Picard Bondco S.A.

Consolidated Financial Statements at September 30, 2016

November 29, 2016

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Introduction

Highlights

The financial results of Picard Bondco S.A. for Q2 2017 (the quarter ended September 30, 2016) include the following highlights:

- Q2 2017 sales increased by 0.2% to €274.8 million, from €274.2 million in Q2 2016;
- Q2 2017 gross profit increased by 0.7% to €122.6 million, from €121.7 million in Q2 2016 while gross margin improved from 44.4% in Q2 2016 to 44.6% in Q2 2017; and
- Q2 2017 EBITDA increased by 3.6% to €29.1 million, from €28.1 million in Q2 2016.

CEO Philippe Dailliez commented: "Our Q2 2017 sales increased by 0.2% despite the continuing challenging economic environment. Our French like-for-like sales for the three months ended September 30, 2016 decreased by 1.3%. The decrease was mainly explained by commercial performance during the month of September, which was affected by unfavorable weather conditions as well as the fact that our commercial campaign "10 jours shopping" started in October this year instead of late September as was the case last year. Additionally, our sales were affected by a negative calendar effect. This like-for-like trend was partially offset by the success of our expansion strategy, as we continued to open both own stores and franchised stores in mainland France to target smaller cities and enlarge our growth potential.

Sales in Belgium, Luxembourg and Sweden increased by 10.9%, from €4.6 million in Q2 2016 to €5.1 million in Q2 2017. We also continued to explore growth opportunities abroad and developed the contribution of Japan and Switzerland.

Our Q2 2017 gross profit improved by €0.9 million, or 0.7%, supported by our sales and our gross margin rate increase from 44.4% in Q2 2016 to 44.6%.

These factors combined with our close control of operating expenses enabled us to increase our EBITDA by €1.0 million, or 3.6%, over the period.

In light of the continuing economic downturn and the resulting uncertain economic 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) and opening new stores in France, Belgium, Sweden and Switzerland, while maintaining our gross margin and closely monitoring our costs."

About Picard

Picard is the leading retailer of frozen food products in France, and the pioneer in the sector. We offer our customers approximately 1,100 different frozen food SKUs, including unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full-range of ready-made starters, main courses, desserts and ice cream at various prices. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food. As of September 30, 2016, we had 969 stores in France (including 2 franchised stores in Corsica, 7 franchised stores in La Réunion and 6 franchised stores in mainland France), 16 stores in Belgium, 16 stores in Sweden, 1 store in Luxembourg, and 4 franchised stores in Switzerland.

On October 14, 2010, Picard Groupe was acquired by funds managed or advised by Lion Capital LLP. 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 March 31, 2015, Lion Capital and its associated funds entered into negotiations with ARYZTA AG, a world-wide group active in the food industry and a leader in the manufacturing and distribution of bakery-related products to industrial companies, regarding the acquisition of a 49.5% interest in the Picard Group’s indirect parent company. Following receipt of all necessary regulatory approvals, the acquisition of 49.5% of the Picard Group’s indirect parent company was completed on August 19, 2015. ARYZTA AG also benefits from a call option in 2018, 2019 and 2020, allowing it to acquire all the remaining shares of the Picard Group’s indirect parent company.

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

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

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

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

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

Reporting

This report is the report as of and for the quarter ended September 30, 2016 required pursuant to Section 4.03 of each of the indentures governing the Senior Secured Notes, as amended and supplemented from time to time (the “Senior Secured Notes Indenture”), the indenture governing the PIK Notes, as amended and supplemented from time to time (the “PIK Notes Indenture”), and the indenture governing the Senior Notes (the “Senior Notes Indenture” and, together with the Senior Secured Notes Indenture and the PIK Notes Indenture, the “Indentures”), as well as clause 23.3 and clause 1.1.(a) of Schedule 14 of the agreement governing the Revolving Credit Facility (the “Revolving Credit Facility Agreement”).

Presentation of Financial Information

Financial statements presented

This report contains the unaudited 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 of Picard Bondco S.A. from April 1, 2016 to September 30, 2016, which are presented in this report in accordance with IFRS, including (i) the consolidated statement of financial position as of September 30, 2016, (ii) the statement of income for the three- and six–month periods ended September 30, 2016 and (iii) the statement of cash flow for the six-month period ended September 30, 2016. See the “Notes to the Unaudited Interim Condensed Consolidated Financial Statements of Picard Bondco S.A.” for a discussion of Picard Bondco S.A.’s accounting policies.

Other Financial Measures

The following is the primary non-IFRS financial measure that is 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 and La Réunion.

For Further Information

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

The accounting policies of Picard Bondco S.A. as set out in the Picard Bondco S.A. annual financial statements as of and for the year ended March 31, 2016 have been consistently applied. See note 2.2 of the "Notes to the Unaudited Interim Condensed Consolidated Financial Statements of Picard Bondco S.A." for a discussion of Picard Bondco S.A.'s accounting policies.

The historical information discussed below for Picard Bondco S.A. is as of and for the three- and six-month periods ended September 30, 2015 and September 30, 2016 and is not necessarily representative of Picard Bondco's results of operations for any future period or our financial condition at any future date; such financial information has not been audited or reviewed by any auditor.

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

Consolidated Income Statement of Picard Bondco S.A.

