements.

2.1.2 New accounting standards and interpretations with effect in future periods

The new or amended standards and interpretations adopted by the European Union are as follows:

- IFRS 9 – *Financial Instruments* and amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting (applicable according to the IASB in annual periods beginning on or after January 1, 2018);
- IFRS 15 – *Revenues from Contracts with Customers* and the Clarifications to IFRS 15 published in April 2016 (applicable according to the IASB in annual periods beginning on or after January 1, 2018); and
- IFRS 16 – *Leases* (applicable according to the IASB in annual periods beginning on or after January 1, 2019);

The new or amended standards and interpretations not yet adopted by the European Union are as follows:

- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- Amendments to IAS 40 – *Transfers of Investment Property* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- Annual Improvements to IFRS – *Cycle 2014-2016* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- Amendments to IFRS4 - *Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);

- IFRIC 23 – Uncertainty over Income Tax Treatments (applicable according to the IASB in accounting periods beginning on or after January 1, 2019); and
- IFRS 17 – *Insurance Contracts* (applicable according to the IASB in annual periods beginning on or after January 1, 2019).

The impact of these standards on the Group's results and financial situation is currently being evaluated.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that can affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Group management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and current economic conditions. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting periods are disclosed in the consolidated financial statements of the Group as at March 31, 2017.

As at September 30, 2017, the following estimates should be noted:

Impairment of non-financial assets

There was no indication of impairment of non-financial assets as at September 30, 2017. As a result, no impairment test was performed at this date.

Employee benefits liabilities

The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future withdrawal rates of employees. As of September 30, 2017, all assumptions remain the same as at March 31, 2017.

3. Significant events and seasonality of operations

3.1 Significant events of the period

From June to October 2017, the French administrative body responsible for collecting social security payments ("URSSAF") conducted an audit of our social security payments for the calendar years 2014 to 2016. The observation letter received on November 10, 2017 indicated a reassessment amounting to M€ 4.3 (plus potential penalties), mainly concerning the "allègements Fillon" (social security charges reduction on low wages). The Group believes it has arguments to dispute this decision even if the administration confirm its conclusion. The Group will challenge the reassessment before the relevant court. To cover the risk related to this reassessment, the Group has recorded a M€ 4.6 provision as at September 30, 2017, in the line item "Other operating expenses" of the consolidated income statement. This provision is classified as current in the consolidated balance sheet as this amount will be due in the coming 12 months should the administration confirm its conclusion. In addition, the Group now accrues social security charges taking into account the conclusions of the audit in accordance with the administration's methodology as if it had been applied since April 1, 2017.

3.2 Seasonality of operations

Seasonal fluctuations in the business are limited. Higher revenues and operating profits are usually expected in the third quarter of the year. Higher sales during December are mainly attributable to the Christmas and the New Year's holidays.

4. Operating segment information

For management purposes, the Group is organised into business units based on distribution networks. Following the development of the activity of the Group in Belgium, Sweden, and Luxembourg, the Group has two reportable operating segments as follows:

- France;
- Other.

The "Other" operating segment includes distribution activities in Belgium, Luxembourg and Sweden, franchised operations and partnerships in Italy, Switzerland, UK and Japan, as well as our holding company operations (other than Group financing and income taxes) in Luxembourg.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

In thousand of €	For the three-month period ended September 30, 2017			For the six-month period ended September 30, 2017		
	France	**Other**	**Total**	**France**	**Other**	**Total**
Sales	279 270	6 768	286 038	587 714	14 850	602 564
Operating profit	17 634	(3 373)	14 261	49 280	(4 385)	44 895

In thousand of €	For the three-month period ended September 30, 2016			For the six-month period ended September 30, 2016		
	France	**Other**	**Total**	**France**	**Other**	**Total**
Sales	268 815	5 960	274 775	569 481	12 548	582 029
Operating profit	22 355	(1 623)	20 732	53 090	(2 911)	50 178

- France:

  The operating profit declined by M€ 4.7, from M€ 22.4 for the three-month period ended September 30, 2016 to M€ 17.6 for the three-month period ended September 30, 2017, mainly as a consequence of the M€ 4.6 provision booked in connection with URSSAF's conclusion following its audit (See 3.1 significant events of the period).

