Picard Bondco

Unaudited Interim Condensed Consolidated Financial Statements as at and for the quarter ended June 30, 2023

August 29, 2023

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Introduction

Highlights

The financial results of Picard Bondco and its consolidated subsidiaries (the “Group”, “Picard”, “Picard Group”, “we”, “our” or “us”) for the quarter ended June 30, 2023 (“Q1 2024”) include the following highlights:

- Q1 2024 sales of goods increased by 6.1% to €388.9 million from €366.6 million in Q1 2023, supported by a strong 3.7% increase in our French like-for-like sales;

- Our gross margin decreased to 44.4% in Q1 2024 from 45.0% in Q1 2023; and

- Q1 2024 EBITDA decreased by 10.9% to €54.7 million from €61.4 million in Q1 2023, fully explained by the increase in our energy costs. EBITDA margin remained high at 14.1%, but lower than the 16.7% in Q1 2023.

Acting Chairperson Guillaume Degauque commented: “In a context of continuing inflation which appears to have peaked in this first quarter, a food market still experiencing a decline in volumes, notably regarding frozen food products, and product shortages, our Q1 2024 sales of goods increased by 6.1% compared to Q1 2023. During the quarter, on a like-for-like basis, we experienced a decrease in the total number of tickets (-2.6%), mainly explained by a 1.5% negative calendar effect due to Bank Holidays, combined with a higher average basket size (6.5%). Excluding calendar effect, our like-for-like sales would have increased by 5.2%. Home delivery sales increased by 1.8% during Q1 2024, compared with Q1 2023. Our digital sales as a percentage of total sales increased to 4.1% in Q1 2024 from 3.9% in Q1 2023, confirming one of the pillars of our strategy: taking advantage of evolving habits of consumers, who order increasingly online.

Another key pillar of our strategy is brick and mortar expansion. Therefore, during this quarter, we opened two franchised stores in mainland France.

In line with our sustainable development strategy, we were awarded the FRET21 label in May 2023. Since 2019, we have been committed to the FRET21 program in order to limit the environmental impact of our transport and optimize the environmental performance of our supply chain. With this award, Picard officially becomes the first company in the retail sector to be awarded the FRET21 label.

We opened a new frozen food warehouse in the north of France in June 2023, the administration of which has been outsourced to GXO Logistics. The opening of this new warehouse is in line with the number of stores we have opened in recent years and the growth in our sales. This logistics warehouse will enable us to relieve the capacity of the warehouses in the Paris region as it provides us with additional capacity and is also closer to some of our stores in the north of France, as well as in Belgium and Luxembourg

Our Q1 2024 gross profit increased by €7.7 million, or 4.7%, from €165.0 million in Q1 2023 to €172.7 million in Q1 2024. Our gross margin decreased to 44.4% in Q1 2024 from 45.0% in Q1 2023, mainly due to the full period effect in Q1 2024 of the grant of award credits as part of our loyalty program, which was launched on May 30, 2022, and the unfavorable comparison with last year's margin rate, which had benefited from a favorable mix effect and the start of the inflationary wave.

Our profitability during Q1 2024 remained strong. Our EBITDA decreased from €61.4 million in Q1 2023 to €54.7 million in Q1 2024. This €6.7 million decrease was fully explained by the rise in our energy costs, which increased by €10.3 million during Q1, in spite of our higher sales and well controlled operating costs. Electricity prices borne by the Group in calendar year 2023 were secured in calendar year 2022 in the context of the international energy crisis. Most of this increase in electricity costs is non-recurring, as the Group has already been able to hedge a very large portion of its calendar year 2024 electricity at prices that are significantly lower than those of calendar year 2023, even if still more expensive than those of calendar year 2022. Consequently, EBITDA margin remained high at 14.1%, but lower than the 16.7% reported last year.

In light of the continuing uncertainties regarding the social and economic situation in France, management remains cautious with respect to future results. Inflationary pressures could persist over the coming months, particularly with regard to our energy expenses. One of the Group’s areas of focus is monitoring its gross margin and costs structure in this context.

Our strategy for the coming quarters remains focused on the implementation of our strategic growth plan initiated in 2021 and mainly concentrated on the optimization of our like-for-like sales performance, the expansion of our footprint in France and abroad and capturing market share in growing channels, notably omnichannel shopping solutions."

About Picard

Picard is the leading retailer of frozen food products in France, and the pioneer in the sector. We offer our customers approximately 1,280 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 June 30, 2023, we had 1,123 stores in France (including two franchised stores in Corsica, 12 franchised stores in La Réunion, five franchised stores in the French West Indies, three franchised stores in New Caledonia and 47 franchised stores in mainland France), 15 stores in Belgium, one store in Luxembourg, six franchised stores in Scandinavia and 12 franchised stores in Japan. We also sell Picard-branded products in Italy through a commercial agreement with an Italian retailer, in the United Kingdom through partnerships with Ocado and Tesco, in the Netherlands through a partnership with Albert Heijn and in Singapore through a partnership with RedMart, as well as in Hong Kong and the MENA region through partnerships with Al Futtaim Group in Marks & Spencer stores, in Taiwan through a partnership with RT Mart and in South Korea through a partnership with Kurly. 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. 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.

On October 4, 2019, Aryzta announced that it had received a binding offer from Invest Group Zouari ("IGZ") to sell a 42% stake in the Picard Group. The transaction was completed in January 2020. In January 2021, Aryzta sold its remaining stake in Picard to Lion Capital and IGZ, leaving Lion Capital and IGZ with respective stakes of 51.8% and 45.4%.

