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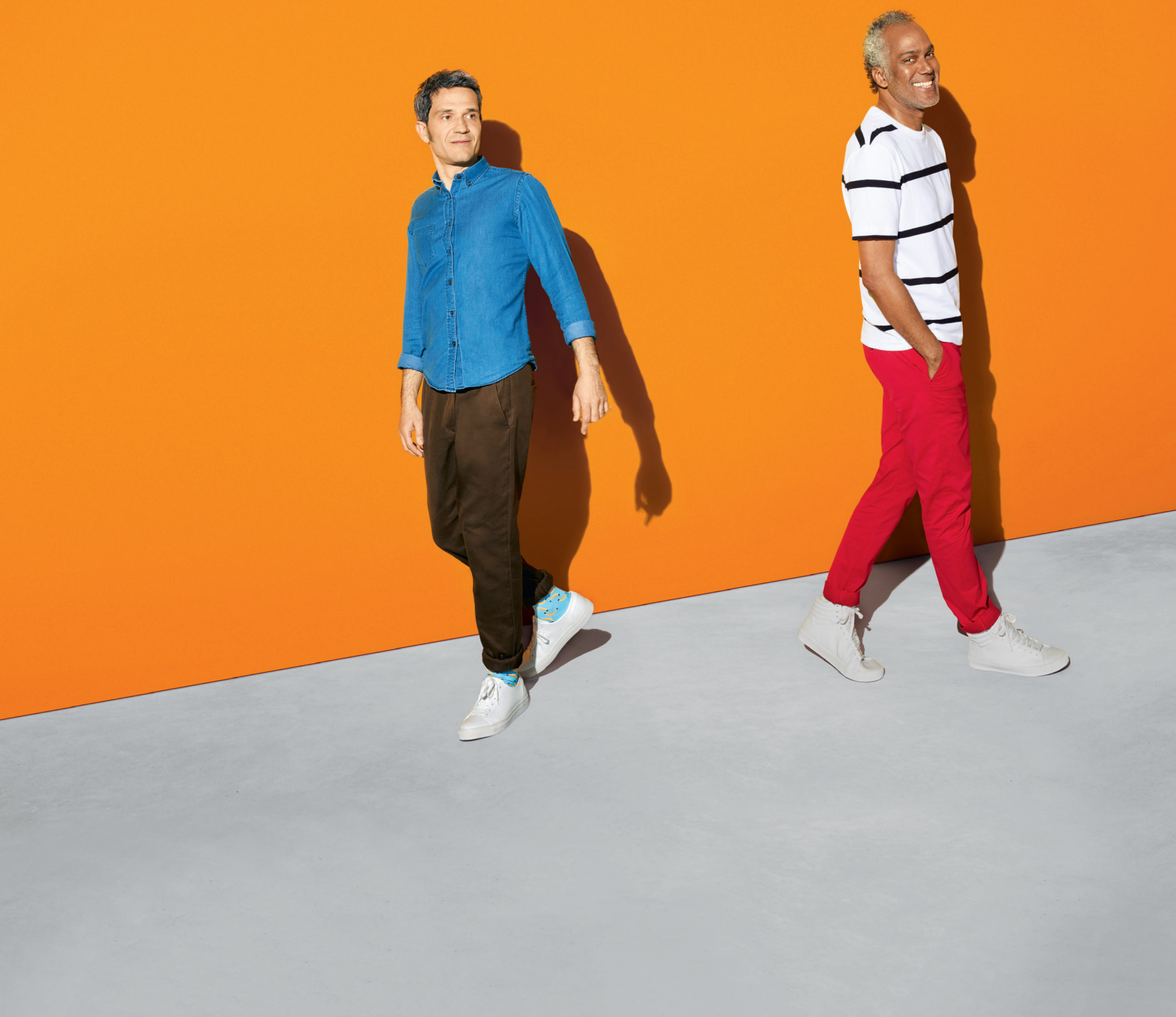
For you
For everyone

HALF YEAR FINANCIAL REPORT

2017



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MANAGEMENT REPORT OF THE BOARD OF DIRECTORS FOR THE 6 MONTH PERIOD ENDED JUNE 30, 2017

1.1. Key Figures[1]

(in millions euros)			Q2 2017 vs. Q2 2016					H1 2017 vs. H1 2016		
	Q2 2016	**Q2 2017**	As reported	Constant currency basis	Comparative basis	H1 2016	**H1 2017**	As reported	Constant currency basis	Comparative basis
Group										
Net Sales	**562.2**	**593.7**	**+5.6%**	**+3.6%**	**+3.9%**	**1,031.5**	**1,062.9**	**+3.0%**	**+0.1%**	**+0.3%**
Gross Profit	292.2	304.5				529.0	550.2			
Income From Operations	127.9	120.6	-5.7%			209.3	194.9	-6.9%		
IFO margin	*22.7%*	*20.3%*				*20.3%*	*18.3%*			
Normalized Income From Operations	132.1	138.2	+4.6%			213.6	219.4	+2.7%		
Normalized IFO margin	*23.5%*	*23.3%*				*20.7%*	*20.6%*			
Normalized IFO margin excluding the special employee bonus	***23.5%***	***23.3%***				***21.6%***	***20.6%***			
Net Income Group Share	89.1	79.9	-10.3%			140.1	129.6	-7.5%		
Earnings Per Share Group Share *(in euros)*	**1.89**	**1.71**	**-9.5%**			**2.98**	**2.78**	**-6.7%**		
Stationery										
Net Sales	**241.1**	**264.7**	**+9.8%**	**+8.3%**	**+9.1%**	**408.2**	**428.1**	**+4.9%**	**+2.8%**	**+3.3%**
IFO	41.6	36.2				50.2	36.6			
IFO margin	*17.3%*	*13.7%*				*12.3%*	*8.6%*			
Normalized IFO margin	*18.0%*	*16.0%*				*12.7%*	*11.3%*			
Normalized IFO margin excluding the special employee bonus	***18.0%***	***16.0%***				***13.6%***	***11.3%***			
Lighters										
Net Sales	**177.2**	**185.5**	**+4.7%**	**+2.0%**	**+2.0%**	**340.8**	**356.9**	**+4.7%**	**+0.8%**	**+0.8%**
IFO	70.6	77.3				132.7	141.2			
IFO margin	*39.8%*	*41.7%*				*38.9%*	*39.6%*			
Normalized IFO margin	*40.5%*	*41.7%*				*39.3%*	*39.6%*			
Normalized IFO margin excluding the special employee bonus	***40.5%***	***41.7%***				***40.0%***	***39.6%***			
Shavers										
Net Sales	**120.1**	**122.0**	**+1.6%**	**-0.9%**	**-0.9%**	**237.9**	**236.4**	**-0.6%**	**-4.3%**	**-4.3%**
IFO	15.4	17.2				28.0	31.5			
IFO margin	*12.8%*	*14.1%*				*11.8%*	*13.3%*			
Normalized IFO margin	*13.8%*	*14.1%*				*12.3%*	*13.4%*			
Normalized IFO margin excluding the special employee bonus	***13.8%***	***14.1%***				***13.3%***	***13.4%***			
Other products										
Net Sales	**23.8**	**21.4**	**-10.2%**	**-10.7%**	**-10.0%**	**44.6**	**41.5**	**-6.9%**	**-7.7%**	**-7.3%**
IFO	0.3	-10.1				-1.6	-14.4			
Normalized IFO	0.4	1.3				-1.5	-1.8			
Normalized IFO excluding the special employee bonus	0.4	1.3				-1.3	-1.8			

(1) *Second quarter and First Half 2016 and 2017 results are accounted for and presented in accordance with IFRS 5; BIC Graphic is no longer considered as a separate category or reporting segment. BIC Graphic Europe reports to European BIC Consumer Product management. In Developing Markets, BIC Graphic operations report to their respective country's Consumer Product management. On June 30, 2017, BIC Graphic North America and Asian Sourcing operations were sold to H.I.G. Capital.*

1.2. H1 2017 Highlights

NET SALES

- **Stationery:** 428.1 million euros (+3.3% on a comparative basis)
- **Lighters:** 356.9 million euros (+0.8% on a constant currency basis)
- **Shavers:** 236.4 million euros (-4.3% on a constant currency basis)

RESULTS

- **Normalized Income From Operations (IFO):** 219.4 million euros (+2.7% as reported)
  - **Normalized IFO margin:** 20.6% compared to 21.6% in H1 2016 (excluding the special employee bonus)
- **Reported Income From Operations (IFO):** 194.9 million euros (-6.9% as reported)
- **Earnings Per Share Group share:** 2.78 euros (-6.7% as reported)
- **Normalized Earnings Per Share Group share:** 3.23 euros (+6.3% as reported)
- **Net cash position as of June 30, 2017:** 87.2 million euros

1.3. H1 2017 Group operational trends

NET SALES

H1 2017 Net Sales totaled 1,062.9 million euros, up 3.0% as reported and up 0.3% on a comparative basis. The favorable impact of currency fluctuations (+2.9%) was mainly due to the appreciation of the U.S. dollar and Brazilian real against the euro.

Europe and Developing markets grew by 3.7% and 2.3%, respectively, while North America declined by 3.7% on a comparative basis.

INCOME FROM OPERATIONS AND NORMALIZED INCOME FROM OPERATIONS

H1 2017 Gross Profit Margin was 51.8%, compared to 51.3% in H1 2016.

H1 2017 Normalized IFO was 219.4 million euros.

KEY COMPONENTS OF THE CHANGE IN NORMALIZED IFO MARGIN

(in points)	H1 2016 vs. H1 2015[a]	**Q1 2017 vs. Q1 2016**	Q2 2017 vs. Q2 2016	**H1 2017 vs. H1 2016**
• Change in cost of production[b]	-0.1	+0.8	-0.3	+0.3
• Total Brand Support[c]	-0.8	-0.8	+0.5	-0.1
• *Of which, promotions and investments related to consumer and business development support accounted for in Gross Profit Margin*	*-0.1*	*-0.1*	*-0.4*	*-0.3*
• *Of which, advertising, consumer and trade support*	*-0.7*	*-0.7*	*+0.9*	*+0.2*
• OPEX and other expenses	-0.8	-1.9	-0.4	-1.2
Total change in Normalized IFO margin excluding the special employee bonus	**-1.7**	**-1.9**	**-0.2**	**-1.0**
Special employee bonus	**-1.1**	**+1.9**	**-**	**+0.9**
• *Of which impact on Gross Profit*	*-0.7*	*+1.2*	*-*	*+0.5*
• *Of which impact on OPEX*	*-0.4*	*+0.7*	*-*	*+0.4*
Total change in Normalized IFO margin	**-2.8**	**0.0**	**-0.2**	**-0.1**

(a) Non-restated from IFRS 5.

