Picard Bondco S.A.

Consolidated Financial Statements at March 31, 2018*

June 26, 2018

This report will be supplemented with additional information on or prior to July 29, 2018, in accordance with Section 4.03 of the Indentures and clause 23.3 and clause 1.1.(a) of Schedule 14 of the Revolving Credit Facility Agreement (each, as defined herein)

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Introduction

Highlights

The financial results of Picard Bondco S.A. for Q4 2018 (the quarter ended March 31, 2018) include the following highlights:

- Q4 2018 sales of goods increased by 6.3% to €354.0 million, from €332.9 million in Q4 2017;
- Q4 2018 gross profit increased by 5.7% to €156.9 million, from €148.5 million in Q4 2017; and
- Q4 2018 EBITDA increased by 4.5% to €48.4 million, from €46.3 million in Q4 2017.

CEO Philippe Dailliez commented: "Our Q4 2018 sales of goods increased by €21.1 million, or 6.3%, due to very dynamic French like-for-like sales growth of 4.6% over the period. Our sales were dynamic throughout the quarter, and supported by a positive calendar effect in March relating to Easter. As adjusted to exclude this calendar effect, we estimate our Q4 French like-for-like sales increased by 1.5%, slightly above our annual like-for-like sales growth rate excluding calendar effect. Our expansion strategy enabled us to add €4.1 million to our French sales while our sales abroad increased by €0.9 million. During the period, we signed an agreement with Albert Heijn in the Netherlands and now have a range of up to 47 products offered in nearly 300 Dutch stores as well as part of the online grocery offering of Albert Heijn.

Our Q4 2018 gross profit improved by €8.4 million, or 5.7%, from €148.5 million in Q4 2017 to €156.9 million in Q4 2018, supported by our sales.

During the quarter, EBITDA increased by €2.1 million, or 4.5%, from €46.3 million in Q4 2017 to €48.4 million in Q4 2018, thanks to our French like-for-like sales growth combined with our close control of operating expenses.

In light of the continuing challenging market conditions relating to a highly competitive environment 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 March 31, 2018, we had 1,006 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion, one franchised store in the French West Indies and 14 franchised stores in mainland France), 16 stores in Belgium, 11 stores in Sweden, one store in Luxembourg, six franchised stores in Switzerland, and six franchised stores in Japan. We also sell Picard-branded products in Italy through a commercial agreement with an Italian retailer, in the UK through a partnership with Ocado, in Sweden under a partnership with ICA to open corners within ICA's supermarkets and hypermarkets and in the Netherlands following a partnership signed in January 2018 with Albert Heijn to offer a selection of our products in their hypermarkets and supermarkets.

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 "2013 Senior Secured Notes"), the proceeds of which were used, along with cash in hand, to permanently repay the €625 million senior credit facilities entered into in 2010 in their entirety. On the same date, Picard Groupe S.A.S. entered into a €30 million revolving credit facility (the "2013 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.

On February 20, 2015, Picard Groupe S.A.S. issued €342 million aggregate principal amount of additional 2013 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 "2015 Senior Notes"). The proceeds of the additional 2013 Senior Secured Notes and the 2015 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 2013 Senior Secured Notes. The partial redemption occurred on May 3, 2016.

On December 14, 2017, Picard Groupe S.A.S. issued €1,190 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023 (the "Senior Secured Notes") and Picard Bondco S.A.issued €310 million aggregate principal amount of Senior Notes due 2024 (the "Senior Notes" and, together with the Senior Secured Notes, the "Notes"). The gross proceeds from the sale of the Notes were used to (i) redeem Picard PIKco S.A.'s outstanding 11% PIK Notes due 2020, including accrued and uncapitalized interest and the applicable redemption premium, (ii) redeem Picard Bondco S.A.'s outstanding principal amount of 2015 Senior Notes, including accrued and unpaid interest and applicable redemption premium, (iii) redeem Picard Groupe S.A.S.'s outstanding principal amount of 2013 Senior Secured Notes, including accrued and unpaid interest, (iv) fund distributions to the shareholders of the Picard group, and (v) pay fees and expenses related to these transactions. On the same date, Picard Groupe S.A.S. and other entities of the Picard group entered into a €30 million revolving credit facility (the "Revolving Credit Facility").

On May 14, 2018, Picard Groupe S.A.S. issued €60 million aggregate principal amount of Senior Secured Notes. The gross proceeds from the sale of the Senior Secured Notes will be used to (i) fund distributions to the shareholders of the Picard group and (ii) pay fees and expenses related to the transaction.

Reporting

This report will be supplemented by the 2018 Annual Report as of and for the year ended March 31, 2018 on or prior to July 29, 2018 pursuant to Section 4.03 of the indenture governing the Senior Secured Notes, as amended and supplemented from time to time (the "Senior Secured Notes Indenture"), and the indenture governing the Senior Notes as amended and supplemented from time to time (the "Senior Notes Indenture" and, together with the Senior Secured 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 audited consolidated financial statements of Picard Bondco S.A. (the "Consolidated Financial Statements"), 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 audited consolidated financial statements for Picard Bondco S.A. from April 1, 2017 to March 31, 2018, which are presented in this report in accordance with IFRS, including (i) the consolidated statement of financial position as of March 31, 2018, (ii) the statement of income for the year ended March 31, 2018 and (iii) the statement of cash flow for the year ended March 31, 2018. See the "Notes to the 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, 2018 under IFRS have been consistently applied, except for the adoption of new standards and interpretations effective as of April 1, 2017.[1] See note 2.2 of the "Notes to the Consolidated Financial Statements" of Picard Bondco S.A. for a discussion of Picard Bondco S.A.'s accounting policies.

We have also included herein unaudited condensed financial information for Picard Bondco S.A. as of and for the three months ended March 31, 2018.

Other Financial Measures

The following measures 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. [2]

French like-for-like sales refers to like-for-like sales made through directly-operated stores in mainland France, excluding sales of goods through 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

The historical information discussed below for Picard Bondco S.A. is as of and for the three- and twelve-month periods ended March 31, 2017 and March 31, 2018 and is not necessarily representative of Picard Bondco's results of operations for any future period or our financial condition at any future date. We have prepared the audited consolidated financial statements for Picard Bondco S.A. from April 1, 2017 to March 31, 2018 included herein, in accordance with IFRS. We have also included herein unaudited condensed financial information for Picard Bondco S.A. as of and for the three-month periods ended March 31, 2017 and March 31, 2018.

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

	Three months ended (*)		Twelve months ended	
Currency: in millions of €	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018
Sales of goods	**332.9**	**354.0**	**1 398.0**	**1 449.7**
Cost of goods sold	(184.4)	(197.1)	(784.3)	(813.7)
Gross profit	**148.5**	**156.9**	**613.8**	**636.0**
Other operating income	1.5	1.4	5.0	4.8
Other purchases and external expenses	(58.7)	(60.3)	(233.4)	(239.8)
Taxes	(5.9)	(5.9)	(17.3)	(16.9)
Personnel expenses	(38.9)	(42.9)	(165.1)	(175.6)
Other operating expenses	(0.3)	(0.9)	(1.7)	(7.1)
EBITDA	**46.3**	**48.4**	**201.2**	**201.4**
Depreciation and amortization	(9.0)	(12.1)	(33.9)	(39.5)
Operating profit	**37.3**	**36.3**	**167.4**	**161.9**
Finance costs	(17.7)	(14.2)	(72.6)	(92.5)
Finance income	0.0	0.0	0.1	0.1
Share of profit in an associate	0.2	(0.0)	0.5	0.2
Income before tax	**19.8**	**22.1**	**95.5**	**69.8**
Income tax expense	(9.0)	(13.2)	2.2	(13.0)
Net income	**10.8**	**8.9**	**97.6**	**56.7**
Equity holders of the parent	11.0	8.9	97.9	58.2
Non-controlling interests	(0.2)	0.0	(0.3)	(1.5)

EBITDA adjusted for litigation and restructuring provisions	**46.3**	**48.4**	**201.2**	**207.1(**)**

(*) Unaudited.
(**) EBITDA as adjusted to exclude a €4.79 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. As adjusted, EBITDA does not reflect any other adjustments, any other non-recurring or non-operating items.

The following discussion and analysis summarizes EBITDA for the three months and for the years ended March 31, 2017 and 2018. 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 definition of "Consolidated EBITDA" under our Indentures. See "Presentation of Financial Information".

Results of operations

Expansion of Store Network

As of March 31, 2018, we had 1,006 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion, one franchised store in the French West Indies and 14 franchised stores in mainland France), 16 stores in Belgium, 11 stores in Sweden, one store in Luxembourg, as well as six franchised stores in Japan and six franchised stores in Switzerland.

Sales of goods

Years ended March 31, 2018 and March 31, 2017

Our sales of goods increased by €51.7 million, or 3.7%, from €1,398.0 million for the year ended March 31, 2017 to €1,449.7 million for the year ended March 31, 2018.

In France, sales of goods increased by €49.1 million, or 3.6%, from €1,365.8 million for the year ended March 31, 2017 to €1,414.9 million for the year ended March 31, 2018. French like-for-like sales increased by 2.1% over the period, as a result of a 0.3% increase in the total number of tickets combined with a 1.7% increase in the average basket size. This increase in French like-for-like sales was partially due to a positive calendar effect estimated at 0.7% relating primarily to the effect of two Easters during the year ended March 31, 2018. 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, or 2.5%, from €16.0 million for the year ended March 31, 2017 to €16.4 million for the year ended March 31, 2018, due to the increase in like-for-like sales.

Sales in Sweden increased by €0.1 million, or 1.0%, from €9.7 million for the year ended March 31, 2017 to €9.8 million for the year ended March 31, 2018, as the opening of Picard corners in ICA's hypermarkets and supermarkets has more than offset the decrease in sales following the closure of four loss-making stores.

