Picard Bondco S.A.

Annual Report for the Year Ended March 31, 2017

July 20, 2017

Note: This annual report constitutes the report required under the indenture governing the Senior Notes, the indenture governing the PIK Notes, the indenture governing the Senior Secured Notes and the Revolving Credit Facility Agreement for the period ended March 31, 2017.

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INTRODUCTION

Highlights

The financial results of Picard Bondco S.A., for the year ended March 31, 2017 include the following highlights:

- 25 new stores opened in France (including five franchised stores), as well as two franchised stores in Switzerland, three franchised stores in Japan and seven "corners" in Sweden;
- FY17 sales increased by 1.9%, to €1,398.0 million, from €1,372.0 million in FY16;
- FY17 gross profit increased by 2.2%, to €613.8 million, from €600.8 million in FY16, while profit margin as a percentage of sales improved from 43.8% in FY16 to 43.9% in FY17;
- FY17 EBITDA increased by 5.0%, to €201.2 million, from €191.7 million in FY16.

CEO Philippe Dailliez commented: "The results of the fiscal year ended March 31, 2017 have been marked by resilient sales growth and pursuit of our expansion in France and abroad, as well as by the continuing improvement in profitability of the Group.

At €1,398.0 million, the Group's sales for the year ended March 31, 2017 increased by 1.9% mainly due to a 0.4% like-for-like sales increase in French stores and our efforts to expand our network in France. We also started or developed several partnerships abroad that provided profitable sales growth.

Our gross profit improved by €13.0 million, or 2.2%, supported by an increase in sales, and our gross margin rate increased to 43.9%, confirming our ability to increase our margin despite the increase in costs due to our CRM initiatives and development of franchises in the group.

Our EBITDA increased by 5.0%, or €9.5 million, to reach €201.2 million, representing 14.4% of our sales, following the increased sales, gross profit margin and our close control of operating charges.

In light of the continuing 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, Japan and Switzerland, as well as developing partnerships abroad while maintaining our gross margin and closely monitoring our costs."

About Picard

Picard is the leading retailer of frozen food products in France, and the pioneer in the sector. We offer our customers approximately 1,100 different frozen food SKUs, including unprocessed meat, fish and seafood, fruits and vegetables and bakery products, as well as a full-range of ready-made starters, main courses, desserts and ice cream at various prices. We introduced the concept of premium quality, appetizing frozen food to French consumers when we opened our first store in Paris in 1974. Since then, we have continued to develop the market for frozen food products in France by transforming the way the French public perceives and consumes frozen food. As of March 31, 2017, we had 985 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion and nine franchised stores in mainland France), 16 stores in Belgium, 15 stores in Sweden, one store in Luxembourg, four franchised stores in Switzerland, three franchised stores in Japan, seven "corners" in Sweden and five "corners" in Japan. We also sell Picard-branded products in Italy through a commercial agreement with an Italian retailer.

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 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 Picard Groupe S.A.S.'s indirect parent company Lux HoldCo. Following receipt of all necessary regulatory approvals, the acquisition of 49.5% of Picard Groupe S.A.S.'s indirect parent company Lux HoldCo 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 Picard Groupe S.A.S.'s indirect parent company Lux HoldCo.

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

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

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

On February 20, 2015, Picard Groupe S.A.S. issued €342 million aggregate principal amount of additional Existing Senior Secured Notes (the "Additional Senior Secured Notes" and, together with the Existing Senior Secured Notes, the "Senior Secured Notes"), while, at the same time, Picard Bondco S.A. issued €428 million aggregate principal amount of 7.75% Senior Notes due 2020 (the "Senior Notes") (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 annual report constitutes the report required under the indenture governing the Senior Notes (the "Senior Notes Indenture"), the indenture governing the PIK Notes (the "PIK Notes Indenture"), the indenture governing the Senior Secured Notes (the "Senior Secured Notes Indenture" and together with the Senior Notes Indenture and the PIK Notes Indenture, the "Indentures") and the agreement governing the Revolving Credit Facility (the "Revolving Credit Facility Agreement") for the period ended March 31, 2017 and supplements the report issued on June 23, 2017.

For Further Information

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CERTAIN DEFINITIONS

Unless indicated otherwise in this annual report or the context requires otherwise, all references to:

"2010 Senior Notes" are to the €300,000,000 9% Senior Notes due 2018 issued by Picard Bondco on October 6, 2010, €115,000,000 of which Picard Bondco redeemed on October 29, 2014 and the remaining balance of which Picard Bondco redeemed on March 9, 2015;

the "Acquisition" are to the acquisition on October 14, 2010 directly or indirectly, of all the issued and outstanding capital stock of Picard Groupe S.A. by Lion Capital, together with minority co-investors, and existing management;

"Additional Senior Secured Notes" are to the €342 million aggregate principal amount of the additional floating rate Senior Secured Notes issued under the Senior Secured Notes Indenture by the Senior Secured Notes Issuer on February 20, 2015;

"Aryzta" are to ARYZTA INVESTMENTS S.A.S., a *société par actions simplifiée* formed under the laws of France on May 26, 2015 and registered with the *registre du commerce et des sociétés de Melun* under the number 811602549 RCS Melun. The registered office of ARYZTA INVESTMENTS S.A.S. is located at 14 Avenue Joseph Paxton—77146, Ferrières-en-Brie. ARYZTA INVESTMENTS S.A.S. is a wholly owned subsidiary of ARYZTA AG;

"ARYZTA AG" are to ARYZTA AG, a corporation incorporated under the laws of Switzerland, with a registered office at Talacker 41-8001 Zürich, Switzerland;

the "Aryzta Transaction" are to the acquisition on August 19, 2015, directly or indirectly, of a 49.5% interest in Picard Group's indirect parent company Lux HoldCo by Aryzta;

"CICE" are to the Competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) pursuant to Article 244 *quater C* of the French Tax Code;

the "Collateral" are to, together, the Senior Secured Notes Collateral and the Senior Notes Collateral;

"CRM" are to our Customer Relationship Management program that we are implementing to gather additional information about our customers, including their shopping habits, tastes and preferences;

"EU" are to the European Union;

"Existing Senior Secured Notes" are to the €480,000,000 Floating Rate Senior Secured Notes issued on August 1, 2013;

"euro", "euros", "€" or "EUR" are to the single currency of the member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;

"French like-for-like sales" are to like-for-like sales made through directly-operated stores in mainland France, excluding franchises in mainland France, Corsica and La Réunion;

"French TopCo" are to Lion Polaris II S.A.S., a *société par actions simplifiée* formed under the laws of France on July 30, 2010, and registered with the *registre du commerce et des sociétés de Melun* under the number 524 290 178 RCS Melun. The registered office of Lion Polaris II S.A.S. is located at 37 bis, rue Royale—77300 Fontainebleau, France;

"French TopCo Notes Proceeds Loan" are to the outstanding intercompany loan made by LuxCo 4 to French Topco in a principal amount equal to the aggregate principal amount of the Senior Notes (received by LuxCo 4 under the LuxCo 4 Notes Proceeds Loan);

"Guarantees" are to, together, the Senior Secured Notes Guarantees and the Senior Notes Guarantees provided by the Guarantors pursuant to the Senior Secured Notes Indenture and the Senior Notes Indenture, respectively;

"Guarantors" are to, together, the Senior Secured Notes Guarantors and the Senior Notes Guarantors;

"Home Service" are to our home delivery service which allows customers to order our products by telephone, through the Picard application for smart phones or over the internet;

"Indentures" are to, together, the Senior Secured Notes Indenture and the Senior Notes Indenture;

"Intercreditor Agreement" are to the intercreditor agreement dated October 6, 2010, as amended on August 1, 2013 and as further amended on June 17, 2015 , among, *inter alia*, the Senior Secured Notes Issuer, the Senior Notes Issuer, LuxCo 3, LuxCo 4, French TopCo, the Guarantors, the lenders under the Revolving Credit Facility, and the Trustees under the Indentures, the Security Agents;

"Issuers" are to, together, the Senior Secured Notes Issuer and the Senior Notes Issuer;

"Lion Capital" are to Lion Capital LLP or funds advised and managed by Lion Capital LLP;

"Lux HoldCo" are to Lion/Polaris Lux HoldCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, having a share capital of €100,000 and registered with the Luxembourg Register of Commerce and Companies under number B-199.559;

"Lux TopCo" are to Lion/Polaris Lux TopCo S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B-156.509;

"LuxCo 3" are to Lion/Polaris Lux 3 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 154.902;

"LuxCo 3 Notes Proceeds Loan" are to the outstanding intercompany loan made by Picard Bondco to LuxCo 3 on February 20, 2015 in a principal amount equal to the aggregate principal amount of the Senior Notes;

"LuxCo 4" are to Lion/Polaris Lux 4 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 154.903;

"LuxCo 4 Notes Proceeds Loan" are to the outstanding intercompany loan made by LuxCo 3 to LuxCo 4 on February 20, 2015 in a principal amount equal to the aggregate principal amount of the Senior Notes (received by LuxCo 3 under the LuxCo 3 Notes Proceeds Loan);

"Notes" are to, together, the Senior Secured Notes and the Senior Notes;

"Picard Bondco" are to Picard Bondco S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 154.899;

"PG Intra-Group Loan" are to the outstanding intra-group loan granted by the Senior Secured Notes Issuer to Picard Surgelés in accordance with an intra-group loan agreement dated August 1, 2013 between the Senior Secured Notes Issuer and Picard Surgelés;

"Picard PIKco" are to Picard PIKco S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg having its registered office at 7, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 156.504;

"Picard Surgelati" are to Picard I Surgelati S.p.A., an Italian company having its registered office at via per origgio 393—21042 Caronno Pertusella (VA) and registered under number 01275750121. Picard Surgelati was sold to New Food on May 13, 2015 as part of the sale of our Italian operations;

"Picard Surgelés" are to Picard Surgelés S.A.S., a *société par actions simplifiée* incorporated under the laws of France (formerly known as Picard Surgelés S.A.);

"PIK Issuer" are to Picard PIKco S.A.;

"PIK Notes" are to the €209.7 million principal amount (as of December 31, 2016) of 11% payment-in-kind notes due 2020 issued by Picard PIKco on November 30, 2010, March 4, 2011, March 8, 2011, March 25, 2011 and February 20, 2015 and the additional payment-in-kind notes issued from time to time under the PIK Notes Indenture;

"PIK Notes Collateral" are the rights, property and assets securing the PIK Notes;

"PIK Notes Indenture" are to the indenture governing the terms of the PIK Notes, as amended from time to time, among Picard PIKco S.A. and the trustee for the holders of the PIK Notes dated as of November 30, 2010;

"Primex" are to Primex International S.A., a *société anonyme* incorporated under the laws of France and registered with the *registre du commerce et des sociétés de Paris* under number 328 667 944;

"Revolving Credit Facility" are to the €30 million multi-currency revolving credit facility available pursuant to a senior revolving credit facility agreement (the "Revolving Credit Facility Agreement"), entered into on August 1, 2013, as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios*, the Senior Secured Notes Issuer, certain of its subsidiaries and certain lenders;

"Security Agents" are to, together, the Senior Secured Notes Security Agent and the Senior Notes Security Agent;

"Security Documents" are to, together, the Senior Secured Notes Security Documents and the Senior Notes Security Documents;

"Senior Credit Facilities" are to the term and revolving credit facilities made available pursuant to a senior term and revolving facilities agreement (the "Senior Facilities Agreement"), entered into on September 14, 2010, among, inter alia, Picard Bondco, certain of its subsidiaries and certain lenders, which were canceled and repaid in full in August 2013;

"Senior Notes" are to the €428 million aggregate principal amount of the Senior Notes issued by the Senior Notes Issuer on February 20, 2015;

"Senior Notes Collateral" are to the rights, property and assets securing the Senior Notes and/or the Senior Notes Guarantees;

"Senior Notes Guarantees" are to the guarantees of the Senior Notes provided by the Senior Notes Guarantors pursuant to the Senior Notes Indenture;

"Senior Notes Guarantors" are to LuxCo 3, LuxCo 4 and French TopCo;

"Senior Notes Indenture" are to the indenture governing the Senior Notes;

"Senior Notes Issuer" are to Picard Bondco;

"Senior Notes Security Agent" are to Citibank, N.A., London Branch, as security agent under the Senior Notes Indenture, the Senior Notes Security Documents and the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity;

"Senior Notes Security Documents" are to the agreements creating security interests over the Senior Notes Collateral:

"Senior Notes Trustee" are to Citibank, N.A., London Branch, as trustee under the Senior Notes Indenture;

"Senior Secured Notes" are to, together, the Existing Senior Secured Notes and the Additional Senior Secured Notes, €50,000,000 of which were redeemed on May 3, 2016;

"Senior Secured Notes Collateral" are to the rights, property and assets securing the Senior Secured Notes and/or the Senior Secured Notes Guarantees;

"Senior Secured Notes Guarantees" are to the guarantees of the Senior Secured Notes provided by the Senior Secured Notes Guarantors pursuant to the Senior Secured Notes Indenture;

"Senior Secured Notes Guarantors" are to LuxCo 3, LuxCo 4, French TopCo, Picard Surgelés and Picard Bondco;

"Senior Secured Notes Indenture" are to the indenture dated August 1, 2013 governing the Senior Secured Notes, as amended from time to time;

"Senior Secured Notes Issuer" are to Picard Groupe S.A.S., a *société par actions simplifiée*, incorporated under the laws of France;

"Senior Secured Notes Security Agent" are to BNP Paribas, as security agent under the Senior Secured Notes Indenture, Senior Security Notes Security Documents and the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity;

"Senior Secured Notes Security Documents" are to the agreements creating security interests over the Senior Secured Notes Collateral;

"Senior Secured Notes Trustee" are to Citibank, N.A., London Branch as trustee under the Senior Secured Notes Indenture;

"SKUs" are to stock keeping units;

"SMIC" are to the French statutory minimum wage (*salaire minimum interprofessionnel de croissance*);

"total number of tickets" are to the number of transactions that take place in a given period;

"Trustees" are to, together, the Senior Notes Trustee and the Senior Secured Notes Trustee;

"United States" or "U.S." are to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

"we", the "group", "Picard Group", "Picard", "our" or "us" are to Picard Bondco and its subsidiaries unless the context suggests otherwise; and "year" are to the financial year of Picard Group, ending on March 31 of each year.

FORWARD LOOKING STATEMENTS

This annual report includes “forward looking statements,” within the meaning of the U.S. securities laws, based on our current expectations and projections about future events. 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 the factors described in the section entitled “Risk Factors” in this annual report. For example, factors that could cause our future results to vary from projected future results include, but are not limited to:

- our strategy, outlook and growth prospects;
- fluctuations in the price and availability of food ingredients and packaging material;
- our exposure to product liability claims;
- the failure to protect our image, reputation and brand;
- the failure to develop successful and innovative products;
- our dependence on third-party suppliers;
- the efficiency of our supply chain and information technology system;
- the competitive environment in which we operate;
- our dependence on key executives and highly qualified managers;
- the impact of regulations on us and our operations;
- the fact that interests of our principal shareholder may be inconsistent with interests of holders of Notes;
- our significant leverage, which may make it difficult to operate our businesses;
- the covenants contained in the PIK Notes Indenture, the Indentures and our Revolving Credit Facility Agreement, which limit our operating and financial flexibility; and
- other factors discussed under “*Risk Factors*”.

All statements other than statements of historical facts included in this annual report including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, expected investments, projected costs, our plans and objectives for future operations and industry forecasts may be deemed to be forward looking statements. These forward looking statements are subject to a number of risks and uncertainties, including those identified under the “Risk Factors” section in this annual report. Words such as “believe,” “expect,” “anticipate,” “may,” “intend,” “will,” “should,” “estimate” and similar expressions or the negatives of these expressions are intended to identify forward looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. In addition, from time to time we or our representatives, acting in respect of information provided by us, have made or may make forward looking statements orally or in writing and these forward looking statements may be included in but are not limited to press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Any forward looking statement speaks only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this annual report, including those set forth under the section entitled “Risk Factors.”

The risks described in the “Risk Factors” section in this annual report are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, you should not place undue reliance on forward looking statements as a prediction of actual results.

HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA

Historical and current market data used throughout this annual report were obtained from internal Picard analyses and industry publications. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in industry publications is not guaranteed. We have not independently verified this market data. While we are not aware of any misstatements regarding any industry or similar data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "Risk Factors" section in this annual report.

FINANCIAL INFORMATION INCLUDED IN THIS ANNUAL REPORT

Financial statements presented

This report contains the audited consolidated financial statements of Picard Bondco (the "Consolidated Financial Statements"), the reporting entity for the Picard Group, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU" or "IFRS").

We have prepared the Consolidated Financial Statements for Picard Bondco for the year ended March 31, 2017, which are presented in this report in accordance with IFRS, including (i) the consolidated statement of financial position as of March 31, 2017, (ii) the statement of income for the year ended March 31, 2017 and (iii) the statement of cash flow for the year ended March 31, 2017. See the "Notes to the consolidated financial statements" of Picard Bondco for a discussion of Picard Bondco's accounting policies.

The accounting policies of Picard Bondco as set out in the Picard Bondco annual financial statements as of and for the year ended March 31, 2017 under IFRS have been consistently applied, except for the adoption of new standards and interpretations effective as of April 1, 2016. See note 2.2 of the "Notes to the Consolidated Financial Statements" of Picard Bondco for a discussion of Picard Bondco's accounting policies.

Other Financial Measures

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 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.

RISK FACTORS

This annual report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this annual report. See "Forward Looking Statements".

Risks Related to Our Business

We are dependent on third-party suppliers to produce our products.

We rely on third-party suppliers for all of our products, which exposes us to risks that such suppliers may fail to meet timelines, provide us with sufficient products or comply with our specifications. We require our suppliers to meet certain specifications and standards to ensure the high quality of our products. The use of third-party suppliers increases the demands on our quality control personnel and exposes us to risks that the products provided by our suppliers may not meet the relevant quality standards. For example, in February 2013, we, along with other retailers involved in the distribution of prepared meals, discovered that two of our beef prepared products contained horsemeat. The meat used by one of our suppliers for the preparation of these two products had been sourced from a meat supplier not pre-approved by us, in violation of our contractual specifications. In response, we removed those products from our stores and took measures to increase monitoring of our third-party suppliers, such as reinforcing our audit program to ensure strict compliance with our specifications, in particular by ensuring that ingredients are correctly pre-validated by our quality service (in terms of quality and origin) as well as systematically performing DNA tests (Polymerase Chain Reaction) to identify species on all our beef products. In addition, we have established a reinforced control plan on our seafood and other meat products. Despite the measures taken in response to the above-mentioned incident, it resulted in decreased traffic to our stores and had an adverse effect on our business, with our French stores like-for-like sales performance for the year that followed the incident being significantly lower than in the previous year. There can be no assurance that similar incidents will not occur in the future. Any similar incident or event that may occur in the future could have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore, we believe that there are a limited number of competent, high-quality third-party suppliers in the industry, and if we were required to obtain additional or alternative agreements or arrangements in the future with third-party suppliers, we may be unable to do so on satisfactory terms or in a timely manner or at all. This could limit our ability to implement our business plan or meet customer demand. Any adverse changes to our relationships with our suppliers or quality issues caused by our suppliers could have a material adverse effect on our business, results of operations or financial condition and prospects, including on our image, brand and reputation.

Adverse developments with respect to the safety and quality of our products and/or the food industry in general or health concerns may damage our reputation, increase our costs of operations or decrease demand for our products.

Food safety and the public's perception that our products are safe and healthy are essential to our image and business. We sell food products for human consumption, which exposes us to safety risks such as product contamination, spoilage, misbranding or product tampering. Product contamination (including the presence of a foreign object, substance, chemical or other agent or residue or the introduction of a genetically modified organism), spoilage, misbranding or product tampering could require product withdrawals or recalls or destruction of inventory and could result in negative publicity, temporary warehouse closures and substantial costs of compliance or remediation. We may be impacted by publicity regarding any assertion that our products caused illness or injury. We could also be subject to claims or lawsuits relating to an actual or alleged illness stemming from product contamination or any other incidents that compromise the safety and quality of our products.

A significant lawsuit or widespread product recall or other events leading to the loss of consumer confidence in the safety and quality of our products could damage our brand, reputation and image and negatively impact our sales, profitability and prospects for growth. We strive to control the risks related to product quality and safety through the implementation of, and strict adherence to, our quality standards. We maintain systems designed to monitor food safety risks and require our suppliers to do so as well. However, we cannot guarantee that our efforts will continue to be successful or that such risks will not materialize. In addition, even if our own products are not affected by contamination or other incidents that compromise their safety and quality, negative publicity about our industry, our ingredients or the health implications of frozen food products could result in reduced consumer demand for our products.

For example, in 2013, a laboratory appointed by the Italian food safety authorities allegedly found that one of our products, a red berry mix, contained traces of Hepatitis A, as part of a wider European contamination of certain red berry products. We contested the findings of the analysis in question, based on the results of our own tests conducted in public and private laboratories. As a result, in December 2015, the investigation opened by the Italian Public Prosecutor in Torino, Italy, was closed. However, following the allegations of contamination, we carried out a product recall of the implicated products. While limited publicity arose as a result of that incident, future allegations of a similar nature could have a material adverse effect on our reputation.

We are also subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, which could require us or our suppliers to find alternative supplies or ingredients that may not be available at commercially reasonable prices or within acceptable time constraints. In addition, such governmental regulations may require us to identify replacement products for our customers or, alternatively, to discontinue certain offerings or limit the range of product offerings. We may be unable to find substitutes that are as appealing to our customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for our products.

Furthermore, consumers have been increasingly focused on food safety, health and wellness with respect to the food products they buy and their ingredients. Demand for our products could be affected by consumer concerns regarding the health effects of ingredients such as transfats, sugar, processed wheat or other product attributes.

Any claims, lawsuits or negative publicity related to the healthiness, safety and quality of our products may damage our reputation, increase our costs of operations and negatively impact demand for our products. Our sales may be affected, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

Failure to protect our image, reputation and brand could materially affect our business.

Our brand, image and reputation constitute a significant part of our value proposition. Our success over the years has rested largely on our ability to develop our brand and image as the leading retailer of premium quality, competitively priced frozen food in France. Our customers expect that we will provide them with a large selection of quality, healthy and safe products, and this reputation has strengthened our image and brand, fuelling our expansion. Any event, such as a significant product recall, that could damage our image, reputation or brand could have a material adverse effect on our business, results of operations, financial condition and prospects. See "*—We are dependent on third-party suppliers to produce our products*".

In addition, our principal brand names and trademarks (such as Picard, Picard Surgelés and the snowflake logo) are key assets of our business. See "*Business—Intellectual Property*". We rely on a combination of copyright and trademark laws to establish and protect our intellectual property rights, but cannot be certain that the actions we have taken or will take in the future will be adequate to prevent violation of our proprietary rights. There can be no assurance that litigation will not be necessary to enforce our trademark or proprietary rights or to defend ourselves against claimed infringement of the rights of third parties. Adverse publicity, legal action or other factors that may undermine our reputation could lead to substantial erosion in the value of our brand, which could lead to decreased consumer demand and have a material adverse effect on our business, results of operations or financial condition and prospects.

We are vulnerable to fluctuations in the availability and price of food ingredients and packaging materials, as well as in the price of electricity.

We and our suppliers use significant quantities of food ingredients and packaging materials. These ingredients and materials are subject to fluctuations in availability and price. Such fluctuations are attributable to, among other things, changes in supply and demand for crops or other commodities, energy prices, and government-sponsored agricultural and livestock programs. In particular, the availability and the price of vegetables and other commodities, including meat and fish, can be volatile. General economic conditions, unanticipated demand, problems in production or distribution, natural disasters, weather conditions during the growing and harvesting seasons, plant and livestock diseases and local, national or international quarantines can also adversely affect availability and prices of commodities in the long and short terms. In the future, we may be affected by the imposition of national or international quotas regulating, for example, volumes of raw materials, especially on fish and seafood products. If the French government or any other regulatory body establishes such measures, the price of raw materials could increase, and our gross margins would be affected.

While we generally have long-term relationships with our suppliers, and alternate suppliers are generally available, we do not have long-term contracts with suppliers, and, as a result, our suppliers could increase the prices of their products or fail to deliver sufficient quantities to us. Although we attempt to reduce our exposure to price fluctuations to a limited extent by buying certain inventory at opportune moments during the year and holding it for sale until periods of high demand or shortages, our ability to avoid the adverse effects of a pronounced, sustained price increase in raw materials is limited.

Increases in prices or scarcity of ingredients or packaging materials required for our products could increase our costs and disrupt our operations. In addition, our ability to pass along higher costs through price increases to our customers is dependent upon competitive pricing conditions in our industry. As a result, changes in our input costs could impact our gross margins. In addition, even if we are able to pass increased costs on to our customers, the higher prices of our products might lead to reduced consumer demand or negative changes in the product mix.

In addition, significant amounts of electricity are needed to maintain our cold chain requirements for appropriate storage of materials and products before they are sold and we cannot guarantee that our electricity costs will not increase in the future. In October 2015, we entered into a three-year contract with Direct Energie providing for agreed energy costs. However, taxes included in the price of energy may increase during the three-year period and lead to higher energy expenses as Direct Energie passes such increases on to us. In addition, there can be no assurances that our contract with Direct Energie will be renewed at commercially reasonable terms or at all, upon expiration of the three-year period. Our energy costs and taxes associated with energy costs may therefore increase following the termination of the contract with Direct Energie. Such costs increases may be significant and could have a material adverse effect on our business, results of operations, financial condition and prospects.

Sales of our products are subject to changing consumer preferences.

The success of our business depends on the continued appeal of the range of products we offer through our network of stores, franchises and Home Service. A shift in consumer preferences could have a material adverse effect on our business, results of operations and financial condition and prospects. Given the varied backgrounds and tastes of our customer base, we must offer a sufficient range of products to satisfy a broad spectrum of preferences.

We devote significant resources to developing and marketing new products and expanding and improving existing product lines, thus trying to predict and adapt to changes in consumer preferences. However, our efforts may not result in the volume of sales or profitability anticipated. If we are unable to accurately predict, identify and interpret the changing tastes and dietary habits of consumers, our sales may decline and our operating results could suffer.

In addition, as part of our strategy of developing our international markets, we offer our products in Belgium, Italy, Japan, Luxembourg, Sweden, Switzerland and the UK. Consumer preferences in those markets may differ from tastes and preferences of French consumers. We may not be able to satisfy consumer preferences or anticipate shifts in consumer tastes in those markets. Failure to do so may adversely impact our sales and operating results.

Failure to develop successful and innovative products could adversely affect our business.

We are dedicated to developing successful and innovative new products and do so primarily through the efforts of our integrated research and development ("R&D") department, which creates new products throughout the year. Many of our suppliers also carry out their own R&D and proactively propose new recipes and products to sell in our stores. We believe that continuously renewing our product offering is essential for keeping up with changes in the market and stimulating demand from both potential and existing customers. On average, we introduce approximately 200 new SKUs annually, including alternative flavors, sizes and packaging for our existing products. If we are unable to continue developing an adequate range of new products, the attractiveness of our brand could be diminished and cause us to become less competitive. However, there are inherent risks associated with new product or packaging offerings, including uncertainties about trade and consumer acceptance. We may incur certain costs related to developing and marketing new products or expanding existing product lines and cannot guarantee their profitability or popularity.

A failure in our cold chain could lead to unsafe food conditions and increased costs.

Cold chain requirements, setting out the temperatures at which our ingredients and products are stored and transported, are established by statute and by us to help guarantee the safety of our food products. Our cold chain is maintained from the moment the ingredients arrive at, or are frozen by, our suppliers, through our products' transportation phase and ultimately to the time of sale in our stores or through Home Service. These standards ensure the quality, freshness and safety of our products, and those characteristics are recognized by our customers and have become associated with our brand. A failure in the cold chain could lead to food contamination, risks to the health of our customers, fines and damage to our brand and reputation, each of which could subsequently affect our business, results of operations, financial condition and prospects.

We may be subject to product liability claims arising out of the consumption of our products.

Consumption of a misbranded, altered, contaminated or spoiled product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness, injury or death stemming from the consumption of one of our products which could negatively affect our business. While we are not currently the subject of material product liability claims for damages as a result of the consumption or use of our products, and we submit our products to extensive testing, we may still be exposed to liability claims in the future. Awards of damages, settlement amounts and fees and expenses resulting from such claims and the public relations implications of any such claims could have an adverse effect on our business. The availability and price of insurance to cover claims for damages are subject to market forces that we do not control, and such insurance may be costly or inadequate and would not cover damage to our reputation. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time-consuming and may divert our management's time and resources towards defending them rather than operating our business. Any adverse publicity related to such claims could result in loss of consumer confidence in the safety and quality of our products and damage our reputation and brand image. In addition, provisions made by us when threatened with actual or potential litigation may prove insufficient. If any of these risks were to materialize, this could have an adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to economic and other trends that could adversely impact our operations in France, Belgium, Japan, Luxembourg, Sweden, Switzerland and the United Kingdom.

We conduct our operations principally in France, and the expansion of our network of stores is an integral part of our business strategy. We are thus particularly influenced by economic developments and changes in consumer habits in France, and a significant economic downturn in France could have a material adverse effect on our business. In addition, our more limited operations in Belgium, Italy, Japan, Luxembourg, Sweden and Switzerland expose us, although to a much lesser extent than in France, to economic trends in those regions as well. To the extent we extend our store network and commercial activities into other countries and territories, we will become exposed to economic trends in such countries and territories.

Over the past decade, our business and the food retail industry as a whole were affected by the global economic crisis and by the effects on household consumption of the uncertainty and volatility resulting from the European sovereign debt crisis.

While we believe that our business model has proven resilient throughout the economic crisis, we cannot predict whether it will continue to be successful in the future. In particular, we may not be able to achieve positive growth or, if we are able to do so, such growth may be low. For example, during calendar year 2016, France's GDP growth reached 1.1% and during the year ended March 31, 2017 our French like-for-like sales increased by 0.3%. While we seek to lessen the impact of the economic crisis and resulting economic volatility through management of our selling prices, production costs, volumes, inventories and working capital, future changes in economic conditions in France, Belgium, Italy, Japan, Luxembourg, Sweden, Switzerland and the United Kingdom, as well as globally, could result in short-term and long-term decreases in consumer confidence and demand, increases in selling prices, production costs and volatility of raw material prices. These risks and others that the Group may not anticipate, could adversely impact the Group's business, operating results, financial condition or prospects.

Our continued profit growth depends on our ability to manage the expansion of our operations.

We have grown rapidly by opening a yearly average of 23 new stores (either directly-operated stores or through franchises), in mainland France since March 31, 2012. We believe that there remains potential to open stores during the next decade, based on our criteria for new openings and growth strategy, in line with historical expansion albeit at a slower pace. We intend to continue to expand our network of stores in the future based on our internally developed "geomarketing" analysis. In addition, we further extended our network using a franchise model in smaller cities in France and abroad to complement our owned stores.

Historically, the increase in the density of our network of stores in France has not materially affected our average sales per store. We cannot guarantee that opening additional stores will not adversely affect our existing stores through cannibalization or that our strategy of adding new stores to the network will continue to be profitable. While we have a history of managing our growth successfully, future business growth could place a significant strain on our managerial, operational and financial resources. Our ability to capitalize on future growth will depend on our ability to continue to implement and improve operational, financial and information systems on a timely basis and to expand, train, motivate and manage our workforce. However, our personnel, systems, procedures and controls may not be adequate to support continued expansion, and failure to manage our expansion effectively may lead to increased costs, a decline in sales and reduced profitability. Based on these factors and others beyond our control, we cannot be certain that there will continue to be future opportunities to allow for growth on par with historical rates.

We may experience difficulties implementing overseas and international expansion plans.

In addition to our expansion in mainland France, we may consider a selective and measured geographical expansion of our business into other countries and territories that we believe will contribute to our growth and future performance. For example, we opened three franchised stores in Japan and two franchised stores in Switzerland during the year ended March 31, 2017. Following the divestment of our Italian subsidiary in May 2015, we have entered into a commercial agreement with a local partner in order to maintain our presence in Italy. Other commercial agreements have also been concluded with Aeon and Ocado in Japan and the United Kingdom, respectively. If we expand our overseas and international operations, including expanding into new countries and regions, we may encounter risks posed by, for example, the adaptation of our business model to non-French consumer preferences, different national or territorial health and consumer safety standards, a lack of local business experience and exposure to economic conditions in additional markets. We may also have difficulty hiring experts or qualified executives or employees in the countries and territories in which we plan to expand. In addition, expansion requires significant start-up costs and we may also be unable to successfully integrate the services, products and personnel of any new stores we open or acquire into our operations, which may ultimately translate into a lack or absence of return on our investment. The unfamiliarity of local customers with frozen food products in any new country or territory that we enter or failure on our part to adapt our product offering to local tastes and preferences may make it difficult for us to successfully implement our expansion plans. We may also encounter difficulties in our expansion due to the lack, or difficulty in identifying, local partners and suppliers compatible with our flexible business model. We cannot guarantee that future efforts at expansion will be successful. Based on these risks, we may not achieve results in new countries and territories that are comparable to those achieved in mainland France, which may subsequently impact our overall business, financial condition and prospects.

We may be unable to implement our business strategy.

Our current business strategy focuses primarily on increasing French stores like-for-like sales, notably by using information from our CRM program, further implementing our existing stores remodeling program in France, accelerating the pace of our product innovation, expanding our product offering and increasing our communication and advertising efforts. We have also been developing initiatives such as the development of Home Service, mainly through our website. Given the various risks to which we are exposed and the uncertainties inherent to our business, we cannot guarantee the successful implementation of our business strategy. If we do not meet our strategic objectives or achieve the results initially expected, our business, results of operations or financial condition and prospects may be adversely affected.

Some of our current stores are franchised and this presents a number of disadvantages and risks.

As of the date hereof, our stores in Japan, Switzerland, La Réunion and Corsica are franchised. We also opened nine franchised stores in smaller cities throughout mainland France as of March 31, 2017. We intend to maintain our strategy of opening stores in smaller French cities and elsewhere outside mainland France using the franchise model where we view the franchise model as appropriate.

While our franchise agreements have certain provisions meant to protect our reputation and our brand and also insure compliance with our quality standards, the franchise agreements present a number of drawbacks, such as:

- our limited influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to facilitate change in store ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings and inability or unwillingness of franchisees to participate in our strategic initiatives;
- the need to have the support of our franchisees for marketing programs and any new capital intensive or strategic initiatives which we may seek to undertake, and the successful execution thereof;
- the fact that franchisees are independent operators and we cannot control many factors that impact the traffic in their stores, which directly affect the sales of our products generated in their stores;
- our limited influence over the decision of franchisees to invest in other businesses or incur excessive indebtedness; and

- termination of the agreements (whether due to non-renewal or early termination as a result of a breach) if we are not able to satisfactorily replace the franchisee or other commercial partner in a timely manner, which may have a material adverse effect on our business, results of operations and prospects.

Additionally, we rely on positive brand recognition to attract customers. Our brand could be harmed by the actions of any of our franchisees. Any damage to our reputation, brand image or brand name through either a single event or series of events involving, or due to perceptions (*e.g.*, as to the overall quality of our service) regarding, our franchisees could have a material adverse effect on our ability to market our products and attract and retain customers, which may in turn affect our overall business, results of operations and prospects.

The market for our products is highly competitive, and we may not continue to compete effectively.

The frozen food market is highly competitive. Our competitors include distributors, retailers and, to a lesser extent, large manufacturers of frozen food, but also distributors and retailers of fresh products, baked goods and chilled, ready-made meals. These other competitors include generalist grocers, supermarket chains, hard discounters, specialists (including home delivery distributors) and convenience stores. Our competitors generally compete with us on the basis of location, quality of products, service, price, product variety and store condition. While we believe that we have developed a unique position in the French frozen food market as both a developer and a distributor of premium quality, competitively-priced frozen food products, there can be no assurance that we can successfully compete with those actors or that new competitors will not enter the industry. In recent years, generalist grocers and supermarkets have begun offering lines of frozen food products similar to our own, which has resulted in increased competition. Over the past few years, an increasing number of French distributors have opened local convenience stores which compete with us on the basis of location, by aiming to meet the needs of local customers, and price, by charging low prices, as well as in terms of market positioning, by targeting the “everyday shopping” segment. In addition, some of our competitors have substantially greater financial, marketing and other resources than our own, creating competitive pressures that could cause us to lose market share and may require us to lower prices, to increase capital, marketing and advertising expenditures or to increase the use of discounting or promotional campaigns, and may also restrict our ability to increase prices, including in response to commodity and other cost increases. These risks could affect our sales volumes and margins and may adversely impact our operating results.

The efficiency of our supply chain and information technology systems is critical to our business and operations.

Our performance depends on accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making processes. We and our suppliers are exposed to operational risks, such as the breakdown or failure of equipment, interruption of power supplies or processes, fires, floods or any other natural disasters, acts of sabotage or vandalism, and industrial accidents. We rely on our information technology systems for communication among our suppliers, stores, warehouses and headquarters and for Home Service. While we maintain certain controls designed to manage operational risks, including continued upgrading of modern technology for breakdown diagnosis, we may be adversely affected if our controls fail to detect or contain operational risks. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure and to maintain the related automated and manual control processes, we could be subject to negative impacts, including billing and collection errors, business disruptions and damages related to security breaches. Any disruption caused by failures in our information technology infrastructure or underlying equipment or of communication networks could delay or otherwise impact our day-to-day business and decision-making processes and negatively impact our performance.

Moreover, from time to time we may introduce new IT systems which may become subject to technical issues not previously experienced or foreseen by us, negatively impacting our day-to-day operations, which may result in billing and collection errors. We are also subject to numerous other risks in connection with the development of our Home Service online operations and with the implementation and enhancement of our CRM program. These risks include our reliance on third parties for computer hardware and software, the risk that our website or CRM tools may become unstable or unavailable due to necessary upgrades or the failure of our computer systems or related IT support systems as a result of computer viruses, telecommunication failures, electronic break-ins and similar disruptions, as well as the incurrence of unexpected costs in connection with the maintenance or upgrade of our website, CRM program or other digital projects. We also face the risk of not being able to keep up with rapid technological change and the implementation of new systems and platforms. Additionally, we may face risks relating to liability for online content and other related risks. Our failure to respond appropriately to these risks and uncertainties could reduce our Home Service sales which would negatively impact our results of operations, as well as could damage our brand, reputation and prospects.

In addition, we use outsourcing arrangements with third parties, notably in our logistics operations, and we do not control the facilities or operations of our suppliers. An interruption of operations at any of their or our facilities or any failure by them to deliver on their contractual commitments may have an adverse effect on our business, results of operations, financial condition and prospects.

Compliance with privacy and information laws and requirements could be costly, and a breach of information security or privacy could adversely affect our business.

A significant number of purchases across our various sales channels are made using credit cards and some of our customers' orders are placed through our website. We also have loyalty programs and currently utilize CRM platforms as part of our marketing strategy, both of which allow us to gather information about our customer base. In order for our business to function successfully, we must be able to handle and transmit confidential information, including credit card information, securely. In France, in connection with the collection of customers' personal data, we are subject to French law No. 78-17 of January 6, 1978 on information technology, data files and civil liberties, as amended. In this regard, French law requires any person in charge of processing personal information to make a declaration to the French Data Protection Authority (*Commission nationale de l'informatique et des libertés* ("CNIL")) containing a representation from such person that the data processing complies with French law requirements. The CNIL also requires such person to comply with certain obligations in respect of data processing and data conservation, and failure to comply with such obligations would lead to criminal offences or sanctions (primarily penalties or fines) imposed by the CNIL.

In addition, the EU General Data Protection-Regulation 2016/679 dated April 27, 2016, repealing the EU Directive 95/46/EC, will become applicable as of May 25, 2018. This new regulation strengthens existing rights, provides for new rights and gives customers and employees increased control over their personal data. As a result, companies will be required to keep records of processing activities. In addition, a data protection officer, responsible for data protection, will have to be designated by public authorities and by businesses. Concepts such as the 'right to be forgotten', data portability, data breach notification and accountability will also be introduced. Complying with these new regulations will require that we adopt new measures and implement process modifications.

The regulatory environment governing our use of individually identifiable data of customers, employees and others is complex. Privacy and information security laws and requirements change frequently, and compliance with them may require us to incur significant costs to make necessary systems changes and implement new administrative processes. Even if we are compliant with such laws and requirements, we may not be able to prevent security breaches involving customer transaction data. Any breach could cause consumers to lose confidence in the security of our website. We also face the risk that the customer data we collect as part of our CRM programs or otherwise may be stolen or misappropriated. In this case, customers may be discouraged from providing us with their data and the success of our marketing strategies could be negatively affected as a result. In all cases, our reputation could be damaged and we could experience lost sales, fines or lawsuits that may individually or in the aggregate have a material adverse effect on our business, financial condition and results of operations.

Increased transportation costs or disruption of transportation services could adversely affect our business and financial results.

Transportation of our products is an important element of our cost structure. We require the use of refrigerated trailers to ship our products from our suppliers' facilities to our warehouses and from our warehouses to our stores. In the year ended March 31, 2017, transportation costs (excluding transportation costs incurred by our suppliers, which are generally included in the prices we pay for products) accounted for 2% of our sales. Transportation costs have historically significantly fluctuated over time, in particular in connection with oil prices, and increases could result in reduced profits. We are dependent on third parties for the transportation of our products, and this service could be disrupted. Any increases in the cost of transportation, and any disruption in transportation services, could have a material negative impact on our business, results of operations and financial conditions and prospects. For example, the French government has historically introduced new taxes based on environmental and other initiatives, which have led transportation service providers to increase the prices of such services. As a result of those increases, our external expenses have also increased. In addition, there can be no guarantee that the French government will not continue to introduce similar taxes in the future, which could further impact our transportation costs.

Significant disruption in our workforce or the workforce of our suppliers could adversely affect us.

As of March 31, 2017 we employed 4,155 full-time equivalent employees, 97.7% of whom were located in France. Approximately 86% of our employees work in our network of directly-operated stores. We could experience labor disputes and work stoppages and difficulty in attracting and retaining operative personnel at one or more of our stores due to localized strikes or strikes in the larger retail food industry. We are also exposed to similar risks involving the workforce of our third-party suppliers, including all of our warehouse operators. In particular, a labor stoppage or other interruption at one of our suppliers or warehouses would impact our ability to supply our stores and could have a negative effect on our operations as a result. For instance, in January 2014, STEF, our principal logistics partner, experienced a work stoppage, which also impacted our operations. As we do not directly control our suppliers, including our warehouses, or their operations, we have no control over, and limited information on, labor relations between our suppliers and their workforces.

Deterioration in the relationships with our employees or trade unions or a failure to extend, renew or renegotiate our collective bargaining agreements on favorable terms could have an adverse impact on our business. Our business is labor intensive, so maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. As a result, any deterioration of the relationships with our employees, unions and other employee representatives could have an adverse effect on our business, results of operations and financial condition. Our employees in France are covered by national collective bargaining agreements. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of our employees such as maximum working hours, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and company-specific agreements also contain provisions that could affect our ability to restructure our operations and facilities or terminate employees. We may not be able to extend existing company-specific agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. We may also become subject to additional company-specific agreements, or our existing national collective bargaining agreements may be amended.

We can give no assurance that any future labor disturbance, work stoppage, or failure to attract and retain operative personnel at any of our or our suppliers' facilities in France or elsewhere would not have an adverse effect on that facility's operations and, potentially, on our business, results of operations, financial condition and prospects.

We are dependent upon key executives and highly qualified managers whose retention we cannot assure.

Our success partly depends upon the continued services of our CEO, Philippe Dailliez, our CFO, Christine Declercq, and other key executives and highly qualified managers, such as those in our R&D, Quality and Marketing departments. Our executives' and managers' knowledge of the market, our business and our company represents a key strength of our business model, and our experience and human capital serves as a barrier to entry to potential competitors. The success of our business strategy and our future growth also depend on our ability to attract, train, retain, motivate and manage skilled managerial, sales, administration, development and operating personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material negative impact on our business, results of operations, financial condition and prospects.

Compliance with European directives and regulations and national laws and regulations applicable to us could have a material adverse effect on our business, financial condition and results of operations.

As a developer and retailer of food products for human consumption, we are subject to stringent production, packaging, health, quality, labeling and distribution standards. National regulations that have implemented European directives applicable to frozen food products establish highly technical requirements regarding labeling, manufacturing, transportation and storage of frozen food products. Local governmental authorities also set out bacteriological conditions and restrictions. Each of our stores, our outsourced warehouse facilities and our suppliers' facilities is subject to licensing and reporting requirements and official quality controls by numerous governmental authorities. These governmental authorities include European, national and local health, environmental, labor relations, sanitation, building, zoning, fire and safety departments. Difficulty in obtaining or failure to obtain the necessary licenses or approvals could delay or prevent the development or operation of a given retail location or warehouse facility. Any changes in those regulations may require us to implement new quality controls and possibly to invest in new equipment, which could delay the development of new products and increase our operating costs.

We are subject to increasingly stringent health, safety and environmental regulations.