- Other:

  The operating profit of the "Other" segment declined by M€ 1.8, from a loss of M€ 1.6 for the three-month period ended September 30, 2016 to a loss of M€ 3.4 for the three-month period ended September 30, 2017. This decline is mainly explained by the decision to close 5 loss-making stores in Sweden. Following this decision made before September 30, 2017, the Group booked a M€0.8 restructuring provision and fully impaired the assets of the stores, which had a net carrying value of M€ 1.3.

5. Other operating income/expenses

5.1 Other operating income

In thousand of €	**For the three-month period ended September 30, 2017**	**For the three-month period ended September 30, 2016**	**For the six-month period ended September 30, 2017**	**For the six-month period ended September 30, 2016**
Capitalized expenses	420	191	754	372
Other operating income	781	1 226	1 648	1 742
Total other operating income	**1 201**	**1 417**	**2 402**	**2 114**

5.2 Personnel expenses

In thousand of €	**For the three-month period ended September 30, 2017**	**For the three-month period ended September 30, 2016**	**For the six-month period ended September 30, 2017**	**For the six-month period ended September 30, 2016**
Wages and salaries	(29 839)	(28 074)	(58 130)	(55 539)
Social security costs	(8 204)	(7 984)	(16 291)	(15 634)
Pension costs	(119)	(110)	(219)	(225)
Employee profit sharing	(2 404)	(2 231)	(5 670)	(5 242)
Other employee benefits expenses	(1 091)	(976)	(2 447)	(2 307)
Total personnel expenses	**(41 657)**	**(39 375)**	**(82 757)**	**(78 947)**

For the six-month period ended September 30, 2017, social security costs include income of M€ 3.2 (compared to income of M€ 2.8 for the six-month period ended september 30, 2016) corresponding to the French competitiveness and employment tax credit (“*Crédit d’Impôt Compétitivité Emploi” or “CICE”*) in effect in France since January 1, 2013.

5.3 Other operating expenses

In thousand of €	**For the three-month period ended September 30, 2017**	**For the three-month period ended September 30, 2016**	**For the six-month period ended September 30, 2017**	**For the six-month period ended September 30, 2016**
Royalties	(106)	(111)	(223)	(218)
Losses on bad debt	(225)	(116)	(415)	(375)
Claims	(4 631)		(4 631)	
Other operating expenses	(337)	(332)	(402)	(359)
Total other operating expenses	**(5 299)**	**(559)**	**(5 671)**	**(952)**

5.4 Finance income and costs

In thousand of €	For the three-month period ended September 30, 2017	For the three-month period ended September 30, 2016	For the six-month period ended September 30, 2017	For the six-month period ended September 30, 2016
Interest expenses	(17 793)	(18 238)	(35 465)	(36 570)
Hedge relations - Ineffectiveness	-	376	-	515
Interest costs of employee benefits	(18)	(18)	(55)	(32)
Foreign exchange (losses) / gains	129	(62)	(35)	33
Other financial expense	8	(127)	(15)	(253)
Finance costs	**(17 674)**	**(18 069)**	**(35 570)**	**(36 307)**
Income on loans and receivables	18	4	23	9
Income on short term investment	25	30	54	68
Foreign exchange gains	(2)	-		
Other financial income	(2)	-		-
Finance income	**39**	**34**	**77**	**77**

6. Income tax expense

The Group calculates income tax expenses of its interim financial statements using an estimated tax rate that would be applicable to the expected total annual earnings (projected pre-tax income at year-end) and including Business Contribution on Value Added (“CVAE”) which is accounted for as an income tax in line with IAS 12. The projected annual tax rate amounted to 49.6% during the six-month period ended September 30, 2016 and to 49.2% during the six-month period ended September 30, 2017 (excluding the deferred tax effect explained below).