	Three months ended (*)		Six months ended (*)	
Currency: in million of €	September 30, 2015 (**)	September 30, 2016	September 30, 2015 (**)	September 30, 2016
Sales	**274.2**	**274.8**	**578.1**	**582.0**
Cost of goods sold	(152.4)	(152.2)	(323.5)	(324.1)
Gross profit	**121.7**	**122.6**	**254.6**	**257.9**
Other operating income	2.3	1.4	3.1	2.1
Other purchase and external expenses	(51.7)	(51.6)	(105.5)	(106.0)
Taxes	(2.6)	(3.3)	(5.2)	(7.3)
Personnel expenses	(40.9)	(39.4)	(80.3)	(78.9)
Other operating expenses	(0.7)	(0.6)	(1.1)	(1.0)
EBITDA	**28.1**	**29.1**	**65.7**	**66.8**
Depreciation, Amortization and provisions allowances	(9.3)	(8.4)	(18.5)	(16.6)
Operating profit	**18.8**	**20.7**	**47.1**	**50.2**
Finance costs	(18.8)	(18.1)	(37.4)	(36.3)
Finance income	0.0	0.0	0.2	0.1
Share of profit in an associate	0.1	0.1	0.3	0.2
Income before tax	**0.1**	**2.8**	**10.2**	**14.1**
Income tax expense	(0.0)	(1.4)	(4.9)	(7.0)
Net income	**0.0**	**1.4**	**5.3**	**7.1**
Equity holders of the parent	0.2	1.4	5.5	7.2
Non-controlling interests	(0.2)	(0.0)	(0.2)	(0.1)

* Unaudited
** After the impact of IFRIC 21 first adoption (See notes 2.1.1 and 2.1.3 to the Consolidated Financial Statements for the year ended March 31, 2016) and some reclassifications made to align with the presentation of the consolidated income statement for the period ended September 30, 2016

Results of operations

Comparison of the three-month and six-month periods ended September 30, 2016 and September 30, 2015

The following discussion presents selected consolidated financial information of Picard Bondco S.A. for the three-month and six-month periods ended September 30, 2016 and 2015.

Expansion of Store Network

As of September 30, 2016, we had 969 stores in France (including 2 franchised stores in Corsica, 7 franchised stores in La Réunion and 6 franchised stores in mainland France), 16 stores in Belgium, 16 stores in Sweden, 1 store in Luxembourg and 4 franchised stores in Switzerland.

Sales

Six months ended September 30, 2016 and September 30, 2015

Our sales increased by €3.9 million, or 0.7%, from €578.1 million for the six months ended September 30, 2015 to €582.0 million for the six months ended September 30, 2016. In France, sales increased by €4.1 million, or 0.7%, from €565.4 million for the six months ended September 30, 2015 to €569.5 million for the six months ended September 30, 2016, mainly as a result of new store openings and increases in home delivery services. Like-for-like sales decreased by 0.7% for the period, as a result of a 0.2% decrease in the total number of tickets and by a 0.5% decrease in the average basket.

Following the completion of the sale of the Italian subsidiary in May 2015, the contribution of sales in Italy decreased by €1.7 million, from €2.5 million for the six months ended September 30, 2015 to €0.8 million for the six months ended September 30, 2016. Our new commercial agreement signed following the divestment of the subsidiary will enable us to maintain our presence in Italy, although we expect that revenue from Italy will be lower than prior to the divestment.

Sales in Belgium, Luxembourg and Sweden increased by €1.0 million, from €9.7 million for the six months ended September 30, 2015 to €10.7 million for the six months ended September 30, 2016, due to the increase in our number of stores.

Sales in Switzerland increased by €0.3 million, from €0.3 million for the six months ended September 30, 2015 to €0.6 million of our sales for the six months ended September 30, 2016, and our footprint in the region is expected to grow in line with our international expansion strategy. Finally, Japan added a contribution of €0.4 million to our sales, through our commercial partnership concluded with the distributor Aeon.

Three months ended September 30, 2016 and September 30, 2015

Our sales increased by €0.6 million, or 0.2%, from €274.2 million for the three months ended September 30, 2015 to €274.8 million for the three months ended September 30, 2016. In France, sales remained flat (€0.1 million decrease), at €268.8 million for the three months ended September 30, 2016. Like-for-like sales decreased by 1.3% over the period, in part as a result of a 1.1% decrease in the total number of tickets and a 0.1% decrease in the average basket. In France, the quarterly performance was impacted by a slightly negative calendar effect as well as by the weather conditions that were unfavourable to frozen foods and marked by unusually elevated temperatures. Finally, our main commercial operation (“10 jours shopping”) started later this year and only contributed to sales in October.

Sales in Belgium, Luxembourg and Sweden increased by €0.5 million, from €4.6 million for the three months ended September 30, 2015 to €5.1 million for the three months ended September 30, 2016, due to the increase in our number of stores.

Sales in Switzerland increased by €0.2 million, from €0.1 million for the three months ended September 30, 2015 to €0.3 million for the three months ended September 30, 2016, and our footprint in the region is expected to grow in line with our international expansion strategy. Contribution of sales in Italy remained in line with last year's at €0.3 million.

Cost of goods sold

Six months ended September 30, 2016 and September 30, 2015

Our cost of goods sold increased by €0.6 million, or 0.2%, from €323.5 million for the six months ended September 30, 2015 to €324.1 million for the six months ended September 30, 2016, mainly due to an increased volume of purchases. Cost of goods sold as a percentage of sales decreased from 56.0% for the six months ended September 30, 2015 to 55.7% for the six months ended September 30, 2016, driven by improved negotiations with suppliers as well as the timing of 2 major promotional campaigns that occurred during the six months ended September 30, 2015 (Easter and "10 jours shopping") and not in the comparable period this year.

Three months ended September 30, 2016 and September 30, 2015

Our cost of goods sold decreased by €0.2 million, or 0.1%, from €152.4 million for the three months ended September 30, 2015 to €152.2 million for the three months ended September 30, 2016. Cost of goods sold as a percentage of sales decreased from 55.6% for the three months ended September 30, 2015 to 55.4% for the three months ended September 30, 2016, driven by improved negotiations with suppliers as well as the timing of the "10 jours shopping" promotion that occurred during the six months ended September 30, 2015 and not in the comparable period this year.

