MAISONS DU MONDE

2018 Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT

Contents

AFR *The items included in the Annual Financial Report are clearly identified using the RFA pictogram*

Registration Document and Annual Report 2018

Maisons du Monde, creator of original universes in the homeware business, offers a unique range of home decoration items and furniture in a wide variety of styles and themes at affordable prices that allow its customers to express

their own styles and tastes.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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In accordance with the provisions of Article L.621-8-1-I of the French Financial and Monetary Code, the registration was carried out after the AMF had checked that the document was complete and understandable and that the information contained in it was coherent.This does not imply the AMF's authentication of the financial and accounting elements presented.

Message from the Chairman of the Board of Directors

Ian Cheshire

"Maisons du Monde intends to continue to implement its profitable growth plan, building on the resilience of its business model and its omnichannel, international strategy"

Dear shareholders,

2018 was marked by **a more sluggish macroeconomic** climate in the European countries where Maisons du Monde operates, particularly in France where more challenging market conditions impacted in-store footfall. In 2018, the French furniture market was down on 2017, after three consecutive years of growth. The competitive environment was tougher, particularly for small decoration items, with the arrival of new players on the market.

Against this backdrop, Maisons du Monde demonstrated its capacity to continue its **profitable growth momentum**. The Group recorded sales of €1,111 million in 2018, up 10% compared to 2017, and 7.4% at constant perimeter. Like-for-like sales were up 3.1%, highlighting the resilience of the Group's omnichannel and international strategy, despite a softer retail environment in France. EBITDA stood at €148 million, up 6.6% on 2017, representing an EBITDA margin of 13.3%, given the Group's ongoing investment in growth initiatives. Maisons du Monde also maintained a very robust financial structure, with a leverage ratio of 1.2x at the end of 2018, compared with 0.9x at the end of 2017, and a decrease in interest expenses.

A unique offering, serving as a source of inspiration for customers

Maisons du Monde is now one of the leading brands on the home decoration and furniture market in Europe, due to the fact that we are constantly refreshing our multi-style collections, which are mostly designed in-house, and a customer-centric approach. In 2018, Maisons du Monde continued to innovate, developing an increasingly attractive offering and serving as a source of inspiration for its customers, particularly by extending its offering to target dynamic categories and expanding its price points.

Online business is still strong...

The growth in online sales continued to be strong, up 18.7% compared to 2017, at €249 million. Online sales accounted for 23% of the Group's sales in 2018, compared with 21% in 2017, positioning Maisons du Monde as one of the leading, omnichannel players in its industry in Europe. Including orders made in stores on digital devices such as tablets, digital sales accounted for nearly half of the Group's sales in 2018. During the year, Maisons du Monde focused its efforts on improving the omnichannel customer experience by reinforcing its service offering.

And ongoing international expansion

At the start, the Group gained a foothold in the US market during 2018 by acquiring a 70% majority stake in Modani, a furniture chain with a presence on this market through its stores and e-commerce business.

Maisons du Monde also continued its international expansion, with sales up 13.5% compared to 2017, at €438 million, confirming the replicable nature of its business model. International sales accounted for 40% of the Group's sales in 2018, up from 38% in 2017. At the same time, the Group opened 22 stores, on a net basis, including 14 international stores, one of which being its first store in the United States under its banner, bringing the total number of stores to 336 by the end of 2018.

In conclusion, the 2018 financial year confirmed the relevance of Maisons du Monde's business model and omnichannel and international strategy, in a softer retail environment. I have full confidence in the Group's capacity to implement its strategic plan and to maintain profitable growth in the medium term by leveraging its solid fundamentals and have confidence in its management team's ability to deliver.

Message from the CEO

"Maisons du Monde recorded a strong performance in 2018, with continued momentum in online and international sales"

Julie Walbaum

Dear shareholders,

Maisons du Monde experienced **another year of profitable growth** in 2018, demonstrating the resilience of its business model and its omnichannel and international strategy.

The growth in sales reflected the strong performance of our online and international businesses, whilst Maisons du Monde continued to outperform the market in France, despite a softer retail environment. **Our profitability continued to be robust**, although **we invested in commercial initiatives aimed at boosting future growth**, in particular data, customer and online marketing services. The successful integration of Modani validates our strategic decision **to gain a foothold in the United States** and creates solid foundations to accelerate our growth in the country both through Modani and Maisons du Monde, which opened its first store in the fourth quarter.

In the first instance, these performances reflect Maisons du Monde's capacity to develop an **attractive offering for its customers**, with innovative decoration items and furniture, including a broader range of products in dynamic categories, such as sofas and large decoration items, and the extension of price points. The Group also extended its collections of junior and outdoor products and launched its first offering specifically designed for BtoB customers, with 70 new products. Maisons du Monde also took further steps to **improve its customer experience**, with the introduction of new browsing and ordering tools, better e-merchandising, the launch of new payment options and delivery services, as well as the introduction of omnichannel interior design solutions. Lastly, the Group reinforced its ties with customers through the continuous optimisation of its online marketing investments, new customer acquisition and retention, and improved brand visibility through the development of ambassador communities and the reinforcement of its social media engagement.

Maisons du Monde also continued to expand its store network, with **28 gross openings in 2018**, 13 of which were in France and 15 international. Taking account six store closures as part of the active management of our store portfolio, the Group recorded 22 net openings over the period. At 31 December 2018, Maisons du Monde was operating **336 stores in nine countries**. The Group also opened two new franchises in Dubai (UAE) and Martinique in 2018, bringing the total to seven worldwide. Since the acquisition of Modani in May 2018, three new showrooms have been opened, bringing the total to 13 in the United States.

On behalf of the Executive Committee, I would like to thank the Maisons du Monde teams for these strong performances.

In 2019, **Maisons du Monde will leverage its solid fundamentals to continue its profitable growth trend**, focusing on its four strategic priorities: developing new innovations in its offer by reinforcing its multi-style approach with a customer-driven orientation, whilst continuing to expand its BtoB business; continuing to expand its international and omnichannel footprint by driving Maisons du Monde's store network development with agility, whilst continuing Modani's expansion across the United States; enhancing the omnichannel customer experience by offering easier and more intuitive web experience, better in-store experience, more flexible payment solutions and enhanced delivery service; and strengthening its customer relationship, with enhanced customer personalization initiatives, further optimized marketing investments and reinforced brand visibility.

Profile

Founded in France in 1996, Maisons du Monde is a creator of original universes. It offers a unique range of homeware and furniture in a wide variety of styles and themes at affordable prices. The Group's business is structured around an integrated and complementary omnichannel approach, leveraging its international network of stores, websites and catalogues. With sales of €1,111 million for the year ended 31 December 2018, Maisons du Monde is the leading player in the "original and accessible" homeware segment in France and one of the most important in Europe.

The Group was established in 1996, with the opening of the first four Maisons du Monde stores in France (Bordeaux, Lyon, Quimper and Vichy) by Xavier Marie, founder and former Chief Executive Officer. The "Maisons du Monde" brand was originally focused on home decoration items within the "bazar du monde" theme, offering products infused with styles and designs from different parts of the world. The Group's initial concept then gradually evolved into the creation of "inspiring" universes dedicated to a home furnishing approach that combines decorative items and furniture in a wide variety of styles and themes. The Group has also expanded its product offering, adding new product ranges such as textile articles (2007), an outdoor furniture line (2009) and a junior collection (2011).

Maisons du Monde has developed a highly differentiated business model, combining a unique ability to inspire customers with a developed industrial-scale design-to-cost process and an integrated approach to sourcing. The Group is focused on capturing emerging trends and styles to design original and affordable decorative and home furnishing items, which are presented in displays in its stores and catalogues and on its websites. Maisons du Monde offers a unique and immersive shopping experience to its customers, whatever their desires, their style or their budget. This know-how allows it to achieve high customer satisfaction rates and helps to establish the brand's reputation.

As of 31 December 2018, Maisons du Monde operated 336 stores located in Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013), Switzerland (since 2014), the United States and the United Kingdom (since 2018). In addition, the Group successfully integrated a comprehensive and complementary e-commerce platform that enables it to market its products in the countries where it operates stores, as well as in Austria, the Netherlands and Portugal. This platform, whose average annual rate of sales growth exceeded 30% from 2010 to 2018, represented 23% of the Group's sales in 2018.

In 2018, Maisons du Monde gained a foothold in the United States with the purchase of a 70% majority stake in Modani, a furniture brand with a presence throughout the United States through its stores and e-commerce business. Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand that offers a unique range of high-quality modern, contemporary and mid-century furniture at affordable prices. As at 31 December 2018, Modani operated a network of 13 stores, located in Chicago, New York, Atlanta, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Houston, Dallas, Frisco, Los Angeles, Costa Mesa and San Francisco.

Key highlights

- **1996** – Opening of the first four Maisons du Monde stores in **France**
- **2003** – Opening of the first Maisons du Monde store in **Spain**
- **2004** – Opening of the first Maisons du Monde store in **Belgium**
- **2006** – Launch of the **e-commerce** platform and the general **catalogue**
- **2007** – Opening of the first Maisons du Monde store in **Italy** and launch of the **textile** product offering
- **2009** – Launch of the **outdoor furniture** line
- **2010** – Opening of the first Maisons du Monde store in **Luxembourg**
- **2011** – Launch of the **junior** collection
- **2013** – Opening of the first Maisons du Monde store in **Germany**
- **2014** – Opening of the first Maisons du Monde store in **Switzerland**
- **2016** – **IPO** on the Euronext Paris regulated market
- **2018** – Opening of the first Maisons du Monde store in the **United States** and acquisition of **Modani**

Strategy

Maisons du Monde's strategy focuses on four main objectives for 2020:

1

Continue

to be a source of inspiration and delight for our customers

2

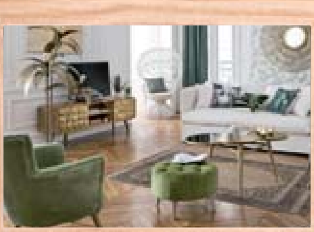
Foster

further growth in like-for-like sales

3

Ensure

dynamic management of our store network in france



4

Continue

our international expansion in a disciplined manner

1

CONTINUE TO BE A SOURCE OF INSPIRATION AND DELIGHT FOR OUR CUSTOMERS

Maisons du Monde offers an original range of home decoration items and furniture in a wide variety of styles and themes at affordable prices, in the form of inspirational universes that are a source of delight for its customers. The Group intends to continue its efforts to reinforce its brand recognition and the added value of its offering thanks to its unique design-to-cost creation approach, allowing its teams of stylists and buyers to continuously capture and adapt new market design trends, with specific attention paid to improving the in-store customer experience and the attractiveness of its online platform, and investments in customer services, notably product delivery and payment solutions.

2

FOSTER FURTHER GROWTH IN LIKE-FOR-LIKE SALES

By building on its unique product offering and high performance omnichannel strategy, Maisons du Monde has shown its ability to gain market share and record a level of like-for-like sales growth that outperforms the market. The Group's like-for-like sales have increased on average by approximately 7% per annum over the past ten years, compared with average furniture market growth in France of close to zero per annum over the same period. In the future, the Group intends to leverage its solid fundamentals to continue its growth momentum. The Group will focus its efforts on: i/ innovating in its offering, by reinforcing its multi-style collection with a customer-centric approach, whilst continuing to develop its BtoB activity, ii/ enhancing the omnichannel customer experience, thanks to easier and more intuitive online browsing, a reinforced in-store experience, more flexible payment solutions and improved delivery services, iii/ strengthening its customer relationships, through enhanced customer personalization initiatives, further optimized marketing investments and reinforced brand visibility, notably on the social networks, and iv/ expanding its international and omnichannel footprint by managing the development of the Maisons du Monde network with agility and by continuing the development of Modani in the United States.

3

ENSURE DYNAMIC MANAGEMENT OF OUR STORE NETWORK IN FRANCE

Over more then twenty years, Maisons du Monde has shown its ability to identify attractive sites and open profitable stores in France. Over the last five years, the Group has recorded 35 net store openings, representing approximately 61,000 square metres of additional retail trading space. At 31 December 2018, Maisons du Monde operated 221 stores in France. By 2020, the Group intends to develop its network to reach a total of 230 stores in France, by focusing mainly on opening stores in shopping centres and retail parks, including through the relocation of city-centre stores. The Group also intends to continue to invest in its current store network to improve the retail experience and satisfaction of its customers.

4

CONTINUE OUR INTERNATIONAL EXPANSION IN A DISCIPLINED MANNER

Since 2003, Maisons du Monde has successfully implemented its international development, by opening new stores and ramping up its online sales. Over the last five years, the Group has recorded 65 net store openings, representing approximately 100,000 square metres of additional retail trading space. At 31 December 2018, Maisons du Monde operated 115 stores internationally in eight countries – Italy, Spain, Belgium, Luxembourg, Germany, Switzerland, the United Kingdom and United States. The Group intends to continue its international expansion in a disciplined manner, with the aim of opening, on a net basis, 50 to 60 stores by 2020 in its existing markets (excluding the United Kingdom and United States), whilst adapting its development strategy to the specific features of each country in terms of e-commerce. Following the opening of the first store under its banner in Miami, in the United States, at the end of 2018, the Group intends to continue testing its concept in the US market through the potential opening of new test stores by 2020, using an agile approach. In parallel, the Group will continue the expansion of the Modani store network, with five store openings planned for 2019, and an estimated full network potential of between 60 and 70 stores for the US market.