Additionally, sales to franchised stores and partners located in Switzerland, Japan, the United Kingdom, the Netherlands and Italy increased by €2.0 million, from €6.6 million for the year ended March 31, 2017 to €8.6 million for the year ended March 31, 2018. In particular, sales in the United Kingdom increased by €1.7 million, from €0.7 million in the year ended March 31, 2017 to €2.4 million in the year ended March 31, 2018 following the commencement of the partnership with Ocado in October 2016. In addition, sales in Switzerland increased by €0.3 million, from €1.4 million to €1.7 million. Sales in Japan decreased by €0.6 million, from €2.2 million in the year ended March 31, 2017 to €1.6 million in the year ended March 31, 2018. This decrease was mainly explained by the first store openings in Japan during the year ended March 31, 2017, which had been very successful and triggered significant orders. After the successful start-up period, sales in Japan returned to a more normalized level. Sales in Italy decreased by €0.6 million from €2.3 million in the year ended March 31, 2017 to €1.7 million in the year ended March 31, 2018. Finally, following an agreement signed in January 2018, a number of Picard products are offered in Albert Heijn's supermarkets and hypermarkets in the Netherlands. The Netherlands generated €1.1 million in additional sales during the fourth quarter.

Three months ended March 31, 2018 and March 31, 2017

Our sales of goods increased by €21.1 million, or 6.3%, from €332.9 million for the three months ended March 31, 2017 to €354.0 million for the three months ended March 31, 2018.

In France, sales of goods increased by €20.1 million, or 6.2%, from €324.7 million for the three months ended March 31, 2017 to €344.8 million for the three months ended March 31, 2018. French like-for-like sales increased by 4.6% over the period, as a result of a 2.9% increase in the average basket size, combined with a 1.7% increase in the total number of tickets. French like-for-like sales were supported by a positive calendar effect estimated at 3.1%, which relates primarily to Easter positively impacting the three months ended March 31, 2018. As adjusted to exclude such calendar effect, French like-for-like sales would have increased by an estimated 1.5%.

Sales in Belgium and Luxembourg remained flat at €3.8 million for the three months ended March 31, 2018 and for the three months ended March 31, 2017.

Sales in Sweden decreased by €0.1 million, or 1.0%, from €2.6 million for the three months ended March 31, 2017 to €2.5 million for the three months ended March 31, 2018, mainly because of the closure of four loss making stores.

Additionally, sales to franchised stores and partners located in Switzerland, Japan, the United Kingdom, Netherlands and Italy increased by €0.9 million, from €1.9 million for the three months ended March 31, 2017 to €2.8 million for the three months ended March 31, 2018. In particular, sales in the United Kingdom increased by €0.5 million, from €0.2 million in the three months ended March 31, 2017 to €0.7 million in the three months ended March 31, 2018 following the commencement of the partnership with Ocado in October 2016. In addition, sales in Switzerland increased by €0.1 million, from €0.3 million to €0.4 million. Sales in Japan decreased by €0.5 million, from €0.8 million in the three months ended March 31, 2017 to €0.3 million in the three months ended March 31, 2018. Sales in Italy decreased by €0.2 million from €0.6 million in the three months ended March 31, 2017 to €0.4 million in the three months ended March 31, 2018. Finally, following an agreement signed in February 2018, a number of Picard products are offered in Albert Heijn's supermarkets and hypermarkets in the Netherlands. The Netherlands generated €1.1 million in additional sales during the fourth quarter.

Cost of goods sold

Years ended March 31, 2018 and March 31, 2017

Our cost of goods sold increased by €29.4 million, or 3.7%, from €784.3 million for the year ended March 31, 2017 to €813.7 million for the year ended March 31, 2018, primarily due to an increased volume of purchases from our suppliers. Cost of goods sold as a percentage of sales remained flat at 56.1% for the year ended March 31, 2017 and for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Our cost of goods sold increased by €12.7 million, or 6.9%, from €184.4 million for the three months ended March 31, 2017 to €197.1 million for the three months ended March 31, 2018, 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 March 31, 2017 to 55.7% for the three months ended March 31, 2018.

Gross Profit

Years ended March 31, 2018 and March 31, 2017

Our gross profit increased by €22.2 million, or 3.6%, from €613.8 million for the year ended March 31, 2017 to €636.0 million for the year ended March 31, 2018, as a result of higher sales. Gross profit as a percentage of sales of goods remained flat at 43.9% for the year ended March 31, 2017 and for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Our gross profit increased by €8.4 million, or 5.7%, from €148.5 million for the three months ended March 31, 2017 to €156.9 million for the three months ended March 31, 2018, as a result of higher sales. Gross profit as a percentage of sales of goods decreased from 44.6% for the three months ended March 31, 2017 to 44.3% for the three months ended March 31, 2018. The decrease in our gross profit margin was explained by discounts offered during promotional campaigns, principally Easter, and by overstock of certain products that were destroyed or given to food banks.

Other operating income

Years ended March 31, 2018 and March 31, 2017

Other operating income decreased by €0.2 million from €5.0 million for the year ended March 31, 2017 to €4.8 million for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Other operating income decreased by €0.1 million from €1.5 million for the three months ended March 31, 2017 to €1.4 million for the three months ended March 31, 2018.

Other purchases and external expenses

Years ended March 31, 2018 and March 31, 2017

Our other purchases and external expenses increased by €6.4 million, or 2.7%, from €233.4 million for the year ended March 31, 2017 to €239.8 million for the year ended March 31, 2018. This increase was primarily due to higher logistics costs which were impacted by higher sales volumes and increases in fuel prices. In addition, higher advertising expenses were incurred in connection with the annual significant communication campaigns for Easter, which occurred twice during the year ended March 31, 2018. Also, 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. Finally, electricity costs also increased, in connection with an increase in the number of stores combined with an increase in taxes on electricity. Other purchases and external expenses as a percentage of sales of goods decreased from 16.7% for the year ended March 31, 2017 to 16.5% for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Our other purchases and external expenses increased by €1.6 million, or 2.7%, from €58.7 million for the three months ended March 31, 2017 to €60.3 million for the three months ended March 31, 2018. This increase was primarily due to higher logistics costs resulting from the expansion of our store network in France and dynamic like-for-like sales and the related increase in product deliveries as well as advertising efforts. Other purchases and external expenses as a percentage of sales of goods decreased from 17.6% for the three months ended March 31, 2017 to 17.0% for the three months ended March 31, 2018.

Taxes other than on income

Years ended March 31, 2018 and March 31, 2017

Taxes other than on income decreased from €17.3 million for the year ended March 31, 2017 to €16.9 million for the year ended March 31, 2018. Taxes other than on income as a percentage of sales of goods remained flat at 1.2% for the year ended March 31, 2017 and March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Taxes other than on income remained flat at €5.9 million for the three months ended March 31, 2017 and for the three months ended March 31, 2018. Taxes other than on income as a percentage of sales of goods decreased from 1.8% for the three months ended March 31, 2017 to 1.7% for the three months ended March 31, 2018.

Personnel expenses

Years ended March 31, 2018 and March 31, 2017

Personnel expenses increased by €10.5 million, or 6.4%, from €165.1 million for the year ended March 31, 2017 to €175.6 million for the year ended March 31, 2018. As a percentage of sales of goods, personnel expenses increased from 11.8% for the year ended March 31, 2017 to 12.1% for the year ended March 31, 2018.

Wages and salaries increased by €6.9 million, or 6.2%, from €112.1 million for the year ended March 31, 2017 to €119.0 million for the year ended March 31, 2018, as a result of annual salary increases in France, Belgium and Sweden and the expansion of our store network, as well as recruitments to fill in new positions in our headquarters. In addition, we incurred some non-recurring store personnel costs associated with the launch of the loyalty program and a higher number of working Sundays in December 2017 compared to December 2016. As a percentage of sales of goods, wages and salaries increased from 8.0% for the year ended March 31, 2017 to 8.2% for the year ended March 31, 2018.

Employee profit sharing increased from €16.5 million for the year ended March 31, 2017 to €16.9 million for the year ended March 31, 2018, as a result of the increase in the French net income and higher contractual profit sharing ("*intéressement*") following a good sales performance and the renewal of our profit-sharing agreement on terms that were more favorable to employees.

Other personnel expenses increased from €36.4 million for the year ended March 31, 2017 to €39.7 million for the year ended March 31, 2018. 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 (€6.1 million in the year ended March 31, 2017 and €6.7 million in the year March 31, 2018). Excluding the CICE, social security costs increased by €3.2 million, or 8.6%, from €37.3 million for the year ended March 31, 2017 to €40.5 million for the year ended March 31, 2018. This increase was mainly explained by the increase in wages and salaries and by the accrual of the "*allègements Fillon*" (social charges reduction on low wages). From June to October 2017, the French administrative body responsible for collecting social security payments ("URSSAF") conducted an audit of our social security charges payments for the calendar years 2014 to 2016. The conclusion of the audit received in December indicated a reassessment amounting to €4.3 million (plus penalties), mainly concerning the "*allègements Fillon*" (social charges reduction on low wages). A €4.8 million provision has been recorded during the year ended March 31, 2018 in the line item "Other operating expenses" to cover the costs associated with the reassessment (€4.3 million) and penalties (€0.5 million). The reassessment of €4.3 million was paid in January 2018. In addition, the Group now accrues its social security charges taking into account the conclusions of the audit, therefore impacting the amount of social security costs in the line item "Personnel expenses". However, the Group believes that it has strong arguments to contest the URSSAF decision and will challenge the reassessment before the relevant court.

Three months ended March 31, 2018 and March 31, 2017

Personnel expenses increased by €4.0 million, or 10.3%, from €38.9 million for the three months ended March 31, 2017 to €42.9 million for the three months ended March 31, 2018. As a percentage of sales of goods, personnel expenses increased from 11.7% for the three months ended March 31, 2017 to 12.1% for the three months ended March 31, 2018.

Wages and salaries increased by €3.0 million, or 11.5%, from €26.1 million for the three months ended March 31, 2017 to €29.1 million for the three months ended March 31, 2018, as a result of annual salary increases in France, Belgium and Sweden and the expansion of our store network. As a percentage of sales of goods, wages and salaries increased from 7.8% for the three months ended March 31, 2017 to 8.2% for the three months ended March 31, 2018.

Employee profit sharing decreased from €4.4 million for the three months ended March 31, 2017 to €4.2 million for the three months ended March 31, 2018, as a result of the decrease in contractual profit sharing ("*intéressement*").