(b) Gross Profit margin excluding promotions and investments related to consumer and business development support.

(c) Total Brand support: consumer and business development support + advertising, consumer and trade support.

NON-RECURRING ITEMS

(in million euros)	Q1		Q2		H1	
	2016	**2017**	2016	**2017**	2016	**2017**
Income From Operations	**81.4**	**74.3**	**127.9**	**120.6**	**209.3**	**194.9**
As % of Net Sales	**17.3%**	**15.8%**	**22.7%**	**20.3%**	**20.3%**	**18.3%**
Restructuring costs (related primarily to BIC Graphic Europe and Developing Markets operations in 2017)	-	7.0	4.2	**17.6**	4.2	**24.5**
Normalized IFO	**81.4**	**81.3**	**132.1**	**138.2**	**213.6**	**219.4**
As % of Net Sales	**17.3%**	**17.3%**	**23.5%**	**23.3%**	**20.7%**	**20.6%**
Special employee bonus	8.8	-	-	**-**	8.8	**-**
Normalized IFO excluding the special employee bonus	**90.2**	**81.3**	**132.1**	**138.2**	**222.3**	**219.4**
As % of Net Sales	**19.2 %**	**17.3%**	**23.5%**	**23.3%**	**21.6%**	**20.6%**

NET INCOME AND EPS

Income before tax fell back to 194.9 million euros, from 208.5 million euros in H1 2016. Net finance revenue was nil, compared to a negative 0.8 million euros in H1 2016. H1 2016 was negatively impacted by fair value adjustments to financial assets denominated in USD when compared to December 2015.

Net income Group Share was 129.6 million euros, a 7.5% drop as reported. The effective tax rate was 30.0% excluding the impact of the sale of BIC Graphic North America and Asian Sourcing.

- **Net Income From Continuing Operations** was 136.3 million euros;
- **Net Income From Discontinued Operations** was a negative 6.7 million euros and included the net loss related to the sale of BIC Graphic North America and Asian Sourcing.

EPS Group share was 2.78 euros, compared to 2.98 euros in H1 2016, i.e. down by 6.7%.

Normalized EPS Group share increased 6.3% to 3.23 euros, compared to 3.04 euros in H1 2016.

EPS Group Share in Q2 2017 was 1.71 euros compared to 1.89 euros in Q2 2016, down by 9.5%.

NET CASH POSITION

At the end of June 2017, the Group's net cash position stood at 87.2 million euros.

CHANGE IN NET CASH POSITION

(in million euros)	2016	2017
Net Cash position (beginning of period - December)	**448.0**	**222.2**
• Net cash from operating activities	+61.6	+77.0
• *Of which operating cash flow*	*+196.1*	*+198.1*
• *Of which change in working capital and others*	*-134.5*	*-121.1*
• CAPEX	-74.4	-74.7
• Dividend payment	-277.0	-161.0
• Share buyback program	-60.7	-18.0
• Net cash from the exercise of stock options and the liquidity contract	+0.8	+0.6
• Proceeds from sale of BIC Graphic North America and Asian Sourcing[a]	-	+55.7
• Others	-0.1	-14.6
Net Cash position (end of period - June)	**98.2**	**87.2**

(a) Excluding 8.8 million euros of subordinated loan.

Net cash from operating activities was +77.0 million euros, including +198.1 million euros in operating cash flow. The negative change in working capital and other items of 121.1 million euros was mainly related to the seasonality of trade receivables. Net cash was also impacted by investments in CAPEX as well as the dividend payments and share buybacks. Net cash was positively impacted by the proceeds from the sale of BIC Graphic North America and Sourcing Asia.

SHAREHOLDERS' REMUNERATION

- Ordinary dividend of 3.45 euros per share paid in May 2017.
- 18.0 million euros in share buy-backs at the end of June 2017 (160,577 shares purchased at an average price of 111.98 euros).

1.4. H1 2017 operational trends by category

Stationery

Stationery H1 2017 Net Sales increased by 4.9% as reported and by 3.3% on a comparative basis. Second quarter 2017 Net Sales were up 9.8% as reported and up 9.1% on a comparative basis.

Developed markets

- In **Europe**, Net Sales grew mid-single digit thanks to a good Back-to-School sell-in in both Western and Eastern Europe. We recorded strong initial sell-in for our new products, most notably the BIC® Gelocity Illusion erasable gel pen, the BIC® Intensity Writing Felt pen and the BIC® 4-color 3+1 pen.
- In **North America**, Net Sales grew low-single digit. In a slightly declining market (YTD June 2017), we reinforced our leadership in Ball Pens, Mechanical Pencils and Correction products. We also benefited from the success of new products: BIC® Gelocity Quick Dry and BIC® Velocity Max Mechanical Pencil.

Developing Markets

H1 2017 Net Sales grew low-single-digit with a strong second quarter.

- In **Latin America**, we grew low-single digit. In Brazil, we continued to gain market share thanks to both core and new products (BIC® Cristal Fashion and BIC® Cristal Up) as well as distribution gains. Mexico registered positive growth on the back of a successful back-to-school sell-in across the entire range driven by our core products, including BIC® Cristal and the BIC® Evolution® coloring range.
- In the **Middle-East and Africa**, sales increased double-digit with growth across all regions. South Africa back-to-school was solid, with significant market share gains. In North-West Africa, our Proximity strategy helped us to gain distribution with a broader range of products.
- **Cello Pens** Domestic Sales grew mid-single digit, thanks to our Champion brands strategy with successful new product launches in the ButterflowTM and GelTech ranges. We also benefited from targeted brand support investments.

H1 2017 Normalized IFO margin for Stationery was 11.3%, compared to 12.7% in H1 2016 (13.6% excluding the impact of the special employee bonus). This decline is mainly due to the reinforcement of our brand support investment plan, particularly in developing markets, and the increase in OPEX. **Q2 2017 Normalized IFO margin was 16.0%**, compared to 18.0% in Q2 2016, due to higher operating expenses.

Lighters

H1 2017 Net Sales of Lighters increased by 4.7% as reported and by 0.8% on a constant currency basis. Second quarter 2017 Net Sales were up 4.7% as reported and up 2.0% on a constant currency basis.

Developed Markets

Europe delivered mid-single-digit growth in Net Sales, driven by good performance in both Western and Eastern Europe. **North American** Net Sales were stable. We gained market share in the U.S..

Developing Markets

In H1 2017, Net Sales declined at a low single-digit rate, with a good performance in **Mexico, in the Middle-East and in Africa**.

H1 2017 Normalized IFO margin for Lighters was 39.6%, compared to 39.3% in H1 2016 (40.0% excluding the impact of the special employee bonus), due to lower Gross Profit. The increase in operating expenses was more than offset by lower Brand Support investment. **Q2 2017 Normalized IFO margin was 41.7%**, compared to 40.5% in Q2 2016, due to lower Brand Support investment compared to Q2 2016.

Shavers

H1 2017 Net Sales of Shaver's decreased by 0.6% as reported, and by 4.3% on a constant currency basis. Second quarter 2017 Net Sales grew by 1.6% as reported but decreased by 0.9% on a constant currency basis.

Developed Markets

- In **Europe**, Net Sales increased mid-single-digit, with high-single digit performance in Q2 2017. The solid growth in Eastern Europe was driven by the success of both core and value-added products such as the BIC® 3, the BIC® Flex 3 Hybrid and the BIC® Miss Soleil® shavers.
- In **North America**, Net Sales declined double-digit, with an improved trend in the second quarter compared to the first quarter. At the end of June 2017, the total U.S. wet shave market[(1)] declined by 9.5% (-4.5% for the one-piece segment). Continued disruption in the refillable segment has led to increased competitive activity and unprecedented levels of pricing and promotional pressure in the one-piece segment, in addition to increased activity from Private labels. BIC's market share in the one-piece segment was 26.9% at end-June, representing a 2.1-point drop on our 29.0% record market share achieved in H1 2016. Focusing on our value/performance positioning, we continued to gain market share in the 5-blade men's one-piece segment, thanks notably to the launch of the BIC® Hybrid 5 shaver: we achieved a market share of 34.8%[1], in H1 2017, up 6.4 points on H1 2016.

Developing Markets

In H1 2017 the increase in Net Sales grew mid-single-digit.

- In **Latin America**, we recorded high-single digit growth in Net Sales with all product ranges contributing, especially the BIC® Flex 3 shaver and the BIC® Soleil® range.
- In the **Middle-East and Africa**, Net Sales were stable thanks to a strong Q2 (orders shifted from Q1 to Q2).

H1 2017 Normalized IFO margin for Shaver's was 13.4% compared to 12.3% in H1 2016 (13.3% excluding the impact of the special employee bonus). The margin change mainly reflected the decline in North American Net Sales and higher operating expenses (including continued investments in R&D), which were offset by lower cost of production and Brand Support compared to H1 2016. **Q2 2017 Normalized IFO margin was 14.1%**, compared to 13.8% in Q2 2016 as a result of the same impacts as those described previously.

Other Products

H1 2017 Net Sales of Other Products decreased by 6.9% as reported and by -7.3% on a comparative basis.

BIC Sport posted a mid-single-digit decrease in its Net Sales on a comparative basis.

H1 2017 Normalized IFO for Other Products was a negative 1.8 million euros, compared to a negative 1.5 million euros in H1 2016. **Q2 2017 Normalized IFO for Other Products was a positive 1.3 million euros**, compared with a positive 0.4 million euros in Q2 2016.

1.5. BIC Group Net Sales by geography

(in million euros)	Q2 2017 vs. Q2 2016				H1 2017 vs. H1 2016			
	Q2 2016	Q2 2017	As reported	Comparative basis	H1 2016	H1 2017	As reported	Comparative basis
Group								
Net Sales	562.2	593.7	+5.6%	+3.9%	1,031.5	1,062.9	+3.0%	+0.3%
Europe								
Net Sales	170.0	177.5	+4.4%	+4.8%	296.5	307.1	+3.5%	+3.7%
North America								
Net Sales	236.4	242.1	+2.4%	+0.7%	424.4	419.7	-1.1%	-3.7%
Developing Markets								
Net Sales	155.8	174.0	+11.7%	+7.9%	310.6	336.1	+8.2%	+2.3%

(1) Source: IRI total market YTD ending 02-JULY-2017 – in value terms.