On October 6, 2010, Picard Bondco 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, 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) 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 elected to redeem €115 million of its 2010 Senior Notes. The partial redemption occurred on October 29, 2014. On March 9, 2015, Picard Bondco 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 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 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 "2017 Senior Secured Notes") and Picard Bondco issued €310 million aggregate principal amount of 5.50% Senior Notes due 2024 (the "2017 Senior Notes" and, together with the 2017 Senior Secured Notes, the "2017 Notes"). The gross proceeds from the sale of the 2017 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 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 "2017 Revolving Credit Facility").

On May 14, 2018, Picard Groupe S.A.S. issued an additional €60 million aggregate principal amount of 2017 Senior Secured Notes. The gross proceeds from the sale of the additional 2017 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.

On July 7, 2021, Picard Groupe S.A.S. issued €750 million aggregate principal amount of 3.875% sustainability-linked fixed rate senior secured notes due 2026 (the "Fixed Rate SSNs"), Lion/Polaris Lux 4 S.A. issued €650 million aggregate principal amount of sustainability-linked floating rate senior secured notes due 2026 (the "Floating Rate SSNs" and, together with the Fixed Rate SSNs, the "Senior Secured Notes") and Picard Bondco issued €310 million aggregate principal amount of 5.375% sustainability-linked senior notes due 2027 (the "Senior Notes" and, together with the Senior Secured Notes, the "Notes"). The gross proceeds from the sale of the Notes were used, together with cash on hand, to (i) redeem Picard Groupe S.A.S.'s outstanding 2017 Senior Secured Notes, including accrued and unpaid interest, (ii) redeem Picard Bondco's outstanding 2017 Senior Notes, including accrued and unpaid interest and the applicable redemption premium, (iii) distribute funds to the shareholders of the Picard Group and (iv) pay fees and expenses related to the transactions. On July 1, 2021, Picard Groupe S.A.S. and other entities of the Picard Group also entered into a €60 million revolving credit facility (the "Super-Senior Revolving Credit Facility"), which replaced the 2017 Revolving Credit Facility. See note 9.2 of the "Notes to the interim condensed consolidated financial statements" to the Picard Bondco June 30, 2023 financial statements.

Reporting

This report is the report as of and for the quarter ended June 30, 2023 required pursuant to Section 4.03 of each of the indenture governing the Fixed Rate SSNs, as amended and supplemented from time to time (the "Fixed Rate Senior Secured Notes Indenture"), the indenture governing the Floating Rate SSNs, as amended and supplemented from time to time (the "Floating Rate Senior Secured Notes Indenture" and, together with the Fixed Rate Senior Secured Notes Indenture, the "Senior Secured Notes Indentures") and the indenture governing the Senior Notes, as amended and supplemented from time to time (the "Senior Notes Indenture" and, together with the Senior Secured Notes Indentures, the "Indentures"), as well as clause 23.1 and clause 1.1.(b) of Schedule 19 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, the reporting entity for the Picard Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU" or "IFRS").

We have prepared the unaudited condensed consolidated financial statements for Picard Bondco for the period from April 1, 2023 to June 30, 2023, which are presented in this report in accordance with IFRS, including (i) the consolidated balance sheet as of June 30, 2023, (ii) the consolidated income statement and the consolidated statement of comprehensive income for the three-month period ended June 30, 2023 and (iii) the consolidated statement of cash flows for the three-month period ended June 30, 2023.

The accounting policies of Picard Bondco as set out in the Picard Bondco annual consolidated financial statements as of and for the year ended March 31, 2023 under IFRS have been consistently applied, except for the adoption of new standards and interpretations effective as of April 1, 2023. See note 2.2 of the “Notes to the Consolidated Financial Statements” to the Picard Bondco annual consolidated financial statements for a discussion of Picard Bondco’s significant accounting policies and note 2.1.1 of the “Notes to the interim condensed consolidated financial statements” to the Picard Bondco June 30, 2023 financial statements for a discussion of the new accounting standards and interpretations in effect starting from April 1, 2023.

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.

“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, and also excluding Click & Collect sales. For the purpose of like-for-like calculations, a store will be included (i) on the first day of the twelfth month following its opening date if it was opened between the first and the fifteenth day of any given month and (ii) on the first day of the thirteenth month following its opening date in all other cases. Like-for-like sales growth is presented because we believe it is frequently used by investors and other interested parties in evaluating companies in the retail sector. However, other companies may define like-for-like sales growth in a different manner than we do.

For Further Information

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

The historical information discussed below for Picard Bondco is as of and for the three-month periods ended June 30, 2022 and June 30, 2023 and is not necessarily representative of Picard Bondco's results of operations for any future period or our financial condition at any future date. We have prepared the unaudited condensed consolidated financial statements for Picard Bondco for the period from April 1, 2023 to June 30, 2023, included herein, in accordance with IFRS; such financial information has not been audited or reviewed by any auditor.

The following discussion includes "forward looking statements" 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, 2023. 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

Currency : in million of €	Three months* ended June 30, 2022	Three months* ended June 30, 2023	Three months* ended June 30, 2023 vs. June 30, 2022	
Sales	**366.6**	**388.9**	**22.3**	**6.1%**
Cost of goods sold	(201.6)	(216.2)	(14.6)	7.2%
Gross profit	**165.0**	**172.7**	**7.7**	**4.7%**
Other operating income	1.1	1.4	0.3	27.3%
Other purchase and external expenses	(50.2)	(61.7)	(11.5)	22.9%
Taxes	(3.5)	(3.7)	(0.2)	5.7%
Personnel expenses	(50.4)	(53.3)	(2.9)	5.8%
Other operating expenses	(0.6)	(0.6)	0.0	0.0%
EBITDA	**61.4**	**54.7**	**(6.7)**	**-10.9%**
Depreciation and amortization	(26.0)	(27.2)	(1.2)	4.6%
Operating profit	**35.4**	**27.5**	**(7.9)**	**-22.3%**
Finance costs	(21.3)	(26.3)	(5.0)	23.5%
Finance income	0.0	4.1	4.1	
Share of result in an associate	0.1	0.0	(0.1)	-100.0%
Income before tax	**14.3**	**5.3**	**(9.0)**	**-62.9%**
Income tax expense	(5.0)	(2.1)	2.9	-58.0%
Net income	**9.3**	**3.2**	**(6.1)**	**-65.6%**
Equity holders of the parent	9.3	3.2		
Non-controlling interests	0.0	0.0		

(*) Unaudited.