Key figures

336
stores

7,648
employees

444,000 m²
of storage area

40% of sales
are outside France

23% of sales
are online

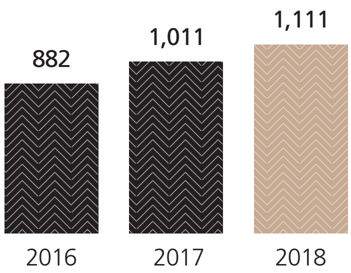
Decoration: **57%**

Furniture: **43%**

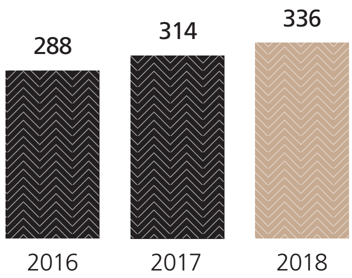
of 2018 sales

Maisons du Monde in 2018

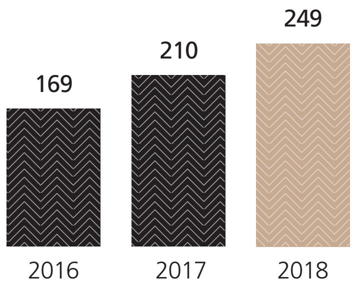
SALES
(in € million)



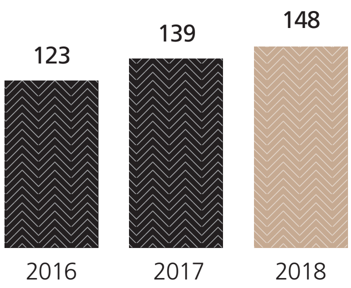
NUMBER OF STORES[1]
(in units)



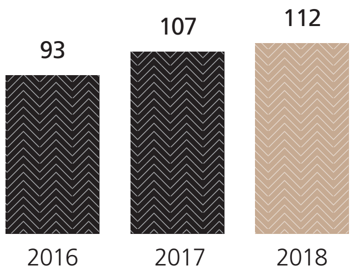
ONLINE SALES[1]
(in € million)



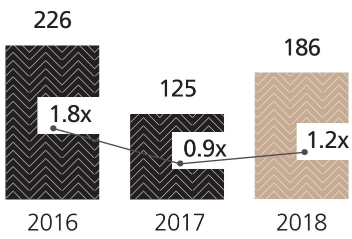
EBITDA
(in € million)



EBIT
(in € million)

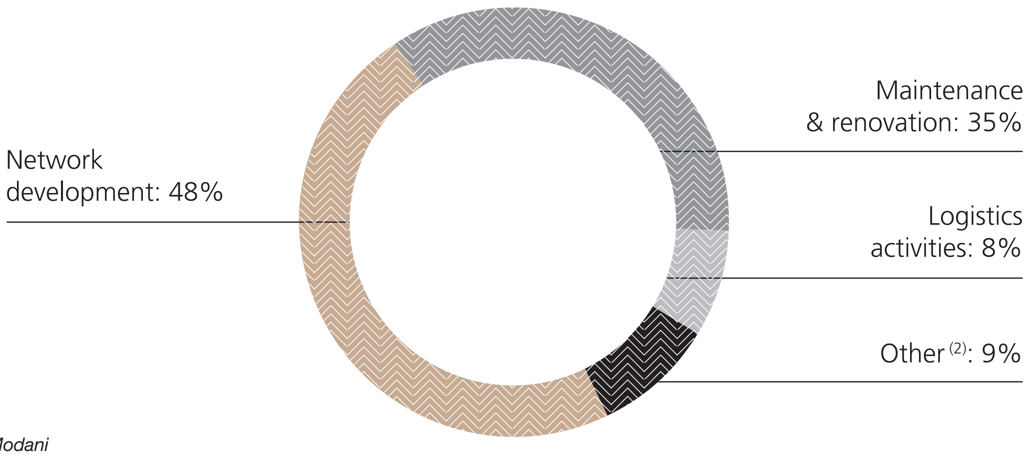


NET DEBT
AND LEVERAGE RATIO
(in € million and x)



BREAKDOWN OF 2018 INVESTMENTS:

€45.8 million



(1) Excluding Modani

(2) Including online business and IT investments

A business model that creates sustainable value for our stakeholders

RESOURCES MOBILISED

An aspirational and responsible brand

Creator of inspirational and original universes for the entire home
CSR programme «Committed together!»

A multi-style offering perfectly balanced between furniture and decoration

In-house style department with **21** stylists
40% of products designed or adapted in-house
18,600 furniture and decoration item SKUs

Expert teams

7,648 employees in **10** countries
67% network, **12%** headquarters,
12% production, **9%** logistics
172 employees in customer relations
65% of employees are women

Supplier partners

1,440 third-party suppliers
188 largest suppliers represent **68%** of purchases
58% of strategic suppliers audited for social criteria

Solid organisation of supply chain

6 sea & air freight service providers
44 road & rail transporters
444,000 m² of warehouses

An international and omnichannel distribution network

336 stores in **9** countries
66% joint development zones (ZACs),
18% city-centres
16% shopping centres

A robust financial model

EBITDA margin of **13.3%**
Leverage ratio of **1.2x** at end December 2018

Sustainably managed natural resources

78,648 MWh of energy consumption
89% of stores supplied with renewable energy

STRATEGIC LEVERAGE

Continue to inspire and delight customers through the creation of multi-style collections of furniture and decoration items,

7 Furniture styles,
2 Decoration item collections per year
18,600 Furniture and Decoration item SKUs
60% of the furniture offering meets a sustainability criterion

Continue development of the omnichannel and international retail network

77% of sales generated by stores
23% of sales generated online
40% of sales generated internationally
€31 million of sales for the B2B activity

2018 RESULTS

Sales of **€1,111 million** of which €1,085 million for MDM
EBITDA of **€148 million**
Net income of **€61 million**

Market challenges:

FRAGMENTED AND COMPETITIVE SECTOR

GROWTH IN E-COMMERCE

FOR VALUE CREATION

Integrated production and logistics

16.5% of furniture produced in the Group's manufacturing sites

11 logistical warehouses, over **440,000** m²

Improve the customer experience with new innovative services

3 decoration consulting offerings launched in 2018: 3D At Home, Home by Me and Rhinov

Commitment by the customer community through the peer recommendation services Wibilong (**2,835** responses given by users to customer questions) & Ibbü (**17,713** discussions initiated via the community chat)

Over **2.3 million** new customers

25 new stores of which **3** for Modani (US)

DIGITALISATION

CHANGE IN CONSUMER TRENDS

Stakeholders:

INVESTORS

EMPLOYEES

CUSTOMERS

SUPPLIERS AND ECONOMIC PARTNERS

PUBLIC AUTHORITIES

NON-PROFITS AND ENVIRONMENT

IMPACTS AND VALUE SHARING

A shared financial value:

€ 0.47 of dividend per share i.e. **35%** of the net profit

€12 million paid out in incentives and profit sharing

Ambassador teams:

88% of employees are proud to work at Maisons du Monde

4,063 employees trained

521 employees promoted

12 beneficiaries of the BTS MUM

122 CSR ambassadors in stores

A community of loyal customers:

Over **16 million** registered customers

Net Promoter Score **60.3**

Over **1.4 million** Instagram followers and **1.8 million** Facebook followers

10 million visits per month on Pinterest

€413,878 collected through ROUNDING UP at check-out

A real social impact:

246 permanent contract employees in stores opened in 2018

23 projects supported by the Maisons du Monde Foundation in **10** countries

€808,455 allocated to the budget of the Maisons du Monde Foundation

A controlled environmental impact:

50% reduction in scope 1 & 2 greenhouse gas emissions since 2016

57% of waste products sorted for recycling

Societal responsibility

Our vision:

“Commit all stakeholders to make progress in our sector’s production, distribution and consumption practices.”

COMMITTED TOGETHER

Purchase like	Design like	Trade like	Commit like
Partners	Visionaries	Citizens	Enthusiasts

Our CSR approach is integrated into our corporate strategy and structured around four pillars to meet all of the Group’s corporate responsibility issues. The definition of our “Ambitions 2020” sets roadmaps to create the right conditions for business line transformation.

Purchase like partners

Offer responsible furniture and decorative items that are transparent as regards the origin of their raw materials, the working conditions of our suppliers and the quality of the products and pose no health and environmental risks.

2018 performance:

92% of our strategic suppliers in India are committed to our traceability programme with TFT.

72 social audits of our strategic suppliers conducted.

562 suppliers that adhere to the Code of Conduct, **79%** of purchasing volume.

Design like visionaries

Gradually transform our product offering by including more sustainability criteria, use ecodesign to raise awareness among up-and-coming designers. Give though to the second life of our products and find innovative and sustainable alternatives to recycling.

2018 performance:

60% of our furniture SKUs meet our wood supply sustainability criteria.

50 eco-designed product ideas were submitted by students to the Maisons du Monde Sustainable Design Awards.

€46.1 million in revenue for products that contributed to **1%** for the Planet, which generated **€461,000** in support for environmental protection NGOs.

Trade like citizens

Be citizen merchants concerned about reducing our carbon footprint and energy consumption, sorting and recycling our waste and having the least polluting methods of transport possible.

2018 performance:

84% of network store sort waste.

57% of waste generated by the distribution network and logistics warehouses are collected for recovery.

17% lower energy intensity in kWh/m in our stores and warehouses since 2016.

89% of network stores supplied with electricity from renewable sources.

Commit like enthusiasts

Provide support for our employees as they change, acknowledge their talents and invent the sustainable commerce business lines of tomorrow with them. We mobilise for social and economic development in the countries where we operate, through our Foundation and in other ways, and we pay close attention to issues related to our activity, namely forest preservation and reuse, by getting our teams involved.

2018 performance:

58% of store managers or logistics managers are promoted internally.

70% of permanent contract employees receive training during the year.

3.2 million micro-donations collected for projects selected by the Foundation through ROUNDING UP at check-out.

Fondation MAISONS DU MONDE
Sous l'égide de la Fondation Nicolas Hulot

1

Overview of the Group and its activities

1.1 Key figures

SELECTED FINANCIAL INFORMATION

(in € millions)	2018	2017	2016
Sales	**1,111.2**	**1,010.6**	**881.8**
Change *(%)*	+10.0%	+14.6%	+26.1%
Of which Maisons du Monde	1,085.4	1,010.6	881.8
Change at constant perimeter[1] *(%)*	+7.4%	+14.6%	+26.1%
Like-for-like change[1] *(%)*	+3.1%	+7.4%	+14.7%
Of which Modani	25.0	-	-
Gross margin	**734.4**	**673.5**	**591.7**
As a % of sales	66.1%	66.6%	67.1%
EBITDA	**148.0**	**138.8**	**122.8**
As a % of sales	13.3%	13.7%	13.9%
EBIT	**111.6**	**106.8**	**93.2**
As a % of sales	10.0%	10.6%	10.6%
Net income	**60.7**	**63.0**	**(12.0)**
Dividend per share *(€)*	0.47	0.44	0.31
Net cash generated by/(used in) operating activities	**51.6**	**153.9**	**58.0**
Net capital expenditure	(74.6)	(54.0)	(66.1)
Free cash flow	**(23.0)**	**99.9**	**(8.0)**
Net debt	**185.5**	**125.5**	**225.7**
Leverage ratio[2] *(x)*	1.2 x	0.9 x	1.8 x
Shareholders' equity	**590.6**	**525.0**	**497.0**

(1) For further information, see section 8.8 "Glossary" of this Registration Document.

(2) Net debt divided by EBITDA (including Modani on a pro forma basis for the period, excluding the liabilities relative to the earn-out and the put option).

1

BREAKDOWN OF SALES[1]

By geography	2018	2017	2016
Sales *(in € millions)*	**1,085.4**	**1,010.6**	**881.8**
Of which France	647.4	624.8	563.7
Of which International	437.9	385.8	318.1
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which France	59.7%	61.8%	63.9%
Of which International	40.3%	38.2%	36.1%

By distribution channel	2018	2017	2016
Sales *(in € millions)*	**1,085.4**	**1,010.6**	**881.8**
Of which Stores	836.2	800.6	712.7
Of which Online	249.2	210.0	169.1
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which Stores	77.0%	79.2%	80.8%
Of which Online	23.0%	20.8%	19.2%

By product category	2018	2017	2016
Sales *(in € millions)*	**1,085.4**	**1,010.6**	**881.8**
Of which Decoration	619.0	583.9	499.8
Of which Furniture	466.4	426.6	382.1
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which Decoration	57.0%	57.8%	56.7%
Of which Furniture	43.0%	42.2%	43.3%

SELECTED OPERATING INFORMATION

As of 31 December	2018	2017	2016
Number of stores [1]	**336**	**314**	**288**
Of which France	221	213	203
Of which International	115	101	85
Sales area [1] *(thousand sq. m.)*	**387**	**363**	**327**
Of which France	210	199	187
Of which International	177	164	140
Storage area [1] *(thousand sq. m.)*	**444**	**444**	**430**
Number of employees	**7,648**	**7,279**	**6754**
Of which France	4,496	4,498	4,329
Of which International	3,152	2,781	2,425

(1) Excluding Modani

1.2 History of the Group

Maisons du Monde is a creator of original universes in the homeware business. It offers a unique range of home decoration items and furniture in a wide variety of styles and themes at affordable prices, thereby targeting a very large customer base. The Group's business is structured around an integrated and complementary omnichannel approach, leveraging its international network of stores, websites and catalogues. Maisons du Monde is the leading player in the original and affordable homeware segment in France, and one of the largest players in Europe, with sales of €1,111 million for the year ended 31 December 2018.

