



Picard Bondco S.A.

**Unaudited Interim Condensed Consolidated Financial Statements as at and
for the three and nine months ended December 31, 2019**

February 28, 2020

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Introduction

Highlights

The financial results of Picard Bondco S.A. and its consolidated subsidiaries (the “Group”, “Picard”, “Picard Group”, “we”, “our” or “us”) for the quarter ended December 31, 2019 (“Q3 2020”) include the following highlights:

- Q3 2020 sales of goods increased by 3.8% to €501.8 million, from €483.5 million in Q3 2019, mainly due to a 3.1% increase in our French like-for-like sales;
- Q3 2020 gross profit increased by 2.8% to €214.4 million, from €208.5 million in Q3 2019; and
- Q3 2020 EBITDA increased to €99.2 million, from €84.9 million in Q3 2019, mainly due to a €14.8 million impact of the adoption of IFRS 16 as of April 1, 2019. The Group adopted IFRS 16 as of April 1, 2019 using the modified retrospective approach and therefore our financial statements from Q3 2019 have not been restated as allowed by the transitional provisions of IFRS 16.

CEO Philippe Pauze commented: “Our Q3 2020 sales of goods increased by €18.3 million, or 3.8%, as compared to Q3 2019 with French like-for-like sales increasing by 3.1%. This increase has been mainly driven by a 2.4% increase in the total number of tickets, combined with a 0.7% increase in the average basket size. Our performance was strong throughout the quarter, due in part to our promotional campaign “*les jours trop bons*” in October and the success of our festive offer in November and December after a difficult period last year. As noted previously, Q3 2019 had been negatively impacted by the yellow vests protests in France and deteriorating consumer confidence.

During the quarter, we pursued our expansion strategy and opened five directly-operated stores and one franchised store in mainland France. Our expansion strategy contributed an additional €3.9 million in sales during Q3 2020 compared to Q3 2019. In addition, our partnerships abroad, including sales to Ocado in the United Kingdom and to Aeon in Japan, also contributed to our increase in sales.

In this context, our Q3 2020 gross profit increased by €5.9 million, or 2.8%, following the increase in our sales despite the decrease in our gross margin to 42.7% in Q3 2020 from 43.1% in Q3 2019, due to our successful promotional campaign in October (that started one week later this year, therefore only affecting October and not September), as well as the growth of our festive offer which included in part promotional sales.

Our EBITDA increased from €84.9 million in Q3 2019 to €99.2 million in Q3 2020, mainly due to the €14.8 million impact of the adoption of IFRS 16. Excluding the positive impact of the adoption of IFRS 16 in Q3 2020, our EBITDA remained almost flat at €84.5 million in Q3 2020 compared to €84.9 million in Q3 2019.

In light of the increasingly challenging market conditions and social environment, 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 December 31, 2019, we had 1,026 stores in France (including two franchised stores in Corsica, eight franchised stores in La Réunion, two franchised stores in the French West Indies and 19 franchised stores in mainland France), 15 stores in Belgium, one store in Luxembourg, 10 franchised stores in Scandinavia and 14 franchised stores in Japan. During the periods under review, a franchisee also operated six stores in Switzerland, but these were subsequently closed in early January 2020. We also sell Picard-branded products in Italy through a commercial agreement with an Italian retailer, in the UK through a partnership with Ocado 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. Our Swedish operations were sold to our joint-venture partner as of August 15, 2018 and a new franchise agreement was signed on the same date under which we supply Picard-branded products to the Swedish franchisee and the franchisee continues the development of the business in Sweden through various channels, including franchised stores and a contract with ICA under which the franchisee supplies ICA with Picard-branded products for corners within ICA's supermarkets and hypermarkets.

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 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 4, 2019, Aryzta announced that it had received a binding offer from the French company Invest Group Zouari ("IGZ") to sell a 43% stake in the Picard Group. The transaction was completed on January 23, 2020.

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 Picard Bondco S.A. and its subsidiaries (the "Picard Group" or the "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 5.50% 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) 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 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 the 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 an additional €60 million aggregate principal amount of Senior Secured Notes. The gross proceeds from the sale of the Senior Secured Notes were used, together with cash on hand, to (i) fund €77 million in distributions to the shareholders of the Picard Group and (ii) pay fees and expenses related to the transactions.

Reporting

This report is the report as of and for the quarter ended December 31, 2019 required pursuant to Section 4.03 of each of the indenture governing the Senior Secured Notes (the “Senior Secured Notes Indenture”) and the indenture governing the Senior Notes (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 unaudited interim condensed consolidated financial statements of Picard Bondco S.A., the reporting entity for the Picard Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“IFRS-EU” or “IFRS”).

We have prepared the unaudited interim condensed consolidated financial statements for Picard Bondco S.A. for the period from April 1, 2019 to December 31, 2019, which are presented in this report in accordance with IFRS, including (i) the consolidated balance sheet as of December 31, 2019, (ii) the consolidated income statement and the consolidated statement of comprehensive income for the three- and nine-month periods ended December 31, 2019 and (iii) the consolidated statement of cash flows for the nine-month period ended December 31, 2019.

The accounting policies of Picard Bondco S.A. as set out in the Picard Bondco annual consolidated financial statements as of and for the year ended March 31, 2019 under IFRS have been consistently applied, except for the adoption of new standards and interpretations effective as of April 1, 2019. See note 2.2 of the “Notes to the Consolidated Financial Statements” to the Picard Bondco S.A. annual consolidated financial statements for a discussion of Picard Bondco S.A.’s significant accounting policies and note 2.1.1 of the “Notes to the interim condensed consolidated financial statements” to the Picard Bondco S.A. December 31, 2019 financial statements for a discussion of the new accounting standards and interpretations in effect starting from April 1, 2019.

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.

Since April 1, 2019, the Group has applied IFRS 16 in accordance with the modified retrospective approach. The application of this standard significantly increases the Group’s EBITDA.

“French like-for-like sales” refers to like-for-like sales made through directly-operated stores in mainland France, excluding franchises in mainland France, Corsica, the French West Indies and La Réunion. For the purpose of like-for-like calculations, a store will be included (i) on the first day of the twelfth month following its opening date if it was opened between the first and the fifteenth day of any given month and (ii) on the first day of the thirteenth month following its opening date in all other cases. Like-for-like sales growth is presented because we believe it is frequently used by investors and other interested parties in evaluating companies in the retail sector. However, other companies may define like-for-like sales growth in a different manner than we do.

For Further Information

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*Mr. Degauque, our Deputy CFO, is currently acting as our Interim CFO during the temporary leave of absence of our CFO.

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

The historical information discussed below for Picard Bondco S.A. is as of and for the three-month and nine-month periods ended December 31, 2018 and December 31, 2019 and is not necessarily representative of Picard Bondco S.A.'s results of operations for any future period or our financial condition at any future date. We have prepared the unaudited interim condensed consolidated financial statements for Picard Bondco S.A. for the period from April 1, 2019 to December 31, 2019, included herein, in accordance with IFRS; such financial information has not been audited by any auditor.

The following discussion includes "forward looking statements," within the meaning of the U.S. securities laws, based on our current expectations and projections about future events. All statements other than statements of historical facts included in this discussion, including, without limitation, statements regarding our tax rate on long-term deferred taxes, revenue and operating profits, strategy, capital expenditures, expected investments, projected costs, our plans and objectives for future operations, may be deemed to be forward looking statements. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on assumptions that could potentially be inaccurate and that could cause future results to differ materially from those expected or implied by the forward-looking statements. Our future results could differ materially from those anticipated in our forward-looking statements for many reasons, including due to changes in tax laws or their application or interpretation, more generally, or unfavorable changes in the tax rate on long-term deferred taxes, more specifically, economic and other trends affecting the food retail industry, changes in consumer preferences, the competitive environment in which we operate and other factors described in the section entitled "Risk Factors" in our annual report for the year ended March 31, 2019. Given these risks and uncertainties, you should not place undue reliance on forward looking statements as a prediction of actual results.

Percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

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

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

	Three months* ended		Nine months* ended	
	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
<i>Currency: in million of €</i>				
Sales of goods	483.5	501.8	1 084.6	1 116.6
Cost of goods sold	(275.0)	(287.4)	(609.8)	(630.2)
Gross profit	208.5	214.4	474.8	486.4
Other operating income	1.2	1.2	7.4	3.9
Other purchase and external expenses	(72.0)	(59.4)	(183.4)	(146.0)
Taxes	(4.2)	(4.4)	(11.1)	(10.7)
Personnel expenses	(48.1)	(51.1)	(134.0)	(138.4)
Other operating expenses	(0.5)	(1.5)	(4.4)	(2.4)
EBITDA	84.9	99.2	149.3	192.8
Depreciation and amortization	(8.9)	(23.4)	(27.6)	(69.8)
Operating profit	76.0	75.9	121.7	123.0
Finance costs	(14.4)	(15.7)	(43.5)	(46.3)
Finance income	0.0	0.0	0.1	0.1
Share of profit in an associate	(0.0)	(1.4)	0.2	(5.0)
Income before tax	61.6	58.7	78.5	71.7
Income tax expense	(26.0)	(32.6)	(34.3)	(40.0)
Net income	35.6	26.1	44.2	31.7
Equity holders of the parent	35.6	26.1	44.2	31.7
Non-controlling interests	-	-	-	-

(*) Unaudited.

The following discussion and analysis summarizes EBITDA for the three-month and nine-month periods ended December 31, 2018 and December 31, 2019. EBITDA is a non-IFRS measure that represents operating profit before depreciation and amortization. This measure is derived from income statement account items calculated in accordance with IFRS-EU and is used by management as an indicator of operating performance. EBITDA differs from the definitions of “Consolidated EBITDA” under our Indentures and our Revolving Credit Facility Agreement. See “Presentation of Financial Information”.

Since April 1, 2019, the Group has applied IFRS 16 in accordance with the modified retrospective approach and therefore our financial statements from Q3 2019 have not been restated.

Results of Operations

Expansion of store network

As of December 31, 2019, we had 1,026 stores in France (including two franchised stores in Corsica, eight franchised stores in La Réunion, two franchised stores in the French West Indies and 19 franchised stores in mainland France), 15 stores in Belgium and one store in Luxembourg, as well as 10 franchised stores in Scandinavia and 14 franchised stores in Japan. During the periods under review, a franchisee also operated six stores in Switzerland, but these were subsequently closed in early January 2020.

Sales of goods

Nine months ended December 31, 2018 and December 31, 2019

Our sales of goods increased by €32.0 million, or 3.0%, from €1,084.6 million for the nine months ended December 31, 2018 to €1,116.6 million for the nine months ended December 31, 2019.

In France, sales of goods increased by €32.7 million, or 3.1%, from €1,059.2 million for the nine months ended December 31, 2018 to €1,091.9 million for the nine months ended December 31, 2019. French like-for-like sales increased by 2.3% in the nine months ended December 31, 2019, as compared to the nine months ended December 31, 2018, as a result of a 2.4% increase in the total number of tickets, while the average basket size remained flat. The nine-month period ended December 31, 2019 experienced a positive calendar effect, mainly explained by the positioning of the Easter shopping period in Q1 2020 and not in Q1 2019. As adjusted to exclude such calendar effect, French like-for-like sales would have increased by an estimated 1.9%.

Sales in Belgium and Luxembourg decreased by €0.1 million, from €11.8 million for the nine months ended December 31, 2018 to €11.7 million for the nine months ended December 31, 2019, following the closure of a loss-making store in Belgium in July 2018.

Sales in Scandinavia decreased by €0.8 million from €4.6 million for the nine months ended December 31, 2018 to €3.8 million for the nine months ended December 31, 2019 following the sale of our Swedish operations in August 2018 and the change in our business model in Sweden, partially offset by the opening of our first franchised store in Norway. Our new commercial agreement enables us to maintain our presence in Sweden and expand in Norway, through a distribution channel that adds value to our business, even if the revenue derived from this activity is initially lower than the revenue generated prior to this divestment.

Additionally, sales to franchised stores and partners located in other locations outside of France increased by €0.2 million, from €9.0 million for the nine months ended December 31, 2018 to €9.2 million for the nine months ended December 31, 2019. In particular, sales in the United Kingdom through our partnership with Ocado increased by €0.4 million, from €2.4 million in the nine months ended December 31, 2018 to €2.8 million in the nine months ended December 31, 2019. Sales in Japan increased by €1.2 million, from €1.9 million for the nine months ended December 31, 2018 to €3.1 million for the nine months ended December 31, 2019, following the increase in the number of franchised stores opened by our partner Aeon. These increases were offset by a decrease in sales in the Netherlands and in Italy.

Three months ended December 31, 2018 and December 31, 2019

Our sales of goods increased by €18.3 million, or 3.8%, from €483.5 million for the three months ended December 31, 2018 to €501.8 million for the three months ended December 31, 2019.

In France, sales of goods increased by €18.5 million, or 3.9%, from €472.9 million for the three months ended December 31, 2018 to €491.4 million for the three months ended December 31, 2019. French like-for-like sales increased by 3.1% in the three months ended December 31, 2019, as compared to the three months ended

December 31, 2018, as a result of a 2.4% increase in the total number of tickets, combined with a 0.7% increase in the average basket size. As adjusted to exclude a slightly unfavorable calendar effect during the quarter (mainly explained by the positioning of a French bank holiday), French like-for-like sales would have increased by an estimated 3.3%.

Sales in Belgium and Luxembourg increased by €0.2 million, from €5.4 million for the three months ended December 31, 2018 to €5.6 million for the three months ended December 31, 2019.

Sales in Scandinavia increased by €0.1 million from €1.3 million for the three months ended December 31, 2018 to €1.4 million for the three months ended December 31, 2019, following the opening of our first franchised store in Norway.

Additionally, sales to franchised stores and partners located in other locations outside of France decreased by €0.5 million for the three months ended December 31, 2019. In particular, sales in the United Kingdom through our partnership with Ocado increased by €0.2 million and sales in Japan increased by €0.4 million following the increase in the number of franchised stores opened by our partner Aeon, which increases were offset by a decrease in sales in the Netherlands and in Italy.

Cost of goods sold

Nine months ended December 31, 2018 and December 31, 2019

Our cost of goods sold increased by €20.4 million, or 3.3%, from €609.8 million for the nine months ended December 31, 2018 to €630.2 million for the nine months ended December 31, 2019, mainly due to an increase in the volume of goods purchased from our suppliers. Cost of goods sold as a percentage of sales increased from 56.2% for the nine months ended December 31, 2018 to 56.4% for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Our cost of goods sold increased by €12.4 million, or 4.5%, from €275.0 million for the three months ended December 31, 2018 to €287.4 million for the three months ended December 31, 2019, mainly due to an increase in the volume of goods purchased from our suppliers. Cost of goods sold as a percentage of sales increased from 56.9% for the three months ended December 31, 2018 to 57.3% for the three months ended December 31, 2019.

Gross profit

Nine months ended December 31, 2018 and December 31, 2019

Our gross profit increased by €11.6 million, or 2.4%, from €474.8 million for the nine months ended December 31, 2018 to €486.4 million for the nine months ended December 31, 2019, as a result of the increase in sales. Gross profit as a percentage of sales of goods slightly decreased from 43.8% for the nine months ended December 31, 2018 to 43.6% for the nine months ended December 31, 2019 notably due to the presence of the Easter shopping period in April 2019 and not in April 2018, during which the level of promotion is higher, the change in our business model in Sweden, from an own store model to a franchise model, as well as by the success of our promotional campaigns in October, November and December, that contributed to an increase in sales.

Three months ended December 31, 2018 and December 31, 2019

Our gross profit increased by €5.9 million, or 2.8%, from €208.5 million for the three months ended December 31, 2018 to €214.4 million for the three months ended December 31, 2019, as a result of the increase in sales. Gross profit as a percentage of sales of goods decreased from 43.1% for the three months ended December 31, 2018 to 42.7% for the three months ended December 31, 2019, as a consequence of the one week later start of our major promotional campaign “*Les jours trop bons*”, during which we offer products at a discount of up to 30%, therefore affecting the gross profit margin of October only instead of also affecting the gross margin of September as was the case last year. In addition, the higher promotional sales during the December period this year compared to last year had a negative effect on our gross margin.

Other operating income

Nine months ended December 31, 2018 and December 31, 2019

Other operating income decreased by €3.5 million from €7.4 million for the nine months ended December 31, 2018 to €3.9 million for the nine months ended December 31, 2019. This decrease was primarily due to €3.9 million of income recorded last year, as we obtained a refund from the French tax administration of a reassessment following an adjustment on a tax on fish (“*Contribution pour une pêche durable*”). In addition, during the nine months ended December 31, 2018, we also recorded €0.7 million in compensation received from the sale of energy certificates. During the nine months ended December 31, 2019, we recorded a €1.0 million income corresponding to an indemnity received in connection with a store eviction.

Three months ended December 31, 2018 and December 31, 2019

Other operating income remained flat at €1.2 million for the three months ended December 31, 2018 and for the three months ended December 31, 2019.