The following discussion and analysis summarizes EBITDA for the three months ended June 30, 2022 and June 30, 2023. 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*".

Results of Operations

Expansion of store network

As of June 30, 2023, we had 1,123 stores in France (including two franchised stores in Corsica, 12 franchised stores in La Réunion, five franchised stores in the French West Indies, three franchised stores in New Caledonia and 47 franchised stores in mainland France), 15 stores in Belgium, one store in Luxembourg, six franchised stores in Scandinavia and 12 franchised stores in Japan.

Sales of goods

Three months ended June 30, 2022 and June 30, 2023

Our sales of goods increased by €22.3 million, or 6.1%, from €366.6 million for the three months ended June 30, 2022 to €388.9 million for the three months ended June 30, 2023.

In France, sales of goods increased by €21.4 million, or 6.0%, from €358.2 million for the three months ended June 30, 2022 to €379.6 million for the three months ended June 30, 2023. French like-for-like sales increased by 3.7% in the three months ended June 30, 2023, as compared to the three months ended June 30, 2022, as a result of a 6.5% increase in the average basket size linked to the increase in our prices, partially offset by a 2.6% decrease in the total number of tickets. The decrease in the total number of tickets was mainly explained by a 1.5% negative calendar effect due to certain Bank Holidays. Excluding this calendar effect, sales would have grown by 5.2%.

Home delivery sales increased by €0.2 million, or 1.8%, from €11.1 million for the three months ended June 30, 2022 to €11.3 million for the three months ended June 30, 2023.

Sales in Belgium and Luxembourg increased by €0.7 million, or 17.5%, from €4.0 million for the three months ended June 30, 2022 to €4.7 million for the three months ended June 30, 2023.

Sales in other locations with our partners and franchisees increased by €0.2 million, or 4.5%, from €4.4 million for the three months ended June 30, 2022 to €4.6 million for the three months ended June 30, 2023 mainly due to higher sales in the UK and Singapore, partly offset by lower sales in Japan.

Cost of goods sold

Three months ended June 30, 2022 and June 30, 2023

Our cost of goods sold increased by €14.6 million, or 7.2%, from €201.6 million for the three months ended June 30, 2022 to €216.2 million for the three months ended June 30, 2023, mainly due to higher sales, as well as the increase in our raw material prices. Cost of goods sold as a percentage of sales increased from 55.0% for the three months ended June 30, 2022 to 55.6% for the three months ended June 30, 2023.

Gross profit

Three months ended June 30, 2022 and June 30, 2023

Our gross profit increased by €7.7 million, or 4.7%, from €165.0 million for the three months ended June 30, 2022 to €172.7 million for the three months ended June 30, 2023, mainly due to higher sales but partly offset by a decrease in our gross margin rate. Gross profit as a percentage of sales of goods decreased from 45.0% for the three months ended June 30, 2022 to 44.4% for the three months ended June 30, 2023. This decrease in our gross margin rate mainly resulted from the full period effect in Q1 2024 of the grant of award credits as part of our loyalty program, which was launched on May 30, 2022, and the unfavorable comparison with last year's margin rate, which had benefited from a favorable mix effect and the start of the inflationary wave.

Other operating income

Three months ended June 30, 2022 and June 30, 2023

Other operating income increased by €0.3 million, or 27.3%, from €1.1 million for the three months ended June 30, 2022 to €1.4 million for the three months ended June 30, 2023.

Other purchases and external expenses

Three months ended June 30, 2022 and June 30, 2023

Our other purchases and external expenses increased by €11.5 million, or 22.9%, from €50.2 million for the three months ended June 30, 2022 to €61.7 million for the three months ended June 30, 2023. This increase was primarily due to higher energy costs, which increased by €10.3 million compared to the three months ended June 30, 2022. This rise in electricity costs is explained by the fact that calendar year 2023 prices were secured in calendar year 2022, a year hit by the international energy crisis. Most of this increase in cost is non-recurring as the Group has already hedged a significant portion of its electricity for calendar 2024 at a price significantly lower than calendar year 2023, even if still higher than calendar year 2022. Logistics costs were well contained in a context of lower volumes. Advertising costs have showed a decrease mainly explained by a phasing effect throughout the year.

Taxes other than on income

Three months ended June 30, 2022 and June 30, 2023

Taxes other than on income increased by €0.2 million, from €3.5 million for the three months ended June 30, 2022 to €3.7 million for the three months ended June 30, 2023, mainly due to higher sales. Taxes other than on income as a percentage of sales of goods remained stable at 1.0% for the three months ended June 30, 2022 and for the three months ended June 30, 2023.

Personnel expenses

Three months ended June 30, 2022 and June 30, 2023

Personnel expenses increased by €2.9 million, or 5.8%, from €50.4 million for the three months ended June 30, 2022 to €53.3 million for the three months ended June 30, 2023. As a proportion of sales of goods, personnel expenses remained stable at 13.7% for the three months ended June 30, 2022 and the three months ended June 30, 2023.

Wages and salaries increased by €1.6 million, or 4.6%, from €34.8 million for the three months ended June 30, 2022 to €36.4 million for the three months ended June 30, 2023 as a result of (i) a general increase of 2.5% for all our employees in September 2022, which was implemented following the increasing inflation in France and the increase in legal minimum wages, and the annual salary increases in France and Belgium, in effect since April 2023, and (ii) the expansion of our store network. As a proportion of sales of goods, wages and salaries slightly decreased from 9.5% for the three months ended June 30, 2022 to 9.4% for the three months ended June 30, 2023.