Gross Profit

Six months ended September 30, 2016 and September 30, 2015

Our gross profit increased by €3.3 million, or 1.3%, from €254.6 million for the six months ended September 30, 2015 to €257.9 million for the six months ended September 30, 2016, as a result of higher sales and improved trading margins. Gross profit as a percentage of sales of goods improved from 44.0% for the six months ended September 30, 2015 to 44.3% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Our gross profit increased by €0.9 million, or 0.7%, from €121.7 million for the three months ended September 30, 2015 to €122.6 million for the three months ended September 30, 2016, as a result of improved trading margins. Gross profit as a percentage of sales of goods increased from 44.4% for the three months ended September 30, 2015 to 44.6% for the three months ended September 30, 2016.

Other operating income

Six months ended September 30, 2016 and September 30, 2015

Other operating income decreased by €1.0 million, from €3.1 million for the six months ended September 30, 2015 to €2.1 million for the six months ended September 30, 2016. Other operating income for the six months ended September 30, 2015 included a €1.4 million indemnity received from the authorities as compensation for a store eviction.

Three months ended September 30, 2016 and September 30, 2015

Other operating income decreased by €0.9 million from €2.3 million for the three months ended September 30, 2015 to €1.4 million for the three months ended September 30, 2016. The three months ended September 30, 2015 benefitted from a €1.4 million indemnity received from the authorities as compensation for a store eviction.

Other purchases and external expenses

Six months ended September 30, 2016 and September 30, 2015

Our other purchases and external expenses increased by €0.5 million, or 0.5%, from €105.5 million for the six months ended September 30, 2015 to €106.0 million for the six months ended September 30, 2016, principally due to the increase in maintenance costs following the extension of our store network. The increase in maintenance costs was partially offset by lower rental costs, as a consequence of the low inflation rates on which most of our rents are indexed, combined with renegotiations with landlords. Lower energy costs were also achieved following the signing of a new energy contract last year. Other purchases and external expenses as a percentage of sales of goods remained flat at 18.2% for the six months ended September 30, 2016 and September 30, 2015.

Three months ended September 30, 2016 and September 30, 2015

Our other purchases and external expenses decreased by €0.1 million, or 0.2%, from €51.7 million for the three months ended September 30, 2015 to €51.6 million for the three months ended September 30, 2016, as the increased maintenance expenses resulting from the extension of our store network in France, Belgium and Sweden were offset by lower logistics and energy costs. Other purchases and external expenses as a percentage of sales of goods decreased from 18.9% for the three months ended September 30, 2015 to 18.8% for the three months ended September 30, 2016.

Taxes other than on income

Six months ended September 30, 2016 and September 30, 2015

Taxes other than on income increased by €2.1 million, or 40.4%, from €5.2 million for the six months ended September 30, 2015 to €7.3 million for the six months ended September 30, 2016. This increase resulted mainly from a change in the accounting for the tax on retail sales areas in France ("TaSCom") which has been implemented since April 1, 2016. Following a change in legislation and in accordance with the interpretation IFRIC 21, this tax is now recognized on a pro rata basis, instead of being fully accounted for on January 1st of each year (See note 6.2 of the unaudited interim condensed consolidated financial statements). This change in accounting treatment triggered a €2.5 million negative timing impact on certain taxes recognized in the six months ended September 30, 2016. Mainly due to this accounting method change, taxes other than on income as a percentage of sales of goods increased from 0.9% for the six months ended September 30, 2015 to 1.3% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Taxes other than on income increased by €0.7 million, or 26.9%, from €2.6 million for the three months ended September 30, 2015 to €3.3 million for the three months ended September 30, 2016. This increase resulted mainly from a change in the accounting for the TaSCom which has been implemented since April 1, 2016. Following a change in legislation and in accordance with the interpretation IFRIC 21, this tax is now recognized on a pro rata basis, instead of being fully accounted for on January 1st of each year (See note 6.2 of the unaudited interim condensed consolidated financial statements). This change in accounting treatment triggered a €0.7 million negative timing impact on certain taxes recognized in the three months ended September 30, 2016. Due to this accounting method change, taxes other than on income as a percentage of sales of goods increased from 0.9% for the three months ended September 30, 2015 to 1.2% for the three months ended September 30, 2016.

Personnel expenses

Six months ended September 30, 2016 and September 30, 2015

Personnel expenses decreased by €1.4 million, or 1.7%, from €80.3 million for the six months ended September 30, 2015 to €78.9 million for the six months ended September 30, 2016. As a proportion of sales of goods, personnel expenses decreased from 13.9% for the six months ended September 30, 2015 to 13.6% for the six months ended September 30, 2016. This decrease was mainly due to a €2.0 million non-recurring bonus paid to the employees of the group in September 2015 and was partially offset by the expansion of our store network.

Wages and salaries therefore decreased by €1.4 million, or 2.5%, from €56.9 million for the six months ended September 30, 2015 to €55.5 million for the six months ended September 30, 2016, as a result of the non-recurring bonus paid in September 2015, partly offset by network expansion. As a proportion of sales of goods, wages and salaries decreased from 9.8% for the six months ended September 30, 2015 to 9.5% for the six months ended September 30, 2016.

Employee profit sharing increased from €4.4 million for the six months ended September 30, 2015 to €4.8 million for the six months ended September 30, 2016.

Other personnel expenses decreased by €0.4 million, or 2.1%, from €19.0 million for the six months ended September 30, 2015 to €18.6 million for the six months ended September 30, 2016. The impact of the competitiveness and employment tax credit ("*crédit d'impôt pour la compétitivité et l'emploi*") (the "CICE") was recorded as income, therefore reducing payroll charges (impact of €2.7 million in the six months ended September 30, 2015 and €2.8 million in the six months September 30, 2016). Excluding the CICE, payroll charges decreased by €0.9 million from €19.3 million for the six months ended September 30, 2015 to €18.4 million for the six months ended September 30, 2016, which mainly reflected a reduction of certain French social charges, principally family allowance contributions ("*cotisations d'allocations familiales*") and the charges on the non-recurring bonus paid in September 2015. As a proportion of sales of goods, payroll charges decreased from 2.9% for the six months ended September 30, 2015 to 2.7% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Personnel expenses decreased by €1.5 million, or 3.7%, from €40.9 million for the three months ended September 30, 2015 to €39.4 million for the three months ended September 30, 2016. As a proportion of sales of goods, personnel expenses decreased from 14.9% for the three months ended September 30, 2015 to 14.3% for the three months ended September 30, 2016. This decrease was mainly due to a

€2.0 million non-recurring bonus paid to the employees of the group in September 2015 and was partially offset by the expansion of our store network.