Other personnel expenses increased by €1.6 million, from €8.0 million for the three months ended March 31, 2017 to €9.6 million for the three months ended March 31, 2018. The impact of the CICE was recorded as a reduction of social security costs (€1.6 million in the three months ended March 31, 2017 and €1.4 million in the three months ended March 31, 2018, following a reduction of the rate of this tax credit voted by the government). Excluding the impact of the CICE, social security costs increased by €1.4 million, from €8.4 million for the three months ended March 31, 2017 to €9.8 million for the three months ended March 31, 2018. This increase was mainly explained by the increase in wages and salaries and by the accrual of the "*allègements Fillon*" (social charges reduction on low wages), as described above.

Other operating expenses

Year ended March 31, 2018 and March 31, 2017

Other operating expenses increased by €5.4 million, from €1.7 million for the year ended March 31, 2017 to €7.1 million for the year ended March 31, 2018. This increase was mainly explained by the €4.8 million provision regarding a reassessment on social security charges, as described above. Excluding this provision, other operating expenses increased by €0.6 million.

Three months ended March 31, 2018 and March 31, 2017

Other operating expenses increased by €0.6 million, from €0.3 million for the three months ended March 31, 2017 to €0.9 million for the three months ended March 31, 2018.

EBITDA

Years ended March 31, 2018 and March 31, 2017

EBITDA increased by €0.2 million, or 0.1%, from €201.2 million for the year ended March 31, 2017 to €201.4 million for the year ended March 31, 2018, primarily due to a €22.2 million increase in gross profit, partially offset by the increase in personnel expenses and other purchases and external expenses, as well as by the €4.8 million provision regarding the URSSAF reassessment described above and the €0.8 million provision relating to the restructuring of our activity in Sweden. As a percentage of sales of goods, EBITDA decreased from 14.4% for the year ended March 31, 2017 to 13.9% for the year ended March 31, 2018. Excluding the provisions described above, EBITDA increased by €5.9 million or 2.9%, from €201.2 million for the year ended March 31, 2017 to €207.1 million for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

EBITDA increased by €2.1 million, or 4.5%, from €46.3 million for the three months ended March 31, 2017 to €48.4 million for the three months ended March 31, 2018. This increase is primarily due to the increase in sales as well as the increase in gross profit. As a percentage of sales of goods, EBITDA decreased from 13.9% for the three months ended March 31, 2017 to 13.7% for the three months ended March 31, 2018.

Depreciation and amortization

Years ended March 31, 2018 and March 31, 2017

Depreciation and amortization increased from €33.9 million for the year ended March 31, 2017 to €39.5 million for the year ended March 31, 2018. This increase was primarily due to depreciation expenses relating to our stores in Sweden. In September 2017, a €1.3 million depreciation expense relating to the assets of six Swedish stores to be closed was recorded. During the fourth quarter, considering the losses of our store network in spite of the ongoing restructuring, the remaining fixed assets were also subject to a €2.7 million depreciation expense, bringing the fixed asset value of our Swedish store network to nil. Excluding this €4.0 million depreciation of our Swedish stores, depreciation and amortization amounted to €35.5 million, increasing by €1.6 million compared to the year ended March 31, 2017, mainly as a consequence of higher IT capital expenditures in France and the expansion of our store network. As a percentage of sales of goods, depreciation and amortization increased from 2.4% for the year ended March 31, 2017 to 2.7% for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Depreciation and amortization increased from €9.0 million for the three months ended March 31, 2017 to €12.1 million for the three months ended March 31, 2018. This increase was primarily due to the €2.6 million depreciation in Sweden described above. As a percentage of sales of goods, depreciation and amortization increased from 2.7% for the three months ended March 31, 2017 to 3.4% for the three months ended March 31, 2018.

Operating profit

Years ended March 31, 2018 and March 31, 2017

Operating profit decreased by €5.5 million, or 3.3%, from €167.4 million for the year ended March 31, 2017, to €161.9 million for the year ended March 31, 2018. As a percentage of sales of goods, operating profit decreased from 12.0% for the year ended March 31, 2017 to 11.2% for the year ended March 31, 2018. 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 fixed assets of the stores in Sweden. Excluding these items, operating profit increased by €4.1 million, or 2.4%, from €167.4 million for the year ended March 31, 2017, to €171.5 million for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Operating profit decreased by €1.0 million, or 2.7%, from €37.3 million for the three months ended March 31, 2017, to €36.3 million for the three months ended March 31, 2018. As a percentage of sales of goods, operating profit decreased from 11.2% for the three months ended March 31, 2017 to 10.3% for the three months ended March 31, 2018. This decrease in operating profit was primarily due to the depreciation of fixed assets of the stores in Sweden. Excluding the impact of this depreciation expense, operating profit increased by €1.6

million, or 4.3%, from €37.3 million for the three months ended March 31, 2017, to €38.9 million for the three months ended March 31, 2018.

Finance costs

Years ended March 31, 2018 and March 31, 2017

Finance costs increased by €19.9 million, from €72.6 million for the year ended March 31, 2017 to €92.5 million for the year ended March 31, 2018. This increase in finance costs was mainly due to costs associated with the refinancing that occurred in December 2017. The early redemption of the 2013 Senior Secured Notes and the 2015 Senior Notes resulted in non-recurring finance costs of €25.1 million, reflecting the write-off of the non-amortized issuance fees (€8.5 million) and early redemption penalty in respect of the 2015 Senior Notes (€16.6 million). Excluding these non-recurring costs, finance costs decreased by €5.2 million from €72.6 million for the year ended March 31, 2017 to €67.4 million for the year ended March 31, 2018. This decrease was mainly explained by the costs of the hedging swap incurred during the year ended March 31, 2017 and the lower interest rates of the Notes issued in December 2017.

Three months ended March 31, 2018 and March 31, 2017

Finance costs decreased by €3.5 million from €17.7 million for the three months ended March 31, 2017 to €14.2 million for the three months ended March 31, 2018. This decrease in finance costs was mainly explained by the lower interest rates of the Notes issued in December 2017.

Income before Tax

Years ended March 31, 2018 and March 31, 2017

Income before tax decreased by €25.7 million, from €95.5 million for the year ended March 31, 2017 to €69.8 million for the year ended March 31, 2018. As a percentage of sales of goods, income before tax decreased from 6.8% for the year ended March 31, 2017 to 4.8% for the year ended March 31, 2018.

Three months ended March 31, 2018 and March 31, 2017

Income before tax increased by €2.3 million, from €19.8 million for the three months ended March 31, 2017 to €22.1 million for the three months ended March 31, 2018. As a percentage of sales of goods, income before tax increased from 5.9% for the three months ended March 31, 2017 to 6.2% for the three months ended March 31, 2018.

Income tax expense

Years ended March 31, 2018 and March 31, 2017

Income tax expense increased by €15.2 million from a credit of €2.2 million for the year ended March 31, 2017 to an expense of €13.0 million for the year ended March 31, 2018.

The income tax credit resulted mainly from the decrease of long-term deferred tax liabilities following two reductions in the corporate income tax rate in France, the first step of which had been voted in the 2017 Budget Act (bringing the income tax rate to 28.9% from 2020 onwards) and the second step in the 2018 Budget Act (bringing the income tax rate to 25% from 2022 onwards). As a result of these two reductions, long-term deferred taxes – essentially related to the Picard trademark – were revalued based on the rate applicable as of 2020, with the following effects:

- A first decrease in the corporate income tax rate of 4.41% had already been taken into account in the consolidated financial statements for the year ended March 31, 2017 (decrease in corporate income tax from 33.33% to 28.9% from 2020 onwards), generating a deferred tax credit of €45.8 million.
- A second decrease in corporate income tax of 3.9% was taken into account in the consolidated financial statements for the year ended March 31, 2018 (decrease in corporate income tax from 28.9% to 25% from 2022 onwards), generating a deferred tax credit of €30.5 million.

Excluding these deferred tax impacts in the two periods, income tax expense would have amounted to €43.5 million in the year ended March 31, 2018 and to €43.6 million in the year ended March 31, 2017, increasing as a percentage of income before tax from 45.7% for the year ended March 31, 2017 to 62.3% for the year ended March 31, 2018. This increase in income tax rate was primarily due to the exceptional contribution on corporate income tax which was not applicable for the year ended March 31, 2017. On November 2, 2017, the French government introduced a "budget bill" at the National Assembly. The bill included the exceptional corporate income tax to be applied to companies with sales exceeding €1.0 billion. This exceptional income tax amounted to 15% of the corporate income tax, therefore increasing the income tax rate applicable to French entities from 34.43% to 39.43% for the year ended March 31, 2018 only.

Three months ended March 31, 2018 and March 31, 2017

Income tax expense increased by €4.2 million from €9.0 million for the three months ended March 31, 2017 to €13.2 million for the three months ended March 31, 2018. This increase in income tax expense was primarily due to the exceptional contribution on corporate income tax which was not applicable for the same period last year, as described above.

Net income

Years ended March 31, 2018 and March 31, 2017

Net income decreased by €40.9 million, from €97.6 million for the year ended March 31, 2017 to €56.7 million for the year ended March 31, 2018, as a result of the factors described above.

Three months ended March 31, 2018 and March 31, 2017

Net income decreased by €1.9 million, from €10.8 million for the three months ended March 31, 2017 to €8.9 million for the three months ended March 31, 2018, 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 2013 Senior Secured Notes and Picard Bondco S.A. issued €428 million in aggregate principal amount of 2015 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. These loans were repaid in full in connection with the December 2017 refinancing. As of March 31, 2018, there was a €44.4 million intra-group loan from Picard Bondco S.A. to Lion/Polaris Lux 3 S.A. and a €43.9 million intra-group loan from Lion/Polaris Lux 3 S.A. to Lion/Polaris Lux 4 S.A. and a €44.8 million intra-group loan from Lion/Polaris Lux 4 S.A. to Lion Polaris II S.A.S. These intra-group loans will mature in 2024.

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 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.