Employee profit sharing in France increased by €0.3 million, from €3.7 million for the three months ended June 30, 2022 to €4.0 million for the three months ended June 30, 2023, as a result of the increase in contractual profit sharing ("*intéressement*") computed using budgeted sales.

Other personnel expenses, including social security costs, increased from €12.0 million for the three months ended June 30, 2022 to €12.9 million for the three months ended June 30, 2023. As a proportion of sales of goods, social security costs remained stable at 2.7% for the three months ended June 30, 2022 and for the three months ended June 30, 2023.

Other operating expenses

Three months ended June 30, 2022 and June 30, 2023

Our other operating expenses remained stable at €0.6 million for the three months ended June 30, 2022 and for the three months ended June 30, 2023.

EBITDA

Three months ended June 30, 2022 and June 30, 2023

EBITDA decreased by €6.7 million, or 10.9%, from €61.4 million for the three months ended June 30, 2022 to €54.7 million for the three months ended June 30, 2023, fully explained by the €10.3 million increase in electricity costs. Excluding that increase, which is partly non-recurring, EBITDA has remained solid with increasing sales and well-controlled operating expenses in a context of inflation. As a proportion of sales of goods, EBITDA decreased from 16.7% for the three months ended June 30, 2022 to 14.1% for the three months ended June 30, 2023.

Depreciation and amortization

Three months ended June 30, 2022 and June 30, 2023

Depreciation and amortization increased by €1.2 million, from €26.0 million for the three months ended June 30, 2022 to €27.2 million for the three months ended June 30, 2023 due to the expansion of our store network and the acceleration of our investments during the last 12 months, notably during the last quarter. As a proportion of sales of goods, depreciation and amortization slightly decreased from 7.1% for the three months ended June 30, 2022 to 7.0% for the three months ended June 30, 2023.

Operating profit

Three months ended June 30, 2022 and June 30, 2023

Operating profit decreased by €7.9 million, or 22.3%, from €35.4 million for the three months ended June 30, 2022 to €27.5 million for the three months ended June 30, 2023, as a result of the increase in our energy costs. As a proportion of sales of goods, operating profit decreased from 9.7% for the three months ended June 30, 2022 to 7.1% for the three months ended June 30, 2023.

Finance costs

Three months ended June 30, 2022 and June 30, 2023

Finance costs increased by €5.0 million, from €21.3 million for the three months ended June 30, 2022 to €26.3 million for the three months ended June 30, 2023. This increase in finance costs followed the increase in EURIBOR, impacting our Floating Rate SSNs. In December 2022, we entered into a CAP Spread, a swap used to hedge our exposure to changes in future interest payment cash flows linked to the Floating Rate SSNs. Through April 2025, the CAP Spread covers an aggregate principal amount of the Floating Rate SSNs of €300 million, up to a EURIBOR of 4%.

Finance income

Three months ended June 30, 2022 and June 30, 2023

Finance income was €4.1 million compared to €nil for the three months ended June 30, 2023. This increase in finance income was mainly due to (i) interest on financial securities and cash on hand and (ii) the swap described above generating €2.0 million in finance income on derivative instrument, due to both the change in fair value and the interest it triggered in June.

Share of result in an associate

Three months ended June 30, 2022 and June 30, 2023

Share of result in an associate declined by €0.1 million from a profit of €0.1 million for the three months ended June 30, 2022 to a result of €0.0 million for the three months ended June 30, 2023.

Income before tax

Three months ended June 30, 2022 and June 30, 2023

Income before tax decreased by €9.0 million, from €14.3 million for the three months ended June 30, 2022 to €5.3 million for the three months ended June 30, 2023. As a proportion of sales of goods, income before tax decreased from 3.9% for the three months ended June 30, 2022 to 1.4% for the three months ended June 30, 2023.

Income tax expense / (benefit)

Three months ended June 30, 2022 and June 30, 2023

Income tax expense decreased by €2.9 million, from €5.0 million for the three months ended June 30, 2022 to €2.1 million for the three months ended June 30, 2023. Income tax expense represented 35.0% of income before tax for the three months ended June 30, 2022 and 39.5% for the three months ended June 30, 2023. This increase is due to the increase in finance costs, some of which are not tax deductible.

Net income

Three months ended June 30, 2022 and June 30, 2023

Net income decreased by €6.1 million, from €9.3 million for the three months ended June 30, 2022 to €3.2 million for the three months ended June 30, 2023, as a result of the factors described above.

Certain Material Differences in the Financial Condition and Results of Operations Between Picard Bondco and Lion/Polaris Lux 4 S.A.

The consolidated financial information of Picard Bondco does not reflect intercompany loans between Picard Bondco and its subsidiaries. As of June 30, 2023, no intercompany loan from Picard Bondco or Lion/Polaris Lux Midco S.à r.l. to Lion/Polaris Lux 4 S.A. or any of its subsidiaries and no intercompany loan from Lion/Polaris Lux 4 S.A. or any of its subsidiaries to Picard Bondco or Lion/Polaris Lux Midco S.à r.l. was outstanding.

In addition, Picard Groupe S.A.S. is the issuer of the Fixed Rate SSNs and Lion/Polaris Lux 4 S.A. is the issuer of the Floating Rate SSNs. The Fixed Rate SSNs and the Floating Rate SSNs are guaranteed on a senior basis by Picard Bondco, Lion/Polaris Lux Midco S.à r.l., (in the case of the Fixed Rate SSNs) Lion/Polaris Lux 4 S.A., Lion Polaris II S.A.S. and (in the case of the Floating Rate SSNs) Picard Groupe S.A.S. Picard Bondco 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.