Other purchases and external expenses

Nine months ended December 31, 2018 and December 31, 2019

Our other purchases and external expenses decreased by €37.4 million, from €183.4 million for the nine months ended December 31, 2018 to €146.0 million for the nine months ended December 31, 2019. This decrease was primarily due to the adoption of IFRS 16 as of April 1, 2019, that had a €43.8 million positive impact. The Group has chosen to apply IFRS 16 using the simplified retrospective approach as of April 1, 2019 and the December 31, 2018 financial statements have consequently not been restated. Prior to the adoption of this standard, rent expenses were recorded in the line item “*other purchases and external expenses*”. Following the adoption of this new standard, the Group has recognized right-of-use assets for its eligible stores and vehicles, which are depreciated over the lease term, depreciation charges being recorded in the line item “*depreciation and amortization*” of the Group income statement. Excluding the impact of IFRS 16, other purchases and external expenses increased by €6.3 million, or 3.4%, mainly due to higher logistics and energy costs, following the increase in the price of electricity. Advertising expenses also increased compared to last year due to TV ads launched in July and September. These increases were partially offset by savings in maintenance costs.

Three months ended December 31, 2018 and December 31, 2019

Our other purchases and external expenses decreased by €12.6 million, from €72.0 million for the three months ended December 31, 2018 to €59.4 million for the three months ended December 31, 2019. This decrease was primarily due to the adoption of IFRS 16 as of April 1, 2019, that had a €14.8 million positive impact. Excluding the impact of IFRS 16, other purchases and external expenses increased by €2.2 million, or 3.1%, mainly due to higher logistics, following higher sales volumes, and energy costs, following the increase in the price of electricity.

Taxes other than on income

Nine months ended December 31, 2018 and December 31, 2019

Taxes other than on income decreased by €0.4 million, from €11.1 million for the nine months ended December 31, 2018 to €10.7 million for the nine months ended December 31, 2019. Taxes other than on income as a percentage of sales of goods remained flat at 1.0% for the nine months ended December 31, 2018 and for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Taxes other than on income increased by €0.2 million, from €4.2 million for the three months ended December 31, 2018 to €4.4 million for the three months ended December 31, 2019. Taxes other than on income as a percentage of sales of goods remained flat at 0.9% for the three months ended December 31, 2018 and for the three months ended December 31, 2019.

Personnel expenses

Nine months ended December 31, 2018 and December 31, 2019

Personnel expenses increased by €4.4 million, or 3.3%, from €134.0 million for the nine months ended December 31, 2018 to €138.4 million for the nine months ended December 31, 2019. As a proportion of sales of goods, personnel expenses remained flat at 12.4% for the nine months ended December 31, 2018 and for the nine months ended December 31, 2019.

Wages and salaries increased by €1.7 million, or 1.9%, from €90.7 million for the nine months ended December 31, 2018 to €92.4 million for the nine months ended December 31, 2019, as a result of annual salary increases in France and Belgium and the expansion of our store network, partially offset by the sale of our Swedish activity. As a proportion of sales of goods, wages and salaries decreased slightly from 8.4% for the nine months ended December 31, 2018 to 8.3% for the nine months ended December 31, 2019.

Employee profit sharing increased by €1.3 million, from €11.4 million for the nine months ended December 31, 2018 to €12.7 million for the nine months ended December 31, 2019, following the increase in contractual profit sharing (“*intéressement*”), which is computed based on sales performance, and in the legal profit sharing (“*participation*”) computed on the French income before tax.

Other personnel expenses increased by €1.3 million, from €32.0 million for the nine months ended December 31, 2018 to €33.3 million for the nine months ended December 31, 2019. The CICE tax credit was recorded as a reduction of social security costs and amounted to €4.8 million in the nine months ended December 31, 2018. This tax credit has been repealed and converted into a direct reduction of social security charges since January 1, 2019. Social security costs (net of CICE in 2018) increased by €0.8 million, from €27.1 million for the nine months ended December 31, 2018 to €27.9 million for the nine months ended December 31, 2019. As a proportion of sales of goods, social security costs (net of CICE in 2018) remained flat at 2.5% for the nine months ended December 31, 2018 and for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Personnel expenses increased by €3.0 million, or 6.2%, from €48.1 million for the three months ended December 31, 2018 to €51.1 million for the three months ended December 31, 2019. As a proportion of sales of goods, personnel expenses increased from 9.9% for the three months ended December 31, 2018 to 10.2% for the three months ended December 31, 2019.

Wages and salaries increased by €0.8 million, or 2.5%, from €31.5 million for the three months ended December 31, 2018 to €32.3 million for the three months ended December 31, 2019, as a result of annual salary increases in France and Belgium and the expansion of our store network. As a proportion of sales of goods, wages and salaries decreased slightly from 6.5% for the three months ended December 31, 2018 to 6.4% for the three months ended December 31, 2019.

Employee profit sharing increased by €1.1 million, from €6.0 million for the three months ended December 31, 2018 to €7.1 million for the three months ended December 31, 2019, following notably the strong increase in contractual profit sharing (“*intéressement*”), which is computed based on sales performance.

Other personnel expenses increased by €1.2 million, from €10.5 million for the three months ended December 31, 2018 to €11.7 million for the three months ended December 31, 2019. The CICE tax credit was recorded as a reduction of social security costs and amounted to €2.0 million in the three months ended December 31, 2018. This tax credit has been repealed and converted into a direct reduction of social security charges since January 1, 2019. Social security costs (net of CICE in 2018) increased by €0.9 million, from €8.8 million for the three months ended December 31, 2018 to €9.7 million for the three months ended December 31, 2019. As a proportion of sales of goods, social security costs (net of CICE in 2018) increased slightly from 1.8% for the three months ended December 31, 2018 to 1.9% for the three months ended December 31, 2019.

Other operating expenses

Nine months ended December 31, 2018 and December 31, 2019

Our other operating expenses decreased by €2.0 million, from €4.4 million for the nine months ended December 31, 2018 to €2.4 million for the nine months ended December 31, 2019. During the nine-month period

ended December 31, 2018, we recorded exceptional charges relating to the sale of our Swedish operations corresponding to a €0.9 million impairment charge and the derecognition of the minority interests in an amount of €2.1 million. During the nine-month period ended December 31, 2019, we recorded a €1.0 million loss on bad debt following the commencement of bankruptcy proceedings in respect of our franchisee in Switzerland, which was operating six stores until early January 2020 when such stores were closed.

Three months ended December 31, 2018 and December 31, 2019

Our other operating expenses increased by €1.0 million from €0.5 million for the three months ended December 31, 2018 to €1.5 million for the three months ended December 31, 2019, mainly driven by the fact that during the nine-month period ended December 31, 2019, we recorded a €1.0 million loss on bad debt following the commencement of bankruptcy proceedings in respect of our franchisee in Switzerland, which was operating six stores until early January 2020 when such stores were closed.

EBITDA

Nine months ended December 31, 2018 and December 31, 2019

EBITDA increased by €43.5 million, or 29.1%, from €149.3 million for the nine months ended December 31, 2018 to €192.8 million for the nine months ended December 31, 2019. As a proportion of sales of goods, EBITDA increased from 13.8% for the nine months ended December 31, 2018 to 17.3% for the nine months ended December 31, 2019. Excluding the positive impact of the adoption of IFRS 16 in the nine months ended December 31, 2019, our EBITDA slightly decreased by €0.3 million, or 0.2%, from €149.3 million in the nine months ended December 31, 2018 to €149.0 million in the nine months ended December 31, 2019, as a result of the factors discussed above.

Three months ended December 31, 2018 and December 31, 2019

EBITDA increased by €14.3 million, or 16.8%, from €84.9 million for the three months ended December 31, 2018 to €99.2 million for the three months ended December 31, 2019. As a proportion of sales of goods, EBITDA increased from 17.6% for the three months ended December 31, 2018 to 19.8% for the three months ended December 31, 2019. Excluding the positive impact of the adoption of IFRS 16 in the three months ended December 31, 2019, our EBITDA decreased by €0.4 million, or 0.5%, from €84.9 million in the three months ended December 31, 2018 to €84.5 million in the three months ended December 31, 2019, as a result of the factors discussed above.