The Group was established in 1996, when Xavier Marie, founder and former Chief Executive Officer, opened the first four Maisons du Monde stores in France (Bordeaux, Lyon, Quimper and Vichy). The "Maisons du Monde" brand was originally focused on home decoration items within the "bazar du monde" theme, offering products infused with styles and designs from different parts of the world.

Maisons du Monde subsequently continued to expand and enter new markets. At 31 December 2018, the Group operated a network of 336 stores under the Maisons du Monde brand in nine countries, including France (since 1996), Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013), Switzerland (since 2014), the United Kingdom and the United States (since 2018). In 2006, as part of an omnichannel sales strategy and a broader marketing strategy, the Group launched its e-commerce platform and its catalogue, enabling it to effectively market its range of furniture. Since, the Group has also sold its products on its e-commerce platform to its customers in all the countries where it operates stores, as well as Austria, the Netherlands and Portugal, and through its four catalogues (general, outdoor furniture, junior, and lighting).

In 2018, Maisons du Monde gained a foothold in the US market through the acquisition of a majority stake of 70% in Modani, a furniture chain present across the US through its stores and e-commerce business. Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand, offering a unique range of modern, contemporary and mid-century furniture at affordable prices. At 31 December 2018, Modani operated a network of 13 stores in Chicago, New York, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Atlanta, Dallas, Frisco, Houston, Los Angeles, Costa Mesa and San Francisco. During the year ended 31 December 2018, Modani reported sales of $42.4 million.

The Group's initial "bazar du monde" concept has gradually evolved to give rise to a broad and diversified product portfolio, incorporating a wide variety of universes, themes and styles. The Group has expanded its product offering, adding new product ranges, Commission costs home textiles in 2007, and launching its dedicated outdoor furniture line and its junior collection in 2009 and 2011 respectively. Each of these ranges occupies an important place in the Group's broader homeware product range. In 2018, the junior collection accounted for approximately 4.8% of the Group's sales, and outdoor furniture approximately 3.9%.

Originally, the Group located its stores primarily in city centres. In the mid-2000s, it began opening comparatively larger stores located principally in suburban commercial zones and shopping malls in order to better showcase its wide range of home decoration items and furniture.

During the same period, the Group also expanded its logistics capabilities, opening 11 warehouse facilities since 1999. The Group has also expanded its production capacity through the creation of its Chinese joint-venture Chin Chin (specialising in furniture manufacturing) in 2006 and the opening of a manufacturing facility in Vietnam in 2013.

The Group's sales showed a CAGR (Compound Annual Growth Rate) of 20% between 2001 and 2018, reflecting its consistent ability to deliver sales growth. This trend is further built on a sustainably high level of profitability: gross margin and EBITDA margin therefore reached 66.1% and 13.3%, respectively, over the year ended 31 December 2018.

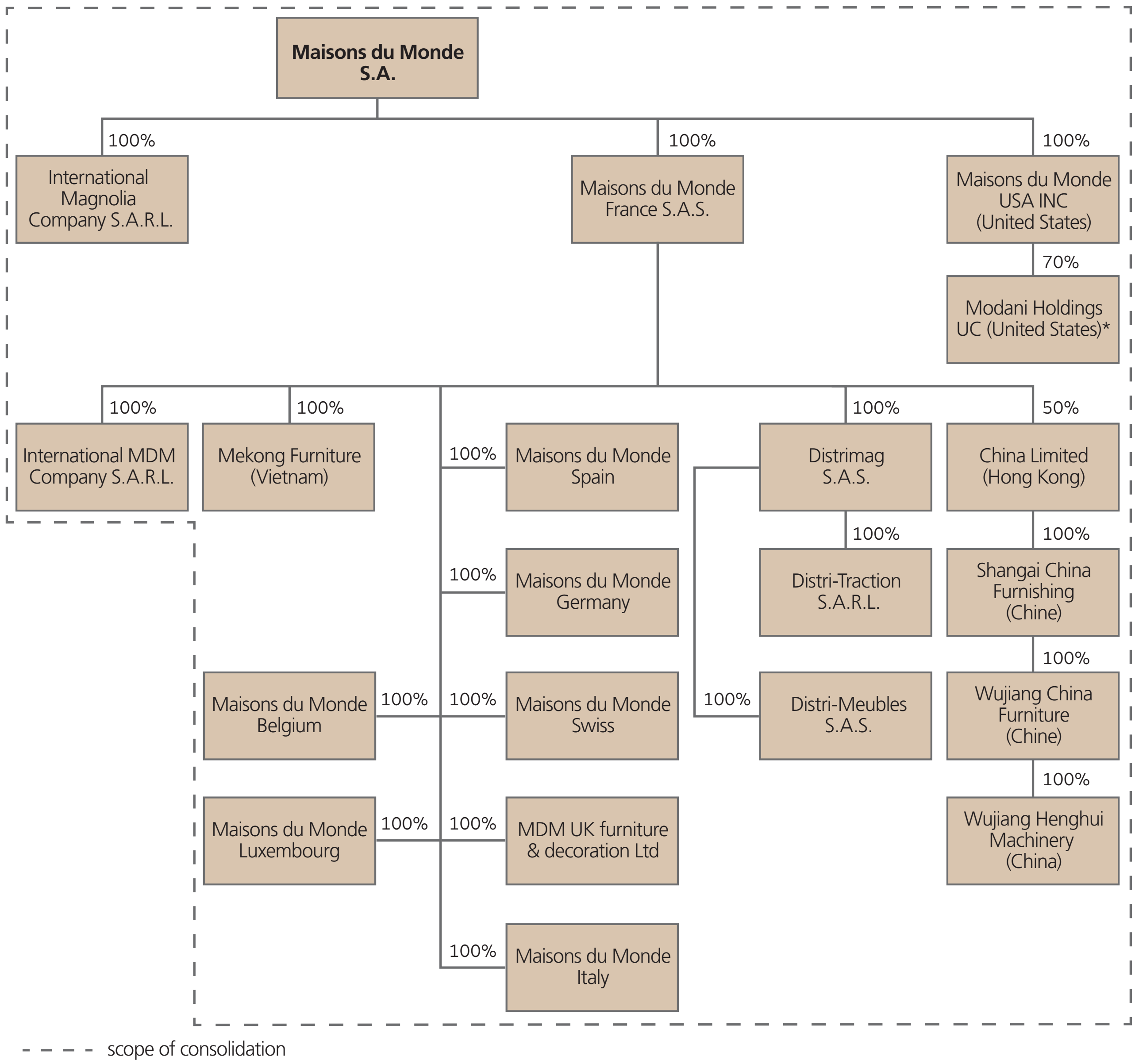
In 2005, Equistone (formerly Barclays Private Equity) and Nixen, in partnership with certain co-investors from the former Management, acquired the Group. Three years later, the Group moved into the hands of a consortium comprising Apax Partners, LBO France and Nixen, backed by certain co-investors belonging to the Management then in place. In 2013, Bain Capital joined forces with a number of co-investors from the former Management to buy back the Group. The Company floated on the French stock exchange in 2016, and Bain Capital remained as the reference shareholder until May 2017.

Since then, the Group no longer has a reference shareholder, and its shareholding is 100% floating.

1.3 Group structure

1.3.1 SIMPLIFIED GROUP STRUCTURE

The organisational chart below shows the Group's simplified legal organisation as of 31 December 2018. The percentages correspond to percentages of share capital owned.



* Sub-level bringing together all the activities of Modani Group, for which the details can be found in note 38 of the consolidated financial statements presented in Chapter 5 of this Registration Document.

1.3.2 LIST OF MAIN SUBSIDIARIES AND HOLDINGS

Maisons du Monde S.A. is the holding Company of a consolidated Group comprising 47 companies. The Group’s main subsidiaries as of 31 December 2018 are presented in the table below. The complete list of companies included in the Group's scope of consolidation is presented in note 39 of the consolidated financial statements presented in chapter 5 of this Registration Document.

Significant subsidiaries	Country	Main activity	Capital and voting rights
Maisons du Monde France S.A.S.	France	Furniture and decoration items	100%
Distrimag SAS	France	Logistics	100%
Maisons du Monde Allemagne GmbH	Germany	Furniture and decoration items	100%
Maisons du Monde Belgique SPRL	Belgium	Furniture and decoration items	100%
Maisons du Monde España SL	Spain	Furniture and decoration items	100%
Maisons du Monde Italie SpA	Italy	Furniture and decoration items	100%
Maisons du Monde Luxembourg Sàrl	Luxembourg	Furniture and decoration items	100%
Maisons du Monde Suisse Sàrl	Swiss	Furniture and decoration items	100%
MDM UK Furniture and Decoration Limited	United Kingdom	Furniture and decoration items	100%
Maisons du Monde USA Inc	United States	Holding company	100%
Modani Holdings LLC	United States	Holding company	70%
Mekong Furniture United Company	Vietnam	Furniture manufacturing	100%
Chin Chin Limited	Hong Kong	Holding company	50%
Shanghai Chin Chin Furnishing Company Limited	China	Furniture manufacturing	50%

1.4 Description of the Group's business and strategy

This section contains information on Group businesses, its competitive position, including the size of the markets in which it operates. In addition to the internal estimates made by the Group, the Group bases its statements on facts from studies, estimates, research, information and statistics of independent third parties and industry associations, and data made available by the Group's competitors, suppliers and customers (refer to section 8.5 "Information on the Group's business and markets, and third party information" of this Registration Document).

This information, considered reliable by the Company, has not been verified by an independent expert. The Company cannot guarantee that a third party using other methods to collect, analyse or compile the market data would obtain the same results. Moreover, the Group's competitors may also define their geographical markets and product categories differently. In addition, given the very rapid changes in the Group's business segment, this information could prove erroneous or no longer be up to date. The Group's competitive position may evolve differently from the projections included in this section. The Company undertakes no obligation to publish any updates to the market information contained herein unless required by law or regulations.

1.4.1 GROUP PROFILE

Overview

Maisons du Monde is a creator of original universes in the homeware business. It offers a unique range of home decoration items and furniture in a wide variety of styles and themes at affordable prices. The Group expands its business through an integrated and complementary omnichannel approach, leveraging its international network of stores, its websites and its catalogues.

Maisons du Monde has developed a highly differentiated business model, combining a unique ability to inspire customers with a fully developed industrial-scale design-to-cost process and an integrated approach to sourcing. Its *design*-to-cost process is focused on capturing emerging design trends in the apparel and homeware markets, and translating them into inspirational but affordable home decorative items and furniture. These products are then showcased in scenic environments in the Group's stores, catalogues and websites. The Group believes that this unique concept contributes to better customer satisfaction. This ability to generate a unique and immersive shopping experience for the benefit of customers, whatever their tastes or budget, enables the Group to deliver best-in-class financial results, including uninterrupted double-digit sales growth and outperforming growth of its benchmark market index on a like-for-like basis [(1)] throughout its business cycles.

Founded in France in 1996, the Group has sought to expand across Europe since 2003. At 31 December 2018, the Group operated 336 stores under the Maisons du Monde brand in nine different countries (France, Italy, Spain, Belgium Luxembourg, Germany, Switzerland, the United Kingdom and the United States), generating 40.3% of its sales [(2)] outside France in the year ended 31 December 2018. The Group has quickly expanded internationally, building on an excellent operating performance through the uniform and centralised implementation of its merchandising processes within countries requiring little adaptation to local market practices.

In 2018, Maisons du Monde gained a foothold in the US market through the acquisition of a majority stake of 70% in Modani, a furniture chain present across the US through its stores and e-commerce business. Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand, offering a unique range of modern, contemporary and mid-century furniture at affordable prices. At 31 December 2018, Modani operated a network of 13 stores in Chicago, New York, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Atlanta, Dallas, Frisco, Houston, Los Angeles, Costa Mesa and San Francisco. During the year ended 31 December 2018, Modani reported sales of $42.4 million.

The Group's product offering contains approximately 18,600 stock-keeping units ("SKUs") available in a wide range of prices. The offer falls into two main categories: (i) decorative products, such as household textiles, tableware and kitchenware, mirrors and picture frames, with an average selling price (ASP) of approximately €12, and (ii) furniture, such as beds, tables, chairs, armchairs and sofas, cupboards, bookshelves, junior furniture and outdoor furniture, with an ASP of approximately €219.

(1) Index of change in the furniture market in France published by the Institute for the Outlook and Studies on the Furniture Market ("IPEA").

(2) Excluding Modani.

The Group has successfully replicated its model across all the different channels, using its store network, e-commerce platform and catalogues, all complementary to each other. Its online platform recorded a CAGR of 33% between 2010 and 2018, and generated 23.0% of the Group's sales[1] in the year ended 31 December 2018. This online platform, which is active in a total of 12 countries as of the date of this Registration Document (including the nine countries where the Group operates stores), has also allowed the Group to expand in Austria, the Netherlands and Portugal without opening stores.