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

Picard Bondco

Unaudited interim condensed consolidated financial statements

June 30, 2023

7, rue Lou Hemmer, L-1748 Senningerberg, Grand Duchy of Luxembourg
RCS Luxembourg: B 154899
Subscribed capital: EUR 2,641,726

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

In thousand of €	Notes	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Sales of goods	*4*	388 882	366 592
Cost of goods sold		(216 230)	(201 627)
Gross profit		**172 652**	**164 966**
Other operating income	*5.1*	1 359	1 134
Other purchases and external expenses		(61 703)	(50 172)
Taxes		(3 714)	(3 536)
Personnel expenses	*5.2*	(53 314)	(50 392)
Depreciation and amortization		(27 216)	(25 955)
Other operating expenses	*5.3*	(578)	(617)
Operating profit		**27 487**	**35 427**
Finance costs	*5.4*	(26 347)	(21 322)
Finance income	*5.4*	4 111	22
Share of result in an associate	*6*	9	126
Income before tax		**5 259**	**14 253**
Income tax expense	*7*	(2 077)	(4 989)
Net income		**3 182**	**9 264**
Attributable to:			
Equity holders of the parent		3 182	9 264
Non-controlling interests			
Earnings per share:			
Basic earnings per share (*in euros*)		1.20	3.51
Fully diluted earnings per share (*in euros*)		1.20	3.51

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In thousand of €	Notes	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Net income		**3 182**	**9 264**
Foreign currency translation			
Items not to be reclassified to profit and loss:			
Actuarial gains of the period			
Income tax			
		-	-
Other comprehensive income for the period, net of tax		-	-
Comprehensive income		**3 182**	**9 264**
Attributable to:			
Equity holders of the parent		3 182	9 264
Non-controlling interests		-	-

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

In thousand of €	Notes	As at June 30, 2023	As at March 31, 2023
Assets			
Goodwill		815 170	815 170
Property, plant and equipment		239 390	238 841
Right-of-use assets	*8.1*	445 745	451 809
Other intangible assets		803 078	802 943
Investment in an associate	*6*	4 953	4 944
Other non-current financial assets	*9.1*	19 367	18 125
Total non-current assets		**2 327 702**	**2 331 832**
Inventories		130 835	117 412
Trade and other receivables		60 699	57 807
Income tax receivable		8 892	2 724
Current financial assets	*9.1*	81	80
Cash and cash equivalents	*10*	235 519	281 485
Total current assets		**436 025**	**459 508**
Total assets		**2 763 728**	**2 791 340**
Equity and liabilities			
Issued capital		2 642	2 642
Share premium		97	97
Other comprehensive income		2 178	2 178
Retained earnings		101 924	34 987
Net income of the period		3 182	66 936
Equity attributable to equity holders of the parent		**110 023**	**106 841**
Non-controlling interests			
Total equity		**110 023**	**106 841**
Non-current liabilities			
Interest-bearing loans and borrowings	*9.2*	1 695 519	1 694 500
Other non-current financial liabilities	*9.3*	347 517	353 802
Provisions		9 929	9 297
Employee benefit liability		9 459	9 184
Deferred tax liability		218 990	220 415
Total non-current liabilities		**2 281 414**	**2 287 198**
Current liabilities			
Trade and other payables		309 163	322 971
Income tax payable		-	541
Interest-bearing loans and borrowings	*9.2*	3 877	15 493
Other current financial liabilities	*9.3*	59 251	58 297
Total current liabilities		**372 292**	**397 301**
Total liabilities		**2 653 706**	**2 684 500**
Total equity and liabilities		**2 763 728**	**2 791 340**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In thousand of €	Issued capital	Share premium	Actuarial gain / (losses)	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, 2022	**2 642**	**97**	**578**	**578**	**(29 953)**	**64 939**	**38 304**	**-**	**38 304**
Net income attribution	-	-	-	-	64 939	(64 939)	-	-	-
Net income for the period	-	-	-	-		9 264	**9 264**	-	**9 264**
Other comprehensive income	-	-		-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**9 264**	**9 264**	**-**	**9 264**
Dividends paid	-		-	-		-	-		-
As at June 30, 2022	**2 642**	**97**	**578**	**578**	**34 987**	**9 264**	**47 569**	**-**	**47 569**
As at March 31, 2023	**2 642**	**97**	**2 178**	**2 178**	**34 987**	**66 936**	**106 840**	**-**	**106 840**
Net income attribution					66 936	(66 936)			-
Net income for the period						3 182	**3 182**		**3 182**
Other comprehensive income			-	-			-		-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**3 182**	**3 182**	**-**	**3 182**
Dividends paid							-		-
As at June 30, 2023	**2 642**	**97**	**2 178**	**2 178**	**101 923**	**3 182**	**110 023**	**-**	**110 023**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In thousand of €	Notes	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Operating activities			
Operating profit		27 487	35 427
Depreciation and impairment of property, plant and equipment		24 617	23 531
Amortisation and impairment of intangible assets		2 599	2 424
Other non cash operating items		(38)	307
Income tax paid		(9 943)	(13 829)
Operating cash flows before change in working capital requirements		*44 721*	*47 861*
Change in inventories		(13 423)	(12 206)
Change in trade and other receivables and prepayments		(2 892)	(86)
Change in trade and other payables		(5 494)	(12 649)
Net cash flows from operating activities, total		**22 913**	**22 919**
Investing activities			
Proceeds from sale of property, plant and equipment		499	16
Purchase of property, plant and equipment		(15 586)	(7 417)
Purchase of intangible assets		(1 500)	(3 001)
Purchase of financial instruments		(542)	(507)
Proceeds from sale of financial instruments		479	934
Net cash used in investing activities		**(16 649)**	**(9 975)**
Financing activities			
Proceeds from borrowings		-	-
Interests paid *		(35 598)	(29 357)
Interests paid related to leases contracts *		(1 787)	(1 674)
Payments related to leases contracts *		(14 831)	(14 740)
Net cash flows from/(used in) financing activities		**(52 216)**	**(45 771)**
Net increase / (decrease) in cash and cash equivalents		(45 953)	(32 826)
Net cash at the beginning of the year		281 431	206 538
Net cash at June 30	**17**	**235 478**	**173 713**