1.6. Impact of change in perimeter and currency fluctuations on net sales

(in %)	Q2 2016	Q2 2017	H1 2016	H1 2017
Perimeter	-	-0.3	-	-0.2
Currencies	-5.3%	+2.0%	-5.5%	+2.9%
Of which USD	-1.0%	+0.8%	-0.1%	+1.1%
Of which BRL	-1.0%	+0.8%	-1.7%	+1.4%
Of which ARS	-0.6%	-0.1%	-1.1%	-0.1%
Of which INR	-0.2%	+0.2%	-0.2%	+0.2%
Of which MXN	-1.1%	+0.0%	-1.0%	-0.2%
Of which RUB and UAH	-0.3%	+0.2%	-0.3%	+0.2%

1.7. IFO and Normalized IFO by category

(in million euros)	Q2 2016	Q2 2017	H1 2016	H1 2017
Group				
Income From Operations	127.9	120.6	209.3	194.9
Normalized Income From operations	132.1	138.2	213.6	219.4
Stationery				
Income From Operations	41.6	36.2	50.2	36.6
Normalized Income From operations	43.4	42.3	52.0	48.2
Lighters				
Income From Operations	70.6	77.3	132.7	141.2
Normalized Income From operations	71.7	77.3	133.9	141.4
Shavers				
Income From Operations	15.4	17.2	28.0	31.5
Normalized Income From operations	16.6	17.2	29.2	31.7
Other Products				
Income From Operations	0.3	-10.1	-1.6	-14.4
Normalized Income From operations	0.4	1.3	-1.5	-1.8

1.8. Reconciliation with alternative performance measures

NORMALIZED IFO RECONCILIATION

(in million euros)	FY 2016	H1 2017
Income From Operations	**403.4**	**194.9**
Restructuring costs (related primarily to BIC Graphic Europe and Developing Markets operations in 2017)	*+6.6*	*+24.5*
Retiree Medical Adjustment in the U.S.	*-0.9*	*-*
Normalized IFO	**409.1**	**219.4**
Special employee bonus	*8.8*	*-*
Normalized IFO excluding the special employee bonus	**417.9**	**219.4**

NORMALIZED EPS RECONCILIATION

(in euros)	FY 2016	H1 2017
EPS	**5.32**	**2.78**
Impairment recognized for BIC Graphic North America and Asian sourcing	+0.78	-
Net loss from divestiture of BIC Graphic North America and Asian Sourcing	-	+0.09
Restructuring costs (related primarily to BIC Graphic Europe and Developing Markets operations in 2017)	+0.15	+0.36
Retiree Medical Adjustment in the U.S.	-0.01	-
Normalized EPS	**6.24**	**3.23**

NET CASH RECONCILIATION

(in million euros – rounded figures)	December 31,2016	June 30,2017
Cash and cash equivalents (1)	243.8	291.2
Other current financial assets (2)[(a)]	29.4	4.7
Current borrowings (3)	-49.6	-208.5
Non-current borrowings (4)	-1.4	-0.2
NET CASH POSITION (1) + (2) + (3) + (4)	**222.2**	**87.2**

(a) In the balance sheet, the line "Other current financial assets and derivative instruments" also includes 7.9 million euros and 1.7 million euros worth of derivative instruments, respectively at June 30, 217 and at December 31, 2016.

1.9. Share repurchase program – cancelled shares

SOCIÉTÉ BIC obtained at the Annual Shareholders' Meeting on May 10, 2017 to renew its shares repurchase program.

During the first half of 2017:

- SOCIÉTÉ BIC repurchased 160,577 shares under the share repurchase programs authorized by the Annual Shareholders' Meeting held on May 10, 2017, excluding shares acquired under the liquidity agreement;
- SOCIÉTÉ BIC repurchased, under the liquidity agreement with Natixis, 256,666 shares for a total value of 29.64 million euros and sold 243,506 shares for a total value of 28.32 million euros;
- 30,270 options were exercised in the period for 1.66 million euros, of which 0.22 million euros have not yet been received at the end of June 2017;
- In early 2017, SOCIÉTÉ BIC received 0.61 million euros related to stock options exercised at the end of 2016.

SHARE BUY-BACK PROGRAM

	Number of shares acquired	Average weighted price *(in euros)*	Amount *(in million euros)*
February 2017	38,433	117.49	4.5
March 2017	42,144	115.05	4.9
April 2017	-	-	-
May 2017	40,000	106.28	4.2
June 2017	40,000	109.14	4,4
Total	**160,577**	**111.98**	**18.0**

The number of free, performance-based shares transferred to beneficiaries is 94,553 during the first half of 2017, of which 93,265 shares transferred by SOCIÉTÉ BIC and 1,288 shares transferred by BIC CORPORATION. Moreover, SOCIÉTÉ BIC proceeded to 155,790 free, performance-based share grants and 17,100 free, non-performance-based share grants.

1.10. Related-party transactions

This paragraph is aimed at ensuring transparency in the relationships between the Group and its Shareholders (and their representatives), as well as in the links between the Group and related companies that the Group does not exclusively control (i.e. joint ventures or investments in associates).

Related-party transactions are described in the Note 25 – Related parties on page 225 of the Group BIC 2016 registration document filed with the *Autorité des Marchés Financiers* (AMF) on March 22, 2017. During the first half of 2017, no other significant related-party transactions have been identified by BIC Group.

1.11. Capital evolution

N/A

1.12. Material events that occurred in H1 2017

BIC Group announced on June 30, 2017 that following the Asset and Share Purchase Agreement signed on June 6, 2017, BIC Graphic North America and Asian Sourcing operations had been sold to H.I.G. Capital.

BIC Graphic North America and Asian Sourcing Assets and Liabilities have been accounted for as "Non-Current Assets Held For Sale" and "Discontinued Operations" since 31 December 2016, in accordance with IFRS 5[1].

1.13. Material events that occurred after June 30, 2017

N/A

1.14. Description of the principal risks and uncertainties for H2 2017

BIC pursues an active and dynamic approach to risk management. The purpose of this approach is to enhance the Group's capacity in identifying, managing and monitoring major risks that could affect:

- its personnel, assets, environment or reputation;
- the Group's ability to reach its objectives and abide by its values, ethics or laws and regulations.

The approach is based on identification and analysis of the main risks to which the Group is exposed, particularly those related to the following areas: financial markets, legal, industry and environment, strategy and operations.

A description of the main risks identified by the BIC Group is available in the section entitled "Risk factors" of the 2016 registration document (page 27) filed with the *Autorité des Marchés Financiers* (AMF) on March 22, 2017 and which is available online, at the following adress: http://www.bicworld.com/en/finance/publications/.

No additional significant risks or uncertainties have been identified for the second half of 2017.

1.15. Full-Year 2017 Outlook

As markets remain volatile for the balance of the year, coupled with recent signs of lower consumption in Brazil, we now expect to trend between 3% to 4% **Full Year Organic Net Sales growth**.

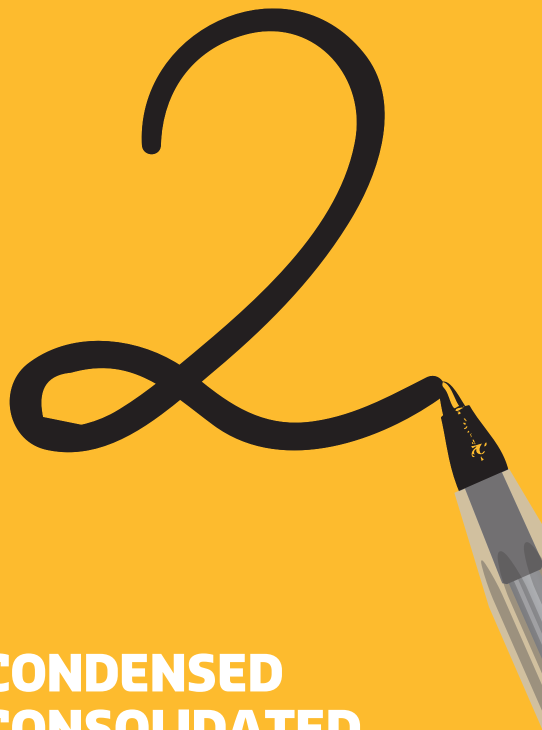
While we continue to invest for the long term, we are adjusting our 2017 Brand support due to market dynamics. Therefore, we expect the decrease in 2017 **Normalized Income from Operations margin** to be less than the – 100 basis points initially expected.

(1) Please refer to BIC Q1 2017 press release issued on April 26, 2017.

1.16. Glossary

- **Constant currency basis:** constant currency figures are calculated by translating the current year figures at prior year monthly average exchange rates.
- **Comparative basis:** at constant currencies and constant perimeter. Figures at constant perimeter exclude the impacts of acquisitions and/or disposals that occurred during the current year and/or during the previous year, until their anniversary date. All Net Sales category comments are made on a comparative basis.
- **Normalized IFO:** normalized means excluding non-recurring items as detailed on page 5.
- **Normalized IFO margin:** Normalized IFO as a percentage of Net Sales.
- **Net cash from operating activities:** principal revenue-generating activities of the entity and other activities that are not investing or financing activities.
- **Net cash position:** Cash and cash equivalents + Other current financial assets - Current borrowings - Non-current borrowings.

1



CONDENSED CONSOLIDATED FIRST HALF FINANCIAL STATEMENTS

2.1. Consolidated income statement

(condensed financial statements)

(in thousand euros)	Notes	June 30, 2016*	**June 30, 2017**
Net Sales	2-2	1,031,542	1,062,856
Cost of goods	4	(502,524)	(512,632)
Gross profit		**529,018**	**550,224**
Distribution costs	4	(141,475)	(148,696)
Administrative expenses	4	(103,558)	(110,767)
Other operating expenses	4	(70,971)	(72,183)
Other income	5	1,888	2,328
Other expenses	5	(5,600)	(26 003)
Income From Operations		**209,303**	**194,904**
Income from cash and cash equivalents	6	5,155	3,842
Net finance income/(Net finance costs)	6	(5,922)	(3,884)
Income before tax		**208,538**	**194,862**
Income tax expense	7	(62,633)	(58,529)
Net income from consolidated entities		**145,905**	**136,333**
Net income from continuing operations	8	145,905	136,333
Net income from discontinued operations		(5,796)	(6,776)
Consolidated income of which:		**140,109**	**129,556**
Non-controlling interests		-	-
NET INCOME GROUP SHARE		**140,109**	**129,556**
Earnings per share Group share *(in euros)*		2.98	2.78
Continuing operations	8	3.10	2.92
Discontinued operations		(0.12)	(0.14)
Diluted earnings per share Group share *(in euros)* [(a)]		2.95	2.75
Continuing operations	8	3.07	2.90
Discontinued operations		(0.12)	(0.15)
Average number of shares outstanding net of treasury shares over the period	8	47,029,831	46,683,913

(a) The dilutive elements taken into account are stock options.