Wages and salaries therefore decreased by €1.4 million from €29.5 million for the three months ended September 30, 2015 to €28.1 million for the three months ended September 30, 2016, as a result of the non-recurring bonus paid in September 2015 partially offset by the expansion of our store network. As a proportion of sales of goods, wages and salaries decreased from 10.8% for the three months ended September 30, 2015 to 10.2% for the three months ended September 30, 2016.

Employee profit sharing decreased from €1.9 million for the three months ended September 30, 2015 to €1.8 million for the three months ended September 30, 2016.

Other personnel expenses remained flat at €9.5 million for the three months ended September 30, 2016 and September 30, 2015. The impact of the CICE was recorded as income, therefore reducing payroll charges (impact of €1.4 million in the three months ended September 30, 2015 and September 30, 2016). Excluding the CICE, payroll charges decreased by €0.3 million from €9.7 million for the three months ended September 30, 2015 to €9.4 million for the three months ended September 30, 2016. As a proportion of sales of goods, payroll charges decreased from 3.0% for the three months ended September 30, 2015 to 2.9% for the three months ended September 30, 2016.

EBITDA

Six months ended September 30, 2016 and September 30, 2015

EBITDA increased by €1.1 million, or 1.7%, from €65.7 million for the six months ended September 30, 2015 to €66.8 million for the six months ended September 30, 2016. As a proportion of sales of goods, EBITDA increased from 11.4% for the six months ended September 30, 2015 to 11.5% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

EBITDA increased by €1.0 million, or 3.6%, from €28.1 million for the three months ended September 30, 2015 to €29.1 million for the three months ended September 30, 2016. As a proportion of sales of goods, EBITDA increased from 10.2% for the three months ended September 30, 2015 to 10.6% for the three months ended September 30, 2016.

Depreciation, amortization and provisions

Six months ended September 30, 2016 and September 30, 2015

Depreciation, amortization and provisions decreased from €18.5 million for the six months ended September 30, 2015 to €16.6 million for the six months ended September 30, 2016. This decrease was partly explained by accelerated depreciation of 4 stores that were closed during the six months ended September 30, 2015. As a proportion of sales of goods, this item decreased from 3.2% for the six months ended September 30, 2015 to 2.9% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Depreciation, amortization and provisions decreased from €9.3 million for the three months ended September 30, 2015 to €8.4 million for the three months ended September 30, 2016. This decrease was mainly explained by accelerated depreciation of 4 stores that were closed during the three months ended September 30, 2015. As a proportion of sales of goods, this item decreased from 3.4% for the three months ended September 30, 2015 to 3.1% for the three months ended September 30, 2016.

Operating profit

Six months ended September 30, 2016 and September 30, 2015

Operating profit increased by €3.1 million, from €47.1 million for the six months ended September 30, 2015, to €50.2 million for the six months ended September 30, 2016. As a proportion of sales of goods, operating profit increased from 8.1% for the six months ended September 30, 2015 to 8.6% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Operating profit increased by €1.9 million, from €18.8 million for the three months ended September 30, 2015, to €20.7 million for the three months ended September 30, 2016. As a proportion of sales of goods, operating profit increased from 6.9% for the three months ended September 30, 2015 to 7.5% for the three months ended September 30, 2016.

Finance costs

Six months ended September 30, 2016 and September 30, 2015

Finance costs decreased by €1.1 million from €37.4 million for the six months ended September 30, 2015 to €36.3 million for the six months ended September 30, 2016. This decrease was mainly explained by the decrease in our interest expense in relation to the partial redemption of our Senior Secured Notes that occurred in May 2016 and a €0.5 million gain in connection with our interest rate swaps (See Note 6.5 to the Unaudited Interim Condensed Consolidated Financial Statements).

Three months ended September 30, 2016 and September 30, 2015

Finance costs decreased by €0.7 million from €18.8 million for the three months ended September 30, 2015 to €18.1 million for the three months ended September 30, 2016. This decrease was mainly explained by the decrease in our interest expense in relation to the partial redemption of our Senior Secured Notes that occurred in May 2016 and a €0.4 million gain in connection with our interest rate swaps (See Note 6.5 to the Unaudited Interim Condensed Consolidated Financial Statements).

Income before Tax

Six months ended September 30, 2016 and September 30, 2015

Income before tax increased by €3.9 million, from €10.2 million for the six months ended September 30, 2015, to €14.1 million for the six months ended September 30, 2016, mainly as a result of the improvement of our operating profit as well as the decrease of our finance costs. As a proportion of sales of goods, this item increased from 1.8% for the six months ended September 30, 2015 to 2.4% for the six months ended September 30, 2016.

Three months ended September 30, 2016 and September 30, 2015

Income before tax increased by €2.7 million, from €0.1 million for the three months ended September 30, 2015, to €2.8 million for the three months ended September 30, 2016, mainly as a result of the improvement of our operating profit as well as the decrease of our finance costs. As a proportion of sales of goods, this item increased from 0.0% for the three months ended September 30, 2015 to 1.0% for the three months ended September 30, 2016.

Income tax expense

Six months ended September 30, 2016 and September 30, 2015

Income tax expense increased by €2.1 million, from €4.9 million for the six months ended September 30, 2015, to €7.0 million for the six months ended September 30, 2016, reflecting higher income before tax, which was partially offset by a decreased estimated annual income tax rate.

Three months ended September 30, 2016 and September 30, 2015

Income tax expense increased by €1.4 million, from €0.0 million for the three months ended September 30, 2015, to €1.4 million for the three months ended September 30, 2016, reflecting higher income before tax.