**In accordance with IFRS 16, which the Group adopted as from April 1, 2019, 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 (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 "Company"). The registered office of the Company is at 7 rue Lou-Hemmer, L-1748 Senningerberg, Grand Duchy of Luxembourg. The Company is an affiliate (fully controlled) of Lion/Polaris Lux Topco S.à r.l.

The Company 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.

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, 2023 to June 30, 2023.

2. Basis of preparation and accounting principles

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements as at and for the three-month period ended June 30, 2023 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, 2023.

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, 2023

Since April 1, 2023, the Group has applied the following new amendments, standards, and interpretations previously endorsed by the European Union:

- IFRS 17 Insurance contracts (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendments to IFRS 17 Insurance contracts (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates and Errors (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable according to the IASB in accounting periods beginning on or after January 1, 2023);
- Amendment to IFRS 17 Initial Application of IFRS 17 and IFRS 9 - Comparative Information (applicable according to the IASB in accounting periods beginning on or after January 1, 2023); and
- Amendments to IAS 12 International Tax Reform - Pillar Two Model Rules (applicable according to the IASB in accounting periods beginning on or after January 1, 2023)

The adoption of these policies had no material impact on the Group's consolidated financial statements.

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:

- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements (applicable according to the IASB in accounting periods beginning on or after January 1, 2024);
- Amendment to IFRS 16 Lease Liability in a Sale and Leaseback (applicable according to the IASB in accounting periods beginning on or after January 1, 2024); and

- Amendments to IAS 1 Non-current Liabilities with Covenants (applicable according to the IASB in accounting periods beginning on or after January 1, 2024).

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, 2023.

As at June 30, 2023, 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 June 30, 2023. 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 June 30, 2023. 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, 2024.

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 June 30, 2023, assumptions remain unchanged compared to March 31, 2023.

The Group is currently reviewing the assumption regarding salary increase rates and might amend this assumption in future quarterly reports.

Lease terms

Following the December 2019 publication of the IFRS IC decision clarifying the rules for determining the term of leases within the scope of IFRS 16 – Leases, the Group performed analyses to measure accounting impacts and implemented these new rules starting with the financial statements as at and for the period ended March 31, 2021.

These analyses also took into account the position statement published by the French accounting standards setter (Autorité des normes comptables – ANC) on July 3, 2020, which superseded the previous statement dated February 16, 2018, to determine the IFRS 16 lease terms of "3/6/9"- type French commercial leases, notably those which have entered an automatic renewal period.

The application of this IFRS IC interpretation is a change in accounting method requiring a retrospective calculation of the impacts as of April 1, 2019 (applying the same incremental borrowing rates table, between 1.2% and 2.0%, as the one initially used by the Group at the first-time application date, to the new lease terms).

Loyalty program

Since May 30, 2022, the Group has operated a new loyalty program that enables customers to obtain discounts or award credits on their future purchases. Award credits granted to customers under the loyalty program represent a performance obligation that is separately identifiable from the initial sales transaction. This performance obligation gives rise to the recognition of a contract liability included in Trade and other payables. The corresponding revenue is deferred until the award credits are used by the customer.

3. Significant events and seasonality of operations

3.1 Significant events of the period

There has been no significant event during the period.

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 franchised and corner operations and partnerships in Italy, the Netherlands, Scandinavia, Japan, Singapore, the United Kingdom, Hong Kong, South Korea, Taiwan and the MENA region, 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.

	For the three-month period ended June 30, 2023		
In thousand of €	**France**	**Other**	**Total**
Sales	379 590	9 291	388 882
Other operating income	1 319	40	1 359
Other operating expenses	(575)	(3)	(578)
Operating profit before amortization	**53 440**	**1 263**	**54 702**
Amortization of the year	(26 791)	(425)	(27 216)
Operating profit	**26 649**	**838**	**27 487**

	For the three-month period ended June 30, 2022		
In thousand of €	**France**	**Other**	**Total**
Sales	358 186	8 407	366 592
Other operating income	1 029	104	1 134
Other operating expenses	(615)	(2)	(617)
Operating profit before amortization	**60 271**	**1 111**	**61 382**
Amortization of the year	(25 551)	(404)	(25 955)
Operating profit	**34 720**	**707**	**35 427**

Total operating profit decreased by M€ 7.9, from M€ 35.4 for the three-month period ended June 30, 2022 to M€ 27.5 for the three-month period ended June 30, 2023.

5. Other operating income/expenses

5.1 Other operating income

In thousand of €	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Home Services shipping fees	297	312
Store rentals	234	172
Franchises	460	299
Other operating income	368	351
Total other operating income	**1 359**	**1 134**

5.2 Personnel expenses

In thousand of €	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Wages and salaries	(36 413)	(34 776)
Social security costs	(10 583)	(9 814)
Pension costs	(171)	(148)
Employee profit sharing	(3 953)	(3 650)
Other employee benefits expenses	(2 195)	(2 004)
Total personnel expenses	**(53 314)**	**(50 392)**

Total personnel expenses increased by M€ 2.9, from M€ 50.4 for the three-month period ended June 30, 2022 to M€ 53.3 for the three-month period ended June 30, 2023.