In the year ended 31 December 2018, the Group achieved sales of €1,111.2 million, an increase of 10.0% compared with the year ended 31 December 2017, and posted EBITDA of €148.0 million, accounting for 13.3% of sales, with comparable margins in France and on mature international markets, as well as through its stores and e-commerce platform. The Group's like-for-like sales growth was 3.1% for the year ended 31 December 2018 .

Creator of Universes

The "universes" developed by Maisons du Monde are true lifestyles, spanning the entire home and offering a wide variety of styles, tastes and prices, systematically combining home decoration items and furniture. The Group's collectioning strategy is not to impose design, but rather to encourage customers to express their own style, whatever their budget. As a result, the Group's collections are intended to be multi-styled, taking new trends and adapting them to the homeware market, with a focus on affordability. Collections are renewed twice a year for home decoration items and once a year for furniture, creating a sense of freshness and renewal in the Group's stores, catalogues and websites.

Maisons du Monde has developed a design process enabling it to capture and develop emerging trends in homeware and furnishing. To this end, the Group relies on its highly experienced in-house team, which includes professionals in the fields of design, collections and sourcing (21 designers and graphic artists, and about 90 members in total). The Group's collectioning process is focused on balancing its design ethos with commercial profitability by adapting past bestsellers in new product lines, and leveraging in-depth sales data to gradually refresh and create new collections and universes in tune with customer expectations. Products are constantly being renewed, both in-store and online, thereby fostering a dynamic shopping experience bolstered by the continuity of bestsellers and regular launches of new collections.

Attractive merchandising

Maisons du Monde's commercial strategy also relies on an engaging merchandising concept that uses scenic universes to display products in homelike settings, combining a variety of home decoration items and furniture coherently and harmoniously. Store universes and layouts are constantly recreated across all distribution channels, taking in new products almost every week, which helps attract customers to the Group's shops and website. Additionally, although the Group's in-store displays are designed to inspire customers with home decoration ideas, most items are offered on a self-service basis. This resolutely dynamic merchandising combines a boutique feeling with mass merchandising techniques, encouraging impulse purchases and improving conversion rates. The Group applies this approach uniformly across all of its stores, whatever their format or channel, and in all the countries where it operates, using a centralised merchandising strategy. The Group's sales consultants offer timely and knowledgeable support to customers, particularly in furnishings. Lastly, this merchandising approach allows the Group to limit the use of promotions and markdowns, which accounted for 5.6% of sales in the year ended 31 December 2018, reintegrating less successful products in stores' bestseller universes.

Cutting-Edge Design and Sourcing

Maisons du Monde's industrial-scale design and sourcing process combines customer appeal with commercial and financial efficiency. The Group's design-to-cost approach is central to the Maisons du Monde business model and results in close collaboration between the team of stylists and sourcing professionals during all phases of the design and sourcing process, to create inspirational and affordable collections without jeopardising margin targets.

To deliver affordable high-quality products in a timely manner, the Group's business model relies on a significantly integrated and particularly flexible sourcing strategy that leverages its long-standing relationships with its suppliers. Through its more than 20 years of direct sourcing in Asia, the Group has developed a deep understanding of manufacturing processes and related cost drivers, allowing it to create and source distinctive, high-quality products while maintaining affordable prices. In addition, the Group manufactures about 19% of its furniture internally (in terms of furniture purchases), with two manufacturing facilities in China (through Chin Chin, its joint-venture with SDH Limited) and in Vietnam, which allows it to secure quality production of the most sophisticated items and develop an even better understanding of the production process. The Group also leverages historical sales data to determine the optimal level of orders for a new collection. Further orders are then made in the light of sales over the first two to three weeks. This helps to optimise inventories and reduce the risks associated with product obsolescence. Approximately one-third of the SKUs in a collection are re-ordered during the season; the proportion is higher for products re-adapted from previous collections.

(1) Excluding Modani.

Lastly, for its logistics requirements, the Group operates 11 warehouses located in the port area of Marseille-Fos, in the South of France. This is where much of the Group's inventories are housed. The *sites provide* backend logistical support to all distribution channels.

Broadly speaking, this integrated and genuinely flexible value chain provides Maisons du Monde with the ability to combine an attractive gross margin, with a wide and unique product range.

Omnichannel and multi-format international strategy

Maisons du Monde has been able to successfully replicate its business model across Western Europe. As of 31 December 2018, the Group operated 115 stores spread across eight countries outside France, compared with six in 2005 and 32 in 2010. The Group also operates its e-commerce platform in three additional countries. The fast and efficient rollout of the Group concept outside France was made possible mainly thanks to the Group's scalable and centralised approach to network development and management. In the year ended 31 December 2018, international sales accounted for 40.3% of sales[(1)], compared with 3% in 2005 and 20% in 2010.

Inspired by consumers' in-store experience and the type of purchases of home decoration items and furniture they make today, Maisons du Monde operates an omnichannel business model that includes its physical stores, e-commerce platform and catalogues. The Group's channels complement each other, with customers often looking at products in store and then purchasing them online, or vice-versa. The Group uses its various distribution channels to present the entire range of its offer to its customers in a cost-effective manner.

The Group's multi-format store concept has demonstrated its ability to adapt to all catchment types and store sizes in all countries where it is present. Most of the stores operated by the Group have selling space of between 300 and 3,000 square metres, and their format is particularly well suited to city centres, suburban commercial zones and shopping malls.

For example, Maisons du Monde launched two new concepts in 2017, with the opening of a corner at Printemps Nation and a showroom in Paris. In 2018, the Group opened two new corners in the Printemps brand stores in France, in addition to four corners in the Debenhams brand stores in the United Kingdom (for more information, refer to section 1.4.5 "Description of the Group's business" of this Registration Document). Moreover, the Group operated seven franchises at the end of 2018, including one in Martinique, two in Réunion Island, one in Morocco and three in the Middle East (for more information, refer to section 1.4.4 "Group strategy" of this Registration Document).

Maisons du Monde also provides its customers with its catalogues, laid out as magazines, to encourage them to let their imaginations run free and to project themselves in a newly decorated or redesigned home. In 2018, the Group distributed approximately 15.2 million free catalogues across all the countries in which it is located in Europe, including approximately 7.2 million general catalogues, 3.1 million outdoor furniture catalogues, 2.7 million catalogues for the junior collection and 2.2 million catalogues for the lighting collection.

Lastly, Maisons du Monde is also at the forefront of e-commerce among homeware retailers in France. In addition to offering a direct sales channel, the Group's online platform seeks to inspire customers and help them prepare for their next store visit. The Group actively engages with its customers using exclusive product launch videos, do-*it*-yourself decorating tips, personalised newsletters and social networks. For the year ended 31 December 2018, online sales reached €249.2 million, representing 23.0% of the Group's sales[(1)] up 18.7% compared with the year ended 31 December 2017. In the year ended 31 December 2018, the Group's e-commerce platform recorded a similar return profile to its store network [(2)].

1.4.2 PRESENTATION OF THE MARKET AND COMPETITIVE ENVIRONMENT

The European Decoration and Furniture Market

The Group is developing in the large European decoration and furniture market [(3)] and is the leader in the highly fragmented "affordable inspirational" segment of the decoration and furniture market.

The European decoration and furniture market is forecast to develop at a similar CAGR to that of consumer spending, which is estimated at between 2.0% – 2.5%[(4)] between 2019 and 2020.

The Group operates in the highly fragmented and competitive decoration and furniture industry.

In the retail channel, the Group competes with international, national and regional retailers focused on decoration and furniture and with other stores that sell decoration and furniture in addition to other products. Certain competitors may focus on decorative products only and carry limited or no furniture, whereas others may exclusively carry large furniture items. The Group's average selling prices (ASPs) are concentrated in the mid-range, and as a result, the Group faces competition from both the value and high-end segments of the market. Competition is generally based on product quality and choice, brand name recognition, price and customer service, as well as the number and location of stores and in-store experience.

(1) Exluding Modani.

(2) Before allocation of head office costs.

(3) The term "European decoration and furniture market" as used herein refers to France, Belgium, Italy, Spain, Germany, Switzerland and the United Kingdom, which are the main countries in which the Group operates.

(4) Source: Oxford Economics

The Group believes it competes primarily in the "affordable inspirational" segment of the market, characterised by retailers who emphasise style and originality, at affordable prices. This segment of the market is more fragmented than the average for the sector.

The Group's main competitors are notably Casa, Habitat, AM.PM., Zodio and Zara Home, as well as functionalist retailers such as IKEA, Conforama, Alinéa, Atlas and But. The Group additionally experiences competition from independent retailers. Department stores and supermarkets also sell decoration and furniture as part of a larger offering, and in France the Group competes with department stores such as Galeries Lafayette and home improvement retailers such as Bricorama. Certain such competitors are present in multiple European markets where the Group operates. For example, IKEA and Zara Home are present in all of the markets where the Group operates, except Luxembourg. Conforama operates in France, Italy, Spain, Switzerland and Luxembourg, and Habitat in France, Spain, Germany, Belgium, Switzerland and Luxembourg. Additionally, the Group competes with certain local retailers that are present in only one of the Group's markets. For example, the Group competes with Depot, which is only present in the German market, and Mercatone Uno, which is only present in the Italian market.

In the online channel, the Group competes both with pure-play online retailers focused on decoration and furniture and the online channels of several of its retail store competitors. In addition to the same general competition factors for retail stores related to product range and price, the Group's websites compete with others based on factors such as ease of user interface, search engine optimisation, online advertisements and social media campaigns to draw online traffic, methods of payment, shipping and delivery options, technical and platform support and click-and-collect programmes.

Pure-play online retailers specialising in home decoration and furnishings include Made.com, Westwing and Home24, which are accessible from multiple European jurisdictions. Additionally, e-commerce platforms such as Amazon do not specifically focus on decoration and furniture but sell such products from other distributors and manufacturers. Most of the Group's retail store competitors also operate online channels.

General European Market Drivers

Consumer trends

The evolution of the European decoration and furniture market is driven by recent consumer trends, in particular the convergence of customer tastes across countries, the increasing emphasis on well-being at home, as well as an increased desire of consumers to personalise their living spaces. The Group believes that retailers who identify and respond to these consumer megatrends will be better positioned to capture market share than those who do not. In recent years, customer tastes have converged across different geographies as well as across the socio-economic spectrum. The rise of the Internet and of visually-rich sites such as Pinterest and Instagram and social networks, as well as the popularity of television programmes relating to home decoration and renovation, has democratised access to a variety of sources for inspiration, resulting in a common and shared set of visual references sought by customers. Standards for beautiful or stylishly decorated homes have proliferated in a variety of media, both online and offline. Today, customers across Europe are increasingly seeking to replicate the same rooms and home settings that they see in stores, online and in catalogues and magazines. As a result, interior styles have become more homogenised. However, at the same time, customers increasingly desire decoration and furniture that feel unique and personally selected. Customers also put increasing emphasis on their homes as a source of well-being. Home decoration items and furniture are increasingly purchased not just for their functional use, but also for their aesthetic appeal, which expresses personal needs and tastes.

E-commerce and mobile technologies

E-commerce is a rapidly growing channel in the European home decoration and furniture market. Today, online penetration for decoration and furniture is still lower than for many other consumer goods. Further increases in online penetration will provide an additional boost to growth among home decoration and furniture retailers owning e-commerce platforms. E-commerce is not only an important sales channel for the decoration and furniture market, but also plays a critical role in the decision-making process for customers who are increasingly omnichannel. The Group estimates that 30% of visitors to its e-commerce sites come to get new ideas for furnishing and decorating their homes, driving both online and in-store purchases. E-commerce sites, coupled with the proliferation of mobile devices, have created new ways for consumers to view and review products, interact with retailers and be inspired by what they see and share with each other. As such, e-commerce sites can now replicate and enhance the in-store shopping experience in many ways, thereby driving increased purchases. For example, videos and pictures allow customers to view products from all angles and product listings can include highly detailed product descriptions and specifications. E-commerce sites also allow customers to see and purchase a wide range of products, or multiple variations of a product (such as different colours, fabrics or finishes), which may not all be available in-store given limited selling space.

Nevertheless, e-commerce sites remain complementary channels to in-store shopping. Customers may be inspired by products they have discovered and viewed online but may still prefer to view products in-store before making a purchase. For example, a customer can visit a Maisons du Monde store to test a sofa but may choose to purchase it on the Group's e-commerce site, where it may be available in a particular colour or fabric. In this case, each channel complements the other and optimises the customer's experience. E-commerce sites also provide additional unique ways for retailers to drive in-store traffic. Online tools such as store locators and store inventory checks allow customers to consult product information and availability, both online and in store before purchasing, driving footfall in stores as well as online traffic to the Group's e-commerce site. The Group's free in-store delivery option, which has been available for decorative products purchased online in all Group stores in Europe since mid-2017, also encourages customers to visit stores after making an online purchase. The Group estimates that approximately 10% of customers buy additional items when they come to collect their online order from the store. As a result, e-commerce sites have become a key driver for both online and offline purchasing. Decoration and furniture retailers who are omnichannel have competitive advantages over those who are not.

Maisons du Monde has an e-commerce presence in 11 countries in Europe (France, Austria, Belgium, Germany, Italy, Luxembourg, the Netherlands, Spain, Switzerland, Portugal and the United Kingdom) and is one of the top three online decoration and furniture retailers in France in terms of revenues. The Group leads the French market in terms of online adoption. In 2018, 23.0% of the Group's sales[1] were made online, amounting to €249 million and representing a CAGR of 40% since 2007.