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia (see Notes 1-2 et 21).*

2.2. Consolidated statement of comprehensive income

(condensed financial statements)

(in thousand euros)		Notes	June 30, 2016	**June 30, 2017**
GROUP NET INCOME	**A**		**140,109**	**129,556**
OTHER COMPREHENSIVE INCOME		**7-2**		
Actuarial differences on post-employment benefits not recyclable to the income statement [(a)]			(49,690)	1,944
Deferred tax on actuarial differences on post-employment benefits		7-2	18,059	(670)
Total actuarial differences not recyclable to the income statement – Net of tax	**B**		**(31,631)**	**1,274**
Gain/(Loss) on cash flow hedge			5,397	26,608
Exchange differences arising on translation of overseas operations [(b)]			4,121	(65,172)
Available for sale investments			-	3
Deferred tax and current tax recognized on other comprehensive income		7-2	(311)	(6,155)
Other comprehensive income recyclable to the income statement – Net of tax	**C**		**9,206**	**(44,716)**
TOTAL COMPREHENSIVE INCOME	**D = A + B + C**		**117,685**	**86,116**
Attributable to:				
• BIC Group			117,685	86,116
• Non-controlling interests			-	-
TOTAL			**117,685**	**86,116**

(a) The impact of actuarial differences is mainly due to U.S. plans.
(b) The main items impacting the translation reserve variance for the period, by currency, are as follows: Brazilian real -21.9 million euros and U.S. dollar -37.6 million euros.

2.3. Consolidated statement of financial position

(condensed financial statements)

Assets

(in thousand euros)	Notes	December 31, 2016	June 30, 2017
Property, plant and equipment		564,420	586,529
Investment properties		2,088	1,909
Goodwill	9	297,304	285,574
Intangible assets		75,447	73,508
Other non-current assets	10	29,472	38,464
Deferred tax assets		174,669	184,603
Derivative instruments	18, 20	33	10,007
Non-current assets		**1,143,433**	**1,180,594**
Inventories	11	468,142	469,659
Income tax advance payments		30,823	17,672
Trade and other receivables	11, 20	483,099	614,905
Other current assets		20,584	19,685
Derivative instruments	18, 20	1,702	7,895
Other current financial assets	20	29,439	4,717
Cash and cash equivalents	20	243,762	291,164
Current assets		**1,277,551**	**1,425,697**
Assets held for sale		152,697	-
TOTAL ASSETS		**2,573,680**	**2,606,291**

Equity and liabilities

(in thousand euros)	Notes	December 31, 2016	June 30, 2017
Share capital	12-1	178,333	178,142
Accumulated profits		1,614,282	1,530,746
Shareholders' equity Group share		**1,792,615**	**1,708,888**
Non-controlling interests		-	-
Shareholders' equity	**SHEQ**	**1,792,615**	**1,708,888**
Non-current borrowings	13	1,452	182
Other non-current liabilities		1,178	1,320
Employee benefits obligation		205,455	184,000
Provisions	14	35,560	40,650
Deferred tax liabilities		51,358	44,021
Derivative instruments	18, 20	4,234	1,767
Non-current liabilities		**299,239**	**271,940**
Trade and other payables	11, 20	118,676	136,805
Current borrowings	13, 20	49,578	208,466
Current tax due		13,596	14,961
Other current liabilities	15	232,111	262,884
Derivative instruments	18, 20	15,591	2,347
Current liabilities		**429,553**	**625,463**
Liabilities held for sale		52,273	-
TOTAL EQUITY AND LIABILITIES		**2,573,680**	**2,606,291**

SHEQ: See consolidated statement of changes in equity.

2.4. Consolidated statement of changes in equity

(condensed financial statements)

(in thousand euros)	Notes	Share capital	Accumulated profits	Actuarial differences recognized in equity	Translation reserve	Cash flow hedge derivatives	Share-holders' equity Group share	Non-controlling interests	Share-holders' equity
At January 1, 2016		**180,169**	**1,731,790**	**(79,281)**	**16,393**	**473**	**1,849,544**	**-**	**1,849,544**
Dividends paid	*CF, 16*	*-*	*(277,042)*	*-*	*-*	*-*	*(277,042)*	*-*	*(277,042)*
Decrease in share capital		*(1,724)*	*(54,063)*	*-*	*-*	*-*	*(55,787)*	*-*	*(55,787)*
Increase in share capital		*234*	*2,646*	*-*	*-*	*-*	*2,880*	*-*	*2,880*
Treasury shares		*(346)*	*(23,981)*	*-*	*-*	*-*	*(24,326)*	*-*	*(24,326)*
Recognition of share-based payments	*CF, 17*	*-*	*14,944*	*-*	*-*	*-*	*14,944*	*-*	*14,944*
Other		*-*	*(1)*	*-*	*-*	*-*	*(1)*	*-*	*(1)*
Total transactions with shareholders		***(1,835)***	***(337,497)***	*-*	*-*	*-*	***(339,333)***	*-*	***(339,333)***
Net income for the period		-	249,686	-	-	-	249,684	-	249,684
Other comprehensive income		-	139	(3,803)	45,789	(9,406)	32,719	-	32,719
Total comprehensive income		***-***	***249,824***	***(3,803)***	***45,789***	***(9,406)***	***282,404***	*-*	***282,404***
At January 1, 2017		**178,333**	**1,644,117**	**(83,085)**	**62,182**	**(8,933)**	**1,792,615**	**-**	**1,792,615**
Dividends paid	*CF, 16*	*-*	*(161,045)*	*-*	*-*	*-*	*(161,045)*	*-*	*(161,045)*
Decrease in share capital [(a)]		*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Increase in share capital [(b)]		*116*	*1,544*	*-*	*-*	*-*	*1,660*	*-*	*1,660*
Treasury shares		*(307)*	*(17,776)*	*-*	*-*	*-*	*(18,084)*	*-*	*(18,084)*
Recognition of share-based payments	*CF, 17*	*-*	*7,629*	*-*	*-*	*-*	*7,629*	*-*	*7,629*
Total transactions with Shareholders		***(191)***	***(169,648)***	*-*	*-*	*-*	***(169,840)***	*-*	***(169,840)***
Net income for the period		-	129,556	-	-	-	129,556	-	129,556
Other comprehensive income		-	2,892	1,274	(65,172)	17,565	(43,441)	-	(43,441)
Total comprehensive income		***-***	***132,448***	***1,274***	***(65,172)***	***17,565***	***86,115***	***-***	***86,115***
At June 30, 2017		**178,142**	**1,606,916**	**(81,810)**	**(2,990)**	**8,632**	**1,708,888**	**-**	**1,708,888**

(a) No shares were cancelled during the first half of 2017.

(b) Following the exercise of stock options, the share capital was increased by 30,270 shares.

CF: See consolidated cash flow statement.

2.5. Consolidated cash flow statement

(condensed financial statements)

(in thousand euros)	Notes	December 31, 2016	June 30, 2017
Operating activities			
Net income Group share	IS	249,686	125,556
Net income from discontinued operations		(35,854)	(6,776)
Net income from continuing operations		285,540	136,333
Income and expense without cash impact:			
Non-controlling interests	IS	-	-
Depreciation and amortization of intangible and tangible assets and investment properties		93,716	46,921
Impairment loss	5	20,901	(81)
Goodwill impairment		33,965	-
Provision for employee benefits		22,000	10,704
Other provisions (excluding provisions on current assets)		(5,133)	4,232
Unrealized foreign currency gain/loss		3,303	2,425
Hedging and derivative instruments		4,031	(5,147)
Option premium expense		1,876	1,402
Recognition of share-based payments		14,944	8,602
Deferred tax variation	7-1	(21,835)	(10,647)
(Gain)/Loss from disposal of fixed assets	(a)	(223)	10,171
Cash flow from operations		**417,231**	**198,138**
(Increase)/Decrease in net working capital	11, (k)	(62,815)	(125,084)
Payments related to employee benefits	(l)	(34,019)	(10,321)
Financial expense/(income)	6	(5,676)	(2,711)
Interest (paid)/received		5,553	2,553
Income tax expense	7-1	113,300	62,036
Income tax paid		(134,838)	(47,591)
• Net cash from operating activities from continuing operations		276,188	70,939
• Net cash from operating activities from discontinued operations		22,548	6,081
NET CASH FROM OPERATING ACTIVITIES (A)		**298,736**	**77,020**
Investing activities			
Disposal of fixed assets	(b)	1,944	854
Purchases of property, plant and equipment	(i), (h)	(170,618)	(71,501)
Purchases of intangible assets	(h)	(10,212)	(3,240)
(Increase)/Decrease in other investments		294	(472)
(Purchase)/Sale of other current financial assets	(f)	46,103	24,734
Divestiture of Bic Graphic North America and Asian Sourcing	(c)	-	55,749
• Net cash from investing activities from continuing operations		(127,178)	9,484
• Net cash from investing activities from discontinued operations		(5,310)	(3,360)
NET CASH FROM INVESTING ACTIVITIES (B)		**(132,489)**	**6,124**
Financing activities			
Dividends paid	SHEQ, 16, (d)	(277,042)	(161,045)
Borrowings/(Repayments)	10, 13, (j)	19,820	130,592
Payments of obligations under finance leases		(1,214)	(1,145)
Purchase of financial instruments		(1,919)	(1,525)
Increase in treasury shares	(g)	(81,782)	(19,455)
Exercise of stock options	(g)	2,666	2,040
• Net cash from financing activities from continuing operations		(291,513)	(48,235)
• Net cash from financing activities from discontinued operations		(47,958)	(2,302)
NET CASH FROM FINANCING ACTIVITIES (C)		**(339,471)**	**(50,539)**
NET CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFT (A) + (B) + (C)		**(173,224)**	**32,604**
Opening cash and cash equivalents net of bank overdrafts	BS, 13	380,612	217,430
Exchange difference		10,040	(14,774)
CLOSING CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	**BS, 13**	**217,430**	**235,260**

IS: See consolidated income statement.