5.3 Other operating expenses

In thousand of €	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Royalties	(149)	(129)
Losses on bad debt	(144)	(223)
Other operating expenses	(285)	(265)
Total other operating expenses	**(578)**	**(617)**

5.4 Finance income and costs

In thousand of €	For the three-month period ended June 30, 2023	For the three-month period ended June 30, 2022
Interest expense	(23 895)	(19 527)
Net interest related to lease commitment	(2 244)	(1 662)
Interest costs of employee benefits	(104)	(30)
Foreign exchange losses	(1)	(0)
Other financial expenses	(102)	(104)
Finance costs	**(26 347)**	**(21 322)**
Income on short term investment	2 086	-
Financial income on derivative instrument	1 976	
Other financial income	48	21
Finance income	**4 111**	**22**

The K€ 2,244 net interest related to lease commitments in the three months ended June 30, 2023 represents the financial interest calculated on lease liabilities recognized in accordance with IFRS 16.

The K€ 1,976 financial income on derivative instrument in the three months ended June 30, 2023 represents the difference between the fair value and the book value of the CAP Spread entered into by the Group in December 2022 to hedge the Group's exposure to changes in future interest payment cash flows linked to the M€ 650 of floating rate senior secured notes due 2026 (see note *9.4 Hedging activities and derivatives*). The CAP Spread covers an amount of up to M€ 300.

6. Investment in an associate

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

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

In thousand of €	As at June 30, 2023	As at March 31, 2023
Share of the associate's statement of financial position:		
Non-current assets	6 132	6 140
Current assets	12 752	11 238
Current liabilities	9 852	9 813
Non-current liabilities	3 737	2 279
Equity	**5 295**	**5 286**
Share of the associate's revenue and result:		
Revenue	6 159	27 140
Result	9	306
Carrying amount of the investment	**4 952**	**4 943**

In thousand of €	As at June 30, 2023	As at March 31, 2023
Carrying value at opening	**4 943**	**4 637**
Share of result in an associate	9	306
Carrying value at closing	**4 952**	**4 943**

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. recorded on March 31, 2020 a non-cash impairment of its investment in Primex Norway to reflect these operational losses. Based on the activity of the plant since January 2020, the Group recorded additional depreciation in September 2020. The activity of this plant has now improved but remains below expectations. The valuation of Primex International will continue to be closely monitored by the Group. Pending the sustainability of results, the Group has not reversed any depreciation.

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 39.5%, 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 35% in previous periods. The increase in the average annual tax rate is mainly explained by the increase in finance costs, some of which are not tax deductible.

8. Leases

8.1 Breakdown of Right of Use recognized under IFRS 16

In thousand of €	Leasehold rights	Land & Buildings	Vehicles	**Right-of-use-assets**
Cost:				
As at April 1, 2023	**48 318**	**618 565**	**8 310**	**675 194**
Additions	(275)	8 775	632	**9 131**
Disposals		(517)	(474)	**(991)**
As at June 30, 2023	**48 043**	**626 823**	**8 468**	**683 334**
Depreciation and impairment:				
As at April 1, 2023	**(561)**	**(217 696)**	**(5 127)**	**(223 384)**
Additions	275	(14 647)	(508)	**(14 880)**
Disposals		201	474	**675**
As at June 30, 2023	**(286)**	**(232 142)**	**(5 161)**	**(237 589)**
Net book value:				
As at April 1, 2023	**47 757**	**400 869**	**3 183**	**451 810**
As at June 30, 2023	**47 757**	**394 681**	**3 307**	**445 745**

8.2 Breakdown of Other purchase and external expenses

(In thousand of €)	**For the three-month period ended June 30, 2023**	**For the three-month period ended June 30, 2022**
Rent expenses	(1 647)	(698)
Other purchase and external expenses (excluding Rent expenses)	(60 056)	(49 474)
Total Other purchase and external expenses	**(61 703)**	**(50 172)**

Rent expenses represent leases (following the adoption of IFRS 16) that have a term shorter than 12 months and leases valued at less than K$ 5.

8.3 Breakdown of Depreciation & amortization

(In thousand of €)	**For the three-month period ended June 30, 2023**	**For the three-month period ended June 30, 2022**
Depreciation & amortization of tangible Right of Use	(14 880)	(14 587)
Depreciation & amortization of other fixed assets	(12 336)	(11 368)
Total Depreciation & amortization	**(27 216)**	**(25 955)**

Depreciation and amortization of right-of-use assets relate to the depreciation of the right-of-use assets recognized in accordance with IFRS 16.

9. Financial assets and financial liabilities

9.1 Other current and non-current financial assets

In thousand of €	As at June 30, 2023	As at March 31, 2023
Deposits and guarantees	9 959	9 877
Related party loans	12	12
Other financial assets on derivate instrument	8 851	7 671
Other	626	644
Other financial assets	**19 448**	**18 205**
Of which non-current	*19 367*	*18 125*
Of which current	*81*	*80*

Other financial assets on derivate instrument of K€ 8,851 represents the fair value of the CAP Spread entered into by the Group in December 2022 to hedge the Group's exposure to changes in future interest payment cash flows linked to the M€ 650 of floating rate senior secured notes due 2026 (see note *9.4 Hedging activities and derivatives*). The CAP Spread covers an amount of up to M€ 300.

Other financial assets of K€ 626 represents the amount of financial receivables recognized in respect of sub-letting arrangements granted over the residual period of the leases concerned in accordance with IFRS16 (K€ 81 of which was recorded as current as at June 30, 2023).