The projected tax rate was affected by two opposite effects:

- The exceptional contribution on corporate income tax (“CIT”), which had been applicable in France since 2012, was discontinued as of December 30, 2016 and

- On November 2, 2017, the French government introduced a “budget bill” at the National Assembly. The proposed bill includes an exceptional income tax to be applied to companies with sales exceeding €1 billion. This exceptional income tax amounts to 15% of the CIT, therefore increasing the FY18 income tax rate applicable to French entities from 34.43% to 39.43%.

During the three-month period ended June 30, 2017, the projected tax rate used to compute the income tax was 43.5%, as it excluded the impact of the recently introduced budget bill described above.

Income tax expense decreased from K€ 7,010 for the six-month period ended September 30, 2016 to K€ 1,423 for the six-month period ended September 30, 2017. This decrease is mainly a result of the decrease in income before tax of K€ 14,134 to K€ 9,544 and the decrease of long-term deferred tax liabilities on regulated provisions following the enacted reduction in the corporate income tax rate in France to 28.92% starting in 2020. The impact of this revaluation (tax credit of K€ 3,271) was reassessed during the period and adjusted in the six-month period ended September 30, 2017. Excluding the impact of this tax credit, the income tax expense for the six-month period ended September 30, 2017 would have been K€ 4,694.

7. Financial assets and financial liabilities

7.1 Other current and non-current financial assets

In thousand of €	**September 30, 2017**	**March 31, 2017**
Deposits and guarantees	12 039	11 722
Related party Loans	264	254
Other	1 011	1 200
Other non-current financial assets	**13 314**	**13 176**
of which non-current	*12 935*	*12 797*
of which current	*379*	*379*

The K€ 1,011 other financial assets represent the amount of the consideration remaining due by the acquirers of Picard Surgelati, consistent with the sale and purchase agreement (of which current at September 30, 2017: K€ 379).

7.2 Interest-bearing loans and borrowings

In thousand of €	**Coupon interest rate**	**Maturity**	**As at September 30, 2017**	**As at March 31, 2017**
Current				
Obligations under finance leases			453	234
Accrued interest payable on loans and borrowings			10 997	10 814
Bank overdrafts		On demand	-	
Total current interest bearing loans and borrowings			**11 450**	**11 048**
Non current				
Obligations under finance leases			336	672
Senior secured notes (772M€)	Euribor 3M + margin 4.25%	2019	766 198	764 701
Senior notes 2020 (428M€)	7,75%	2020	424 328	423 623
Total non-current interest bearing loans and borrowings			**1 190 862**	**1 188 996**
Total interest bearing loans and borrowings			**1 202 312**	**1 200 044**

On August 1, 2013, Picard Groupe S.A.S., a subsidiary of the Company, issued M€480 of floating rate senior secured notes due 2019. These floating rate senior secured notes are payable after 6 years on August 1, 2019, and interest is paid quarterly based on a variable interest rate fixed in reference to a market rate (3-month Euribor) increased by a margin of 4.25%. The floating rate senior secured notes are refundable "in fine".

On the same date, Picard Groupe S.A.S. entered into a €30 m Revolving Credit Facility.

On February 20, 2015, Picard Groupe S.A.S., a subsidiary of the Company, issued M€342 of additional floating rate senior secured notes due 2019. These floating rate senior secured notes are payable after 4 years on August 1, 2019, and interest is paid quarterly based on an variable interest rate fixed in reference to a market rate (3-month Euribor) increased by a margin of 4.25%. The additional floating rate senior secured notes are refundable "in fine".