We are subject to numerous health, safety and environmental regulations, including local, national and European directives and regulations relating to the creation and maintenance of the conditions called for our cold chain requirements, the remediation of water supply and use, water discharges, air emissions, waste management, noise pollution, and workplace and product health and safety. In addition, we are subject to regulations relating to asbestos in the workplace. Health, safety and environmental legislation in Europe and elsewhere have tended to become broader and stricter over time, and enforcement has become more stringent. For example, over the past few years, we have observed a stricter application and the strengthening of French laws on accessibility of public spaces. We may have to incur additional costs to remain in compliance with such laws if new rules are introduced or existing laws are strengthened in the future. We try to follow and anticipate such changes, but any failure to comply with applicable legislation may lead to penalties, fines or other sanctions. If health, safety and environmental laws and regulations in France and the other countries in which we have operations or from which we source ingredients are strengthened in the future, the extent and timing of investments required to maintain compliance may differ from our internal planning and may limit the availability of funding for other investments. In addition, if the costs of compliance with health, safety and environmental laws and regulations continue to increase and it is not possible for us to pass through these additional costs into the prices of our products, any such changes could result in lower profitability. Changes in applicable laws or regulations or evolving interpretations thereof may result in increased compliance costs, capital expenditures and other financial obligations which could affect our profitability or impede the production or distribution of our products and affect our profitability.

All of our products must comply with strict national and international hygiene regulations. Our stores, our outsourced warehouses and our suppliers' production facilities are regularly subject to inspections by authorities for compliance with hygiene regulations applicable to the sale, storage and manufacturing of foodstuffs and the traceability of genetically modified organisms, meats and other raw materials. Despite the precautions we undertake or require our suppliers to undertake, should any non-compliance with such regulations be discovered during an inspection, authorities may temporarily shut down the store, warehouse or facility concerned and levy a fine for such non-compliance, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Furthermore, health, safety and environmental laws and regulations and civil liability (tort) rules could expose us to liabilities. Under some of these laws and regulations, we could be liable for investigating or remediating contamination at properties we own or occupy, even if the contamination was caused by a party unrelated to us, was not due to our fault or if the activity which resulted in the contamination was legal. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our properties, could result in substantial unanticipated costs. In some circumstances, we could be required to pay fines or damages under these laws and regulations. Regulatory authorities may also require us to curtail operations or temporarily or permanently close facilities. In addition, although we monitor the exposure of our employees and neighbors to risks related to our operations, we may be subject to claims resulting from actual or alleged exposure to hazardous materials, as well as to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations.

Although we believe that we conduct our operations in a way that reduces health, safety and environmental risks and have in place appropriate systems for identifying and managing potential liabilities, we may not have identified or addressed all sources of health, safety and environmental risks, and there can be no assurance that we will not incur health, safety and environmental-related losses or that any losses incurred will not have an adverse effect on our results of operations, financial condition and prospects.

Due to the seasonality of our business, our revenue and operating results may vary quarter to quarter.

Our sales and cash flows have historically been affected by seasonal cyclicality. Sales of frozen food products, including seafood, frozen vegetables and complete frozen meals, have historically tended to be higher during the winter months. December sales have historically been approximately double those of other months due to, among other factors, Christmas and New Year celebrations. Sales volumes also increase, albeit at a significantly lower level, around Valentine's Day, due to our strong marketing campaigns, and around Easter. During the summer months, sales volumes decrease as declines in sales in urban areas are only partially offset by increases in summer vacation destinations. At the end of the summer vacation period, sales increase slightly as customers tend to restock their freezers upon returning home. These cyclical fluctuations in our inventory can also affect our working capital requirements. In addition, because Easter falls on a different date each year, some years may include two Easters while others may include no Easter. For these reasons, sequential quarterly comparisons may not be a good indication of our comparative performance between two periods or how we may perform in the future. If seasonal fluctuations are greater than anticipated, there could be an adverse effect on our financial condition, results of operations or cash flows.

We rent most of our stores pursuant to commercial leases that may be subject to rent adjustments that could increase our expenses and have an adverse effect on our profitability and results of operations.

Most of our stores are leased pursuant to commercial leases for a term of nine years and rent constitutes a significant portion of our expenses. Generally, our commercial leases provide for an annual rent adjustment based on the changes in certain national indices. Currently, the applicable indices for our leases are either the national cost of construction index (*Indice national du Coût de la Construction* ("ICC")) or the quarterly commercial leases index (*Indice trimestriel des Loyers Commerciaux* ("ILC")). Stores leases based on the ILC represent 66% of total store leases as at March 31, 2017. Parties to an eligible commercial lease for retail properties (such as our stores) were able to select the ILC as an alternative to the previously existing ICC. With the enactment of the law on craft, commerce and very small corporations, dated June 18, 2014, the ILC became mandatory for new lease agreements. Although less volatile than the ICC, the ILC can increase at a higher rate than the ICC over a given period. Rents indexed to the ILC could therefore be adjusted upward at a faster rate, potentially increasing our expenses and having an adverse effect on our profitability and results of operations.

Furthermore, additional changes to the ICC or the ILC, in terms of scope or method of calculation, could also have an adverse effect on our profitability and results of operations.

We may not be able to continue to secure strategic locations for our stores.

We aim to continue to increase our footprint by opening stores in France and abroad. As such, the performance of our stores depends upon their location and the customer traffic in those locations. In order to benefit from customer traffic, we carefully select the locations of our stores using the geo-marketing method developed by Picard, favoring locations that are positioned strategically to best capture customer flows. We cannot control the availability of appropriate locations or their cost. We also face competition for prominent locations from other retailers who may be preferred by landlords. Furthermore, if our financial condition deteriorates or if our relationship with landlords is adversely affected, we may not have the opportunity, or have the ability, to obtain new key locations and continue to maintain existing locations. With respect to certain leases that do not benefit from statutory renewal protection, we may be unable to renew our lease agreements on favorable terms or at all in the future. In addition, the attractiveness of store locations may change over time. A variety of factors could influence the success of our stores, including, for example, the proximity to major shopping centers, the decline in popularity, or the closing, of other stores that generate customer traffic or the perceived or actual safety of the areas surrounding our stores. Our inability to secure high-quality locations for our stores could have a material adverse effect on our business, financial condition, results of operations and prospects.

The social security contributions we are required to make for our employees may increase and the tax credits we benefit from may decrease.

Pursuant to Articles L.241-13 *et seq.* of the French Social Security Code, the social security contributions that we are required to make in respect of the compensation paid to a large number of our employees are subject to a formula-based reduction. Beginning January 1, 2011, these reductions have been calculated on the basis of annual compensation instead of monthly compensation as used historically. This change resulted in higher social security contributions and has had an adverse effect on our profitability. Any additional change in the provisions applicable to this reduction, particularly with respect to the reduction rate or the calculation basis, could result in a further increase in our wage and salary expenses, which may adversely impact our profitability. Furthermore, errors in calculating the applicable rate could be identified during social security audits and result in subsequent contribution reassessments.

The CICE, a tax credit introduced in France on December 29, 2012 by the "*Loi de Finances rectificative*" to boost competitiveness and employment to the benefit of companies, is based on the remunerations that employers pay to their employees during a calendar year. The CICE is calculated as a percentage of the gross amount of remunerations paid to employees over the course of a calendar year that do not exceed 2.5 times the SMIC. The applicable CICE rate as from January 2017 is 7% of gross compensation and may fluctuate, up or down, in subsequent years. In addition, the newly-elected French President has announced the French government's intention to replace the CICE with a decrease in social security contributions on lower wages. Changes to the CICE, including changes in the conditions or requirements thereunder or the accounting of tax treatment thereunder, may result in the decrease or elimination of the expected positive impact of the CICE on our results of operations. In addition, we cannot anticipate the impact, if any, that the cancelation and replacement of the CICE may have on our business, our financial condition and results of operations.

Further changes in any of the above-mentioned laws or regulations or the coming into force of any new laws or regulations could substantially increase our operating expenses or restrict our operational flexibility and therefore have a material adverse effect on our business, financial condition and results of operations.

Market perceptions concerning the instability of the euro and the potential re-introduction of individual currencies within the eurozone could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations.

Over the past few years, developments in the eurozone have exacerbated the fallouts from the global economic crisis of 2008. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies, uncertainties regarding the overall stability of the euro, the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict.

As a consequence of the eurozone debt crisis, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency, or that the eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may negatively affect our business, results of operations and financial condition, especially as our operations are primarily in Europe. In addition, the departure of one or more countries from the eurozone may lead to the imposition of, among other things, exchange rate control laws. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and/or the value of the Notes and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations and, because we have a substantial amount of debt denominated in euro, our financial condition may be materially affected.

Furthermore, the Indentures contain covenants restricting our and our subsidiaries' corporate activities. See "*—We are subject to covenants, which limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations*". Certain of such covenants impose limitations based on euro amounts (*e.g.*, the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by those covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

Our tax burden could increase due to changes in tax law or their application or interpretation, or as a result of current or future tax audits.

Our tax burden is dependent on certain aspects of tax laws in France and other countries in which we operate and their application and interpretation. Changes in tax laws or their interpretation or application could increase the Group's tax burden. As a result of future tax audits or other review actions of the relevant financial or tax authorities, additional taxes could be identified, which could lead to an increase in our tax obligations, either as a result of the relevant tax payment being levied directly on us or as a result of us becoming liable for tax as a secondary obligor due to a primary obligor's (such as, for example, an employee's) failure to pay.

VAT rates could increase in the future in France and other countries in which we operate. If we do not increase the prices of our products to match the increase in VAT, our profit margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, materially and adversely affecting our business, financial condition and results of operations.

The occurrence of any of the foregoing tax risks could have a material adverse effect on our business, financial condition and results of operations.

We have recorded a significant amount of goodwill and we may never realize the full value thereof.

We have recorded a significant amount of goodwill. The total net value of goodwill recorded by Picard, which represents the excess of cost over the fair value of the net assets of the business acquired, was €815.2 million, or 38% of its total assets, as of March 31, 2017. Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is not amortized but reviewed for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to the income statement. Although Picard Group did not record any charges for goodwill impairment during its most recent year, there can be no assurance that goodwill impairment charges will not be incurred in the future. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

Risks Related to Our Indebtedness

The Senior Secured Notes Issuer, the Senior Notes Issuer, certain of their respective guarantors and the PIK Issuer are holding companies that have no revenue generating operations of their own and depend on cash from the operating companies of the Picard Group to be able to make payments on the Senior Secured Notes, the Senior Notes, their respective guarantees or the PIK Notes.

The Senior Notes Issuer, certain of the Guarantors and the PIK Issuer are holding companies with no business operations other than the equity interests they each hold in each of their subsidiaries. The Senior Secured Notes Issuer has limited business operations, which consist of management and consulting activities for the entities of the Group. It does not carry out any commercial activities, nor does it own any tangible assets. The Senior Secured Notes Issuer, the Senior Notes Issuer, certain of their respective Guarantors and the PIK Issuer are dependent upon the cash flow from each of their respective operating subsidiaries in the form of dividends or other distributions or payments to meet their obligations, including their obligations under the Senior Secured Notes, the Senior Notes, their respective Guarantees or the PIK Notes, respectively. The amounts of dividends and distributions available to the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors and the PIK Issuer will depend on the profitability and cash flows of their respective subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. The subsidiaries of each of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors and the PIK Issuer, respectively, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to each of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors or the PIK Issuer, respectively, to make payments in respect of their indebtedness, including the Senior Secured Notes, the Senior Notes, their respective Guarantees and the PIK Notes, respectively. In addition, the subsidiaries of the Senior Secured Notes Issuer and the Senior Notes Issuer that do not guarantee the Senior Secured Notes or the Senior Notes, respectively, have no obligation to make payments with respect to the Senior Secured Notes or the Senior Notes, respectively.

Our significant leverage may make it difficult for us to operate our businesses.

We currently have and will continue to have a significant amount of outstanding debt with substantial debt service requirements. As of March 31, 2017, we had €1,088.3 million of net debt, including the Senior Secured Notes, the Senior Notes and certain leases and bank guarantees less cash and cash equivalents but excluding the PIK Notes. As at March 31, 2017, our net debt, including the PIK Notes, was €1,297.9 million, of which €209.7 million (as of December 31, 2016) were represented by the PIK Notes. In addition, the available unused portion of our Revolving Credit Facility at March 31, 2017 was €30 million. Our significant leverage could have important consequences for our business and operations, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or general economic or industry conditions;
- placing us at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than we have;
- limiting our flexibility in planning for or reacting to competition or changes in our business and industry;
- negatively impacting credit terms with our creditors;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Our ability to make payments on and refinance our indebtedness and to fund working capital requirements, capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations nor obtain enough capital to service our debt or fund our planned capital expenditures.

In addition, we may be able to incur substantial additional debt in the future, including indebtedness in connection with any future acquisition. The terms of the Indentures and the Revolving Credit Facility Agreement permit our subsidiaries to incur such debt, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify. Moreover, some of the debt we may incur in the future could be structurally senior to the Notes and may be secured by collateral that does not secure any of the relevant Notes.

For a discussion of our cash flows and liquidity, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*".

We are subject to covenants, which limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations.

Our Indentures and the Revolving Credit Facility contain covenants which impose significant restrictions on the way we can operate, including restrictions on our ability to:

incur or guarantee additional debt and issue preferred stock;

make certain payments, including dividends or other distributions;

make certain investments or acquisitions, including participating in joint ventures;

prepay or redeem subordinated debt;

engage in certain transactions with affiliates;

create unrestricted subsidiaries;

enter into arrangements that restrict payments of dividends to the Issuers;

sell assets, consolidate or merge with or into other companies;

sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;

issue or sell share capital of certain subsidiaries; and

create or incur certain liens.

These covenants could limit our ability to finance future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the terms of the Revolving Credit Facility Agreement, and the relevant lenders could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. This could also result in an event of default under the Indentures. If the debt under the Revolving Credit Facility Agreement, the Senior Secured Notes, the Senior Notes, their respective guarantees or the PIK Notes or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full any or all of the Notes and our other debt. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand. In these circumstances, our assets may not be sufficient to repay in full that indebtedness and our other indebtedness then outstanding, including any or all of the Notes.

We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur will be structurally senior to the Notes if such subsidiaries do not guarantee the Senior Secured Notes or the Senior Notes, respectively, and could be secured or could mature prior to the Senior Secured Notes or the Senior Notes, respectively. The terms of the Indentures permit and the Revolving Credit Facility Agreement will permit, us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indentures and the Revolving Credit Facility Agreement. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, may as a result also be accelerated and become due and payable. We may be unable to pay these debts in such circumstances. The incurrence of additional debt would increase the leverage related risks described herein.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are significantly leveraged and have significant debt service obligations. As of March 31, 2017, we had €1,088.3 million of net debt, including the Senior Secured Notes, the Senior Notes and certain leases and bank guarantees less cash and cash equivalents but excluding the PIK Notes. As at March 31, 2017, our net debt, including the PIK Notes, was €1,297.9 million, of which €209.7 million (as of December 31, 2016) were represented by the PIK Notes. Our ability to make payments on or to refinance any of the Notes, or our other debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. Our significant leverage may also make it more difficult for us to satisfy our obligations with respect to any or all of the Notes and exposes us to interest rate increases to the extent any of our variable rate debt, including under the Senior Secured Notes and the Revolving Credit Facility Agreement, is not hedged.

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, planned acquisitions and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We can make no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the Indentures may restrict us from adopting some of these alternatives. Furthermore, we may be unable to find alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including our obligations under any or all of the Notes. In that event, borrowings under other debt agreement or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts, including any or all of the Notes.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction or downgrade of our credit ratings, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including under the Indentures, restrict our ability to transfer or sell assets and to use the proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due.

We are exposed to interest rate risks, and such rates may adversely affect our debt service obligations.

A significant portion of our debt bears interest at a variable rate, and we will be exposed to the risk of fluctuations in interest rates, primarily under the Senior Secured Notes and the Revolving Credit Facility, which are indexed to the Euro Interbank Offered Rate ("EURIBOR"). However, we may be unable to manage our exposure fully or continue to do so at a reasonable cost. Fluctuations in interest rates may also increase our overall debt obligations and could have a material adverse effect on our ability to service our debt obligations, including any or all of the Notes.

We may not be able to finance a change of control offer and certain transactions will not require us to make a change of control offer.

The Indentures and the PIK Indenture require the relevant Issuer to make an offer to repurchase the relevant series of Notes at 101% of their principal amount if we experience certain specified change of control events. In particular if LuxCo 1 or its shareholders are unable to repay their debt obligations (including the PIK Notes) and default thereon, their creditors may take control of the Picard Group and trigger such a change of control offer. The Senior Notes Issuer will not be required to make an offer to repurchase the Senior Notes if a change of control is also a Specified Change of Control Event (as defined in the Senior Notes Indenture). Our obligations under the Revolving Credit Facility would also be accelerated upon the occurrence of a change of control. The relevant Issuer's ability to repurchase any or all of the Notes as required by the relevant Indenture will depend on the relevant Issuer's access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Each of the Issuers' failure to effect a change of control offer when required would constitute an event of default under the relevant Indenture. In addition, certain important corporate events that might adversely affect the value of the Notes (including certain reorganizations, restructurings and mergers) would not constitute a "change of control" under the Indentures.

The interests of our ultimate principal shareholder may be inconsistent with the interests of the holders of the Notes.

Our principal indirect shareholders are Lion Capital and Aryzta. As of March 31, 2017, Lion Capital indirectly owns, together with minority co-investors, approximately 49.7% of our issued and outstanding ordinary shares through investment management funds. Following a transaction completed on August 19, 2015, Aryzta indirectly owns 48.7% of our issued and outstanding ordinary shares. Aryzta also benefits from a call option exercisable in 2018, 2019 and 2020, which would eventually allow it to indirectly acquire all the remaining shares of the Group held by Lion Capital, and Lion Capital benefits from "drag" rights under certain circumstances. The interests of our principal shareholders could conflict with the interests of investors in the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholder could cause us to pursue acquisitions or divestitures and other transactions or to make large dividend payments (subject to limitations in the Indentures and the Revolving Credit Facility Agreement) or other distributions or payments to it as the shareholder, even though such transactions may involve increased risk for the holders of the Notes. Our principal shareholders may also pursue opportunities outside of the Group that may compete with the Group and may also invest or acquire a competing business. Furthermore, no assurance can be given that our principal shareholders will not sell all or any part of their shareholdings at any time nor that they will not look to reduce their holdings by means of sale to strategic investors, an equity offering or otherwise. In particular, Aryzta has announced that it is evaluating investment alternatives for its 49.5% stake in Picard's indirect parent company Lux HoldCo. If any of those scenarios were to materialize, they could lead to a change in the equity ownership structure of the Group and ultimately a change of control.

You may be required to pay a "soulte" in the event you decide to enforce the share pledges by judicial or contractual foreclosure of the Senior Secured Notes Collateral and the Senior Notes Collateral consisting of shares rather than by a sale of such Collateral in a public auction.

The pledges over shares may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors), by judicial foreclosure (*attribution judiciaire*) or by contractual foreclosure (*attribution conventionnelle*) of the shares to the secured creditor, following which the secured creditor is the legal owner of the pledged shares. In a proceeding for *attribution* *judiciaire* or *attribution conventionnelle*, an expert is appointed to value the relevant Collateral (in this case, the shares) and if the value of that Collateral exceeds the amount of secured debt, the secured creditors may be required to pay the obligor a *soulte* equal to the difference between the value of the shares and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the relevant Collateral.

Consequently, in the event the lenders under the Revolving Credit Facility or the holders of the Senior Secured Notes, or the Senior Notes, respectively, decide to, and are entitled to, enforce the share pledges through a judicial or contractual attribution and if the value of such shares exceeds the amount of the secured debt, the lenders under the Revolving Credit Facility and the holders of the Senior Secured Notes, or the Senior Notes, respectively may be required to pay to the relevant pledgors a soulte equal to the value by which such shares exceeds the amount of secured debt.

If the value of such shares is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such shares, and the remaining amount owed to such creditors will be unsecured.

Should the holder of the Senior Secured Notes, or the Senior Notes, respectively, decline to request the judicial or contractual attribution of the shares, a realization of the pledged shares could be undertaken by public auction in accordance with applicable law. As such public auction procedures are not designed for a sale of a business as a going concern, however, it is possible that the sale price received in any such auction might not reflect the value of our group as a going concern.

Investors may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in euro. If investors measure their investment returns by reference to a currency other than the euro, an investment in any of the Notes, will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which the investor measures the return on his investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which an investor measures the return on his investments could cause a decrease in the effective yield of any of the Notes below their respective stated coupon rates and could result in a loss to the respective investors when the return on the Notes is translated into the currency by reference to which the investor measures the return on his investments. Investments in the Notes denominated in a currency other than U.S. dollars by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors, the PIK Issuer and all of their respective subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors and the PIK Issuer are non-residents of the United States. Although the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors and the PIK Issuer have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective guarantors or the PIK Issuer. In addition, as all of the assets of each of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective Guarantors, the PIK Issuer and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts. Moreover, in light of decisions of the U.S. Supreme Court, actions of the Senior Secured Notes Issuer, the Senior Notes Issuer, their respective guarantors or the PIK Issuer may not be subject to the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with France or Luxembourg. There is, therefore, doubt as to the enforceability in France or Luxembourg of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France or Luxembourg. In addition, the enforcement in France or Luxembourg of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French or Luxembourg court would have the requisite power or authority to grant remedies sought in an original action brought in France or Luxembourg on the basis of U.S. securities laws violations.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies have assigned credit ratings to each of the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to any of the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the relevant Notes.

Transfer of the Notes is restricted, which may adversely affect the value of the Notes.

Because the Senior Secured Notes, the Senior Notes, their respective guarantees and the PIK Notes have not been, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, to non-U.S. persons in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Senior Secured Notes, the Senior Notes and the PIK Notes, respectively. It is the obligation of investors in the Senior Secured Notes, the Senior Notes and the PIK Notes, respectively, to ensure that all offers and sales of the Senior Secured Notes, the Senior Notes and the PIK Notes, respectively, within the United States and other countries comply with applicable securities laws.

The Senior Secured Notes, the Senior Notes or the PIK Notes, respectively, are initially held in book-entry form and therefore each of their respective investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Senior Secured Notes, the Senior Notes or the PIK Notes, respectively, were issued in global certificated form and held through Euroclear and Clearstream, Luxembourg.

Interests in the global Senior Secured Notes, the global Senior Notes or the global PIK Notes, respectively, trade in book-entry form only, and the Senior Secured Notes, the Senior Notes and the PIK Notes, respectively, in definitive registered form, and are issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests are not considered owners or holders of Senior Secured Notes, the Senior Notes or the PIK Notes, respectively. The common depositary, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole registered holder of the global Senior Secured Notes, the global Senior Notes or the global PIK Notes, respectively, representing each of the respective series of Notes. Payments of principal, interest and other amounts owed on or in respect of the global Senior Secured Notes, the global Senior Notes or the global PIK Notes, respectively, representing the respective series of Notes will be made to the principal paying agent, which will make payments to Euroclear and Clearstream, Luxembourg. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the respective series of Notes representing the respective series of Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, Luxembourg, each of the respective Issuers will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, Luxembourg, and if investors are not participants in Euroclear and Clearstream, Luxembourg, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Senior Secured Notes, the Senior Notes or the PIK Notes, respectively, under each of their respective Indentures.

Unlike the respective holders of the Senior Secured Notes and the Senior Notes or the PIK Notes, themselves, owners of book-entry interests will not have the direct right to act upon each of the respective Issuer's solicitations for consents, requests for waivers or other actions from holders of the respective series of Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream, Luxembourg. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the PIK Notes Indenture or the Indentures, unless and until definitive registered Senior Secured Notes, the Senior Notes or the PIK Notes, respectively, are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream, Luxembourg. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Senior Secured Notes, the Senior Notes or the PIK Notes, respectively.

Investors' rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. For instance, the liens on the Senior Secured Notes Collateral may not be perfected with respect to the claims of the Senior Secured Notes if we or the Security Agent fails or is unable to take the actions we are required to take to perfect any of these liens. Such failure may result in the invalidity of the security interest in the collateral securing the relevant Notes or adversely affect the priority of such security interest in favor of the relevant Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, only be perfected at or promptly following the time such property and rights are acquired and identified. The Security Agent has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest therein. Such failure may result in the loss of the security interest in the Collateral or the priority of the security interest in favor the relevant Notes against third parties. To the extent that the security interests created by the Security Documents with respect to any Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

The insolvency and administrative laws of Luxembourg and France, as the case may be, may not be favorable to creditors, including investors in the Notes and may limit your ability to enforce your rights under the Notes, the Guarantees or the security interests in the relevant Collateral.

The Senior Secured Notes were issued by a *société par actions simplifiée* formed under the laws of France, and are guaranteed by guarantors incorporated under the laws of France and Luxembourg. The Senior Notes were issued by a *société anonyme* formed under the laws of Luxembourg and are guaranteed by guarantors incorporated under the laws of France. The PIK Notes were issued by a *société anonyme* formed under the laws of Luxembourg. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in France, Luxembourg and the United States. Proceedings could also be initiated in Luxembourg and France to enforce the rights of the holders of the relevant Notes against the relevant Collateral located in those jurisdictions. Such multijurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. There can also be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Senior Secured Notes Guarantors' and the Senior Notes Guarantors' jurisdictions of organization may be materially different from, or in conflict with, those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Senior Secured Notes Guarantees, the Senior Notes Guarantees and the relevant Collateral in those jurisdictions or limit any amounts that you may receive.

Furthermore, the current applicable insolvency and administrative laws of Luxembourg and France may change in the future. The content and the effect of any such changes in law cannot be predicted, may not be favorable to holders of the Notes and may adversely affect the situation of such holders. In February 1, 2013, the Luxembourg government introduced a proposal to reorganize the insolvency regime currently in place in Luxembourg. We cannot predict the impact, the nature or the extent of the changes that may be adopted as a consequence of this proposal, if any.

Finally, pursuant to the EU Council Regulation No. 1346/2000 on insolvency proceedings with respect to proceedings opened before June 26, 2017 and to the EU Council Regulation No. 2015/848 with respect to proceeds opened after June 26, 2017, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company has its "centre of main interests". Therefore, to the extent that the "centre of main interests" of the relevant Issuer or a Guarantor is deemed to be in

France or Luxembourg, courts of France or Luxembourg may have jurisdiction over the insolvency proceedings of such Issuer (or a French guarantor or a guarantor incorporated in the Grand Duchy of Luxembourg).

The following is a brief description of certain aspects of insolvency law in France and Luxembourg and the EU Insolvency Regulation.

France

Many of the Picard Group companies, including the Senior Secured Notes Issuer, Picard Surgelés and French TopCo are organized in France and, consequently, to the extent that their respective center of main interests is deemed to be in France, could be subject to French insolvency proceedings affecting creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*)), and court-controlled insolvency proceedings (safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard (*procédure de sauvegarde financière accélérée*) and reorganization or liquidation proceedings (*redressement ou liquidation judiciaire*)). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit the ability of holders of the relevant Notes to enforce their rights under the relevant Notes. The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the relevant Notes.

French insolvency law was last modified by Ordinance n°2014-326 dated March 12, 2014, which entered into force on July 1, 2014, Ordinance 2014-1088 dated September 26, 2014 and Decree No 2014-736 dated July 1, 2014.

Insolvency (cessation des paiements) under French law

Under French law, a company is deemed in a state of *cessation des paiements* when it is not able to pay its debts which are due with its available assets taking into account credit lines available to it, debt rescheduling which its creditors have granted to it.

Grace periods

In addition to insolvency laws discussed below, the holders of the Notes as our creditors could also be subject to article 1343-5 et seq. of the French Civil Code (*Code civil*).

Pursuant to the provisions of this article, French courts may, in any civil proceeding involving the debtor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the prevailing legal rate as published annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under article 1343-5 of the French civil code will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the relevant court.

When the debtor benefits from the opening of a *conciliation* proceeding, these provisions shall be read in combination with Article L 611-7 of the French Commercial Code (*see below*).

Warning Procedure (*procédure d'alerte*)

In order to anticipate a debtor's difficulties to the extent possible, French law provides for warning procedures. Indeed, when there are elements which they believe put the company's existence as a going concern in jeopardy, the statutory auditors of a company can request the management to provide an explanation. Failing satisfactory explanations or corrective measures, the auditors can request that a board of directors (or the equivalent body), and, at a later stage, the shareholders' meeting be convened. Depending on the answers provided to them (and the type of company), the auditors can or must inform the President of the relevant Commercial Court of the warning procedure.

Shareholders representing at least 5% of the share capital and the workers' committee (or, in their absence, the employees' representatives) have similar rights.

The President of the Commercial Court can also himself summon the management to provide explanations on elements which the President of the court believes put the company's existence as a going concern in jeopardy (or when the company has not filed its financial statements within the statutory timeframe, despite his injunction).

<u>Court-assisted pre-insolvency proceedings</u>

Pre-insolvency proceedings may only be initiated by the debtor company itself, in its sole discretion; provided that it experiences or anticipates legal, economic or financial difficulties:

(i) while not being in a state of *cessation des paiements* in case of *mandat ad hoc* or conciliation proceedings, or

(ii) while not being in a state of *cessation des paiements* for more than 45 days in case of conciliation proceedings only.

Mandat ad hoc and conciliation proceedings are informal and confidential (subject to the details below as regards conciliation proceedings) proceedings carried out under the supervision of the president of the court. The President of the competent court will appoint a trustee (as the case may be, a *mandataire ad hoc* or a *conciliateur*) in order to help the debtor company reach an agreement with its main creditors and stakeholders, in particular by reducing or rescheduling its indebtedness. The debtor may propose, in the filing for the commencement of the proceedings, the appointment of a particular person as trustee. Such proceedings are non-binding since the court-appointed trustee has no power to force the parties to accept an agreement and the dissenting creditors will not be bound by the arrangement, if any. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so.

Mandat ad hoc and conciliation proceedings may also be used at the request of the debtor and after the opinion of the participating creditors has been sought to prepare the sale of all or part of the business of the debtor with a view to implement such sale (*plan de cession*) in a subsequent insolvency proceeding. To ensure transparency, the public prosecutor must be consulted on any offer formalized in the context of such conciliation proceeding.

Contractual provisions modifying the terms of an outstanding contract, by diminishing the rights or increasing the obligations of the debtor solely by reason of the appointment of a *mandataire ad hoc* proceeding or the opening of conciliation proceedings, or any request made to this end are deemed null and void.

Equally, contractual provisions that would, as the sole result of the opening of *a mandat ad hoc* proceedings or the opening of conciliation proceedings, make the debtor bear the fees of the creditor's counsel relating to such proceedings for the portion that would exceed three quarters of the total fee of the relevant counsel are null and void.

<u>*Mandat ad hoc* proceedings</u>

There is no time limit for the duration of *mandat ad hoc* proceedings The agreement reached by the parties (if any) can be reported to the President of the court but, unlike in conciliation proceedings, French law does not provide for any sanction by the Court or recognition by the President of the court with the related specific consequences. Such proceedings are confidential (save for their disclosure for statutory auditors, if any).

In any event, the debtor retains the right to petition the court for a grace period as set forth in Article 1343-5 and seq. of the French Civil Code.

<u>Conciliation proceedings</u>

Conciliation proceedings may last up to five months. Such proceedings are confidential (save for their disclosure for statutory auditors, if any). During the proceedings, creditors may continue to sue individually for payment of their claims but they usually in practice accept not to do so. In addition, the debtor retains the right to petition the president of the Commercial Court for a grace period under Article 1343-5 of the French Civil Code.

The judge having opened conciliation proceedings (i) may grant a grace period even when the formal notice asking the debtor to pay was sent before conciliation proceedings commenced (and not only during conciliation proceedings) and (ii) may grant a grace period during the implementation of the conciliation agreement *(*and not only during conciliation proceedings).

If an agreement is reached among the parties in the context of *conciliation* proceedings, (i) any individual proceedings by creditors with respect to the claims included in the rescheduling agreement are suspended, (ii) accrued interest of the claims governed by the restructuring agreement cannot bear themselves interest (notwithstanding Article 1154 of the French Civil Code) and (iii) the debtor retains the right to petition the President of the Court who opened conciliation proceedings for debt rescheduling (pursuant to Article 1343-2 of the French Civil Code mentioned above) in relation to claims of non-consenting creditors (other than public creditors) who were called to the conciliation. Joint debtors, personal guarantors, or any third party that granted a security interest can benefit from the grace periods granted to the debtor during conciliation proceedings as well as from the provisions of the sanctioned or acknowledged agreement.

The agreement may be either recognized (*constaté*) by the president of the court at all parties' request or, at the request of the debtor (and provided that certain conditions are satisfied, i.e. that (i) the debtor is not in cessation des paiements or the conciliation agreement puts an end to such cessation des paiements, (ii) the agreement does not infringe upon the rights of the non-signatory creditors and (iii) it effectively ensures that the company will survive as a going concern), sanctioned (*homologué*) by the court.

While recognition (*constatation*) of the agreement by the president of the court does not entail any specific consequences, other than to render the agreement immediately enforceable and binding upon the parties thereto, sanction (*homologation*) by the court has the following consequences:

the judgment will make the conciliation proceedings public (however, disclosure only of the existence of the conciliation proceedings and not of the content of the agreement except the Guarantees and privileges as well as the amount of "new money" detailed below, as provided for in the agreement);

creditors who, as part of the sanctioned agreement or during the course of the conciliation proceedings, provide new money or goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy priority of payment over all pre-petition and post-petition claims (other than certain pre-petition employment claims and post petition procedural costs), in the event of subsequent safeguard proceedings (including accelerated safeguard or accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings);

in the event of subsequent safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or liquidation proceedings, the payment date of claims benefiting from the New Money Lien may not be rescheduled without their holders' consent;

in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* (and therefore the starting date of the "hardening period" as defined below) cannot be determined by the court to be at a date earlier than the date of the sanction of the agreement by the court, except in case of fraud.

In case of breach of the agreement, whether sanctioned or recognized, any party thereto can petition the court for its rescission. However, provided that the conciliation agreement's terms are complied with, any individual proceeding by any creditor for the payment of claims covered by the conciliation agreement are suspended and/or prohibited. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, to the exception of those amounts already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated safeguard or accelerated financial safeguard proceedings as described below.

<u>Court-controlled insolvency proceedings</u>

The following French insolvency proceedings may be initiated by or against a company in France:

(a) safeguard (*procédure de sauvegarde*), accelerated safeguard (*procédure de sauvegarde accélérée*) or accelerated financial safeguard (*procédure de sauvegarde financière accélérée*) proceedings, upon petition by the debtor only if, while not being in a state of *cessation des paiements* (or for accelerated safeguard and accelerated financial safeguard proceedings, if in *cessation des paiements* for less than 45 days when it initially requested the opening of conciliation proceedings), it is facing difficulties which it cannot overcome;

The conditions of opening of accelerated safeguard (*procédure de sauvegarde accélérée*) or accelerated financial safeguard (*procédure de sauvegarde financière* accélérée) proceedings are described below.

(b) judicial reorganization (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings upon petition by the debtor, any creditor or the public prosecutor if such company is in *cessation des paiements*. Judicial reorganization proceedings are available to companies whose recovery prospects are possible while judicial liquidation proceedings are available to companies whose recovery is manifestly impossible.

While a company may file for safeguard proceedings at any time it is facing insurmountable difficulties, it is required to petition for the opening of judicial reorganization or judicial liquidation proceedings within 45 days of becoming unable to pay its due debt out of its available assets. If it does not, and has not petitioned the relevant court for the opening of such proceedings or is not in conciliation proceedings, directors and, as the case may be, *de facto* managers of the company, are subject to civil liability.

The observation period and its outcome

The period from the date of the court decision commencing the insolvency proceedings and until the court makes a decision on the outcome of the proceedings is called the observation period (*période d'observation*) and may last up to 12 months (with six additional months under exceptional circumstances) under a safeguard or a judicial reorganization proceeding. During the observation period, a court-appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company.

In safeguard proceedings, the administrator's mission is limited to either supervising the debtor's management or primarily assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management and to make proposals for the reorganization of the company, which proposals may include a reorganization plan (equivalent to a safeguard plan) and/or the sale of all or part of the company's business to a third party. In judicial reorganization proceedings, the court may also decide that the court-appointed administrator will manage the company alone by replacing the debtor's management.

At the end of the observation period, if it concludes that the company can survive as a going concern, the court will adopt a safeguard or a reorganization plan, which will essentially provide for a restructuring and/or rescheduling of debts which may only entail the partial divesture of assets rather than the entire business, to a third party (a sale of the entire business is not possible in a safeguard plan). Unlike in safeguard proceedings, at the end of the observation period of judicial reorganization proceedings and, alternatively to a reorganization plan, the court may determine that all or part of the business should be sold to purchasers who have submitted bids.

Judicial liquidation proceedings entail the relief of the debtor of the management and there is no observation period in such proceedings. The outcome of liquidation proceedings, which is decided by the court without a vote of the creditors, may be a sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. Where a sale of the business (partial or not) is contemplated, the court may authorize a temporary continuation of the business for a maximum period of three months (renewable once for a period of three months at the Public Prosecutor's request) whose effects are similar to an observation period.

At any time during the observation period, the court may convert the safeguard proceedings into reorganization proceedings (i) upon its own initiative or at the request of either of the debtor, the court-appointed administrator, the creditors' representative or the public prosecutor, if the debtor enters into *cessation des paiements*, or (ii) at the debtor's request, if the approval of the safeguard plan is manifestly impossible and if the company would become in cessation des paiements should safeguard proceedings be closed.

Where no safeguard plan has been adopted by the creditors' committees (pursuant to article L.626-30-2 and L.626-32 of the French Commercial Code, as the case may be), the Court may also convert the proceedings into a court-ordered reorganization upon request of the debtor, the court-appointed administrator, the creditors' representative or the public prosecutor if the approval of the safeguard plan is obviously impossible and if the company would become in *cessation des paiements* should safeguard proceedings be closed.

At any time during the observation period, the court can order the liquidation of the company if the debtor is in *cessation des paiements* and its rescue has become manifestly impossible. However, it cannot be ruled out that further both decisions from the French Constitutional Court dated December 7, 2012 (n°2012-286 QPC) and March 7, 2014 (n°2012-368 QPC) the constitutionality of the conversion of a safeguard into judicial reorganization or judicial liquidation proceedings, when it is decided upon the court's own initiative, can be challenged.

If the court adopts a safeguard plan, a reorganization plan or a plan for the sale of the business, it can set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

<u>Creditors' committees and adoption of the safeguard or reorganization plan</u>

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million, and the accounts of which have been certified by a statutory auditor or established by an accountant), or where authorized by the supervising judge for smaller companies, two creditors' committees (one for credit institutions having a claim against the debtor or entities having granted credit or advances in favor of the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers—the smaller suppliers, if invited by the court-appointed administrator, may elect to be members of such committee) have to be established. To be eligible to vote, suppliers must have their claims set forth in the list provided by the debtor to the court-appointed administrator as certified by the debtor's statutory auditors (or, in their absence, its accountant).

If there are any outstanding debt securities in the form of "obligations" (such as bonds or notes), a general meeting gathering all holders of such debt securities will be established whether or not there are different issuances and no matter what the governing law of those "obligations" is (the "bondholders general meeting"). The relevant Notes constitute "obligations" for purposes of a safeguard or judicial reorganization proceeding and the Noteholders would therefore vote within the bondholders general meeting.

For proceedings opened as from July 1, 2014, not only is the debtor entitled to present a draft plan but also creditors from a creditors' committee (credit institutions' committee or suppliers' committee).

These creditors' committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plans drafted by the debtor's management together with the judicial administrators during the observation period and the creditors from a creditors' committee.

Draft plans submitted to the committees and the bondholders:

must take into account subordination agreements entered into by the creditors before the opening of the proceedings;

may treat creditors differently if it is justified by their differences in situation; and

may notably include a rescheduling or cancellation of debts and debt-for-equity swaps.

In the first instance, one of the plans must either be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 20 to 30 days of its proposal by the company (such time can be reduced or extended by the supervising judge, at the request of the debtor or the judicial administrator, it being noted that it cannot last less than 15 days). If there is no proposal by the debtor, the judicial administrator determines the date on which the committees will vote.

Such approval requires the affirmative vote of the members of each committee holding at least two-thirds of the amount of the claims held by members of such committee that expressed a vote. Each member of a committee informs the court-appointed administrator of any agreement subjecting its vote to certain conditions or providing for the total or partial payment of its claim by a third-party or any subordination agreement. The court-appointed administrator will submit to the creditor the conditions of calculation of its voting rights. In case of disagreement on this calculation, both the creditor and the court-appointed administrator may file for summary proceedings before the president of the Court.

Following the approval of the plan by the two creditors' committees (or the sole credit institutions' committee in the case of accelerated financial safeguard proceedings), the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the principal amount of the obligations held by bondholders who expressed a vote in the bondholders' general meeting. The same rules as set forth in the paragraph above apply to the bondholders' general meeting.

If the plan provides for a share capital modification, the shareholders' general meeting must approve this modification. If the plan provides for a share capital increase, shareholders can set off their claim, provided it is acknowledged by the Court, and within the limit of the reduction included in the plan.

Where the opening judgment requires the judicial administrator to convene an extraordinary general meeting of shareholders to implement the share capital modifications provided in a safeguard or reorganization plan, the Court has power to lower the quorum and majority threshold needed to approve the modification (a resolution to modify the share capital can be passed at a meeting convened for that purpose by a simple majority of the votes present, provided that they represent at least half of the all shares with voting rights.

In case of judicial reorganization only, if equity capital of the debtor is lower than half of the share capital and has not been restored, the court-appointed administrator can request the Court to appoint a judicial officer (*mandataire de justice)* to (i) convene the shareholders meeting and (ii) vote the share capital restoration in place of the opposing shareholders should the plan provide for a share capital modification to the benefit of one or several persons which made commitments to execute the plan.

Creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. For those same creditors who are outside such committees (or where no such committees have been convened), the creditors' representative may elect not to consult them.

Following approval by the requisite creditors' committees and the bondholders' general meeting, the plan has to be approved (*arrêté*) by the relevant court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan), as well as those creditors outside such committees / general meeting (it being noted that they can only be imposed debt rescheduling by the court as detailed below).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan (or has not rendered its decision within 6 months of the opening judgment); (it being noted that this 6-month period may be extended by the court at the request of the judicial administrator to the extent it does not exceed the duration of the observation period), the plan will not be approved by the court which can still adopt a safeguard plan in the time remaining until the end of the observation period, in which case a consultation of the creditors on an individual basis will take place. They will be asked whether they accept rescheduling, cancellation of debt and/or debt-for-equity swaps provided for in the draft plan. Where the consultation is in writing, the creditor is deemed to have accepted the debt rescheduling and/or write-offs proposal if he fails to respond within thirty days upon receipt of the creditors' representative letter. However, in respect to debt-to-equity swap proposals, the creditors' representative must obtain the agreement of each individual creditor in writing within this 30-day timeframe. In those circumstances, the court has the right to accept or reduce debt deferrals or write-offs with respect to the claims of creditors who have consented to such measures, but it may only impose uniform debt deferrals (with interest for debts with an initial maturity of more than one year) for a maximum period of 10 years with respect to the claims of non-consenting creditors except for claims with maturity dates of more than ten years, in which case the maturity date shall remain the same. The court cannot impose on them debt write-offs or debt-to-equity swaps. The same rule applies with respect to creditors who are not members of the committees, or where no such committees or general meeting of bondholders are convened.

Accelerated safeguard proceedings and accelerated financial safeguard proceedings

A debtor in the course of conciliation proceedings may request commencement of accelerated safeguard or accelerated financial safeguard proceedings. The accelerated safeguard or accelerated financial safeguard proceedings have been designed to "fast-track" the regular safeguard proceedings relating to large companies. The regime applicable to accelerated safeguard or accelerated financial safeguard proceedings is roughly the regime applicable to the regular safeguard proceeding to the extent compatible with the accelerated timing in accelerated safeguard and or accelerated financial safeguard proceedings, therefore some provisions relating in particular to ongoing contracts and restitution claims formed by owners are excluded by law.

The accelerated safeguard proceeding has effect against pre-insolvency creditors that have to file a proof of claim (see below) and as a consequence trade creditors notably will be involved in the accelerated safeguard proceedings, whereas accelerated financial safeguard proceedings only involve financial creditors (i.e. members of the credit institutions committee and the bondholders' general assembly), with no impact on suppliers or public creditors notably (who will thus continue to be paid according to their applicable contract terms and are not subject to the automatic stay applicable during the observation period).

The regime applicable to accelerated financial safeguard proceedings is similar to the one applicable to accelerated safeguard proceedings (which is now designed as the common accelerated proceeding, the accelerated financial safeguard proceedings being a variety of the latter, designed to "fast-track" purely financial difficulties).

To be eligible to accelerated safeguard or accelerated financial safeguard proceedings, the debtor must fulfill the following conditions:

- the debtor must be subject to ongoing conciliation proceedings when it applies for the opening of the accelerated safeguard or accelerated financial safeguard proceedings;

- the debtor must not be insolvent for more than 45 days when it initially requested the opening of conciliation;

- as is the case for regular safeguard proceedings, the debtor must face difficulties that it is not in a position to overcome;

- in the context of conciliation proceedings, the debtor must have prepared a draft safeguard plan that aims to protect its operations in the long run and which is likely to be supported, within the group of those creditors who will be affected by the accelerated safeguard proceedings, by a sufficiently large majority of them to allow a likely adoption of the plan by the relevant creditors' committees and bondholders general assembly, if any, within the duration of the procedure i.e. three months for accelerated safeguard proceedings or a maximum of two months for accelerated financial safeguard proceedings;

- the debtor must (i) have its accounts certified by a statutory auditor or established by an accountant and have (x) more than twenty employees; or (y) have a turnover greater than €3 million excluding any applicable taxes; or (z) have total assets in its balance sheet greater than €1.5 million or (ii) establish consolidated financial statements in accordance with article L. 233-16 of the French Commercial Code; and

- the debtor must satisfy the thresholds provided for to constitute creditors' committee (see above) or the court shall have ordered such constitution in the opening decision.