Macroeconomics

The European decoration and furniture market is generally correlated with macroeconomic indicators, such as GDP, consumer confidence, and residential construction, but has proven to be resilient in challenging economic climates, especially when compared with other retail categories, including consumer electronics and apparel and footwear. This is largely due to the fact that some decoration and furniture purchases are not purely discretionary. Certain household items become obsolete or require replacement fairly frequently, even during periods when macroeconomic indicators are trending down. Maisons du Monde benefits in particular from its wide price range, which addresses a wide range of consumer budgets. Likewise, when macroeconomic indicators trend up, spending on discretionary items tends to increase. Thus, while expenditures on home decoration items and furniture generally increase in line with positive macroeconomic trends, it does not tend to decrease as sharply when macroeconomic trends are negative. For example, following the 2008-2009 financial crisis, the European home decoration and furniture market proved relatively resilient. In 2009, the decoration and furniture market in France declined by only 1.4%, while the consumer confidence index declined by 10%, residential construction declined by 7% and GDP declined by 3%.

Demographics

The European decoration and furniture market is also affected by demographic factors, such as population size and growth, household size, household net revenue, number of households, housing density and levels of residences. For example, areas that have a high proportion of secondary housing, tend to have populations with higher than average purchasing power. These factors are expected to trend favourably for the Group. For example, the French population is expected to grow 0.3% per annum between 2020 and 2050, while the number of French households is expected to increase as household size shrinks by 0.3% per annum over the same period, according to INSEE, the French national statistics institute. This implies the number of households will grow by 0.6% over the same period.

Competitive environment

There are a number of different types of players in the European decoration and furniture market, including specialty retailers as well as general retailers, such as supermarkets, discounters, variety stores, department stores and home improvement and gardening stores. The market appears to be highly fragmented, with the majority of players being independent retailers. There are also a number of pure-play e-commerce retailers. Specialist retailers dominate the European market in terms of revenues. Within the European market, the Group generally competes with players with a similar positioning. Decoration and furniture retailers can be divided into five main segments: generalists, functional, affordable inspirational, premium design and mono-category experts. Due to its unique product offering and merchandising concept, coupled with its broad range of price points, the Group generally does not compete with generalists, premium retailers or mono-category experts.

The affordable inspirational segment is most developed and organised in France, the Group's home market, as the Group has driven its creation over the last 20 years. However, the Group believes that this segment is also emerging in the other European countries in which it operates, as the premise of good design and creative, homelike merchandising offered at a range of accessible price points becomes more appealing.

(1) Excluding Modani

The Group's Geographic Markets [1]

France

France is the third largest decoration and furniture market in Europe and is forecast to grow at a CAGR of 1.0 to 1.5% between 2018 and 2020 reaching an approximate estimated revenue of €18 billion (including VAT).

In France, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. However, specialty stores (including independent players) dominate the French market, followed by supermarkets and hypermarkets. The French decoration and furniture market appears to be fragmented but is experiencing some consolidation. The top five retailers overall (IKEA, Conforama, BUT, Alinéa and Maisons du Monde) account for approximately 37% of the French decoration and furniture market by revenue, with the remainder being primarily composed of independent retailers. The number of players in the French home decoration and furniture market has been decreasing since 2009, when there were approximately 17,000 companies active in the decoration and furniture market. This number had fallen to approximately 16,000 by 2011, an overall decline of 3%. This decline was largely driven by a decline in small independent retailers, given the increasingly competitive environment caused by the globalisation of the supply chain and competition from low-cost players and chain retailers. In France, the Group is the leader in the "affordable inspirational" segment. This segment is characterised by a small number of larger competitors and many small independent retailers. The Group's primary competitors in this segment include Casa, Habitat, Zara Home, AM.PM. and Zodio, as well as independent retailers. The Group's sales totalled €647.4 million in France in 2018, which made it a leader in the French affordable inspirational segment. The affordable inspirational segment appears to be more fragmented than the market as a whole. The functional segment appears to be less fragmented than the affordable inspirational segment and is dominated by major players, with the top five retailers (IKEA, Conforama, BUT, Alinéa and Fly) accounting for approximately 80% of the segment's revenues.

Italy

In Italy, as is generally the case in the European decoration and furniture market, the Group competes largely with independent retailers as well as larger decoration and furniture specialists. However, the Group believes that the Italian affordable inspirational segment is less developed than it is in France. The Italian decoration and furniture market appears to be highly fragmented. The top five furniture and homeware generalist retailers (IKEA, Mondo Convenienza, Mercatone Uno, Grancasa and Conforama) account for only approximately 22% of the market's revenues, while other decoration and furniture retailers, including independent retailers, accounting for the remainder of the market's revenues. The Italian market has presented difficult conditions for the Group's large competitors. Several large decoration and furniture retailers have curtailed their Italian expansion plans in recent years. Mercatone Uno, a local player, entered insolvency proceedings in 2015 and several of its stores were sold to other retailers in early 2016. Maisons du Monde competes primarily with homeware specialists, including Kasanova, Co Import, Zara Home and Casa as well as independent retailers. In the e-commerce segment, online penetration in the decoration and furniture market is currently lower in Italy than in other European markets. The increase in online penetration will help to boost the e-commerce market in Italy, which is expected to record a CAGR of 17% between 2019 and 2020.

Spain

In Spain, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, in particular independent retailers. Group believes the Spanish market is highly fragmented with large international players such as IKEA and Zara Home holding very limited market shares compared to independent retailers. As in Italy, the Group believes that the Spanish affordable inspirational segment is less developed than it is in France.

In terms of e-commerce, online penetration in the decoration and furniture sector in Spain is still very low and is expected to reach just 4% in 2019. The increase in online penetration will help to boost the e-commerce market in Spain, which is expected to record a CAGR of 16% between 2019 and 2020.

Belgium

The Belgian market appears to be highly fragmented and is dominated by independent and local players. The largest player in the Belgian decoration and furniture market is IKEA. A number of players are Dutch retailers focused on the discount segment of the market, such as Blokker, Dille en Kamille, and Action, in the decoration segment, and Leenbakker in the furniture segment. A number of players in the furniture market are large independent stores, such as Weba, Heylen and Gaverzicht.

The Group believes that its main competitors in the decoration segment are Casa, Blokker, Dille en Kamille, Zara Home and Action, as well as independent retailers.

Germany

In Germany, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. Decoration and furniture stores accounted for approximately 55% of decoration and furniture revenues in Germany in 2014, followed by home improvement and gardening stores and discounters. The German decoration and furniture market appears to be highly fragmented. The 13 largest retailers accounted for approximately 35% of the market, and included, in particular, IKEA, Höffner, XXX Lutz, Roller, Porta, Depot, Butlers, Nanu-Nana and Zara Home. Large players, in both the generalist category as well as the homeware specialist category, are currently winning market share in Germany through store expansion and market consolidation. In Germany, the Group is most closely positioned with homeware specialists such as Depot and Butlers, but is mostly competing with independent retailers. In terms of e-commerce, the German online decoration and furniture sector is the second largest in Europe. The decoration and furniture online penetration in Germany is the second highest in Europe at approximately 5% in 2014 and is further forecast to reach more than 10% by 2019. As such, the e-commerce market is expected to grow by 11% per annum

(1) Sources: Oxford Economics for the size and growth outlook of the European markets (including France, Italy, Spain, Belgium, Germany, United Kingdom) and Euromonitor for the United States.

between 2019 and 2020, reaching approximately €3.6 billion (including VAT) in 2019.

United Kingdom

In the United Kingdom, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including other online-only retailers and independent retailers. The main player in the UK market has an approximately 8% market share of the home furnishing market, while the second largest player has a market share of around 4%. In terms of e-commerce, online penetration in the decoration and furniture sector in the United Kingdom is the highest in Europe at approximately 13% in 2014 and is forecast to reach 17% by 2019. The United Kingdom online decoration and furniture market is the largest in Europe, with revenues of approximately €2.9 billion (including VAT) in 2014 and is forecast to grow at a 10% CAGR across the period 2019 to 2020, reaching approximately €4.6 billion (including VAT). The Group believes that since 2012, there has been a surge of online-only retailers offering consumers increased value and convenience. Established high-street retailers have since attempted to follow this trend by proposing a range of online offerings. A number of UK decoration and furniture retailers focus on offering unique products to their customers, such as Made.com and Loaf.com.

United States

The United States represents the largest decoration and furniture market worldwide, with an estimated size of €135 billion by 2023, of which over 20 % online (i.e. around €29 billion). The market is also highly fragmented comprising numerous players with national networks. These notably include Ikea, Pottery Barn, Crate & Barrel, CB2, West Elm and Wayfair. All these players have developed their networks in a similar way, starting with their states of origin and then moving on to cover the country's major cities.

Crate & Barrel and Pottery Barn have the broadest price positioning in the market. Ikea has an entry-level price positioning, whereas CB2 and West Elm are positioned in between these two groups. The Modani brand has a price positioning close to that of Crate & Barrel & Pottery Barn, and at a higher level than CB2 and West Elm.

With regard to e-commerce, the online retail penetration in the decoration and furniture market is very high. This segment is very dynamic and should grow by an average rate of 9% over the 2017-2022 period. We find the players indicated above and "pure" online players such as Wayfair and Amazon.

1.4.3 THE GROUP'S ASSETS AND COMPETITIVE STRENGTHS

A diverse and original offering displayed through inspirational universes catering to a broad range of customer tastes.

Maisons du Monde has developed a unique concept based on the differentiation of products offered to customers. The Group offers a wide range of original, design-oriented products at reasonable prices through eye-catching, inspirational merchandising. Through this unique combination of product offering and merchandising know-how, the Group offers its customers an immersive and inspirational shopping experience, maximising conversion and triggering impulse purchases.

The hallmark of the "Maisons du Monde" brand is its ability to create "universes" spanning the entire home in a wide range of themes and styles, combining home decoration items and furniture. Customers benefit from products that are both inspirational and original, and which match their individual styles. The Group aims to continue to be an early adopter of emerging styles and trends, which it captures and adapts through an industrial-scale design-to-cost process that leverages its experienced team of stylists and sourcing professionals. The Group's stylists have experience in the fashion and luxury goods industries and have been with Maisons du Monde for an average of five years.

Maisons du Monde differentiates itself from traditional players European in the decoration and furniture market. Where many such players tend to be mono-style, with products that are "picked" from manufacturers that supply multiple retailers, Maisons du Monde offers products across many different styles, which are largely designed in-house. In 2018, approximately 43% of the Group's decoration products were designed or adapted in-house (over 80% for certain product lines, such as crockery). This percentage was lower for furniture (29% in 2018), as many product categories are more standardised (e.g. tables, sofas, etc.). The Group's entire collection is sold under its own brand, enhancing the uniqueness of the Maisons du Monde universes.

The Group's collectioning approach balances design and commercial efficiency by re-using and adapting historical bestsellers and leveraging in-depth historical sales data to gradually refresh and create new collections and universes matching emerging market trends. While traditional players tend to offer unique styles within a restricted price range, the Group, through its wide range of products, which has about 18,600 SKUs [1], is able to offer original articles inspired by many different themes and styles at affordable prices, which avoids any reliance on a particular theme or style.

(1) Based on the number of SKUs that generated sales of at least €5,000 in the year ended December 2018.

In order to fully leverage its distinctive collections Maisons du Monde uses an engaging merchandising concept, displaying its products in inspirational universes, recreating a home-like setting and harmoniously combining home decoration items and furniture. Maisons du Monde combines this boutique feeling with mass merchandising techniques to drive conversion rates and encourage impulse purchases. In contrast, traditional players tend to focus on either home decoration items or furniture, and display their products in standard product aisles. Additionally, the Group continuously renews its merchandising universes and product offering throughout the year, increasing the appeal of its stores and e-commerce platform through a perceived scarcity effect, further driving footfall.

A model focused on customer inspiration and satisfaction

Over the last twenty years, Maisons du Monde became a well-known brand with a strong customer base. According to a customer survey [(1)], in June 2018, the Group estimates that 22% of respondents made a purchase from Maisons du Monde in the last twelve months.

According to the same study, among French respondents who know that there is a Maisons du Monde store near their home, Maisons du Monde boasts a high level of attractiveness (73%) and a very good conversion rate (58% of visitors who visited a store in the last 12 months made a purchase).

Moreover, the same survey puts the brand's "Net Promoter Score" [(2)] at 6% among French buyers, ranking second after IKEA as the most recommended brand in the French home decoration and furniture market.

Similar surveys commissioned by the Group in Italy, Spain, Belgium, Germany and the United Kingdom confirmed the brand's international appeal. The Group ranks as the second most recommended brand in Germany, Belgium and Italy, and third in Spain.

In addition, Maisons du Monde appears in several rankings of the best French brands carried out by independent firms. The 2018 OC&C brand ranking reveals that Maisons du Monde is the second favourite French brand in the Furniture category, with a score of 80.6, just behind IKEA. Among the Top 30 French brands, all categories combined, Maisons du Monde is in 23rd place, up two places compared to the 2017 ranking.

The Group believes that this strong recognition on the part of customers translates into consistent market outperformance, through superior like-for-like sales growth and new store openings. As a result, the Group's like-for-like sales have increased on average by approximately 7% per annum over the past ten years, compared with average furniture market growth in France of close to zero per annum over the same period (source: IPEA), outperforming the market every single year since 2008.