Net income

Six months ended September 30, 2016 and September 30, 2015

Net income increased by €1.8 million, from €5.3 million for the six months ended September 30, 2015 to €7.1 million for the six months ended September 30, 2016, as a result of the factors described above.

Three months ended September 30, 2016 and September 30, 2015

Net income increased by €1.4 million, from €0.0 million for the three months ended September 30, 2015 to €1.4 million for the three months ended September 30, 2016, as a result of the factors described above.

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

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

In addition, Picard Groupe S.A.S. is the issuer of the Senior Secured Notes. The Senior Secured Notes are guaranteed on a senior basis by Lion/Polaris Lux 3 S.A., Lion/Polaris Lux 4 S.A., Lion Polaris II S.A.S. and Picard Surgelés S.A.S. and on a subordinated basis by Picard Bondco S.A. Picard Bondco S.A. is the issuer of the Senior Notes. The Senior Notes are guaranteed on a subordinated basis by Lion/Polaris II S.A.S., Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A. Picard Bondco S.A. had also issued approximately €381.7 million of mandatory redeemable preferred shares, of which €367.6 million (and all the accrual yield) were redeemed in connection with the Refinancing. On May 29, 2015, Picard Bondco S.A., as a result of a capital contribution without the issuance of new shares, redeemed and cancelled the remaining mandatory redeemable preferred shares for a total aggregate price of €14.5 million, including accrued interest.

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 principal difference in EBITDA is the holding company expenses of Picard Bondco S.A., Lion/Polaris Lux 3 S.A. and Lion/Polaris Lux 4 S.A.

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

Picard Bondco S.A.

Unaudited interim condensed consolidated financial statements

September 30, 2016

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(In thousand of €)	Notes	For the three-month period ended September 30, 2016	For the three-month period ended September 30, 2015 *	For the six-month period ended September 30, 2016	For the six-month period ended September 30, 2015 *
Sales of goods	*5*	274 775	274 197	582 029	578 116
Cost of good sold		(152 208)	(152 448)	(324 131)	(323 491)
Gross profit		**122 567**	**121 749**	**257 898**	**254 625**
Other operating income	*6.1*	1 417	2 318	2 114	3 094
Other purchase and external expenses		(51 628)	(51 714)	(106 037)	(105 475)
Taxes	*6.2*	(3 279)	(2 586)	(7 276)	(5 165)
Personnel expenses	*6.3*	(39 375)	(40 930)	(78 947)	(80 318)
Depreciation & amortization		(8 412)	(9 328)	(16 622)	(18 535)
Other operating expenses	*6.4*	(559)	(723)	(952)	(1 088)
Operating profit		**20 732**	**18 786**	**50 179**	**47 137**
Finance costs	*6.5*	(18 069)	(18 847)	(36 307)	(37 398)
Finance income	*6.5*	34	38	77	185
Share of profit in an associate		108	116	185	290
Income before tax		**2 805**	**93**	**14 134**	**10 214**
Income tax expense	*7*	(1 395)	(44)	(7 010)	(4 902)
Net income		**1 409**	**49**	**7 123**	**5 312**
Attributable to:					
Equity holders of the parent		1 410	221	7 222	5 535
Non-controlling interests		(1)	(172)	(99)	(223)
Earnings per share:					
Basic earnings per share (in euros)		0,53	0,08	2,73	2,10
Fully diluted earnings per share (in euros)		0,53	0,08	2,73	2,10

( ) The following main reclassifications have been made to the consolidated income statement for the period ended 30 September 2015 with a view to aligning it with the presentation of the consolidated income statement for the period ended 30 September 2016:*

• Reclassification of sold shipping costs: from sales of goods to other operating income for 449 K€

• Reclassification of purchased shipping costs: from cost of goods sold to other purchase and external expenses for 1 458 K€

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousand of €)	Notes	For the three-month period ended September 30, 2016	For the three-month period ended September 30, 2015	For the six-month period ended September 30, 2016	For the six-month period ended September 30, 2015
Net income		**1 409**	**49**	**7 123**	**5 312**
Items to be reclassified to profit and loss:					
Net gain / (loss) on cash flow hedges	***8.3***	200	(280)	540	298
Income tax		(69)	96	(186)	(103)
		131	(184)	354	195
Foreign currency translation		42	(24)	38	(33)
Items not to be reclassified to profit and loss:					
Actuarial gains / (loss) of the period		-	-	-	-
Income tax		-	-	-	-
		-	-	-	-
Other comprehensive income / (loss) for the period, net of tax		*173*	*(208)*	*392*	*162*
Comprehensive income		**1 582**	**(159)**	**7 515**	**5 475**
Attributable to:					
Equity holders of the parent		1 583	13	7 614	5 698
Non-controlling interests		(1)	(172)	(99)	(223)