On February 20, 2015, the Company issued M€428 of fixed rate senior notes due 2020. These senior notes are payable after 5 years on February 1, 2020, and interest is paid twice a year based on a fixed interest rate of 7.75%. The senior notes are refundable "in fine".

As of September 30, 2017, the Revolving Credit Facility was not drawn.

An early redemption of the floating rate senior secured notes for an amount of M€50 was notified to the bondholders during the last quarter of the year ended March 31, 2016 and made on May 3, 2016.

All of our interest rate swap agreements matured and were settled during the year ended March 31, 2017.

7.3 Hedging activities and derivatives

Cash Flow Hedges

As at September 30, 2017, the Group no longer has an interest rate swap agreement.

7.4 Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

In thousands euros	Carrying amount	Fair value	Carrying amount	Fair value
Coupn interest rate	**As at September 30, 2017**	**As at September 30, 2017**	**As at March 31, 2017**	**As at March 31, 2017**
Financial assets				
Trade and other receivables	50 675	50 675	43 380	43 380
Income tax receivable	12 104	12 104	1 744	1 744
Other financial assets	13 314	13 314	13 176	13 176
Cash and cash equivalents	88 574	88 574	115 045	115 045
Total	**164 667**	**164 667**	**173 345**	**173 345**
Financial liabilities				
Fixed rate borrowings	(424 328)	(446 260)	(423 623)	(447 000)
Obligations under finance leases	(789)	(789)	(906)	(906)
Floating rate borrowings	(766 198)	(775 200)	(764 701)	(780 100)
Trade and other payables	(222 138)	(222 138)	(232 849)	(232 849)
Income tax payable	-	-	(1 823)	(1 823)
Total	**(1 413 453)**	**(1 444 387)**	**(1 423 903)**	**(1 462 679)**

The fair value of the financial assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Fair value of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximated their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer/counterparty and the risk characteristics of the financed project. Based on this evaluation, provision allowances are taken into account for the expected losses relating to these receivables. As at September 30, 2017, the carrying amounts of such receivables, net of provision allowances, approximated their fair values.

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities. Because of the lack of similar transactions due to the current economic context, credit spreads of fixed-rate borrowings have been considered to be equal to the credit spread applied at the inception of the debt.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The calculation of fair value for derivative financial instruments depends on the type of instrument. With respect to derivative interest rate contracts, the fair value of these contracts (e.g., interest rate swap agreements) is estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of all interest rate derivatives is determined through level 2 valuation techniques. The fair value of long-term debt is determined using price quotations, when available, at the reporting date (level 1).

8. Cash and cash equivalents

In thousand of €	As at September 30, 2017	As at March 31, 2017	As at September 30, 2016	As at March 31, 2016
Cash at banks and on hand	72 534	56 186	27 623	72 531
Securities	16 040	58 859	14 808	50 063
Cash and cash equivalents	**88 574**	**115 045**	**42 431**	**122 594**

For the purpose of the cash flow statement, cash and cash equivalents are net of bank overdrafts:

In thousand of €	As at September 30, 2017	As at March 31, 2017	As at September 30, 2016	As at March 31, 2016
Cash and cash equivalents	88 574	115 045	42 431	122 594
Bank overdrafts			(82)	(3)
Cash and cash equivalents position	**88 574**	**115 045**	**42 349**	**122 591**

9. Contingent liabilities

The Italian tax authorities conducted a tax audit of Picard Surgelati concerning the years ended March 31, 2009 to March 31, 2012. The company received tax reassessments for these four years, which we challenged before the provincial court of Varese. The court issued a ruling in our favour for the years ended March 31, 2009 to March 31, 2012. The Italian tax authorities appealed the decisions regarding the years ended March 31, 2009 and March 31, 2010, but the Regional Commission confirmed the decisions of the court of Varese in June 2016. In January 2017, the Italian tax authorities appealed to the court of cassation against this decision.

10. Events after the reporting period

There has been no significant event since September 30, 2017.