Additionally, the Group opened 53 new stores on a net basis in France between 2008 and 2018, more than any other large player in the decoration and furniture market. Driven by both store roll-out and a robust performance on a like-for-like basis, the Group has increased its market share in France in the affordable inspirational segment, to the detriment of independent retailers in particular.

A scalable business model geared towards value

To deliver original and affordable design and quality, while maintaining high margins, the Group controls, coordinates and optimises the entire value chain, from design to distribution.

The Group has implemented a design-*to-cost* model aimed at capturing emerging trends and integrating them in its new collections and universes, relying on the close cooperation between stylists and sourcing professionals from the very beginning of the design process. This industrial-scale model allows the Group to offer original and compelling products at reasonable prices while maintaining high gross margins.

To manufacture its products, Maisons du Monde works with more than 500 third-party suppliers, located in China, India, Indonesia and Vietnam, among others. Specifically, the Group has developed close long-term partnerships with about 40 such suppliers, supporting the organisation in developing its unique products at an attractive cost. Additionally, the Group operates two furniture production facilities, including a joint-venture in China, which provides the Group with an in-depth understanding of the production process and associated costs.

The Group operates 11 warehouse facilities, which house most inventory and provide backend logistics support to all of its distribution channels, including e-commerce and international stores. Stores typically have a relatively small amount of stock of approximately €120,000 per store on average, thereby maximising square footage at retail locations for product display and increasing sales densities.

(1) Customer survey commissioned by the Group, based on a sample of 1,607 customers in France, conducted in June 2018.

(2) The "Net Promoter Score" is calculated based on the total number of promoters minus the total number of detractors, divided by the total number of respondents.

Thus, upstream of the value chain, the Group is able to execute its commercial strategy in an efficient and profitable way. Using a data-intensive approach that leverages more than 20 years of sales experience, the Group is able to determine optimal initial orders, with re-ordering based on the first two to three weeks of sales. This optimises the amount of stock and minimises product obsolescence. Building on its particularly efficient and flexible supply chain and its logistics capabilities, the Group is then able to supply its stores up to four times per week.

This industrial-scale, integrated and flexible value chain provides Maisons du Monde with the ability to create fashionable collections that are both affordable and original, while at the same time maintaining high gross margin and limiting promotions.

A truly omnichannel model, with consistent execution across store formats and channels

The Group's development has been underpinned by a multi-format and omnichannel strategy that has followed its customers' habits and has demonstrated its replicability and scalability across multiple store formats and distribution channels.

The Group's store concept has demonstrated its effectiveness across all catchment types and store formats. At 31 December 2018, the Group operated a network of 336 stores under the Maisons du Monde brand in eight European countries (335 stores) and the United States (1 store). Most of the stores operated by the Group cover selling space of between 300 and 3,000 square metres. They are located in city centres, suburban commercial zones and shopping malls. Through a standardised approach, the Group has been able to roll out its concept effectively and coherently in both commercial and financial terms, and has managed to build a balanced and harmonious store network, with a single business model across store formats.

The Group has also been at the forefront of e-commerce in the homeware industry, using its online platform not only as a distribution channel, but also as a source of inspiration for its customers, a way to discover the Group's collections and universes and prepare a store visit. During the year ended 31 December 2018, Maisons du Monde generated online sales of €249.2 million, up 18.7% compared with the year ended 31 December 2017, with profitability similar to that of the store network. The Group has today emerged as a leader in e-commerce in the French home decoration and furniture market, with 23.0% of its online sales (1) in the year ended 31 December 2018 generated online, compared with only 7% in 2010. This compares favourably with the low e-commerce penetration rate on the French decoration and furniture market, with most large bricks-and-mortar players generating online sales below 10% of their total sales.

The Group seeks to further fuel the success of its omnichannel model with *web-to-store* and *store-to-web* applications and the creation of options such as free in-store delivery (2) or click-in-store (3) sales, which represented €264 million for the year ended 31 December 2018. Additionally, the Group has continued to use the significant cross-channel data collected from customers through its customer relationship management platform in order to improve the effectiveness of its marketing and drive growth further.

The Group also provides its customers with its catalogues, laid out as magazines, to encourage them to dream and project themselves into a newly decorated or redesigned home, or invite them to rethink their home at will, inspired by the scenes proposed in different stores internationally. These catalogues are available in several languages, and come in four different versions (general, outdoor furniture, junior and lighting). They cover the Group's entire range of furniture items and help attract customers to its website and stores. The brand's general 2018 catalogue presented roughly 2,590 furnishing SKUs and approximately 2,380 SKUs in home decoration items. The 2018 outdoor furniture catalogue had roughly 490 furnishing SKUs and approximately 130 SKUs in home decoration items. Lastly, the 2017 junior catalogue presented approximately 290 furnishing SKUs and 660 SKUs in home decoration items. In 2018, the Group distributed more than 12 million free catalogues across the countries in which it operates.

This omnichannel approach, combined with the Group's lifestyle universes, is in contrast to the methods adopted by traditional players, which often only display their products in stores, in comparatively unattractive product aisle formats. The combination of these complementary distribution channels and formats allows the Group to sell a wide range of products relative to its average store size and the number of products displayed in stores. On average, about 9% of furniture SKUs are displayed in-store, but, using its catalogues and e-commerce platform, the Group is able to make its entire collection available to its customers. This is illustrated by the fact that around 53% of in-store furniture sales were generated by products that were not physically displayed in-store in the year ended 31 December 2018.

(1) Excluding Modani.

(2) "Free in-store delivery" refers to the Group's system by which decorative items can be ordered through the Group's e-commerce sites and collected by the customer in stores.

(3) "Click-in-Store" sales refers to sales made through the Group's digital sales system from an in-store point of sale, which corresponds to the sale of SKUs not physically displayed in the stores. Such purchases are generally identified by customers from the catalogues or tablets made available in-store or, alternatively, through discussions with sales consultants.

A proven track record replicated internationally

Maisons du Monde replicated its business model across Western Europe and also gained a foothold in the United States in 2018. As of 31 December 2018, the Group operated 115 stores spread across eight countries outside France, and also had an exclusively online presence in three additional countries. In the year ended 31 December 2018, international sales accounted for more than 40% of sales [(1)], compared with 3% in 2005 and 20% in 2010. For the same financial year, six of the ten largest stores in terms of sales were located outside France (three in Italy, one in Spain, one in Germany and one in Switzerland), and about 49% of the Group's online sales [(1)] were made internationally.

The Group has historically been able to scale its international expansion and achieve a high standard of operating performance swiftly, through consistent and centralised implementation and execution of its marketing process across countries as well as a standardised and structured store rollout process. The Group has also benefited from converging consumer tastes across European countries, allowing to succeed in each country with the same collections. This is illustrated by the fact that most of the Group's bestsellers are the same across all countries.

The success of the Group's international growth strategy is further demonstrated by the similarity of ramp-up[(2)] and the payback[(3)] inherent in new stores, as well as the comparable nature of EBITDA margins [(4)] between the French stores and the international stores, in each case in the countries where the store network and brand have already been established (such as Italy, Spain and Belgium).

In 2018, Maisons du Monde gained a foothold in the US market through the acquisition of a majority stake of 70% in Modani, a furniture chain present across the US through its stores and e-commerce business. Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand, offering a unique range of modern, contemporary and mid-century furniture at affordable prices. At 31 December 2018, Modani operated a network of 13 stores in Chicago, New York, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Atlanta, Dallas, Frisco, Houston, Los Angeles, Costa Mesa and San Francisco. During the year ended 31 December 2018, Modani reported sales of $42.4 million.

Best-in-class financial performance, with consistent margins across regions and channels

Maisons du Monde's business model has delivered outstanding financial returns since its creation, based on strong double-digit top line growth and consistent profitability. Between 2014 and 2018, the Group's sales grew from €604.7 million in the year ended 31 December 2014 to €1,111.2 million in the year ended 31 December 2018, representing a CAGR of approximately 15%, with a positive contribution from all channels, all formats and all countries, which represents a stellar performance compared with other European players in the homeware industry. In addition, the Group's EBITDA recorded an average CAGR of about 18% between 2014 and 2018, rising from €72.9 year ended 31 December 2014 to €148.0 million in the year ended 31 December 2018. The EBITDA margin also improved from 12.0% to 13.3% during the same period.

This excellent financial performance is the result of the very good health of the Group's store network and the strong profitability of its e-commerce channel, as well as the rollout of new stores displaying an attractive business model, all sizes and all geographies combined, with ramp-up of less than one year (in mature countries such as Spain, Italy and Belgium) and an average payback of two to three years for the majority of the Group network. The s online channel also provides excellent returns, with very low investment requirements.

1.4.4 GROUP STRATEGY

Continue to be a source of inspiration and elight for customers

Maisons du Monde has a track record of more than two decades of uninterrupted double-digit sales growth, and has built a strong customer base as illustrated by its market-leading net promoter score. The Group believes that exclusively offering original and affordable home decoration items and furniture, available in various styles and presented in settings imbued with inspiration differentiates if from its competitors and has boosted its past performance. The Group strives to serve and inspire its customers by offering them original collections at affordable prices. Leveraging its unique design-*to-cost* collectioning process, the Group's design teams will continue to work closely with suppliers to capture and adapt to emerging trends in the design market. Maisons du Monde will also maintain its focus on further enhancing its strong customer value proposition by working on the attractiveness of its online platform and its store network and investing in customer service, product delivery and scheduling options.

(1) Excluding Modani.

(2) Ramp-up refers to the length of time necessary for a new store to record average sales per square metre in line with the Group's average.

(3) Payback, the indicator the Group uses internally, is calculated by dividing a store's fixed assets (net of disposals) by its EBITDA. The Group's Management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analysing the performance of its stores.

(4) Store EBITDA is defined as store sales less related expenses (cost of sales, personnel expenses) but excluding any allocation of general marketing and corporate costs. Store EBITDA margin refers to store EBITDA as a percentage of sales.

Optimise further growth in like-for-like sales

Maisons du Monde has a strong background in delivering like-for-like sales growth, outperforming the decoration and furniture market figures. Between 2008 and 2018, the Group's like-for-like sales grew on average by approximately 7%, outperforming the average furniture market growth in France of close to zero per annum over the same period (source: IPEA). The Group aims to continue to outpace the European home decoration and furniture market in the future. The Group also leverages the growth dynamic of its online channel to strong e-commerce activity. This business accounted for 23.0% of sales in the year ended 31 December 2018 [(1)] This can be compared with an average online penetration of approximately 6% for the overall European home decoration and furniture market source Euromonitor). The European online distribution market is expected to continue to post sustained grow over the next years, which should enable the Group to achieve further growth in online sales. The Group believes that it has gradually gained market share in the affordable inspirational segment compared to its main competitors. In particular, the Group gained market share at the expense of independent retailers. The Group believes that this positive trend will continue in the future, because of the superior value offered by Maisons du Monde in comparison with its competitors and the establishment of a highly effective omnichannel and international business model.

To support its sales growth, Maisons du Monde will leverage its solid fundamentals in order to continue its profitable growth momentum. In 2019, Maisons du Monde will concentrate its efforts on innovating its offer, further enhancing its omnichannel customer experience and strengthening its customer relationships, while continuing to expand its international and omnichannel footprint, focusing on its four strategic priorities:

- **Develop new innovations in its offer by reinforcing its multi-style collections with a customer-driven approach, while continuing the development of its BtoB activity;**

  In terms of the offer, the Group aims to: i/ extend its range of outdoor furniture to offer all its styles, ii/ strengthen its offer of "classic" style products, which are a high-demand category, but in which the offer of high-quality affordable products is limited in Europe, iii/ extend its kitchen furniture offer, which is a dynamic sector in Europe, particularly in France, and iv/ launch a specific offer for small spaces, including small multi-functional furniture. The Group also launched a range of entirely modular sofas, with over 600,000 possible pairings, in response to growing demands from customers for product customisation. In the case of BtoB activity, the Group will offer 135 product references for professionals in 2019 (compared with 68 in 2018) and will offer a free interior design service for major projects, while reinforcing its presence at major international fairs.

- **Continue to expand its international and omnichannel footprint by driving Maisons du Monde's store network development with agility, while continuing Modani's development across the United States;**

  The Group plans to open a gross total of 35 to 40 stores in 2019, of which two-thirds internationally (including five for Modani), and to close around 10 stores in France for relocation, reflecting the dynamic management of its portfolio. The Group also intends to continue the expansion of Modani in the United States, through i/ the expansion of its furniture range with 100 new SKUs, ii/ the deployment of a range of decoration items across the entire network, and iii/ the opening of five new stores, including at least two stores in states where Modani is already present.

- **Enhance the omnichannel customer experience with an easier and more intuitive web experience, better in-store experience, more flexible payment solutions and improved delivery services;**

  The Group will offer an enhanced and more intuitive online experience by optimising navigation on its web pages to inspire customers and improve the conversion rate, and also by redesigning the space dedicated to customer accounts to facilitate access to information for users, particularly relating to the different stages of ordering and delivery. The Group also intends to focus on improving the in-store experience for customers, by improving the quality of welcome and services in its stores through a training programme for its sales force, and the deployment of its home decoration advice service in 200 network stores. The Group will also offer new payment solutions, as it is currently testing a phone payment by bank card solution with Paytweak, as well as a new easy payment solution with Cetelem that enables customers to pay for their purchases in 24 or 36 months. Finally, the delivery services offered by the Group will be improved, with the implementation of a new free in-store return policy for decoration items ordered online, as well as the testing of new delivery methods (weekend and evening delivery in major cities) and new services (furniture assembly service).