Depreciation and amortization

Nine months ended December 31, 2018 and December 31, 2019

Depreciation and amortization increased by €42.2 million, from €27.6 million for the nine months ended December 31, 2018 to €69.8 million for the nine months ended December 31, 2019. This increase was primarily due to the €42.2 million amortization charge on the right of use asset recognized following the adoption of IFRS 16. Other depreciation and amortization remained flat at €27.6 million for the nine months ended December 31, 2018 and for the nine months ended December 31, 2019. As a proportion of sales of goods, depreciation and amortization increased from 2.5% for the nine months ended December 31, 2018 to 6.3% for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Depreciation and amortization increased by €14.5 million, from €8.9 million for the three months ended December 31, 2018 to €23.4 million for the three months ended December 31, 2019. This increase was primarily due to the €14.2 million amortization charge on the right of use asset recognized following the adoption of IFRS 16. Other depreciation and amortization increased by €0.3 million, from €8.9 million in the three months ended December 31, 2018 to €9.2 million in the three months ended December 31, 2019.

Operating profit

Nine months ended December 31, 2018 and December 31, 2019

Operating profit increased by €1.3 million, or 1.1%, from €121.7 million for the nine months ended December 31, 2018 to €123.0 million for the nine months ended December 31, 2019, as a result of the factors discussed above. As a proportion of sales of goods, operating profit decreased from 11.2% for the nine months ended December 31, 2018 to 11.0% for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Operating profit slightly decreased by €0.1 million, or 0.1%, from €76.0 million for the three months ended December 31, 2018 to €75.9 million for the three months ended December 31, 2019, as a result of the factors discussed above. As a proportion of sales of goods, operating profit decreased from 15.7% for the three months ended December 31, 2018 to 15.1% for the three months ended December 31, 2019.

Finance costs

Nine months ended December 31, 2018 and December 31, 2019

Finance costs increased by €2.8 million from €43.5 million for the nine months ended December 31, 2018 to €46.3 million for the nine months ended December 31, 2019. This increase in finance costs was mainly due to €3.0 million in interest expense relating to lease commitments recognized following the adoption of IFRS 16. This increase was partially offset by a €0.3 million decrease in foreign exchange losses following the sale of our Swedish business.

Three months ended December 31, 2018 and December 31, 2019

Finance costs increased by €1.3 million from €14.4 million for the three months ended December 31, 2018 to €15.7 million for the three months ended December 31, 2019. This increase in finance costs was mainly due to €1.0 million in interest expense relating to lease commitments recognized following the adoption of IFRS 16.

Share of profit in an associate

Nine months ended December 31, 2018 and December 31, 2019

Share of profit in an associate decreased by €5.2 million from a profit of €0.2 million for the nine months ended December 31, 2018 to a loss of €5.0 million for the nine months ended December 31, 2019. This loss is mainly due to the result of our associate Primex International in which we have a 37.2% interest. Primex Norway, a subsidiary of Primex International, developed a fish plant in Norway in 2018 and has since faced significant start-up costs to operate this facility. Primex International therefore partially recorded a non-cash impairment of its investment in Primex Norway to reflect these operational losses.

Three months ended December 31, 2018 and December 31, 2019

Share of profit in an associate decreased by €1.4 million from a loss of €0.0 million for the three months ended December 31, 2018 to a loss of €1.4 million for the three months ended December 31, 2019, for the reasons explained above.

Income before tax

Nine months ended December 31, 2018 and December 31, 2019

Income before tax decreased by €6.8 million, from €78.5 million for the nine months ended December 31, 2018 to €71.7 million for the nine months ended December 31, 2019, mainly as a result of higher finance costs following the adoption of IFRS 16 and the share of profit in associate decreasing to a higher loss, partly offset by an increase in operating profit. As a proportion of sales of goods, income before tax decreased from 7.2% for the nine months ended December 31, 2018 to 6.4% for the nine months ended December 31, 2019.

Three months ended December 31, 2018 and December 31, 2019

Income before tax decreased by €2.9 million, from €61.6 million for the three months ended December 31, 2018 to €58.7 million for the three months ended December 31, 2019, mainly as a result of higher finance costs following the adoption of IFRS 16 and the share of profit in associate decreasing to a higher loss. As a proportion of sales of goods, income before tax decreased from 12.7% for the three months ended December 31, 2018 to 11.7% for the three months ended December 31, 2019.

Income tax expense

Nine months ended December 31, 2018 and December 31, 2019

Income tax expense increased by €5.7 million, from a charge of €34.3 million for the nine months ended December 31, 2018 to a charge of €40.0 million for the nine months ended December 31, 2019. For the nine months ended December 31, 2018, the estimated average annual tax rate used was 44.0%, which projection was increased to 50.0% for the nine months ended December 31, 2019, mainly due to the conversion of the CICE, as described above, from an income tax credit recorded as a reduction in social security charges to a direct reduction of social security charges which reduction is itself subject to income tax, as well as to the impact of thin-capitalization rules on deductibility of interest. This increase in our estimated average annual tax rate was partially offset by the decrease in our income before tax.

Three months ended December 31, 2018 and December 31, 2019

Income tax expense increased by €6.6 million from a charge of €26.0 million for the three months ended December 31, 2018 to a charge of €32.6 million for the three months ended December 31, 2019, for the reasons described above.

Net income

Nine months ended December 31, 2018 and December 31, 2019

Net income decreased by €12.5 million, from €44.2 million for the nine months ended December 31, 2018 to €31.7 million for the nine months ended December 31, 2019, as a result of the factors described above.

Three months ended December 31, 2018 and December 31, 2019

Net income decreased by €9.5 million, from €35.6 million for the three months ended December 31, 2018 to of €26.1 million for the three months ended December 31, 2019, 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. As of December 31, 2019, there were no outstanding intra-group loans.

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 Picard Bondco S.A., Lion/Polaris Lux Midco S.à r.l., Lion/Polaris Lux 4 S.A., Lion Polaris II S.A.S. and Picard Surgelés S.A.S. Picard Bondco S.A. is the issuer of the Senior Notes. The Senior Notes are guaranteed on a subordinated basis by Lion/Polaris Lux Midco S.à r.l. and Lion/Polaris Lux 4 S.A.

On May 10, 2019, Lion/Polaris Lux 3 S.A. merged with and into Lion/Polaris Lux Midco S.à r.l. with Lion/Polaris Lux Midco S.à r.l. as the surviving entity (the “Merger”). In connection with the Merger, on May 10, 2019, Picard Bondco S.A., Picard Groupe S.A.S. and Lion/Polaris Lux Midco S.à r.l. entered into supplemental indentures to each Indenture, as applicable, whereby Lion/Polaris Lux Midco S.à r.l. provided confirmation that its respective guarantees under the Indentures continue to be in full force and effect, subject to any limitations set out in the governing documentation. In accordance with the Indentures and the relevant security documents, the liens over certain assets of Lion/Polaris Lux 3 S.A. securing the Notes were released and the assets of Lion/Polaris Lux 3 S.A. that were subject to liens securing the Notes are now owned by the other security providers.

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 Midco S.à r.l. and Lion/Polaris Lux 4 S.A.

Unaudited Interim Condensed Consolidated Financial Statements of Picard Bondco S.A.



Picard Bondco S.A.

Unaudited interim condensed consolidated
financial statements

December 31, 2019

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

<i>(In thousand of €)</i>		For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
	Notes				
Sales of goods	4	501 773	483 518	1 116 604	1 084 601
Cost of goods sold		(287 369)	(274 976)	(630 231)	(609 845)
Gross profit		214 404	208 542	486 373	474 756
Other operating income	5.1	1 151	1 168	3 928	7 393
Other purchase and external expenses		(59 400)	(71 992)	(145 979)	(183 365)
Taxes		(4 363)	(4 228)	(10 742)	(11 090)
Personnel expenses	5.2	(51 088)	(48 057)	(138 381)	(133 971)
Depreciation & amortization	8.3	(23 370)	(8 892)	(69 804)	(27 617)
Other operating expenses	5.3	(1 479)	(539)	(2 410)	(4 405)
Operating profit		75 855	76 003	122 985	121 700
Finance costs	5.4	(15 735)	(14 380)	(46 300)	(43 459)
Finance income	5.4	37	12	102	67
Share of profit in an associate	6	(1 442)	(1)	(5 049)	165
Income before tax		58 715	61 634	71 737	78 473
Income tax expense	7	(32 649)	(26 020)	(40 028)	(34 285)
Net income		26 066	35 614	31 709	44 188
Attributable to:					
Equity holders of the parent		26 066	35 614	31 709	44 229
Non-controlling interests		-	-	-	(41)
Earnings per share:					
Basic earnings per share (in euros)		9,87	13,48	12,00	16,74
Fully diluted earnings per share (in euros)		9,87	13,48	12,00	16,74