SHEQ: See consolidated statement of changes in equity.

BS: See consolidated balance sheet.

As of June 30, 2017 cash and cash equivalents amount to 291.2 million euros and bank overdrafts to 55.9 million euros.

Net cash from operating activities

First half of 2017 net cash flows from operating activities amounts to 77.0 million euros and include 5.4 million euros in payments related to restructuring (8.0 million euros during 2016).

During the first half of 2017, the loss on disposal before tax corresponds to BIC Graphic North America and Asian Sourcing operations and amounts to 10.0 million euros [(a)].

In addition, there was no disposal of individually significant fixed assets during the first semester 2017 [(a)].

During 2016, there was no disposal of individually significant fixed assets [(a)].

The working capital increase amounts to 125.1 million euros, including 117.8 million euros of continuing operations, compared to an increase in 2016 of 62.8 million euros. The 2017 variance is mainly explained by a trade receivables strong increase [(k)].

The payments related to employee benefits are mainly driven by the U.S. [(l)]

Net cash from investing activities

First half of 2017, cash flows from investing activities amount to 6.1 million euros, compared to a 2016 cash outflows for -132.5 million euros.

During the first half of 2017 and during 2016, there was no disposal of individually significant fixed assets [(b)].

During the first half of 2017, the Group BIC purchased 74.7 million euros of property, plant and equipement and intangible assets [(h)].

Purchases of property, plant and equipment do not include finance leases booked as a counterpart to a financial debt, as these transactions do not have any impact on cash [(i)].

The amount of financial assets classified under "Other current financial assets" refers to investments not eligible for classification as cash & cash equivalents under IAS 7. As of June 30, 2017, these investments consist of units of UCITS and negotiable debt securities, all of which are liquid within 5 days [(f)].

During the first half of 2017, the BIC Group disposed of BIC Graphic North America and Asian Sourcing operations. The net disposal price amounts to 55.7 million euros (63.6 million U.S. dollars).[(c)]

Net cash from financing activities

Cash flow from financing activities amounts to -50.5 million euros in the first half of 2017 compared to -339.5 million euros in 2016.

The dividends paid represent the dividends paid by SOCIÉTÉ BIC to its Shareholders (see Note 16) [(d)].

As of June 30, 2017, new borrowings amount to 130.6 million euros (mainly France). They are short-term financing to ensure the ponctual liquidity needs of SOCIÉTÉ BIC [(j)].

During the first half 2017, 160,577 shares were repurchased by SOCIÉTÉ BIC for 18.0 million euros. Under the liquidity agreement, SOCIÉTÉ BIC bought 256,666 shares for 29.6 million euros and sold 243,506 shares for 28.3 million euros. In addition, 30,270 options were exercised in the period for 1.7 million euros, including 0.2 million euros which have not yet been received at end of June 2017. Moreover, in early 2017, SOCIÉTÉ BIC received 0.6 million euros related to stock options exercised at the end of 2016 [(g)].

During 2016, 652,745 shares were repurchased by SOCIÉTÉ BIC for 81.6 million euros. Under the liquidity agreement, SOCIÉTÉ BIC bought 439,202 shares for 56.5 million euros and sold 437,650 shares for 56.4 million euros. In addition, 61,384 options were exercised in the period for 2.9 million euros, including 0.6 million euros which have not yet been received at end of December 2017. Moreover, in early 2017, SOCIÉTÉ BIC received 0.4 million euros related to stock options exercised at the end of 2016 [(g)].

2.6. Notes to the consolidated financial statements

NOTE 1 MAIN RULES AND ACCOUNTING POLICIES

1-1 Accounting policies

1-1-1 General principles

Pursuant to European regulation no. 1606/2002 of July 19, 2002 concerning international accounting standards, the consolidated financial statements of the BIC Group have been prepared in accordance with accounting principles as defined by the International Accounting Standards Board (IASB) as adopted by the European Union. These are available on the European Union website at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The international standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards), as well as their SIC (Standing Interpretation Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

The condensed consolidated financial statements as of June 30, 2016 and June 30, 2017 have been prepared in compliance with IAS 34 "Interim financial reporting". The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments.

IAS 34 allows presentation of a selection of notes to the condensed consolidated financial statements that should be read in conjunction with the consolidated financial statements at December 31, 2016.

The measurement procedures used for the interim condensed consolidated financial statements are as follows:

- Interim period income tax expense results from the estimated annual Group effective income tax rate applied to the pre-tax result of the interim period excluding unusual material items. The income tax charge related to any unusual item in the period is accrued using its actual tax expense;
- Regarding the main pension plans and other employee benefits (United States, Canada, France, United Kingdom), actuarial valuations are performed every six months. Amounts recognized in the interim statement of financial position are based on estimates made at the end of the previous year and on the discount rates as of June 30.

  Regarding share-based payments and other benefits plans, expenses are recognized in the period on a *pro rata* basis of the estimated costs for the year.

The principal accounting policies remain unchanged compared to last year except for adoption of the following standard, effective since January 1, 2017.

1-1-2 Adoption of new and revised International Financial Reporting Standards, interpretations and amendments

New standards, amendments and interpretations with mandatory application for financial years beginning on or after January 1, 2017

The following standards and amendments are effective since January 1, 2017 and have been applied to the consolidated financial statements as of June 30, 2017:

- Amendments to IAS 7 – Disclosure initiative;
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses;

New standards, interpretations and amendments that may be applied early for financial years beginning on or after January 1, 2017

As of June 30, 2017, the Group did not elect to early apply any standard, interpretation or amendment, particularly regarding:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from Contracts with Customers and Amendments to IFRS 15 – Clarification.

The implementation of the standard on revenue recognition is subject to a dedicated project within the BIC Group. The work carried out, to date, shows that the expected effects on the consolidated financial statements should be limited and relate to some contractual clauses in the sales contracts. The cumulative Income From Operations will not change, but its breakdown could be different over time.

In addition, the Group has not yet decided on the transition method to be applied on January 1, 2018.

The Group is currently conducting analysis on the practical consequences of IFRS 9 and the effects of their implementation on the financial statements.

Standards, interpretations and amendments that may not be applied early for financial years beginning on or after January 1, 2017

- IFRS 16 – Leases;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions.

Analysis on the practical consequences of these new regulations is in progress. However, it is too early to be able to estimate the impact. For IFRS 16, the Group has not yet decided on the transition method to be applied.

1-2 Change in Group structure

On June 6, 2017, BIC Group has announced that it has signed an Asset and Share Purchase Agreement to sell its BIC Graphic North America and Asian Sourcing operations to H.I.G. Capital, a global U.S. private equity firm. The closing is effective as of June 30, 2017.

The net disposal price amounts 73.6 million dollars, including 10 million U.S. dollars through a six-year subordinated note bearing a 7% per annum capitalized interest.

Consequently, the subsidiaries BIC Graphic USA Manufacturing Co. Inc. and BIC Advertising and Promotional Products Co. Ltd. were excluded from the Group consolidation scope as of June 30, 2017.

1-3 Subsequent events

No subsequent event occurred between July 1, 2017 and the reporting date.

NOTE 2 OPERATING SEGMENTS

2-1 General information

BIC operating segments have been determined based on the reports regularly provided to the management and used to make strategic decisions.

The management considers the business from a product category perspective, knowing that each category can be reviewed for a specific geographic area if necessary.

On February 7, 2017, BIC Group confirmed the strategic alternatives review for BIC Graphic North America and the Asia Sourcing operations. Consequently, in the first half of 2017, BIC Graphic is no longer considered as a separate category or a reporting segment. The activities of BIC Graphic Europe and Developing Markets are now recognized and presented in Stationery and Other Products categories.

The categories are as follows: Stationery, Lighters, Shavers and Other Products.

These operating segments earn their revenues from the production and distribution of each product category.

2-2 Information on the income statement and assets by activity

All indicators are determined according to IFRS, except for:

- Normalized Income From Operations, which is the income from operations restated for non-recurring items (in particular real estate gains, the gain or loss on the sale of businesses and restructuring costs). It constitutes the key financial metrics used within the Group;
- Normalized Income From Operations excluding the impact of the special employee bonus that was awarded to employees who were not granted free shares under our performance share plan and after approval of the exceptional dividend;
- Capital additions, which comprise the purchases and internal generation of property, plant and equipment and intangible fixed assets for the period.

(in million euros)				June 30, 2016*					**June 30, 2017**
	Stationery	Lighters	Shavers	Other Products	Total	Stationery	Lighters	Shavers	Other Products	Total
Income Statement										
• Net sales	408	341	238	45	**1,033**	428	357	236	42	**1,063**
• Depreciation and amortization	(13)	(9)	(11)	(7)	**(40)**	(11)	(10)	(13)	(7)	**(42)**
• Impairment loss	-	-	-	-	**-**	-	-	-	-	-
• Income from operations	50	133	28	(2)	**209**	37	141	32	(14)	**195**
Restatements made to obtain Normalized Income From Operations										
• Restructuring costs related to distribution reorganization in the Middle East and in the African regions	-	-	-	-	**2**	-	-	-	-	**-**
• Restructuring costs related to U.S. sales force reorganization	-	-	-	-	**2**	-	-	-	-	**-**
• Restructuring costs related to continuing BIC Graphic operations	-	-	-	-	**-**	-	-	-	-	**24**
• Other	-	-	-	-	**1**	-	-	-	-	**-**
• Normalized Income From Operations	52	134	29	(1)	**214**	48	141	32	(2)	**219**
• Special employee bonus	3	2	3	-	**9**	-	-	-	-	-
• Normalized Income From Operations excluding the impact of the special employee bonus	55	136	32	(1)	**222**	48	141	32	(2)	**219**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

As of June 30, 2017, Walmart Group has been identified as one major customer by the BIC Group (net sales above 10%).

(in million euros)				December 31, 2016					**June 30, 2017**
	Stationery	Lighters	Shavers	Other Products	Total	Stationery	Lighters	Shavers	Other Products	Total
Capital additions[(a)]	45	39	71	21	**176**	16	16	24	16	**73**
Net inventories	224	121	107	15	**468**	223	121	107	18	**470**

(a) Excluding capital additions of discontinued operations (2 million euros in 2017 and 5 million euros in 2016).