Where accelerated safeguard proceedings are opened, the creditors committees (only the credit institutions committee in accelerated financial safeguard proceedings) and the bondholders' general assembly are convened and are required to vote on the proposed accelerated safeguard plan within the minimum period of 15 days of delivery of the proposed plan (applicable in safeguard proceedings) (eight days in accelerated financial safeguard proceedings).

The plan is adopted following the same majority rules as in regular safeguard proceedings and it may notably provide for a debt rescheduling, and/or debt cancellation, and/or conversion of debt into equity (requiring the relevant shareholder consent).

The total duration of the accelerated safeguard proceedings is three months, while the duration of the accelerated financial safeguard proceedings is one month, unless the court decides to extend it by one additional month. If no plan is adopted by the creditors committee(s) and the bondholders' general assembly at the relevant majority rules within such timeframe, the court shall terminate the accelerated safeguard or accelerated financial safeguard proceedings and may not impose any uniform debt rescheduling.

<u>The "hardening period" (*période suspecte*) in judicial reorganization and liquidation proceedings</u>

The date when the debtor becomes in a state of "*cessation des paiements*" is generally deemed to be the date of the court decision commencing the judicial reorganization or judicial liquidation proceedings. However, in the decision commencing judicial reorganization or liquidation proceedings or in a subsequent decision, a court may decide that the date when the debtor became unable to pay its debts be deemed to be an earlier date of up to 18 months prior to the court decision commencing the proceedings. The date when the debtor became unable to pay its debt is important because it marks the beginning of the "hardening period". Certain transactions entered into by the debtor during the hardening period are, by law, void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred and provisional measures, unless the right of attachment or seizure predates the date of *cessation des paiements*, share options granted or sold during the hardening period the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement (*fiducie*) that dedicates assets or rights as a guaranty of pre-existing debts.

Voidable transactions include, (i) transactions for consideration entered into, (ii) payments made on accrued debts after the date of *cessation des paiements* or (iii) notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions, in each case, if such actions are taken after the debtor was in *cessation des paiements* and the party dealing with the debtor knew that the debtor was in *cessation des paiements* at that time. In addition, transactions relating to transfers of assets for no consideration are also voidable when carried out during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent within the meaning of French law.

<u>Protective measures under safeguard reorganization and judicial liquidation proceedings</u>

Pursuant to amendments to the French Commercial Code dated March 12, 2012 (law n°2012-346) protective measures may be requested:

by the court-appointed administrator, the creditors' representative, the public prosecutor of the company against which safeguard, reorganization or judicial liquidation proceedings have been opened or by the judge under its own motion as part of an action for commingling of assets ("*action en extension pour confusion de patrimoines*"); and

by the court-appointed administrator, the creditors' representative over the assets of the manager of a company against which a court-ordered reorganization is opened and against which an action for liability is brought on the grounds of a fault having led the company to its insolvency (*cessation des paiements*).

As such, these protective measures aim at precluding third parties from seizing the assets of the company against which an action for commingling of assets is brought or the assets of the manager against which an action for liability is brought.

<u>Status of creditors during safeguard, judicial reorganization or judicial liquidation proceedings</u>

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of insolvency proceedings must file a proof of claim (*déclaration de créances*) with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the insolvency proceedings. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of a claim has been filed yet, such claim is deemed filed with the creditors' representative. Creditors are allowed to confirm a proof of claim made on their behalf. Creditors who have not submitted their claims during the relevant period, whose claims are not deemed filed with the creditors' representative save for a ratification by the creditor of a proof of claim made on its behalf, are barred, except with respect to very limited exceptions, from receiving distributions made in accordance with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

In accelerated safeguard and accelerated financial safeguard proceedings, the debts held by creditors that took part in the conciliation proceedings are listed by the debtor and certified by its statutory auditor (or, in its absence, its accountant) and are thus deemed to have been filed. Although such creditors can file proofs of claim pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth on the list prepared by the debtor (within the 2 or 4 months time limit). Those creditors who did not take part in the conciliation proceedings (but who would be members of the creditors' committees or the bondholders' general meeting) would have to file their proofs of claim within the above-mentioned legal time limit.

During the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is differed by at least one year);

- the debtor is prohibited from paying (i) debts incurred prior to the date of the court decision commencing the insolvency proceedings, subject to specified exceptions which essentially cover the set-off of related debts (*compensation pour dettes connexes*), and payments authorized by the supervising judge (*juge-commissaire*) and to recover assets for which recovery is justified by the continued operation of the business and (ii) post petition debts not useful to the proceedings; and

- creditors may not initiate or pursue any individual legal action against the debtor (or, in safeguard or reorganization proceedings, against a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the insolvency proceedings if the objective of such legal action is:

    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);

    - to terminate or cancel a contract for non-payment of pre-petition amounts owed to the creditor; or

    - to enforce the creditor's rights against any assets of the debtor, except where such asset—whether tangible or intangible, moveable or immoveable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of article 5 of EC Regulations 1346/2000 with respect to insolvency proceedings opened before June 26, 2017 and in accordance with EC Regulation No. 2015/845 (Recast) with respect to insolvency proceeds opened after June 26, 2017).

In accelerated safeguard or accelerated financial safeguard proceedings, the above rules only apply to the creditors which are subject to those proceedings.

Contractual provisions such as those contained in the relevant Indenture that would accelerate the payment of the debtor's obligations upon the occurrence of certain insolvency events are not enforceable under French law, and the court-appointed officer can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The court-appointed officer can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that such debtor fully performs its post-petition contractual obligations. The opening of liquidation proceedings does, however, automatically accelerate the maturity of all of the debtor's obligations, unless the court allows the business to continue for a period of no more than three months (renewable once) if it considers that a sale of part or all of the business is possible. In this case, the debtor's obligations are deemed mature on the day the court approves the sale of the business or the end of the period of continuation of the business.

Contractual provisions pursuant to which the opening of the proceedings constitutes an event of default are not enforceable against the debtor, as well as, according to a decision of the French Supreme Court dated January 14, 2014, n°12-22.909, "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (which should also apply in case of safeguard, accelerated safeguard or accelerated financial safeguard proceedings).

The administrator may also terminate (except for employment contracts) or, provided that the debtor fully performs its post-petition contractual obligations, continue to execute contracts.

During reorganization proceedings, when the ongoing contract involves the payment of a sum of money, this payment must be made in cash, unless the administrator obtains extended payment deadlines from the contractual partner of the debtor; the administrator is under an obligation to verify that by continuing the contract he or she does not risk creating a foreseeable damage for the contractual partner.

If the court adopts a safeguard plan or a reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business (*plan de cession*) in reorganization or liquidation proceedings, the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking. However, in practice, where a plan for the sale of the business is considered, it will usually appoint a judicial administrator to manage the company and organize such sale of the business process.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, post-petition legal cost (essentially fees of officials appointed by the insolvency court as required by the regulations relating to insolvency proceedings), creditors who, as part of the sanctioned conciliation agreement, have provided new money or goods or services (see above), certain pre-petition secured creditors in judicial liquidation proceedings only, post-petition creditors, the French State (taxes and social charges), other pre-petition secured creditors and pre-petition unsecured creditors.

<u>Judicial reorganization or liquidation proceedings</u>

The court ruling commencing the proceedings may order either the liquidation or the reorganization of the company. See "*—The observation period and its outcome*" and "*—Creditors' committees and adoption of the safeguard or reorganization plan*" for a description of the observation period and the consultation of the creditors on the draft reorganization plan. At any time during the observation period, the court can order the liquidation of the company if recovery of the debtor is manifestly impossible. However, following the two decisions of the French Constitutional Court dated December 7, 2012 (n°2012-286 QPC) and March 7, 2014 (n° 2013-368 QPC), the constitutionality of the conversion of a judicial reorganization in a judicial liquidation proceedings when decided upon the court's own initiative, could be challenged. At the end of the observation period, the outcome of the proceedings is decided by the court.

There is no observation period in case of judicial liquidation proceedings being opened against the debtor. The outcome of these proceedings, which is decided by the court without a vote of the creditors, may be a plan for the sale of the business and/or isolated sales of the debtor's assets in order to discharge the debtor's liabilities. In case a plan for the sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the Public Prosecutor's request), whose effects are similar to an observation period.

<u>Lender liability</u>

Pursuant to Article L. 650-1 of the French Commercial Code, where insolvency proceedings or safeguards have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds: (i) fraud; (ii) clear interference with the management (*immixtion caractérisée dans la gestion*) of the debtor; or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court. Case law has recently set out that this liability would also require that the granting of the facility be deemed to be wrongful.

If a creditor has repeatedly interfered in the company's management, it can be deemed a de facto manager of such company ("*dirigeant de fait*"). In such case, article L 651-2 of the French Commercial Code provides that, if liquidation proceedings (liquidation judiciaire) have been commenced against the debtor, the creditor may be liable for bearing the excess of liabilities over the company's assets, along with the other managers (whether *de jure* or *de facto*), as the case may be, if it is established that their mismanagement has contributed to the company's shortfall of assets. If such conditions are met, French courts will decide whether the managers should bear all or part of the shortfall amount.

Luxembourg

Under Luxembourg insolvency laws, your ability to receive payment on the relevant Notes may be more limited than would be the case under U.S. bankruptcy laws. The following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office and central administration (*administration centrale*), centre of main interests, as used in the EU Insolvency Regulation or an establishment within the meaning of the EU Insolvency Regulation (in relation to secondary proceedings, assuming in the latter case that the center of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable), in Luxembourg:

- Bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by a Luxembourg court *ex officio*. The managers/directors of the relevant Luxembourg entity have the obligation to file for bankruptcy within one month from the moment if the relevant Luxembourg company is in a state of cessation of payment (*cessation de paiement*). Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the company: (i) is unable to pay its debts as they fall due payments (*cessation des paiements*); and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may also open *ex officio* bankruptcy proceedings, absent a request made by the company or a creditor. The main effects of such proceedings are (i) the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for secured creditors and the payment of the secured creditors, and (ii) the payment of the Luxembourg company's creditors in accordance with their rank upon realization of the Luxembourg company's assets;

- Controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the relevant Luxembourg company and not by its creditors; a reorganization order requires the prior approval by more than 50% of the number of creditors representing more than 50% of the company's liabilities in order to take effect; and

- Composition proceedings (*concordat préventif de la faillite*), the obtaining of which is requested by the relevant Luxembourg company only after having received prior consent from the majority of its unsecured creditors holding at least 75% of the claims against such company. The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these proceedings, your ability to receive payment on the relevant Notes may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) as provided under articles 593 et seq. of the Luxembourg Code of Commerce or to put the relevant Luxembourg company into judicial liquidation (*liquidation judiciaire*) pursuant to article 203 of the Luxembourg law on commercial companies dates August 10, 1915, as amended (the "Luxembourg Companies Law"). Winding-up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Liabilities of a Guarantor or the Senior Notes Issuer in respect of the Senior Secured Notes or the Senior Notes will in the event of a liquidation of a Guarantor or the Senior Notes Issuer following bankruptcy or judicial winding-up proceedings, rank below the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Relevant Luxembourg Company that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include, *inter alia*:

- certain amounts owed to the Luxembourg Revenue;

- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;

- social security contributions; and

- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized and subject to application of the relevant priority rules, liens and privileges arising mandatorily by law).

During such insolvency proceedings, all enforcement measures by unsecured creditors of the relevant Luxembourg company are suspended.

Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the period before bankruptcy, the so-called "hardening period" (*période suspecte*), which is a maximum of six months, as from the date on which the commercial court formally adjudicates a person bankrupt, and, as for specific payments and transactions, during an additional period of ten days before the commencement of such period preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date, if the bankruptcy judgment was preceded by another insolvency proceeding (e.g., a suspension of payments or controlled management proceedings) under Luxembourg law. These situations are:

- pursuant to article 445 of the Luxembourg Code of Commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange (unless, arguably, that method of payment was agreed from inception); the sale of assets or entering into transactions generally without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) will be set aside or declared null and void, if so requested by the bankruptcy receiver; article 445 does not apply to financial collateral arrangements and set-off arrangements subject to the Luxembourg law of August 5, 2005 on financial collateral arrangements, as amended (the "*Luxembourg Collateral Law*"), such as Luxembourg law pledges over shares or receivables to the extent that they secure payment obligations and/or obligations to deliver financial instruments on the underlying assets of such instruments;

- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts for consideration, as well as other transactions concluded during the hardening period (*période suspecte*), are subject to cancellation by the court upon proceedings initiated by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments; article 446 does not apply to financial collateral arrangements and set-off arrangements subject to the Luxembourg Collateral Law, such as Luxembourg law pledges over shares or receivables to the extent that they secure payment obligations and/or obligations to deliver financial instruments on the underlying assets of such instruments; and

- regardless of the hardening period (*periode suspecte*), article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code (*action paulienne*) give any creditor the right to challenge any fraudulent payments and transactions made prior to the bankruptcy.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may therefore have a material adverse effect on a Luxembourg company's business and assets and the Luxembourg company's respective obligations under the Senior Secured Notes or the Senior Notes.

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and

- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party that are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

EU Council Regulation No. 1346/2000 and EU Council Regulation No. 2015/848 dated May 25, 2015 (Recast)

International aspects of Luxembourg bankruptcy, controlled management or voluntary arrangement with creditors proceedings may be subject to EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings which remains in force with respect to proceedings opened before June 26, 2017, or to EU Council Regulation No. 2015/848 with respect to proceedings opened after June 26, 2017.

Pursuant to Council Regulation (EC) no. 1346/2000 or EU Council Regulation No. 2015/848, as applicable, on insolvency proceedings, as amended (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition or analogous document commencing the proceedings. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation States that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests". The time when a company's "centre of main interests" is determined is at the time that the relevant insolvency proceedings are opened.

If the centre of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be opened in such jurisdiction, and, accordingly, a court in such jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary proceedings" only in the event that such debtor has an "establishment" (in the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those secondary proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

To the extent that the "centre of main interests" of any of the Issuers is deemed to be in France or elsewhere outside Luxembourg, courts of France or such other jurisdictions may have jurisdiction over the insolvency proceedings of such company.

The EU Insolvency Regulation has been updated by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "Recast EU Insolvency Regulation") which applies within the European Union (except for Denmark), became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date. Until June 26, 2017, the provisions of the EU Insolvency Regulation shall continue to apply. The Recast EU Insolvency Regulation will have direct effect in each EU Member States (except for Denmark) without the need for separate enactment at a national level.

The Recast EU Insolvency Regulation, among others, codifies case law regarding the identification of the "centre of main interests". Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, in the case of a company or legal person, the "centre of main interests" is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU Member States within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the "centre of main interests" being at the place of the registered office should be rebuttable if the company's central administration is located in a EU Member States other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and the centre of the management of its interests is located in that other EU Member States. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the "centre of main interests", this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the Recast EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

The Senior Secured Notes, the Senior Notes, their respective guarantees, the PIK Notes and their respective security interests in the Collateral may be declared unenforceable against third parties under fraudulent conveyance laws.

Luxembourg and French laws contain similar specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called *action paulienne* provisions. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person by the bankruptcy trustee or receiver in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, and may be declared unenforceable against third parties (under Luxembourg and French law) if: (i) (under French law) the person performed such acts without an obligation to do so or (under Luxembourg law) the act was performed with the intention to defraud the creditor; (ii) the creditor concerned or, in the case of the relevant person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the relevant person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*) in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Senior Secured Notes, the Senior Notes or the PIK Notes, respectively, the grant of the security interests or the granting of a Guarantee, involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, the granting of the security interests in each of the series of the Note, respectively, or the granting of such guarantee in the Senior Secured Notes or the Senior Notes, could be declared unenforceable against third parties (under French law) or (i) declared unenforceable against the creditor that lodged the claim in relation to the relevant act (under Luxembourg law and outside of bankruptcy proceedings) or (ii) except for security interests which qualify as financial collateral arrangements under the Luxembourg Collateral Law, declared void vis-à-vis all third-party creditors pursuant to Article 448 of the Luxembourg Code of Commerce (under Luxembourg law in the case of bankruptcy proceedings). As a result of such successful challenges, holders of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, may not enjoy the benefit of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, the Guarantees, or the security interests and the value of any consideration that holders of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, received with respect to the relevant series of Notes, the security interests or the guarantees, could also be subject to recovery from the holders of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Senior Secured Notes, the Senior Notes, or the PIK Notes, respectively, might be held liable for any damages incurred by prejudiced creditors of each of the Issuers or the Guarantors as a result of the fraudulent conveyance.

There may not be an active trading market for any of the Senior Secured Notes or the Senior Notes, respectively, in which case your ability to sell the Senior Secured Notes or the Senior Notes, respectively, will be limited.

We cannot assure you as to:

- the liquidity of any market in the Senior Secured Notes or the Senior Notes, respectively;
- your ability to sell your Senior Secured Notes or your Senior Notes, respectively; or
- the prices at which you would be able to sell your Senior Secured Notes or your Senior Notes, respectively.

Future trading prices of the Senior Secured Notes or the Senior Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Senior Secured Notes or the Senior Notes, may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Senior Secured Notes or the Senior Notes. Any such disruption may have an adverse effect on you, as a holder of Senior Secured Notes, or the Senior Notes, respectively, regardless of our prospects and financial performance.

The Senior Secured Notes and the Senior Notes may not remain listed on the Irish Stock Exchange.

Although each of the Senior Secured Notes Issuer and the Senior Notes Issuer have agreed to use their commercially reasonable efforts to maintain the listing of the Senior Secured Notes and the Senior Notes on the Official List of the Irish Exchange and admitted to trading on its Global Exchange Market, we cannot assure you that the Senior Secured Notes or the Senior Notes, respectively, will remain listed. If such listing cannot be maintained or it becomes unduly burdensome to make or maintain such listing, we may cease to make or maintain such listing on the Official List of the Irish Stock Exchange, provided that we will use our commercially reasonable efforts to maintain the listing of the Senior Secured Notes and the Senior Notes, respectively, on another stock exchange although there can be no assurance that we will be able to do so. Although no assurance is made as to the liquidity of the Senior Secured Notes or the Senior Notes, respectively, as a result of listing on the Official List of the Irish Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Senior Secured Notes Indenture or the Senior Notes Indenture, respectively, failure to be approved for listing or the delisting of the Senior Secured Notes or the Senior Notes from the Official List of the Irish Stock Exchange or another listing exchange in accordance with the respective indenture may have a material adverse effect on a holder’s ability to resell Senior Secured Notes or the Senior Notes, respectively, in the secondary market.

Corporate benefit, financial assistance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Senior Secured Notes and the Senior Notes.

The Senior Secured Notes Guarantors will guarantee and will provide security in respect of the payment of the Additional Senior Secured Notes on a senior basis, except for the Guarantee by Picard Bondco which will be provided on a subordinated basis. The Senior Notes Guarantors will guarantee and provide security in respect of the payment of the Senior Notes and/or their respective Guarantee on a subordinated basis. The Senior Secured Notes Guarantors and the Senior Notes Guarantors are organized under the laws of France and Luxembourg. Enforcement of the obligations under a guarantee against a Senior Secured Notes Guarantor or a Senior Notes Guarantor will be subject to certain defenses available to the Senior Secured Notes Issuer, the Senior Notes Issuer or the relevant Senior Secured Notes Guarantor or the relevant Senior Notes Guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, voidable preference, insolvency or bankruptcy challenges, preservation of share capital, thin capitalization, capital maintenance, corporate benefit and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, the Guarantors may have no liability or decreased liability under their respective Guarantees or the security interest in the Collateral may be void or may not be enforceable depending on the amounts of its other obligations and applicable law.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a court could subordinate or void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not derive an overall corporate benefit from the transaction involving the grant of the guarantee as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. Based on current case law:

- the company giving the guarantee must itself receive an actual benefit or advantage (direct or indirect) from the transaction involving the giving of the guarantee taken as a whole which is commensurate with the liability which it takes on under the guarantee;

- the financial commitment assumed by the guarantor must not exceed its financial capability; and

- (as regards group benefit) the guarantor and the person whose obligations are being guaranteed must belong to the same group and have real common economic purposes and policy, and the guarantee, and the transaction to which it relates, must be entered into in furtherance of the common economic interest of the group as a whole (not just its shareholders) and the liability under the guarantee should be commensurate with such group benefit.

Similarly, a Luxembourg guarantor may only encumber its assets or provide guarantees in accordance with its corporate objects and for its corporate benefit. There is no Luxembourg legislation governing group companies which specifically regulates the establishment, organization and liability of groups of companies. Consequently, the concept of group interest as opposed to the interest of the individual corporate entity is not expressly recognized. Except as described below, a company may, in principle, not encumber its assets or provide guarantees in favor of group companies in general (at least as far as parent companies and fellow subsidiaries of its parent companies are concerned).

Based on current case law and legal literature, a Luxembourg company may, in principle, validly assist other group companies if:

(a) they are part of an integrated group;

(b) it can be established that the guarantor derives a benefit from granting such assistance or that at least, there is no disruption of the balance of interests in the group to the detriment of the Luxembourg guarantor; and

(c) the assistance is not in terms of the amounts involved disproportionate to the guarantor’s financial means and the benefits derived from granting such assistance.

In addition, each of the Guarantees and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular Senior Secured Notes Guarantor or Senior Notes Guarantor, as applicable, without rendering its respective guarantee voidable or otherwise ineffective under applicable law.

In addition, the Guarantee of any Guarantor incorporated under the laws of France (each, a “French Guarantor”) in respect of the payment obligations of the relevant Issuer under the relevant Indenture and the relevant Notes:

- will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L.242-6 or L.244-1 of the French Commercial Code;

- will be limited, at any time, to:

    (A) the aggregate of all amounts directly or indirectly (by way of intercompany loans or similar arrangement directly or indirectly from the Issuers) received out of the proceeds of the offering of the relevant Notes by such French Notes Guarantor and outstanding from time to time; plus

(B) in the case of the Senior Secured Notes Guarantee of Picard Surgelés, the amount outstanding under the PG Intra-Group Loan from time to time (up to a maximum of €20 million),

and in the case of (A) and (B), will be limited to the amount outstanding, if any, on the date a payment is requested to be made by that French Notes Guarantor under its relevant Guarantee. Any payment made by such French Guarantor under its relevant Guarantee will reduce *pro tanto* the maximum amount of its relevant Guarantee.

The PG Intra-Group Loan corresponds to that portion of the dividend declared by Picard Surgelés in June 2013 which has not been paid in cash and has been left outstanding on an intercompany account with the Senior Secured Notes Issuer. The issuance of the Senior Secured Notes and the consequent funding received by the Senior Secured Notes Issuer has allowed this intercompany account to be left outstanding and the cash not to be upstreamed to the Senior Secured Notes Issuer. Therefore, on the basis of the case law mentioned above in this section, it is believed that Picard Surgelés will derive an overall corporate benefit from the transaction involving the granting of the Senior Secured Notes Guarantee by Picard Surgelés. However, if a court were to decide that giving a Senior Secured Notes Guarantee of the Senior Secured Notes (which were issued, among other things, to refinance the Senior Credit Facilities) constituted financial assistance, the Senior Secured Notes Guarantee could be reduced to zero even if the PG Intra-Group Loan was still outstanding given that in the absence of actual on-lending to the guarantor, it is not possible to distinguish amounts used to refinance directly or indirectly the amounts which were outstanding under Facility A2 and Facility B2 under the Senior Facilities Agreement.

The Senior Notes Guarantee of French TopCo as Guarantor in respect of the payment obligations of the Issuers under the Indentures and the Notes:

- will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L. 241-3, L.242-6 or L.244-1 of the French Commercial Code;

- will be limited, at any time, to the aggregate of all amounts directly or indirectly (by way of intercompany loans or similar arrangement directly or indirectly from the Senior Notes Issuer) received out of the proceeds of the offering of the Senior Notes by French TopCo and outstanding, if any, on the date a payment is requested to be made by French Topco under its Senior Notes Guarantee will reduce *pro tanto* the maximum amount of its Senior Secured Notes Guarantee.

In each case, any reduction in the amount of the relevant intercompany loan, including by operation of the Intercreditor Agreement, would reduce the amount of the relevant Guarantee.

By virtue of the foregoing limitations, Picard Surgelés' obligation under its Senior Secured Note Guarantee and French TopCo's obligation under its Guarantee could be significantly less than amounts payable with respect to the relevant Notes, or the relevant French Guarantor may have effectively no obligation under its relevant Guarantee.

In addition, the granting of new security interests in connection with the issuance of the Additional Senior Secured Notes or the Senior Notes may create hardening periods for such security interests in France and Luxembourg (save for financial collateral arrangements within the meaning of the Luxembourg Collateral Law). The applicable hardening period for these new security interests will run from the moment each new security interest has been granted or perfected. The Senior Secured Notes Indenture and the Senior Notes Indenture will permit the security interests in the relevant Collateral to be released and retaken in certain circumstances. Such release and retaking will restart the applicable hardening periods. In case any of the security providers was to be declared bankrupt by the competent court, the court would establish a period before the bankruptcy judgment within which the court appointed bankruptcy receiver will have to carefully consider any transactions entered into during this so-called "hardening period". With the exception of any security interest being financial collateral arrangements within the meaning of the Luxembourg Collateral Law, any security interest entered into during the so-called "hardening period" will be analyzed by the court appointed bankruptcy receiver and may be, as the case may be, challenged by the court appointed bankruptcy receiver and may be declared void or ineffective by a competent court. It is possible that a Guarantor, or a creditor of a Guarantor, the grantor of security interests, or the creditor thereof, or the bankruptcy trustee in the case of a bankruptcy of a Guarantor or grantor of such security interests, may contest the validity and enforceability of the Guarantor's Guarantee and that the applicable court may determine that the Guarantee or the security interests should be limited or voided. To the extent that agreed limitations on the guarantee obligation apply, the relevant Notes would be to that extent effectively subordinated to all liabilities of the applicable Guarantor and/or grantor, including trade payables of such Guarantor and/or grantor, as applicable. Future Guarantees and/or security interests may be subject to similar limitations. See "*—The insolvency and administrative laws of Luxembourg, France, and in the case of the Senior Secured Notes, Italy, as the case may be, may not be favorable to creditors, including investors in the Notes and may limit your ability to enforce your rights under the Notes, the guarantees or the security interests in the relevant Collateral*."

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Senior Secured Notes or the holders of the Senior Notes. The holders of the Senior Secured Notes or the Senior Notes may not control certain decisions regarding the Collateral.

The Collateral that secures the obligations of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors under the Senior Secured Notes and the Senior Notes and the Guarantees were not granted directly to the holders of the Senior Secured Notes or the Senior Notes but were granted only in favor of the Security Agent under a parallel debt mechanism under the Intercreditor Agreement. The Intercreditor Agreement provides and the Senior Secured Notes Indenture, the Senior Notes Indenture and relevant security documents provide that only the Security Agent has the right to enforce the Collateral. As a consequence, holders have no direct security interests and in any event are not entitled to take enforcement action in respect of the relevant Collateral.

The Intercreditor Agreement provides that the Security Agent may take enforcement action with respect to any of the relevant Collateral only upon the instruction of an instructing group (as described below), the composition of which may change depending on the Picard Group's capital structure. The Intercreditor Agreement restricts the ability of the Trustee or the holders of the Senior Secured Notes to instruct the Security Agent to take enforcement action unless 66.66% of the lenders under the Revolving Credit Facilities, the holders of the Senior Secured Notes and certain hedge counterparties have consented to such enforcement action.

Disputes may occur between the holders of the Senior Secured Notes, the holders of the Senior Notes and the lenders under the Revolving Credit Facility Agreement and certain hedging counterparties as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the relevant Collateral. In such an event, in situations described above where the holders of the Senior Secured Notes, or the holders of the Senior Notes, do not control enforcement, the relevant holders would be bound by any decisions of the creditors under our other debt instruments, including the Revolving Credit Facility, which may result in enforcement action, or absence thereof in respect of the relevant Collateral, whether or not such action is approved by the relevant holders or may be adverse to such holders of the Senior Secured Notes or holders of the Senior Notes. The creditors under certain hedging arrangements and the Revolving Credit Facility Agreement or other series of the Senior Secured Notes or Senior Notes may have interests that are different from the interests of holders of the Senior Secured Notes or holders of the Senior Notes and such creditors may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Senior Secured Notes or the holders Senior Notes to do so.

If the Security Agent sells the Collateral comprising the shares of LuxCo 3 or, if applicable, the shares of any of its subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Senior Secured Notes, the Senior Secured Notes Guarantees (together with claims under the Senior Secured Notes) and the liens over any other assets securing the Senior Secured Notes and the Senior Secured Notes Guarantees may be released.

In addition, the ability of the Security Agent to enforce the security interests in the relevant Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the relevant Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Senior Secured Notes or the Senior Notes that are not identified as registered holders in a security document will be validly secured.

In certain jurisdictions, including, among others, France, due to the laws and other case-law governing the creation and perfection of security interests and enforceability of such security interests, the respective Collateral will secure a so-called "parallel debt" obligation (the "Parallel Debt Obligation") created under the Intercreditor Agreement and/or the Senior Secured Notes Indenture and the Senior Notes Indenture in favor of the Security Agent as well as, or in lieu of, securing the obligations under the Senior Secured Notes or the Senior Notes directly. This parallel debt structure is used where certain jurisdictions have legal requirements relating to the creation and ongoing valid existence of security interests which are linked with the original secured claims and where certain actions under the finance documents, such as novation, may cause invalidity of the security interests under local law. The parallel debt is in the same amount and payable at the same time as the obligations of the Senior Secured Notes Issuer or the Senior Notes Issuer and the relevant Guarantors under the Senior Secured Notes or the Senior Notes and the relevant Guarantees (the "Principal Obligations"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Senior Secured Notes Issuer and the Senior Notes Issuer and the relevant Guarantors (subject to applicable limitation language) for the full principal amount of the Senior Secured Notes or the Senior Notes, the parallel debt structure has not been tested in court in these jurisdictions and there is no judicial guidance as to its efficacy and therefore it cannot be excluded that the parallel debt will not per se eliminate or mitigate the risk of unenforceability of the Collateral. Therefore, the ability of the Security Agent to enforce the security interests in the relevant Collateral may be restricted. In addition, holders of the Senior Secured Notes and holders of the Senior Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent.

Under French law, certain "accessory" security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary under Article 2011 of the French Civil Code or as security agent under Article 2328-1 of the French Civil Code. In order to permit the beneficial holders of the Senior Secured Notes (other than the initial purchasers of the Senior Secured Notes which will have direct security interests) to benefit from a secured claim, the Intercreditor Agreement provides for the creation of a "parallel debt" in favor of the Senior Facilities Parallel Debt Creditor (as defined in the Intercreditor Agreement). Pursuant to the parallel debt, the security agent becomes the holder of a claim equal to each amount payable by an obligor under the Senior Secured Notes or an obligor under the Senior Notes. Such "parallel debt" is intended to be an obligation owed to the Senior Facilities Parallel Debt Creditor which, as such, would be capable of being effectively secured by a security interest granted to the Senior Facilities Parallel Debt Creditor.

To the extent that the security interests in the Collateral created under the parallel debt construct are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interests in the Collateral.

Although the enforceability in France of certain rights of a security agent (*e.g.*, the filing of claims in safeguard proceedings) benefiting from a parallel debt was recognized in France by the French Supreme Court (*Cour de cassation*) (*Cass. com. September 13, 2011 n°10-25533 Belvedere*), none of the "parallel debt" and trust mechanism constructs have been generally recognized by French courts and to the extent that the Notes or security interests created under the "parallel debt" and/or trust constructs are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the parallel debt in respect of the Guarantees or security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent. The Belvedere decision is the only published decision of the French Supreme Court on "parallel debt" mechanisms relating to bond documentation governed by New York law. This decision only recognized the enforceability in France of certain rights of a security agent benefiting from a "parallel debt". In particular, the French Supreme Court upheld the proof of claim of the legal holders of a "parallel debt" claim, considering that it did not contravene French international public policy (*ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the "parallel debt" mechanism. Although this court decision is generally viewed by legal practitioners and academics as recognition by French courts of "parallel debt" structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by the Belvedere decision is limited to the proof of claims. The French Supreme Court was not asked to generally uphold French security interests securing a "parallel debt". It should be noted that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a "parallel debt" claim. There is no certainty that the "parallel debt" construct will eliminate the risk of unenforceability under French law. To the extent that the security interests in the relevant Collateral created under the parallel debt construct are successfully challenged by other parties, holders of the Senior Secured Notes and holders of the Senior Notes will not receive any proceeds from an enforcement of the security interests in the Collateral.

No appraisals of any of the Collateral were prepared by us or on our behalf in connection with the issuance of the Notes.

No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. There is no guarantee that the value of the relevant Collateral will be sufficient to enable the relevant Issuer to satisfy its obligations under relevant Notes and the relevant Guarantees. There is no requirement under the Indentures to provide funds to enhance the value of the Collateral if it is insufficient, though applicable law may provide otherwise. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the relevant Notes.

The amount of proceeds realized upon the enforcement of the security interests over the relevant Collateral or in the event of liquidation will depend upon many factors, including, among others, general market and economic conditions, the condition of the market for the relevant Collateral, the ability to sell relevant Collateral in an orderly sale, the fair value of the relevant Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the ability to readily liquidate the relevant Collateral, the availability of buyers and the condition of the relevant Collateral and exchange rates. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of our assets in the event of an enforcement action.

By its nature, some or all the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuers or the Guarantors, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of the Collateral are not sufficient to repay all amounts due on the Notes and the Guarantees, investors (to the extent not repaid from the proceeds of the sale of the relevant Collateral) would have only an unsecured claim against the Issuers' and the Guarantors' remaining assets. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing our creditors' rights could reduce the proceeds realized upon enforcement of the relevant Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all.

Proceeds from enforcement sales of assets that are part of the relevant Collateral will be applied on a *pari passu* basis in satisfaction of certain obligations of the Issuers and/or the Guarantors to certain hedge counterparties, the obligations of the Issuers and/or the Guarantors under the Revolving Credit Facility, the obligations of the Issuers and/or the Guarantors under the Senior Secured Notes and other obligations permitted to be secured *pari passu* with the Notes. You may not be able to recover on the shares and other Collateral that are pledged or assigned because any enforcement sale with respect to such relevant Collateral and the Notes will need to share any proceeds from such enforcement with the creditors under the Revolving Credit Facility, the Notes and certain hedging counterparties as well as any other secured creditors permitted to share in such relevant Collateral. If the proceeds realized from the enforcement of such pledges or such sale or sales do not exceed the amount owed by the relevant providers of Collateral under certain hedging obligations, the Revolving Credit Facility, the Notes and such other secured debt, the creditors under such secured obligations which will all share ratably with respect to such amount and the holders of the Notes will not fully recover (if at all) under such Collateral. In addition, the Indentures will allow incurrence of certain additional permitted debt in the future that is secured by the relevant Collateral on a *pari passu* basis. The incurrence of any additional debt secured by the relevant Collateral would reduce amounts payable to you from the proceeds of any sale of the relevant Collateral.

To the extent that any other security interests permitted under the Revolving Credit Facility, the Indentures, and other rights encumber the Collateral securing the Notes, those parties may have and may exercise rights and remedies with respect to the Collateral that could adversely affect the value of that Collateral and the ability of the Security Agent to realize, sell or foreclose (in each case in accordance with the Security Documents and the Intercreditor Agreement) on such Collateral.

For instance, the pledge over the shares of French TopCo, the Senior Secured Notes Issuer, Picard International and Picard Surgelés S.A.S. which will be governed by French law, are pledges over securities account (*nantissement de compte de titres financiers*) in which the shares of those companies are registered. In France, no lien searches are available for security interests which are not registered, such as pledges over securities accounts (*nantissements de comptes de titres financiers*), pledges over bank accounts (*nantissement de comptes bancaires*) and pledges over receivables (*nantissement de créances*). As a result, no assurance can be given on the priority of the pledge over the securities account in which the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer, Picard International and Picard Surgelés S.A.S. are registered.

The Issuers, the Senior Notes Guarantors and the Senior Secured Notes Guarantors will have control over the relevant Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the relevant Notes.

The Security Documents will, subject to the terms of the Revolving Credit Facility Agreement, and the Indentures, allow the Issuers, and the Guarantors to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the relevant Notes. So long as no default or event of default under the Revolving Credit Facility Agreement or the Indentures is occurring or would result therefrom, the Issuers and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling or otherwise disposing of such Collateral and making ordinary course cash payments, including repayments of indebtedness.

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens, security interests and other imperfections permitted under the Revolving Credit Facility Agreement, the Indentures and accepted by other creditors that have the benefit of *pari passu* security interests in the Collateral securing the Notes from time to time pursuant to the provisions of the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens, security interests and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the common security agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, or statutory liens.

The ability of the Security Agent to enforce on the Collateral located in a particular jurisdiction or governed by the law of a particular jurisdiction is subject to mandatory provisions of the law of such jurisdiction. Enforcement of the Collateral may also be subject to certain statutory limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party, including in some cases certain regulatory consents, to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, the value of the Collateral may significantly decrease and in any enforcement action, the Collateral would have to be offered first to such party, which could cause delays in the enforcement process or lead to a less competitive bidding process for such assets and thus a lower level of recovery therefrom.

Not all of the assets are included in the Collateral and the value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances.

The Senior Secured Notes and/or the Senior Secured Notes Guarantees are secured by (i) pledges of the receivables under the LuxCo 3 Notes Proceeds Loan and the ordinary shares of LuxCo 3, (ii) pledges of the bank accounts of LuxCo 3, the receivables under the LuxCo 4 Notes Proceeds Loan and the ordinary shares of LuxCo 4, (iii) pledges of the bank accounts of LuxCo 4, the receivables under the French TopCo Notes Proceeds Loan and the intercompany loan between LuxCo 4 and French TopCo and the ordinary shares of French TopCo, (iv) pledges of the bank accounts of French TopCo, the ordinary shares of the Senior Secured Notes Issuer and receivables under an intercompany loan to the Senior Secured Notes Issuer, (v) pledges of the bank accounts of the Senior Secured Notes Issuer, the ordinary shares of Picard Surgelés, the ordinary shares of Picard International S.A.S., and the PG Intra-Group Loan and (vi) certain intellectual property rights of Picard Surgelés, each on a first-ranking basis or, in the case of certain security interests governed by French law, on a second-ranking basis (which under the Intercreditor Agreement will be deemed to be secured on a first-ranking basis) and on a *pari passu* basis with the Revolving Credit Facility. All or part of the Senior Secured Notes Collateral may be released without the consent of holders of the Senior Secured Notes under certain circumstances, see "*—There are circumstances other than repayment or discharge of the Senior Secured Notes under which the Collateral securing the Guarantees of the Senior Secured Notes will be released automatically and under which the Guarantees of the Senior Secured Notes will be released automatically, without your consent or any action on the part of the Trustee*". If an event of default occurs and the Senior Secured Notes are accelerated, the Senior Secured Notes will rank equally with the holders of other unsubordinated and unsecured indebtedness with respect to any assets that do not make up part of the Senior Secured Notes Collateral. To the extent the claims of holders of the Senior Secured Notes exceed the value of the assets securing the Senior Secured Notes and other liabilities, claims related to any assets that do not make up a part of the Senior Secured Notes Collateral will rank equally with the claims of the holders of any other unsecured indebtedness. As a result, if the value of the assets pledged as security for the Senior Secured Notes is less than the value of the claims of the holders of the Senior Secured Notes together with any claims of the holders of any indebtedness secured on a senior basis to the Senior Secured Notes or a *pari passu* basis with the Senior Secured Notes, including the Revolving Credit Facility, those claims may not be satisfied in full before our unsecured creditors are permitted to make claims against the Picard Group assets that do not make up part of the Senior Secured Notes Collateral (such claims generally ranking equally with those of the holders of the Senior Secured Notes and other unsecured creditors).

The Senior Notes are secured, on a second-ranking basis, behind the Senior Secured Notes, the Revolving Credit Facility and certain hedging obligations, by (i) pledges of the receivables under the LuxCo 3 Notes Proceeds Loan and the ordinary shares of LuxCo 3, (ii) pledges of the bank accounts of LuxCo 3, the receivables under the LuxCo 4 Notes Proceeds Loan and the ordinary shares of LuxCo 4, (iii) pledges of the bank accounts of LuxCo 4, the receivables under the French TopCo Notes Proceeds Loan and the intercompany loan between LuxCo 4 and French TopCo and the ordinary shares of French TopCo; and (iv) pledges of the bank accounts of French TopCo and the ordinary shares of the Senior Secured Notes Issuer and receivables under an intercompany loan to the Senior Secured Notes Issuer.

More generally, in the event of an enforcement of the pledges in respect of Notes, the proceeds from the sale of the assets underlying the pledges may not be sufficient to satisfy the Issuers' obligations with respect to the Notes. The value of the assets underlying the pledges will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, the ability to sell the assets in an orderly sale, the condition of the economies in which operations are located and the availability of buyers and whether approvals required to purchase the business would be available to a buyer of the assets.

The shares and other Collateral that are pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Most of our assets will not secure the Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of our subsidiaries pledged to secure the Notes and the Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency or other similar proceedings because all of the obligations of the subsidiaries whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the holders of the Senior Secured Notes secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of the relevant Collateral may decline over time.

The Indentures also permit the granting of certain liens other than those in favor of the holders of the Notes on the relevant Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indentures or the security documents, such holders or third parties may have rights and remedies with respect to that Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional notes under the Indentures, holders of such additional notes would benefit from the same collateral as the holders of the Notes, thereby diluting the Notes holders' ability to benefit from the liens on such Collateral.

Changes in tax laws or challenges to our tax position could adversely affect our results of operations and financial condition.

We are subject to complex tax laws. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations and have an adverse effect on our business, financial condition, operating results and cash flows.

French tax legislation may restrict the deductibility, for French tax purposes, of indebtedness incurred in France, thus reducing the cash flow available to service our indebtedness.

The following description only deals with the Senior Secured Notes; we are otherwise subject to limitations on the deductibility of interest with respect to a portion of our existing shareholder debt.

Under Article 212 § II of the French *Code général des impôts* (French Tax Code, the "FTC"), deduction of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC or on loans granted by a third party that are guaranteed by a related party (third party assimilated to a related party) may be subject to certain limitations. Deduction for interest paid on such loans may be partially disallowed in the fiscal year during which the interest is incurred if such interest exceeds each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity and (b) the average amount of indebtedness owed to related parties (or to third parties assimilated to related parties) over the relevant fiscal year; (ii) 25% of the company's earnings before tax and extraordinary items (as adjusted for the purpose of these limitations); and (iii) the amount of interest due to the indebted company by related parties. Deduction may be disallowed for the portion of interest that exceeds in a relevant fiscal year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant fiscal year that the indebtedness ratio of the group to which it belongs is higher or equal to its own indebtedness ratio. Specific rules apply to companies that belong to French tax-consolidated groups.

Considering the security package from which the Senior Secured Notes benefit, such Senior Secured Notes may be considered as related-party debt. As a result, tax deduction of interest incurred by the Senior Secured Notes Issuer with respect to the Senior Secured Notes may be limited.

In addition, Article 209 § IX of the FTC imposes restrictions on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 § I a *quinquies* of the FTC and if such acquiring company cannot demonstrate, with respect to the fiscal years running over the twelve-month period from the acquisition of the shares (or with respect to the first fiscal year commencing after January 1, 2012 for shares acquired during a fiscal year that commences prior to such date), that (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L.233-3 § I of the French *Code de commerce* (the "French Commercial Code"), that is located in France) and (ii) where control or influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L.233-3 § I of the French Commercial Code, that is located in France).

The French tax authorities published their administrative guidelines referenced as BOI-IS-BASE-35-30-10-20140325 and BOI-IS-BASE-35-30-20-20170503 regarding this legislation. Considering such legislation and administrative guidelines, we do not expect that this interest deduction limitation applies to us because French TopCo and Picard Group should be able to prove that they have actually (i) taken the decisions regarding the shares that they own and (ii) exercised control over their direct and indirect subsidiaries during the relevant period. However, this tax legislation and the related administrative guidelines remain quite vague and subject to significant uncertainties as to their interpretation. Therefore, we cannot provide any assurance that the French tax authorities would not disagree with our position regarding the tax treatment or characterization of the indebtedness under the Senior Secured Notes and thus that this tax legislation would not limit the deductibility of interest on the Senior Secured Notes.

Moreover, Article 212 *bis* of the FTC provides for a general limitation of deductibility of net financial charges, subject to certain exceptions. Adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax-consolidated group are deductible from their taxable result only up to 75% of their amount to the extent that such companies' net financial charges are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the FTC, special rules apply to companies that belong to French tax-consolidated groups. The 75% limitation is factored on the basis of the group's consolidated taxable result and applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax-consolidated group with respect to amounts made available by lenders outside such group, to the extent that the companies' consolidated net financial charges are at least equal €3.0 million in a given fiscal year.

Furthermore, the deductibility of interest due to a related party within the meaning of Article 39.12 of the FTC is subject to the limitation set out by Article 212-I-b of the FTC: the borrower must demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes or an Undertakings for Collective Investment in Transferable Securities (as defined under EU Directives 2001/107/EC and 2001/108/EC, "UCITS") or a similar entity.