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(In thousand of€)</i>	Notes	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Net income		26 066	35 613	31 709	44 188
Net gain / (loss) on cash flow hedges	9.4	-	-	-	-
Income tax		-	-	-	-
Items not to be reclassified to profit and loss:					
Actuarial gains / (loss) of the period		-	-	-	-
Income tax		-	-	-	-
Foreign currency translation		66	56	-	(10)
<i>Other comprehensive income / (loss) for the period, net of tax</i>		<i>66</i>	<i>56</i>	<i>-</i>	<i>(10)</i>
Comprehensive income		26 132	35 669	31 709	44 178
Attributable to:					
Equity holders of the parent		26 132	35 669	31 709	44 219
Non-controlling interests		-	-	-	(41)

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

<i>(In thousand of€)</i>	Notes	December 31, 2019	March 31, 2019
Assets			
Goodwill		815 170	815 170
Property, plant and equipment		221 188	217 059
Right-of-use Assets	8.1	295 562	
Other intangible assets		795 561	841 908
Investment in an associate		6 297	11 346
Other non-current financial assets	9.1	10 605	10 293
Total non-current assets		2 144 384	1 895 776
Inventory		98 779	86 626
Trade and other receivables		50 695	50 122
Income tax receivable		3 740	9 598
Current financial assets	9.1	197	379
Cash and cash equivalents	10	247 665	106 434
Total current assets		401 076	253 159
Assets held for sale			-
Total assets		2 545 461	2 148 935
Equity and liabilities			
Issued capital		2 642	2 642
Share premium		97	97
Other comprehensive income		(184)	(66)
Retained earnings		123 916	72 955
Net income of the period		31 709	63 918
Equity attributable to equity holders of the parent		158 180	139 545
Non-controlling interests		-	-
Total equity		158 180	139 545
Non-current liabilities			
Interest-bearing loans and borrowings	9.2	1 551 812	1 550 828
Other non current financial liabilities	9.3	194 935	87
Provisions		8 642	7 028
Employee benefit liability		8 814	8 326
Deferred tax liability		223 934	214 859
Total non-current liabilities		1 988 136	1 781 127
Current liabilities			
Trade and other payables		337 920	221 896
Income tax payable		-	1 975
Interest-bearing loans and borrowings	9.2	8 937	4 392
Other current financial liabilities	9.3	52 288	-
Total current liabilities		399 145	228 263
Total liabilities		2 387 281	2 009 390
Liabilities held for sale			-
Total equity and liabilities		2 545 461	2 148 935

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

<i>In thousand of €</i>	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, 2018	2 642	150	-	-	116	-	117	233	91 324	58 213	152 562	(1 845)	150 716
Net income attribution	-	-	-	-	(116)	-	-	(116)	58 329	(58 213)	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	44 229	44 229	8 616	(41)	44 188
Other comprehensive income	-	-	-	-	-	-	(10)	(10)	-	-	(10)	-	(10)
Total comprehensive income	-	-	-	-	-	-	(10)	(10)	-	44 229	44 219	(41)	44 178
Dividend paid	-	(53)	-	-	-	-	-	-	(76 947)	-	(77 000)	-	(77 000)
Other	-	-	-	-	-	-	(107)	(107)	366	-	259	1 886	2 145
As at December 31, 2018	2 642	97	-	-	-	-	-	-	73 072	44 229	120 040	-	120 040
As at March 31, 2019	2 642	97	-	0	(183)	-	117	(66)	72 955	63 918	139 545	-	139 545
IFRS 16 first application adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
As at April 1, 2019	2 642	97	-	0	(183)	-	117	(66)	72 955	63 918	139 545	-	139 545
Net income attribution	-	-	-	-	-	-	-	-	63 918	(63 918)	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	31 709	31 709	-	31 709
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	31 709	31 709	-	31 709
Dividend paid	-	-	-	-	-	-	-	-	(13 074)	-	(13 074)	-	(13 074)
Issued capital attributable to NCI	-	-	-	-	-	-	(117)	(117)	117	-	-	-	-
As at December 31, 2019	2 642	97	-	0	(183)	-	-	(184)	123 916	31 709	158 180	-	158 180

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<i>In thousand of€</i>	Notes	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Operating activities			
Operating profit		122 985	121 700
Depreciation and impairment of property, plant and equipment		64 946	23 076
Amortisation and impairment of intangible assets		4 858	4 541
Gain on disposal of property, plant and equipment		592	334
Other non cash operating items		1 157	3 726
Movements in provisions and pensions		343	293
Interest received		37	(9)
Income tax paid		(26 826)	(26 991)
<i>Operating cash flows before change in working capital requirements</i>		168 092	126 670
Change in inventories		(12 153)	(9 001)
Change in trade and other receivables and prepayments		(3 621)	(9 963)
Change in trade and other payables		116 024	91 761
Net cash flows from operating activities		268 341	199 468
Investing activities			
Proceeds from sale of property, plant and equipment		125	137
Disposal of Italy, net of cash disposed of		288	288
Purchase of property, plant and equipment		(27 468)	(22 426)
Purchase of intangible assets		(5 822)	(4 282)
Purchase of financial instruments		(245)	(203)
Net cash used in investing activities		(33 122)	(26 486)
Financing activities			
Payment of finance lease liabilities			(151)
Proceeds from borrowings		-	60 000
Refinancing costs		-	
Interest paid *		(39 852)	(46 524)
Payment related to lease contracts *		(41 473)	
Dividends paid to equity holder of the parent		(13 074)	(77 000)
Other cash items related to financing activities			(3 111)
Net cash flows from/(used in) financing activities		(94 398)	(66 786)
Net increase / (decrease) in cash and cash equivalents		140 821	106 196
Cash and cash equivalents at the beginning of the period	10	106 432	88 999
Cash and cash equivalents at the end of the period	10	247 253	195 195

*In accordance with IFRS 16, which the Group adopted as from April 1, 2019 (see Note 2.1.1), payments under leases along with any related interest are shown in financing cash flows.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

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.

The present unaudited interim condensed consolidated financial statements cover the period from April 1, 2019 to December 31, 2019.

2. Basis of preparation and accounting principles

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements as at and for the nine-month period ended December 31, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group’s audited consolidated annual financial statements as at and for the year ended March 31, 2019.

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

2.1.1 New accounting standards and interpretations in effect starting from April 1, 2019

Since April 1, 2019, the Group has applied the following new amendments, standards, and interpretations previously endorsed by the European Union:

- ▶ Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- ▶ Amendments to IFRS 9 - Prepayment Features with Negative Compensation (applicable according to the IASB in accounting periods beginning on or after January 1, 2019);
- ▶ Amendments to 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);
- ▶ Amendments to Improvements to IFRSs 2015-2017 Cycle (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
- ▶ IFRS 16 Leases (applicable according to the IASB in accounting periods beginning on or after January 1, 2019)

The adoption of these policies had no significant impact on the Group's consolidated financial statements except for IFRS 16 as presented below.

▶ **IFRIC 23 Uncertainty over Income Tax Treatments**

On June 7, 2017, the IASB published its interpretation IFRIC 23, "Uncertainty over Tax Treatments." The interpretation, adopted by the European Union on October 23, 2018, is applicable as from January 1, 2019. IFRIC 23 clarifies the application of IAS 12, "Income Tax," with respect to recognition and valuation where uncertainty exists as to income tax treatment.

The interpretation provides several clarifications, including with respect to:

- the unit of account, meaning the level of tax risk at which the principles for recognition and valuation of the asset or liability should be applied: either grouped together (by tax entity, jurisdiction, or group), or at the level of each risk taken individually;
- the detection risk, which must be taken fully into account in the recognition and valuation of tax risk. It should be assumed that the tax authorities will conduct an audit and that they will have access to all information needed to identify the error or incorrect interpretation of the tax standard. The principle of recognition relies on an estimate of the probability (in the sense of "more likely than not") that the uncertain tax position will be acceptable. Thus, if it is more likely than not (probability of over 50%) that the tax authorities will not accept the company's position with respect to tax treatment, the uncertain tax position must be reflected in the financial statements as income tax payable and/or deferred tax; and
- the valuation principle concerning the provision, which relies on the estimate of the amount that the company expects to pay to or recover from the tax authorities. Two valuation methods may be used on a case by case basis: the most probable amount, or the expected value.

An analysis was performed by the Group and did not reveal any significant impact on the Group's consolidated financial statements in relation to the application of this standard.

▶ **IFRS 16 Leases**

IFRS 16 eliminates the requirement to classify leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model. The Group adopted IFRS 16 as of April 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The details of the changes in accounting policies are disclosed below, as well as in Note 5.4 (*Finance Income and Costs*), Note 8 (*Leases*), Note 9.1 (*Other current and non-current financial assets*) and Note 9.3 (*Other financial liabilities*).