2-3 Information by geography

Geographies identified by the management are: France, Europe (excluding France), North America and Developing Markets.

(in million euros)	June 30, 2016*					June 30, 2017				
	France	Europe excluding France	North America	Developing markets	Total	France	Europe excluding France	North America	Developing markets	Total
Net sales	106	191	424	311	**1,031**	108	199	420	336	**1,063**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

(in million euros)	December 31, 2016					June 30, 2017				
	France	Europe excluding France	North America	Developing markets	Total	France	Europe excluding France	North America	Developing markets	Total
Non-current assets [(a)]	223	181	311	346	**1,061**	231	185	218	349	**982**

(a) Other than financial instruments (10 million euros in 2017 and 0.03 million euros in 2016), deferred tax assets (184.6 million euros in 2017 and 174.7 million euros in 2016).

NOTE 3 EXCHANGE RATES OF FOREIGN CURRENCIES

The following table shows foreign currency equivalents of one euro (e.g.: average 2017 is 1 euro = 1.08 U.S. dollars).

Foreign currencies	Average 2016	Average 2017	June 30, 2016	June 30, 2017
	Euro	Euro	Euro	Euro
U.S. dollar – USD	1.12	1.08	1.11	1.14
Australian dollar – AUD	1.52	1.44	1.49	1.49
Canadian dollar – CAD	1.48	1.45	1.44	1.48
Swiss franc – CHF	1.10	1.08	1.08	1.09
Chinese renminbi – CNY	7.30	7.45	7.41	7.74
British pound – GBP	0.78	0.86	0.84	0.88
Hong Kong dollar – HKD	8.67	8.43	8.64	8.91
Indian rupee – INR	75.03	71.16	74.97	73.74
Japanese yen – JPY	124.19	121.81	114.29	127.75
Korean won – KRW	1,319.14	1,235.84	1,275.76	1,304.56
Malaysian ringgit – MYR	4.57	4.75	4.44	4.90
New Zealand dollar – NZD	1.65	1.53	1.55	1.56
Philippine peso – PHP	52.31	54.13	52.33	57.58
Polish zloty – PLN	4.37	4.27	4.40	4.23
Swedish krona – SEK	9.31	9.60	9.39	9.64
Singapore dollar – SGD	1.54	1.52	1.50	1.57
South African rand – ZAR	17.19	14.30	16.23	14.92
Argentinian peso – ARS	16.05	17.05	16.87	18.93
Brazilian real – BRL	4.12	3.45	3.58	3.76
Mexican peso – MXN	20.19	20.99	20.18	20.58
Venezuelan bolivar – VEF*	393.01	1,367.27	698.79	3,012.77
Ukrainian hryvnia – UAH	28.53	29.01	27.65	29.77
Russian ruble – RUB	78.10	62.80	71.31	67.54

* *The Venezuelan subsidiary financial statements as of June 30, 2017, are translated using the SICAMI rate representing the most conservative exchange rate.*

NOTE 4 OPERATING EXPENSES

(in thousand euros)	June 30, 2016*	**June 30, 2017**
Raw materials, consumables used and change in inventory	266,490	275,964
Staff costs	272,887	274,922
Depreciation and amortization expenses	39,914	41,813
Other operating expenses	238,573	249,045
Loss on operational foreign currency translation	664	2,535
TOTAL	**818,528**	**844,278**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

Other operating income and expenses are not included in the total amount and are disclosed in Note 5.

Staff costs include special premium for 8.8 million euros in 2016.

Other operating expenses mainly include outside services.

Research and development costs expensed for the first half of 2017 amount to 18.0 million euros, versus 16.0 million euros for the first half 2016.

They include the French research tax credit for 1.3 million euros, versus 1.1 million euros for the first half 2016.

The tax credit for competitiveness and employment (CICE) amounts to 1.3 million euros in the first half of 2017, versus 0.8 million euros in the first half of 2016.

NOTE 5 OTHER INCOME AND EXPENSES

(in thousand euros)	June 30, 2016*	**June 30, 2017**
Royalties income	22	3
Gain on disposal of fixed assets	66	89
Other	1,801	2,237
Other income	**1,888**	**2,328**
Impairment loss	-	81
Restructuring costs related to retained BIC Graphic operations	-	(23,742)
Others restructuring plans	(4,267)	(796)
Other	(1,333)	(1,546)
Other expenses	**(5,600)**	**(26,003)**
TOTAL	**(3,712)**	**(23,675)**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

Other income and expenses incurred in the first half of 2017 mainly include restructuring costs for -24.5 million euros related essentially to Graphic Europe reorganization costs (redundancy costs and inventory write down).

Other income and expenses related to the first half of 2016 mainly included:

- restructuring costs for -1.9 million euros related to distribution reorganization in the Middle East and Africa regions;
- restructuring costs for -1.7 million euros related to U.S. sales force reorganization.

NOTE 6 FINANCE INCOME

(in thousand euros)	June 30, 2016*	**June 30, 2017**
Interest income from cash and cash equivalents	3,348	1,440
Interest on bank deposits	1,807	2,402
Income from cash and cash equivalents	**5,155**	**3,842**
Interest expense	1,122	(1,142)
Hedging instrument revaluation	(1,353)	146
Net financial foreign exchange difference	(5,691)	(2,888)
Net finance income/(Net finance costs)	**(5,922)**	**(3,884)**
FINANCE (COSTS)/REVENUE	**(767)**	**(42)**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

The decrease in finance income during the first half of 2017 compared to the first half of 2016 comes from several factors:

- Income from cash and cash equivalents decreased compared to the previous period due to lower investment volumes;
- In the first half of 2016, the appreciation of the euro and the Brazilian real against the U.S. dollar had an unfavorable impact on the valuation of financial assets denominated in U.S. dollars. In the first half of 2017, the appreciation of the euro against the U.S. dollar generated a less negative impact as U.S. dollar volumes were lower.

NOTE 7 INCOME TAX

7-1 Income tax expense

(in thousand euros)	June 30, 2016*	**June 30, 2017**
Income before tax	208,538	194,862
Tax expense	62,633	58,529
TAX RATE	**30.0%**	**30.0%**

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

At the end of June 2017, the Group's effective tax rate is determined on an annual basis. The tax charge is calculated by applying the estimated average rate for the 2017 full year to income before tax (excluding unusual material items), taking into account any tax rate changes voted by June 30, 2017 and effective after June 30, 2017. The income tax charge related to any unusual items in the period is accrued using its actual tax expense.

7-2 Deferred and current tax recognized on other comprehensive income

Deferred and current taxes recognized on other comprehensive income result from the following items:

At June 30, 2017

(in thousand euros)	**Other comprehensive income**	**Deferred taxes**
Actuarial differences on post-employment benefits **(1)**	1,944	(670)
Cash flow hedge	26,608	*(9,043)*
Foreign exchange impact	*(65,172)*	2,893
Other	3	(5)
Total other comprehensive income **(2)**	(38,561)	6,155
TOTAL (1)+(2)	**(36,617)**	**(6,825)**

At June 30, 2016

(in thousand euros)	Other comprehensive income	Deferred taxes
Actuarial differences on post-employment benefits **(1)**	(49,690)	18,059
Cash flow hedge	*5,397*	*(1,833)*
Foreign exchange impact	*4,121*	*1,522*
Total other comprehensive income **(2)**	9,517	(311)
TOTAL (1)+(2)	**(40,173)**	**17,748**

NOTE 8 EARNINGS PER SHARE GROUP SHARE

Earnings per share Group share and diluted earnings per share Group share correspond to the Group net income divided by the relevant number of shares.

The number of shares used to calculate earnings per share (Group share) is the weighted average number of ordinary shares outstanding during the period less the weighted average number of shares held in treasury stock by SOCIÉTÉ BIC during the period and presented as a reduction to equity.

The number of shares used to calculate diluted earnings per share Group share is the weighted average number of shares potentially in circulation during the period, which corresponds to the number of shares used for basic earnings per share Group share, adjusted for the dilutive effect of stock options.

As of June 30, 2017, there are no shares with relutive impact and the maximum dilutive effect from stock options not exercised is around 0.3% of the share capital.

	June 30, 2016*	June 30, 2017
Numerator *(in thousand euros)*		
Net income Group share from continuing operations	145,905	136,333
Denominator *(in number of shares)*		
Weighted average number of ordinary shares in circulation	47,029,831	46,683,913
Dilutive effect of stock options	539,847	406,725
Diluted weighted average number of ordinary shares in circulation	47,569,678	47,090,638
Earnings per share Group share *(in euros)*		
Earnings per share Group share from continuing operations	3.10	2.92
Diluted earnings per share Group share from continuing operations	3.07	2.90

* *Restated from IFRS 5 "Discontinued operations" following the disposal of BIC Graphic North America and Asia.*

NOTE 9 GOODWILL

(in thousand euros)	Notes	Gross value	Impairment loss	Net value
At January 1, 2017		**314,345**	**(17,041)**	**297,304**
Exchange differences		(13,992)	2,262	(11,730)
At June 30, 2017		**300,353**	**(14,779)**	**285,574**

The balance, as of June 30, 2017, includes the following principal net goodwill:

(in thousand euros)	December 31, 2016	June 30, 2017
BIC CORPORATION [a]	122,634	114,774
Cello Pens	102,579	99,605
BIC Violex	49,174	49,174
PIMACO [a]	7,046	6,428
Other [a]	15,871	15,593
TOTAL	**297,304**	**285,574**

(a) These goodwill amounts are linked to cash-generating units represented by distribution subsidiaries.

To perform the impairment tests, the Group used the following discount and perpetual growth rates:

	Weighted average cost of capital before tax		Perpetual growth rate	
	2016	**2017**	2016	**2017**
BIC CORPORATION	10.0%	10.6%	1.5%	1.5%
Cello Pens	13.5%	13.5%	8.0%	8.0%
BIC Violex	13.3%	14.1%	2.9%	2.9%
PIMACO	19.7%	20.3%	1.7%	0%

Each goodwill item has been allocated to a cash-generating unit ("CGU") representing the lowest level at which goodwill is monitored by the Group.

The goodwill on BIC CORPORATION is thus mainly allocated to cash-generating units linked to the distribution by BIC CORPORATION of stationery products and lighters.

The goodwill on Cello Pens is allocated to the cash-generating units linked to the production and distribution of stationery products by Cello.