9.2 Interest-bearing loans and borrowings

In thousand of €	Coupon interest rate	Maturity	As at June 30, 2023	As at March 31, 2023
Current				
Current portion of interest bearing loans and borrowings			3 836	15 439
Bank overdrafts		On demand	41	54
Total current interest-bearing loans and borrowings			**3 877**	**15 493**
Non current				
Senior secured notes 2026 (M€ 750)	3.875%	2026	743 264	742 780
Senior secured notes 2026 (M€ 650)	Euribor 3M + margin 4%	2026	644 995	644 610
Senior notes 2027 (M€ 310)	5.375%	2027	307 260	307 110
Total non-current interest-bearing loans and borrowings			**1 695 519**	**1 694 500**
Total interest-bearing loans and borrowings			**1 699 396**	**1 709 993**

On July 7, 2021, the Group successfully refinanced its existing debt. Picard Groupe S.A.S. issued M€ 750 aggregate principal amount of sustainability-linked fixed rate senior secured notes due 2026, Lion Polaris Lux 4 S.A. issued M€ 650 aggregate principal amount of sustainability-linked floating rate senior secured notes due 2026 and Picard Bondco issued M€ 310 aggregate principal amount of sustainability-linked senior notes due 2027. The gross proceeds from the sale of the Notes, together with cash on hand, were used to (i) redeem Picard Bondco's outstanding principal amount of senior notes due 2024 issued on December 14, 2017 including accrued and unpaid interest and the applicable redemption premium, (ii) redeem Picard Groupe S.A.S.'s outstanding principal amount of senior secured notes due 2023 issued on December 14, 2017 and May 14, 2018, including accrued and unpaid interest, (iii) fund distributions to the shareholders of the Group, and (iv) pay fees and expenses related to these transactions.

The Notes issued have the following characteristics:

- Picard Groupe S.A.S., a subsidiary of the Company, issued M€ 750 of fixed rate senior secured notes due 2026 in July 2021. These fixed rate senior secured notes are payable after five years on July 1, 2026. Interest is paid twice a year at a fixed interest rate of 3.875% per annum. The senior secured notes are refundable "in fine".
- Lion Polaris Lux 4 S.A., a subsidiary of the Company, issued M€ 650 of floating rate senior secured notes due 2026 in July 2021. These floating rate senior secured notes are payable after five years on July 1, 2026. Interest is paid quarterly based on a variable interest rate fixed in reference to a market rate (three-month EURIBOR, subject to a 0% floor) increased by a margin of 4% per annum. The floating rate senior secured notes are refundable "in fine".
- The Company issued M€310 of fixed rate senior notes due 2027 in July 2021. These senior notes are payable after six years on July 1, 2027, and interest is paid twice a year based on a fixed interest rate of 5.375% per annum. The senior notes are refundable "in fine".

9.3 Other financial liabilities

In thousand of €	**As at June 30, 2023**	**As at March 31, 2023**
Current		
Lease debt	59 251	58 297
Total other current financial liabilities	**59 251**	**58 297**
Non current		
Lease debt	347 437	353 724
Others	81	78
Total other non-current financial liabilities	**347 517**	**353 802**
Total other financial liabilities	**406 768**	**412 098**

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. This debt amounts to M€ 407 as of June 30, 2023.

9.4 Hedging activities and derivatives

Cash Flow Hedges

On December 2, 2022, the Group entered into a CAP Spread, a swap used to hedge the Group's exposure to changes in future interest payment cash flows linked to the M€ 650 of floating rate

senior secured notes due 2026 (see note 9.2 *Interest-bearing loans and borrowings*). The changes in fair value of this contract are recorded in the income statement.
The Group does not apply the hedge accounting method.

	Notional (K€)	Premium paid (K€)	Faire value as at June 30, 2023 (K€)	Value date	Maturity date	Underlying index	Strike purchase	Strike sale
CAP Spread	300 000	6 010	8 851	15/12/2022	15/06/2025	EUR3M	2%	4%

During the three-month period ended June 30, 2023, this resulted in financial income of M€ 1.8.

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 unaudited interim condensed consolidated financial statements.

In thousands of €	Carrying amount	Fair value	Carrying amount	Fair value
	As at June 30, 2023	As at June 30, 2023	As at March 31, 2023	As at March 31, 2023
Financial assets				
Trade and other receivables	38 316	38 316	36 335	36 335
Other financial assets	19 448	19 448	18 205	18 205
Cash and cash equivalents	235 519	235 519	281 485	281 485
Total	**293 282**	**293 282**	**336 025**	**336 025**
Financial liabilities				
Fixed rate borrowings	(1 050 524)	(955 615)	(1 049 890)	(927 666)
Obligations under finance leases	(47)	(47)	(46)	(46)
Floating rate borrowings	(644 995)	(633 555)	(644 610)	(626 639)
Lease commitments	(406 768)	(406 768)	(412 098)	(412 098)
Trade and other payables	(308 737)	(308 737)	(322 341)	(322 341)
Bank overdraft	(41)	(41)	(54)	(54)
Total	**(2 411 111)**	**(2 304 763)**	**(2 429 038)**	**(2 288 843)**

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based

on this evaluation, provision allowances are taken into account for the expected losses relating to these receivables. As at June 30, 2023, the carrying amounts of such receivables, net of provision allowances, approximated their fair values.

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt 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

In thousand of €	June 30, 2023	March 31, 2023	June 30, 2022	March 31, 2022
Cash at banks and on hand	102 660	98 626	170 861	203 684
Securities	132 859	182 859	2 859	2 859
Cash and cash equivalents	**235 519**	**281 485**	**173 720**	**206 542**

Cash and cash equivalents include term deposits of M€ 130 which are not immediately available.

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

In thousand of €	June 30, 2023	March 31, 2023	June 30, 2022	March 31, 2022
Cash and cash equivalents	235 519	281 485	173 720	206 542
Bank overdrafts	(41)	(54)	(8)	(5)
Net cash position	**235 478**	**281 431**	**173 712**	**206 538**

11. Events after the reporting period

There has been no significant event since June 30, 2023.