Leases primarily relate to property assets (around 1,000 leases), including both stores and administrative buildings and to a lesser extent, vehicles.

Accounting policies applied in these consolidated financial statements

- **Under IAS 17 (comparative period)**

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. Assets held under finance leases were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized on the Group's balance sheet. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

- **Under new accounting policy – IFRS 16 (from April 1, 2019)**

Definition of a lease under IFRS 16

Under IFRS 16, the assessment of whether or not a contract contains a lease, is based on whether or not the contract conveys the right to control the use of an identified asset for a period of time in

exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - o the Group has the right to operate the asset; or
 - o the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices and the aggregate stand-alone price of the non-lease components. However, for leases of land and buildings in respect of which it is a lessee, the Group has elected not to separate non-lease components and accounts for lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease.

The lease payments included in the valuation of the lease liability include:

- fixed payments, including in -substance fixed payments;
- variable lease payments that depend on an index or a rate, which are initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

IFRS 16 requires separate presentation of the interest expense on the lease liabilities and the depreciation charge for the right-of-use asset in the lessee's statement of profit or loss and other comprehensive income. The interest expense on the lease liability is a component of finance costs.

- **Lease terms**

The Group has estimated the term of each of its lease agreements (i.e. the period during which it is reasonably certain to remain in the premises), taking into account the facts and circumstances that are specific to each lease agreement.

This estimated lease term corresponds to:

- the non-cancellable period subsequent to the valuation date; plus
- the period covered by a lessee's renewal option if such renewal is reasonably certain.

A minor portion of the Group's lease agreements have fixed terms. For those contracts, the estimated lease term corresponds to the end date of the current lease period.

For all the other leases (with either exit options or renewal options at the election of the lessee), a detailed analysis was carried out to determine the estimated lease term. This analysis was based on the lease agreements, existing plans to renew, current negotiations or other agreements.

The main criteria when assessing the reasonably certain term of a lease are (i) the specialized nature of the assets, (ii) the location of the assets and (iii) the maturity of the investments made.

For stores, in most cases, the estimated term of the lease has been defined as the maximum period during which the contract is executory (for example the end of the last triennial period in case of commercial "3/6/9" leases in accordance with guidance issued by the "Autorité des Normes Comptables" in February 2018).

However, in some cases, a shorter period has been retained, particularly for stores that are not profitable (excluding newly opened stores still in ramp-up period) or when a closure is already planned.

At lease end, in the case of a tacit renewal of the lease, the Group also conducted an analysis to identify when the lease could be considered as contractually renewed.

These assumptions are subject to change in accordance with the latest IFRIC positions (*See Note 2.2-Significant accounting judgments, estimates and assumptions*).

- **Discount rate**

The Group determines the discount rate applicable to each lease agreement based on the incremental borrowing rate in each location and based on maturity. Therefore the calculation of the discount rate requires estimates, especially regarding the credit spread added to the risk free rate.

The discount rates used correspond to bank rates that the Group would obtain in order to finance identical fixed assets.

- **Short-term leases and leases of low value assets**

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a term shorter than 12 months and for leases of assets valued at less than K\$ 5, which mainly include IT equipment, mobile devices and car leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact of Change in accounting principle

- **Leases previously classified as operating leases under IAS 17**

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at April 1, 2019.

Right-of-use assets are measured at an amount equal to the lease liability (subject to certain adjustments detailed below). The Group applied this approach to all leases.

The Group used some practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. The Group:

- applied a single discount rate to a portfolio of leases with similar characteristics;

- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and for leases of assets valued at less than K\$ 5;
 - excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
 - used hindsight when determining the lease term if the contract contained options to extend or terminate the lease.
- **Leases previously classified as finance leases under IAS 17**

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at April 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

- **Leasehold rights previously classified as intangible assets**

Leasehold rights represent specific and additional legal rights in relation to the right-of-use of the property, which materialize, if necessary, at the end of the lease. In particular, such rights include the right to renew the lease under favorable conditions (e.g. capped rents) and the right to obtain an indemnity in the event the lessor refuses to renew the lease at the end of the contract.

The duration and mode of consuming the economic benefits of leasehold rights are different from those of the rest of the right-of-use assets (which are consumed during the term of the contract).

Under IFRS 16, leasehold rights are considered initial direct costs, i.e. incremental costs incurred to obtain a lease which would not have been incurred if the contract had not been concluded (IFRS 16.A). The Group chose to recognize leasehold rights as a component of right-of-use assets and therefore they are no longer recognized as a separate intangible asset (IFRS 16.24).

Under the approach adopted by the Group, the residual value of the leasehold right corresponds to the amount initially paid. Leasehold rights are tested annually and an impairment is recognized if necessary.

- **Income tax**

Deferred tax is recognized based on the net amount of temporary taxable and deductible differences. Upon initial recognition of the right-of-use asset and lease liability, no deferred tax is recognized if the amount of the asset equals the amount of the liability.

Net temporary differences that may result from subsequent changes in the right-of-use asset and lease liability give rise to the recognition of deferred tax.

- **Impact on the Group's consolidated financial statements**

The Group has chosen to apply IFRS 16 using the simplified retrospective approach as from April 1, 2019. The Group's consolidated financial statements as of and for the year ended March 31, 2019 were not restated.

As at April 1, 2019, the amount of lease liabilities represents the present value of lease payments due over the reasonably certain term of the lease.

Applying IFRS 16 also impacts the following items in the consolidated financial statements:

- leasehold rights are now included as part of the initial measurement of the right-of-use assets. Reclassifications were made in the opening balance sheet in this respect for M€47.1 ;
- prepaid lease payments and lease incentives to be recognized over the lease term, which were initially shown in other assets and other liabilities, are now included in right-of-use assets; and
- right-of-use assets have been derecognized and financial receivables recognized in respect of sub-letting arrangements granted over the residual period of the leases concerned. Recognition of these receivables had a positive impact of K€171 on financial assets.

The table below summarizes the impact of applying IFRS 16 on the opening balance sheet in the Group's consolidated financial statements as of and for the nine-month period ended December 31, 2019 :

<i>(In thousand of€)</i>	As at March 31, 2019	IFRS 16 first application impacts	As at April 1, 2019
Assets			
Goodwill	815 170		815 170
Property, plant and equipment	217 059		217 059
Right-of-use Assets		312 985	312 985
Other intangible assets	841 908	(47 143)	794 765
Investment in an associate	11 346		11 346
Other non-current financial assets	10 293	132	10 426
Total non-current assets	1 895 776	265 975	2 161 751
Inventory	86 626		86 626
Trade and other receivables	50 122	(2 993)	47 129
Income tax receivable	9 598		9 598
Current financial assets	379	39	418
Cash and cash equivalents	106 434		106 434
Total current assets	253 159	(2 954)	250 205
Assets held for sale	-	-	-
Total assets	2 148 935	263 021	2 411 956
Equity and liabilities			
Issued capital	2 642		2 642
Share premium	97		97
Other comprehensive income	(66)		(66)
Retained earnings	72 955		72 955
Net income of the period	63 918		63 918
Equity attributable to equity holders of the parent	139 545	-	139 545
Non-controlling interests	-	-	-
Total equity	139 545	-	139 545
Non-current liabilities			
Interest-bearing loans and borrowings	1 550 828		1 550 828
Other non-current financial liabilities	87	211 014	211 101
Provisions	7 028		7 028
Employee benefit liability	8 326		8 326
Deferred tax liability	214 859		214 859
Total non-current liabilities	1 781 127	211 014	1 992 142
Current liabilities			
Trade and other payables	221 896	(53)	221 843
Income tax payable	1 975		1 975
Interest-bearing loans and borrowings	4 392		4 392
Other current financial liabilities	-	52 059	52 059
Total current liabilities	228 263	52 006	280 269
Total liabilities	2 009 390	263 021	2 272 410
Liabilities held for sale	-	-	-
Total equity and liabilities	2 148 935	263 021	2 411 956

As at April 1, 2019, right-of-use assets relate to the following asset categories:

<i>(In thousand of €)</i>	Right of Use Asset		Total
	Intangible assets	Tangible assets	
Leasehold rights	47 143	-	47 143
Land & Buildings		263 302	263 302
Vehicles		2 540	2 540
Total	47 143	265 842	312 985

- **Reconciliation of off-balance sheet commitments as at March 31, 2019 with IFRS 16 lease liabilities as at April 1, 2019**

<i>(In thousand of €)</i>	
Operating leases commitments at March 31, 2019	127 170
Effects related to other leases: vehicles	2 540
Other effects	37
Differences in duration determined under IFRS 16 related to termination and extension options which are reasonably certain	150 850
Non discounted leases commitments under IFRS 16 at April 1st, 2019	280 597
Discount impact	(14 755)
Discounted leases commitments under IFRS 16 at April 1st, 2019	265 842
Leases commitments at April 1st, 2019	265 842
<i>including leases commitments - less than 1 year</i>	<i>54 961</i>
<i>including leases commitments - more than 1 year</i>	<i>210 881</i>

2.1.2 New accounting standards and interpretations with effect in future periods

No new or amended standards or interpretations were adopted for use in the European Union and available for early adoption.