Consolidated Financial Statements of Picard Bondco S.A. as at March 31, 2018

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Consolidated Income Statement

(In thousand of €)	Notes	March 31, 2018	March 31, 2017
Sales of goods	***6***	1 449 671	1 398 030
Cost of goods sold		(813 689)	(784 250)
Gross profit		**635 982**	**613 780**
Other operating income	***7.1***	4 847	4 969
Other purchases and external expenses		(239 783)	(233 409)
Taxes		(16 925)	(17 325)
Personnel expenses	***7.3***	(175 608)	(165 076)
Depreciation and amortization		(39 502)	(33 851)
Other operating expenses	***7.2***	(7 070)	(1 722)
Operating profit		**161 940**	**167 367**
Finance costs	***7.4***	(92 533)	(72 576)
Finance income	***7.4***	149	143
Share of profit in an associate	***8***	210	548
Income before tax		**69 766**	**95 482**
Income tax expense	***9***	(13 041)	2 163
Net income		**56 726**	**97 645**
Attributable to:			
Equity holders of the parent		58 213	97 934
Non-controlling interests		(1 487)	(289)
Earnings per share:			
Basic earnings per share (*in euros*)	***19***	22,04	37,07
Fully diluted earnings per share (*in euros*)	***19***	22,04	37,07

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

Consolidated Statement of Comprehensive Income

(In thousand of €)	Notes	March 31, 2018	March 31, 2017
Net income		**56 726**	**97 645**
Items to be reclassified to profit and loss:			
Net gain / (loss) on cash flow hedges	***12.3***		704
Income tax		-	(242)
		-	462
Foreign currency translation		101	56
Items not to be reclassified to profit and loss:			
Actuarial gains / (loss) of the period	***21***	228	(33)
Income tax		(112)	(114)
		116	(147)
Other comprehensive income / (loss) for the period, net of tax		*217*	*371*
Comprehensive income		**56 943**	**98 016**
Attributable to:			
Equity holders of the parent		58 430	98 305
Non-controlling interests		(1 487)	(289)

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

Consolidated Statement of Financial Position

(In thousand of €)	Notes	As at March 31, 2018	As at March 31, 2017
Assets			
Goodwill	*13*	815 170	815 170
Property, plant and equipment	*11*	220 058	224 646
Other intangible assets	*10*	842 274	841 357
Investment in an associate	*8*	11 042	10 957
Other non-current financial assets	*12.1*	10 243	12 797
Deferred tax asset	*9*	-	-
Total non-current assets		**1 898 787**	**1 904 928**
Inventories	*14*	90 212	88 087
Trade and other receivables	*15*	49 496	43 380
Income tax receivable		5 106	1 744
Current financial assets		379	379
Cash and cash equivalents	*16*	92 963	115 045
Total current assets		**238 156**	**248 635**
Assets held for sale	*23*	-	-
Total assets		**2 136 943**	**2 153 563**
Equity and liabilities			
Issued capital	*17*	2 642	2 642
Share premium	*17*	150	266 185
MRPS	*17*	-	-
Other comprehensive income		233	(131)
Retained earnings		91 324	83 943
Net income of the period		58 213	97 934
Equity attributable to equity holders of the parent		**152 561**	**450 573**
Non-controlling interests		(1 845)	(456)
Total equity		**150 716**	**450 117**
Non-current liabilities			
Interest-bearing loans and borrowings	*12.2*	1 492 030	1 188 997
Other non-current financial liabilities		85	88
Provisions	*20*	5 206	3 238
Employee benefit liability	*21*	7 550	7 301
Deferred tax liability	*9*	225 774	258 102
Total non-current liabilities		**1 730 645**	**1 457 725**
Current liabilities			
Trade and other payables	*22*	244 513	232 849
Income tax payable		1 955	1 823
Interest-bearing loans and borrowings	*12.2*	9 115	11 048
Other current financial liabilities	*12.3*	-	-
Provisions			-
Total current liabilities		**255 583**	**245 721**
Total liabilities		**1 986 227**	**1 703 446**
Liabilities held for sale	*23*	-	-
Total equity and liabilities		**2 136 943**	**2 153 563**

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

Consolidated Statement of Changes in Equity

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	-	-	-	-	-	-	-	-	-	97 934	**97 934**	(289)	**97 645**
Other comprehensive income	-	-	-	462	(147)	-	56	371	-	-	**371**	-	**371**
Total comprehensive income	**-**	**-**	**-**	**462**	**(147)**	**-**	**56**	**371**	**-**	**97 934**	**98 305**	**(289)**	**98 016**
Capital contribution without issue	**-**		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment on dividend paid	**-**		-	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	327	-	**327**	(63)	**264**
Other	-	(291)	-	-	-	-	-	-	291	-	**-**	-	**-**
As at March 31, 2017	**2 642**	**266 185**	**-**	**0**	**(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	-	-	-	-	-	-	-	-	-	58 213	**58 213**	(1 487)	**56 726**
Other comprehensive income	-	-	-	-	116	-	101	217	-	-	**217**	-	**217**
Total comprehensive income	**-**	**-**	**-**	**-**	**116**	**-**	**101**	**217**	**-**	**58 213**	**58 430**	**(1 487)**	**56 943**
Dividends paid	-	-	-	-	-	-	-	-	(90 600)	-	(90 600)		(90 600)
Share premium redemption		(266 035)						-			(266 035)		(266 035)
Redemption of MRPS	-	-		-	-	-	-	-		-	**-**	-	**-**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	(98)	-	**(98)**	98	**-**
Other	-		-	-	-	-	-	-	295	-	**295**	-	295
As at March 31, 2018	**2 642**	**150**	**-**	0	116	-	117	**233**	**91 324**	**58 213**	**152 562**	**(1 845)**	**150 716**

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

Consolidated Statement of Cash Flows

In thousand of €	Notes	March 31, 2018	March 31, 2017
Operating activities			
Operating profit		161 940	167 367
Depreciation and impairment of property, plant and equipment		35 231	29 580
Amortisation and impairment of intangible assets		4 271	4 271
Share-based transaction expense	7.3	-	-
(Gain) /loss on disposal of property, plant and equipement		(54)	1 214
Other non cash operating items		(3 549)	(1 855)
Movements in provisions and pensions		376	402
Interest received		103	109
Dividends received from associate	8	125	188
Income tax paid		(40 138)	(39 769)
Operating cashflows before change in working capital requirements		*158 305*	*161 507*
Change in inventories		(2 125)	(8 252)
Change in trade and other receivables and prepayments		(8 586)	(7 711)
Change in trade and other payables		11 659	4 185
Net cash flows from operating activities, total		**159 254**	**149 729**
Investing activities			
Proceeds from sale of property, plant and equipment		906	365
Disposal of Italy, net of cash disposed of		379	379
Purchase of property, plant and equipment		(30 324)	(30 464)
Purchase of intangible assets		(6 912)	(7 763)
Purchase of financial instruments		(213)	(122)
Net cash used in investing activities		**(36 164)**	**(37 606)**
Financing activities			
Payment of finance lease liabilities		(236)	(253)
Proceeds from borrowings		1 500 000	-
Refinancing costs		(6 424)	-
Repayment of borrowings		(1 200 000)	(50 000)
Dividends paid to equity holder of the parent		(90 600)	-
Redemption share premium paid to the Company's shareholders		(266 036)	
Interest paid		(85 840)	(69 681)
Capital increase - non controlling interests			264
Net cash flows from/(used in) financing activities		**(149 136)**	**(119 670)**
Net increase / (decrease) in cash and cash equivalents		(26 046)	(7 547)
Net cash at the beginning of the year		115 044	122 591
Net cash at March 31	**16**	**88 999**	**115 044**
of which classified in held for sale	*23*	-	-
of which classified in continued operations		*88 999*	*115 044*

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

Notes to the 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 (which merged with Lion Polaris Lux 1 S.à.r.l in June, 2015).

Picard Bondco S.A. was incorporated for the purpose of acquiring Picard Groupe S.A.S., 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.

On June 26, 2018, the Board approved the consolidated financial statements as of and for the year ended March 31, 2018, which will be submitted for approval to the Company's shareholders.

2. Accounting principles

2.1 Basis of preparation

The consolidated financial statements cover the financial year started April 1, 2017 and ended March 31, 2018. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and as adopted by the European Union and effective for financial years beginning on or after April 1, 2017.

IFRS as adopted by the European Union ("IFRS-EU") can be viewed on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

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 standards and interpretations endorsed by the European Union not yet mandatorily applicable are as follows:

All these amendments will be effective after April 1, 2018 for the Group and the potential impacts of these new pronouncements are currently being analyzed.

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 accounting periods beginning on or after January 1, 2018);
- IFRS 16 – *Leases* (applicable according to the IASB in annual periods beginning on or after January 1, 2019);
- 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);
- Amendments to IAS 40 – *Transfers of Investment Property* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- IFRS 9 : Prepayment Features with Negative Compensation (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- IFRIC 15 : Agreements for the Construction of Real Estate (applicable according to the IASB in accounting periods beginning on or after December 31, 2019);
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- Clarifications to IFRS 15 - Applicable according to the IASB in accounting periods beginning on or after January 1, 2018; and
- Annual Improvements to IFRS – *Cycle 2014-2016* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);

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

- IFRS 17 – *Insurance Contracts* (applicable according to the IASB in annual periods beginning on or after January 1, 2021) ;
- 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);
- IAS 28 : Long-term Interests in Associates and Joint Ventures (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- Improvements to IFRSs 2015-2017 Cycle (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- IAS 19 : Plan Amendment, Curtailment or Settlement (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- IFRIC 23 – Uncertainty over Income Tax Treatments (applicable according to the IASB in accounting periods beginning on or after January 1, 2019); and
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable according to the IASB in accounting periods beginning on or after January 1, 2020)

- **IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.**

IFRS 9 sets out three classification categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Classification depends on the entity's business model and the financial asset's cash-flow characteristics. IFRS 9 has not been early adopted by the Group. The new rules will be applied prospectively from January 1, 2018. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

The application of IFRS 9 will not have significant impacts on the Group's financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. It came into effect on January 1, 2018 and includes new principles for the recognition of revenue.

An analysis has been completed by the Group to identify and evaluate the potential impacts of the standard. This process confirmed the absence of significant impacts on the Group's consolidated financial statements.