The French tax authorities published their administrative guidelines referenced as BOI-IS-BASE-35-50-20140805 regarding this legislation. Considering such legislation and administrative guidelines, we do not expect that this interest deduction limitation would apply to the Senior Secured Notes Issuer under the Senior Secured Notes. However, this tax legislation and the related administrative guidelines remain quite vague and subject to significant uncertainties as to its interpretation. Therefore, we cannot provide any assurance that this tax legislation would not limit the deductibility of interest on the Senior Secured Notes or that the French tax authorities would not disagree with the position we ultimately take regarding the tax treatment or characterization of the indebtedness under the Senior Secured Notes.

In addition, the OECD "Base Erosion and Profit Shifting" (BEPS) Project issued its Action Plan in October 2015, two years after its launch in July 2013, which identifies 15 Actions aimed at ending international tax avoidance. Each action has been fully addressed by a specific OECD report so as to offer measures setting new minimum standards to be implemented through domestic law changes, including a common approach to limiting base erosion through interest deductibility (Action 4). In this respect, the final report on interest deductibility includes a fixed ratio rule to limit the entities' net interest deductions to 10% to 30% of its profit, measured using EBITDA. However, the Actions remain recommendations, the timeline and scope of implementation of which remain to be determined in France.

In parallel, the European Commission released the Council Anti-Tax Avoidance Directive (ATAD) proposal on January 28, 2016, which sets out six key tax anti-avoidance measures that all EU Member States are to apply. The final version of the ATAD was adopted on June 21, 2016. Article 4 provides that the deduction of financial expenses is capped to an amount corresponding to 30% of EBITDA or to an amount of €3 million, whichever is higher. In principle, the ATAD will have to be transposed into national legislations by December 31, 2018 so as to enter into force on January 1, 2019. However, with respect to the general limitation of interest deductibility, EU Member States whose existing national rules have a similar effect to Article 4 are allowed to continue application of such national rules up to January 1, 2024. Consequently, there are significant uncertainties around the timing and the scope of the implementation of the ATAD into French domestic law and around the consequences of the ATAD provisions on the Senior Secured Notes.

The above-mentioned tax rules may limit our ability to deduct interest accrued on the Senior Secured Notes from our taxable results and, as a consequence, may increase our tax burden, which could adversely affect our business, results of operations and financial condition and reduce the cash flow available to service our indebtedness.

The European Commission has proposed a Financial Transaction Tax in certain Member States of the European Union which, if introduced, could apply in certain circumstances to dealings in the Notes (including secondary market transactions)

On February 14, 2013, the European Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax ("FTT") in ten EU Member States (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia; the "Participating Member States").

According to the Draft Directive, the FTT shall be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and a party to the financial transaction or a party acting in the name of a party to the transaction is a financial institution established or deemed established in a Participating Member State. The FTT shall, however, not apply to, among others, primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The applicable rates of the FTT shall be fixed by each Participating Member State. However, a minimum rate of 0.1 per cent of the taxable amount shall apply to transactions involving financial instruments other than derivatives. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer of the financial instrument. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or for its own account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT.

Therefore, if the Draft Directive were to be adopted in its current form, any sale, purchase or exchange of the Notes could be subject to the FTT at a minimum rate of 0.1 per cent, provided the above-mentioned prerequisites are met. Also, holders of Notes may be liable for the payment of this charge or be required to reimburse a financial institution for the charge, and/or the charge may affect the value of the Notes.

The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. A decision on the Draft Directive was supposed to be taken by the Participating Member States in September 2016. If and when the Draft Directive is adopted (the "FTT Directive"), Participating Member States will need to be implement its provisions into their respective domestic legislations. National legislation implementing the FTT Directive might deviate from the FTT Directive itself.

Additional Risks Related to the Senior Secured Notes

The Senior Secured Notes are structurally subordinated to the liabilities of non-guarantor subsidiaries.

Some, but not all, of the Senior Secured Notes Issuer's subsidiaries will guarantee the Senior Secured Notes, and although an operating subsidiary (Picard Surgelés) will guarantee the Senior Secured Notes, its guarantee, and the Senior Secured Notes Guarantees of the other Senior Secured Notes Guarantors, are limited. See "*—The Senior Secured Notes Guarantees and the security interests over the Collateral may be limited by applicable laws or subject to certain limitations of defenses that may adversely affect their validity and enforceability*", the "*—The Senior Secured Notes Issuer, the Senior Notes Issuer, certain of their respective guarantors and the PIK Issuer are all holding companies that have no revenue generating operations of their own and depend on cash from the operating companies of the Picard Group to be able to make payments on the Senior Secured Notes, the Senior Notes, their respective guarantees or the PIK Notes* " and ''*—Corporate benefit, financial assistance laws and other limitations on the Senior Secured Notes Guarantees may adversely affect the validity and enforceability of the Guarantees of the Senior Secured Notes*". Unless a subsidiary is a Senior Secured Notes Guarantor, the Senior Secured Notes Issuer's subsidiaries will not have any obligations to pay amounts due under the Senior Secured Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Senior Secured Notes Issuer or any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors (including the holders of the Senior Secured Notes) will have no right to proceed against the assets of such subsidiary(including the holders of the Senior Secured Notes) ; and

- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Senior Secured Notes and each Senior Secured Notes Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

Investors' right to receive payment under the Senior Secured Notes Guarantee of Picard Bondco is contractually subordinated to senior debt.

The obligations of Picard Bondco under its Senior Secured Notes Guarantee will be contractually subordinated in right of payment to the prior payment in full in cash of all existing and future obligations in respect of senior debt of Picard Bondco. This senior debt includes Picard Bondco's obligations under the Senior Notes and the Senior Notes Indenture.

Although the Senior Secured Notes Indenture contains restrictions on the ability of LuxCo 3 and its Restricted Subsidiaries to incur additional debt, any additional debt incurred by Picard Bondco may be substantial and senior to its Senior Secured Notes Guarantee of the Senior Secured Notes.

Upon any payment or distribution to creditors of Picard Bondco in respect of an insolvency event, the holders of senior debt of Picard Bondco will be entitled to be paid in full from the assets of Picard Bondco before any payment may be made pursuant to such Senior Secured Notes Guarantee. Until the senior debt of Picard Bondco is paid in full, any distribution to which holders of the Senior Secured Notes would be entitled but for the subordination provisions to be included in the Intercreditor Agreement shall instead be made to holders of senior debt of Picard Bondco as their interests may appear. As a result, in the event of insolvency of Picard Bondco, holders of senior debt of Picard Bondco may recover more, ratably, than the holders of Senior Secured Notes, in respect of Picard Bondco's Guarantee.

In addition, the subordination provisions in the Intercreditor Agreement relating to the Senior Secured Notes Guarantee by Picard Bondco will provide for customary turnover provisions by the Trustee and the holders of the Senior Secured Notes for the benefit of the holders of senior debt of Picard Bondco.

In relation to all of the respective Senior Secured Notes Guarantees of the Senior Secured Notes Guarantors, the Senior Secured Notes Indenture will also provide that, except under very limited circumstances, only the Trustee will have standing to bring an enforcement action in respect of the Senior Secured Notes and the Senior Secured Notes Guarantees. Moreover, the Intercreditor Agreement and the Senior Secured Notes Indenture will restrict the rights of holders of the Senior Secured Notes to initiate insolvency proceedings or take legal actions against each of the Senior Secured Notes Guarantors and by accepting any Note each such holder will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Senior Secured Notes will have limited remedies and recourse under the Senior Secured Notes Guarantees in the event of a default by the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor.

The senior secured creditors have a limited period in which to respond to requests under the Intercreditor Agreement.

The Intercreditor Agreement provides that if in relation to a request for a consent, vote or other action, or a request to provide any confirmation or notification, under the Intercreditor Agreement, any senior secured creditor (including a holder of the Senior Secured Notes) fails to respond to that request within 15 Business Days (as defined in the Intercreditor Agreement) of that request being made or fails to provide details of its senior secured credit participation to the Security Agent within the timescale specified by the Security Agent, (i) that senior secured creditor's senior secured credit participation will be deemed to be zero for the purpose of calculating the senior secured credit participations when ascertaining whether any relevant percentage (including unanimity) of senior secured credit participations has been obtained to give that consent, carry that vote or approve that action, (ii) that senior secured creditor's status as a senior secured creditor will be disregarded for the purposes of ascertaining whether the agreement of any specified group of senior secured creditors has been obtained to give that consent, carry that vote or approve that action and (iii) in the case of a request for confirmation or notification, that confirmation or notification will be deemed to have been given. If holders of the Senior Secured Notes are unable to respond within the required timeframes, their ability to control or influence matters concerning their rights as holders of the Senior Secured Notes will be lost and such matters will be determined by other senior secured creditors which may have interests different from the holder of the Senior Secured Notes.

The Senior Secured Notes will be secured only to the extent of the value of the assets that have been granted as security for the Senior Secured Notes.

If there is an event of default on the Senior Secured Notes, the holders of the Senior Secured Notes will be secured only to the extent of the value of the assets that have been granted as security for the Senior Secured Notes. Most of our assets will not secure the Senior Secured Notes. In addition, in the future, the obligations to provide additional guarantees and grant additional security over assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, are, in certain circumstances, linked to our obligations under the Revolving Credit Facility Agreement, subject to certain agreed security principles. To the extent that lenders under the Revolving Credit Facility Agreement are granted security, the negative pledge in the Senior Secured Notes Indenture may require such security to also be granted for the benefit of holders of the Senior Secured Notes. The agreed security principles set forth in the Revolving Credit Facility Agreement contain a number of limitations on the rights of the lenders to be granted security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted or perfected over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the security provided by the Senior Secured Issuer and the Guarantors.

To the extent that the claims of the holders of the Senior Secured Notes exceed the value of the assets securing those Senior Secured Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Senior Secured Notes. As a result, if the value of the assets pledged as security for the Senior Secured Notes is less than the value of the claims of the holders of the Senior Secured Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

Under the laws of certain jurisdictions, the security interests granted in favor of holders of the Senior Secured Notes may not rank senior to the security interests granted in favor of holders of the Senior Notes, and we are relying on the Intercreditor Agreement to achieve a first priority lien in respect of the Collateral securing the Senior Secured Notes.

Under the laws of certain jurisdictions, we entered into new security documents over the Senior Secured Notes Collateral in order to secure the indebtedness represented by the Senior Secured Notes. In certain jurisdictions (including France), the security interests granted under those additional security documents may, because they are being granted at a later point in time or on a second-ranking basis, rank second to security interests securing the Collateral granted in favor of the Senior Notes. In particular, any pledges subject to French law may be second-priority liens or be of an even lower ranking as a result of mandatory French law provisions. Creditors of the grantors of those security interests or an appointed insolvency administrator may contest the validity and/or enforceability of such security interests.

In case any of the security providers were to be declared bankrupt by the competent court, the court would establish a period before the bankruptcy judgment within which the court appointed bankruptcy receiver will have to carefully consider any transactions entered into during this so-called “hardening period”. With the exception of any security interest being financial collateral arrangements within the meaning of the Luxembourg Collateral Law , any security interest entered into during the so-called “hardening period” will be analyzed by the court appointed bankruptcy receiver and may be, as the case may be, challenged by the court appointed bankruptcy receiver and may be declared void or ineffective by a competent court.

The creation and enforcement of second ranking pledges over certain assets (such as receivables) has not been tested before French courts, and there can be no assurance that second ranking pledges would be upheld if tested. Accordingly, there is a risk that a second ranking pledge over such assets may be held void or unenforceable by a French court. Although there is no express prohibition under French law on granting a second or lower ranking pledge over a securities account in which the shares or other securities of a French company are registered, some legal commentators have queried whether a second or lower ranking pledge is legally permissible to the extent that a pledge of a securities account is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting further, second or lower ranking pledges thereon. In order to create second ranking share pledges and if deemed necessary to create those second ranking share pledges, the possession of the securities accounts may be transferred to the custody of an agreed third-party (*entiercement*) (in the case of a securities account pledge agreement, to the prior ranking pledgees), thereby satisfying the legal requirement of possession of the pledged asset by or on behalf of the secured creditors. Although there is no case law on the matter, the majority of legal academics and practitioners are of the opinion that creation of second or lower ranking pledges over securities through such a form of entiercement is valid, provided that the prior higher ranking pledgees agree to such creation of a subsequent ranking pledge. No assurance can be given, however that a court would concur with such beliefs and positions. Therefore, there is a risk that the second or lower ranking pledges over the securities account in which the shares of French TopCo, the Senior Secured Issuer, Picard International and Picard Surgelés S.A.S. are registered may be held void or unenforceable by a French court, which in turn could materially adversely affect the recovery under the Collateral in case of an event of default.

Pursuant to the terms of the Intercreditor Agreement, the Senior Secured Notes and/or the obligations of the Senior Secured Notes Guarantors under the Senior Secured Notes Guarantees will be deemed to be secured by the applicable security documents on a senior basis to the Senior Notes (other than the Guarantee by Picard Bondco) and on a *pari passu* basis with the Revolving Credit Facility, certain pari passu debt and certain hedging obligations. Therefore, the ranking of the security interests granted in favor of holders of the Senior Secured Notes in such jurisdictions will depend on the enforceability of the Intercreditor Agreement. As a result, if the Intercreditor Agreement or the relevant provisions thereof were found to be invalid or held to be unenforceable for any reason, or if an administrator refuses to give effect to it, the holders would not benefit from such first-priority treatment and the security interests granted in favor of holders of the Senior Secured Notes in these jurisdictions would rank behind and be subordinated to any first-priority security interests, including security interests granted in favor of the Senior Notes.

There are circumstances other than repayment or discharge of the Senior Secured Notes under which the Senior Secured Notes Collateral and the Senior Secured Notes Guarantees will be released automatically, without your consent or any action on the part of the Trustee.

Under various circumstances, Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees will be released automatically, including the following:

- upon release of a Senior Secured Notes Guarantee (with respect to the liens securing the Senior Secured Notes and such Senior Secured Notes Guarantee granted by such Senior Secured Notes Guarantor and the liens securing the capital stock of such Senior Secured Notes Guarantor);

- subject to certain conditions, in connection with any disposition of Senior Secured Notes Collateral, other than to the Senior Secured Notes Issuer or any of its subsidiaries, permitted by the Senior Secured Notes Indenture;

- in connection with certain enforcement actions taken by the creditors under certain of our secured indebtedness as provided under the Intercreditor Agreement;

- in connection with any disposition of a Senior Secured Notes Guarantor or any of its subsidiaries permitted by the Senior Secured Notes Indenture, other than to the Senior Secured Notes Issuer or any of its subsidiaries, the release of the assets of such Senior Secured Notes Guarantor or subsidiary and pursuant to which any applicable Senior Secured Notes Guarantee is released, the release of the assets of such Senior Secured Notes Guarantor or subsidiary;

- upon legal defeasance, covenant defeasance or discharge of the Senior Secured Notes Indenture; and

- to release and/or re-take any lien on any collateral to the extent otherwise permitted by the Senior Secured Notes Indenture, the security documents governing the Senior Secured Notes Collateral or the Intercreditor Agreement.

In addition, under various circumstances, the Senior Secured Notes Guarantees will be released automatically, including the following:

- in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of that Senior Secured Notes Guarantor (including by way of merger, consolidation, amalgamation or combination) to a person that is not (either before or after giving effect to such transaction) the Senior Secured Notes Issuer or a subsidiary, if the sale or other disposition does not violate any provision of the Senior Secured Notes Indenture;

- in the case of a Senior Secured Notes Guarantee of a Senior Secured Notes Guarantor, a sale or other disposition (including by way of consolidation or merger) of capital stock of the relevant Senior Secured Notes Guarantor or of a parent thereof, such that such Senior Secured Notes Guarantor ceases to be a subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Senior Secured Notes Guarantor (other than to the Senior Secured Notes Issuer or a subsidiary), in each case in a transaction otherwise permitted by the Senior Secured Notes Indenture;

- defeasance or discharge of the Senior Secured Notes as described in legal defeasance and covenant defeasance provisions of the Indenture; and

- in connection with certain enforcement actions taken by the creditors pursuant to a security enforcement sale in compliance with the Intercreditor Agreement or as otherwise provided for under the Intercreditor Agreement.

Additional Risks Related to the Senior Notes

The Senior Notes are structurally subordinated to the liabilities of non-guarantor subsidiaries.

Some, but not all, of the Senior Notes Issuer's subsidiaries guarantee the Senior Notes, and no operating subsidiaries guarantee the Senior Notes. Unless a subsidiary is a Senior Notes Guarantor, the Senior Notes Issuer's subsidiaries have no obligations to pay amounts due under the Senior Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Senior Notes Issuer or any guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

- the creditors of the Senior Notes Issuer and the Senior Notes Guarantors (including the holders of the Senior Notes) will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Senior Notes Issuer or any Senior Notes Guarantor, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Senior Notes, each Senior Notes Guarantee and each intercompany proceeds loan are structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries. Moreover, the guarantees of the Senior Notes are subordinated to the Senior Notes Guarantors' obligations under the Revolving Credit Facility Agreement and any future senior debt of such guarantors.

Corporate benefit, financial assistance laws and other limitations on the guarantees may adversely affect the validity and enforceability of the guarantees of the Senior Notes.

The Senior Notes Guarantors guarantee the payment of the Senior Notes and the LuxCo 3 Proceeds Loan on a senior subordinated basis. The Senior Notes Guarantors are organized under the laws of France. Enforcement of the obligations under a Senior Notes Guarantors Guarantee against a Senior Notes Guarantors will be subject to certain defenses available to the Senior Notes Issuer or the relevant guarantor, as the case may be. These laws and defenses may include those that relate to fraudulent conveyance, financial assistance, corporate benefit and regulations or defenses affecting the rights of creditors generally.

Under French financial assistance rules, a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition.

Under French corporate benefit rules, a court could subordinate or void any guarantee and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not derive an overall corporate benefit from the transaction involving the grant of the guarantee as a whole.

Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. Based on current case law:

- the company giving the guarantee must itself receive an actual benefit or advantage (direct or indirect) from the transaction involving the giving of the guarantee taken as a whole which is commensurate with the liability which it takes on under the guarantee;

- the financial commitment assumed by the guarantor must not exceed its financial capability; and

- (as regards group benefit) the guarantor and the person whose obligations are being guaranteed must belong to the same group and have real common economic purposes and policy, and the guarantee, and the transaction to which it relates, must be entered into in furtherance of the common economic interest of the group as a whole (not just its shareholders) and the liability under the guarantee should be commensurate with such group benefit.

In addition, each of the guarantees and the amounts recoverable thereunder is limited to the maximum amount that can be guaranteed by a particular guarantor without rendering its guarantee voidable or otherwise ineffective under applicable law. In addition, the guarantee of any guarantor is limited to the aggregate amount of the Senior Notes proceeds on-lent, directly or indirectly, to such guarantor and outstanding from time to time. Any payment made by such guarantor under its guarantee or any reduction of the principal amount of the relevant intercompany loan (including by operation of the Intercreditor Agreement) will reduce the maximum amount owed by such guarantor under its guarantee.

Your security over the Senior Notes Collateral ranks behind the security benefiting the lenders under the Revolving Credit Facility and your rights to enforce your security over the Senior Notes Collateral are limited.

Most of the Senior Notes Collateral is pledged to a security agent for the benefit of the lenders under the Revolving Credit Facility and to the Security Agent for the benefit of holders of the Senior Notes. Under the Intercreditor Agreement and the security documents, the Revolving Credit Facility Agreement are secured by first-ranking security interests in most of the Senior Notes Collateral and the proceeds of any sale of such Senior Notes Collateral on enforcement will be applied first to repay all debt of the lenders under the Revolving Credit Facility. Consequently, you may not be able to recover on such Senior Notes Collateral because the lenders under the Revolving Credit Facility will have a prior claim on all proceeds realized from any enforcement of such Senior Notes Collateral.

The Senior Notes are secured only to the extent of the value of the assets that have been granted as security for the Senior Notes.

If there is an event of default on the Senior Notes, the holders of the Senior Notes will be secured only to the extent of the value of the assets that have been granted as security for the Senior Notes. Most of our assets will not secure the Senior Notes. In addition, in the future, the obligations to provide additional guarantees and grant additional security over assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, are, in certain circumstances, linked to our obligations under the Revolving Credit Facility, subject to certain agreed security principles. To the extent that lenders under the Revolving Credit Facility, are granted security, the negative pledge in the Senior Notes Indenture may require such security to also be granted for the benefit of holders of the Senior Notes. The agreed security principles, set forth in the Revolving Credit Facility, contain a number of limitations on the rights of the lenders to be granted security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any collateral provided being limited or security not being granted or perfected over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the security provided by the Senior Notes Issuer and the Senior Notes Guarantors.

To the extent that the claims of the holders of the Senior Notes exceed the value of the assets securing those Senior Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking pari passu with the Senior Notes. As a result, if the value of the assets pledged as security for the Senior Notes is less than the value of the claims of the holders of the Senior Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

Additional Risks Related to the PIK Notes

The PIK Issuer is the sole obligor of the PIK Notes, and its subsidiaries do not guarantee its obligations under the PIK Notes; the PIK Notes are structurally subordinated to the debt and liabilities of the subsidiaries of the PIK Issuer.

The PIK Notes are structurally subordinated to all debt and liabilities of the subsidiaries of the PIK Issuer. In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to the subsidiaries of the PIK Issuer, holders of the PIK Notes will share with all other holders of indebtedness of the PIK Issuer in the assets remaining after its subsidiaries have paid all their debts and liabilities. The only assets of the PIK Issuer are its holdings of ordinary equity. The subsidiaries of the PIK Issuer may not have sufficient funds to pay (or receive sufficient funds to pay) all their respective creditors, and holders of the PIK Notes may not receive any payment on the PIK Notes or receive less, ratably, than the holders of debt of the subsidiaries of the PIK Issuer and other liabilities. Subject to certain limitations, the subsidiaries of the PIK Issuer will be permitted to incur additional debt and liabilities in the future under the terms of the Indentures and the PIK Indenture.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are significantly leveraged and have significant debt service obligations. As of March 31, 2017, we had €1,297.9 million of net debt, including the PIK Notes, certain leases and bank guarantees less cash and cash equivalents, of which €209.7 million were represented by the PIK Notes. Our ability to make payments on or to refinance any of the Notes, or our other debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. Our significant leverage may also make it more difficult for us to satisfy our obligations with respect to any or all of the Notes and exposes us to interest rate increases to the extent any of our variable rate debt, including under the Senior Secured Notes and the Revolving Credit Facility Agreement, is not hedged.

Our businesses may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, planned acquisitions and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We can make no assurance that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the PIK Indenture may restrict us from adopting some of these alternatives. Furthermore, we may be unable to find alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including our obligations under any or all of the Notes. In that event, borrowings under other debt agreement or instruments that contain cross-default or cross-acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all our debts, including any or all of the Notes.

In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including under the PIK Indenture, restrict our ability to transfer or sell assets and to use the proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due.

Despite our high level of indebtedness, we may incur substantially more debt in the future, which could further exacerbate the risks associated with our substantial indebtedness.

We may be able incur additional debt in the future. Although our financing agreements, including the Senior Notes Indenture and the PIK Indenture contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial or secured. For example, the PIK Issuer may incur additional indebtedness by issuing up to €40,000,000 in aggregate principal amount of additional PIK Notes at any time or from time to time under the PIK Indenture. Under the PIK Indenture, in addition to specified permitted indebtedness, certain of our subsidiaries are able to incur additional indebtedness so long as on a pro forma basis our consolidated leverage ratio, as defined in the PIK Indenture, is less than 6.5:1.

Incurring such additional debt could further increase the related risks we now face, as described above. If additional PIK Notes are issued, it is possible that those PIK Notes will not be fungible with the existing PIK Notes for U.S. Federal income tax purposes. This could have an adverse tax effect for U.S. persons who buy PIK Notes after the additional issuance, and therefore such issuance could adversely affect the marketability of the PIK Notes.

The value of the PIK Notes Collateral may not be sufficient to satisfy our obligations under the PIK Notes and such collateral may be reduced or diluted under certain circumstances.

The PIK Notes are secured by a first-ranking pledge over the outstanding share capital of the Senior Notes Issuer. In the event of an enforcement of the share pledge in respect of the PIK Notes, the proceeds from the sale of shares may not be sufficient to satisfy the PIK Issuer's obligations with respect to the PIK Notes. The realized value of the shares will also depend on many factors, including, among other things, the ability to sell the assets in an orderly sale, the condition of the economies in which operations are located and the availability of buyers and whether approvals required to purchase the business would be available to a buyer of the shares.

The shares that are pledged for the benefit of the holders of the PIK Notes may provide for only limited repayment of the PIK Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Most of our assets do not secure the PIK Notes, and the value of the collateral securing the PIK Notes may not be sufficient to cover the amount of indebtedness secured by such collateral. With respect to the shares of the Senior Notes Issuer pledged to secure the PIK Notes, such shares may also have limited value in the event of a bankruptcy, insolvency or other similar proceedings in relation to the Senior Notes Issuer because all of the obligations of the Senior Notes Issuer must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the holders of the PIK Notes may not recover anything of value in the case of an enforcement sale. In addition, the value of the collateral securing the PIK Notes may decline over time.

The PIK Indenture also permits the granting of certain liens other than those in favor of the holders of the PIK Notes on the collateral securing the PIK Notes. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the PIK Indenture or the security documents, such holders or third parties may have rights and remedies with respect to the collateral securing the PIK Notes that, if exercised, could reduce the proceeds available to satisfy our obligations under the PIK Notes. Moreover, if we issue additional notes under the PIK Indenture, holders of such additional notes would benefit from the same collateral as the holders of the PIK Notes being offered hereby, thereby diluting the PIK Notes holders' ability to benefit from the liens on the collateral securing the PIK Notes.

The PIK Notes are secured only to the extent of the value of the assets that have been pledged as security for the PIK Notes.

If there is an event of default on the PIK Notes, the holders of the PIK Notes will be secured only to the extent of the value of the shares that have been pledged as security for the PIK Notes. Most of our assets do not secure the PIK Notes. Moreover, the PIK Notes are structurally subordinated to all debt and liabilities of the subsidiaries of the PIK Issuer, including the Senior Notes Issuer. In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to the Senior Notes Issuer, the pledged shares may have limited value. See *"— The PIK Issuer is the sole obligor of the PIK Notes, and its subsidiaries will not guarantee its obligations under the PIK Notes; the PIK Notes are structurally subordinated to the debt and liabilities of the subsidiaries of the PIK Issuer*" and "***—*** *The value of the Collateral securing the PIK Notes may not be sufficient to satisfy our obligations under the PIK Notes and such Collateral may be reduced or diluted under certain circumstances*." To the extent that the claims of the holders of the PIK Notes exceed the value of the shares securing those PIK Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking pari passu with the PIK Notes. As a result, if the value of the shares pledged as security for the PIK Notes is less than the value of the claims of the holders of the PIK Notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

There may not be an active trading market for the PIK Notes in which case your ability to sell the PIK Notes will be limited.

The PIK Notes are currently not listed or admitted to trading on any exchange or trading platform, and the PIK Issuer is not required to obtain such listing or admission to trading for the PIK Notes in the future.

We cannot assure you as to:

- the liquidity of the market in the PIK Notes;
- your ability to sell your PIK Notes; or
- the prices at which you would be able to sell your PIK Notes.

Future trading prices of the PIK Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the PIK Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the PIK Notes. Any such disruption may have a negative effect on you, as a holder of PIK Notes, regardless of our prospects and financial performance. If no active trading market develops, you may not be able to resell your PIK Notes at a fair value, if at all.

The PIK Notes were issued with original issue discount for U.S. Federal income tax purposes.

The PIK Notes were issued with original issue discount for U.S. Federal income tax purposes. Further, because interest on the PIK Notes is only payable in additional PIK Notes, the PIK Notes are considered to be issued with original issue discount for U.S. Federal income tax purposes. U.S. holders are required to include such original issue discount in their gross income as it accrues, in advance of their receipt of cash attributable to such original issue discount.

If a bankruptcy petition were filed by or against us, holders of the PIK Notes may receive a lesser amount for their claim than they would have been entitled to receive under the PIK Indenture.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code, the claim by any holder of the PIK Notes for the principal amount of such PIK Notes may be limited to an amount equal to the sum of:

- the original issue price for the PIK Notes; and
- the portion of the original issue discount that does not constitute "unmatured interest" for the purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest. Accordingly, holders of the PIK Notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the PIK Indenture, even if sufficient funds are available to pay such holders the unamortized portion of any OID as of the bankruptcy filing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR PICARD BONDCO

The following discussion and analysis summarizes the significant factors affecting our results of operations and financial condition during the years ended March 31, 2016 and March 31, 2017. The historical information discussed below for Picard Bondco is as of and for the years ended March 31, 2016 and March 31, 2017 and is not necessarily representative of Picard Bondco's results of operations for any future period or our financial condition at any future date. We have prepared the audited consolidated financial statements for Picard Bondco S.A. from April 1, 2016 to March 31, 2017 included herein, in accordance with IFRS.

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

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

Selected Condensed Consolidated Financial Information of Picard Bondco

	Year ended	
Currency: in million of €	**March 31, 2016 (*)**	**March 31, 2017**
Sales of goods	**1 372.0**	**1 398.0**
Cost of goods sold	(771.1)	(784.3)
Gross profit	**600.8**	**613.8**
Other operating income	5.4	5.0
Other purchases and external expenses	(230.3)	(233.4)
Taxes	(16.9)	(17.3)
Personnel expenses	(165.2)	(165.1)
Other operating expenses	(2.2)	(1.7)
EBITDA	**191.7**	**201.2**
Depreciation, amortization and provisions allowances	(34.8)	(33.9)
Operating profit	**156.8**	**167.4**
Finance costs	(76.6)	(72.6)
Finance income	0.2	0.1
Share of profit in an associate	0.6	0.5
Income before tax	**81.0**	**95.5**
Income tax expense	(42.6)	2.2
Net income	**38.4**	**97.6**
Equity holders of the parent	38.6	97.9
Non-controlling interests	(0.2)	(0.3)

(*) After the impact of the adoption of IFRIC 21 – "Levies" (See notes 2.1.1 and 2.1.3 to the Consolidated Financial Statements for the year ended March 31, 2016) and certain reclassifications of income and expenses between line items of the consolidated income statement made with a view to align with the presentation of the consolidated income statement for the year ended March 31, 2017, without impacting Operating profit (see detail of the reclassifications under Consolidated Income Statement in our Consolidated Financial Statements).

The following discussion and analysis summarizes EBITDA for the years ended March 31, 2016 and 2017. EBITDA is a non-IFRS measure that represents operating profit before depreciation, amortization, and provisions allowances. 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. See "Financial Information Included in this Annual Report".

Results of operations

Expansion of Store Network

As of March 31, 2017, we had 985 stores in France (including two franchised stores in Corsica, seven franchised stores in La Réunion and nine franchised stores in mainland France), 16 stores in Belgium, 15 stores in

Sweden, one store in Luxembourg, as well as three franchised stores in Japan and four franchised stores in Switzerland.

Sales of goods

Our sales of goods increased by €26.0 million, or 1.9%, from €1,372.0 million for the year ended March 31, 2016 to €1,398.0 million for the year ended March 31, 2017.

In France, sales of goods increased by €22.7 million, or 1.7%, from €1,343.1 million for the year ended March 31, 2016 to €1,365.8 million for the year ended March 31, 2017. French like-for-like sales increased by 0.3% over the period, as a result of a 0.3% increase in the total number of tickets partially offset by a 0.1% decrease in the average basket size. This increase in French like-for-like sales was partially offset by a negative calendar effect estimated at 0.5% relating primarily to the absence of Easter during the year ended March 31, 2017. As adjusted to exclude such calendar effect, French like-for-like sales would have increased by an estimated 0.8%.

Sales in Belgium and Luxembourg increased by €0.7 million, or 4.6%, from €15.3 million for the year ended March 31, 2016 to €16.0 million for the year ended March 31, 2017, mainly because of dynamic like-for-like sales.

Sales in Sweden increased by €0.8 million, or 9.0%, from €8.9 million for the year ended March 31, 2016 to €9.7 million for the year ended March 31, 2017 mainly due to the increase in our number of stores during the year ended March 31, 2016.

Following the completion of the sale of the Italian subsidiary in May 2015, the contribution of sales in Italy decreased by €1.3 million, from €3.6 million for the year ended March 31, 2016 to €2.3 million for the year ended March 31, 2017. Our new commercial agreement signed following the divestment of the subsidiary enables us to maintain our presence in Italy, although revenue from Italy is now lower than prior to the divestment.

Additionally, sales to franchised stores and partners located in other foreign locations increased by €3.2 million, from €1.1 million for the year ended March 31, 2016 to €4.3 million for the year ended March 31, 2017. In particular, sales in Switzerland increased by €0.6 million, from €0.8 million to €1.4 million, sales in Japan amounted to €2.2 million following the opening by Aeon of three franchised stores at the end of the year ended March 31, 2017 and sales in the United Kingdom through our partnership with Ocado, which began in October 2016, amounted to €0.7 million.

Cost of goods sold

Our cost of goods sold increased by €13.2 million, or 1.7%, from €771.1 million for the year ended March 31, 2016 to €784.3 million for the year ended March 31, 2017, primarily due to an increased volume of purchases from our suppliers. Cost of goods sold as a percentage of sales decreased from 56.2% for the year ended March 31, 2016 to 56.1% for the year ended March 31, 2017.

Gross Profit

Our gross profit increased by €13.0 million, or 2.2%, from €600.8 million for the year ended March 31, 2016 to €613.8 million for the year ended March 31, 2017, as a result of higher sales, continuous negotiations with suppliers and development of new products with higher margins. Gross profit as a percentage of sales of goods increased from 43.8% for the year ended March 31, 2016 to 43.9% for the year ended March 31, 2017.

Other operating income

Other operating income decreased by €0.4 million from €5.4 million for the year ended March 31, 2016 to €5.0 million for the year ended March 31, 2017. Other operating income for the year ended March 31, 2016 included a €1.4 million indemnity received from the authorities as compensation for a store eviction and income received from the sale of one of our stores that closed in 2014. This decrease in indemnities received was partially offset by a €0.6 million increase in capitalized expenses recorded in the year ended March 31, 2017 relating mainly to recent launches of IT projects.

Other purchases and external expenses

Our other purchases and external expenses increased by €3.1 million, or 1.3%, from €230.3 million for the year ended March 31, 2016 to €233.4 million for the year ended March 31, 2017. This increase was primarily due to the increase in logistics costs following the expansion of our store network and increased sales, as well as increased advertising efforts. Rental costs increased following the expansion of our store network, though this increase was limited by low inflation rates to which the majority of our rents are indexed, combined with rent renegotiations with certain landlords. This increase in other purchases and external expenses was partially offset by lower energy costs following the signing of a new energy contract during the year ended March 31, 2016. Other purchases and external expenses as a percentage of sales of goods decreased from 16.8% for the year ended March 31, 2016 to 16.7% for the year ended March 31, 2017.

Taxes other than on income

Taxes other than on income increased from €16.9 million for the year ended March 31, 2016 to €17.3 million for the year ended March 31, 2017. Taxes other than on income as a percentage of sales of goods remained flat at 1.2% for the year ended March 31, 2016 and March 31, 2017.

Personnel expenses

Personnel expenses decreased by €0.1 million, or 0.1%, from €165.2 million for the year ended March 31, 2016 to €165.1 million for the year ended March 31, 2017. As a proportion of sales of goods, personnel expenses decreased from 12.0% for the year ended March 31, 2016 to 11.8% for the year ended March 31, 2017. Personnel expenses for the year ended March 31, 2016 included a €2.0 million non-recurring bonus paid to the employees of the group in September 2015.

Wages and salaries increased by €0.4 million, or 0.4%, from €111.7 million for the year ended March 31, 2016 to €112.1 million for the year ended March 31, 2017, as a result of the new store openings in France and Sweden, partially offset by the non-recurring bonus recorded in the year ended March 31, 2016 but not in the year ended March 31, 2017. As a proportion of sales of goods, wages and salaries decreased from 8.1% for the year ended March 31, 2016 to 8.0% for the year ended March 31, 2017.

Employee profit sharing increased from €14.7 million for the year ended March 31, 2016 to €16.5 million for the year ended March 31, 2017, as a result of the increase in the French net income and higher contractual profit sharing ("*intéressement*").

Other personnel expenses decreased from €38.9 million for the year ended March 31, 2016 to €36.4 million for the year ended March 31, 2016. The impact of the competitiveness and employment tax credit ("*Crédit d'impôt pour la compétitivité et l'emploi*") (the "CICE") was recorded as a reduction of social security costs (€5.7 million in the year ended March 31, 2016 and €6.1 million in the year March 31, 2017). Excluding the CICE, social security costs decreased by €1.7 million, or 4.4%, from €39.0 million for the year ended March 31, 2016 to €37.3 million for the year ended March 31, 2017, which reflected mainly the increased number of employees in connection with store openings in France and Sweden, which was more than offset by a reduction of certain French social charges, principally family allowance contributions ("*cotisations d'allocations familiales*") and "*allègements Fillon*", which consist of a tax credit granted based on the number of employees receiving low wages. As a proportion of sales of goods, social security costs decreased from 2.4% for the year ended March 31, 2016 to 2.2% for the year ended March 31, 2017.

EBITDA

EBITDA increased by €9.5 million, or 5.0%, from €191.7 million for the year ended March 31, 2016 to €201.2 million for the year ended March 31, 2017, primarily due to a €13.0 million increase in gross profit, partially offset by a €3.1 million increase in other purchases and external expenses. As a proportion of sales of goods, EBITDA increased from 14.0% for the year ended March 31, 2016 to 14.4% for the year ended March 31, 2017.

Depreciation, amortization and provisions allowances

Depreciation, amortization and provisions allowances decreased from €34.8 million for the year ended March 31, 2016 to €33.9 million for the year ended March 31, 2017. This decrease was due to a one-off accelerated depreciation of four stores that were closed in July and October 2015, while only a minor increase in depreciation and amortization of assets in France and Sweden occurred during the year ended March 31, 2017 following an increase in the number of stores in the store network. As a proportion of sales of goods, depreciation, amortization and provisions allowances decreased from 2.5% for the year ended March 31, 2016 to 2.4% for the year ended March 31, 2017.

Operating profit

Operating profit increased by €10.6 million, or 6.8%, from €156.8 million for the year ended March 31, 2016, to €167.4 million for the year ended March 31, 2017. As a proportion of sales of goods, operating profit increased from 11.4% for the year ended March 31, 2016 to 12.0% for the year ended March 31, 2017.

Finance costs

Finance costs decreased from €76.6 million for the year ended March 31, 2016 to €72.6 million for the year ended March 31, 2017. This decrease in finance costs was mainly due to (i) a decrease in our interest expense following the €50.0 million partial redemption of the Senior Secured Notes that occurred in May 2016, (ii) a €0.6 million non-recurring expense reflecting the write-off of the non-amortized issuance fees recorded in the year ended March 31, 2016 in connection with this partial redemption of the Senior Secured Notes and (iii) a €1.0 million gain relating to our hedging contracts that matured during the year ended March 31, 2017 and which were settled at less favorable rates than current market conditions.

Finance income

Finance income decreased by €0.1 million from €0.2 million for the year ended March 31, 2016 to €0.1 million for the year ended March 31, 2017.

Income before Tax

Income before tax increased by €14.5 million, from €81.0 million for the year ended March 31, 2016 to €95.5 million for the year ended March 31, 2017. As a proportion of sales of goods, income before tax increased from 5.9% for the year ended March 31, 2016 to 6.8% for the year ended March 31, 2017.

Income tax expense

Income tax expense decreased by €44.8 million from an expense of €42.6 million for the year ended March 31, 2016 to an income of €2.2 million for the year ended March 31, 2017.

Income tax expense included non-recurring deferred tax income of €45.8 million relating to the accounting impact of changes in tax rates on deferred taxes. This effect resulted from the anticipated reduction in the corporate income tax rate in France, passed in the 2017 Budget Act (*Loi de finance pour 2017*) and which will be in effect beginning in 2020. This change reduced the tax rate used to calculate our deferred tax liability from 34.43% to 28.92%. As a result, long-term deferred taxes – essentially related to the Picard trademark – were revalued based on the rate applicable as of 2020.

Excluding this non-recurring deferred tax income, income tax expense amounted to €43.6 million, decreasing as a percentage of income before tax from 52.6% for the year ended March 31, 2016 to 45.7% for the year ended March 31, 2017. This decrease in income tax expense was primarily due to a reduction of our currently applicable tax rate; the exceptional contribution on corporate income tax, which had been applicable in France since 2012, was discontinued as of December 31, 2016.

Net income

Net income increased by €59.2 million, from €38.4 million for the year ended March 31, 2016 to €97.6 million for the year ended March 31, 2017, as a result of the factors described above. Excluding the non-recurring deferred tax income, net income increased by €13.4 million from €38.4 million to €51.8 million.

Liquidity and Capital Resources

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the indebtedness of our subsidiaries, and the interest we are obligated to pay on such indebtedness, which affects our net financial expenses;

- prevailing interest rates, which affect our debt service requirements;
- our ability and the ability of our subsidiaries to continue to borrow funds from financial institutions; and
- our capital expenditure requirements, which consist mainly of costs to build and equip additional stores, maintenance expenses (including store remodelling) and IT projects.

Our cash requirements consist mainly of the following:

- funding capital expenditures;
- funding operating activities;
- servicing our indebtedness and the indebtedness of our subsidiaries; and
- paying taxes.

Our sources of liquidity consist mainly of the following:

- cash generated from our operating activities;
- structurally negative working capital inflow generated by our business model;
- borrowings under our Revolving Credit Facility; and
- borrowings under debt securities, such as the Senior Notes and the Senior Secured Notes.

We generate working capital inflow because our customers pay cash for our products while we benefit from suppliers' credit. Changes in working capital are mainly driven by trade working capital, particularly the level of inventories and payment terms to merchandise suppliers, and overhead working capital. Our monthly working capital is seasonal, with significant positive cash flow in December and January and significant cash outflow in August. Other events, such as the positioning of Easter in March or April, may also influence our level of working capital at the end of certain months.

Consolidated Cash Flows

The following table summarizes certain elements of the consolidated cash flow statement of Picard Bondco for the years ended March 31, 2016 and 2017. The financial information below has been derived from the consolidated statement of cash flows as set out in Picard Bondco's audited consolidated financial statements for the year ended March 31, 2017.

	Year ended March 31,	
	2016	**2017**
	(€ in millions)	
Net cash provided by operating activities before interest expense and corporate income tax	191.3	189.5
Corporate income tax	(38.5)	(39.8)
Net cash flows from operating activities	**152.7**	**149.7**
Net cash used in investing activities	**(34.9)**	**(37.6)**
Issuance of shares	0.0	0.0
Interests paid and other financing activities	(77.3)	(69.7)
Borrowings: new proceeds and repayments	0.0	(50.0)
Dividends to equity holder and MRPS reimbursement	0.0	0.0
Net cash flows from / (used) in financing activities	**(77.3)**	**(119.7)**
Change in cash and cash equivalents	**40.5**	**(7.5)**
Net cash and cash equivalents at beginning of financial year	82.0	122.6
Net cash and cash equivalents at end of financial year	122.6	115.0

Net cash flows from operating activities

Net cash flows from operating activities decreased by €3.0 million, from €152.7 million in the year ended March 31, 2016 to €149.7 million in the year ended March 31, 2017, as a result of a €1.8 million decrease in net cash provided by operating activities before interest expense and corporate income tax, primarily relating to an unfavorable working capital variation as a result of the timing of Easter (mid-April 2017) which required higher inventory levels at the end of March as well as with a corporate income tax increase of €1.3 million.

Net cash used in investing activities

Net cash used in investing activities increased by €2.7 million from €34.9 million in the year ended March 31, 2016 to €37.6 million for the year ended March 31, 2017. This increase was primarily due to higher capital expenditures, including a €3.6 million increase in purchases of intangible assets (mainly software and other IT investments), together with a €0.8 million decrease in purchases of property, plant and equipment.

Our investing activities during the periods under review were principally related to the purchase of property, plant and equipment and intangible assets in connection with new and existing stores and IT equipment and software.

Net cash flows from / (used) in financing activities

Net cash flows used in financing activities increased by €42.4 million, from €77.3 million for the year ended March 31, 2016 to €119.7 million for the year ended March 31, 2017. This increase is primarily due to the €50.0 million redemption of Senior Secured Notes that occurred in May 2016 partially offset by the payment in the year ended March 31, 2016 of €8.4 million of fees in connection with the issuance of the Senior Notes and Senior Secured Notes in February 2015.

Capital Expenditures

Capital expenditures relate mainly to the opening of new stores, the remodelling of existing stores and IT-related capital expenditures.

In the year ended March 31, 2017, capital expenditures increased by €2.9 million, from €35.3 million in the year ended March 31, 2016 to €38.2 million in the year ended March 31, 2017. Capital expenditures as a percentage of sales of goods increased from 2.6% in the year ended March 31, 2016 to 2.7% in the year ended March 31, 2017 mainly as a result of higher IT-related capital expenditures in connection with our CRM programs and increased number of store remodellings and own stores opened. Capital expenditures, excluding store remodelling and store openings in France, represented 1.1% of sales of goods in the year ended March 31, 2016 and 1.2% of sales of goods in the year ended March 31, 2017.