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

CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In thousand of €)	Notes	September 30, 2016	March 31, 2016
Assets			
Goodwill		815 170	815 170
Property, plant and equipment		223 871	224 552
Other intangible assets		839 117	838 000
Investment in an associate		10 594	10 597
Other non-current financial assets	*8.1*	13 431	13 454
Total non-current assets		**1 902 183**	**1 901 773**
Inventories		80 989	79 835
Trade and other receivables		48 809	42 198
Current financial assets	*8.1*	379	379
Cash and cash equivalents	*9*	42 431	122 594
Total current assets		**172 608**	**245 007**
Total assets		**2 074 791**	**2 146 780**
Equity and liabilities			
Issued capital		2 642	2 642
Share premium		266 185	266 476
Other comprehensive income		(109)	(527)
Retained earnings		83 620	44 725
Net income of the period		7 222	38 630
Equity attributable to equity holders of the parent		**359 560**	**351 946**
Non-controlling interests		16	(104)
Total equity		**359 576**	**351 842**
Non-current liabilities			
Interest-bearing loans and borrowings	*8.2*	1 186 984	1 185 017
Other non current financial liabilities	*8.3*	89	1 355
Provisions		2 998	3 400
Employee benefit liability		7 022	6 765
Deferred tax liability		300 725	305 829
Total non-current liabilities		**1 497 818**	**1 502 366**
Current liabilities			
Trade and other payables		205 131	230 334
Interest-bearing loans and borrowings	*8.2*	11 660	61 845
Other current financial liabilities	*8.3*	605	396
Total current liabilities		**217 396**	**292 575**
Total liabilities		**1 715 214**	**1 794 941**
Total equity and liabilities		**2 074 791**	**2 146 780**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In thousand of €	**Issued capital**	**Share premium**	**MRPS**	Cash flow hedge reserve	Actuarial gain / (losses)	Share Based payment	Foreign currency translation	**Total other comprehensive income**	**Retained earnings**	**Net income**	**Equity attributable to equity holders of the parent**	**Non-controlling interest**	**Total Equity**
As at March 31, 2015	**2 642**	**252 023**	**14 173**	(1 140)	(411)	488	(14)	**(1 078)**	**2 824**	**42 105**	**312 689**	**(8)**	**312 681**
Net income attribution	-	-	-	-	411	(488)	-	(77)	42 182	(42 105)	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	5 535	**5 535**	(223)	**5 312**
Other comprehensive income	-	-	-	195	-	-	(33)	162	-	-	**162**	-	**162**
Total comprehensive income	**-**	**-**	**-**	**195**	**-**	**-**	**(33)**	**162**	**-**	**5 535**	**5 698**	**(223)**	**5 474**
Capital contribution without issuance	-	14 464	-	-	-	-	-	-	-	-	**14 464**	-	**14 464**
Adjustment on dividend paid	-	(12)	-	-	-	-	-	-	-	-	**(12)**	-	**(12)**
Redemption of MRPs	-	-	(14 173)	-	-	-	-	-	(291)	-	**(14 464)**	-	**(14 464)**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	-	-	**-**	123	**123**
As at September 30, 2015	**2 642**	**266 476**	**-**	(945)	-	-	(47)	**(993)**	**44 715**	**5 535**	**318 375**	**(108)**	**318 267**
As at March 31, 2016	**2 642**	**266 476**	**-**	(461)	(26)	-	(40)	**(527)**	**44 725**	**38 630**	**351 946**	**(104)**	**351 842**
Net income attribution	-	-	-	-	26	-	-	26	38 604	(38 630)	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	7 222	**7 222**	(99)	**7 123**
Other comprehensive income	-	-	-	354	-	-	38	392	-	-	**392**	-	**392**
Total comprehensive income	**-**	**-**	**-**	**354**	**-**	**-**	**38**	**392**	**-**	**7 222**	**7 614**	**(99)**	**7 514**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	-	-	**-**	219	**219**
Other	-	(291)	-	-	-	-	-	-	291	-	**-**	-	**-**
As at September 30, 2016	**2 642**	**266 185**	**-**	**(107)**	-	-	(2)	**(109)**	**83 620**	**7 222**	**359 560**	**16**	**359 576**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

In thousand of €	Notes	For the six-month period ended September 30, 2016	For the six-month period ended September 30, 2015
Operating activities			
Operating profit		50 179	47 137
Depreciation and impairment of property, plant and equipment		14 587	16 185
Amortisation and impairment of intangible assets		2 035	2 298
Share-based transaction expense		-	-
Gain on disposal of property, plant and equipement		337	146
Other non cash operating items		(419)	(1 108)
Movements in provisions and pensions		225	250
Interest received		68	75
Dividends received from associate		188	188
Income tax paid		(23 219)	(16 542)
Operating cash flows before change in working capital requirements		*43 980*	*48 629*
Change in Inventories		(1 154)	(3 588)
Change in trade and other receivables and prepayments		1 432	433
Change in trade and other payables		(22 113)	(20 513)
Net cash flows from operating activities		**22 146**	**24 961**
Investing activities			
Proceeds from sale of property, plant and equipment		291	157
Disposal of Italy, net of cash disposed of		190	(140)
Purchase of property, plant and equipment		(14 762)	(15 917)
Purchase of intangible assets		(2 774)	(1 731)
Acquisition of subsidiaries, net of cash acquired		-	-
Purchase of financial instruments		(96)	-
Proceeds from sale of financial instruments		-	16
Net cash used in investing activities		**(17 151)**	**(17 615)**
Financing activities			
Payment of finance lease liabilities		(126)	(136)
Proceeds from borrowings		-	-
Repayment of borrowings		(50 000)	-
Interest paid		(35 111)	(33 429)
Other cash items related to financing activities		-	(8 437)
Net cash flows from/(used in) financing activities		**(85 237)**	**(42 002)**
Net increase / (decrease) in cash and cash equivalents		(80 242)	(34 656)
Cash and cash equivalents at begining of the period	**9**	**122 591**	**82 047**
Cash and cash equivalents at end of the period	**9**	**42 349**	**47 390**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

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

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

The present unaudited interim condensed consolidated financial statements cover the period from April 1, 2016 to September 30, 2016.

2. Basis of preparation and accounting principles

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six-month period ended September 30, 2016 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 annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended March 31, 2016.

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.

2.2 Summary of significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements as at and for the year ended March 31, 2016, except for the adoption of the following new standards and interpretations effective as of April 1st, 2016:

- IFRS Annual Improvements 2010-2012 Cycle;
- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions*;
- Amendments to IAS 1 – *Disclosure Initiative;*

- Amendments to IFRS 11 - *Acquisition of an Interest in a Joint Operation;*
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation;* and
- IFRS Annual Improvements 2012-2014 Cycle.

Application of these amendments had no material impact on the Group's consolidated financial statements.