- **IFRS 16 - Leases**

On October 31, 2017, the European Union adopted IFRS 16, which is applicable according to the IASB in annual periods beginning on or after January 1, 2019. This standard replaces the existing distinction between finance leases and operating leases. With respect to leases currently qualifying as operating leases, it will have the effect of recognizing

the right to use the asset as debt in the balance sheet of lessees.

The relevant contracts of the Group have been listed and are being analyzed.

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

2.2 Summary of significant accounting policies

a. Foreign currency translation

The consolidated financial statements are presented in euro (€), which is the Company's functional and the Group's presentation currency.

b. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

For each business combination, the non-controlling interest in the acquired business is measured either at fair value or at the proportionate share of the acquired business's identifiable net assets. Acquisition costs incurred are expensed and included in "Other operating expenses".

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 36 either in profit or loss or as a change to "Other comprehensive income". If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.
Goodwill is initially measured at cost being the excess of the aggregate of (i) the consideration transferred and (ii) the fair value of non-controlling interest and the identifiable assets acquired net of liabilities assumed. If the consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or group of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Under the definition of IAS 36, the Group identified cash-generating units, and group of cash-generating units, which are defined in Note 2.2. Summary of significant accounting policies.

c. Investment in associate

The Group's investment in its associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The share of profit of the associate is shown on the face of the income statement on the line "Share of profit in an associate". This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Company and using the same accounting policies. Where necessary, adjustments are made to bring the accounting policies of the associate in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If such is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the income statement.

d. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, usually on purchase of the goods by the customer.
The Group operates a chain of retail outlets for selling their products. Sales of goods are recognized when an entity sells a product to the customer. Retail sales are usually in cash or by credit card.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

e. Operating expenses & Other purchases and external expenses

The Group benefits from certain tax credits generated by its activity. Such tax credits are deemed to be equivalent to grants related to income and are thus deducted from related expenses.

In order to align the presentation of the Consolidated Income Statement with industry best practices, the Group classifies loss and gift of goods expense and discounts granted under corporation agreements credit under the “Cost of goods sold” line item.

f. Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

For the years ended March 31, 2017 and March 31, 2018, the French tax Business Contribution on Added Value (CVAE) is shown and accounted for under the “Income tax expense” line.

Deferred income tax

Deferred taxes are determined using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except for specific conditions (initial recognition of an asset or liability in a transaction that is not a business combination that affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred taxes relating to items recognized outside profit or loss are recognized outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

g. Pensions and other post-employment benefits

The Group operates one defined benefit pension scheme, as detailed in Note 21 Employee benefits. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in Note 21.Employee benefits).

The defined benefit expense is recognized through "Personnel expenses" (under pension costs) for the service cost component of the expense and through "Finance costs" (under interest costs of employee benefits) for the interest cost component.

h. Financial liabilities – initial recognition and subsequent measurement

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss. Financial liabilities within the scope of IAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in "Finance

costs" in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement through "Finance costs".

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined at each reporting date by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 12. Financial assets and financial liabilities.

i. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are recognized in the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, those derivatives that meet the criteria of hedge effectiveness are classified as cash flow hedges.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement.

As at March 31, 2018, the Group did not have any fair value hedging derivatives.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

j. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated. Historical cost includes expenditures directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings and building improvements 20 years
- Operating equipment 5 to 10 years
- Transportation equipment 4 years
- Computers and hardware 3 to 5 years
- Furniture 10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the line item “Other operating expenses”.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

k. Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement in the line "Finance costs".

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight--line basis over the lease term.

l. Intangible assets

Trademarks

Trademarks acquired through business combination are not amortized when their useful lives are deemed to be indefinite.

Trademarks which are not amortized are tested for impairment annually and upon each indication that they may be impaired.

The useful lives of trademarks have been defined according to their strategic market position (for instance, a strong international trademark will be deemed to have an indefinite useful life).

As at March 31, 2018, the trademark recognized corresponds to the Picard brand.

Leasehold rights

Leasehold rights are constituted by sums paid to the owners of the leasehold (the former tenants) at the opening of new stores. Gross values recorded on the Consolidated Statement of Financial Position are stated at cost. Because of the legal protection attached to leasehold rights in France, the Group does not amortize these intangible assets.

Leasehold rights which are not amortized are tested for impairment annually and upon each indication that it may be impaired.

Software

Software acquired by the Group is booked as an intangible asset at its original cost. It is depreciated following the straight-line method over a maximum period of 3 years.

Software developed by the Group for its internal use is recorded as an intangible asset at its

development cost and is depreciated following the straight-line method over a maximum period of 3 years.

m. Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined under the weighted average cost method, which does not generate a significant difference from the FIFO method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

An inventory impairment is recorded in the following cases:

- 50%: on frozen (and not frozen) products permanently deleted from the catalog but which are disposed of in the stores;
- 75%: on products whose inventory quantities are higher than the sales forecasts in the expected time-to-market (Group decision),
- 75%: on products likely to be impaired due to the regulations of sales period
- 100%: on unmarketable products definitively deleted from the catalog.

n. Impairment of non-financial assets

Cash-generating units (CGU)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The cash-generating unit is defined by management as the store level, with two main groups of cash-generating units, based on geographical implantation in:

- France, and
- Other.

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

Impairment analysis

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable

amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the groups of cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill and other indefinite useful life intangible assets (trademark), an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

Goodwill

Goodwill is tested for impairment annually at year end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets

Other intangible assets with indefinite useful lives (brand and leasehold rights) are tested for impairment annually either individually or at the cash generating unit or group of cash-generating units level, as appropriate and when circumstances indicate that the carrying value may be impaired.

o. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at banks and on hand, short-term deposits and highly liquid securities with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash, short-term deposits and highly liquid securities as defined above, net of outstanding bank overdrafts.

p. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of

the obligation.

q. Assets and liabilities held for sale

IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, sets out the accounting treatment applicable to assets held for sale as well as presentation and disclosure requirements. The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied. Should an unrealized loss be recorded, it is not deductible for tax purposes.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's 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 condition. 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 estimating 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 year are discussed below.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget. The recoverable amount is mostly sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Further details about assumptions and sensitivity of valuations are disclosed in Note 13 Impairment test of goodwill and other intangible assets with indefinite useful lives.

Employee benefits liabilities

The cost of defined benefit pension plans and the present value of the pension obligation 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. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds with high quality ratings, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on a publicly available mortality table. Future salary increases and expected turnover rates of employees are based on the expectation of management and on past practices over recent years.

Further details about the assumptions used are given in Note 22 Trade and other payables.

Deferred income tax

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

The assessment of the Group's ability to utilize tax losses carried forward is to a large extent judgment-based. If the future taxable results of the Group are significantly different from those expected, the Group will be obliged to increase or decrease the carrying amount of deferred tax assets, with a potentially material impact on the Consolidated Statement of Financial Position and Consolidated Income Statement of the Group.

4. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk

include loans and borrowings (including listed bonds), deposits, and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. Below is presented the sensitivity to interest rate variation:

In thousands of €

Year ended 31 March 2018	Sensitivity to +20bps change		Sensitivity to -20bps change	
	P&L Impact	**OCI Impact**	**P&L Impact**	**OCI Impact**
Floating rate debt	(2 380)	-	2 380	-
	(2 380)	**-**	**2 380**	**-**

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the Group.

Considering its activity, the Group is only exposed to limited credit risk from operating activities. Furthermore, the Group is not exposed to material credit risk from its financing activities (deposits with banks and financial institutions and other financial instruments) as investments of surplus funds are made only with approved counterparties.

The Group's policy to manage this risk is to place funds only with banks that have strong credit ratings.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, and finance leases. 0.6 % of the Group's interest bearing loans and borrowings mature less than one year after March 31, 2018, based on the carrying value of borrowings reflected in the financial statements.

Maturity profile of the Group's financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments at the maturity date.

In thousands of €

Year ended 31 March 2018	Less than one year	1 to 5 years	over 5 years	Total
Fixed rate borrowings	(18 139)	(69 195)	(343 105)	(430 439)
Obligations under finance lease	(672)		-	(672)
Floating rate borrowings	(37 981)	(144 883)	(1 223 023)	(1 405 886)
Trade and other payables	(244 513)	-	-	(244 513)
Income tax payable	(1 955)	-	-	(1 955)
	(303 260)	**(214 077)**	**(1 566 128)**	**(2 083 465)**

5. Significant events of the financial year ended March 31, 2018

The financial statements for the year ended March 31, 2018 are impacted by the following significant events:

- 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 reassessment received in December 2017 amounted to M€ 4.3 (plus penalties of €0.5 million), mainly concerning the "allègements Fillon" (social security charges reduction on low wages). On January 15, 2018, the Group paid the reassessment to the URSSAF, excluding the penalties. The Group believes it has arguments to dispute this decision and will challenge the reassessment before the relevant court. The Group recognized in Other Operating Expenses M€ 4.3 (plus penalties €0.5 million) paid in January 2018. 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.

- As of December 7, 2017, Picard Bondco S.A has incorporated a new Luxembourg entity ("Lion / Polaris Lux Midco Sarl").

- On December 14, 2017, Picard Groupe S.A.S. issued €1,190 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023 and Picard Bondco S.A. issued €310 million aggregate principal amount of Senior Notes due 2024 (collectively, the "Notes"). The gross proceeds from the sale of the Notes, together with cash on hand, were used to (i) make a distribution to Picard PIKco S.A. in order to redeem Picard PIKco S.A.'s outstanding 11% PIK Notes due 2020, including accrued and uncapitalized interest and the applicable redemption premium, (ii) redeem Picard Bondco S.A.'s outstanding principal amount of senior notes due 2020 issued on February 20, 2015 (the "2015 Senior Notes"), including accrued and unpaid interest and applicable redemption premium, (iii) redeem Picard Groupe S.A.S.'s outstanding principal amount of senior secured notes due 2019 issued on August 1, 2013 and February 20, 2015 (the"2013 Senior Secured Notes"), including accrued and unpaid interest, (iv) fund distributions to the shareholders of the Group, and (v) pay fees and expenses related to these transactions.

6. Operating segment information

For management purposes, the Group is organized 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; and
- Other.