The table below sets out our consolidated capital expenditures for financial years 2016 and 2017:

	Year ended March 31,	
	2016	2017
	(€ in millions)	
France Stores	**27.5**	**29.8**
New stores	7.7	7.9
Store remodelling[1]	12.8	14.1
Other store capital expenditures[2]	7.0	7.8
Logistics	0.2	0.4
Information technology & software[3]	4.0	7.7
Others—Home delivery	0.1	0.2
Italy capital expenditures	0.0	0.0
Belgium and Sweden capital expenditures[4]	3.5	0.1
Total capital expenditures	**35.3**	**38.2**
Capital expenditures as a percentage of sales of goods		
France new stores	0.6%	0.6%
Store remodelling	0.9%	1.0%
Other capital expenditures	1.1%	1.2%

	Year ended March 31,	
	2016	2017
	(€ in millions)	
Capital expenditures as a percentage of sales of goods	**2.6%**	**2.7%**

(1) The increase in store remodeling expenditures in the year ended March 31, 2017 results from an increased number of store remodellings during the year ended March 31, 2017, combined with a slight increase in the average cost of remodellings.

(2) Other store capital expenditures principally comprise maintenance works and security and safety investments, such as access for the disabled and fire alarms.

(3) The increase in IT investments in the year ended March 31, 2017 was due to increased investment in IT-related projects, such as our CRM program and the digitalization of our offer.

(4) The capital expenditures in Belgium and Sweden in the years ended March 31, 2016 mainly relate to store openings.

In the year ending March 31, 2018, we expect our capital expenditures to be primarily related to store remodellings, openings of new stores and IT-related projects. We expect the ratio of our sales of goods to our capital expenditures, for the year ending March 31, 2018 to be in line with recent prior years, with the goal of maintaining capital expenditures as a percentage of sales of goods below 3%.

Capital Resources

Our main sources of financing in the years ended March 31, 2016 and 2017 were the Senior Notes, the Senior Secured Notes and the Revolving Credit Facility. At March 31, 2017, we had net financial debt (excluding shareholder loans) of € 1,088.3 million, compared to €1,131.0 million as of March 31, 2016. We define net financial debt (excluding any shareholder loans) as bank loans and borrowings plus liabilities under finance and hybrid leases plus other financial debt plus bank guarantees less cash and cash equivalents.

The table below represents our net financial debt as at March 31, 2016 and March 31, 2017:

	Year ended March 31,	
	2016	2017
	(€ in millions)	
Net Debt..	1,131.0[(1)]	1,088.3[(2)]

(1) Net debt as of March 31, 2016, is total debt, consisting of the outstanding aggregate principal amount of Senior Secured Notes (with a carrying value under IFRS of €811.8 million), finance leases (amounting to €1.2 million), bank guarantees (amounting to €2.4 million) and the outstanding aggregate principal amount of Senior Notes (with a carrying value under IFRS of €422.3 million), minus cash and cash equivalents.

(2) Net debt as of March 31, 2017, is total debt, consisting of the outstanding aggregate principal amount of the Senior Secured Notes (with a carrying value under IFRS of € 764.7 million), finance leases (amounting to €0.9 million), bank guarantees (amounting to €2.4 million) and the outstanding aggregate principal amount of the Senior Notes (with a carrying value under IFRS of €423.6 million), minus cash and cash equivalents.

Hedging Policy

In the ordinary course of our business, we are exposed to market risk arising from fluctuations in interest rates. To manage this risk effectively, we enter into hedging transactions and use derivative financial instruments, pursuant to established internal guidelines and policies. We do not enter into financial instruments for trading or speculative purposes.

We have utilized interest rate derivative instruments to reduce our exposure to changes in the variable EURIBOR rates on our outstanding debt portfolio (primarily related to the Senior Secured Notes). On August 1, 2013, we signed an interest rate swap with a notional amount of €312 million (which gradually decreased to €161 million over the period of the agreement) whereby we agreed to pay a fixed rate of 0.5377% and will receive a variable rate equal to EURIBOR 3-month on the notional amount. This agreement matured on August 1, 2016 and was used to hedge our exposure to changes in future interest cash-flows related to the Senior Secured Notes. On February 20, 2015, we signed a second interest rate swap with an initial notional amount of €360 million whereby we agreed to pay a fixed rate of 0.062% and receive a variable rate equal to 3-month EURIBOR on the notional amount. This agreement matured on February 1, 2017 and was also used to hedge our exposure to changes in future interest cash-flows related to the Senior Secured Notes.

Following settlement of the interest rate derivative instruments that terminated on February 1, 2017, we have not entered into similar hedging arrangements.

Substantially all of our revenues (except for our sales in Sweden), expenses and obligations are denominated in euro. As a result, we are not subject to material market risk relating to exchange rate fluctuations.

Contractual Obligations and Commercial Commitments

The table below sets out our contractual obligations and commitments at March 31, 2017:

Contractual obligations	Total	Less than 1 year	1–5 years	More than 5 years
		(€ in millions)		
Long-term debt obligations(1)	1,200.0	0.0	1,200	0.0
Finance lease obligations	0.9	0.2	0.7	0.0
Operating lease obligations	124.5	52.3	62.7	9.5
Total	**1,325.4**	**52.5**	**1,263.4**	**9.5**

(1) Amounts reflect the €428 million aggregate principal amount of outstanding Senior Notes issued by Picard Bondco and the €772 million aggregate principal amount of outstanding Senior Secured Notes issued by the Picard Groupe S.A.S.

Off Balance Sheet Commitments

Partnerships

Picard Surgelés has agreed with certain of its suppliers to negotiate an annual volume of purchases. Suppliers may produce and store products dedicated to Picard Surgelés, but the transfer of ownership of these products occurs only at the time of delivery of the goods to Picard Surgelés or its subcontractors' warehouses.

Critical Accounting Policies and Estimates

IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on the information available at the time of preparation of the financial statements and affect the published amounts. Future results may differ from these estimates.

A description of the accounting rules and methods that we apply under IFRS is provided in the notes to the Consolidated Financial Statements of Picard Bondco included herein.

Credit and counterparty risk

Credit risk is the risk that one party to a financial liability will cause a loss for the other party by defaulting on its obligations. Our credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to franchisees, commercial partners and customers, including outstanding receivables. Sales to retail customers are made in cash, by check and through third-party credit and debit cards. Although our trade and other receivables amounted to €42.2 million as at March 31, 2016 and €45.1 million as at March 31, 2017, we believe that we have a limited exposure to credit risk because of the credit quality of our counterparties as well as the statutorily-provided structural payment terms in France.

Counterparty default risk is recognized in our financial statements by way of a specific provision for doubtful debts, determined on the basis of the information available and past statistics.

INDUSTRY

Certain of the information set forth in this section has been derived from external sources, including Nielsen Retailers Panel, among others. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in industry publications is not guaranteed. We have not independently verified these market data.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements".

Market share data presented in this section are measured by sales.

Frozen Food

We operate in the frozen food distribution segment of the packaged food industry in mainland France, Belgium, Sweden and Luxembourg and on a franchised basis in mainland France, Corsica, La Réunion, Japan and Switzerland. We also sell frozen food products in 40 stores in Italy through a partnership with an Italian food company, in five "corners" in Japan, seven "corners" in Sweden and through the grocery home delivery service Ocado in the United Kingdom. We define frozen food as any type of food that has been deep frozen for preservation purposes, including ice cream. Deep freezing is a food preservation process by which food products are frozen and kept at a temperature of –18°C or colder until sold to consumers.

Frozen food products compete primarily against fresh food, processed food and other preserved food such as canned food and vacuum-packed food. We believe that frozen food products are attractive compared with other types of food products because:

- they offer nutritional quality and taste at least similar to that of fresh food;
- they retain nutrients and vitamins longer and are less perishable than fresh food due to the deep freezing process;
- they can be unfrozen and prepared on an "as-needed" basis which helps avoid waste and overconsumption;
- fruits and vegetables can be harvested at their maturity and then frozen, making it easier for consumers to enjoy them throughout the year;
- prices of frozen food generally tend to be stable and less subject to seasonal variations when compared with the prices of fresh food products; and
- they tend to be easier to prepare.

Frozen food products are typically divided into eight main categories: vegetables, potato-based products, prepared meals, starters, fish, meat, ice cream and desserts. We distribute frozen food products in each of these categories.

During the year ended March 31, 2017, sales in France accounted for approximately 97.7% of our total sales, with the remaining 1.1% in Belgium and Luxembourg, 0.7% in Sweden, and 0.5% in Italy, Japan and Switzerland.

The French Frozen Food Market

France is an attractive market for frozen food retailers with approximately 98% of French households purchasing frozen products (excluding ice cream) at least once a year.

Frozen food is a niche segment within the food industry. Frozen food products are required to comply with statutory cold chain requirements that address consumer food safety. Given the specialist nature of the business, the need for strong and specialized logistics and distribution platforms and tight control over the cold chain, barriers to entry are high.

Between calendar years 2000 and 2016, the French frozen food market for at-home consumption grew by approximately 32%, from approximately €5.6 billion in 2000 to approximately €7.4 billion (including VAT) in 2016 (including convenience and drive/e-commerce). During the same period, we consolidated our leadership position and our sales in France increased almost threefold, from approximately €532 million in 2000 to €1,392.4 million (including VAT) in the year 2016. We believe that we have influenced the consumption habits of French consumers, namely their perceptions of and preferences for frozen food, while heightening general awareness of frozen food products.

Main Competitors and Market Shares

We are the leading distributor of frozen food in France with an approximately 18.9% share (including ice cream) of the French frozen food market in calendar year 2016. Our market share has been computed based on industry reports that include for the first time convenience and drive distribution channels, therefore slightly modifying our estimated market share. Using this calculation methodology, our market share in calendar year 2015 would have been 18.6%. We distribute and sell our frozen food products directly to retail consumers exclusively through our own network of specialist stores and Home Service.

We compete primarily with:

- multiple grocers, including hypermarkets and supermarkets, which in 2016 represented, collectively, 48.1% of the French frozen food market;
- other frozen food specialist stores and home delivery retailers, which in 2016 represented, collectively, 12.9% of the French frozen food market;
- hard discounters, such as Lidl and Leader Price, which in 2016 represented, collectively, 11.2% of the French frozen food market;
- convenience stores, such as Franprix, Leader Price Express, Carrefour Contact, City & Market, and Monop'Daily, which in 2016 represented, collectively, 5.0% of the French frozen food market;
- the "drive" channel, consisting of online grocery shopping, which in 2016 represented, collectively, 3.8% of the French frozen food market; and
- fresh food distributors, including multiple grocers and hard discounters, as well as smaller retail stores and delicatessens, where consumers can purchase alternatives to frozen food products, such as fresh food, processed food and other types of preserved food.

We had the largest market share of all frozen food distributors in France for the calendar year 2016, as well as a diversified product base.

Our strong position spans across all product categories and we enjoy a significant market share in categories such as vegetables, prepared meals, desserts, starters, fish and meat.

Multiple grocers

Multiple grocers consist of hypermarkets such as Carrefour and Leclerc, and supermarkets such as Casino. The frozen food market share of multiple grocers in France has declined from 62.1% in 2000 to 48.1% in 2016. In 2016, Nielsen Retailers Panel estimated that multiple grocers generated frozen food sales of €3.5 billion.

We believe that we and other specialist stores are able to offer a wider variety of frozen food products and, in the case of Picard, at better prices, than most multiple grocers. For example, most of our stores in France offer approximately 1,100 different frozen food SKUs. Hypermarket chains are characterized by a large choice of frozen products (500-750 SKUs) and competitiveness on price, and are typically located outside of city centers. Supermarkets and convenience stores, such as Casino, Daily Monop', Carrefour Market and Carrefour City, are located closer to customers' homes in city centers, but carry a smaller range of frozen products (100-300 SKUs) at a higher price point as well as a range of fresh food, and thus compete with us in terms of both location and product offerings.

Our recent strategy has been to enhance our competitiveness as many retailers are now entering the upmarket range of frozen food products, leading to an increase in product mix and higher average prices, while some of our suppliers have started to distribute their products to multiple retailers under their own brands.

Specialist stores and home delivery retailers

Specialist stores and home delivery retailers mainly consist of us, Toupargel, Thiriet and small local retailers specializing solely in the distribution of frozen food products (Maximo, Argel, Bofrost, and Eismann). These competitors generally offer basic products at prices lower than branded products offered by multiple grocers, as well as more expensive product offerings in the case of Toupargel and Thiriet. They usually sell frozen food products of their own brands, rather than national brands, though some, like Toupargel, also sell national brands and fresh products, along with other items such as home care products.

The frozen food market share of specialist stores and home delivery retailers in France (including ourselves) has increased from 29.8% in 2000 to 31.8% in 2016. We believe this increase was largely due to the increase in our market share, which more than offset the decline in market share of the other specialist stores and home delivery retailers during the same period.

We are the only specialist frozen food retailer with a national presence and the largest specialist frozen food retailer in France, with a market share approximately three times larger than those of our closest competitors, Toupargel and Thiriet.

We believe that specialist stores are more attractive to consumers than multiple grocers and hard discounters for a number of reasons, including:

- they offer a wider range of frozen food products;
- they have fewer out-of-stock products as a result of their cold chain expertise;
- they offer a better overall shopping experience, including well-organized stores with clear product presentations and a better control of the cold chain; and
- their proximity to consumers increases the likelihood that products will be delivered quickly, which also helps maintain the integrity of the cold chain for the convenience and safety of the consumers.

Hard discounters

Hard discounters are retailers that sell consumer goods at aggressive prices, such as Lidl, Leader Price and Aldi. Hard discounters generally offer frozen food products at prices significantly lower than specialists and multiple grocers. They compete, however, on a more limited product range, usually focusing on more affordable and lower-quality products. They frequently target low-income households.

The frozen food market share of hard discounters in France has increased from 8.5% in 2000 to 11.2% in 2016, which is in line with their food retail market share gain. Hard discounters were also the fastest growing frozen food distribution channel between 2000 and 2006, increasing their market share from 8.5% in 2000 to 14.5% in 2006, which was less than their penetration of the food retail market as a whole and mostly at the expense of multiple grocers. Since then, their market share has slightly decreased, falling to 11.2% in 2016, partially due to the rebranding of certain hard discounters, which are now reported as convenience stores or as multiple grocers. Nielsen Retailers Panel estimates that hard discounters accounted for approximately €830 million of French frozen food market sales in 2016.

Convenience stores

Convenience stores in France consist of small stores for everyday shopping located in dense urban areas, which offer products to meet the needs of local customers. Factors such as smaller household sizes, longer working hours and the trend toward reducing food waste are favorable for convenience stores as customers move towards shopping "for the night" or for the next few days.

Convenience store chains in France include Franprix, Leader Price Express, Carrefour Contact, City & Market and Monop'Daily. The convenience stores segment has experienced strong growth over the past 10 years notably as a result of an increase in the number of stores that have been rebranded under the names of major supermarket chains (for example, Dia stores, previously considered a hard discounter, have been rebranded as Carrefour Contact or Carrefour City stores). Nielsen Retailers Panel estimates that convenience stores accounted for approximately €370 million of French frozen food market sales in 2016.

Drive

The drive market in France consists of online grocery shopping, whereby the products ordered online are packed and delivered to a specific site to which the customer has easy access, essentially allowing customers to drive through the site and quickly pick up their orders. Nielsen Retailers Panel estimates that drive accounted for approximately €280 million of French frozen food market sales in 2016.

Market Trends

We believe that the following trends affect and will continue to affect the frozen food industry.

Demographic Trends

France's demographic structure has changed, with more women employed full-time, smaller household sizes and a higher proportion of single-parent families. These trends have decreased the time devoted to meal preparation and increased the demand for easy-to-prepare food options. Frozen food addresses this need by offering ready-made meals, including individual portions, as well as ready-to-cook ingredients allowing customers to save time on the preparation of home-made meals.

Changing Consumer Lifestyles

Food manufacturers and distributors are highly attuned to the changing preferences and needs of consumers, who have increasingly busy lifestyles and are more focused on health and nutrition. They have addressed these customers' demands by introducing and marketing a variety of convenient, high-quality and healthy food products, or updating certain core products. Industry participants seek to gain a competitive advantage by addressing consumer demands through new product introductions, core products updates and marketing. We continue to expand and refine our frozen food offerings so that they remain relevant and continue to be preferred by consumers.

Focus on Healthy Food

Consumers are becoming more educated on issues that affect the quality of their food and diet. For example, recent health campaigns in France have educated consumers on the benefits of fresh fruit and vegetables and encouraged French consumers to eat five portions a day. Frozen food products offer nutritional quality and taste similar to that of fresh food and retain nutrients and vitamins longer through deep freezing. The rising rates of cardiovascular disease and obesity have influenced and, we believe, will continue to influence food choices. At the same time, consumers are paying increased attention to the quality of ingredients used, as well as their traceability, sustainability and health effects. As a result of these trends, processed food manufacturers have proposed healthier recipes that are lower in salt, fat and sugar and include more fruits and vegetables. We also expect an increase in the demand for non-processed fruits and vegetables.

Monitoring/Quality Control

In addition, following the discovery of horsemeat in certain frozen food products labeled beef throughout the industry in February 2013, the industry has been adversely impacted as some customers have temporarily lost confidence in prepared frozen food products. In response to this issue, market participants, including Picard, have increased monitoring and testing of products, improved traceability mechanisms, introduced alternative shortened supply chains with a focus on local production and launched marketing campaigns to restore consumer confidence.

BUSINESS

Overview

We believe that we are the leading retailer of frozen food products in France, based on sales, according to internal data and industry publications and are a pioneer in the sector. In the calendar year 2016, we had an approximate 18.9% market share (including ice cream products) of the approximately €7.4 billion French frozen food market (including drive/e-commerce and convenience stores). 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 price points. 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.

We sell products under our own Picard brands (97% of our sales during the year ended March 31, 2017), as well as under a few national and international brands, such as, for example, Häagen-Dazs, Charal and Ben & Jerry's. In France, our Picard products are sold exclusively through our network as well as through Home Service, which mainly operates in major French cities. We have successfully expanded our network over the years, and we opened an average of 40 new stores per year from the year ended March 31, 2002 to the year ended March 31, 2012 and an average of 31 new stores per year since April 2012 (in France and abroad). As of March 31, 2017, we had 1,024 stores, 967 of which are located in mainland France, 16 in Belgium, 15 in Sweden, and one in Luxembourg. Most of our directly-operated stores are located in or near city centers and metropolitan areas. We also sell our products through various additional channels, including nine franchised stores in smaller cities in mainland France, two in Corsica, seven in La Réunion, three in Japan, four in Switzerland, 40 stores in Italy through a partnership with an Italian food company, five "corners" in Japan, seven "corners" in Sweden and through the grocery home delivery service Ocado in the United Kingdom.

We outsource the manufacturing of all of our products to approximately 230 different suppliers, allowing us to concentrate on quality control and new product research, development and innovation. We continuously review our product offering and introduce on average approximately 200 new SKUs a year. During the year ended March 31, 2017, we accelerated our innovation efforts and introduced 231 new SKUs. As a result of our innovation efforts, many of our products are unique to us, which we believe attracts customers to our stores.

We have successfully increased our sales over the last ten years from €991.4 million for the year ended March 31, 2007 to €1,398.0 million for the year ended March 31, 2017, representing a compound annual growth rate ("CAGR") of 3.5% despite significant economic challenges. Over the same period, we generated a like-for-like sales CAGR of 0.8%. For the year ended March 31, 2017, sales in France, which include sales from our directly-operated stores as well as Home Service and sales to our franchisees located in mainland France, Corsica and La Réunion, accounted for 97.7% of our total sales, with sales in Belgium, Sweden, Italy, Japan, Switzerland, Luxembourg and the United Kingdom generating the remaining balance.

History

Our predecessor was founded in 1906 as *les Glacières de Fontainebleau S.A.* by Raymond Picard and originally manufactured and distributed ice blocks. In the 1940s our predecessor began our first wholesale activity in frozen foods. In 1971, we launched our first frozen food catalogue and home delivery sales. In 1973, Armand Decelle acquired the business and became the chairman and CEO. Under his direction, we first focused on the home delivery of unprocessed quality food products, such as vegetables and seafood. In 1974, we opened our first retail store in Paris and we opened stores outside of Paris in Antibes (in the South of France) and Lyon (France's second largest metropolitan area) in 1987. That same year, we opened our 100th store and by 1997 we operated 300 stores. During this period, our product line also evolved to include more sophisticated products, such as prepared meals. In the 40 years since opening our first retail store we have become a household name in France known for providing premium quality, natural and competitively priced products.

In 1984, we changed our name to Picard Surgelés and we co-founded Primex, a French importer, with a family-owned partner; we currently hold approximately 37% of its share capital. Primex is our main supplier of fish, as well as a supplier of meat products. In 1991, Carrefour, the listed French food retailer, acquired a 10% stake in Picard Surgelés and in 1994 raised that stake to approximately 74%. From 1994 until 2001, Picard Surgelés and Picard Surgelati operated as subsidiaries of Carrefour. During the 1990s, our presence in France increased more than twofold, growing from 184 stores in 1991 to 441 stores in 2000.

In 2001, we were sold to an LBO consortium headed by Candover, which acquired approximately 79% of our share capital. We were subsequently acquired in a secondary LBO in 2004 by funds advised by BC Partners. From

2005 to 2009, we grew from over 600 stores to over 800 stores in France and Italy, opening an average of 46 new stores per year. On September 14, 2010, an indirect, wholly owned subsidiary of Picard Bondco entered into a securities purchase agreement to acquire, directly or indirectly, all of the issued and outstanding capital stock of Picard. From the completion of the Acquisition in October 2010 to August 2015, Lion Capital was the Issuers' principal shareholder through its investment management funds and indirectly owned, together with minority co-investors, approximately 98.6% of the Issuers' issued and outstanding ordinary shares. Since completion of the Acquisition, Picard management holds an approximately 1.4% indirect interest in the Issuers (based on ordinary shares). On March 31, 2015, Lion Capital and its associated funds entered into negotiations with Aryzta, 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 Lux HoldCo. Following receipt of all necessary regulatory approvals, the acquisition of 49.5% of the Picard Group's indirect parent company Lux HoldCo by Aryzta was completed on August 19, 2015. Aryzta 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 Lux HoldCo.

Since completion of the Acquisition, we continued to expand, opening 145 net stores in mainland France. In addition, since the Acquisition and, in line with our national and international expansion strategy, we opened stores in Belgium, Sweden and Luxembourg, along with franchised stores in mainland France, Corsica, La Réunion, Switzerland and Japan. As at March 31, 2017, we had 1,024 stores, 967 of which are located in mainland France, 16 in Belgium, 15 in Sweden and one in Luxembourg. We also sell our products in nine franchised stores in small cities in mainland France, two in Corsica, seven in La Réunion, four in Switzerland, three in Japan and 40 in Italy through a partnership with an Italian food company. We expect to expand our franchised store model to other smaller cities throughout mainland France, with a view to increasing our presence in those cities. We expect to open additional franchised stores in Switzerland and Japan and also intend to further expand in Belgium while developing our existing commercial partnerships, such as with Ocado in the United Kingdom, and considering other opportunities to expand into new countries and regions in the future. In Japan, we adopted the franchised stores model in 2016 following an initial trial period at "corners" in Japanese stores during which we tested Japanese customers' appetite for our products. This initial trial was conducted in the form of a commercial partnership with a local actor familiar with the local regulatory environment, food retail market and culture. Additionally, we sell a limited range of products in the United Kingdom through a commercial agreement with a local partner. On April 10, 2015, Picard Groupe S.A.S. entered into a share purchase agreement with New Food for the purchase of the entire share capital of Picard Surgelati S.p.A. Following the completion of the transaction, and further to a commercial agreement between Picard and New Food, New Food continues to use the Picard brand name and logo in Italy and sells Picard-branded products in 40 stores.

Our Brand

We are a pioneer in the French frozen food sector and have become known for delivering variety, innovation, premium quality, health, convenience and unique value to our customers. We created and developed the concept of convenience frozen food stores in France over this period and are now inextricably linked to it. We believe that we have helped drive the growth of the French frozen food market with our innovation and commitment to quality, which has also led to a positive and strong awareness of our brand and our reputation for quality, health and safety.

Our Products

We offer more premium quality frozen food products in terms of number of SKUs than any of our competitors. We have developed an assortment that includes approximately 1,100 SKUs in stores at a time and covers the entire spectrum of alimentary needs. Our product range includes starters, main courses, desserts and snacks and, as of March 31, 2017 is organized into the following nine categories: fruits and vegetables, meat, fish and seafood, starters, prepared meals, bakery products, desserts (excluding ice cream), ice cream and grocery products/other products. We offer a wide range of prepared meals, including traditional French meals, international food, gourmet products and special occasion products. In Sweden, we sell some products that are tailored to the local market, including frozen venison products. All of our products are aimed at responding to customer preference for food which is flavorful, satisfying, nutritionally valuable, healthy, easy to prepare and economical.

In recent years we have been increasingly focused on healthier, natural and low-fat products. These include several of products lines, such as steamed vegetables, our "*Plus d'équilibre*" line of low-fat meals and products, our "*Tout simplement légume*" line of mashed vegetables and soups, as well as other organic products and vegetarian meals. We limit the use of chemicals and artificial flavoring across all of our product categories and increased our offerings of non-allergenic products. We also list the number of calories and nutritional values on our packaging. Recently, we also introduced a gluten-free range and a "*veggie*" range of products.

Fruits and vegetables and ready meals are our largest categories in terms of sales, together generating approximately 37.3% of our sales in France for the year ended March 31, 2017. Our sales by product category for the years ended March 31, 2015, 2016 and 2017 are set forth in the following table:

	Years ended March 31,					
Product Category	**2015**		**2016**		**2017**	
	millions of euro	**%**	**millions of euro**	**%**	**millions of euro**	**%**
Fruits and vegetables	246.9	19.2	252.0	19.2	263.0	19.8
Ready meals	219.9	17.1	224.9	17.2	233.1	17.5
Fish and seafood	213.4	16.6	222.3	17.0	224.7	16.9
Starters	211.8	16.4	214.5	16.4	218.9	16.5
Meat	153.6	11.9	148.0	11.3	145.2	10.9
Ice cream	102.1	7.9	106.8	8.1	106.7	8.0
Desserts (excluding ice cream)	91.2	7.1	90.1	6.9	83.9	6.4
Bakery products	25.5	2.0	25.3	1.9	25.6	1.9
Grocery products/Other	24.1	1.9	26.6	2.0	28.2	2.1
Total retail France	**1288.6**		**1310.5**		**1329.3**	
Other (including Home Delivery, franchises and international activities)	75.4		61.5		68.7	
Total	**1364.0**		**1372.0**		**1398.0**	

In addition to our own brands, we promote a small number of our suppliers' national brands, especially in the ice cream family such as Häagen-Dazs, Ben & Jerry's, Magnum, Mars and Carte d'Or, pursuant to marketing co-operation agreements. Together, these brands represented 3% of our sales for the year ended March 31, 2017.

Product innovation and research & development

Product innovation and improvement are an important part of our business. Our R&D, marketing and purchasing departments are centralized and organized according to our nine families of products in order to coordinate the innovation and development process. We believe that product innovation is one of the main ways we differentiate ourselves from competitors, answer market needs and improve the quality of our food, thus allowing us to generate comfortable margins. We constantly review and update our range of products to keep up with our customers' changing needs and preferences and we introduce approximately 200 new SKUs per year (representing nearly 18% of our offering of approximately 1,100 SKUs). During the year ended March 31, 2017, we accelerated our innovation efforts with the introduction of 231 new SKUs. Our new products are rolled out throughout the year and linked to promotions and seasonal demand (for example, we launch special products for Christmas and New Year celebrations, the Chinese New Year and Valentine's Day).

Our innovation policy focuses on developing original products, some of which we anticipate will set trends and create new segments in the frozen food market. Some of our most successful products, such as *moëlleux au chocolat*, have brought popular traditional foods to the frozen food category for the first time. We believe our ability to initiate market trends is partly due to our regular introduction of new products using flavors or techniques that are relatively new in France (examples of which are set out in the table below). We also rely on direct customer feedback, notably through our customer service hotline, in addition to proposals from our suppliers and our own research team. Our R&D team works closely with our purchasing and marketing teams in order to quickly improve our products in response to customer feedback. We believe that we are able, as a result, to quickly improve our products in response to customer comments.

The following table lists and describes some of our significant product innovations.

Year Launched	Product	Description
1988	Papillotes	Papillotes were originally launched using tin foil. In 1998, Picard launched the first-ever papillotes in greaseproof paper (more convenient and quicker to heat in a microwave).
1989-1990	IQF (“Individual Quick Freeze”) ready meals	Ready meals, incorporating the latest technical innovations, such as powdered seasoning, sauce drops and coating techniques.
1995	Formule Express	A range of individual meals packed in a special microwaveable tray.
2000	Moëlleux au chocolat	Warm chocolate cake.
2002	Cuisine japonaise	Fresh frozen sushi.
2005	Verrines apéritives salées et les verrines sucrées	Savory and sweet “verrines”.
2006	Mélanges de légumes natures en sachet cuisson vapeur et micro-ondables	Specially packaged mixed vegetables to be steamed in the microwave.
2008	“Bons Petits Plats Picard”	Individually packaged pre-cooked daily meals including veal risotto, rabbit with olives and white rice as well as sweet crepes and pancakes, to be reheated.
2009	Fruits BIO	Development of organic product line with a large offering of fruits.
2010	Nouvelle Sauces et Aides Culinaires	Line of sauces in cube form with updated packaging with a range including pepper sauce and mushroom sauce to be reheated in a few minutes in coconut milk, lemon juice or broth.
2011	“Délice d’un instant”	Individually packaged bagels, smoked salmon and brownies.
2015	Gratins	Individually packaged vegetables gratins prepared in wooden baking molds.
2015	Mini-cheeseburger	A trendy & friendly appetizer
2016	“Retour du marché”	Individually packaged high-quality meals presented in innovative transparent packaging

Our R&D staff of eight dedicated full-time employees benefits from close relationships with our suppliers, who frequently propose to us ideas for new prepared products hoping to take advantage of our unique position in the market and the quality of our store network. On average, it takes five to twelve months to develop and launch a new product, a period during which we work with a Picard-certified supplier, apply our quality controls to samples, perform taste tests and prepare for sales of the new product in our stores.

We believe we have remained at the forefront of product innovation and improvement by focusing on improving the quality of recipes, ingredients and user-friendliness, including average cooking times. Our staff of purchasers and product managers carries out our efforts in the area of product improvement.

Purchasing and Suppliers

We work with approximately 230 suppliers, which supply us with prepared foods and unprocessed frozen food products, including meat, fish, starters, fruits, vegetables, bakery products and ice cream. We select our suppliers based on strict specifications related to product quality and generally reappoint our suppliers of unprocessed food annually and our suppliers of prepared foods every two to three years. We believe the caliber of our suppliers has contributed to Picard’s strong track record of quality control.

We do not believe that we are dependent on any one supplier or that the loss of any one supplier would have a material adverse effect on our business. In the calendar year ended December 31, 2016, our five largest suppliers represented 23.9% of our purchases by value, our 10 largest suppliers represented 36.2% of our purchases by value and our 20 largest suppliers represented 52.5% of our purchases by value. Our largest supplier represented approximately 6.3% of our purchases by value. We develop most of our products internally but outsource the manufacturing to approximately 230 different suppliers. We invite our suppliers to diversify their own client bases as well.

For the introduction of each new product, we require that our suppliers commit to minimum volume requirements for the initial four months of the product’s availability. We do not otherwise impose volume requirements contractually.

Prepared Products

We subcontract the production of prepared products, such as frozen meals, but they are prepared according to our recipes and specifications. We assign to one of our product managers the responsibility for overseeing the production process and ensuring conformity with our specifications, including the supplier origin of each ingredient. In the event a supplier does not adhere to our specifications, we have the right to terminate such supplier immediately, and have done so in the past including in the wake of the horsemeat incident in 2013. In the calendar year ended December 31, 2016, 70% of our products were sourced from suppliers based in France including, since March 18, 2013, 100% of our beef products, while the remainder is obtained from suppliers located abroad, including in Italy, Belgium, the United Kingdom, New Zealand, Canada, Chile, Norway and Thailand. In designing our product specifications, we also focus on the length of the supply chain, choosing shorter supply chains where possible, to ensure freshness and effective traceability and a lower carbon footprint.

Unprocessed Products

Our suppliers are responsible for the selection and supervision of the food they deliver to us, according to our specifications. We work very closely with our suppliers, whether directly or through our importers, to ensure that our specifications as to quality and quantity are complied with. We treat our suppliers as partners, emphasizing to them that they are harvesting or fishing for us and for our brands. Our contracts with our suppliers typically fix prices for one year, which helps minimize price fluctuation. For high-volume purchases, we generally work with multiple suppliers.

In 2016, we imported products from around the globe, including, for example, Thailand, New Zealand, Canada, Chile, Italy and Norway. Notably, most of our contracts with suppliers are priced in euro, so we do not have any significant foreign exchange risk.

In order to better manage the importation of seafood and meat products from Norway and New Zealand, we co-founded Primex. For the year ended March 31, 2017, purchases from Primex amounted to €43.8 million, or 5.5% of our purchases (by value) (compared with €42.6 million for the year ended March 31, 2016 (5.5% of our purchases (by value)) and €41.0 million for the year ended March 31, 2015 (5.4% of our purchases (by value)).

Quality Control

We are strongly committed to the quality and safety of our products which are attributes recognized by our customers. We apply stringent standards to surpass legal requirements and we employed a quality control team of 22 full-time employees (as of March 31, 2017) based out of Nemours and Issy-les-Moulineaux in France. This team is responsible for monitoring the quality and safety of our products. Their role includes:

- monitoring international sanitary conditions and developments in order to anticipate issues with respect to the use or origin of certain products;
- instituting and enforcing strict guidelines which our suppliers must follow and performing random spot checks each year of our suppliers' production plants or with our suppliers of unprocessed products;
- performing additional internal controls such as testing deliveries to our warehouses and collecting samples in our stores; and
- conducting laboratory analyses geared at detecting, for example, genetically modified organisms or pesticides, as well as DNA tests on meat and fish products since March 2013 (since February 25, 2013 for beef products).

We performed 59,200 tests in the calendar year 2016, in addition to systematic analyses performed by our suppliers. We test our products for bacteria, radioactivity, heavy metals, additives, GMO, species (DNA), weight, ingredients, taste and texture, and as a result of these tests, we rejected approximately 0.7% of processed products before they were shipped to our warehouses. As our tests are performed throughout the cold chain cycle, we may also reject products at various other points in the chain. We believe these tests are essential to the quality and reputation of our brand, and that we are able to effectively monitor the quality and safety of all our products. Our testing practices are often more stringent than required by current regulation. In addition, all of our suppliers must be certified by either ISO 22000, IFS, BRC, or by the external audit firm Bureau Veritas.

Our quality control plan regarding scientific activities and international sanitary alerts evolves each year. This is done in order to anticipate potential crises and be in a position to provide quick and adequate answers to them if they do materialize. The horsemeat incident which took place in February 2013 further reinforced the merits of DNA tests (Polymerase Chain Reaction) in identifying different species. These tests are now systematically performed on our beef products and a reinforced control plan is in place for our seafood and other meat products. We also aim to conduct regular audits of each of our suppliers and this audit program has also been reinforced by ensuring strict compliance with our specifications and, in particular, by ensuring that ingredients are correctly pre-validated by our quality service (in terms of quality and origin). The audits are conducted by a team of internal auditors and by certified third-party organizations. Despite our strict quality controls, we may need to recall certain of our products as a result of alterations or contaminations. For instance, we recalled some of our products in late 2013 in Italy when traces of Hepatitis A were allegedly found in a batch of our red berries mix.

We have fully implemented our integrated SAP platform in all of our stores, and all lots produced by our suppliers are logged into a system for tracking both delivery and quality controls. This platform enables us to more easily track each lot and perform our controls. Our quality control tests are decisive such that products are only purchased and delivered to our stores if they meet the test specifications.

Our competitors, suppliers and customers are aware of our very high cold chain standards. We go beyond the statutory cold chain requirements to ensure the safety of our products for our customers and equip our stores with state-of-the-art freezing equipment.

Our Network of Stores and Home Service

We distribute our products primarily through our retail network of stores in France, Belgium, Luxembourg and Sweden, all of which are operated by us. We also have an expanding network of franchised stores comprising nine stores in mainland France, two in Corsica, seven in La Réunion, three in Japan and four in Switzerland. Following the sale of our Italian operations, we also provide New Food, the buyer of our Italian operations, with Picard-branded products, which it sells in 40 stores in Italy. In addition, we also provide our Japanese partner with Picard products, currently sold in five "corners" (*i.e.*, sections in department stores or hypermarkets dedicated to our products) throughout Japan. We also operate Home Service in parts of France, Belgium (mainly in and around Brussels), and Spain (only in Barcelona), which allows customers to order by telephone or over the Internet. It has been our continuing strategy to offer the same prices and promotions at all of our stores in France and through Home Service.

Store Ownership and Leasing

As of March 31, 2017, we owned 107 of our 967 stores in mainland France, most of which we acquired historically upon the exercise of purchase options under our financial leases, and we rent the remaining 860 stores. Most of our leased stores in France are leased pursuant to "commercial leases" (*baux commerciaux*) which grant significant rights under French law to lessees compared to leases in many other jurisdictions. Most of these commercial leases are for nine-year terms (the statutory minimum) and provide termination rights for the tenant at the end of each three-year period upon six-month prior notice. Eight of our stores in mainland France are leased pursuant to finance leases (*credits-baux*), which typically provide for a purchase option after a term of 12 years. We believe that our leasing strategy gives us a high level of flexibility in store management. In the year ended March 31, 2017 our total group rental expenses amounted to €61.6 million.

We rent our stores from a variety of landlords, including individuals and different types of companies.

The table below sets out our commercial lease expirations in mainland France, Belgium, Luxembourg and Sweden, as at March 31, 2017.

Calendar year	Number of leases	% of total leases
2017	75	8%
2018	100	11%
2019	66	7%
2020	104	11%
2021	87	10%
2022	115	13%
2023	111	12%
2024	120	13%

Calendar year	Number of leases	% of total leases
2025 and beyond	129	14%

The commercial leases in Italy were transferred to New Food in May 2015, as part of the sale of our Italian operations.

The rent paid under most of our commercial lease agreements in France is a fixed sum which is annually reviewed based on either the ICC or the ILC. With the enactment of the law on craft, commerce and very small corporations, dated June 18, 2014, the ILC became mandatory for new lease agreements. Our renewed or new commercial lease agreements are subject to the ILC, with the remainder being subject to the ICC until their termination date. In the year 2017, the automatic adjustments in the ICC and ILC led to a decrease of approximately €0.5 million, or 1.1%, in our invoiced rents. See "*Risk Factors—Risks Related to Our Business—We rent most of our stores pursuant to commercial leases that may be subject to adjustments that could increase our expenses and have a negative impact on our profitability and results of operations*".

In addition, in accordance with applicable regulations governing commercial leases, commercial rents can be adjusted upon the renewal of the lease, failing which, in the case of some of our leases, new rents may be determined by a competent court.

Stores in mainland France

Our stores (which are equipped with closed freezers) emphasize quality, "clinical" cleanliness and customer service. Picard stores have an average size of approximately 237 square meters and employ on average between three and four full-time employees. We aim, to the extent possible, to give our stores a uniform appearance and refurbish them every six to eight years (in the last three years, approximately 245 of our stores were refurbished). Our stores are usually open from 9:00 a.m. to 7:30 p.m., except in Paris where they are usually open from 9:00 a.m. to 8:00 or 8:30 p.m., and most of them open on Sunday mornings.

Our network of stores covers the whole of mainland France. Our largest concentration of stores is in Paris and Ile-de-France (the area in and around Paris), where we have a total of 349 stores (36.1% of our French store network) as of March 31, 2017, including 119 in Paris. We also have a strong presence in other urban areas, including 36 stores around Nice, Antibes and Cannes, 36 around Lyon, 37 in the Marseille region, 27 around Toulouse and 22 in the Bordeaux region. In recent years our presence in the west and southwest regions of France has been growing rapidly. We believe the size of our network is a significant barrier to entry.

In the year ended March 31, 2017, our average sales per store were €1.38 million and our average sales per square meter, representing our average sales per store divided by our stores' average surface, was approximately €5,811. Despite our expansion, the opening of new stores has not materially reduced our average sales per store. Average sales per store during the first 12 months of operation amounted to approximately €1.0 million. The economics of our stores are relatively homogeneous across our network in France.

Format

We have standardized our stores into four formats: pedestrian, urban, traffic area and hypermarkets, each of which is chosen as a function of location and customer profile in order to maximize sales. This standardized format means that set-up costs are predictable and relatively low, with a payback period of approximately two years. Our pedestrian stores represent 25.7% of our network and are located in dense urban areas within walking distance for most of our customers. Our urban stores represent 16% of our network and have private parking lots. Our traffic stores comprise 34.6% of our network, are located along regional main roads and have private parking lots. Finally, our hypermarket stores account for 23.6% of our network, are the largest of our four store formats and are typically located on the outskirts of large and medium-sized cities.

Pedestrian and urban stores are proximity (or convenience) stores, where customers generally shop once a week and purchase in smaller quantities (the average basket amount is approximately €15 and €22 respectively). Traffic areas and hypermarket stores are destination stores, where customers generally shop two to three times a month and purchase in larger quantities (the average basket amount is approximately €26 and €27 respectively).

Our unique concept of "one-way" layout stores, where starters are placed near the store's entrance and desserts by the check-out, allows customers to naturally shop for a typical three-course meal by walking through the store without the need for shopping lists. This concept has a number of advantages. It encourages customers to discover our entire product range, attracts customers to promotions placed at the entrance of the store, reduces wasted time for customers by helping them to more easily find what they are looking for, allows for easy flow within a store and optimizes space allocation. Moreover, we continue to implement a modernized store concept which includes a new color scheme and signage to further improve the shopping experience of our customers and enhance the conviviality of our stores. Out of our 967 stores in France, approximately 69% of them were based on this concept as at March 31, 2017.

Positioning

Our stores have a well-balanced geographical footprint and are mostly located in high-traffic locations in cities of 25,000 inhabitants or more. Positioning our stores in target catchment areas is a critical part of our ability to reach and serve our customer base. We position our stores and identify locations for expansion according to a demographic analysis we call "geomarketing", which allows us to analyze data from our network of existing stores and French demographic surveys in order to locate areas with untapped potential and priority zones for new development sites. The principal criteria we use to choose the locations of our new stores are:

- population density, which is adjusted for urban and non-urban areas;
- average taxable income per household; and
- socio-economics of potential customers.

We also monitor our market share and revenues in our currently covered areas. We believe that our geomarketing tools allow us to see our market as a whole, to benchmark stores and evaluate the key factors to stores' success. Geomarketing operations are conducted by a team of four, headed by our director of development and based at our headquarters in Issy-les-Moulineaux.

Our objective is to become an everyday destination for our clients to ensure high and constant traffic in stores. The majority of our customers are between the ages of 35 and 65, with an average age of approximately 51. Our younger customers tend to purchase our products for their premium quality and serve them at parties. When these customers reach their thirties, they often develop into regular daily consumers of our products as their buying power increases and they search for convenient and quality food to serve their families.

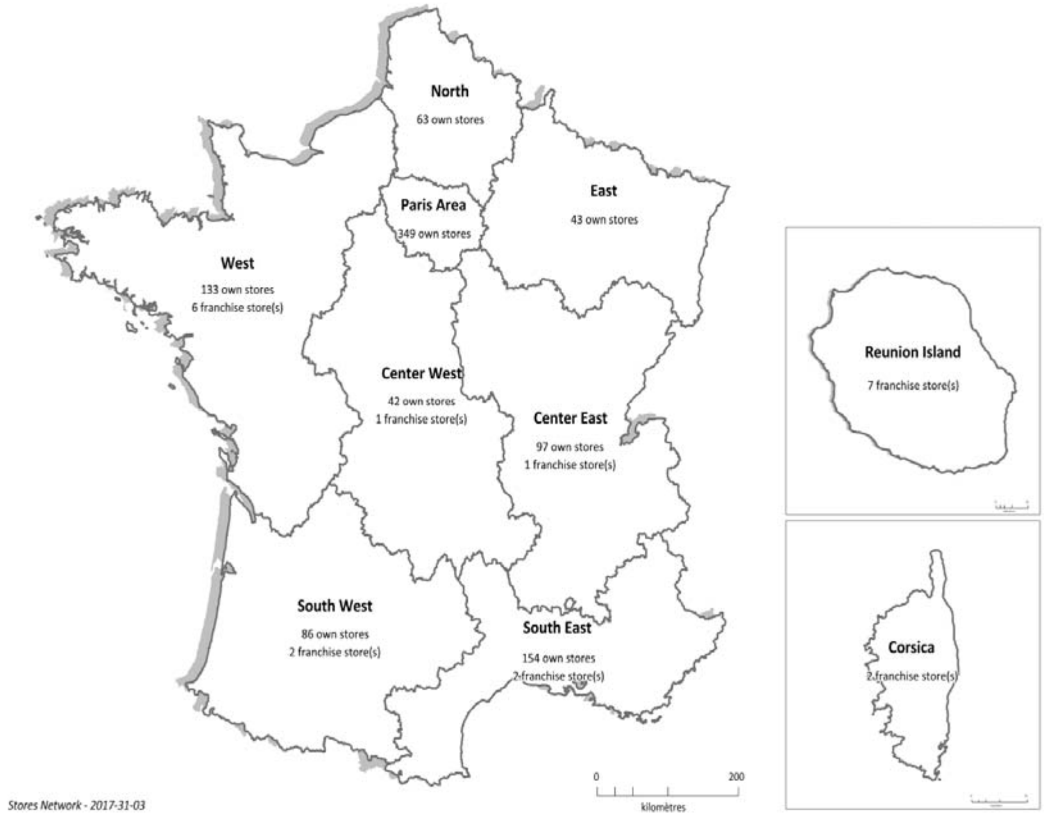
Expansion

We continually seek opportunities to expand our store network in mainland France and have opened on average 40 new stores from the year ended March 31, 2002 to the year ended March 31, 2012 and an average of 23 new stores during the last five years (both directly-operated and franchised stores). We opened 25, 22 and 16 new stores during the years ended March 31, 2017, 2016 and 2015, respectively. The greater density of our store network results in a limited degree of sales cannibalization which we regularly monitor. Our track record of opening stores without significant cannibalization is the result of a selective store expansion policy implemented by a team of 12 dedicated persons. On average, cannibalization has a short-term negative impact on sales of impacted stores, which resume their long-term trend line growth after one year and recover their initial sales level after two to three years.