The remaining goodwill on BIC Violex is allocated to the cash-generating unit linked to shavers developed and/or produced by BIC Violex and sold all over the world. This cash-generating unit also includes the portion of BIC CORPORATION goodwill allocated to shavers.

As every year, as of June 30, 2017, the Group performed impairment tests on these goodwill amounts.

The goodwill impairment test methodology is based on a comparison between the recoverable amount of each of the Group's cash-generating units and the corresponding assets' net book value (including goodwill).

Such recoverable amounts correspond to the value in use and are determined using discounted future cash flow projections over a maximum of five years and a discounted residual value using the perpetual growth method, including notably the following:

- the discount rate before taxes used is the weighted average cost of capital. Particular attention has been paid to the analysis of the main market items used for the calculation of the discount rate;
- the perpetual growth rates were determined based on external (inflation rate) and internal (business growth) sources. Perpetual growth rates above 2% take into account market specifics.

Regarding the test performed on Cello Pens, sensitivity to the assumptions used in the calculation indicates that to cover assets, and for each factor taken independently:

- the discount rate before tax should not exceed 14.2%;
- the perpetual growth rate should not be less than 7.5%;
- Net Sales at constant Income From Operations margin over the future 5-year period should not be less than 7% compared to the level retained in the impairment test;
- the Income From Operations on the future 5-year period may not be less than 18% compared to the level retained in the impairment test.

Additionally, Cello future economic performance is highly dependent upon the realization of its current business plan, which includes growth in both domestic and export sales, as well as the realization of improved gross margin rates.

The sensitivity of the other impairment tests to changes in the key assumptions indicates that no reasonably likely change would lead to impairment, taking into account the observed margin on tests conducted.

NOTE 10 OTHER NON-CURRENT ASSETS

(in thousand euros)	Notes	December 31, 2016	June 30, 2017
Other investments		28	30
Guarantee deposits		4,779	5,054
Deferred pensions		2,471	3,646
Subordinated loan	1-2, 21, CF	-	8,763
Other non-current assets		22,194	20,971
TOTAL		**29,472**	**38,464**

NOTE 11 CHANGE IN NET WORKING CAPITAL

(in thousand euros)	December 31, 2016	Cash flow impact (1)	Foreign exchange and other	Assets/liabilities held for sale at December 31, 2016 not sold in 2017 and reclassified	June 30, 2017
Net inventory	468,142	7,539	(14,874)	8,852	469,659
• *Inventory – Gross value*	*483,629*	*12,994*	*(15,248)*	*9,060*	*490,435*
• *Inventory – Impairment*	*(15,487)*	*(5,455)*	*374*	*(208)*	*(20,776)*
Trade and other receivables	483,099	145,155	(17,001)	3,652	614,905
Trade and other payables	(118,676)	(2,253)	(14,996)	(881)	(136,805)
Other assets and liabilities	(190,360)	(32,659)	9,941	(1,698)	(214,776)
NET WORKING CAPITAL	**642,205**	**117,782**	**(36,931)**	**9,925**	**732,982**

(1) See (k) consolidated cash flow statement.

NOTE 12 SHARE CAPITAL

12-1 Share capital

(in thousand euros)	December 31, 2016	June 30, 2017
Authorized, issued and fully paid share capital	181,649	181,765
Repurchase of shares of the Company	(3,316)	(3,623)
SHARE CAPITAL	**178,333**	**178,142**

As of June 30, 2017, the registered share capital of SOCIÉTÉ BIC is 181,765,043.04 euros divided into 47,582,472 shares of 3.82 euros each. Registered shares held for more than two years carry double voting rights.

In addition, SOCIÉTÉ BIC holds 948,492 treasury shares, acquired at an average price of 90.07 euros in accordance with Article L. 225-209 of the French Commercial Code, and which represent 2.00% of the share capital.

12-2 SOCIÉTÉ BIC shares held in treasury stock and share repurchase program as of June 30, 2017

Purpose of the repurchase	Number of shares	Average acquisition price *(in euros)*	% of the share capital
Liquidity agreement [a]	17,708	105.54	0.04%
Free share grants [a]	930,784	89.78	1.96%
TOTAL	**948,492**	**90.07**	**2.00%**

(a) Article L. 225-209 of the French Commercial Code.

In accordance with the liquidity agreement with Natixis in respect of SOCIÉTÉ BIC shares, as of June 30, 2017, the liquidity account contained the following:

- 17,708 BIC shares;
- 1,885,760.15 euros.

At initial set-up, the liquidity account contained the following:

- 2,312 BIC shares;
- 912,744.48 euros.

SOCIÉTÉ BIC obtained authorization from the Annual Shareholders' Meeting on May 10, 2017, to renew its share repurchase program.

Number of shares purchased in 2017 [b]	
• Share repurchase program authorized by the Annual Shareholders' Meeting held on May 10, 2017	45,000
• Share repurchase program authorized by the Annual Shareholders' Meeting held on May 18, 2016	115,577
Average share repurchase price for the purchases during the first half of 2017 *(in euros)*	111.98

(b) Excluding shares repurchased under the liquidity contract.

During the first half of 2017, SOCIÉTÉ BIC did not cancel any shares.

To the best of the Company's knowledge, as of June 30, 2017, Shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the share capital and/or of the voting rights of the Company were as follows:

	At June 30, 2017	
	% of shares (approx.)	% of voting rights (approx.)
SOCIÉTÉ M.B.D.	26.70 %	36.65 %
Bich family	16.52 %	22.56 %

NOTE 13 BORROWINGS AND FINANCIAL LIABILITIES

(in thousand euros)	Bank overdrafts	Current borrowings	Non-current borrowings	Obligations under finance leases	Total
At January 1, 2017	**26,332**	**21,832**	**6**	**2,860**	**51,030**
Cash Flows	29,572	130,594	(2)	(1,145)	**159,019**
"Non cash" variations	(1)	(93)	-	(151)	**(245)**
• Variations in obligations under finance leases	-	-	-	-	-
• Exchange differences	(1)	(93)	-	(151)	**(245)**
Subsidiary divestiture	-	-	-	(1,156)	**(1,156)**
At June 30, 2017	**55,903**	**152,333**	**4**	**408**	**208,648**

Bank overdrafts are due within one year.

The long-term portion of obligations under finance leases is not significant.

Bank loans and financial liabilities have the following maturities:

(in thousand euros)	December 31, 2016	**June 30, 2017**
On demand or within one year	21,832	152,333
In the 2nd year	-	3
In the 3rd year	3	1
In the 4th year	3	-
TOTAL	**21,838**	**152,337**

Main bank loans/credit lines and financial liabilities are as follows:

Borrowing country	Currency	Euro equivalents	
(in thousand euros)		December 31, 2016	**June 30, 2017**
• France	EUR	20,000	150,000
• Turkey	TRY	564	1,097
• South Korea	KRW	1,182	1,150
• Other	Misc.	92	90
TOTAL		**21,838**	**152,337**

Information on interest rates

As of June 30, 2017, outstanding loans and credit lines were contracted with floating rates ranging between 0.2% and 15%.

Relative exposure, deemed not significant, has not been hedged.

Information on covenants

None of the loans contain any covenants that could trigger early repayment of the debt.

NOTE 14 PROVISIONS

(in thousand euros)	Tax and social risks and litigation	Llitigation	Product liability	Other risks and charges	Total
At January 1, 2017	**25,560**	**5,477**	**1,075**	**3,447**	**35,560**
Additional provisions	700	4,575	166	1,894	**7,335**
Reversals of provisions utilized	(360)	(635)	-	(1,211)	**(2,206)**
Reversals of provisions not utilized	(93)	(560)	(152)	(82)	**(887)**
Exchange differences	(417)	(339)	(85)	(96)	**(936)**
Non-current liabilities held for sale at December 31, 2016 not sold in 2017 and reclassified	1,236	150	223	174	**1,783**
At June 30, 2017	**26,626**	**8,668**	**1,228**	**4,127**	**40,650**

As of June 30, 2017, it was not deemed necessary to book provisions for the risks described in Part 1 "Half Year management report – Description of the principal risks and uncertainties for the 2nd Half 2017" that could affect:

- the Company's personnel, assets, environment or reputation;
- the Group's ability to reach its objectives and abide by its values, ethics or the laws and regulations.

Tax and social risks and litigation

Provisions for tax and social risks and litigation relate mainly to:

- tax risks;
- U.S. workers' compensation.

Tax audits are carried out regularly by local tax authorities which may dispute positions taken by the individual local entities of the Group. In accordance with the Group's accounting policies, it may be decided to record provisions when tax-related risks are considered likely to generate a payment to local tax authorities.

The Group reviews the evaluation of all its tax positions on a regular basis, using external counsels and considers that its tax positions are adequately provided for. However, the Group cannot predict the ultimate outcome of future audits.

Litigation

As of June 30, 2017, the litigation provision mainly represents distributor and commercial agent risks for 1.8 million euros (2.2 million euros at December 31, 2016).

Product liability

Product liability mainly relates to the U.S.

NOTE 15 OTHER CURRENT LIABILITIES

(in thousand euros)	December 31, 2016	**June 30, 2017**
Social liabilities	98,104	90,828
Other tax liabilities	12,123	24,259
Other current liabilities	121,884	147,796
OTHER CURRENT LIABILITIES	**232,111**	**262,884**

NOTE 16 DIVIDENDS

For the 2016 fiscal year, an ordinary dividend of 3.45 euros per share has been distributed to the Shareholders on May 24, 2017.

For the 2015 fiscal year, an ordinary dividend of 3.40 euros per share and a special dividend of 2.50 euros per share were distributed to the Shareholders on June 1, 2016.

NOTE 17 SHARE-BASED PAYMENTS

As of June 30, 2017, the fair value of options and shares granted amounts to 7.6 million euros and were booked in staff costs.

The Board of Directors of February 10, 2017 decided to grant 155,790 free shares to 519 beneficiaries subject to performance conditions and 17,100 free shares to 270 beneficiaries without performance conditions. The plans' unit fair value is 109.05 euros.