The “Other” operating segment includes distribution activities in Belgium, Luxembourg and Sweden, franchised and corner operations and partnerships in Italy, Netherlands, Switzerland, UK, Sweden 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.

	March 31, 2018		
In thousand of €	**France**	**Other**	**Total**
Sales	1 414 874	34 797	1 449 671
Operating profit	170 242	(8 302)	161 940

	March 31, 2017 *		
In thousand of €	**France**	**Other**	**Total**
Sales	1 365 779	32 251	1 398 030
Operating profit	171 676	(4 309)	167 367

- France:
  The operating profit decreased by M€ 1.5, from M€ 171.7 for the twelve-month period ended March 31, 2017 to M€ 170.2 for the twelve -month period ended March 31, 2018, mainly as a consequence of the increase in personnel expenses and in other operating expenses in connection with the URSSAF audit (*See note 5. Significant events of the financial year ended March 31, 2018*).
- Other:

  The operating profit of the “Other” segment decreased by M€ 3.9, from a loss of M€ 4.3 for the twelve -month period ended March 31, 2017 to a loss of M€ 8.2 for the twelve -month period ended March 31, 2018. This decrease is mainly explained by the decision to close 7 loss-making stores in Sweden. As of March 31, 2018, only 4 stores were closed. Concerning the 3 remaining stores, the Group booked a M€ 0.8 restructuring provision. The Group fully impaired the assets of the stores, which had a zero net carrying value as of March 31, 2018.

7. Other operating income/expenses

7.1. Other operating income

In thousand of €	March 31, 2018	March 31, 2017
Capitalized expenses	1 389	1 356
Other operating income	3 457	3 613
Total other operating income	**4 847**	**4 969**

7.2. Other operating expenses

In thousand of €	March 31, 2018	March 31, 2017
Royalties	(491)	(472)
Losses on bad debt	(801)	(906)
Claims	(4 946)	
Other operating expenses	(832)	(344)
Total other operating expenses	**(7 070)**	**(1 722)**

Other operating expenses increased from K€ 1,722 for the twelve-month period ended March 31, 2017 to K€ 7,070 for the twelve -month period ended March 31, 2018. This increase is mainly explained by the M€ 4.8 provision recorded following the litigation with the URSSAF as described in Note *5.Significant events of the financial year ended March 31, 2018* and disclosed in the line item "Claims".

7.3. Personnel expenses

In thousand of €	March 31, 2018	March 31, 2017
Wages and salaries	(119 009)	(112 148)
Social security costs	(33 800)	(31 166)
Pension costs	(376)	(402)
Employee profit sharing	(16 867)	(16 488)
Other employee benefits expenses	(5 556)	(4 872)
Total personnel expenses	**(175 608)**	**(165 076)**

For the year ended on March 31, 2018, social security costs include income of K€ 6 748 (compared to income of K€ 6 093 as of March 31, 2017) corresponding to the CICE (*Crédit d'Impôt Compétitivité Emploi*) in effect in France since January 1, 2013.

7.4. Finance income and costs

In thousand of €	March 31, 2018	March 31, 2017
Interest expenses	(91 555)	(72 650)
Non-recurring interest expense		
Hedging relationships - Ineffectiveness		956
Interest costs of employee benefits	(101)	(101)
Foreign exchange losses	(2)	(25)
Other financial expenses	(875)	(756)
Finance costs	**(92 533)**	**(72 576)**
Income on loans and receivables	25	19
Income on short term investment	103	109
Other financial income	21	15
Finance income	**149**	**143**

As part of the refinancing of its debt (as described in Notes *5.Significant events of the financial year ended March 31, 2018* and *12.2 - Interest-bearing loans and borrowings*), the Group fully redeemed its 2013 Senior Secured Notes and its 2015 Senior Notes during the third quarter of the financial year. This early redemption resulted in non-recurring finance costs of K€ 25,141, corresponding to the write-off of the non-amortized issuance fees (K€ 8,556) and the early redemption penalty of the 2015 Senior Notes (K€ 16,585).

A gain of K€ 956 has been recognized in the twelve-month period ended March 31, 2017 with regards to the ineffectiveness on the swap instruments aimed at hedging the Group's exposure to changes in future interest cash flows linked to the floating-rate senior secured notes.

As at March 31, 2018, the Group no longer has an interest rate swap

8. Investment in an associate

The Group has a 37.21% interest in Primex International S.A., which is involved in importation and wholesale of frozen meat and seafood.

Primex International is a private entity incorporated in France that is not listed on any public exchange. The following table illustrates summarized financial information of the Group's investment in Primex International S.A.:

In thousand of €	March 31, 2018	March 31, 2017
Share of the associate's statement of financial position:		
Non-current assets	6 718	2 365
Current assets	13 291	12 597
Current liabilities	5 947	4 024
Equity	**14 061**	**10 938**
Share of the associate's revenue and profit:		
Revenue	33 045	29 317
Profits	210	548
Carrying amount of the investment	**11 042**	**10 957**

Variations during the period were the following:

In thousand of €	March 31, 2018	March 31, 2017
Carrying value at opening	**10 957**	**10 597**
Share of profit in an associate	210	548
Distribution of dividends	(125)	(188)
Carrying value as of March 31	**11 042**	**10 957**

9. Income tax expense

In thousand of €	For the twelve months period ended March 31, 2018	For the twelve months period ended March 31, 2017
Current tax	(45 481)	(45 920)
Deferred tax	32 440	48 084
Total income tax expense	**(13 041)**	**2 163**
Income tax recognized in other comprehensive income	(112)	(356)
Total income tax	**(13 153)**	**1 807**

Income tax expense increased from a credit of K€ 2,163 for the year ended March 31, 2017 to an expense of K€ 13,041 for the year ended March 31, 2018.

The income tax credit resulted mainly from the decrease of long-term deferred tax liabilities following two reductions in the corporate income tax rate in France, the first step of which had been voted in the 2017 Budget Act (bringing the income tax rate to 28.9% from 2020 onwards) and the second step in the 2018 Budget Act (bringing the income tax rate to 25% from 2022 onwards). As a result of these two reductions, long-term deferred taxes – essentially related to the Picard trademark – were revalued based on the rate applicable as of 2020, with the following

effects:

- A first decrease in the corporate income tax rate of 4.41% had already been taken into account in the consolidated financial statements for the year ended March 31, 2017 (decrease in corporate income tax from 33.33% to 28.9% from 2020 onwards), generating a deferred tax credit of K€ 45,785.

- A second decrease in corporate income tax of 3.9% was taken into account in the consolidated financial statements for the year ended March 31, 2018 (decrease in corporate income tax from 28.9% to 25% from 2022 onwards), generating a deferred tax credit of K€ 30,475.

Excluding these deferred tax impacts in the two periods, income tax expense would have amounted to K€ 43,516 for the twelve-month period ended March 31, 2018 and to K€ 43,622 for the twelve-month period ended March 31, 2017.

A reconciliation between tax expense and accounting profit (based on France's domestic tax rate for the year ended March 31, 2018, France being the country where most of the taxable income is generated) is as follows:

In thousand of €	**For the twelve months period ended March 31, 2018**	**For the twelve months period ended March 31, 2017**
Income before tax	69 766	95 482
At French statutory income tax rate of 34.43%	(24 021)	(32 875)
Effect of non taxable financial income	(2 347)	44
Effect of non deductible expenses/taxable income:	(11 554)	(6 029)
- Share of profit in associate	*72*	*189*
- Non deductible interests in France	*(7 699)*	*(7 422)*
- Other non taxable income	*2 819*	*2 459*
- Other non deductible expenses	*(6 746)*	*(1 255)*
Unrecognised tax losses	(1 248)	(552)
Effect of CVAE expense	(4 543)	(4 407)
Amortization of deferred tax related to CVAE	196	196
Change in tax rate	30 475	45 785
Total income tax expense	**(13 041)**	**2 163**

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 those four years, which we challenged before the provincial court of Varese. The court issued a ruling in the company's 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. On December 15, 2017, a transaction agreement with the Italian tax authorities has been concluded for an amount of K€ 82.

Deferred tax

Deferred tax relates to the following:

In thousand of €	**March 31, 2018**	**March 31, 2017**	**Variation**	***Of which, through P&L***	***Of which through OCI***
Intangible assets - Picard brand	(201 474)	(225 576)	24 102	*24 102*	-
Other intangible assets	(2 299)	(2 574)	275	*275*	-
Property and Equipement	(26 775)	(33 761)	6 987	*6 987*	-
Inventories	(330)	(310)	(20)	*(20)*	-
Financial instruments	(2 454)	(3 854)	1 401	*1 401*	
Long term Employee benefits	1 957	2 506	(550)	*(438)*	*(112)*
Profit sharing	5 111	5 316	(205)	*(205)*	-
Other temporary differences	491	151	339	*339*	-
Deferred Tax asset/(liability)	**(225 774)**	**(258 102)**	**32 329**	**32 441**	**(112)**
Reflected in the statement of financial position as follows :					
Deferred tax assets	-	-			
Deferred tax liabilities	(225 774)	(258 102)			
Deferred Tax asset/(liability)	**(225 774)**	**(258 102)**			

10. Other intangible assets

In thousand of €	Software	Brand	Leasehold rights	Other intangible assets	**Total intangible assets**
Cost:					
As at 31 March 2016	**34 942**	**780 000**	**47 643**	**2 190**	**864 775**
Addition	5 163	-	463	2 518	**8 144**
Disposals	(549)	-	(245)		**(794)**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2017	**39 556**	**780 000**	**47 861**	**4 708**	**872 125**
Addition	8 399	-	750	1 699	**10 848**
Disposals	(3)	-	(106)	(3 968)	**(4 077)**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2018	**47 952**	**780 000**	**48 505**	**2 439**	**878 896**
Depreciation and impairment:					
As at 31 March 2016	**(26 319)**	**-**	**(527)**	**71**	**(26 775)**
Additions	(4 226)	-	-	(71)	**(4 297)**
Disposals	303	-	1		**304**
Assets held for sale		-	-	-	**-**
As at 31 March 2017	**(30 242)**	**-**	**(526)**	**-**	**(30 768)**
Additions	(5 451)	-	(473)		**(5 924)**
Disposals	-	-	70		**70**
Assets held for sale		-	-	-	**-**
As at 31 March 2018	**(35 693)**	**-**	**(929)**	**-**	**(36 622)**
Net book value:					
As at 31 March 2016	**8 623**	**780 000**	**47 116**	**2 261**	**838 000**
As at 31 March 2017	**9 314**	**780 000**	**47 335**	**4 708**	**841 357**
As at 31 March 2018	**12 259**	**780 000**	**47 576**	**2 439**	**842 274**