We plan to open approximately 80 new Picard owned stores in mainland France over the next four years. We believe that there remains potential to open stores during the next decade, based on a criteria and growth strategy, in line with historical expansion, albeit at a slower pace. Since our first store opening in 1974, we have only closed a total of 23 stores in France, out of which three were closed in the last five years. Also, we have been able to locate more potential new store locations than the currently envisaged additional store openings. In addition to our external growth strategy, Picard has also begun to align its expansion strategy with franchised stores in smaller cities in France where we do not have a presence. We opened our first franchised store in mainland France in August 2015. Since then we have opened eight additional franchised stores in mainland France. We believe that the further implementation of our franchised store model will increase brand awareness, while helping us negotiate better terms with our suppliers through increased volumes, with no or limited additional capital expenditures.

The franchise model reflects commercial agreements between Picard and franchisees for the franchisee to operate a pre-agreed number of Picard-branded stores selling an agreed minimum percentage of Picard-branded products. The existing franchised stores are, and any future franchised stores are expected to be, operated by the relevant franchisee and in a similar manner to the way we operate our own stores in mainland France. Although we generally choose the location for new stores and try to maintain a certain degree of collaboration with our franchisees,

franchisees retain control over the operation of the franchised stores and operate in an independent manner with respect to certain aspects of their businesses.



Home Service

Our Home Service customer base consists primarily of individuals or families who wish to order in bulk or are unable or unwilling to travel to our stores. Customers can order over the Internet and from our catalogue by telephone. We have two call centers accepting customer telephone orders, and our website allows customers to order food online. Home Service is used by approximately 132,000 active customers and serves customers in densely populated areas in France, as well as in certain areas of Belgium (Brussels) and Spain (Barcelona). Through Home Service, our products are offered at retail store prices, plus a €5 to €6 delivery fee.

Our outsourced Cergy and Sorgues warehouses prepare and distribute products to our 21 Home Service regional bases. Orders are then delivered to our customers from these distribution centers by company-owned or leased delivery vans.

In the year ended March 31, 2017, Home Service sales (including delivery fees) were €26.6 million, representing 1.9% of our total sales. Our website, which is continuously being improved, is based on new technology and has been significantly redesigned. Our current design, which comprises presentation suggestions and recipe plans along with a broad range of information about our products, is intended to act both as a showcase for our entire range of Picard products as well as to provide a user-friendly e-commerce site. As we sought to shift Home Service orders from telephone orders to online orders which have a lower structural cost, we have observed that the number of orders by phone have been decreasing while internet-based orders have been increasing. Additionally, we have launched an application for smart phones and tablets providing for online shopping since January 2016. Moreover, we are developing a new version of our website, dedicated to mobile terminals and tablets. Internet orders have accounted for approximately 73% of the Home Service sales during the year ended March 31, 2017.

We believe that our renewed attention to this sales channel, especially through the changes to our website, will enhance its consumer appeal and strengthen customer loyalty, increase spending per customer and allow us to reach new customers. Moreover, we believe that Home Service sales will directly benefit from our CRM program and our more digitalized communication tools and advertising strategy.

Stores outside of mainland France

In line with our strategy of further overseas and international expansion, we have opened a number of Picard stores and/or sell Picard-branded products through several different business models outside of mainland France and we are considering further expanding into other countries and regions in the future.

We develop our international network by opening new stores and points of sales in different countries. Depending on the specificities of each market that we enter, we adopt business models that help us build brand awareness and capture customers. In order to do so and remain profitable, we may operate through various channels in one country. For example, in Sweden, as of March 31, 2017, we had 15 directly-operated stores along with seven "corners" pursuant to our partnership with a leading Swedish grocery retailer, ICA. We may also adapt our approach to a certain market, based on the results of our activities in such market and use a different model or combination of models. In Japan, for example, we opened our first franchised stores in 2017, which followed the satisfying performance of our "corners" in the country.

Corsica and La Réunion

We opened two franchised stores in Corsica in the years ended March 31, 2012 and 2013 and since January 2013, seven stores in La Réunion, a French overseas department, were also opened on a franchised basis.

Belgium and Luxembourg

We opened our first directly-operated stores in Belgium in the year ended March 31, 2013 and have reached a total of 16 net stores in Belgium as at March 31, 2017. Our expansion in Belgium targets Wallonia, rather than Flanders. We also opened our first store in Luxembourg in October 2014. We aim to continue our expansion in Belgium and Luxembourg. These stores are directly operated by Picard, and are operated in a similar manner to our stores in mainland France.

Japan

During the year 2017, we opened three franchised stores in Japan with our local partner, Aeon. Prior to opening stores in Japan and since October 2015, the first step of our partnership consisted in offering our products in several "corners" in some of Aeon's hypermarkets in Tokyo. "Corners" are areas in department stores or hypermarkets dedicated to Picard-branded products and which display the Picard brand name and logo.

Sweden

In the year ended March 31, 2013, we opened our first directly-operated store in Sweden. Since then we have continued to expand our store network to reach a total of 15 stores in Sweden as at March 31, 2017. Additionally, we offered Picard products in seven dedicated "corners" during the year ended March 31, 2017, as part of a test of customers' appetite for our products performed with an established Swedish retailer. While our partnership with ICA allows us to build brand awareness, we also attract Swedish customers towards our stores, which offer the full range of Picard products.

Italy

In 1999, we acquired Gelmarket S.p.A., the Italian subsidiary of Gel 2000 International S.A., a French distributor of frozen products then in administrative receivership, which became our subsidiary Picard Surgelati. This acquisition constituted our first international store expansion. Picard Surgelati's network at the time of the acquisition was comprised of 45 stores in the North of Italy and oriented towards a discount-focused clientele.

On April 10, 2015, Picard Groupe S.A.S. entered into a share purchase agreement with New Food for the purchase of the entire share capital of Picard Surgelati S.p.A. The closing of this transaction occurred on May 13, 2015. Following the completion of this transaction, and further to a 5-year commercial agreement between Picard and

New Food, Picard sells Picard-branded products to New Food and New Food continues to use the Picard brand name and logo in its 40 stores in Northern Italy.

Switzerland

We opened our first franchised store in Switzerland with a commercial partner in March 2015 and currently have four franchised stores in Switzerland and we expect this network to grow in the future.

United Kingdom

In October 2016, we began offering Picard-branded products in the United Kingdom through a partnership with the home delivery service Ocado.

Employees

As at March 31, 2017, we had 4,061 full-time equivalent employees in France, 46 in Belgium, 45 in Sweden and three in Luxembourg. Approximately 69% of our employees are women. We also employ a number of temporary employees, principally in order to staff our stores during periods with higher customer demand. In the year ended March 31, 2017, for example, we employed from 256 to 2,478 temporary employees with a peak during the December holidays.

The breakdown of our average of full-time equivalent employees in France by activity as at March 31, 2015, 2016 and 2017 was as follows:

	As of March 31,		
	2015	**2016**	**2017**
Stores	3,283	3,342	3,465
Logistics/supply chain (packaging unit)	95	95	95
Home Service	107	121	116
Headquarters	361	377	385
Total	**3,846**	**3,935**	**4,061**

The breakdown of our average of full-time equivalent employees by country as at March 31, 2015, 2016 and 2017 was as follows:

	As of March 31,		
	2015	**2016**	**2017**
France	3,846	3,935	4,061
Italy	107	0	0
Belgium	63	47	46
Sweden	39	50	45
Luxembourg	4	3	3
Total	**4,059**	**4,035**	**4,155**

All our French employees benefit from a legal profit sharing mechanism based on our financial results that in the past has been equivalent of approximately two months of salary per year. In addition, we offer all our French employees the opportunity to participate in profit sharing tied to sales performance compared to budget, pursuant to a 3-year profit-sharing agreement renewed in April 2017. In some cases we offer work-time flexibility with the possibility of part-time work.

Our employees benefit from a training program centered on our values, products, business and management, which exceeds legal requirements. We generally favor internal promotion for filling vacancies. In financial year 2017, 83% of store manager positions and 70% of store assistant positions were filled through internal promotions.

We have entered into various collective bargaining agreements in France. There are no material labor agreements or other arrangements whose expiry is pending and which we do not expect to be satisfactorily renewed or replaced in a timely manner. We believe that relations with our employees are good.

Supply chain

Supply chain functions include forecasting, sourcing of products, storage of goods in outsourced warehouses and transportation to our stores. The entirety of our logistics operations is outsourced (except for the final delivery of our products from warehouses to customers as part of our Home Service), providing us with greater flexibility. Orders to suppliers are centrally managed by our procurement department, based on monthly sales forecasts for each product. Each store is responsible for placing its own orders which are subsequently processed by our centralized logistics and transportation department.

Cold Chain

We believe that the strength of our logistics network is critical to the freshness of our products, quality control and customer satisfaction. To this end, we have established a high-standard cold chain to keep our products at temperatures of –18°C or less, with an ambient temperature in trucks of –22°C. These requirements apply at all stages of our logistics operations, including during the preparation and transport of our products by our suppliers.

Warehousing

Our substantial distribution network consists of nine distribution centers for stores and two of which also serve our Home Delivery. In France, as of March 31, 2017, we stored our products in eight warehouses (seven for frozen food and one for grocery in Nemours), three of which are located in the Paris area, where our largest concentration of stores is.

All our warehouses in France are outsourced to our logistics partners: STEF (the leading French company in frozen storage and transportation) and SOFRICA/SOFRILOG (the number two frozen storage specialist in France). Six of these warehouses are dedicated to serving our retail stores (Vitry sur Seine, Villeneuve sur Lot, Mions, Rennes, Trappes, and Nemours), while the other two warehouses (Cergy and Sorgues) serve both our retail stores and Home Service. In addition, Home Service distribution is processed through 21 logistics bases, consisting of cross dock platforms. We also operate a packaging unit exclusively for unprocessed seafood, located in Nemours.

In Sweden, in January 2013, we opened a new outsourced warehouse, in Stockholm, to support the international development of our local stores. Bringfrigoscandia AB, the leading Scandinavian company in frozen storage and transportation, is our local partner.

Our partners generally operate under three-year contracts, renewable for a one-year period.

The following figures show the volume and maximum capacity of our frozen food warehouses, excluding our Nemours warehouse, in France for the year ended March 31, 2017:

Facility	Owned/Outsourced	Volume (in tons)	Maximum capacity (in tons)	Utilization rate (%)	Year opened
Sorgues	Outsourced to STEF Logistique	27,482	34,000	81%	1992
Vitry sur Seine	Outsourced to STEF Logistique	31,706	37,200	85%	1986
Cergy	Outsourced to STEF Logistique	31,445	35,000	90%	1989
Mions	Outsourced to STEF Logistique	17,368	22,000	79%	2006
Villeneuve sur Lot	Outsourced to SOFRICA	15,799	20,000	79%	2004
Rennes	Outsourced to SOFRICA	12,536	15,000	84%	2007
Trappes	Outsourced to SOFRICA	20,900	25,000	84%	2008
Total		**157,236**	**188,200**	**84%**	

We believe our warehouses have sufficient capacity to support our estimated needs through March 31, 2018.

Transport

We have three principal transport needs: (i) from our suppliers to our warehouses, (ii) from our warehouses to our stores and Home Service bases and (iii) "last mile transport" from our Home Service bases to our Home Service customers. Deliveries from platforms to stores are conducted depending on the turnover of the store and on the physical capacity of the storage cold room, from daily frequency for bigger stores to once a week. Delivery frequency increases during peak periods, such as December. We deliver products from our warehouses to our 21 regional Home Service bases, and these bases ultimately dispatch deliveries to customers. The number of deliveries per week from our warehouses to the regional bases varies by region.

Transportation costs from suppliers to our warehouses are generally borne by the suppliers. Transportation of products between our warehouses or from our warehouses to our stores is outsourced to regional transporters. In addition, last-mile transport from Home Service platforms is handled by about 100 delivery vans operated by us, all of which are leased.

Product pricing

Our customers expect us to provide them with premium quality products at good value. In order to remain competitive, while developing our products we pay attention not only to the quality of our ingredients and the taste of our products, but to pricing as well. We separate our products into three price categories: basic, mid-level and premium. Having products in each of these categories allows us to cater to our range of customers and their budgets and has helped us to maintain and increase customer traffic during the economic downturn.

Due to our large share of the market, we believe that we are able to negotiate with our suppliers more effectively than other retailers. Our price positioning has allowed us to generate a gross margin representing 43.9% and 43.8% of sales in the years ended March 31, 2017 and 2016, respectively. Our products are more expensive than those of hard discounters, but frequently less expensive than those sold by other specialists, in supermarkets or the fresh alternatives. We also believe that our products are typically of a higher quality than those sold by our competitors.

Sustainability

We are committed to reducing the impact of our business activities on the environment. Since 2009, we have structured a detailed action plan that covers issues such as reducing the environmental impact of our products (eco-design) and reducing our carbon footprint, including implementing eco-design in our stores and optimizing transportation of our goods, while always considering the well-being of our employees (in particular in respect of health and safety and working conditions) and our customers. Specifically, this approach has resulted in the implementation of several lifecycle analyses (environmental assessments), an increased seafood supply from sustainable sources (47 Marine Stewardship Council ("MSC") labeled products, which represents half of the wild fish that we use in our products), 48 organic products, the selling of an organic and fair-trade cooler since May 2010, and beginning in late 2017, the offering of weekly menus produced with a low carbon footprint in partnership with the World Wildlife Fund for Nature. A fifth carbon footprint study was conducted in 2016, and we continue to notice a reduction of our stores' carbon dioxide emissions (a 10% decrease between 2011 and 2015). For example, we have selected self-defrosting freezers using propane, which generate a lower level of carbon emissions and is easier for our store employees to use, resulting in fewer work-related injuries. In addition, LED lighting is systematically used in our stores, allowing us to minimize our electricity consumption. We have also obtained the ISO 50001 (energy management) certification in 2016, for all our stores in France and our industrial plant. In 2015, we remodeled a store in Rueil-Malmaison that combines all technological solutions to reduce our energy consumption and greenhouse gas emissions. All of our initiatives are included in our Sustainable Development Reports published each year since 2012.

Customer Marketing, Customer Relationship Management and Communication

On November 1, 2016, a new corporate department was created with the goal to further enhance our customer marketing as well as our cross-channel strategy. The objective of this new department is to align our communication and customer strategy. This department encompasses our communication, digital marketing (including our CRM department) and commercial strategy teams, as well as the Home Service department. Thierry Pelissier, who joined Picard in September 2016 and was previously marketing and communication director at Carrefour, manages this new department.

Our goal with respect to the development of consumer loyalty is to increase our interaction with customers with the aim of enhancing the consumer's commitment to benefit our brand.

To enhance the consumer's commitment to our brand, we launched in May 2015 an interactive platform to better understand clients' needs and purchasing mechanisms and increase the frequency of purchase of our products, as well as reinforce the client's commitment to the brand.

This platform relies on four pillars:

- Reconciling all different sales channels in order to have a more precise understanding of the purchasing mechanisms used, thus enabling us to focus on clients' needs and consumption habits;

- Gathering the maximum information on our clients, their prospects, their centers of interests and expectations with respect to Picard by leveraging social networks;

- Actively contributing to the business with a return on investment modeled to include both a relational dimension and a transactional dimension, aiming to offer rewards and incentives to our customers; and

- Presenting a clear and simple approach for the client while being flexible and using both a test and learn and a step-by-step approach.

After the first step initiated in May 2015, we are further investing in our CRM to offer our customers a complete relationship program relying on a more targeted and personalized approach, which is based on the knowledge and experience acquired in the past few years.

In addition to our CRM, we continue to focus on advertising, which is an integral part of the promotion of our products, our stores and our brand. Our preferred methods of advertising are our monthly home mailings, newsletters, catalogues, in-store signage, billboards, daily regional press, radio and television. Since the summer of 2013, we have multiplied our communication campaigns by using different advertisement platforms as well as by increasing the number of advertisements. In addition to strengthening our online presence, we reintroduced television advertisements in April 2014. In the year ended March 31, 2017, we spent €31.9 million in France, Belgium, Luxembourg and Sweden, or 2.3% of our sales of goods, on advertising costs. We spent a total of €29.8 million and €28.7 million on advertising in France in the years ended March 31, 2017 and 2016, respectively. However, despite these relatively low advertising and promotion expenditures, we continue to grow and enjoy one of the best brand awareness among French retailers. We believe that the recent increases in such expenditures have contributed to maintaining our sales in the continuing difficult economic condition.

Our annual advertising budget focuses on the development of business store. We multiply commercial events to increase traffic and purchase occasions. These events are relayed by media (billboards, magazines or radio), by our monthly mailing (we print between 6 million and 14 million copies per month distributed every month and twice in December) and in-store communication. Specific media are available in our stores to highlight our strengths in innovation, quality and proximity. Our catalogue highlights the breadth of our products range: approximately 1,100 products, from daily products to more festive products. Our posters and menus cards deliver practical information on the accessibility of our products. Due to France's limited GDP growth and, in order to increase our store traffic, we also decided to launch television advertisements and have, since April 2015, launched three 15-day television spots, each targeting a different product and promoting innovation such as, for instance, the television spot broadcasted during the month of December, presenting our best festive desserts ("*la bûche village*" in 2015 or "*la forêt enchantée*" in 2016).

In our stores, we feature approximately 50 products (135 products in December) in a "selection of the month" promotion that lasts four to eight weeks and is changed 12 times a year. Additionally, we propose a thematic offer, which comprises approximately 30 products positioned in the first two freezers of our stores and which is modified every two weeks on average. Those offers aim at promoting the broad range of Picard products with a focus on a specific product category (such as vegetables for example) or regional food (such as *"Ciao Italia"* or *"Hello America"*) These promotions generally offer average price reductions of approximately 15%. Promotions usually account for approximately 25% of the sales of products on offer (except during the December holiday season where they represent 50% of store sales). Promotions are set nationally without differentiation among regions. In addition, we conduct a "ten days of Picard" ("*les dix jours Picard*") biannual promotion, typically in June and October, where we offer about 30 products at a discount of up to 30%.

Other promotional activities also include mass mailings in support of store openings and sales, daily regional press advertisements, radio spots and point-of-purchase advertising.

Customer Service

Our approach to customer service is characterized by responsiveness to customers' questions, suggestions and other comments. We believe this approach allows us to better know our customers, improve our products and adapt our products to our customers' preferences.

Through our various sales channels, we seek to meet our customers' expectations for convenience, quality and variety. Most of our stores are open for part or all of the day seven days per week. In addition, through Home Service, orders can be received over the Internet seven days per week and delivery can be made within 48 hours. We also offer to reimburse any unsatisfied customers or replace any goods with which they are dissatisfied.

We have maintained a customer service hotline that has been available to our customers since 1985. In calendar year 2016, we received approximately 29,700 telephone calls and 17,200 emails and internet-based feedback. We also offer a health service whereby customers with special medical, diet and nutritional questions may telephone and speak to a physician or nutritionist. We have also joined certain social networks, including Facebook, which represent a useful way for our customers to share their experiences while providing us with an additional tool to better understand our customers. Our new internet website and launch, on October 30, 2014, of the "Picard app" for smart phones are also part of our plan to enhance customer outreach. The "Picard app" aims to increase traffic in our stores and includes a store locator, a catalogue of our products and various food recipes.

Information Systems

Headquarters and Network

We have a dual IT system, which includes both the hardware and software in our retail stores and our centralized IT network.

Each retail store is equipped with a cash register system, scanners and a computer to manage sales and supply. This local system receives pricing and other information for a given SKU from our central IT system and uploads the store's commercial activity data to our headquarters' IT system on a daily basis.

Our central IT system is based upon software which is accessible through our network. We use CODA software for general accounting purposes, recording our assets' depreciation, human resource management and tracking our transactions with suppliers.

During the year ended March 31, 2015, we increased our level of IT investment by introducing several new initiatives, while conducting maintenance and upgrades of the current IT portfolio. For instance, we launched a project regarding the Product Lifecycle Management ("PLM") and initiated another project aimed at improving our human resources management information system ("HIRS": Human Resource Information System). Additionally, we developed and launched our "Picard app" for smart phones during the second half of the year ended March 31, 2015. During the year ended March 31, 2017, we continued to develop these key projects while launching new initiatives to support our CRM project and loyalty program.

Information systems elements addressing the international expansion plans have been consolidated, allowing a different commercial animation in each country. The past two years were also devoted to supporting a more dynamic trade policy both on the internet and in the stores. We have also developed our own applications to fulfill our specific needs in relation to the logistics of our supply chain and the management of our warehouses.

Logistics Management

The supply chain management information system, from our retail stores to our suppliers, is covered by an integrated information system, SAP; *i.e.*, each retail store follows the same ordering and reporting procedures, and we centralize the information relating to our retail stores' commercial activity daily to make the necessary adjustments, in particular relating to our supply chain. We use specific software, *Qlikview*, to analyze the information we gather from our distribution network.

In the first half of 2011, we completed the transformation of our supply chain IT system which began in June 2010 with the migration of our warehouses and the stores they serve to the new system on a rolling basis. The new system principally affects our supply chain and inventory management replacing fax and email ordering with an order proposal procedure. It also enables real-time stock management (rather than tracking by batch and each day-end) and inventory value based on weighted average price (rather than based on the last-known price).

Intellectual Property

We use a variety of trade names, service marks and trademarks in our business. Except for the denominative trademark "Picard" and the word and device trademark "Picard Surgelés' Snowflake", both of which enjoy high brand recognition in France, we do not believe that any of our other trade names, service marks or trademarks is material to our business. "Picard" and "Picard Surgelés' Snowflake" are protected in the European Union by the OHMI (*Office de l'Harmonisation dans le Marché Intérieur*), as well as in other countries where we do business such as Switzerland and Japan.

Insurance

We maintain insurance against various risks related to our business. This includes general third-party and products liability coverage, combined property damage, business interruption policies, coverage for losses related to product contamination and reputational risk and brand restoration coverage, as well as directors' and officers' liability coverage. We also maintain the workers' compensation and motor liability coverage that is compulsory in France, Belgium and Sweden. We consider our policies adequate to cover the major risks of our business, but there can be no assurance that this coverage will be sufficient to cover the cost of defense or damages in the event of a significant claim.

Legal Proceedings

We are involved in a number of claims, principally relating to termination of employment, litigation with former suppliers and commercial rent adjustment claims that have arisen in the ordinary course of our business. As of March 31, 2017, the provisions covering various operating risks in particular related to employee disputes amounted to €3.2 million. From time to time, we are also subject to tax audits.

Certain tax proceedings

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, which we challenged before the provincial court of Varese. The court gave a ruling in our favor for the years ended March 31, 2009 to March 31, 2012. The Italian tax authorities appealed the decisions regarding the years ended March 31, 2009 and March 31, 2010, but the Regional Commission confirmed the decisions of the court of Varese in June 2016. In January 2017, the Italian tax authorities appealed to the court of cassation against this decision.

MANAGEMENT

Management of Picard Bondco

The board of directors of Picard Bondco is composed as of July 1, 2017 of the following members:

Name	Age	Title
Richard Lewis	50	Director
Javier Ferrán	59	Director
Elke Leenders	36	Director
James Lees	39	Director
Stephen Osmont	39	Director

The following paragraphs set forth biographical information regarding the individual directors of Picard Bondco.

Richard Sean Lewis, 50, has been Lion Capital's Compliance Officer since 2013. Prior to joining Lion Capital, he was Deputy Head, Company Secretariat at Fidelity Worldwide Investment for two years, Corporate Secretary at Hayfield Capital, LLC for one year, Corporate Secretary and Senior Vice President at Coda Octopus Group, Inc. for four years, Company Secretary and Vice President at JPMorgan Fleming Asset Management Limited for five years, Assistant Company Secretary for Legal & General Investment Management Limited for almost five years and Company Secretary at The Fairwater Group Limited for four years.

Javier Ferrán, 59, is a Partner of Lion Capital. Prior to joining Lion Capital, he completed a 20-year career with the Bacardi Group serving in a variety of key executive positions, including a tenure as the President and Chief Executive Officer of Bacardi Limited in 2003 and 2004, and as the Regional President Europe, Middle East and Africa from 1994. He received a BA from the University of Barcelona and a BA and MBA from ESADE, Barcelona.

Elke Leenders, 36, is a Senior Client Relationship Manager at Aztec Financial Services (Luxembourg S.A.). She received a master in Law at the University of Maastricht and Brussels. She joined Picard as a director on April 27, 2015.

James Lees, 39, is a Senior Financial Reporting Manager at Aztec Financial Services (Luxembourg S.A.). He has a Bachelor of Arts degree in Accounting from the University of Portsmouth and is a full member of the Association of Chartered Certified Accountants (ACCA). He joined Picard as a director on September 1, 2014.

Stephen Osmont, 39, is an Associate Director of Aztec Financial Services (Luxembourg) S.A.. He has a Bachelor of Science degree in Applied and Environmental Geology from the University of Birmingham and is a Fellow of the Association of Chartered Certified Accountants (ACCA). Stephen brings with him 18 years' experience in the financial services sector. He joined Picard as a director on July 1, 2017.

Management of Picard Groupe S.A.S.

As of March 31, 2017, in accordance with French company law and following the transformation on October 14, 2010 of Picard Groupe S.A. from a *société anonyme* into a *société par actions simplifiée*, Picard Groupe S.A.S.'s affairs were managed by the chairman (*Président*). Picard Groupe S.A.S. was merged into Lion Polaris S.A.S. on June 20, 2011 and Lion Polaris S.A.S. was renamed Picard Groupe S.A.S. upon consummation of the merger.

The chairman has full executive authority to manage Picard Groupe S.A.S.'s affairs and broad powers to act on its behalf and to represent and bind it in dealings with third parties, subject to the powers expressly reserved by law or by Picard Groupe S.A.S.'s by-laws (*statuts*) to the general meeting of shareholders.

Picard Groupe S.A.S.'s business address is located at 37 bis, rue Royale—77300 Fontainebleau.

Chairman

Under French law, the chairman in a *société par actions simplifiée* has wide powers, which are limited by the corporate purposes set out in Picard Groupe S.A.S.'s. by-laws and matters expressly reserved by Picard Groupe S.A.S.'s by-laws to its shareholders. The chairman is responsible for conducting Picard Groupe S.A.S.'s general activities.

As of March 31, 2017, Picard Groupe S.A.S.'s chairman was Philippe Dailliez.

Senior management

As of March 31, 2017, Picard Groupe S.A.S.'s senior management was made up of the following individuals:

Name	Age	Title
Philippe Dailliez	54	Chief Executive Officer
Christine Declercq	55	Chief Financial Officer
Thierry Pelissier	52	Customer Marketing and "cross-channel" Director
Emmanuelle Bazin	48	CRM and Home Service Director
Philippe Maitre	44	Sales Director
Delphine Courtier	48	Marketing and Purchasing Director
Stéphane Blanc	42	Purchasing Director
Emmanuelle Merville	42	Human Resources Director
Elisabeth Bouton	51	Quality and Sustainable Development Director
Yves Moine	59	Supply Chain Director
Hervé Guehl	47	Information Systems Director
Stefano Moretti	48	Director of International Operations

Picard Groupe S.A.S.'s senior management is responsible for the daily operations of Picard.

Set forth below is a brief description of the business experience of the members of Picard's senior management.

Philippe Dailliez, 54, obtained a degree from ESSEC Business School in Paris and an MBA from Northwestern University in Chicago. Prior to joining Picard, he held various executive positions at Leroy Merlin and the Adeo Group. He was appointed CEO of Picard in October 2015. Philippe Dailliez was appointed COO and became a member of the senior management of Picard Groupe S.A.S. in April 2015, then appointed CEO on October 2015, in replacement of Philippe Pauze.

Christine Declercq, 55, received her degree in business management from the Institut Commercial de Nancy as well as an additional degree as a certified public accountant (*expert comptable*). She joined Picard as a deputy finance director in 2002 and became CFO in 2005.

Thierry Pelissier, 52, graduated from HEC. He joined Picard in 2016.

Emmanuelle Bazin, 48, graduated from ISC Paris in business management. She joined Picard in 1992.

Philippe Maitre, 44, has a Master Degree in Public Law from University of Nice Sophia Antipolis. He joined Picard in 2004 as regional manager and became Sales Director in 2014.

Delphine Courtier, 48, graduated from Ecole Nationale Supérieure de Biologie Appliquée à la Nutrition et à l'Alimentation (ENSBANA), specializing as a food-processing engineer. She began her career with Picard in the marketing department and was appointed Marketing Manager in 2006 and Marketing and Purchasing Director in 2009.

Stéphane Blanc, 42, graduated from ESCA (Ecole Supérieure de Commerce d'Angers). He joined Picard in 2010.

Emmanuelle Merville, 42, has a Master Degree in Labor Law from University of Paris 10/Nanterre. She joined Picard in 2012 as Training Manager and became Human Resources Director in October 2015.

Elisabeth Bouton, 51, has a DUT degree (*diplôme universitaire de technologie*) specialized in biology applied to the food industry. She joined Picard in 2001.

Yves Moine, 59, has a degree in agronomical engineering from AgroParis Tech and holds a DEA degree (*diplôme d'études approfondies*) in industrial engineering from Ecole Centrale de Paris. He joined Picard in 2011.

Hervé Guehl, 47, has a degree in computer sciences. He joined Picard in 2005.

Stefano Moretti, 48, has a business degree from Parma University. He joined Picard in 2006.

PRINCIPAL SHAREHOLDERS

All of the Issuers' shares are indirectly controlled by Lux TopCo.

The ownership of the ordinary shares of Lux TopCo, the indirect parent company of the Issuers, is currently as follows (in each case, through one or more holding entities):

- Lion Capital, together with minority co-investors, indirectly owns approximately 49.7%;
- Aryzta indirectly owns approximately 48.7%; and
- Existing Picard management owns approximately 1.7%.

Lion Capital is a consumer-focused investor passionate about investing in brands about which people are passionate. With offices in London and Los Angeles, the firm's principals have led the investment of over €6 billion in 36 consumer businesses and more than 100 brands across Europe and North America. The firm works in partnership with the management of its companies to strategically transform the businesses in which it invests. Past and present investments in premium branded products or with a business presence in France include:

- AllSaints, a global digital fashion brand with over 217 points of sale across Europe, the United States and Asia, acquired in 2011;
- Jimmy Choo, a leading worldwide luxury brand, specializing in premium shoes and handbags, acquired in 2004 and sold in 2007;
- Orangina Schweppes, a leading pan-European brand in the soft drinks market, with a strong local presence in more than 80 countries worldwide and a portfolio of 20 brand names, acquired in 2006 and sold in 2009;
- Materne, a European leader and specialist in dessert fruits and creams, acquired in 2004 and sold in 2006;
- Alain Afflelou, one of the largest optical chains in Europe, with 1,400 stores (primarily in France and Spain) and the largest franchisor in France, acquired in July 2012; and
- More recently, in December 2014, PittaRosso, a leading footwear retailer in Italy, with over 200 locations across Italy, Croatia, Slovenia and France.

On March 31, 2015, Lion Capital and its associated funds entered into negotiations with Aryzta, a world-wide group active in the food industry and leader in the manufacturing and distribution of bakery-related products to industrial companies, regarding an acquisition of a 49.5% interest in the Picard Group's indirect parent company Lux HoldCo. Aryzta 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 Lux HoldCo, and Lion Capital benefits from "drag" rights under certain circumstances. Following receipt of all necessary regulatory approvals, the acquisition of 49.5% of the Picard Group's indirect parent company Lux HoldCo was completed on August 19, 2015.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Management Fees

Following the consummation of the Acquisition, we entered into certain management agreements with Lion Capital and Aryzta, pursuant to which Lion Capital and Aryzta provide strategic, marketing, operation, procurement and other advice to us for an agreed upon fee.

DESCRIPTION OF CERTAIN INDEBTEDNESS AND PREFERRED SHARES

The Revolving Credit Facility

The Senior Secured Notes Issuer entered into a revolving facility agreement as the original borrower with, *inter alios*, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse International, Goldman Sachs International, Morgan Stanley Bank International Limited, Natixis London Branch and Société Générale as mandated lead arrangers and as original lenders (the "Revolving Lenders") and BNP Paribas as facility agent (the "RCF Agent") and security agent on August 1, 2013 (the "Revolving Credit Facility Agreement"). BNP Paribas is also the security agent for the Senior Secured Notes (the "Security Agent"). Funding under the Revolving Credit Facility Agreement was subject to the satisfaction of a certain number of conditions precedent, including repayment in full of all facilities (together with all accrued interest and other accrued or payable amounts thereunder) under the former senior credit facilities (the date on which this, amongst other things, occurred being August 1, 2013).

The description set forth below is a summary of the principal terms and conditions of the Revolving Credit Facility Agreement, and is qualified in its entirety by reference to the Revolving Credit Facility Agreement and the other documents entered into in connection therewith.

Structure

The Revolving Credit Facility Agreement provides for a multi-currency revolving credit facility (the "Revolving Credit Facility") of up to a base currency amount of €30 million.

The proceeds of the Revolving Credit Facility shall be used for the general corporate purposes of Picard Groupe S.A.S. and its restricted subsidiaries (but not for any prepayment, purchase, defeasance, redemption, acquisition or retirement of any of the Senior Secured Notes).

The Revolving Credit Facility

The Revolving Credit Facility is repayable at the end of each interest period and shall be fully repaid on the date falling five years after the Closing Date (the "Termination Date"). The Revolving Credit Facility may be drawn in Euro or Swedish Krona or other currency approved by the requisite group of Revolving Lenders and may also be utilized by way of ancillary facilities (including through letter of credits) (each, an "Ancillary Facility"). The Revolving Credit Facility may not be utilized by way of Ancillary Facilities where to do so would result in the Senior Secured Notes Issuer then utilizing Ancillary Facilities in excess of 20 per cent of the Revolving Credit Facility at any time. The Revolving Credit Facility is available from and including the business day following the Closing Date to and including the business day one month before the Termination Date.

Interest rate and fees

Advances under the Revolving Credit Facility will bear interest at rates per annum equal to EURIBOR or, in the case of advances drawn in Swedish Krona, STIBOR (or, in relation to any advances drawn in any applicable currencies other than Euro or Swedish Krona, LIBOR) plus a margin of 3.75% per annum.

In addition to paying interest on loans outstanding under the Revolving Credit Facility, the Senior Secured Notes Issuer will also be required to pay a commitment fee at a rate per annum of 1.5% on the available commitments under the Revolving Credit Facility.

This fee is payable at the end of each successive period of three months and on the last day of the availability period for the Revolving Credit Facility and upon cancellation during the availability period. The rate and time of payment of interest, commission, fees and other remuneration in respect of any Ancillary Facility are as agreed between the borrower of that Ancillary Facility and the relevant Revolving Lender providing that Ancillary Facility based on normal market rates and terms. Agency and certain other fees are payable in connection with the Revolving Credit Facility.

Guarantees and security

The Senior Secured Notes Issuer, LuxCo 3, LuxCo 4, French TopCo and Picard Surgelés are guarantors of the Revolving Credit Facility Agreement. In addition, the Revolving Credit Facility Agreement requires that under certain circumstances (and subject to certain qualifications) future material companies in the Picard Group are to become guarantors under the Revolving Credit Facility Agreement.

The obligations under the Revolving Credit Facility Agreement are secured by senior ranking pledges over all of the shares of LuxCo 3, LuxCo 4, and Picard International S.A.S., senior ranking pledges over the receivables under the LuxCo 4 Proceeds Loan and the PG Intra-Group Loan, junior ranking pledges over the French TopCo Equity Proceeds Loan and AcquiCo Proceeds Loan, junior ranking pledges over the shares in French TopCo, the Senior Secured Notes Issuer and Picard Surgelés and pledges over bank accounts, intergroup loans, material intellectual property rights and certain other material assets (which in each case, will be treated as senior ranking pledges under the Intercreditor Agreement, ranking *pari passu* with the Senior Secured Notes and ahead of the Senior Notes).

Prepayment

The liabilities under the Revolving Credit Facility Agreement must be prepaid upon the occurrence of certain events.

For example, in the event of a Change of Control, an Adverse Corporate Decision or a Sale (each as defined in the Revolving Credit Facility Agreement but with the definition of Change of Control being consistent with that applicable to the Senior Secured Notes), the Revolving Credit Facility Agreement requires prepayment in full of all borrowings and the discharge of all other contingent liabilities thereunder and under any Ancillary Facilities.

Indebtedness under the Revolving Credit Facility may be voluntarily prepaid by the borrowers in whole or in part (if in part, in a minimum base currency amount of €1.0 million), upon giving at least three business days' prior notice to the agent. Such payments may be subject to indemnification and the payment of break costs if any such prepayment is not made on the last day of an interest period. Revocable payment notices may be delivered in connection with a full prepayment and cancellation of the Revolving Credit Facility (subject to the payment of break and any other costs if any such full prepayment is not made on the prepayment date specified.)

Representations and warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated at customary times).

Covenants

The Revolving Credit Facility Agreement contains covenants and related definitions similar (with certain adjustments) to those that are set forth in the Senior Secured Notes Indenture, as well as additional negative covenants including some restricting:

- substantial changes to the general nature of the business of the Picard Group taken as a whole;
- (in respect of LuxCo 3, LuxCo 4, French TopCo and the Senior Secured Notes Issuer) the ability to trade, carry on business, own, acquire or dispose of assets or incur liabilities other than customary exceptions, including circumstances arising in connection with the Revolving Credit Facility, the Senior Secured Notes and the Senior Notes and through the provision of customary administrative services;
- changes to place of residence for tax purposes; and
- certain prohibited activity with Restricted Parties (as defined in the Revolving Credit Facility Agreement).

The Revolving Credit Facility Agreement also contains a covenant which provides that Picard Bondco shall not and shall procure that no Restricted Subsidiary (as defined in the Revolving Credit Facility Agreement) of Picard Bondco will prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of any of the Senior Secured Notes whilst an Event of Default (as defined under the Revolving Credit Facility Agreement) is continuing.

The Revolving Credit Facility Agreement also requires the borrowers, the guarantors, the security providers and their respective subsidiaries (as applicable) to observe certain customary affirmative covenants, including, but not limited to, covenants relating to:

- maintenance of authorizations;
- maintenance of funding of pension schemes;
- maintenance of relevant consents and licenses relating to intellectual property;
- preservation of assets;
- compliance with laws, (including environmental and food and health laws);
- further assurance, including the accession under certain circumstances (and subject to certain qualifications) of future material companies in the Picard Group as guarantors under the Revolving Credit Facility Agreement and the granting of security over certain future assets acquired; and
- maintenance of *pari passu* ranking.

In addition, the Revolving Credit Facility Agreement also contains a reporting covenant and related definitions similar (with certain adjustments) to those that are set forth in the Senior Secured Notes Indenture as well as additional information covenants which require, amongst other things, the Senior Secured Notes Issuer to deliver an annual budget to the agent and certain other miscellaneous information.

Events of default

The Revolving Credit Facility Agreement contains events of default similar, with certain adjustments and conforming changes, to those applicable to the Senior Secured Notes as set forth in the section entitled "*Senior Secured Notes—Events of Default* ". In addition, the Revolving Credit Facility Agreement also contains the following events of default, namely, misrepresentations, insolvency, insolvency proceedings, unlawfulness and invalidity, repudiation and rescission, failure by French TopCo to maintain the relevant French tax group and cross default to other indebtedness (in excess of an €20 million threshold) of Picard Bondco and its Restricted Subsidiaries (as defined in the Revolving Credit Facility Agreement).

Governing law

The Revolving Credit Facility Agreement is governed by English law, although to the extent that the meaning of words or expressions in the further information undertaking, the restrictive covenants and certain events of default would be different if construed in accordance with New York law than English law, those words will be construed in accordance with New York law.

Intercreditor Agreement

To establish the relative rights of certain of their creditors under the Picard Group's financing arrangements, Picard Bondco, the Senior Secured Notes Issuer, the Guarantors, the security agent for the Senior Notes (the "Senior Notes Security Agent") and the trustee for the Senior Notes (the "Senior Notes Trustee"), amongst others, entered into an intercreditor deed on October 14, 2010 (as amended on October 28, 2010, on December 29, 2011, on August 1, 2013 and as further amended and restated on June 17, 2015) (the "Intercreditor Agreement") to which, among others, the Revolving Lenders, the RCF Arranger, the RCF Agent, the Security Agent (as security agent for the Senior Creditors (as defined below)) and the trustee for the Senior Secured Notes (the "Trustee") became parties at the time of its amendment on or about August 1, 2013.

Holders of the Senior Secured Notes or Senior Notes, as applicable, are deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement sets out various matters which govern the relationship of the creditors to the Picard Group including:

- the relative ranking of certain debt of the Debtors (as defined in the Intercreditor Agreement);
- when payments can be made in respect of debt of the Debtors;
- when enforcement action can be taken in respect of that debt;
- the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events; and
- turnover provisions.

The following description is a summary of certain provisions of the Intercreditor Agreement.

Ranking and priority

Priority of liabilities

The Intercreditor Agreement provides that the following order of priority shall apply to the satisfaction of all obligations owed by each Debtor and each other grantor of collateral to the Senior Creditors (as defined below) and to the Senior Notes Creditors (each as defined below):

- First, each of the following, *pari passu* among themselves:

    (i) in relation to any member of the Picard Group (other than Picard Bondco) (x) all amounts or liabilities, now or in the future, owed to any finance party under the Revolving Credit Facility under or in connection with the finance documents (as defined in the Revolving Facility Agreement) (the "Finance Documents"), (y) all amounts or liabilities, now or in the future, owed to any holders of the Senior Secured Notes, the Trustee and the Security Agent (the "Senior Secured Notes Creditors" and together with the parties referred to in (x) above, the "Senior Facilities Creditors") under or in connection with the Senior Secured Notes Indenture, the Senior Secured Notes and the Collateral for the Senior Secured Notes (the "Senior Secured Notes Documents") (such liabilities, together with the liabilities referred to in (x) above, being the "Senior Facilities Creditor Liabilities") and (z) all liabilities, now or in the future, other than any Interest Rate Hedge Excess (as defined in the Intercreditor Agreement), owed to any counterparty by the relevant Debtor (the "Priority Hedge Counterparties" and together, with the Senior Facilities Creditors, the "Senior Creditors") under or in connection with hedging agreements entered into for the purpose of hedging interest rate risks in the ordinary course of business and not for speculative purposes (the "Priority Hedging Liabilities" and, together with the Senior Facilities Creditor Liabilities, the "Senior Creditor Liabilities"), *pari passu* between them; and

    (ii) in relation to Picard Bondco, all liabilities, now or in the future, owed by it under the Senior Notes Indenture (including to the Senior Notes Trustee and Senior Notes Security Agent) (such liabilities being the "BondCo Senior Notes Creditors Liabilities"), *pari passu* between them;

- Second:

    (i) in relation to any member of the Picard Group (other than Picard Bondco), all liabilities, now or in the future, other than in respect of the BondCo Senior Notes Creditors Liabilities, owed by the Debtors or any other grantor of security to the holders of the Senior Notes, the Senior Notes Trustee and the Senior Notes Security Agent (together, the "Senior Notes Creditors"), under or in connection with the Senior Notes Documents (as defined below) (the "Senior Notes Subordinated Liabilities") and, but only after the enforcement of the LuxCo 3 Proceeds Loan, the liabilities of LuxCo 3 under the LuxCo 3 Proceeds Loan, *pari passu* between them; and

    (ii) in relation to Picard Bondco, the Senior Creditor Liabilities, *pari passu* between them;

- Third, all liabilities, now or in the future, other than in respect of Priority Hedging Liabilities, owed by any relevant Debtor or grantor of collateral to any counterparty (the "Non-Priority Hedge Counterparties") under or in connection with hedging agreements entered into for the purpose of hedging interest rate risks in the ordinary course of business and not for speculative purposes ("Non-Priority Hedging Liabilities"), *pari passu* between them; and

- Fourth, and subject to clause "Second", subclause (i) above, each of the following, *pari passu* among themselves:

  (i) all liabilities, now or in the future, owed by any member of the Picard Group to another member of the Picard Group (each, an "Intra-Group Lender") under an intra-group loan agreement (the "Intra-Group Liabilities"); and

  (ii) all liabilities, now or in the future, owed to any of Picard PIKco, Picard Bondco, LuxCo 3, LuxCo 4, French TopCo and any Intra-Group Lender (the "Subordinated Creditors") under or in connection with the LuxCo 3 Proceeds Loan, the LuxCo 4 Proceeds Loan, the French TopCo Equity Proceeds Loan and the AcquiCo Proceeds Loan, and the documents evidencing the terms of the equity investment in Picard Bondco, LuxCo 3, LuxCo 4, French TopCo and the Senior Secured Notes Issuer (together, the "Subordinated Liabilities").