NOTE 18 FINANCIAL INSTRUMENTS

18-1 Impact of interest rate and foreign exchange risk hedging on the consolidated financial statements as of June 30, 2017

The following amounts were recognized as the fair value of derivatives at June 30, 2017 (in thousand euros):

Derivative items and revaluation	Hedge income qualification/ hedged risk	Financial net Income/ (expense) before tax [(a)] – Note 6	Income From Operations – Note 4	Other comprehensive income before tax [(a)]	Current assets [(b)]	Non current assets	Current Liabilities	Non-current Liabilities
Impact of hedging revaluation								
Commercial flows	Cash flow hedge/Foreign exchange risk	269	4,678	23,579	7,756	10,007	(2,304)	(1,767)
Dividends	Net investment/ Foreign exchange risk	-	-	3,029	139	-	-	-
Subtotal (1)		**269**	**4,678**	**26,608**	**7,895**	**10,007**	**(2,304)**	**(1,767)**
Impact of revaluation of cross-currency swaps backed by cash positions in foreign currencies	At fair value through P&L/Foreign exchange risk							
Subtotal (2)		**323**	**-**	**-**	**-**	**-**	**(43)**	**-**
TOTAL 1 + 2		**592**	**4,678**	**26,608**	**7,895**	**10,007**	**(2,347)**	**(1,767)**

(a) This corresponds to mark-to-market of hedging instruments in the portfolio as of June 30, 2017, restated for the reversal of the mark-to-market of hedging instruments in the portfolio as of December 31, 2016.

(b) Including options not yet exercised held by SOCIÉTÉ BIC representing current assets for 1,103 thousand euros.

18-2 Impact of interest rate and foreign exchange risk hedging on the consolidated financial statements as of December 31, 2016

The following amounts were recognized as the fair value of derivatives at December 31, 2016 (in thousand euros):

Derivative items and revaluation	Hedge income qualification/ hedged risk	Financial net Income/ (expense) before tax [(a)] – Note 6	Income From Operations – Note 4	Other comprehensive income before tax [(a)]	Current assets [(b)]	Non-current assets	Current Liabilities	Non-current Liabilities
Impact of hedging revaluation								
Commercial flows	Cash flow hedge/Foreign exchange risk	(2,164)	(1,977)	(10,977)	1,702	33	(12,335)	(4,234)
Dividends	Net investment/Foreign exchange risk	-	-	(3,129)	-	-	(2,890)	-
Subtotal (1)		**(2,164)**	**(1,977)**	**(14,107)**	**1,702**	**33**	**(15,225)**	**(4,234)**
Impact of revaluation of cross-currency swaps backed by cash positions in foreign currencies	At fair value through P&L/Foreign exchange risk							
Subtotal (2)		**152**	**-**	**-**	**-**	**-**	**(366)**	**-**
TOTAL 1 + 2		**(2,012)**	**(1,977)**	**(14,107)**	**1,702**	**33**	**(15,591)**	**(4,234)**

(a) This corresponds to mark-to-market of hedging instruments in the portfolio as of December 31, 2016, restated for the reversal of the mark-to-market of hedging instruments in the portfolio as of December 31, 2015.

(b) Including options not yet exercised held by SOCIÉTÉ BIC representing current assets for 979 thousand euros.

NOTE 19 CONTINGENT LIABILITIES

As of June 30, 2017, neither SOCIÉTÉ BIC nor its subsidiaries has any pending litigation, claims or disputes which, in the opinion of management, after consultation with their advisors, would have a material adverse impact on the consolidated financial statements.

NOTE 20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Accounting categories and fair value of financial instruments

Balance sheet items		June 30, 2017		Breakdown by category of instruments						
(in thousand euros)	Note	Balance sheet value	Fair value	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available for sale assets	Debt at amortized cost	At fair value through equity
Financial assets		**928,717**	**928,717**	**96,170**	**17,902**	**-**	**814,616**	**30**	**-**	**-**
Non-current										
• Derivative financial instruments	18	10,007	10,007	-	10,007	-	-	-	-	-
• Other investments		30	30	-	-	-	-	30	-	-
Current										
• Trade and other receivables	11	614,905	614,905	-	-	-	614,905	-	-	-
• Derivative financial instruments	18	7,895	7,895	-	7,895	-	-	-	-	-
• Other current financial assets		4,717	4,717	4,717	-	-	-	-	-	-
• Cash and cash equivalents		291,164	291,164	91,453	-	-	199,711	-	-	-
Financial liabilities		**349,567**	**349,567**	**-**	**4,114**	**-**	**-**	**-**	**345,453**	**-**
Non-current										
• Borrowings	13	182	182	-	-	-	-	-	182	-
• Derivative instruments	18	1,767	1,767	-	1,767	-	-	-	-	-
Current										
• Borrowings	13	208,465	208,465	-	-	-	-	-	208,465	-
• Derivative instruments	18	2,347	2,347	-	2,347	-	-	-	-	-
• Trade and other payables	11	136,805	136,805	-	-	-	-	-	136,805	-

Balance sheet items		December 31, 2016		Breakdown by category of instruments						
(in thousand euros)	Note	Balance sheet value	Fair value	At fair value through the income statement	Derivative hedging instruments	Held-to-maturity investments	Loans and receivables (including cash)	Available for sale assets	Debt at amortized cost	At fair value through equity
Financial assets		**758,063**	**758,063**	**116,534**	**1,735**	**1,428**	**638,337**	**28**	**-**	**-**
Non-current										
• Derivatives financial instruments	18	33	33	-	33	-	-	-	-	-
• Other investments		28	28	-	-	-	-	28	-	-
Current										
• Trade and other receivables	11	483,099	483,099	-	-	-	483,099	-	-	-
• Derivative financial instruments	18	1,702	1,702	-	1,702	-	-	-	-	-
• Other current financial assets		29,439	29,439	28,011	-	1,428	-	-	-	-
• Cash and cash equivalents		243,762	243,762	88,523	-	-	155,239	-	-	-
Financial liabilities		**189,531**	**189,531**	**-**	**19,825**	**-**	**-**	**-**	**169,706**	**-**
Non-current										
• Borrowings	13	1,452	1,452	-	-	-	-	-	1,452	-
• Derivative instruments	18	4,234	4,234	-	4,234	-	-	-	-	-
Current										
• Borrowings	13	49,578	49,578	-	-	-	-	-	49,578	-
• Derivative instruments	18	15,591	15,591	-	15,591	-	-	-	-	-
• Trade and other payables	11	118,676	118,676	-	-	-	-	-	118,676	-

The valuation methods adopted for financial instruments are as follows:

- Financial instruments other than derivatives recorded in the balance sheet:

The carrying amount used are reasonable estimates of their market value except for marketable securities whose carrying amounts are determined based on the last known net asset values as of June 30, 2017.

- Derivative financial instruments:

Market values were calculated internally on the basis of last-known closing prices as of June 30, 2017. They are consistent with valuation reports provided by financial institutions.

Fair value valuation method

The tables below set out the fair value method for valuing financial instruments, using the following three levels:

- level 1 (quoted prices in active markets): money market UCITS and other current financial assets;
- level 2 (observable inputs): derivatives – hedge accounting;
- level 3 (non-observable inputs): no such instruments are held as of June 30, 2017.

Category of instruments	June 30, 2017			
(in thousand euros)	Total	Level 1	Level 2	Level 3
At fair value through the income statement – Assets	**96,170**	96,170	-	-
Derivative hedges – Assets	**17,902**	-	17,902	-
Derivative hedges – Liabilities	**4,114**	-	4,114	-

NOTE 21 DISCONTINUED OPERATIONS

BIC Graphic North America and Asia were classified as discontinued operations at December 31, 2016 following the contemplated disposal of these activities which represented almost all the assets and liabilities of BIC Graphic (operating segment).

As a consequence, these assets and liabilities (including the Norwood goodwill) were measured at December 31, 2016 in accordance with IFRS 5, Non-Current Assets Held For Sale And Discontinued Operations, at the lower of their carrying amount and fair value less costs to sell.

On June 6, 2017, BIC Group announced that it had signed an Asset and Share Purchase Agreement to sell its BIC Graphic North America and Asian Sourcing operations to H.I.G. Capital, a global U.S. private equity firm. The closing is effective on June 30, 2017.

The net disposal price amounts to 73.6 million U.S. dollars, including 10 million U.S. dollars through a six-year subordinated note bearing a 7% per annum capitalized interest.

The related loss net of tax amounts to 4.0 million euros, subject to final adjustments.

Given their significant nature, these activities were subject to a restatement in the income statement and the cash flow statement as follows:

Consolidated income statement

(in thousand euros)	Notes	June 30, 2016	**June 30, 2017**
Net Sales	2-2	101,755	100,291
Cost of goods	4	(71,926)	(69,033)
Gross profit		**29,829**	**31,258**
Distribution costs	4	(20,065)	(18,246)
Administrative expenses	4	(11,918)	(13,115)
Other operating expenses	4	(2,245)	(2,738)
Other income	5	17	11
Other expenses	5	(1,246)	(1,156)
Income From Operations		**(5,628)**	**(3,986)**
Income from cash and cash equivalents	6	27	91
Net finance income/(Net finance costs)	6	(2,684)	(41)
Income before tax		**(8,285)**	**(3,935)**
Income tax expense	7	2,489	1,184
Net income from consolidated entities		**(5,796)**	**(2,751)**

Net income from discontinued operations amounts to -6.8 million euros including the net loss of -4.0 million euros and the first half year 2017 net income of -2.8 million euros.

Consolidated cash flow statement

(in thousand euros)	December 31, 2016	**June 30, 2017**
Opening cash and cash equivalents net of bank overdraft	30,288	-
Net cash from operating activities	22,548	6,081
Net cash from investing activities	(5,310)	(3,360)
Net cash from financing activities	(47,958)	(2,302)
Exchange difference	432	(419)
NET CASH FROM DISCONTINUED OPERATIONS	**-**	**-**

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AUDITOR'S REPORT

For the period from January 1 to June 30, 2017

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451-1-2-III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of SOCIETE BIC, for the period from January 1 to June 30, 2017;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine, August 3, 2017
The Statutory Auditors
French original signed by

Grant Thornton
French Member of Grant Thornton International
Vianney MARTIN

Deloitte & Associés
François BUZY

STATEMENT ON THE HALF-YEARLY REPORT 2017

NAME AND FUNCTION

Bruno Bich

Chairman

DECLARATION BY RESPONSIBLE PERSON OF THE 2017 HALF-YEAR FINANCIAL REPORT

"I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the half-year ended June 30, 2017 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and the profit of the Company and the entities included in the scope of consolidation of the Group and that the First Half Management Report includes a faithful representation of the major events which occurred during the first six months of the financial year, their impact on the financial statements, of the main related-party transactions, as well as a description of the major risks and uncertainties for the remaining six months of the year."

On August 2, 2017

Bruno Bich

Chairman

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