11. Property, plant and equipment

In thousand of €	Land	Buildings	Technical fittings Machinery and equipment	Other tangible assets	**Total tangible assets**
Cost:					
As at 31 March 2016	**38 330**	**44 422**	**194 190**	**210 907**	**487 849**
Additions		386	17 314	13 051	**30 751**
Disposals	(12)	(783)	(8 328)	(4 079)	**(13 202)**
Assets held for sale					**-**
As at 31 March 2017	**38 318**	**44 025**	**203 176**	**219 879**	**505 398**
Additions		153	16 962	15 751	**32 866**
Disposals	(102)	(363)	(8 442)	(7 609)	**(16 516)**
Assets held for sale					**-**
As at 31 March 2018	**38 216**	**43 815**	**211 696**	**228 021**	**521 748**
Depreciation and impairment:					
As at 31 March 2016	**-**	**(20 532)**	**(115 579)**	**(127 186)**	**(263 297)**
Additions	-	(1 284)	(14 446)	(13 454)	**(29 184)**
Disposals	-	734	7 759	3 237	**11 730**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2017	**-**	**(21 082)**	**(122 266)**	**(137 403)**	**(280 751)**
Additions	-	(1 120)	(15 386)	(16 207)	**(32 713)**
Disposals	-	355	7 840	3 579	**11 774**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2018	**-**	**(21 847)**	**(129 812)**	**(150 031)**	**(301 690)**
Net book value:					
As at 31 March 2016	**38 330**	**23 890**	**78 611**	**83 721**	**224 552**
As at 31 March 2017	**38 318**	**22 943**	**80 910**	**82 476**	**224 647**
As at 31 March 2018	**38 216**	**21 968**	**81 884**	**77 990**	**220 058**

12. Financial assets and financial liabilities

12.1. Other financial assets

In thousand of €	**As at March 31, 2018**	**As at March 31, 2017**
Deposits and guarantees	9 527	11 722
Related party loans*	274	254
Other	821	1 200
Other financial assets	**10 622**	**13 176**
Of which non-current	*10 243*	*12 797*
Of which current	*379*	*379*

** see Note 24 "Related party disclosures"*

12.2. Interest-bearing loans and borrowings

In thousand of €	Coupon interest rate	Maturity	As at March 31, 2018	As at March 31, 2017
Current				
Obligations under finance leases			178	234
Current portion of interest bearing loans and borrowings			4 973	10 814
Bank overdrafts		On demand	3 964	
Total current interest bearing loans and borrowings			**9 115**	**11 048**
Non current				
Obligations under finance leases			494	672
Senior secured notes (772M€)	Euribor 3M + margin 4.25%	2019	-	764 701
Senior notes 2020 (428M€)	7,75%	2020		423 623
Senior secured notes (1190M€)	Euribor 3M + margin 3%	2023	1 183 140	
Senior notes 2024 (310M€)	5,50%	2024	308 396	
Total non-current interest bearing loans and borrowings			**1 492 030**	**1 188 996**
Total interest bearing loans and borrowings			**1 501 145**	**1 200 044**

On December 14, 2017, the Group issued €1,190 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023 and €310 million aggregate principal amount of Senior Notes due 2024. The gross proceeds from the sale of the Notes, together with cash on hand, were used to (i) redeem Picard PIKco S.A.'s outstanding 11% PIK Notes due 2020, including accrued and uncapitalized interest and the applicable redemption premium, (ii) redeem Picard Bondco S.A.'s outstanding principal amount of 2015 Senior Notes, including accrued and unpaid interest and applicable redemption premium, (iii) redeem Picard Groupe S.A.S.'s outstanding principal amount of 2013 Senior Secured Notes, including accrued and unpaid interest, (iv) fund distributions to the shareholders of the Group, and (v) pay fees and expenses related to these transactions.

The Notes issued have the following characteristics:

- Picard Groupe S.A.S., a subsidiary of the Company, issued M€ 1,190 of floating rate senior secured notes due 2023. These floating rate senior secured notes are payable after 6 years on November 30, 2023. 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 3% per annum. The floating rate senior secured notes are refundable "in fine".
- The Company issued M€310 of fixed rate senior notes due 2024. These senior notes are payable after 7 years on November 30, 2024, and interest is paid twice a year based on a fixed interest rate of 5.50%. The senior notes are refundable "in fine".

12.3. Hedging activities and derivatives

Cash Flow Hedges

As at March 31, 2018, the Group no longer has an interest rate swap.

12.4. 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 of €	Carrying amount	Fair value	Carrying amount	Fair value
	As at March 31, 2018	As at March 31, 2018	As at March 31, 2017	As at March 31, 2017
Financial assets				
Trade and other receivables	49 496	49 496	43 380	43 380
Income tax receivable	5 106	5 106	1 744	1 744
Other financial assets	10 632	10 632	13 176	13 176
Cash and cash equivalents	92 963	92 963	115 045	115 045
Total	**158 197**	**158 197**	**173 345**	**173 345**
Financial liabilities				
Fixed rate borrowings	(308 396)	(308 100)	(423 623)	(447 000)
Obligations under finance leases	(672)	(672)	(906)	(906)
Floating rate borrowings	(1 183 140)	(1 183 300)	(764 701)	(780 100)
Trade and other payables	(244 513)	(244 513)	(232 849)	(232 849)
Income tax payable	(1 955)	(1 955)	(1 823)	(1 823)
Bank overdraft	(3 964)	(3 964)	-	(3)
Total	**(1 742 640)**	**(1 742 504)**	**(1 423 903)**	**(1 462 682)**

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:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate 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, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at March 31, 2018, the carrying amounts of such receivables, net of allowances, approximate 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 or 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 instruments: Derivative interest rate contracts – The fair value of derivative interest rate contracts (e.g., interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and 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 valuation techniques of level 2. The fair value of long-term debt is determined using price quotations at the reporting date (level 1).

13. Impairment test of goodwill and other intangible assets with indefinite useful lives

As of March 31, 2018, goodwill and the brand recognized through business combinations have been fully allocated to the group of CGU composed of stores in France. Leasehold rights are followed and tested for impairment at the store level (CGU). As of March 31, 2018, net booked value of goodwill and other intangible with indefinite useful lives is the following:

In thousand of €	As at March 31, 2018	As at March 31, 2017
Goodwill gross value	815 170	815 170
Brand gross value	780 000	780 000
Leasehold rights gross value	48 018	47 802
Impairment of leasehold rights	(471)	(526)
Total	**1 642 717**	**1 642 446**

Goodwill and brand

The recoverable amount of the goodwill and the brand has been determined based on a value in use calculation using cash flow projections of French stores taken all together from financial budgets approved by senior management covering a five-year period, with determination of a final value calculated by discounting the estimated normative cash flow at the perpetual rate of growth to infinity.

Key assumptions used in the determination of the value in use

The calculation of value-in-use is mostly sensitive to the following assumptions:

- Discount rate; and
- Growth rate used to extrapolate cash flows beyond the budget period.

The discount rate applied to cash flow projections is 7.25% (compared to 7.25% the prior year) and cash flows beyond the five-year period are extrapolated using a 1.75% growth rate (compared to 2% the prior year). As a result of this analysis, no impairment has been recognized by the Group.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of goodwill and the brand, the Group estimates

that an increase in the discount rate by 50 basis points or a decrease by 50 basis points in the growth rate would not cause the carrying value of the above cash-generating units to materially exceed its recoverable amount.

Reasonable changes in assumptions defined by the management should not cause the CGU's carrying amount to exceed its recoverable amount.

Leasehold rights

Leasehold rights are tested annually at the store level. Their value in use is compared to their carrying value amount. If carrying value of the leasehold rights exceeds their value in use, an impairment is recognized for the difference.

No additional impairment charges have been accounted for during the year ended March 31, 2018.

14. Inventory

In thousand of €	**As at March 31, 2018**	**As at March 31, 2017**
Packaging	859	767
Non packaged finished goods	13 980	10 102
Packaged finished goods	76 973	78 818
Depreciation	(1 600)	(1 600)
Inventory	**90 212**	**88 087**

15. Trade and other receivables

In thousand of €	**As at March 31, 2018**	**As at March 31, 2017**
Trade receivables	12 389	5 389
Prepaid expenses	21 679	21 210
VAT receivables and other sales taxes	11 874	12 669
Other receivables	3 554	4 112
Trade and other receivables	**49 496**	**43 380**

16. Cash and cash equivalents

In thousand of €	As at March 31, 2018	As at March 31, 2017
Cash at banks and on hand	71 390	56 186
Securities	21 573	58 859
Cash and cash equivalents	**92 963**	**115 045**

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

In thousand of €	As at March 31, 2018	As at March 31, 2017
Cash and cash equivalents	92 963	115 045
Bank overdrafts	(3 964)	-
Net cash position	**88 999**	**115 045**

17. Issued capital

In thousand of €	Number of shares	Share Capital	Share Premium
As at 31 March 2016	**2 641 726**	**2 642**	**266 476**
As at 31 March 2017	**2 641 726**	**2 642**	**266 185**
As at 31 March 2018	**2 641 726**	**2 642**	**150**

The share capital is fully paid-up.

Capital Management

The capital used by the Group is managed so as to:

- ensure the continuity of the Group's operations;
- maintain an appropriate ratio of shareholders' equity to debt in order to minimize the cost of capital.

In addition, in order to maintain or adjust its capital structure, the Group may be prompted to take out new debt or repay existing debt, adjust the amount of its dividends paid to shareholders, conduct a capital repayment to shareholders, issue new shares or sell assets in order to reduce debt levels.

During the fiscal year ended March 31, 2018 Picard Bondco S.A. distributed M€ 356.6 to its shareholders by way of payment of a dividend of M€ 90.6 (*See Note 18. Dividend paid*) and share premium repayment of M€ 266.