Priority of security

Subject to the third paragraph below, the Intercreditor Agreement provides that the Transaction Security (as defined in the Intercreditor Agreement, the "Transaction Security") (other than the Senior Notes First Ranking Transaction Security (as defined below)) shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- First, each of the following, *pari passu* among themselves: (i) all liabilities, now or in the future, owed to the RCF Agent, the Trustee and the Security Agent in connection with the Finance Documents or the Senior Secured Notes Documents (as the case may be) (the "Senior Facilities Agents Liabilities") and (ii) all liabilities, now or in the future, owed to the Senior Notes Trustee and the Senior Notes Security Agent in connection with the Senior Notes, the Senior Notes Documents (as defined below) (the "Senior Notes Agents Liabilities");

- Second, each of the following, *pari passu* among themselves: (i) the Senior Facilities Creditor Liabilities (other than the Senior Facilities Agents Liabilities) and (ii) the Priority Hedging Liabilities;

- Third, each of the following, *pari passu* among themselves: (i) all liabilities, now or in the future, owed by the Debtors or any other grantor of security to the Senior Notes Creditors under or in connection with the Senior Notes Documents (as defined below) (the "Senior Notes Creditors Liabilities") (other than the Senior Notes Agents Liabilities) and (ii) but only after the enforcement against the LuxCo 3 Proceeds Loan, the liabilities of LuxCo 3 under the LuxCo 3 Proceeds Loan;

- Fourth, *pari passu* among themselves, the Non-Priority Hedging Liabilities; and

- Fifth, but only until the enforcement against the LuxCo 3 Proceeds Loan, the liabilities of LuxCo 3 under the LuxCo 3 Proceeds Loan,

and the Intercreditor Agreement provides that in any event (irrespective of the manner in which such security is constituted) all proceeds of the security shall be applied as described below in the section entitled "*Application of Proceeds*".

The Intercreditor Agreement further provides that Transaction Security granted to secure any Senior Creditor Liabilities and/or any Non-Priority Hedging Liabilities shall benefit from the order of priority set out above notwithstanding that such security may be granted on a lower or less ranking basis.

In respect of security over the LuxCo 3 Proceeds Loan and the bank accounts of Picard Bondco (together the "Senior Notes First Ranking Transaction Security"), the Intercreditor Agreement provides that such security shall rank and secure the following liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- First, the Senior Notes Agents Liabilities; and
- Second, the BondCo Senior Notes Creditors Liabilities (other than the Senior Notes Agents Liabilities),

and the Intercreditor Agreement provides that in any event (irrespective of the manner in which such security is constituted) all proceeds of the security shall be applied as described below in the section entitled "*Application of Proceeds*".

Permitted Payments

The Senior Secured Notes Issuer and each other Debtor may make payments under the Senior Creditor Liabilities at any time in accordance with the Finance Documents and the Senior Secured Notes Documents (other than a payment under the guarantee provided by Picard Bondco in respect of the Senior Secured Notes, which cannot be made without the prior written consent of the Senior Notes Trustee).

Permitted Payments by Picard Bondco in respect of the Senior Notes

Picard Bondco may make certain payments under the BondCo Senior Notes Creditors Liabilities at any time in accordance with, and subject to the provisions of, the relevant Senior Notes Documents (as defined below), and including:

(a) payments of interest and any additional amounts thereon (arising due to tax deductions or payments) payable on the relevant Senior Notes Creditors Liabilities in the ordinary course in accordance with the terms of the relevant Senior Notes Documents (as defined below); and

(b) permanent repayment of principal on the final scheduled maturity of the relevant BondCo Senior Notes Creditors Liabilities.

Permitted Payments by other members of the Picard Group in respect of the Senior Notes

Subject to the section entitled "Payment Blockage Provisions" below, the guarantors of the Senior Notes, including the Senior Secured Notes Issuer (the "Senior Notes Guarantors") may (as regards each Senior Notes Guarantor) make payments then due to the Senior Noteholders (as defined below) in respect of the Senior Notes Subordinated Liabilities and (as regards the Senior Secured Notes Issuer) make payments then due to the Senior Noteholders in respect of the Senior Notes Subordinated Liabilities under the Direct Payment Agreement (as defined below) ("Permitted Senior Notes Payments"), in each case, if:

(a) the relevant payment(s) is (are) of:

  (i) any payment of scheduled interest (or default interest);

  (ii) any payment of any amounts under the Senior Notes Documents providing for tax gross-up, tax indemnities, currency indemnity or increased costs;

  (iii) unless a Senior Facilities Default (as defined below) is continuing, any payment of any consent fee (including) any indemnities and fees under any consent solicitation agent documentation) in connection with any amendment to the Senior Notes Documents (to the extent permitted under the Intercreditor Agreement) which is reasonable and customary for that kind of amendment;

  (iv) any payment of Senior Notes Agents Liabilities under the Senior Notes Indenture;

  (v) any payment of principal of, including premium on or in respect of, the Senior Notes when due on the applicable fixed maturity date; or

(vi) any payment of fees, costs or expenses incurred in respect of the issuance of the Senior Notes or in the ordinary course of day-to-day administration of the Senior Notes Creditors Liabilities; or

(b) Senior Creditors holding more than 50.1% of the aggregate of the Senior Secured Notes and the loans under the Revolving Credit Facility ("Majority Senior Creditors") have consented to such payment being made.

The term "Direct Payment Agreement" means the direct payment agreement entered into on October 14, 2010 between Picard Bondco, LuxCo 3, LuxCo 4, the Senior Secured Notes Issuer and the Senior Notes Trustee, pursuant to which the Senior Secured Notes Issuer may make payments which are due and payable on the LuxCo 4 Proceeds Loan directly to the Senior Notes Trustee.

Permitted payments of Intra-Group Liabilities

Debtors may make payments in respect of liabilities (whether of principal, interest or otherwise) owed to members of the Group (including the AcquiCo Proceeds Loan, the LuxCo 4 Proceeds Loan and the LuxCo 3 Proceeds Loan (the "Structural Back to Back Loans"), the French TopCo Equity Proceeds Loan and, if any, the LuxCo 3 preferred equity certificates and the LuxCo 4 preferred equity certificates (the "Structural Loans") and the master loan advance agreement between French Topco and the Senior Secured Notes Issuer (the "Master Loan Advance Agreement")) from time to time when due ("Intra-Group Liabilities") if:

(a) the payment arises in connection with a Structural Back to Back Loan as a result of the making of a Permitted Secured Notes Payment; or

(b) (subject to there being no acceleration event occurring in respect of either the Senior Secured Notes, the Senior Notes or the Revolving Credit Facility unless they are made to facilitate payment of the Senior Creditor Liabilities or are made by way of set-off with any payment made by the relevant Debtor as a guarantor under the Revolving Credit Facility Agreement or the Senior Secured Notes Indenture in respect of the obligations of the relevant intra-group lender) the payment arises in connection with an intra-group loan between the Senior Secured Notes Issuer or a subsidiary of the Senior Secured Notes Issuer and another subsidiary of the Senior Secured Notes Issuer or the Senior Secured Notes Issuer (an "Intra-Group Treasury Loan"); or

(c) (A) prior to the date of the discharge in full of the Senior Creditor Liabilities (the "Senior Discharge Date"), the Majority Senior Creditors consent to that payment being made and each Senior Creditor, by way of it becoming a party to the Intercreditor Agreement, confirms that it irrevocably consents to any payment which takes place prior to the Senior Discharge Date and does not breach the terms of the Senior Secured Notes Indenture and the Revolving Credit Facility Agreement and (B) after the Senior Discharge Date but prior to the date of the discharge in full of the liabilities owed by the Debtors or any other grantor of collateral to the Senior Notes Creditors under or in connection with the Senior Notes Documents (the "Senior Notes Discharge Date") and the Non-Priority Hedging Liabilities (the "Final Discharge Date"), (I) Senior Notes Creditors holding not less than 50.1% of the aggregate of the Senior Notes ("Majority Senior Noteholders") consent to that payment being made or (II) after the date of the discharge in full of the liabilities owed by the Debtors or any other grantor of collateral to the Senior Notes Creditors under or in connection with the Senior Notes outstanding on the August 1, 2013 only (the "Original Senior Notes Discharge Date"), such payment is not otherwise prohibited by the Senior Notes Indenture.

Prior to the Senior Discharge Date, payments may not be made under the Master Loan Advance Agreement unless they are made to facilitate payment of the Senior Creditor Liabilities or are made by way of set-off with any payment made by the relevant Debtor as a guarantor under the Revolving Credit Facility Agreement or the Senior Secured Notes Indenture in respect of the obligations of the relevant intra-group lender.

Permitted payments of Subordinated Liabilities

Picard PIKco and Debtors may make payments in respect of Subordinated Liabilities if the relevant payment:

(a) arises in connection with a Structural Back to Back Loan and is permitted under the Intercreditor Agreement as described in paragraph (a) of "Permitted Payments of Intra-Group Liabilities" above; or

(b) arises in connection with a Structural Loan and is permitted as described in "Permitted Payments of Intra-Group Liabilities" above; or

(c) arises in connection with an Intra-Group Treasury Loan and is permitted under the Intercreditor Agreement as described in paragraph (b) of "Permitted Payments of Intra-Group Liabilities" above; or

(d) is not prohibited by the terms of the Revolving Credit Facility Agreement and Senior Secured Notes Indenture and is funded out of dividends distributed by any member of the Group to its shareholders; or

(e) is not prohibited by the terms of the Revolving Credit Facility Agreement and Senior Secured Notes Indenture and is funded out of dividends distributed by any member of the Group to its shareholders for the purpose of enabling French TopCo to make such payment to the Original Investors (as defined in the Revolving Facility Agreement); or

(f) is not prohibited by the terms of the Revolving Credit Facility Agreement and Senior Secured Notes Indenture and is funded out of dividends distributed by any member of the Group to its shareholders for the purpose of enabling French TopCo to make such payment to its relevant shareholders; or

(g) is not prohibited by the terms of the Revolving Credit Facility Agreement and Senior Secured Notes Indenture and is funded out of dividends distributed by French TopCo or any member of the Group to its shareholders or, as regards French TopCo only, is funded out of a repayment of its ordinary share capital.

On and after the Original Secured Notes Discharge Date, a payment of Subordinated Liabilities may be made if it is not prohibited by the terms of the Revolving Credit Facility Agreement and the Senior Secured Notes Indenture.

Prior to the Original Secured Notes Discharge Date, no payment of any kind may be made by any member of the Group in respect of any preferred shares issued by BondCo to French TopCo unless that payment is a dividend permitted under the Senior Notes, the Senior Notes Indenture or under the security documents evidencing the security in respect of the Senior Notes.

Payment blockage provisions

No member of the Picard Group may, without the prior consent of the Majority Senior Creditors, be permitted to make any payment in respect of the Senior Notes Subordinated Liabilities if:

(i) a payment default in excess of €100,000 (or its equivalent) with respect to the Senior Facilities Creditor Liabilities has occurred and is continuing (a "Senior Facilities Payment Default"); or

(ii) a default, other than a Senior Facilities Payment Default, under the Revolving Facility Agreement or under the Senior Secured Notes Indenture has occurred and is continuing (a "Senior Facilities Default"), and the RCF Agent, the Trustee or the Security Agent has, within 75 days of having received written notice of such default, served a payment blockage notice to the Senior Notes Trustee and Picard Bondco (the "Senior Notes Payment Blockage Notice").

A Senior Notes Payment Blockage Notice will remain outstanding until the earliest of the date:

(a) on which the Senior Facilities Default has been remedied or waived in accordance with the Revolving Credit Facility Agreement or the Senior Secured Notes Indenture (as the case may be);

(b) on which the RCF Agent or the Trustee (as the case may be) notifies the Senior Notes Trustee and Picard Bondco that the relevant Senior Notes Payment Blockage Notice served by it is cancelled;

(c) the Senior Discharge Date;

(d) the first day that is 179 days after the date of service of such Senior Notes Payment Blockage Notice; and

(e) the expiry of a Senior Notes Standstill Period (as defined below) in existence at the date of service of the Senior Notes Payment Blockage Notice.

Only one Senior Notes Payment Blockage Notice is permitted to be served in any consecutive 360-day period.

Standstill on enforcement

No Senior Notes Creditor will be entitled to take any action against any Debtor to enforce the obligations owed under the Senior Notes Indenture, the Senior Notes, the Intercreditor Agreement and the collateral for the Senior Notes (together, the "Senior Notes Documents").

The foregoing restrictions will not apply if:

- an acceleration event has occurred under the Revolving Facility Agreement or the Senior Secured Notes Indenture (as the case may be) and the Senior Facilities Creditors are pursuing an enforcement action in respect thereof, in which case the Senior Notes Creditors may pursue the same;

- an event of default under the Senior Notes Indenture has occurred (other than failure to pay principal on a scheduled maturity date) and (i) a standstill period (a "Senior Notes Standstill Period") of 179 days from the date the RCF Agent or the Trustee (as the case may be) and Picard Bondco received notice of that event of default has expired; (ii) at the end of the Senior Notes Standstill Period the event of default is continuing; and (iii) the Senior Notes Security Agent has given not less than five business days' notice before taking enforcement action;

- the Security Agent has given notice to the Senior Notes Security Agent that any collateral or guarantee in respect of the Senior Creditor Liabilities owed by a relevant Debtor is to be enforced (a "Senior Enforcement"), in which case, the Senior Noteholders holding not less than 50.1 per cent. of the principal amount of outstanding Senior Notes may instruct the Senior Notes Security Agent to (i) take the same enforcement action against the same relevant Debtor and/or (ii) where the relevant Debtor is Picard Bondco, take enforcement action in relation to the Senior Notes First Ranking Transaction Securities, except if the relevant Senior Enforcement consists of the enforcement of shares in LuxCo 3, in which case, the Senior Notes Security Agent may only take the enforcement action referred to in (i) above;

- the Majority Senior Creditors have consented to such enforcement action;

- any other Senior Notes Standstill Period outstanding at the date as such first-mentioned Senior Notes Standstill Period commenced has expired and the relevant Event of Default in relation to that other Senior Notes Standstill Period is continuing and the Senior Notes Security Agent has given not less than five business days' notice before taking enforcement action;

- a failure to pay principal under the Senior Notes Indenture upon the relevant scheduled maturity date has occurred and the Senior Notes Security Agent has given not less than five business days' notice before taking enforcement action;

- an insolvency event has occurred in relation to any member of the Picard Group, provided that such insolvency event was not the result of the actions of any Senior Notes Creditor; or

- the action is against Picard Bondco in respect of the BondCo Senior Notes Creditors Liabilities and does not relate to an enforcement of a guarantee, the exercise of any right to require a member of the Picard Group to acquire any liability or the enforcement of the collateral.

Turnover of receipts

If at any time before the latest to occur of the discharge in full of (A) the Senior Creditor Liabilities (the "Senior Discharge Date"); (B) the liabilities owed by the Debtors or any other grantor of collateral to the Senior Notes Creditors under or in connection with the Senior Notes Documents; and (C) the Non-Priority Hedging Liabilities (such time, the "Final Discharge Date"), any Senior Creditor, Senior Notes Creditor, Non-Priority Hedge Counterparty or creditor of any Subordinated Liability receives or recovers:

(i) any payment or distribution of, or on account of or in relation to, or on account of the purchase or acquisition of, any of the liabilities which is not permitted under the Intercreditor Agreement;

(ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount (x) on account of or in relation to any liabilities (A) after the occurrence of an acceleration event or enforcement of collateral where such collateral has become enforceable (a "Distress Event") or (B) as a result of any other enforcement action against a member of the Picard Group (other than after the occurrence of an insolvency event in respect of that member of the Picard Group or relevant Debtor) or (y) by way of set-off in respect of any liabilities owed to it after the occurrence of a Distress Event;

(iv) the proceeds of enforcement of any collateral; or

(v) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of the Picard Group which is made as a result of, or after the occurrence of, an insolvency event in respect of that member of the Picard Group,

in each case, other than in respect of payments made or amounts received or recovered in accordance with the application of proceeds provisions in the Intercreditor Agreement (see below under "Application of Proceeds"), such Senior Creditor, Senior Notes Creditor, Non-Priority Hedge Counterparty or creditor of any Subordinated Liability will,

(a) in relation to receipts and recoveries not received or recovered by way of set-off:

- where legally possible, hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) in trust or otherwise as agent for the Security Agent or the Senior Notes Security Agent, as applicable;

- promptly pay that amount to the Security Agent or the Senior Notes Security Agent, as applicable, for application in accordance with the terms of the Intercreditor Agreement; and

- promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent or the Senior Notes Security Agent, as applicable, for application in accordance with the terms of the Intercreditor Agreement.

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent or the Senior Notes Security Agent, as applicable, for application in accordance with the terms of the Intercreditor Agreement.

Notwithstanding the above paragraph, if at any time prior to the discharge in full of the Senior Notes Creditors Liabilities, any Senior Creditor receives or recovers any payment from Picard Bondco under or in respect of the Guarantee granted by Picard Bondco (on a subordinated basis) in respect of the Senior Secured Notes, that Senior Creditor will, where legally possible, hold an amount equal to that receipt or recovery on trust for the Senior Notes Security Agent and shall promptly pay such amount to the Senior Notes Trustee for application in accordance with the terms of the Intercreditor Agreement as if such amount was received or recovered in connection with the realization or enforcement of the Senior Notes First Ranking Transaction Securities.

Security—Secured Notes Creditors

Revolving Lenders and holders of the Senior Secured Notes, from time to time, may take, accept or receive the benefit of:

(a) collateral in addition to the collateral to be granted to all the secured parties (including Senior Creditors, the Senior Notes Creditors and the Non-Priority Hedge Counterparties) in respect of their liabilities (the "Common Transaction Security") and the Senior Notes First Ranking Transaction Security;

(b) any guarantee, indemnity or other assurance against loss contained in:

(i) the Revolving Credit Facility Agreement (in its form on or about August 1, 2013) (or in any other senior facilities agreement entered into in accordance with the Intercreditor Agreement);

(ii) the Senior Secured Notes Indenture (in its form on or about August 1, 2013) (or any other indenture entered into in accordance with the Intercreditor Agreement);

(iii) the Intercreditor Agreement;

(iv) any engagement letter in respect of the Senior Secured Notes; or

(v) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to any agreed security principles, given to all the secured parties in respect of liabilities owing to them (the "Common Assurance"); and

(c) as otherwise contemplated by the Intercreditor Agreement,

if (except as permitted in the Intercreditor Agreement) also offered in accordance with the terms of the Intercreditor Agreement to the Senior Notes Security Agent (or, as applicable, Senior Notes Creditors), and other than certain collateral permitted under the Intercreditor Agreement for Revolving Lenders under Ancillary Facilities and the Senior Notes First Ranking Transaction Security; but, following the Original Senior Notes Discharge Date, only to the extent required under the terms of the Senior Notes Indenture.

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless (i) instructed otherwise by (x) prior to the Senior Discharge Date, the Majority Senior Creditors and (y) prior to the Senior Notes Discharge Date and in connection with instructions which are permitted to be given to the Senior Notes Security Agent or the Senior Notes Trustee, the Majority Senior Noteholders (each, an "Instructing Group") or (ii) if required as set forth under the third paragraph of this section, and the Senior Notes Security Agent may refrain from enforcing the Transaction Security unless otherwise instructed by the Senior Notes Trustee in compliance with the Senior Notes Indenture.

Subject to the Transaction Security having become enforceable in accordance with its terms (i) the Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit or (ii) to the extent permitted to initiate an enforcement action under the Senior Notes Documents prior to the Senior Discharge Date in accordance with the provisions of the Intercreditor Agreement described under "Standstill on Enforcement" above, the Majority Senior Noteholders may give or refrain from giving instructions to the Senior Notes Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit.

If, prior to the Senior Discharge Date:

(i) the Majority Senior Noteholders have instructed the Senior Notes Security Agent to initiate an enforcement action in accordance with the provisions of the Intercreditor Agreement described under "Standstill on Enforcement" above and the Security Agent has received at least 5 business days notice of such enforcement; and

(ii) at that time either:

(A) prior to receipt of the notice from the Senior Notes Security Agent referred to in (i) above, the Instructing Group had instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(B) the Security Agent has received no instructions from the Instructing Group,

and in each case, the Instructing Group has not required any relevant Debtor or security provider to make a Distressed Disposal (as defined below),

the Security Agent shall initiate an enforcement and shall be deemed to have received instructions to initiate such enforcement, in each case notwithstanding previous contrary instructions or, as the case may be, the absence of actual instructions in this respect.

Manner of enforcement

Subject to the second paragraph of this "Manner of enforcement" section, if the Transaction Security is being enforced as described above under "Enforcement of Transaction Security", the Security Agent or the Senior Notes Security Agent, as the case may be, shall enforce the Transaction Security in such manner as the relevant Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent or the Senior Notes Security Agent, as applicable, sees fit, which shall in any event be one of the enforcement methods described in the third paragraph of this "Manner of enforcement" section.

If (i) the Majority Senior Noteholders have instructed the Senior Notes Security Agent to initiate an enforcement as described under "Standstill on Enforcement" and (ii) the Security Agent has received instructions from the relevant Instructing Group selecting an enforcement method (the "Other Enforcement Method") which is different from that selected by the Majority Senior Noteholders or the Senior Notes Security Agent, then the Security Agent shall notify the Senior Notes Security Agent accordingly, and the Senior Notes Security Agent and the Security Agent shall carry out such enforcement action using that Other Enforcement Method unless enforcement action has already been carried out and implementing the Other Enforcement Method is no longer possible or would otherwise be likely to adversely affect such enforcement action.

No enforcement over shares or other securities subject to a Transaction Security document governed by French law or, as the case may be, Luxembourg law may occur otherwise than:

(i) pursuant to a sale of the relevant securities by public auction (*enchères publiques*) in accordance with (i) the provisions of Article L.521-3 of the French *Code de commerce* (as regards Relevant Securities issued by a French company) or (ii) the provisions of the Luxembourg Collateral Law on financial collateral arrangements (as regards Relevant Securities issued by a Luxembourg company);

(ii) pursuant to an application to the courts for judicial foreclosure (*attribution judiciaire*) of the relevant securities in accordance with (i) the provisions of Article L.521-3 of the French *Code de commerce* and Article 2347 of the French Code civil (as regards Relevant Securities issued by a French company) or (ii) the provisions of the Luxembourg Collateral Law (as regards relevant securities issued by a Luxembourg company); or

(iii) pursuant to an application for contractual foreclosure (*attribution conventionnelle*) of the relevant securities in accordance with (i) the provisions of Article L.521-3 (II) of the French Commercial Code and Article 2348 of the French Civil Code (as regards Relevant Securities issued by a French company) or (ii) the provisions of the Luxembourg Collateral Law (as regards relevant securities issued by a Luxembourg company),

and:

(A) in the case of an enforcement carried out by the Senior Creditors under (ii) or (iii) above, with a view to sell the asset(s) so foreclosed or to sell the assets of the member of the Group the shares of which were the subject of such judicial or contractual foreclosure; and

(B) in the case of (iii) above, in accordance with the applicable provisions of the relevant Transaction Security document.

Payment of the "soulte"

If, following any relevant enforcement of Transaction Security, a *soulte* is owed by the secured parties to the relevant grantor, that relevant grantor agrees that such *soulte* shall only become due and payable by the relevant secured parties (i) where such *soulte* arises in connection with enforcement of Transaction Security governed by the laws of France, on the earlier of (A) the date which is 12 months after the date on which such enforcement occurs; and (B) the date on which all payments to be made pursuant to the first bullet point under "Application of Proceeds" below have been made or (ii) where such *soulte* arises in connection with enforcement of Transaction Security governed by the laws of Luxembourg, at the time, and solely to the extent, payable as provided in under the fifth bullet point under "Application of Proceeds".

Waiver of rights

To the extent permitted under applicable law and subject to "Enforcement of Transaction Security" and "Manner of enforcement" above and "Application of proceeds" and "Distressed Disposals" below, each of the secured parties and the relevant Debtors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations is so applied.

Non-Distressed Disposals

If, in respect of a disposal of:

(i) an asset by a relevant Debtor; or

(ii) an asset which is subject to Transaction Security,

to another member of the Group and:

(A) that disposal is not prohibited under (prior to the Senior Discharge Date) the Finance Documents and the Senior Secured Notes Documents (collectively, the "Senior Facilities Documents" and (prior to the Senior Notes Discharge Date) the disposal is not prohibited by the Senior Notes Documents and all requirements for associated releases of Transaction Security provided for in the Senior Secured Notes Indenture have been complied with; and

(B) the disposal is not a Distressed Disposal (as defined below) (a "Non-Distressed Disposal"),

the Security Agent will, and is irrevocably authorized (at the cost of the relevant Debtor and without any consent, sanction, authority or further confirmation from any creditor or relevant Debtor) to:

(1) release the Transaction Security over that asset;

(2) where that asset consists of shares in the capital of a Debtor, release the Transaction Security over that Debtor's assets; and/or

(3) execute and deliver or enter into any release of the Transaction Security described in paragraphs (1) and (2) above and issue any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

A "Distressed Disposal" means a disposal of an asset of a member of the Group which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable;

(b) being effected by enforcement of the Transaction Security as described above under "*Manner of enforcement*" where the Transaction Security has become enforceable, including any subsequent sale of such asset that may have been appropriated in connection with or as part of such enforcement; or

(c) being effected, after the occurrence of an acceleration of the secured obligations or an enforcement of Transaction Security, by a relevant Debtor to a person or persons which is not a member of the Group,

in each case other than a Senior Notes Priority Back to Back Loan Enforcement.

If that Non-Distressed Disposal is not made, each release of Transaction Security shall have no effect and the Transaction Security subject to that release shall continue in such force and effect as if that release had not been effected.

If, in respect of a disposal of:

(i) an asset by a relevant Debtor; or

(ii) an asset which is subject to Transaction Security,

to a person or persons outside the Group and:

(A) prior to the Senior Discharge Date, each of the RCF Agent, the Trustee and the Security Agent notifies the Security Agent that that disposal is not prohibited under (prior to the Senior Discharge Date) the Finance Documents or the Senior Secured Notes Documents, as applicable, and (prior to the Senior Notes Discharge Date) Picard Bondco notifies the Security Agent that that disposal is not prohibited under the Senior Notes Documents and all requirements for associated releases of Transaction Security provided for in the Senior Notes Indenture have been complied with;

(B) that disposal is a Non-Distressed Disposal; and

(C) with respect to the disposal of an asset which is subject to Common Transaction Security or Senior Notes First Ranking Transaction Security, that disposal is notified to each representative of the creditors,

the Security Agent will, and is irrevocably authorized (at the cost of the relevant Debtor and without any consent, sanction, authority or further confirmation from any creditor, Subordinated Creditor or relevant Debtor) to:

(1) release the Transaction Security or any other claim (relating to any of the Intercreditor Agreement, certain hedging agreements, the Finance Documents, the Senior Secured Notes Documents, the Senior Notes Documents, the Transaction Security documents, any agreement evidencing the terms of the Structural Loans or the Structural Back to Back Loans, the Intra-Group Liabilities or the Subordinated Liabilities and any other document designated as such by either (i) the RCF Agent or the Trustee and the Senior Secured Notes Issuer or (ii) the Senior Notes Trustee and Picard Bondco, each, a "Debt Document") over that asset;

(2) where that asset consists of shares in the capital of a Debtor, release the Transaction Security and any other claim (relating to a Debt Document) over that relevant Debtor's assets; and/or

(3) execute and deliver or enter into any release of the Transaction Security and any claim described in paragraphs (1) and (2) above and issue any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

If that Non-Distressed Disposal is not made, each release of Transaction Security and in respect of a disposal to a person or persons outside the Group as detailed above, each release of any claim shall have no effect and the

Transaction Security or claim (as the case may be) subject to that release shall continue in such force and effect as if that release had not been effected.

If any proceeds of a Non-Distressed Disposal ("Disposal Proceeds") are required to be applied in mandatory prepayment of the Senior Creditor Liabilities or if an offer to prepay the Senior Notes Creditors Liabilities is required to be made, then the Disposal Proceeds shall be applied in or towards payment of:

(1) first, the Senior Creditor Liabilities in accordance with and to the extent required by the terms of the Finance Documents and the Senior Secured Notes Documents;

(2) second, and after the discharge in full of the Senior Creditor Liabilities, in payment of certain amounts payable in connection with certain Priority Hedging Liabilities; and

(3) third, after the payments to be made under paragraphs (i) and (ii) above have been so made, the Senior Notes Creditors Liabilities in accordance with the Senior Notes Documents,

and the consent of any other party shall not be required for that application.

If, after the Senior Discharge Date, there are no Non Priority Hedging Liabilities, then the Senior Notes Security Agent shall, and is irrevocably authorized (at the cost of the relevant Debtor and without any consent, sanction, authority or further confirmation from any creditor, Subordinated Creditor or relevant Debtor) to grant the releases, execute and deliver or enter into any release and/or issue any consent to dealing referred to in this "Non-Distressed Disposals" section in lieu of the Security Agent.

Distressed Disposals

(a) Subject to paragraph (c) below, if a Distressed Disposal is being effected the Security Agent is irrevocably authorized (at the cost of the relevant Debtor and without any consent, sanction, authority or further confirmation from any creditor, Subordinated Creditor or relevant Debtor):

(i) *release of Transaction Security*: to release the Transaction Security and any other claim over that asset and execute and deliver or enter into any release of that Transaction Security and claim and issue any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) *release of liabilities and Transaction Security on a share sale (Debtor)*: if the asset which is disposed of consists of shares in the capital of a Debtor, to release:

(A) that Debtor and any Subsidiary of that Debtor from all or any part of its liabilities under the Debt Documents;

(B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of the Subordinated Creditor, an Intra-Group Lender, another Debtor or security provider over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors, Subordinated Creditors, relevant Debtors and Senior Notes Trustee;

(iii) *release of liabilities and Transaction Security on a share sale (Holding Company)*: if the asset which is disposed of consists of shares in the capital of any holding company of a Relevant Debtor, to release:

(A) that holding company and any subsidiary of that holding company from all or any part of its liabilities under the Debt Documents;

(B) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and

(C) any other claim of the Subordinated Creditor, an Intra-Group Lender or another Debtor or security provider over the assets of that holding company and any subsidiary of that holding company,

on behalf of the relevant creditors, the Subordinated Creditor, relevant Debtors and Senior Notes Trustee;

(iv) *disposal of liabilities on a share sale:* if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a relevant Debtor and the Security Agent (acting in accordance with paragraph (e) below) decides to dispose of all or any part of its liabilities or the liabilities under the Debt Documents, owed by that Debtor or holding company or any subsidiary of that Debtor or holding company and to the extent subject to effective security under the Transaction Security documents, then:

(i) (if the Security Agent (acting in accordance with paragraph (e) below) does not intend that any transferee of those liabilities (the "Transferee") will be treated as a Senior Creditor, Senior Notes Creditor or Non Priority Hedge Counterparty (each, a "Primary Creditor") or a secured party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those liabilities; *provided that* notwithstanding any other provision of any Debt Document the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(ii) (if the Security Agent (acting in accordance with paragraph (e) below) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of:

(1) all (and not part only) of the Liabilities owed to the Primary Creditors; and

(2) all or part of any other liabilities under the Debt Documents,

on behalf of, in each case, the relevant creditors, Subordinated Creditors, Debtors and security providers;

(v) *transfer of obligations in respect of liabilities on a share sale*: if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a relevant Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with paragraph (e) below) decides to transfer to a relevant Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of:

(A) the Intra-Group Liabilities; or

(B) the liabilities owed to any member of the Group,

owed by that Debtor or holding company or any subsidiary of that Debtor or holding company and to the extent subject to effective security under the Transaction Security documents, to execute and deliver or enter into any agreement to:

(1) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or liabilities owed to any member of the Group on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(2) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or liabilities owed to any member of the Group on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those

Intra-Group Liabilities or liabilities owed to any member of Group are to be transferred.

(b) The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities pursuant to paragraph (a)(iv) above) shall be paid to the Security Agent for application in accordance with "*Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of its liabilities under the Debt Documents or liabilities owed to any member of Group has occurred pursuant to paragraph (a)(iv)(ii) above), as if that disposal of such liabilities had not occurred.

(c) In the case of a Distressed Disposal (or a disposal of liabilities pursuant to paragraph (a)(iv)(ii) above) effected by or at the request of the Security Agent, unless the Majority Senior Creditors and the Secured Notes Trustee otherwise agree, the Security Agent shall not be authorized to make any release or disposal provided for in paragraph (a) above unless:

(i) the proceeds of such disposal are received substantially all in cash;

(ii) (x) the Senior Notes Trustee is notified in writing that, following the completion of such disposal, all the claims of the Senior Creditors under the Debt Documents against any member of the Group and any subsidiary of that member of the Group (if any) whose shares are sold or disposed of pursuant to such Distressed Disposal are unconditionally released and discharged concurrently with such disposal (and not assumed by the relevant purchaser or any affiliate thereof) provided, however, that performance bonds and similar instruments shall not be required to be so released and discharged and (y) all Transaction Security in the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

(iii) such sale or disposal is made (A) pursuant to a public auction or (B) for fair market value (taking into account the circumstances giving rise to such sale) as certified by an internationally recognized investment bank or internationally recognized accounting firm selected by the Security Agent (being an investment bank or accounting firm different from that which acted as valuer in connection with any judicial foreclosure (*attribution judiciaire*) or contractual foreclosure (*attribution conventionnelle*) referred to in paragraph (d)(ii) or (d)(iii), respectively under "*Manner of enforcement*").

For the purposes of paragraph (c)(iii) above:

(A) a "public auction" is an auction in which more than one bidder participates or is invited to participate and which is conducted with the advice of an internationally recognized investment bank and in which, if the sale is undertaken by or at the request of the Senior Creditors, the Senior Notes Creditors shall have a right to participate. A "right to participate" shall be interpreted to mean that any offer, or indication of a potential offer, that a holder of any Senior Notes makes shall be considered by those running the public auction process against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder. To avoid doubt, if after having applied that same criteria, the offer or indication of a potential offer made by a holder of any Senior Notes is not considered by those running the public auction process to be sufficient to continue in the public auction process, such consideration being against the same criteria as any offer, or indication of a potential offer, by any other bidder or potential bidder (such continuation may include being invited to review additional information or being invited to have an opportunity to make a subsequent or revised offer, whether in another round of bidding or otherwise) then the right to participate which a holder of any Senior Notes under the Intercreditor Agreement shall be deemed to be satisfied.

(B) "fair market value" means an opinion must be given by an internationally recognized investment bank or an internationally recognized accounting firm and state that the amount received in connection with such sale is fair from a financial point of view taking into account all relevant circumstances including the manner of enforcement provided that the liability of such investment bank or accounting firm selected by the Security Agent in giving such opinion may be limited to the amount (or a multiple of the amount) of its fees in respect of such engagement.

(d) If a Distressed Disposal is being effected at a time when the Majority Senior Noteholders or the Senior Notes Trustee is entitled to give, and has given, instructions under "*Manner of enforcement*", the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any liabilities it has as a borrower or guarantor under any Debt Documents owed to any Senior Creditor unless those liabilities and any other Senior Creditor Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant Senior Creditor), immediately upon that release.

(e) For the purposes of paragraphs (a)(ii), (a)(iii), (a)(iv) and (a)(v) above, the Security Agent shall act:

(i) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security, in accordance with "*Manner of enforcement*"; and

(ii) in any other case:

(A) on the instructions of the Instructing Group; or

(B) in the absence of any such instructions, as the Security Agent sees fit.

Application of proceeds

Subject to rights of creditors mandatorily preferred by law and except as otherwise permitted under the Intercreditor Agreement, all amounts received or recovered by the Security Agent or the Senior Notes Security Agent shall be applied in the following priority:

- First, in payment pro rata and ranking *pari passu* of (i) save in the case of the Senior Notes First Ranking Transaction Security, in payment to the RCF Agent, the Trustee and the Security Agent on its own behalf for application towards the discharge of the Senior Facilities Agents Liabilities and (ii) in payment to the Senior Notes Trustee and the Senior Notes Security Agent on their own behalf for application towards the discharge of the Senior Notes Agents Liabilities arising in connection with any realization or enforcement of Transaction Security taken in accordance with the terms of the Intercreditor Agreement or action taken at the request of the Security Agent or the Senior Notes Security Agent pursuant to a provision of the Intercreditor Agreement;

- Second, save in the case of the Senior Notes First Ranking Transaction Security, in payment pro rata to:

(i) the RCF Agent on behalf of the RCF Arranger and the Revolving Lenders,

(ii) the Trustee on behalf of the holders, from time to time, of the Senior Secured Notes; and

(iii) the counterparty to the relevant Debtors in respect of hedging agreements entered into (the "Hedge Counterparty"),

for application towards the discharge of:

(A) the Senior Facilities Creditors Liabilities of the RCF Arranger and the RCF Lenders;

(B) the Senior Facilities Creditors Liabilities of the holders, from time to time, of the Senior Secured Notes; and

(C) the Priority Hedging Liabilities;

- Third, in payment to the Senior Notes Trustee on behalf of the holders, from time to time, of the Senior Notes (the "Senior Noteholders") for application towards the discharge of the Senior Notes Creditors Liabilities owed to the Senior Noteholders;

- Fourth, in payment to the Hedge Counterparties, for application in discharge of liabilities for Non-Priority Hedging Liabilities;

- Fifth, if none of the Debtors is under any further actual or contingent liability under any Finance Document, Senior Secured Notes Document, hedging agreement or Senior Notes Document, in payment to any person to whom the Security Agent or the Senior Notes Security Agent, as applicable, is obliged to pay in priority to any Debtor; and

- Sixth, once the Final Discharge Date has occurred, in payment to the grantor of collateral (the "Relevant Grantor") to which a Soulte, if any, is payable, of the amount corresponding to that paid to the Security Agent by the relevant Primary Creditors (meaning the Senior Creditors, the Senior Notes Creditors and the Non-Priority Hedge Counterparties) pursuant to the Intercreditor Agreement.

Notwithstanding the foregoing, if the application of any proceeds (the "Relevant Proceeds") in or towards the discharge of any one or more categories of liabilities would result in or have the effect of an unlawful payment or discharge including pursuant to articles L.225-216 and L.242-6 of the French Commercial Code (or their equivalent in any other relevant jurisdiction), then those Relevant Proceeds will be applied in or towards the discharge in full only of the Senior Creditor Liabilities and the Senior Notes Creditors Liabilities (but subject at all times to the provisions of the Intercreditor Agreement) guaranteed or secured by the rights (whether guarantee, indemnity or security) the enforcement or realization of which gave rise to the Relevant Proceeds and thereafter in accordance with the terms of the Intercreditor Agreement.

Required consents

Subject to certain exceptions, the Intercreditor Agreement may be amended or waived only with the consent of Picard Bondco, the Senior Secured Notes Issuer, a Senior Facilities Agent (acting on the instructions of the Majority Senior Creditors), the Senior Notes Trustee, the Security Agent and the Senior Notes Security Agent. An amendment that has the effect of changing or which relates to (i) curing defects, resolving ambiguities or reflecting changes of a minor, technical or administrative nature and (ii) the requirements of any person proposing to act as an RCF Agent, Trustee or Senior Notes Trustee which are customary for persons acting in such capacity, may be made by the Security Agent, the Senior Notes Security Agent, Picard Bondco and the Senior Secured Notes Issuer. Subject to the preceding sentence, if any amendment or waiver may impose new or additional obligations on a party under the Intercreditor Agreement, the prior written consent of that party is required.

Snooze/Lose

Subject to certain exceptions, if in relation to (i) a request for a consent in relation to any of the terms of the Intercreditor Agreement, (ii) a request to participate in any other vote of Senior Creditors or Senior Notes Creditors under the terms of the Intercreditor Agreement, (iii) a request to approve any other action under the Intercreditor Agreement; or (iv) a request to provide any confirmation or notification under the Intercreditor Agreement, any Senior Creditor fails to respond to that request within 15 business days of that request being made; or (in the case of a Senior Creditor and subclauses (i) to (iii) above), fails to provide details of its senior credit participation to the Security Agent within the timescale specified by the Security Agent, then (a) in the case of paragraphs (i) to (iii) above, that Senior Creditor's senior credit participation shall be deemed to be zero for the purpose of calculating the senior credit participations when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of senior credit participations has been obtained to give that Consent, carry that vote or approve that action and (b) in the case of subclauses (i) to (iii) above, that Senior Creditor's status as a Senior Creditor shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Primary Creditors has been obtained to give that consent, carry that vote or approve that action; and in the case of subclause (iv) above, that confirmation or notification shall be deemed to have been given.

Picard Bondco 7.750% Senior Notes due 2020

Overview

On February 20, 2015, Picard Bondco (the "Senior Notes Issuer"), issued €428,000,000 aggregate principal amount of 7.750% Senior Notes due 2020 (the "Senior Notes") under an indenture dated February 20, 2015 (the "Senior Notes Indenture"), between, among others, the Senior Notes Issuer, Citibank N.A., London Branch, as trustee (the "Senior Notes Trustee") and as the security agent. As of March 31, 2017, there were €428,000,000 aggregate principal amount of Senior Notes issued and outstanding.

Ranking

The Senior Notes are the general obligations of the Senior Notes Issuer and rank equally in right of payment with any future indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes, are guaranteed on a second-priority basis by the guarantors, rank senior to any future indebtedness of the Senior Notes Issuer that is unsecured or secured by liens junior to the liens securing the Senior Notes to the extent of the value of the collateral and rank senior in right of payment to any future obligations of the Senior Notes Issuer that is subordinated in right of payment to the Senior Notes (including any subordinated shareholder debt). In addition, the Senior Notes are structurally subordinated to all obligations of the Senior Notes Issuer's subsidiaries that are not guarantors.

Interest Rates, Payment Dates and Maturity

The Senior Notes bear interest at a rate of 7.750% per annum. Interest on the Senior Notes is payable semi-annually in arrears on February 1 and August 1 of each year. The Senior Notes will mature on February 20, 2020.

Guarantees

The Senior Notes are jointly and severally guaranteed by LuxCo 3, LuxCo 4 and French TopCo (together, the "Senior Notes Guarantors"), none of which has operations or generates material EBITDA. The obligations of the Senior Notes Guarantors are contractually limited under the applicable Senior Notes Guarantees to reflect limitations under applicable law.

The guarantee of each Senior Notes Guarantor is its general obligation and (i) ranks equally in right of payment with all future subordinated indebtedness of such Senior Notes Guarantor, (ii) is effectively subordinated to (a) any existing and future indebtedness and other liabilities of such Senior Notes Guarantor outstanding under the Senior Secured Notes Indenture, the Revolving Credit Facility, certain hedging obligations and all obligations related thereto and (b) any other indebtedness of such Senior Notes Guarantor permitted to be incurred under the terms of the Senior Notes Indenture, unless the instrument under which such indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the guarantee of such Senior Notes Guarantor and obligations related thereto; and (iii) is secured by the collateral owned by the relevant Senior Notes Guarantor.

Security

The Senior Notes and/or Senior Notes Guarantees are secured on a second-ranking basis, behind the Senior Secured Notes, the Revolving Credit Facility and certain hedging obligations, by (i) pledges of the receivables under the LuxCo 3 Notes Proceeds Loan and the ordinary shares of LuxCo 3, (ii) pledges of the bank accounts of LuxCo 3, the receivables under the LuxCo 4 Notes Proceeds Loan and the ordinary shares of LuxCo 4, (iii) pledges of the bank accounts of LuxCo 4, the receivables under the French TopCo Notes Proceeds Loan and the intercompany loan between LuxCo 4 and French TopCo and the ordinary shares of French TopCo; and (iv) pledges of the bank accounts of French TopCo and the ordinary shares of the Senior Secured Notes Issuer and receivables under an intercompany loan to the Senior Secured Notes Issuer.

Optional Redemption and Change of Control

At any time on or prior August 1, 2016 the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus (a) the present value at such redemption date of (i) the redemption price of such Senior Note at August 1, 2016 (such redemption price being 105.8125%), plus (ii) all required interest payments that would otherwise be due to be paid on such Senior Note through August 1, 2016 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over (b) the principal amount of such Senior Note.

The Senior Notes will be subject to redemption at any time on or after August 1, 2016 at the option of the Senior Notes Issuer, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the twelve-month period beginning on October 1 of the year indicated below:

Year	**Redemption Price**
August 1, 2016 to (and including) January 31, 2017	105.8125%
February 1, 2017 to (and including) January 31, 2018	103.8750%
February 1, 2018 to (and including) July 31, 2018	101.9375%
August 1, 2018 and thereafter	100.00%

At any time on or prior to August 1, 2016 the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain public equity offerings at 107.750% of the principal amount of the Senior Notes redeemed, in each case, plus accrued interest to the redemption date, if at least 60% of the aggregate principal amount of the Senior Notes (calculated after giving effect to any issuance of additional notes under the Senior Notes Indenture) remains outstanding and if the redemption occurs within 90 days of the closing of such equity offering.

Upon the occurrence of certain change of control events, each holder of Senior Notes may require the Senior Notes Issuer to repurchase all or a portion of its Senior Notes at a purchase price equal to 101% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but not including, the date of purchase.