(1) Excluding Modani.

- **Strengthen its customer relationships, with enhanced personalisation initiatives, further optimised marketing investments and reinforced brand visibility.**

  The Group intends to increase personalisation of its communications with customers (newsletters, emails) and its webpages; to continue to optimise its marketing investments through the activation of its Customer Data Platform for processing users' data and the development of a new online tool for locating its stores in order to drive further traffic; and to improve "Maisons du Monde" brand visibility by strengthening its presence on social networks and developing local communities of ambassadors with its customers.

Furthermore, the Group also wishes to continue to enhance the retail experience of its customers. In this regard, the Group intends to fine-tune the allocation of spaces dedicated to its collections on the basis of local customer tastes so as to further optimise its marketing approach, to use marketing flyers to boost footfall in stores and to improve its consumer financing offering. At the same time, Maisons du Monde will rely on the "Net Promoter Score" results collected during all phases of the customer experience to monitor its services with the objective of improving customer satisfaction.

Ensure dynamic management and continue the selective development of the Group's French store network

Maisons du Monde has a twenty year track-record of profitable store openings in France, with a proven ability to identify attractive locations and develop successful stores that are extremely successful commercially. Between 31 December 2013 and 31 December 2018, the Group added 35 new stores on a net basis to its network in France, opening 67 and closing 32 (most of which were relocations), over the period. These openings represented approximately 61,000 square metres of additional sales floor. The floor space grew at a faster pace than the numbers of stores, as a certain number of openings were larger suburban stores that replaced smaller existing city centre stores in order to better display the Group's expanded offering. The Group operated a network of 221 stores in France at 31 December 2018. Based on a detailed analysis of catchment areas, the Group believes that its full potential in France is between 230 and 240 stores, without undermining its existing stores, changing its model or even its return on investment criteria. In particular, the Group has identified a number of opportunities in the greater Paris area and in specific tourist areas outside Paris. To measure the potential for new stores, the Group commissioned an external study to identify new store locations based on historical Group sales data, information related to the catchment area (such as household income, age and number of holiday houses), and proximity to existing Maisons du Monde stores.

The Group's objective by 2020 is to increase the size of its store network in France to approximately 230 stores in total. The Group intends to focus on opening stores in shopping malls and suburban commercial zones, including through the relocation of city centre stores. The Group also intends to continue investing in its current stores to improve the retail experience of customers. Lastly, the Group may seize opportunities to accelerate its store openings through the acquisition of all or part of an existing network. In the case of the Vivarte agreement signed in late 2015, for example, the Group successfully took over nine former Vivarte stores in strategic locations and converted them into Maisons du Monde stores (five of which opened in 2015 and four in the first quarter of 2016).

Continue its international expansion in a disciplined manner

The Group plans to continue its international expansion in a disciplined manner, both through the development of stores in selected markets and by penetration of the online channel. Between 31 December 2013 and 31 December 2018, the Group thus added 65 stores on a net basis to its international network, enabling it to increase its selling space by around 100,000 square metres. At 31 December 2018, the Group had a total network of 115 international stores (1) in eight countries (including the United States and the United Kingdom since 2018). Backed up by an external study it commissioned, the Group believes that the potential of the Maisons du Monde store footprint in the international markets where it currently operates represents nearly 375 stores (outside the United States and the United Kingdom), including 110 stores in Italy, 40 in Spain, 25 in Belgium and Luxembourg, 130 in Germany, 30 in Switzerland, 20 in the Netherlands, 10 in Austria and 10 in Portugal. Given this potential, the Group intends to maintain the pace of its international expansion, with an objective of 50 to 60 net store openings in total by 2020, focusing primarily on its existing markets.

Following the opening of the first store under its banner in Miami, in the United States, at the end of 2018, Maisons du Monde intends to continue testing its concept and product offering in the US market through the potential opening of new test stores by 2020, using an agile approach. In parallel, the Group will continue the expansion of the Modani store network, with five store openings planned for 2019, and an estimated full network potential of between 60 and 70 stores in the United States in the future.

Maisons du Monde will continue to adjust its international development strategy in accordance with the specific nature of each country, adapting its development objectives between it store network and its online channel. In Italy, Spain, Belgium and Luxembourg, where e-commerce penetration is lower, the Group intends to achieve balanced store development, densifying its network while also growing its online sales. In contrast, in Germany and Switzerland, where e-commerce penetration is stronger, the Group intends to adopt a more gradual store development approach, backed by its online platform, with carefully selected and highly complementary physical stores. The Group will implement this strategy internationally while maintaining strict financial discipline, focusing on improving operating leverage and preserving profitability and cash generation.

(1) Excluding Modani.

Develop its franchise and BtoB offering

Maisons du Monde continually explores new opportunities to attract new customers. The Group believes that franchising and BtoB sales represent attractive platforms to drive long-term growth. The Group's franchising strategy is focused on regions outside Europe, which represent an attractive business potential for the Group, in a context of acceptable economic and political risks. With a low capital intensity for the Group, this strategy is based on building strong partnerships with experienced local master franchisees that can roll out its concept successfully in their markets. The Group intends to develop franchises in regions where it does not intend to build its own network Stores. In 2018, Maisons du Monde opened a second store in Dubai (UAE) under the terms of its franchising agreement signed in 2017 with Majid Al Futtaim, an experienced master franchisee in the Middle East. The Group also opened a store under the franchise in Martinique, within the framework of a partnership agreement with the Safo Group. As of the date of this Registration Document, the Group has seven stores under franchise: two franchises in Réunion Island, one in Martinique, one in Casablanca (Morocco), one in Doha (Qatar) and two in Dubai (UAE).

The Group intends to continue to develop its BtoB activity, which generated €31.2 million in sales in the year ended 31 December 2018. Through its BtoB activities, the Group makes its unique know-how in the creation of decoration and furniture products available to the business world, (including hotels, architects/interior designers, offices and retailers). BtoB sales are managed by an internal sales team and utilise the Group's existing distribution and delivery network. To better serve this market, the Group has opened specific pages on its website, launched a dedicated catalogue, presenting its various multi-style universes, and increased its marketing efforts with BtoB customers. The Group also launched 68 BtoB product references in 2018 to better meet its customers' needs. In 2019, the Group will continue to expand its BtoB range, with 135 product references, and will offer a free interior design service for major projects, while reinforcing its presence at major international fairs.

1.4.5 DESCRIPTION OF THE GROUP'S BUSINESS

Products

Overview

The main pillar of Officer the Monde's retail strategy is its extensive and unique homeware product offering that spans a broad range of themes and styles. The Group's product offering is conceived, curated and presented in its stores, on its e-commerce platform and in its catalogues through lifestyle "universes". The Group uses the term "universes" to denote a complete vision of a room that it constructs through highly innovative and inspirational merchandising. In the universes, the Group combines home commercial zones decoration items and Furniture, arranging them in a homelike setting accompanied by appealing architectural features, wall colours and floor materials. Each universe seeks to inspire Maisons du Monde customers by capturing and reflecting moods and feelings, invoking a fully-assembled sense of place to spur them to shop by room rather than by individual product. The Group's universes are organised by, and are reflections of, stylistic inspirations such as Vintage, Seaside, Classic/Chic and Contemporary. These universes are constantly evolving. The Group presents one furniture collection (each of which generally consists of multiple styles) and two decorative item collections per year (each of which generally consists of six themes), continuously introducing new SKUs for customers to discover while redeploying historical bestsellers.

Through this unique broad product range, Maisons du Monde is able to satisfy a wide variety of consumer tastes. Each style is typically available for each room or function of the home and spans a large number of product categories. The range of Maisons du Monde products includes over 14,600 decoration SKUs [(1)] (57.0% of sales [(2)] in 2018) and almost 4,000 furniture SKUs [(1)] (43.0% of sales[(2)] in 2018). Thanks to its approach to the styles and multiple price ranges, it is designed to appeal to a broad customer base. The Group constantly innovates to respond to changing tastes and the preferences of successive age groups by adding new themes, styles and universes. Approximately half of the Group's current furniture styles were launched in the last ten years.

The Group believes that the depth and breadth of its collections and universes are unique to the Maisons du Monde brand concept. Maisons du Monde's main styles present multiple visions for a single room, designed to appeal to all types of customers.

Decoration Items

Decoration items generally consist of products that customers can use to accent and accessorise their homes and add colour and personal style to their living spaces. The Group offers more than 14,600 SKUs in the decoration items category Its range in this product category includes bedding, rugs and mats, candles, pillows and cushions, clocks, tableware, lamps, kitchenware, mirrors and frames, vases, storage articles, window treatments and bath products. The Group's Average Selling Price (ASP) is approximately €12 for decoration items. For the year ended 31 December 2018, 57.0% of sales[(2)] were generated by decoration items. Occasionally, new categories of decoration items are introduced in order to broaden the Group's customer base and provide its customers with even more home decoration choices. For example, the Group launched its junior collection, featuring decoration items for babies, children and teenagers in 2011. This range currently consists of more than 1,200 SKUs, including baby crib mobiles, lamps, wall art for children and storage containers.

(1) Based on the number of references that generated sales of at least €5,000 in the year ended 31 December 2018.

(2) Excluding Modani.

In addition to its furniture styles, the Group also curates and presents a variety of "themes" for decoration items, which are presented alongside furniture in Maisons du Monde's universes. These decoration item collections reflect new themes and trends, which often leverage existing pieces, that are either integrated "as-is" or are adapted to the new theme. Additionally, the Group is able to reuse and adapt almost 40% of small decoration items in a given collection in subsequent collections, which are items the Group considers to be "best-sellers".

Maisons du Monde launches decoration item collections two times per year: for Spring/Summer and Autumn/Winter. Additionally, each October, the Group unveils a highly anticipated thematic decoration item collection for holiday decorative products. Examples of thematic collections from the Spring/Summer 2018 season included: Cabane, Golden Oasis, Green Market, Hacienda, Suzon, Sweet Tropical. Examples of thematic collections from the Autumn/Winter 2018 season included: Cosy Blue, Deep Velvet, Emma and John, Miss Bloom, Safari Party.

Furniture

The Group offers roughly 4,000 SKUs in the furniture category, across a wide range of styles. The Group's furniture range includes sofas, chairs, beds, mattresses and bedframes, floor lamps, tables, outdoor furniture, junior furniture, tables and storage units such as bookshelves, wardrobes and cupboards. The Group's ASP for furniture is approximately €219. The Group presents one new furniture collection per year. Substantially all of the Group's furniture is assembled and delivered to the customer's home. For the year ended 31 December 2018, 43.0% of sales[1] were generated by furniture. The Group has also expanded this range over the last few years. For example, it introduced a dedicated outdoor furniture collection in 2009 and a junior collection in 2011.

Product display and merchandising

Product display and merchandising is core to consistently recreating the Group's lifestyle universes across its stores, websites and catalogues. The Group displays its products in a unique and inspirational way by creating universes in homelike settings that systematically combine decoration items and furniture in order to inspire customers and to suggest cross-category product pairings. Maisons du Monde's approach to in-store merchandising is designed to create a "boutique" feeling while leveraging mass-market distribution techniques. In its stores, the Group seeks to create immersive shopping environments; products are kept on hand next to the relevant displays for easy placement in shopping baskets, in order to encourage purchases. Products are arranged by collection and displays emphasise the range of themes, styles and customisation options for each universe in order to help customers self-curate their homes.

The merchandising in Group stores, catalogues and websites is the result of rigorous testing and refinement at the test stores, where merchandising specialists prepare in-store displays and conceptualise the different product pairings before deploying them across all distribution channels. Merchandising execution is centrally managed to promote harmonious rollout and brand consistency across store formats and geographies. Every two weeks, a new merchandising manual is sent to each store within the network. It sets out optimal composition and presentation of the Group's products. This approach instils retail best practices and consistency and allows store managers to benefit from the analysis gleaned from across the Group's full sales data, for example to strategically redeploy historical best-sellers to lift sales. In addition, the Group continuously introduces novelty, providing a sense of dynamism that increases footfall to its stores and traffic to its website. As a result of this disciplined and dynamic approach to merchandising, the Group is also able to seamlessly reintegrate products from previous years' collections in stores, thereby limiting product markdowns and avoiding the need for provisions for inventory impairment.

The Maisons du Monde website is also designed to create attractive shopping environments that encourage purchases and to offer customers a variety of search features, filters and methods of presentation to sort through the large product offering. They aim to be a source of inspiration for customers' home design and decoration plans. For example, it presents items by product type, room, theme, style and universe, as well as other characteristics such as trends or "eco-selection" (for products made from recycled wood and wood from sustainable sources). Moreover, the Group's online platform expands on the approach taken by its catalogues, by integrating product videos and including photos from a variety of angles to allow better conceptualisation of the products. Additionally, the Group's website offers a gift selection tool to help generate ideas.

The Group's catalogues also serve as an important component of the product display and merchandising because they present the Group's universes in a series of magazine-like photos, inspiring customers with the diversity of the Maisons du Monde product offering.

(1) Excluding Modani.

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Design, Sourcing and Pricing Strategy

Overview

The Group's approach to product design and pricing is integrated within a fully-industrialised sourcing process that combines the creative experience of the Group's team of in-house designers and graphic artists with the data-driven and structured approach of the Group's experienced team of stylists and sourcing professionals. This enables the Group to create on-trend styles and themes while maintaining margins through disciplined and cost-driven product selection, design and sourcing.