Main standards, amendments and interpretations published by the IASB not yet adopted by the European Union

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

- IFRS 9 – *Financial Instruments* and amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting (applicable according to the IASB in annual periods beginning on or after January 1, 2018);
- IFRS 15 – *Revenues from Contracts with Customers* and the Clarifications to IFRS 15 published in April 2016 (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- IFRS 16 – *Leases* (applicable according to the IASB in annual periods beginning on or after January 1, 2019);
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* (applicable according to the IASB in accounting periods beginning on or after January 1, 2017);
- Amendments to IAS 7 – *Disclosure Initiative* (applicable according to the IASB in annual periods beginning on or after January 1, 2017);
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018).

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

3. 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 condition. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting periods are disclosed in the consolidated financial statements of the Group as at March 31, 2016.

As at September 30, 2016, the following estimates should be noted:

Impairment of non-financial assets

There was no indication of impairment of non-financial assets as at September 30, 2016. As a result, no impairment test was performed at this date.

Employee benefits liabilities

The cost of defined benefit pension plans and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future withdrawal rates of employees. As of September 30, 2016, all assumptions remain the same as at March 31, 2016.

4. Significant events and seasonality of operations

4.1 Significant events of the period

On May 3, 2016, Picard Groupe S.A.S. redeemed an amount of M€ 50 of its M€ 822 outstanding floating rate notes. Refer to note *8.2. Interest-bearing loans and borrowings*

4.2 Seasonality of operations

Seasonal fluctuations in 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.

5. Operating segment information

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

- France
- Other.

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

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

In thousand of €	For the three-month period ended September 30, 2016			For the six-month period ended September 30, 2016		
	France	Other*	Total	France	Other*	Total
Sales	268 815	5 960	274 775	569 481	12 548	582 029
Operating profit	22 355	(1 623)	20 732	53 090	(2 911)	50 179

In thousand of €	For the three-month period ended September 30, 2015 *			For the six-month period ended September 30, 2015 (published)		
	France	Other*	Total	France	Other*	Total
Sales	270 103	4 094	274 197	565 363	12 753	578 116
Operating profit	20 768	(1 982)	18 786	50 565	(3 427)	47 137

** of which Picard Surgelati Spa (Italy) contribution to sales and operating profit nil in the three- and six-month periods ended September 30, 2016 and M€1.8 and M€(0.2) for the three- and six-month periods ended September 30, 2015 respectively.*

6. Other operating income/expenses

6.1 Other operating income

In thousand of €	For the three-month period ended September 30, 2016	For the three-month period ended September 30, 2015	For the six-month period ended September 30, 2016	For the six-month period ended September 30, 2015
Capitalized expenses	191	144	372	333
Other operating income	1 226	2 174	1 742	2 761
Total other operating income	**1 417**	**2 318**	**2 114**	**3 094**

Other operating income during the six months ended September 30, 2015 amounted to M€ 3.0, notably as a result of a non-recurring indemnity received from authorities as compensation for a store eviction in September 2015.

6.2 Taxes

The obligating event for the payment of the French tax on retail sales areas ("TaSCom") was modified by France's Amended Finance Act for 2015. As a result of this amendment, an operator that ceases to operate a taxable establishment during the year is liable for tax in respect of that year on a pro rata basis. From April 1st 2016, in accordance with IFRIC 21 *Levies*, the TaSCom expense is recorded on a pro rata basis throughout the year instead of being recognized in full on January 1st of the year for which the tax was due.

As a legislative change, the change of accounting treatment is recognized prospectively (no restatement of prior periods). This change in accounting treatment triggers an increase of M€ 2.5 in the taxes recorded during the six months ended September 30, 2016.

6.3 Personnel expenses

In thousand of €	**For the three-month period ended September 30, 2016**	**For the three-month period ended September 30, 2015**	**For the six-month period ended September 30, 2016**	**For the six-month period ended September 30, 2015**
Wages and salaries	(28 074)	(29 494)	(55 539)	(56 887)
Social security costs	(7 984)	(8 323)	(15 634)	(16 611)
Pension costs	(110)	(116)	(225)	(202)
Employee profit sharing	(1 794)	(1 902)	(4 805)	(4 411)
Share-based payment transaction expense	-	-	-	-
Other employee benefits expenses	(1 413)	(1 095)	(2 744)	(2 207)
Total personnel expenses	**(39 375)**	**(40 930)**	**(78 947)**	**(80 318)**

For the six-month period ended September 30, 2016, social security costs include income of M€ 2.8 (compared to income of M€ 2.7 for the six-month period ended September 30, 2015) corresponding to the French competitiveness and employment tax credit (*"Crédit d'Impôt Compétitivité Emploi" or "CICE"*) in effect in France since January 1, 2013.

During the six-month period ended September 30, 2015, the Group recorded a €2.0 million non-recurring bonus paid to employees.

6.4 Other operating expenses

In thousand of €	**For the three-month period ended September 30, 2016**	**For the three-month period ended September 30, 2015**	**For the six-month period ended September 30, 2016**	**For the six-month period ended September 30, 2015**
Royalties	(111)	(107)	(218)	(222)
Losses on bad debt	(116)	(253)	(375)	(501)
Other operating expenses	(332)	(363)	(359)	(365)
Total other operating expenses	**(559)**	**(723)**	**(952)**	**(1 088)**

6.5 Finance income and costs

In thousand of €	For the three-month period ended September 30, 2016	For the three-month period ended September 30, 2015	For the six-month period ended September 30, 2016	For the six-month period ended September 30, 2015
Interest expenses	(18 238)	(18 675)	(36 570)	(37 339)
Hedge relations - Ineffectiveness	376	-	515	-
Interest costs of employee benefits	(18)	(23)	(32)	(28)
Foreign exchange (losses) / gains	(62)	(149)	33	(31)
Other financial expense	(127)	-	(253)	-
Finance costs	**(18 069)**	**(18 847)**	**(36 307)**	**(37 398)**
Income on loans and receivables	4	4	9	106
Income on short term investment	30	32	68	75
Other financial income	-	2	-	4
Finance income	**34**	**38**	**77**	**185**

A gain of M€ 0.4 has been recognized in the six-month period ended September 30, 2016 with regards to the ineffectiveness on the swap instruments aimed at hedging the Group's exposure to changes in future interest cash flows linked to the floating-rate senior secured notes.