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 References to the Conceptual Framework in IFRS Standards (applicable according to the IASB in accounting periods beginning on or after January 1, 2020);
- ▶ Amendments to IFRS 9, IAS 39 and IFRS 7 : Interest Rate Benchmark Reform (applicable according to the IASB in accounting periods beginning on or after January 1, 2020);
- ▶ Amendment to IFRS 3: Definition of a Business (applicable according to the IASB in accounting periods beginning on or after January 1, 2020); and

- ▶ IAS1 and IAS 8 – *Definition of Material* (applicable according to the IASB in accounting periods beginning on or after January 1, 2020);

The impact of these standards on the Group's results and financial situation is currently being evaluated and is not expected to be material.

2.2 Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting periods are disclosed in the audited consolidated financial statements of the Group as at and for the year ended March 31, 2019.

As at December 31, 2019, the following estimates should be noted:

Valuation of tangible and intangible assets

There was no indication of impairment of tangible and intangible assets as at December 31, 2019. As a result, no impairment test was performed at this date.

Valuation of financial assets

The Group measured its investment in associates on the basis of available estimates and interim financial statements as of December 31, 2019. This measurement is based on the losses and impairments recorded in the financial statements of the associate, which reflect the best estimate of the associate's management.

The estimate of financial assets might be reassessed by the Group, if the existing assumptions are revised prior to the year ending March 31, 2020 .

Employee benefits liabilities

The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future withdrawal rates of employees. As of December 31, 2019, all assumptions remain the same as at March 31, 2019.

Lease terms

IFRIC published its final decision in December 2019 regarding the determination of the binding lease term and the amortization period for immovable fixtures.

The Group is currently analyzing the impact of this decision on the current assumptions used with respect to 3/6/9 commercial leases and on tacit renewal and open-ended contracts with a view to applying this decision as soon as possible.

This decision could lead to a review of the duration of certain lease agreements, and thus modify the amount of the lease liabilities and the associated right-of-use. It could also have an impact on the depreciation periods used for the fixtures relating to such leases and the time horizon for provisioning repair costs.

At this stage, the Group is unable to assess the impact of this decision on the financial statements presented.

3. Significant events and seasonality of operations

3.1 Significant events of the period

A tax audit of Picard Surgelés and Lion Polaris 2 is currently being conducted by the French tax authorities for the years 2016, 2017 and 2018. In order to avoid the statute of limitations for the year 2016, the tax administration sent an assessment notice concerning Lion Polaris 2 before December 31, 2019. The Group believes it has strong arguments to support its positions and has sent an answer to the assessment notice. As the tax audit is still in progress, no provision has been recorded.

3.2 Seasonality of operations

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

4. Operating segment information

For management purposes, the Group is organized into business units based on distribution networks. Following the development of the activity of the Group outside France, the Group has two reportable operating segments as follows:

- France; and
- Other.

The “Other” operating segment includes distribution activities in Belgium, Luxembourg and, prior to the sale of our Swedish operations, Sweden, franchised and corner operations and partnerships in Italy, Netherlands, Switzerland, Scandinavia, Japan and the UK, 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.

<i>In thousand of€</i>	For the three-month period ended December 31, 2019			For the nine-month period ended December 31, 2019		
	France	Other	Total	France	Other	Total
Sales	491 431	10 342	501 773	1 091 931	24 673	1 116 604
Operating profit	76 351	(496)	75 855	122 979	6	122 985

<i>In thousand of€</i>	For the three-month period ended December 31, 2018			For the nine-month period ended December 31, 2018		
	France	Other	Total	France	Other	Total
Sales	472 902	10 616	483 518	1 059 208	25 393	1 084 601
Operating profit	74 375	1 628	76 003	125 074	(3 374)	121 700

- **France:**

The operating profit decreased by M€2.1, from M€125.1 for the nine-month period ended December 31, 2018 to M€123.0 for the nine-month period ended December 31, 2019.

For the nine-month period ended December 31, 2018, operating profit includes income of M€3.9 corresponding to a tax rebate obtained by the Group (tax on fish : *see Note 5.1- Other operating income*).

- **Other:**

The operating profit of the “Other” segment increased by M€3.4, from a loss of M€3.4 for the nine-month period ended December 31, 2018 to a profit of K€6 for the nine-month period ended December 31, 2019. This increase of the operating profit is mainly explained by the disposal of Picard Sweden on August 15, 2018.

5. Other operating income/expenses

5.1 Other operating income

<i>In thousand of €</i>	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Capitalized expenses	270	304	893	790
Other operating income	881	865	3 035	6 603
Total other operating income	1 151	1 168	3 928	7 393

For the nine-month period ended December 31, 2018, other operating income includes income of M€3.9 corresponding to a tax rebate obtained by the Group following a tax reassessment paid in 2014 and concerning an adjustment on a tax on fish (“*Contribution pour une pêche durable*”) decided by the French tax administration.

5.2 Personnel expenses

<i>In thousand of €</i>	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Wages and salaries	(32 309)	(31 500)	(92 394)	(90 655)
Social security costs	(9 667)	(8 829)	(27 856)	(27 122)
Pension costs	(125)	(113)	(343)	(293)
Employee profit sharing	(7 105)	(6 010)	(12 731)	(11 352)
Other employee benefits expenses	(1 882)	(1 605)	(5 057)	(4 549)
Total personnel expenses	(51 088)	(48 057)	(138 381)	(133 971)

The French competitiveness and employment tax credit (“*Crédit d’Impôt Compétitivité Emploi*” or “*CICE*”) in effect in France since January 1, 2013 was repealed on December 31, 2018 and converted into a direct reduction of social security charges. This tax credit was recognized within social security charges during previous years. The nine-month period ended December 31, 2019 therefore includes this reduction in social security costs whereas the nine-month period ended December 31, 2018 included CICE income of M€4.8.

5.3 Other operating expenses

<i>In thousand of €</i>	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Royalties	(129)	(116)	(349)	(368)
Losses on bad debt	(1 113)	(146)	(1 647)	(595)
Other operating expenses	(237)	(277)	(414)	(3 442)
Total other operating expenses	(1 479)	(539)	(2 410)	(4 405)

For the nine-month period ended December 31, 2018, other operating expenses include an expense of M€ 3.0 corresponding to exceptional charges relating to the sale of our Swedish operations comprising a M€0.9 impairment charge and a M€2.1 impact of the derecognition of minority interests.

For the nine-month period ended December 31, 2019, we recorded a M€1.0 loss on bad debt following the commencement of bankruptcy proceedings in respect of our franchisee in Switzerland, which was operating six stores until January 2020 when such stores were closed.

5.4 Finance income and costs

<i>In thousand of €</i>	For the three-month period ended December 31, 2019	For the three-month period ended December 31, 2018	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Interest expenses	(14 614)	(14 284)	(42 910)	(42 725)
Net interests related to leases commitment	(992)		(3 018)	
Interest costs of employee benefits	(38)	(24)	(146)	(118)
Foreign exchange (losses) / gains	(1)	-	(1)	(282)
Other financial expense	(90)	(73)	(225)	(334)
Finance costs	(15 735)	(14 380)	(46 300)	(43 459)
Income on loans and receivables	6	7	18	17
Income on short term investment	4	5	37	42
Foreign exchange gains	-	-	5	2
Other financial income	27	1	42	6
Finance income	37	12	102	67

The K€3.018 net interest related to leases commitment represents the financial interest calculated on lease liabilities recognized in accordance with IFRS 16.

6. 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 S.A. 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.:

<i>In thousand of€</i>	December 31, 2019	March 31, 2019
Share of the associate's statement of financial position:		
Non-current assets	6 712	10 616
Current assets	7 220	11 045
Current liabilities	4 959	7 600
Non-current liabilities	2 668	2 708
Equity	6 304	11 353
Share of the associate's revenue and profit:		
Revenue	21 902	28 246
Profits / Losses	(5 048)	304
Carrying amount of the investment	6 298	11 346

<i>In thousand of€</i>	December 31, 2019	March 31, 2019
Carrying value at opening	11 346	11 042
Share of profit in an associate	(5 048)	304
Distribution of dividends	-	-
Carrying value at closing	6 298	11 346

Primex Norway, a subsidiary of Primex International S.A., developed a fish plant in Norway in 2018 and has since faced significant start-up costs in connection with the operation of this facility. Primex International S.A. therefore partially recorded a non-cash impairment of its investment in Primex Norway to reflect these operational losses.