If the Senior Notes Issuer sells assets under certain circumstances, the Senior Notes Issuer is required to make an offer to purchase the Senior Notes at 100% of the principal amount of the Senior Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that the Senior Notes Issuer becomes obligated to pay additional amounts (as defined in the Senior Notes Indenture) to holders of the Senior Notes as a result of changes affecting withholding taxes applicable to payments on the Senior Notes, the Senior Notes Issuer may redeem the Senior Notes in whole but not in part at any time at 100% of the principal amount of the Senior Notes plus accrued and unpaid interest to the redemption date.

Covenants

The Senior Notes Indenture contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Senior Notes.

These covenants are subject to a number of important limitations and exceptions.

Events of Default

The Senior Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the Senior Notes, certain failures to perform or observe any other obligation under the Senior Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Senior Notes Issuer, any Senior Notes Guarantor or any Restricted Subsidiary (as defined in the Senior Secured Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the Senior Notes.

Picard Groupe S.A.S. Floating Rate Senior Secured Notes due 2019

Overview

On August 1, 2013, Picard Groupe S.A.S. (the "Senior Secured Notes Issuer"), issued €480,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the "Existing Senior Secured Notes") under an indenture dated August 1, 2013 (the "Senior Secured Notes Indenture"), between, among others, the Senior Secured Notes Issuer, Citibank N.A., London Branch, as trustee (the "Trustee") and BNP Paribas as the security agent (the "Security Agent"). On February 20, 2015, the Senior Secured Notes Issuer issued €342,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the "Additional Senior Secured Notes" and, together with the Existing Senior Secured Notes", "the Senior Secured Notes"). On May 3, 2016, the Senior Secured Notes Issuer redeemed €50 million of its Senior Secured Notes. As of March 31, 2017, there were €772,000,000 aggregate principal amount of Senior Secured Notes issued and outstanding.

Ranking

The Senior Secured Notes are the general senior secured obligations of the Senior Secured Notes Issuer and rank equally in right of payment with any future indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the Senior Secured Notes, including, without limitation, the obligations under the Revolving Credit Facility. The Senior Secured Notes are senior to any future indebtedness of the Senior Secured Notes Issuer that is subordinated in right of payment to the Senior Secured Notes (including any shareholder debt and the Guarantees under the Senior Notes Indenture) and are guaranteed on a senior basis by the Senior Secured Notes Guarantors other than the Senior Notes Issuer, which provides a guarantee on a subordinated basis. In addition, the Senior Secures Notes will be secured by the Collateral and are structurally subordinated to all obligations of the Senior Secured Notes Issuer's subsidiaries that are not Guarantors.

Interest Rates, Payment Dates and Maturity

The interest rate on the Senior Secured is the sum of (i) the greater of (x) three-month EURIBOR and (y) zero, plus (ii) 4.25% per annum, reset quarterly. Interest on the Senior Secured Notes is payable in arrears on August 1, November 1, February 1 and May of each year. The Senior Secured Notes will mature on August 1, 2019.

Guarantees

The Senior Secured Notes are guaranteed on a senior basis, and, on a *pari passu* basis with the Revolving Credit Facility and certain hedging obligations by LuxCo 3, LuxCo 4, French TopCo and Picard Surgelés, and on a subordinated basis by Picard Bondco. The obligations of the Senior Secured Notes Guarantors are contractually limited under the applicable Senior Secured Notes Guarantees to reflect limitations under applicable law. In particular, the guarantee of Picard Surgelés, the main operating subsidiary, is limited to the outstanding amount under the PG Intra-Group Loan, up to a maximum amount of €20 million

The Guarantee of each Guarantor (except Picard Bondco) (i) is a general senior obligation of that Guarantor (ii) is secured by the Collateral (iii) is *pari passu* in right of payment to any future indebtedness of that Guarantor that is not subordinated in right of payment to the Guarantee of that Guarantor, including the Revolving Credit Facility and certain hedging obligations. The Guarantee of Picard Bondco (i) is a general unsecured, subordinated obligation of Picard Bondco, (ii) is subordinated in right of payment to all existing and future senior debt of Picard Bondco, including, without limitation, the obligations under the Senior Notes and Senior Notes Indenture and (iii) is *pari passu* in right of payment to any future subordinated indebtedness of Picard Bondco.

Security

The Senior Secured Notes and/or the Senior Secured Notes Guarantees are secured on a first-ranking basis and, on a *pari passu* basis with the Revolving Credit Facility and certain hedging obligations by (i) pledges of the receivables under the LuxCo 3 Notes Proceeds Loan and the ordinary shares of LuxCo 3, (ii) pledges of the bank accounts of LuxCo 3, the receivables under the LuxCo 4 Notes Proceeds Loan and the ordinary shares of LuxCo 4, (iii) pledges of the bank accounts of LuxCo 4, the receivables under the French TopCo Notes Proceeds Loan and the intercompany loan between LuxCo 4 and French TopCo and the ordinary shares of French TopCo, (iv) pledges of the bank accounts of French TopCo, the ordinary shares of the Senior Secured Notes Issuer and receivables under an intercompany loan to the Senior Secured Notes Issuer, (v) pledges of the bank accounts of the Senior Secured Notes Issuer, the ordinary shares of Picard Surgelés, the ordinary shares of Picard International S.A.S., and the PG Intra-Group Loan and (vi) certain intellectual property rights of Picard Surgelés.

Optional Redemption and Change of Control

On or after August 1, 2014, the Senior Secured Notes Issuer may on any one or more occasions redeem all or a part of Senior Secured Notes upon not less than 10 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and additional amounts, if any, on the Senior Secured Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on August 1 of the years indicated below, subject to the rights of holders of Senior Secured Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	**Redemption Price**
2014	101.00%
2015 and thereafter	100.00%

Unless the Senior Secured Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption or notice may, in the Senior Secured Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Covenants

The Senior Secured Notes Indenture contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Senior Secured Notes.

These covenants are subject to a number of important limitations and exceptions.

Events of Default

The Senior Secured Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the Senior Secured Notes, certain failures to perform or observe any other obligation under the Senior Secured Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of the Senior Secured Notes Issuer, any Guarantor or any Restricted Subsidiary (as defined in the Senior Secured Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the Senior Secured Notes.

Picard Bondco S.A.

Consolidated Financial Statements

For the year ended March 31, 2017

Audit report

To the Shareholder of
Picard Bondco S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Picard Bondco S.A. and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The Directors' report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 21 June 2017

Malik Lekehal

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Consolidated Income Statement

(In thousand of €)	Notes	March 31, 2017	March 31, 2016 *
Sales of goods	***6***	1 398 030	1 371 971
Cost of goods sold		(784 250)	(771 136)
Gross profit		**613 780**	**600 835**
Other operating income	***7.1***	4 969	5 445
Other purchases and external expenses		(233 409)	(230 301)
Taxes		(17 325)	(16 938)
Personnel expenses	***7.3***	(165 076)	(165 224)
Depreciation, amortization and provisions allowances		(33 851)	(34 849)
Other operating expenses	***7.2***	(1 722)	(2 156)
Operating profit		**167 367**	**156 812**
Finance costs	***7.4***	(72 576)	(76 552)
Finance income	***7.4***	143	173
Share of profit in an associate	***8***	548	570
Income before tax		**95 482**	**81 003**
Income tax expense	***9***	2 163	(42 592)
Net income		**97 645**	**38 411**
Attributable to:			
Equity holders of the parent		97 934	38 630
Non-controlling interests		(289)	(219)
Earnings per share:			
Basic earnings per share (*in euros*)	***19***	37,07	14,62
Fully diluted earnings per share (*in euros*)	***19***	37,07	14,62

( ) The following main reclassifications have been made to the consolidated income statement for the period ended March 31, 2016 with a view to aligning it with the presentation of the consolidated income statement for the period ended March 31, 2017 without any impact on operating profit :*

• Reclassification of sold shipping costs: from sales of goods to other operating income for 1 090 K€

• Reclassification of purchased shipping costs: from other purchases and external expenses to cost of goods sold for 3 038 K€

• Reclassification of gain and loss on non-current assets disposed of : from other operating income to other purchases and external expenses for 226 K€ and from other operating expenses to other purchases and external expenses for 1 494 K€

• Reclassifications from Depreciation, amortization and provisions allowances to Personnel expenses for 199K€, Taxes for 28K€, Other purchases and external expenses for -151K€, and Cost of goods sold for -100K€.

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

Consolidated Statement of Comprehensive Income

(In thousand of €)	Notes	March 31, 2017	March 31, 2016
Net income		**97 645**	**38 411**
Items to be reclassified to profit and loss:			
Net gain / (loss) on cash flow hedges	***12.3***	704	1 036
Income tax		(242)	(357)
		462	679
Foreign currency translation		56	(26)
Items not to be reclassified to profit and loss:			
Actuarial gains / (loss) of the period	***21***	(33)	(39)
Income tax		(114)	13
		(147)	(26)
Other comprehensive income / (loss) for the period, net of tax		*371*	*628*
Comprehensive income		**98 016**	**39 039**
Attributable to:			
Equity holders of the parent		98 305	39 258
Non-controlling interests		(289)	(219)

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

Consolidated Statement of Financial Position

(In thousand of €)	Notes	As at March 31, 2017	As at March 31, 2016
Assets			
Goodwill	***13***	815 170	815 170
Property, plant and equipment	***11***	224 646	224 552
Other intangible assets	***10***	841 357	838 000
Investment in an associate	***8***	10 957	10 597
Other non-current financial assets	***12.1***	12 797	13 454
Deferred tax asset	***9***	-	-
Total non-current assets		**1 904 928**	**1 901 773**
Inventory	***14***	88 087	79 835
Trade and other receivables	***15***	45 124	42 198
Current financial assets		379	379
Cash and cash equivalents	***16***	115 045	122 594
Total current assets		**248 635**	**245 007**
Assets held for sale	***24***	-	-
Total assets		**2 153 563**	**2 146 780**
Equity and liabilities			
Issued capital	***17***	2 642	2 642
Share premium	***17***	266 185	266 476
MRPS	***17***	-	-
Other comprehensive income		(131)	(527)
Retained earnings		83 943	44 725
Net income of the period		97 934	38 630
Equity attributable to equity holders of the parent		**450 573**	**351 946**
Non-controlling interests		(456)	(104)
Total equity		**450 117**	**351 842**
Non-current liabilities			
Interest-bearing loans and borrowings	***12.2***	1 188 997	1 185 017
Other non-current financial liabilities		88	1 355
Provisions	***20***	3 238	3 400
Employee benefit liability	***21***	7 301	6 765
Deferred tax liability	***9***	258 102	305 829
Total non-current liabilities		**1 457 725**	**1 502 366**
Current liabilities			
Trade and other payables	***23***	234 672	230 334
Interest-bearing loans and borrowings	***12.2***	11 048	61 845
Other current financial liabilities	***12.3***		396
Provisions			-
Total current liabilities		**245 721**	**292 575**
Total liabilities		**1 703 446**	**1 794 941**
Liabilities held for sale	***24***	-	-
Total equity and liabilities		**2 153 563**	**2 146 780**

²The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

In thousand of €	**Issued capital**	**Share premium**	**MRPS**	Cash flow hedge reserve	Actuarial gain / (losses)	Share Based payment	Foreign currency translation	**Total other comprehensive income**	**Retained earnings**	**Net income**	**Equity attributable to equity holders of the parent**	**Non-controlling interest**	**Total Equity**
As at March 31, 2015 Published	**2 642**	**252 023**	**14 173**	(1 140)	(411)	488	(14)	**(1 078)**	**2 467**	**42 100**	**312 327**	**(8)**	**312 319**
Application of IFRIC 21									357	5	**362**		**362**
As at March 31, 2015 Restated	**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	-	-	-	-	-	-	-	-	-	38 630	**38 630**	(219)	**38 411**
Other comprehensive income	-	-	-	679	(26)	-	(26)	628	-	-	**628**	-	**628**
Total comprehensive income	**-**	**-**	**-**	**679**	**(26)**	**-**	**(26)**	**628**	**-**	**38 630**	**39 258**	**(219)**	**39 039**
Capital contribution without issue	-	**14 464**	-	-	-	-	-	-	-	-	**14 464**	-	**14 464**
Adjustment on dividend paid	-	(12)	-	-	-	-	-	-	12	-	-	-	**-**
Redemption of MRPS	-	-	(14 173)	-	-	-	-	-	(291)	-	**(14 464)**	-	**(14 464)**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	-	-	-	123	**123**
As at March 31, 2016	**2 642**	**266 476**	**-**	**(461)**	**(26)**	**-**	**(40)**	**(527)**	**44 725**	**38 630**	**351 946**	**(104)**	**351 842**
Net income attribution	-	-	-		26		-	26	38 604	(38 630)	-	-	**-**
Net income for the period	-	-	-	-	-	-	-	-	-	97 934	**97 934**	(289)	**97 645**
Other comprehensive income	-	-	-	462	(147)	-	56	371	-	-	**371**	-	**371**
Total comprehensive income	**-**	**-**	**-**	**462**	**(147)**	**-**	**56**	**371**	**-**	**97 934**	**98 305**	**(289)**	**98 016**
Capital contribution without issue	-		-	-	-	-	-	-	-	-	-	-	**-**
Adjustment on dividend paid	-		-	-	-	-	-	-	-	-	-	-	**-**
Redemption of MRPS	-	-		-	-	-	-	-		-	-	-	**-**
Issued capital attributable to NCI	-	-	-	-	-	-	-	-	327	-	**327**	(63)	**264**
Other	-	(291)	-	-	-	-	-	-	291	-	-	-	**-**
As at March 31, 2017	**2 642**	**266 185**	**-**	0	(147)	-	16	**(131)**	**83 943**	**97 934**	**450 573**	**(456)**	**450 117**

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

Consolidated Statement of Cash Flows

In thousand of €	Notes	March 31, 2017	March 31, 2016
Operating activities			
Operating profit		167 367	156 812
Depreciation and impairment of property, plant and equipment		29 580	30 151
Amortisation and impairment of intangible assets		4 271	4 698
Share-based transaction expense	**7.3**	-	-
(Gain) /loss on disposal of property, plant and equipement		1 214	1 090
Other non cash operating items		(1 855)	(1 526)
Movements in provisions and pensions		402	406
Interest received		109	137
Dividends received from associate	**8**	188	188
Income tax paid		(39 769)	(38 546)
Operating cash flows before change in working capital requirements		*161 507*	*153 410*
Change in inventory		(8 252)	(4 508)
Change in trade and other receivables and prepayments		(7 711)	(9 285)
Change in trade and other payables		4 185	13 106
Net cash flows from operating activities, total		**149 729**	**152 723**
Investing activities			
Proceeds from sale of property, plant and equipment		365	226
Disposal of Italy, net of cash disposed of		379	177
Purchase of property, plant and equipment		(30 464)	(31 240)
Purchase of intangible assets		(7 763)	(4 140)
Acquisition of subsidiaries, net of cash acquired		-	-
Purchase of financial instruments		(122)	55
Proceeds from sale of financial instruments		-	-
Proceeds from loans		-	-
Net cash used in investing activities		**(37 606)**	**(34 922)**
Financing activities			
Payment of finance lease liabilities		(253)	(261)
Proceeds from borrowings		-	-
Refinancing costs		-	-
Repayment of borrowings		(50 000)	-
Loans granted		-	-
MRPs reimbursement		-	-
Dividends paid to equity holder of the parent		-	-
Interest paid		(69 681)	(68 681)
Other cash items related to financing activities			(8 437)
Capital increase - non controlling interests		264	123
Net cash flows from/(used in) financing activities		**(119 670)**	**(77 256)**
Net increase / (decrease) in cash and cash equivalents		(7 547)	40 545
Net cash at the beginning of the year		122 591	82 047
Net cash at March 31	**16**	**115 045**	**122 591**
of which classified in held for sale	***24***	-	-
of which classified in continued operations		*115 045*	*122 591*

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

1. Corporate information

Picard Bondco S.A. (previously named Lion Polaris Lux 2 S.A.) is a limited liability company, incorporated on August 9, 2010 and having its registered office in Luxembourg. The registered office of Picard Bondco S.A. is at 7 rue Lou-Hemmer, L-1748 Luxembourg-Findel. Picard Bondco S.A. is an affiliate (fully controlled) of Picard Pikco (which merged with Lion Polaris Lux 1 S.à.r.l in June, 2015).

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

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

On June 19, 2017, the Board approved the consolidated financial statements as of and for the year ended March 31, 2017, which will be submitted for approval to the Company's shareholders.

2. Accounting principles

2.1 Basis of preparation

The consolidated financial statements cover the financial year starting April 1, 2016 and ended March 31, 2017. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in euro and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

Going concern

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

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and as adopted by the European Union and effective for financial years beginning on or after April 1, 2016.

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

2.1.1 New accounting standards and interpretations in effect starting from April 1, 2016

Since April 1, 2016, the Group has applied the following new amendments, standards, and interpretations previously endorsed by the European Union:

- 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*;
- IFRS Annual Improvements 2012-2014 Cycle.

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

2.1.2 New accounting standards and interpretations with effect in future periods

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

All these amendments will be effective after April 1, 2017 for the Group and the potential impacts of these new pronouncements are currently being analyzed.

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

- IFRS 9 – *Financial Instruments* and amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting (applicable according to the IASB in annual periods beginning on or after January 1, 2018);
- IFRS 15 – *Revenues from Contracts with Customers* and the Clarifications to IFRS 15 published in April 2016 (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- 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 IFRS4 - *Applying IFRS9 Financial Instruments with IFRS4 Insurance Contracts* (applicable according to the IASB in accounting periods beginning on or after January 1, 2017).
- Amendment to IFRS 12 - *Clarification of the Scope of the Standard* (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).

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

- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- IFRS 16 – *Leases* (applicable according to the IASB in annual periods beginning on or after January 1, 2019);
- Annual Improvements to IFRS – *Cycle 2014-2016* (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (applicable according to the IASB in accounting periods beginning on or after January 1, 2018);
- Amendments to IAS 40 – *Transfers of Investment Property* (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.

2.2 Summary of significant accounting policies

a. Foreign currency translation

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

b. Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 36 either in profit or loss or as a change to "Other comprehensive income". If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of (i) the consideration transferred and (ii) the fair value of non-controlling interest and the identifiable assets acquired net of liabilities assumed. If the consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

c. Investment in associate

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

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

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

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

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

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

d. Revenue recognition

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

Sale of goods

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

Dividends

Revenue is recognised when the Group’s right to receive the payment is established.

e. Operating expenses & other purchases and external expenses

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

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

f. Income taxes

Current income tax

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

As of March 31, 2016 and March 31, 2017, French tax Business Contribution on Added Value (‘CVAE’) is shown and accounted for under the “Income tax expense” line.

Deferred income tax

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

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

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

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

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

g. Pensions and other post-employment benefits

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

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

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

h. Financial liabilities – initial recognition and subsequent measurement

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

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

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

Fair value of financial instruments

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

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

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

i. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

Fair value hedges

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

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the income statement over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

As at March 31, 2017, the Group did not have any fair value hedging derivatives.

Cash flow hedges

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

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

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

Refer to Note 12.3 for more details about the Group's interest rate swaps contract as at March 31, 2017 (hedges of the Group's exposure to interest rate risks).

j. Property, plant and equipment

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

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

.	Buildings and building improvements	20	years
a.	Operating equipment	5 to 10	years
b.	Transportation equipment	4	years
c.	Computers and hardware	3 to 5	years
d.	Furniture	10	years

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

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

k. Leases

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

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

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

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

l. Intangible assets

Trademarks

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

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

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

As at March 31, 2017 the trademark recognized corresponds to the Picard brand.

Leasehold rights

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

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

Software

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

Software developed by the Group for its internal use is recorded as an intangible asset at its development cost and is depreciated under the straight-line method over a maximum period of 3 years.

m. Inventory

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

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

An inventory impairment is recorded in the following cases:

- 50%: on frozen (and not frozen) products permanently deleted from the catalog but which are disposed of in the stores;

- 75%: on products whose inventory quantities are higher than the sales forecasts in the expected time-to-market (Group decision),
- 75%: on products likely to be impaired due to the regulations of sales period
- 100%: on unmarketable products definitively deleted from the catalog.

n. Impairment of non-financial assets

Cash-generating units (CGU)

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

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

- France
- Other

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

Impairment analysis

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

Goodwill

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

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

Other intangible assets

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

o. Cash and cash equivalents

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

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

p. Provisions

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

q. Assets and liabilities held for sale

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

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

3. Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

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

Further details about assumptions and sensitivity of valuations are disclosed in Note 13.

Employee benefits liabilities

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future withdrawal rates of employees. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Further details about the assumptions used are given in Note 21.

Deferred income tax

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

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

4. Financial risk management objectives and policies

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

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

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings (including listed bonds), deposits, and derivative financial instruments.

Interest rate risk

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

In thousands of €

Year ended 31 March 2017	Sensitivity to +20bps change		Sensitivity to -20bps change	
	P&L Impact	OCI Impact	P&L Impact	OCI Impact
Floating rate debt	(1 544)	-	1 544	-
	(1 544)	**-**	**1 544**	**-**

Credit risk

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

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, and finance leases. 0.9 % of the Group's interest bearing loans and borrowings maturing less than one year after March 31, 2017 based on the carrying value of borrowings reflected in the financial statements.

Maturity profile of the Group's financial liabilities

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

In thousands of €

Year ended 31 March 2017	Less than one year	1 to 5 years	over 5 years	Total
Fixed rate borrowings	(33 170)	(494 340)	-	(527 510)
Obligations under finance lease	(234)	(672)	-	(906)
Floating rate borrowings	(33 266)	(821 762)	-	(855 028)
Trade and other payables	(234 672)	-	-	(234 672)
	(301 342)	**(1 316 774)**	**-**	**(1 618 116)**

5. Significant events of the financial year ended March 31, 2017

On May 3, 2016, Picard Groupe S.A.S. redeemed an amount of M€ 50 of its M€ 822 outstanding floating rate senior secured notes. Refer to Note *12.2. Interest-bearing loans and borrowings.*

The exceptional contribution on corporate income tax introduced in 2012 was discontinued as of December 31, 2016, reducing our income tax rate from 38% to 34.43%. Additionally, further to the 2017 Budget Act, the French corporate income tax rate will decrease from 34.43% to 28.92% starting in 2020. Long term deferred taxes were consequently revalued to reflect this reduction in the future income tax rate. (See § Note 9 Income tax expense).

6. Operating segment information

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

- France
- Other

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

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

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

	March 31, 2016		
In thousand of €	France	Other	Total
Sales	1 343 091	28 880	1 371 971
Operating profit	163 090	(6 277)	156 812

7. Other operating income/expenses

7.1. Other operating income

In thousand of €	March 31, 2017	March 31, 2016
Capitalized expenses	1 356	732
Other operating income	3 613	4 713
Total other operating income	**4 969**	**5 445**

7.2. Other operating expenses

In thousand of €	March 31, 2017	March 31, 2016
Royalties	(472)	(442)
Losses on bad debt	(906)	(1 133)
Other operating expenses	(344)	(581)
Total other operating expenses	**(1 722)**	**(2 156)**

7.3. Personnel expenses

In thousand of €	March 31, 2017	March 31, 2016
Wages and salaries	(112 148)	(111 674)
Social security costs	(31 166)	(33 348)
Pension costs	(402)	(430)
Employee profit sharing	(16 488)	(14 682)
Other employee benefits expenses	(4 872)	(5 090)
Total personnel expenses	**(165 076)**	**(165 224)**

For the year ended on March 31, 2017, social security costs include income of K€ 6 093 (compared to income of K€ 5 688 as of March 31, 2016) corresponding to the CICE (*Crédit d'Impôt Compétitivité Emploi*) in effect in France since January 1, 2013.

7.4. Finance income and costs

In thousand of €	**March 31, 2017**	**March 31, 2016**
Interest expenses	(72 650)	(74 263)
Non-recurring interest expense		(644)
Hedging relationships - Ineffectiveness	956	(956)
Interest costs of employee benefits	(101)	(91)
Foreign exchange losses	(25)	(19)
Other financial expenses	(756)	(579)
Finance costs	**(72 576)**	**(76 552)**
Income on loans and receivables	19	20
Income on short term investment	109	138
Other financial income	15	15
Finance income	**143**	**173**

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

Consistently with IAS39.AG8, the impact on the Consolidated Income Statement of the M€ 50 early redemption of the floating-rate senior secured 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).

8. Investment in an associate

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

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

In thousand of €	March 31, 2017	March 31, 2016
Share of the associate's statement of financial position:		
Non-current assets	2 365	201
Current assets	12 597	13 432
Current liabilities	4 024	3 189
Equity	**10 938**	**10 445**
Share of the associate's revenue and profit:		
Revenue	29 317	29 317
Profits	548	570
Carrying amount of the investment	**10 957**	**10 597**

Variations during the period were the following:

In thousand of €	March 31, 2017	March 31, 2016
Carrying value at opening	**10 597**	**10 215**
Share of profit in an associate	548	570
Distribution of dividends	(188)	(188)
Carrying value as of March 31	**10 957**	**10 597**

9. Income tax expense

In thousand of €	For the twelve months period ended March 31, 2017	For the twelve months period ended March 31, 2016
Current tax	(45 920)	(45 191)
Deferred tax	48 084	2 599
Total income tax expense	**2 163**	**(42 592)**
Income tax recognized in other comprehensive income	(356)	(343)
Total income tax	**1 807**	**(42 935)**

Income tax expense decreased from K€ 42,592 for the year ended March 31, 2016 to a credit of K€ 2,163 for the year ended March 31, 2017 mainly as a result of the decrease of long-term deferred tax liabilities following the reduction in the corporate income tax rate in France, voted in the 2017 Budget Act and which brings the income tax rate to 28.92% starting in 2020. Long-term deferred taxes (essentially related to trademarks) were revalued based on the income tax rate applicable as of 2020. The impact of this revaluation (tax credit of K€ 45,785) was recorded in March 31, 2017. Excluding this impact, income tax expense for the year ended March 31, 2017 would have been K€ 43,622.

A reconciliation between tax expense and accounting profit (based on France's domestic tax rate for the year ended March 31, 2017, France being the country where most of the taxable income is generated) is as follows:

In thousand of €	**For the twelve months period ended March 31, 2017**	**For the twelve months period ended March 31, 2016**
Income before tax	95 482	81 003
At French statutory income tax rate of 34.43%	(32 875)	(27 889)
Effect of non taxable financial income	44	(88)
Effect of non deductible expenses/taxable income:	(6 029)	(9 628)
- Share of profit in associate	*189*	*196*
- Non deductible interests in France	*(7 422)*	*(7 877)*
- Other non taxable income	*2 459*	*2 138*
- Other non deductible expenses	*(1 255)*	*(4 086)*
Unrecognised tax losses	(552)	(857)
Effect of CVAE expense	(4 407)	(4 328)
Amortization of deferred tax related to CVAE	196	198
Change in tax rate	45 785	-
Total income tax expense	**2 163**	**(42 592)**

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

Deferred tax

Deferred tax relates to the following:

In thousand of €	March 31, 2017	March 31, 2016	Variation	*Of which, through P&L*	*Of which through OCI*
Intangible assets - Picard brand	(225 576)	(268 554)	42 978	*42 978*	-
Other intangible assets	(2 574)	(3 064)	490	*490*	-
Property and Equipement	(33 761)	(36 290)	2 529	*2 529*	-
Inventories	(310)	(316)	6	*6*	-
Financial instruments	(3 854)	(4 842)	988	*1 231*	*(243)*
Long term Employee benefits	2 506	2 442	64	*178*	*(114)*
Profit sharing	5 316	5 358	(42)	*(42)*	-
Tax rate changes			-		
Other temporary differences	151	(563)	714	*714*	-
Deferred Tax asset/(liability)	**(258 102)**	**(305 829)**	**47 727**	**48 084**	**(357)**
Reflected in the statement of financial position as follows :					
Deferred tax assets	-	-			
Deferred tax liabilities	(258 102)	(305 829)			
Deferred Tax asset/(liability)	**(258 102)**	**(305 829)**			

10. Other intangible assets

In thousand of €	Software	Brand	Leasehold rights	Other intangible assets	**Total intangible assets**
Cost:					
As at 31 March 2015	**33 042**	**780 000**	**47 484**	**479**	**861 005**
Addition	1 900	-	693	3 589	**6 182**
Disposals	-	-	(534)	(1 878)	**(2 412)**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2016	**34 942**	**780 000**	**47 643**	**2 190**	**864 775**
Addition	5 163	-	463	2 518	**8 144**
Disposals	(549)	-	(245)		**(794)**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2017	**39 556**	**780 000**	**47 861**	**4 708**	**872 125**
Depreciation and impairment:					
As at 31 March 2015	**(21 764)**	**-**	**(527)**	**(20)**	**(22 311)**
Additions	(4 555)	-	-	(5)	**(4 560)**
Disposals	-	-	-	96	**96**
Assets held for sale		-	-	-	**-**
As at 31 March 2016	**(26 319)**	**-**	**(527)**	**71**	**(26 775)**
Additions	(4 226)	-	-	(71)	**(4 297)**
Disposals	303	-	1		**304**
Assets held for sale		-	-	-	**-**
As at 31 March 2017	**(30 242)**	**-**	**(526)**	**-**	**(30 768)**
Net book value:					
As at 31 March 2015	**11 278**	**780 000**	**46 957**	**459**	**838 694**
As at 31 March 2016	**8 623**	**780 000**	**47 116**	**2 261**	**838 000**
As at 31 March 2017	**9 314**	**780 000**	**47 335**	**4 708**	**841 357**

11. Property, plant and equipment

In thousand of €	Land	Buildings	Technical fittings Machinery and equipment	Other tangible assets	**Total tangible assets**
Cost:					
As at 31 March 2015	**38 346**	**44 404**	**184 183**	**204 396**	**471 329**
Additions		500	18 152	41 040	**59 692**
Disposals	(16)	(482)	(8 145)	(34 529)	**(43 172)**
Assets held for sale					**-**
As at 31 March 2016	**38 330**	**44 422**	**194 190**	**210 907**	**487 849**
Additions		386	17 314	13 051	**30 751**
Disposals	(12)	(783)	(8 328)	(4 079)	**(13 202)**
Assets held for sale					**-**
As at 31 March 2017	**38 318**	**44 025**	**203 176**	**219 879**	**505 398**
Depreciation and impairment:					
As at 31 March 2015	**-**	**(19 650)**	**(108 096)**	**(119 226)**	**(246 972)**
Additions	-	(1 197)	(14 792)	(11 000)	**(26 989)**
Disposals	-	315	7 309	3 040	**10 664**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2016	**-**	**(20 532)**	**(115 579)**	**(127 186)**	**(263 297)**
Additions	-	(1 284)	(14 446)	(13 454)	**(29 184)**
Disposals	-	734	7 759	3 237	**11 730**
Assets held for sale	-	-	-	-	**-**
As at 31 March 2017	**-**	**(21 082)**	**(122 266)**	**(137 403)**	**(280 751)**
Net book value:					
As at 31 March 2015	**38 346**	**24 754**	**76 087**	**85 170**	**224 357**
As at 31 March 2016	**38 330**	**23 890**	**78 611**	**83 721**	**224 552**
As at 31 March 2017	**38 318**	**22 943**	**80 910**	**82 476**	**224 647**

12. Financial assets and financial liabilities

12.1. Other financial assets

In thousand of €	**As at March 31, 2017**	**As at March 31, 2016**
Deposits and guarantees	11 722	12 019
Related party loans*	254	235
Other	1 200	1 579
Other financial assets	**13 176**	**13 833**
Of which non-current	*12 797*	*13 454*
Of which current	*379*	*379*

12.2. Interest-bearing loans and borrowings

In thousand of €	Coupon interest rate	Maturity	As at March 31, 2017	As at March 31, 2016
Current				
Obligations under finance leases			234	261
Current portion of interest bearing loans and borrowings			10 814	61 581
Bank overdrafts		On demand	-	3
Total current interest bearing loans and borrowings			**11 048**	**61 845**
Non current				
Obligations under finance leases			672	906
Senior secured notes (772M€)	Euribor 3M + margin 4.25%	2019	764 701	761 806
Senior notes 2020 (428M€)	7,75%	2020	423 623	422 305
Total non-current interest bearing loans and borrowings			**1 188 996**	**1 185 017**
Total interest bearing loans and borrowings			**1 200 044**	**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 floating rate senior secured notes are payable after 6 years on August 1, 2019, and interest is paid quarterly based on a variable interest rate fixed in reference to a market rate (3-month Euribor) increased by a margin of 4.25%. The floating rate senior secured notes are refundable “in fine”.

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

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

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

As of March 31, 2017, the Revolving Credit Facility was not drawn.

An early redemption of the floating rate senior secured notes for an amount of M€50 was notified to the bondholders before fiscal year end closing and made on May 3, 2016. Such amount has been reclassified as current at March 31, 2016.

Financial instruments contracts ended over the year, which terminated the accounting hedge relationship. The financial impact of this termination was booked in net income.

12.3. Hedging activities and derivatives

Cash Flow Hedges

As at March 31, 2017, the Group no longer has an interest rate swap.

12.4. Fair values

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

In thousands of €	Carrying amount As at March 31, 2017	Fair value As at March 31, 2017	Carrying amount As at March 31, 2016	Fair value As at March 31, 2016
Financial assets				
Trade and other receivables	45 124	45 124	42 198	42 198
Other financial assets	13 176	13 176	13 833	13 833
Cash and cash equivalents	115 045	115 045	122 594	122 594
Total	**173 345**	**173 345**	**178 626**	**178 626**
Financial liabilities				
Fixed rate borrowings	(423 623)	(447 000)	(422 305)	(457 960)
Obligations under finance leases	(906)	(906)	(1 167)	(1 167)
Floating rate borrowings	(764 701)	(780 100)	(811 806)	(822 000)
Interest rate swap	-	-	(1 660)	(1 660)
Trade and other payables	(234 672)	(234 672)	(230 334)	(230 334)
Bank overdraft	-	-	(3)	(3)
Total	**(1 423 903)**	**(1 462 679)**	**(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:

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

- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at March 31, 2017, the carrying amounts of such receivables, net of allowances, approximate their fair values.

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

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

As of March 31, 2017, goodwill and the brand recognized through business combinations have been fully allocated to the group of CGU composed of stores in France. Leasehold rights are followed and tested for impairment at the store level (CGU). As of March 31, 2017, net booked value of goodwill and other intangible with indefinite useful lives is the following:

In thousand of €	**As at March 31, 2017**	**As at March 31, 2016**
Goodwill gross value	815 170	815 170
Brand gross value	780 000	780 000
Leasehold rights gross value	47 802	47 643
Impairment of leasehold rights	(526)	(527)
Total	**1 642 446**	**1 642 286**

Goodwill and brand

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

Key assumptions used in the determination of the value in use

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

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

The discount rate applied to cash flow projections is 7.25% (compared to 7.5% the prior year) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate (compared to 1.9% the prior year). As a result of this analysis, no impairment has been recognized by the Group.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of goodwill and the brand, the Group estimates that an increase in the discount rate by 50 basis points or a decrease by 50 basis points in the growth rate would not cause the carrying value of the above cash-generating units to materially exceed its recoverable amount.

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

Leasehold rights

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

No additional impairment charges have been accounted for during the year ended March 31, 2017.

14. Inventory

In thousand of €	As at March 31, 2017	As at March 31, 2016
Packaging	767	744
Non packaged finished goods	10 102	8 199
Packaged finished goods	78 818	72 827
Depreciation	(1 600)	(1 935)
Inventory	**88 087**	**79 835**

15. Trade and other receivables

In thousand of €	As at March 31, 2017	As at March 31, 2016
Trade receivables	5 389	4 543
Prepaid expenses	21 210	20 866
VAT receivables and other sales taxes	14 413	11 756
Other receivables	4 112	5 033
Trade and other receivables	**45 124**	**42 198**

16. Cash and cash equivalents

In thousand of €	As at March 31, 2017	As at March 31, 2016
Cash at banks and on hand	56 186	72 531
Securities	58 859	50 063
Cash and cash equivalents	**115 045**	**122 594**

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Cash and cash equivalents	115 045	122 594
Bank overdrafts	-	(3)
Net cash position	**115 045**	**122 591**

17. Issued capital

In thousand of €	Number of shares	Share Capital	Share Premium
As at March 31, 2015	**2 641 726**	**2 642**	**252 023**
As at March 31, 2016	**2 641 726**	**2 642**	**266 476**
As at March 31, 2017	**2 641 726**	**2 642**	**266 185**

The share capital is fully paid-up.

Capital Management

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

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

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

Mandatory redeemable preferred shares (MRPS)

In thousand of €	Number of shares	Share Capital	Share Premium	Total MRPS
As at March 31, 2015	**371**	**0,4**	**14 173**	**14 173**
As at March 31, 2016	-	-	-	-
As at March 31, 2017	-	-	-	-

The MRPS gave right to two kinds of preferred dividends as follows:

(a) a preferential and cumulative dividend at the annual rate of 1% of the nominal value of said MRPS, which shall accrue daily and be calculated assuming a 360-day year (the"First Preferred Dividend");

(b) a second preferential and cumulative dividend (the "Second Preferred Dividend") equal to any income received and/or accrued by the Company (net of any withholding taxes suffered) in relation to the preferred equity certificates issued to the Company by its subsidiary Lion/Polaris Lux 3 S.A. (the"PECs"), during the relevant financial year of the Company, less:

(i) all costs and expenses of the Company - except tax charges - booked during the relevant financial year according to Luxembourg GAAP, to the extent that they relate to the PECs; and

(ii) the First Preferred Dividend as computed for the relevant financial year.

On February 20, 2015, the MRPS were reimbursed for a nominal amount of M€ 367.6 along with a premium of M€ 245. On May 29, 2015, the Company redeemed and cancelled the remaining 371 MRPS for a total aggregate price of M€14.5. The sole shareholder of Bondco SA consequently approved a capital contribution without the issuance of new shares in an amount corresponding to the redemption price of the MRPS.

18. Dividends paid

The Group did not pay any dividends during the period ended March 31, 2017.

19. Earnings per share

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

In thousand of €	As at March 31, 2017	March 31, 2016
Net income attributed to Company shareholders (in thousands of euros)	**97 934**	**38 630**
Weighted average number of common shares outstanding (in thousands)...........	2 642	2 642
Weighted average number of issued common shares and non dilutive potential shares (in thousands)...	**2 642**	**2 642**
Basic earnings per share (in euros)...	**37,07**	**14,62**
Net income attributed to Company shareholders (in thousands of euros)	**97 934**	**38 630**
Weighted average number of issued common shares and non dilutive potential shares (in thousands)...	2 642	2 642
Weighted average number of common shares used for the claculation of fully diluted earnings per share (in thousands)..	**2 642**	**2 642**
Fully diluted earnings per share (in euros)..	**37,07**	**14,62**

20. Provisions and contingent liabilities

In thousand of €	Risks related to the operations	Disputes and litigations	Total
Provision as at March 31, 2015	**370**	**2 905**	**3 274**
Allowances	152	1 159	1 311
Reversal	(137)	(1 048)	(1 185)
Provision as at March 31, 2016	**385**	**3 016**	**3 400**
Allowances	45	1 110	1 155
Reversal	(220)	(1 098)	(1 318)
Provision as at March 31, 2017	**210**	**3 028**	**3 237**

21. Employee benefits

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

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

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Current service cost	535	500
Interest cost	101	91
Benefit paid	(133)	(70)
Effects of settlements/curtailments	-	-
Net benefit expense	**503**	**520**
recognized in operating income	402	430
recognized in financial income	101	91

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Benefit obligation	7 301	6 765
Fair value of plan assets	-	-
Funded status	**7 301**	**6 765**
Unrecognized prior service cost	-	-
Benefit liability	**7 301**	**6 765**

The Group's liability for defined benefit plans is K€ 7 301 as of March 31, 2017.

Changes in employee benefit obligation are as follows:

In thousand of €	As at March 31, 2017	As at March 31, 2016
Benefit obligation at April 1	6 765	6 464
Current service cost	535	500
Interest cost	101	91
Effects of settlements/curtailments	-	-
Actuarial (gains) and losses	33	39
Benefits paid	(133)	(70)
Change in scope of consolidation		(259)
Benefit obligation at March 31	**7 301**	**6 765**
of which classified in continued operations	*7 301*	*6 765*
of which classified in liabilities held for sale	-	-

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Balance at April 1	1 555	1 515
Net actuarial (gains)/(losses) during the period	33	39
Balance at March 31	**1 588**	**1 555**

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Benefit obligation at April 1	7 301	6 765
Experience adjustments generated on the benefit obligation		
In amount	(416)	(149)
In percentage of the benefit obligation	-6%	-2%

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

In thousand of €	As at March 31, 2017	As at March 31, 2016
Discount rate	1,31%	1,39%
Average expected rate of salary increase	1,40%	1,30%
Withdrawal rates	[0% - 31.9%]	[0% - 31.9%]

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

For the French retirement indemnities plan, a decrease of 0.25% of the discount rate would increase the defined benefit obligation by approximately K€ 347. An increase of 0.25% of the discount rate would decrease the defined benefit obligation by approximately K€ 327.

22. Trade and other payables

In thousand of €	As at March 31, 2017	As at March 31, 2016
Trade payables	169 658	172 071
Payables to suppliers of fixed assets	9 477	6 248
Social liabilities	51 725	47 732
Tax payables	3 787	3 831
Other payables	25	452
Trade and other payables	**234 672**	**230 334**

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

23. Assets and liabilities held for sale

No assets and liabilities held for sale as at March 31, 2017.

24. Related party disclosures

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

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

In thousands of €		Dividends from related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Associate: Primex International SA	**As at March 31, 2016**	188	42 896	0	4 450
Associate: Primex International SA	**As at March 31, 2017**	188	43 842	0	4 902

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

The following loans have been entered with related parties:

In thousands of €	As at March 31, 2017	As at March 31, 2016
Lion Polaris Lux Topco	235	217
Interests accrued	19	18
Total	**254**	**235**

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

In thousands of €	As at March 31, 2017	As at March 31, 2016
Total compensation paid to key management personnel	1 535	2 402

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

25. Commitments and contingencies

Operating lease commitments – Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at March 31, 2017 are as follows:

In thousand of €	Total	Less than one year	Between 1 and 5 years	More than 5 years
Operating leases	124 465	52 309	62 662	9 494

In thousand of €	March 31, 2017	March 31, 2016
Property rental	53 755	53 836

Mortgages and pledges

The following security interests have been granted to secure the 7.75% bonds issued by the Company for M€ 428 and floating rate senior secured notes issued by Picard Groupe S.A.S. for M€ 772, as well as the M€ 30 revolving credit facility:

· Pledges over all the shares of Lion/Polaris 3 Lux S.A., Lion/Polaris 4 Lux S.A., Lion Polaris II S.A.S. and Picard Groupe S.A.S;

· Pledges over the Lion/Polaris 3 Lux S.A. preferred equity certificates ("PECs") and the Lion/Polaris 4 Lux S.A. PECs;

· Pledges over the receivables under an intercompany loan between Lion/Polaris 4 Lux S.A. and Lion/Polaris II S.A.S. and an intercompany loan between Lion/Polaris II S.A.S. and Picard Groupe S.A.S.; and

· Pledges over bank accounts of Lion/Polaris 3 Lux S.A., Lion/Polaris 4 Lux S.A. and Lion Polaris II S.A.S.

In addition, certain intellectual property rights of Picard Surgelés S.A.S., the shares of Picard Surgelés S.A.S. and Picard International S.A.S., the bank accounts of Picard Groupe S.A.S. and the receivables under an intercompany loan between Picard Groupe S.A.S. and Picard Surgelés S.A.S. have also been pledged to secure the M€ 30 revolving credit facility and the floating rate senior secured notes issued by Picard Groupe S.A.S. for M€ 772.

Partnership

The Picard Surgelés SAS subsidiary enters into framework agreements with some of its suppliers with a commitment on an annual volume of purchase. Suppliers may produce and store products dedicated to Picard Surgelés S.A.S..

Nevertheless, the transfer of ownership of these products occurs only at delivery of goods in Picard Surgelés S.A.S. or subcontractors warehouses.

26. Events after the reporting period

No significant event after March 31, 2017.

27. Employees

Number of employees	**As at March 31, 2017**	**As at March 31, 2016**
Employees "Cadres"	225	209
Employees "Agents de maîtrise"	1 162	1 126
Other employees	3 692	3 471
Total employees	**5 079**	**4 806**

28. Consolidated entities

Name	Country of incorporation	Consolidation method	As of March 31, 2017 % of interest	As of March 31, 2017 % of control	As of March 31, 2016 % of interest	As of March 31, 2016 % of control
Picard Bondco S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Lion/Polaris Lux 3 S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Lion/Polaris Lux 4 S.A.	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Picard Luxembourg	Luxembourg	Full	100.00%	100.00%	100.00%	100.00%
Picard Groupe SAS	France	Full	100.00%	100.00%	100.00%	100.00%
Lion Polaris II	France	Full	100.00%	100.00%	100.00%	100.00%
Picard International SAS	France	Full	100.00%	100.00%	100.00%	100.00%
Picard Sweden	Sweden	Full	75.00%	75.00%	75.00%	75.00%
Picard België	Belgium	Full	100.00%	100.00%	100.00%	100.00%
Primex International SA	France	Equity method	37.21%	37.21%	37.21%	37.21%

29. Statutory Auditor's fees

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

In thousands of euros	As at March 31, 2017	As at March 31, 2016
PricewaterhouseCoopers	545	568
MBV	28	20
KPMG	37	48
Total fees	**610**	**636**