18. Dividends paid

During the period ended March 31, 2018, the Group paid a dividend of M€ 90.6 to its shareholders.

19. Earnings per share

Information on the earnings and number of ordinary and potential dilutive shares included in the calculation is presented below:

In thousand of €	As at March 31, 2018	March 31, 2017
Net income attributed to Company shareholders (in thousands of euros)	**58 213**	**97 934**
Weighted average number of common shares outstanding (in thousands)............	2 642	2 642
Weighted average number of issued common shares and non dilutive potential shares (in thousands)..	**2 642**	**2 642**
Basic earnings per share (in euros)..	**22,03**	**37,07**
Net income attributed to Company shareholders (in thousands of euros)	**58 213**	**97 934**
Weighted average number of issued common shares and non dilutive potential shares (in thousands)..	2 642	2 642
Weighted average number of common shares used for the claculation of fully diluted earnings per share (in thousands)......................................	**2 642**	**2 642**
Fully diluted earnings per share (in euros)..	**22,03**	**37,07**

20. Provisions and contingent liabilities

In thousand of €	Risks related to the	Disputes and litigations	Total
Provision as at March 31, 2016	**385**	**3 016**	**3 400**
Allowances	45	1 110	1 155
Reversal	(220)	(1 098)	(1 318)
Provision as at March 31, 2017	**210**	**3 028**	**3 237**
Allowances	20	8 119	8 139
Reversal	(58)	(6 112)	(6 170)
Provision as at March 31, 2018	**172**	**5 035**	**5 206**

21. Employee benefits

The Picard defined benefit pension plan covers substantially all of the Group's French employees. The plan is not funded.

French employees are entitled to a lump sum when they retire depending on their length of service and on final salary.

The following tables summarize the components of net benefit expense recognized in the income statement and the unfunded status and amounts recognized in the statement of financial position for these plans:

In thousand of €	**As at March 31, 2018**	**As at March 31, 2017**
Current service cost	480	535
Interest cost	101	101
Benefit paid	(104)	(133)
Effects of settlements/curtailments	-	-
Net benefit expense	**477**	**503**
recognized in operating income	376	402
recognized in financial income	101	101

The position recorded in the consolidated statement of financial position breaks down as follows:

In thousand of €	**As at March 31, 2018**	**As at March 31, 2017**
Benefit obligation	7 550	7 301
Fair value of plan assets	-	-
Funded status	**7 550**	**7 301**
Unrecognized prior service cost	-	-
Benefit liability	**7 550**	**7 301**

The Group's liability for defined benefit plans is K€ 7 550 as of March 31, 2018.

Changes in employee benefit obligations are as follows:

In thousand of €	As at March 31, 2018	As at March 31, 2017
Benefit obligation at April 1	7 301	6 765
Current service cost	480	535
Interest cost	101	101
Effects of settlements/curtailments	-	-
Actuarial (gains) and losses	(228)	33
Benefits paid	(104)	(133)
Change in scope of consolidation		
Benefit obligation at March 31	**7 550**	**7 301**
of which classified in continued operations	*7 550*	*7 301*
of which classified in liabilities held for sale	**-**	**-**

The cumulative amounts of actuarial (gains) and losses (before taxes) recognized in the consolidated statements of comprehensive income are as follows:

In thousand of €	As at March 31, 2018	As at March 31, 2017
Balance at April 1	1 588	1 555
Net actuarial (gains)/(losses) during the period	(228)	33
Balance at March 31	**1 360**	**1 588**

The benefit obligation and the experience actuarial gains (losses) are as follows:

In thousand of €	As at March 31, 2018	As at March 31, 2017
Benefit obligation at April 1	7 550	7 301
Experience adjustments generated on the benefit obligation		
In amount	86	(416)
In percentage of the benefit obligation	1%	-6%

The principal assumptions used in determining defined benefit obligation for the French retirement indemnities plan are shown below:

In thousand of €	As at March 31, 2018	As at March 31, 2017
Discount rate	1,38%	1,31%
Average expected rate of salary increase	1,40%	1,40%
Withdrawal rates	[0% - 31.9%]	[0% - 31.9%]

A single equivalent discount rate has been calculated using a cash flows matching method on future cash flows.

For the French retirement indemnities plan, a decrease of 0.25% of the discount rate would increase the defined benefit obligation by approximately K€ 350. An increase of 0.25% of the discount rate would decrease the defined benefit obligation by approximately K€ 331.

22. Trade and other payables

In thousand of €	As at March 31, 2018	As at March 31, 2017
Trade payables	179 762	169 658
Payables to suppliers of fixed assets	8 954	9 477
Social liabilities	54 205	51 725
Tax payables	1 255	1 964
Other payables	339	25
Trade and other payables	**244 513**	**232 849**

Social liabilities include variable components of salaries which are not due for payment yet, accrued costs in relation with paid vacations, "recoverable" days in accordance with the French legal regime of "Reduction of working time", and legal and contractual profit sharing.

23. Assets and liabilities held for sale

No assets and liabilities held for sale as at March 31, 2018.

24. Related party disclosures

The consolidated financial statements include the financial statements of the Group and of the subsidiaries listed in Note 28. Consolidated entities.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period:

In thousands of €		Dividends from related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Associate: **Primex International SA**	**As at March 31, 2017**	188	43 842	0	4 902
Associate: **Primex International SA**	**As at March 31, 2018**	125	44 086	0	4 674

** Amounts are classified as trade receivables / trade payables respectively*

The following loans have been entered with related parties:

In thousands of €	**As at March 31, 2018**	**As at March 31, 2017**
Lion Polaris Lux Topco	254	235
Interests accrued	20	19
Total	**274**	**254**

Compensation of key management personnel of the Group for the period are:

In thousands of €	**As at March 31, 2018**	**As at March 31, 2017**
Total compensation paid to key management personnel	1770	1 535

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel (amount relates to short term benefits).

25. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on commercial premises and warehouses. These leases have an average life of three years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2018 are as follows:

In thousand of €	**Total**	**Less than one year**	**Between 1 and 5 years**	**More than 5 years**
Operating leases	126 378	53 688	64 585	8 105

In thousand of €	March 31, 2018	March 31, 2017
Property rental	55 097	53 755

Mortgages and pledges

The following security interests have been granted to secure the 5.50% senior notes issued by the Company for M€ 310 and floating rate senior secured notes issued by Picard Groupe S.A.S. for M€ 1,250, as well as the M€ 30 revolving credit facility:

- Pledges over all the shares of Lion/Polaris Lux Midco S.à r.l., Lion/Polaris Lux 3 S.A., Lion/Polaris Lux 4 S.A. and Lion Polaris II S.A.S.;
- Pledges over the receivables under an intercompany loan between the Company and Lion/Polaris Lux 3 S.A., an intercompany loan between Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A. and an intercompany loan between Lion/Polaris Lux 4 S.A. and Lion/Polaris II S.A.S.; and

· Pledges over bank accounts of the Company, Lion/Polaris Lux Midco S.à r.l., Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A.

In addition, the following security interests have also been granted to secure only the floating rate senior secured notes issued by Picard Groupe S.A.S. for M€ 1,250 and the M€ 30 revolving credit facility:

· Pledges over certain intellectual property rights of Picard Surgelés S.A.S.;
· Pledges over the shares of Picard Groupe S.A.S., Picard Surgelés S.A.S. and Picard International S.A.S.;
· Pledges over the bank accounts the Company Picard Groupe S.A.S. and Lion Polaris II S.A.S.; and
· Pledges over the receivables under an intercompany loan between the Company and Lion/PolarisLux 3 S.A., an intercompany loan between Lion/Polaris II S.A.S. and Picard Groupe S.A.S. and an intercompany loan between Picard Groupe S.A.S. and Picard Surgelés S.A.S.

Partnership

Picard Surgelés S.A.S., a subsidiary of the Company, enters into framework agreements with some of its suppliers with a commitment on an annual volume of purchase. Under those framework agreement, suppliers may produce and store products dedicated to Picard Surgelés S.A.S. Nevertheless, the transfer of ownership of those products occurs only at delivery of goods to Picard Surgelés S.A.S. or subcontractors warehouses.

26. Events after the reporting period

On May 14, 2018, Picard Group S.A.S. issued an additional €60.0 million aggregate principal amount of Floating Rate Senior Secured Notes due 2023.

On June 19, 2018, Picard Bondco S.A. made a dividend distribution to Picard PIKco S.A. of EUR 77.0 million.

27. Employees

Number of employees	As at March 31, 2018	As at March 31, 2017
Employees "Cadres"	237	225
Employees "Agents de maîtrise"	1 172	1 162
Other employees	3 920	3 692
Total employees	**5 329**	**5 079**

28. Consolidated entities

			As of March 31, 2018		As of March 31, 2017	
Name	Country of incorporation	Consolidation method	% of interest	% of control	% of interest	% of control
Picard Bondco S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Lion/Polaris Lux 3 S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Lion/Polaris Lux 4 S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Midco	Luxembourg	Full	100.00%	100.00%	N/A	N/A
Picard Luxembourg	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Picard Groupe SAS	France	Full	100.00%	100.00%	100.00%	100.00%
Lion Polaris II	France	Full	100.00%	100.00%	100.00%	100.00%
Picard International SAS	France	Full	100.00%	100.00%	100.00%	100.00%
Picard Surgelés S A S	France	Full	100.00%	100.00%	100.00%	100.00%
Picard Sweden	Sweden	Full	75.00%	75.00%	75.00%	75.00%
Picard België	Belgium	Full	100.00%	100.00%	100.00%	100.00%
Primex International SA	France	Equity method	37.21%	37.21%	37.21%	37.21%

29. Statutory Auditor's fees

The total fees paid by the Group to the statutory auditors and their networks are as follow:

In thousands of euros	As at March 31, 2018		As at March 31, 2017	
	Certification of accounts	Other services	Certification of accounts	Other services
PricewaterhouseCoopers	**508**	**678**	520	25
MBV	**38**	**-**	28	-
KPMG	**76**	**40**	37	-
Total fees	**622**	**718**	**585**	**25**