Consistently with IAS39.AG8, the P&L impact of the M€ 50 early redemption of the floating-rate notes (reflecting the write off of the non-amortized issuance fees) had already been recognized in the income statement of the financial year ended March 31, 2016 (financial expense amounting to M€ 0.6 recognized in the quarter ended March 31, 2016).

7. Income tax expense

The Group calculates income tax expenses 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 49.6%, including Business Contribution on Value Added ("CVAE") which is accounted for as an income tax in line with IAS 12.

8. Financial assets and financial liabilities

8.1 Other current and non-current financial assets

In thousand of €	**September 30, 2016**	**March 31, 2016**
Deposits and guarantees	12 176	12 019
Related party Loans	244	235
Other	1 390	1 579
Other non-current financial assets	**13 810**	**13 833**
of which non-current	*13 431*	*13 454*
of which current	*379*	*379*

The K€ 1 390 other financial assets represent the amount of the consideration remaining due by the acquirers of Picard Surgelati, consistently with the sale and purchase agreement (of which current at September 30, 2016: K€ 379).

8.2 Interest-bearing loans and borrowings

In thousand of €	**Effective interest rate**	**Maturity**	**As at September 30, 2016**	**As at March 31, 2016**
Current				
Obligations under finance leases			248	261
Accrued interest payable on loans and borrowings			11 330	61 581
Bank overdrafts		On demand	82	3
Total current interest bearing loans and borrowings			**11 660**	**61 845**
Non current				
Obligations under finance leases			782	906
Senior secured notes (480M€)	Euribor 3M + margin 4.25%	2019	445 944	445 341
Senior secured notes (342M€)	Euribor 3M + margin 4.25%	2019	317 305	316 465
Senior notes 2020 (428M€)	7,75%	2020	422 953	422 305
Total non-current interest bearing loans and borrowings			**1 186 984**	**1 185 017**
Total interest bearing loans and borrowings			**1 198 644**	**1 246 862**

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

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

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

An early redemption of the floating-rate notes for an amount of M€ 50 was made on May 3, 2016.

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

As of September 30, 2016, the Revolving Credit Facility was not drawn.

8.3 Hedging activities and derivatives

At September 30, 2016, the Group was party to one interest rate swap agreement with the following characteristics:

September 30, 2016	Notional (M€)	Fair value as at September 30, 2016 (M€)	Pay	Receive	Begin date	Maturity date	Accounting Qualification
Amortized Swap	560	(605)	0.0620%	Euribor 3M	01/02/2015	01/02/2017	Non hedge
		(605)					

This swap is used to hedge the Group's exposure to changes in future interest cash flows linked to the floating-rate senior secured notes. However, the floating rate of the senior secured notes is floored at 0%, which leads to ineffectiveness in the hedging relationship.

Hedge accounting for this swap and another swap with a maturity date at August 1, 2016 was discontinued during the financial year ended March 31, 2016. During the six-month period ended September 30, 2016, this resulted in a financial income amounting to M€ 0.5.

8.4 Fair values

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

In thousands euros	Carrying amount As at September 30, 2016	Fair value As at September 30, 2016	Carrying amount As at March 31, 2016	Fair value As at March 31, 2016
Financial assets				
Trade and other receivables	48 809	48 809	42 198	42 198
Other financial assets	13 810	13 810	13 833	13 833
Cash and cash equivalents	42 431	42 431	122 594	122 594
Total	**105 050**	**105 050**	**178 626**	**178 626**
Financial liabilities				
Fixed rate borrowings	(422 953)	(451 600)	(422 305)	(457 960)
Obligations under finance leases	(1 030)	(1 030)	(1 167)	(1 167)
Floating rate borrowings	(763 249)	(775 900)	(811 806)	(822 000)
Interest rate swap	(605)	(605)	(1 660)	(1 660)
Trade and other payables	(205 131)	(205 131)	(230 334)	(230 334)
Bank overdraft	(82)	(82)	(3)	(3)
Total	**(1 393 050)**	**(1 434 348)**	**(1 467 275)**	**(1 513 124)**

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

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

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

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer/counterparty and the risk characteristics of the financed project. Based on this evaluation, provision allowances are taken into account for the expected losses relating to these receivables. As at September 30, 2016, the carrying amounts of such receivables, net of provision allowances, approximated their fair values.

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

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

Fair value hierarchy

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

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

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

During the reporting period ended September 30, 2016, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

9. Cash and cash equivalents

In thousand of €	As at September 30, 2016	As at March 31, 2016	As at September 30, 2015	As at March 31, 2015
Cash at banks and on hand	27 623	72 531	39 960	55 700
Securities	14 808	50 063	27 754	25 960
Cash and cash equivalents	**42 431**	**122 594**	**67 714**	**81 660**

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

In thousand of €	As at September 30, 2016	As at March 31, 2016	As at September 30, 2015	As at March 31, 2015
Cash and cash equivalents	42 431	122 594	67 714	81 660
Bank overdrafts	(82)	(3)	(20 324)	-
Cash and cash equivalents position	**42 349**	**122 591**	**47 390**	**81 660**

10. Contingent liabilities

The Italian tax authorities conducted a tax audit of Picard Surgelati concerning the years ended March 31, 2009 to March 31, 2012. We received tax reassessments for these four years that we challenged before the provincial court of Varese. The court issued a ruling in our favor for the years ended March 31, 2009 to March 31, 2011, and the decision regarding the year ended March 31, 2012 is pending. The Italian tax authorities appealed the decisions regarding the years ended March 31, 2009 and March 31, 2010, but the Regional Commission confirmed the decisions of the court of Varese in June 2016. In September 2016, the Italian tax authorities appealed to the court of cassation against this decision.

11. Events after the reporting period

There has been no significant event since September 30, 2016.