7. Income tax expense

The Group calculates income tax expense using an estimated tax rate that would be applicable to the expected total annual earnings (projected pre-tax income at year-end). The estimated average annual tax rate used is 50%, including Business Contribution on Value Added ("CVAE") which

is accounted for as an income tax in line with IAS 12. The projected annual tax rate amounted to 44% in previous periods.

8. Leases

8.1 Breakdown of Right of Use recognized under IFRS 16

<i>In thousand of€</i>	Leasehold rights	Land & Buildings	Vehicles	Right of Use Asset
Cost:				
As at 1st April 2019	48 126	263 302	2 540	313 968
Additions	149	27 815	1 373	29 337
Disposals	(151)	(4 629)	(219)	(4 999)
As at 31 December 2019	48 124	286 488	3 694	338 306
Depreciation and impairment:				
As at 1st April 2019	(983)			(983)
Additions		(40 961)	(1 194)	(42 155)
Disposals	221	53	121	395
Assets held for sale	-	-	-	-
As at 31 December 2019	(762)	(40 908)	(1 074)	(42 743)
Net book value:				
As at 1st April 2019	47 143	263 302	2 540	312 985
As at 31 December 2019	47 362	245 580	2 620	295 562

8.2 Breakdown of Other purchase and external expenses

<i>(In thousand of€)</i>	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Rent expenses	(1 186)	(43 842)
Other purchase and external expenses (excluding Rent expenses)	(144 792)	(139 523)
Total Other purchase and external expenses	(145 979)	(183 365)

As of December 31, 2019, rent expenses of K€1 186 represent leases (following the adoption of IFRS 16) that have a term shorter than 12 months and leases valued at less than K\$ 5 (*see Note 2.1.1- New accounting standards and interpretations in effect starting from April 1, 2019*). As of December 31, 2018, rent expenses were presented without IFRS 16 restatement.

8.3 Breakdown of Depreciation & amortization

<i>(In thousand of€)</i>	For the nine-month period ended December 31, 2019	For the nine-month period ended December 31, 2018
Depreciation & amortization of tangible Right of Use	(42 155)	
Depreciation & amortization of other fixed assets	(27 649)	(27 617)
Total Depreciation & amortization	(69 804)	(27 617)

The M€42.2 of depreciation and amortization of right-of-use assets for the nine months ended December 31, 2019 relate to the depreciation of the right-of-use assets recognized in accordance with IFRS 16 (see Note 2.1.1- New accounting standards and interpretations in effect starting from April 1, 2019).

9. Financial assets and financial liabilities

9.1 Other current and non-current financial assets

<i>In thousand of€</i>	December 31, 2019	March 31, 2019
Deposits and guarantees	10 188	9 934
Related party Loans	314	296
Other	301	442
Other non-current financial assets	10 803	10 672
of which non-current	10 606	10 293
of which current	197	379

Other financial assets of K€301 represent the amount of:

- the consideration remaining due by the acquirers of Picard Surgelati, consistent with the sale and purchase agreement (K€158 of which was recorded as current as at December 31, 2019).

- the K€ 143 of financial receivables recognized in respect of sub-letting arrangements granted over the residual period of the leases concerned in accordance with IFRS16 (K€ 39 of which was recorded as current as at December 31, 2019).

9.2 Interest-bearing loans and borrowings

<i>In thousand of€</i>	Coupon interest rate	Maturity	As at December 31, 2019	As at March 31, 2019
Current				
Obligations under finance leases				135
Accrued interest payable on loans and borrowings			8 525	4 254
Bank overdrafts		On demand	412	2
Total current interest bearing loans and borrowings			8 937	4 392
Non current				
Obligations under finance leases				353
Senior secured notes (1250M€)	Euribor 3M + margin 3%	2023	1 243 390	1 242 261
Senior notes 2024 (310M€)	5,50%	2024	308 422	308 214
Total non-current interest bearing loans and borrowings			1 551 812	1 550 828
Total interest bearing loans and borrowings			1 560 749	1 555 220

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 in December 2017 and an additional M€60 of floating rate senior secured notes due 2023 in May 2018. These floating rate senior secured notes (the “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, subject to a 0% floor) 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 in December 2017. These senior notes (the “Senior Notes” and, together with the Senior Secured Notes, the “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”.
- The gross proceeds from the sale of the Notes issued in December 2017, 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 7.75% senior notes due 2020, including accrued and unpaid interest and applicable redemption premium, (iii) redeem Picard Groupe S.A.S.’s outstanding principal amount of floating rate notes due 2019, including accrued and unpaid interest, (iv) fund distributions to the shareholders of the Group, and (v) pay fees and expenses related to the transactions. The gross proceeds from the sale of the additional Senior Secured Notes issued in May 2018 were used to (i) fund distributions to the shareholders of Picard Group and (ii) pay fees and expenses related to the transactions.

9.3 Other financial liabilities

<i>In thousand of€</i>	As at December 31, 2019	As at March 31, 2019	As at June 30, 2019	As at March 31, 2019
Current				
Lease Debt	52 288		51 415	
Total Other current financial liabilities	52 288	-	51 415	-
Non current				
Lease Debt	194 850		202 996	
Others	88	87	88	87
Total Other non-current financial liabilities	194 938	87	203 084	87
Total Other financial liabilities	247 226	87	254 499	87

In accordance with IFRS 16, the Group has recognized, as of April 1, 2019, the lease liabilities relating to the accounting of the right of use asset of M€263 (see Note 2.1.1- New accounting standards and interpretations in effect starting from April 1, 2019). This debt amounts to M€247 as of December 31, 2019.

9.4 Hedging activities and derivatives

Cash Flow Hedges

As at December 31, 2019, the Group has not entered into any hedging arrangements.

9.5 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 consolidated financial statements.

<i>In thousands euros</i>	Carrying amount	Fair value	Carrying amount	Fair value
	As at December 31, 2019	As at December 31, 2019	As at March 31, 2019	As at March 31, 2019
Financial assets				
Trade and other receivables	50 695	50 695	50 122	50 122
Income tax receivable	3 740	3 740	9 598	9 598
Other financial assets	10 802	10 802	10 672	10 672
Cash and cash equivalents	247 665	247 665	106 434	106 434
Total	312 902	312 902	176 826	176 826
Financial liabilities				
Fixed rate borrowings	(308 422)	(304 525)	(308 214)	(289 955)
Obligations under finance leases	-	-	(488)	(488)
Floating rate borrowings	(1 243 390)	(1 223 065)	(1 242 261)	(1 219 225)
Lease commitments	(247 135)	(247 135)		
Trade and other payables	(337 920)	(337 920)	(221 896)	(221 896)
Income tax payable	-	-	(1 975)	(1 975)
Bank overdraft	(412)	(412)	(2)	(2)
Total	(2 137 279)	(2 113 057)	(1 774 836)	(1 733 541)

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, individual creditworthiness of the customer/counterparty and the risk characteristics of the financed project. Based on this evaluation, provision allowances are taken into account for the expected losses relating to these receivables. As at December 31, 2019, the carrying amounts of such receivables, net of provision allowances, approximated their fair values.
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial indebtedness, lease liabilities 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.

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; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of all interest rate derivatives is determined through level 2 valuation techniques, although the Group currently has no interest rate swap agreement outstanding. The fair value of long-term debt is determined using price quotations, when available, at the reporting date (level 1).

10. Cash and cash equivalents

<i>In thousand of€</i>	As at December 31, 2019	As at March 31, 2019	As at December 31, 2018	As at March 31, 2018
Cash at banks and on hand	244 780	103 575	192 505	71 390
Securities	2 885	2 859	2 885	21 573
Cash and cash equivalents	247 665	106 434	195 390	92 963

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

<i>In thousand of€</i>	As at December 31, 2019	As at March 31, 2019	As at December 31, 2018	As at March 31, 2018
Cash and cash equivalents	247 665	106 434	195 390	92 963
Bank overdrafts	(412)	(2)	(196)	(3 964)
Cash and cash equivalents position	247 253	106 432	195 195	88 999

11. Events after the reporting period

On January 23, 2020, ARYZTA AG advised that it had completed the disposal of a 43% shareholding in Picard to Invest Group Zouari ('IGZ').

ARYZTA retains a 4.5% shareholding in Picard and Lion Capital remains the majority shareholder of the Group.