Product Design

Maisons du Monde's team of 21 designers and graphic artists define the collections and manage product design according to a well-established collection creation process. They are part of and work closely with the design and purchasing team of approximately 90 staff members overall. For decoration items, the Group presents two major collections per year, in Autumn/Winter and Spring/Summer, each of which generally consists of six themes. For furniture, the Group presents one new collection per year, which includes multiple styles.

Both the decoration and furniture collections are designed through a highly disciplined process. First, the design team relies on market reviews, shopping trips, high-end magazines and design boutiques to identify emerging trends and starts to adapt these trends to decoration and furniture products. The designers then refine these ideas in a trend review meeting, to determine which ideas will be most successful with Maisons du Monde's customer base and will best complement the Group's existing product ranges. The design team then works closely with the procurement team and product managers to refine each collection with a "design-to-cost" approach. The teams together decide on appropriate fabrics, materials, colours, prints and finishings, to optimise product design and material costs, while staying true to the Group's design proposition. The product managers provide analysis of historical best-sellers to promote the commercial success of the new collection. The final collections and product assortments are approved by two committees, during which purchasers and product managers provide their sourcing recommendations. Additionally, the design team employs checklists to create collections that are balanced, compatible with the Maisons du Monde concept and introduce sufficient novelty. The duration of the design process from theme, style, universe and trend identification to approval of the relevant collection typically takes nine months.

The Group's ability to renew its collections with new and innovative design differentiates it from other homeware retailers and increases its appeal to customers. The Group has an established track record of gradually reviewing and adapting its product offering through an "early adopter" approach, rather than attempting to create new trends, themes, styles and universes. Maisons du Monde's in-house team of designers identifies emerging design trends in the market and shapes subsequent collections around these trends. After several years, as a trend or design becomes commoditised in the market, the Group identifies the next emerging trend, allowing it to stay up to date with consumer tastes and current trends in design.

Officer The Monde's in-house design capabilities enhance the originality of its products and position its brand among consumers as a unique source of homeware inspiration. In 2018, approximately half of the decoration items were designed or adapted in-house (up to more than 80% for certain product lines, such as crockery), the remainder selected from external suppliers, to align with the season's collection.

Pricing Strategy

The Group's pricing strategy is key to the positioning of the "Maisons du Monde" brand within the affordable inspirational segment and allows the Group to maintain strong margins.

The Group aims to offer items across a wide range of price points in every product category, in order to address to a broad range of customers and budgets. For example, the Group offers two-seater sofas from an entry-level price of €199 for an upholstered model to €1,450 for a leather model. The majority of the Group's price points are clustered in the affordable category as demonstrated by average selling prices (ASPs) of approximately €11 for decorative products and approximately €214 for furniture for the year ended 31 December 2018).

The Group is able to maintain strong margins through its "design-*to-cost*" approach. The Group's pricing strategy sets a target minimum gross margin for every product. Once the design team has worked with the purchasing teams to optimise product design and material costs, the product managers determine the required price of its products to generate the minimum margin. If a product is not deemed to represent "value for money" by the product managers who have benchmarked competitors' products and market prices, the item will be re-worked by the product design and procurement teams to generate the minimum margin.

Furthermore, in order to preserve its margins and brand image, the Group maintains a policy of engaging in limited promotions and markdowns, which accounted for only 5,6% of sales in 2018, a proportion that is low compared to a number of other decoration and furniture retailers. The Group has developed a system of private sales, routine end-of-season sales and promotions for display products as tools to manage inventory. However, the volume of such sales has historically been low due to the Group's ability to correctly anticipate demand and recycling of end-of-life products in its stores and websites.

The Group generally has a policy of applying the same prices across its store network and websites. As a result, prices are broadly in line across countries where the Group operates in Europe, although prices in the United Kingdom and Switzerland are appropriately redenominated in the local currencies.

Sourcing

The Group's sourcing is conducted in two principal ways: (i) internal manufacturing by the Group's joint-venture in China or by the Group's fully-owned subsidiary in Vietnam and (ii) external manufacturing, which is itself divided into two components, (a) manufacturing by external suppliers pursuant to the Group's own product designs and specifications, generally comprising external suppliers with whom the Group has a long-standing relationship and who provide a variety of decoration items and furniture (this category of suppliers is referred to as "partners" in this Registration Document) and (b) manufacturing by other external suppliers from whom the Group opportunistically purchases based on cost, complementarity of design and customer demand, who largely provide individual SKUs of decorative products that can complete a collection.

Based on the total value of purchases for the year ended 31 December 2018, approximately 91% of the Group's products were manufactured in Asia (primarily China, Vietnam, Indonesia and India), providing it with access to a low-cost supply base. The Group's remaining products were manufactured in Europe, with France accounting for approximately 3% of the Group's manufacturing (primarily sofas) and the rest of Europe accounting for approximately 6% of the Group's manufacturing (primarily glassware).

A. INTERNAL MANUFACTURING

In the year ended 31 December 2018, the Group manufactured approximately 16.5% of its furniture (in terms of furniture purchases) at its in-house manufacturing facilities in China (through the Group's joint-venture Chin Chin) and Vietnam (through its subsidiary, Mekong Furniture). The Group focuses its in-house manufacturing capabilities on the production of the more design-intensive furniture items. The utilisation rate of the Group's two manufacturing facilities has historically been close to 90%. Moreover, the Group is able to gain useful information with respect to the costs and dynamics of the supply chain, which it uses to its advantage as a benchmark in negotiations with external manufacturers. Accordingly, it believes that the flexible nature of its external supply base means that the Group is able to optimise its supply chain across the geographic locations in which its suppliers are based, particularly in the face of changing market conditions. Furthermore, the Group's significant sales volumes generate strong buying power and enable it to achieve economies of scale and efficiencies across its supply chain.

Group's joint-venture in China, Chin Chin, was established in July 2006 with SDH Limited, a Company incorporated in Hong Kong. Chin Chin designs, manufactures and sells furniture that the Group sells under its own "Maisons du Monde" brand. The Group's subsidiary in Vietnam, Mekong Furniture, was established in 2013. It focuses primarily on the junior furniture collection as well as other high-end furniture.

B. EXTERNAL SUPPLIERS

The Group regularly works with more than 500 third-party suppliers. The Group's top 15 suppliers (including Chin Chin and Mekong Furniture) represented 30% of its purchases for the year ended 31 December 2018 and no single external supplier represented more than 5% of purchases for the same period.

The Group does not enter into formal contractual arrangements with its external suppliers. Instead, purchases are made through purchase orders of individual SKUs or groups of related SKUs on an order-by-order basis. In Asia, the Group typically makes a down payment of one-third of an order's value at the point of order and pays the remainder on shipment. The Group's sourcing strategy focuses on identifying and using suppliers that can provide the quality materials and fine craftsmanship at accessible prices that its customers expect of the "Maisons du Monde" brand.

Partners

The Group has about 40 "partners", a term that refers to the Group's most trusted external suppliers. The length of its relationships with its partners averaged seven years. As part of the Group's efforts to meet its high standards of quality and timely delivery of products, the Group engages in co-development of certain products with its partners for exclusive sale in its stores and on its websites. The Group believes that it is generally a significant customer of its partners, several of whom work exclusively with the Group, which enables it to develop long-term relationships and to leverage the Group's buying power. Partners manufacture products according to the designs that the Group provides, or alternatively, the Group places orders from a catalogue maintained by the partner according to colours, materials and other customisable characteristics and specifications that the Group chooses.

Other External Suppliers

Other external suppliers consists of a large range of manufacturers that the Group draws upon on an order-by-order basis, comprising suppliers that the Group has worked with for several years as well as, on an opportunistic basis, new suppliers that pass the Group's "know your supplier" screening. The products that the Group sources from other external suppliers are primarily decorative product SKUs that do not necessarily require a large degree of customisation or value-added design. For example, the Group may purchase decorative non-scented candles in a variety of colours from an external supplier in order to complement a particular style, theme or universe.

C. RAW MATERIALS

The primary raw materials for the Group's decoration items and furniture are wood, glass, metal, cotton, wool, plastics and ceramics. Suppliers of raw materials include local, regional and international primary materials manufacturers, distributors and resellers. There is a sufficient number of suppliers such that the Group does not consider itself to be dependent on any one supplier. Global commodity dynamics, including supply, demand, and geopolitical events, affect the prices of the Group's raw materials to varying degrees. As global commodity prices for timber and plastics are generally denominated in US dollars or, if priced in other currencies, exhibit fluctuations in line with the US dollar to the applicable currency rate, the price of raw material purchases is generally made in US dollars.

The Group purchases its own raw materials for Mekong Furniture. Similarly, Chin Chin, the Group's joint-venture in China engaged in manufacturing, also purchases its own raw materials. The Group's external suppliers are responsible for the sourcing of their raw materials, which in any case must comply with the Group's requirements as indicated in the prototype, purchase order and/or product design specifications.

In an effort to promote environmental stewardship as well as to respond to customer demand, the Group increasingly sources a significant percentage of its wood bearing sustainable forestry labels and/or recycled wood reclaimed from a variety of household uses. See Chapter 2 "Corporate responsibility" of this Registration Document for further discussion of the Group's sourcing of sustainable wood.

Quality Control, Inventory Management and Logistics

Quality Control

Quality control is applied across all phases of the Group's sourcing, manufacturing and logistics operating model and is key to cultivating, maintaining and enhancing the "Maisons du Monde" brand among its customers and thus to preserving profitability. Quality control also extends to the selection process for third-party suppliers and providers. For example, the Group generally prefers suppliers that have received recognised international certifications, such as those granted by the International Standards Organization ("ISO"). The Group also performs ongoing monitoring, inspection and control procedures, which take place during the manufacturing process, at receipt of the products at the Group's warehouses and upon arrival of products at the Group's stores. In particular, the Group seeks to achieve consistent quality across its suppliers' products by selectively inspecting both pre-production samples and deliveries at its warehouses in Marseille-Fos. The Group has a quality control team, consisting of about 20 employees, the majority of whom are based in China, Indonesia and India, who conduct site visits, inspections and are responsible for supervising suppliers' adherence to the Group's standards.

Inventory Management

The Group uses a data-intensive process for inventory management in order to optimise product allocation among its stores, which carry relatively low levels of inventory, as most of its inventory is kept in the warehouses. As of 31 December 2018, approximately 3.0% of the Group's decoration inventory and approximately 0.5% of the Group's furniture inventory was aged more than one year and the Group had 225 average days of inventory outstanding.

When launching new collections, the Group manages its initial ordering levels based on historical sales analytics. Once collections are launched, the Group uses the first two to three weeks of sales data to determine demand and re-ordering levels. In addition, the Group is able to seamlessly re-integrate unsold products from previous collections into subsequent collections, thereby optimising products' lifecycles, avoiding product markdowns and the scrapping of obsolete products, and explaining the lack of provisions on inventory.

Logistics

A. SHIPPING FROM POINT OF PRODUCTION

The majority of the Group's products are manufactured in Asia, primarily in China, India, Indonesia and Vietnam, and are shipped by sea to Marseille-Fos from the port closest to the point of production (Shanghai or Ho Chi Minh City) pursuant to standard freight contracting with third-party shippers. The Group rarely relies on air cargo for shipments, in an effort to maintain its low cost of production. The Group's maritime contracts are renewed annually, negotiated one year in advance and paid in US dollars. The Group hedges its US dollar exposure by buying US dollars under forward and option contracts to cover its expected purchases for 15 to 18 months. For further discussion of the impact of exchange rates on the Group's results of operations, see section 1.8 "Risk factors" of this Registration Document. Distri-Traction, the Group's dedicated transfer subsidiary, handles the transport of the containers from the port of Marseille-Fos to the Group's warehouses. For products that are manufactured outside of Asia, such as sofas made in France or decorative products produced in Eastern Europe or Italy, terrestrial shipping to the Group's warehouses in Marseille is arranged (rail freight or trucking).

B. WAREHOUSING

Distrimag centralises the Group's warehousing and core inventory management activities. The Group's central warehouses service all of the Group's operations, which helps it harness efficiencies in quality control and reduce inventory at individual stores, maximising selling space. The Group stores its products in 11 warehouse facilities, each of which serves all of the Group's sales channels, in preparation for distribution to stores and end-customers. As of 31 December 2018, the Group managed approximately 444,000 square metres of leased warehousing and distribution space in and around Marseille.

The Group continuously improves its supply chain and distribution operations by expanding and upgrading its warehousing and logistics operations. The Group has built a scalable infrastructure with significant capabilities to support future growth. Following a study recently commissioned by the Group, there is capacity to further increase storage space of the Group's existing warehouse through rack space optimisation. The Group believes that its enhanced supply chain and fulfilment operations allow it to manage customer orders and distribute products to stores and customers in an efficient and cost-effective manner. The Group intends to continue to strengthen its supply chain operations through a number of initiatives designed to improve its fulfilment and delivery logistics performance and achieve greater efficiencies in the management of its inventories.

C. DISTRIBUTION TO STORES AND END-CUSTOMERS

The Group distributes its products to its stores and end-customers in the South of France itself, through its subsidiary Distri-Meubles. For the delivery of the Group's products to its stores and customers in other regions and countries, the Group outsources the road transport to a number of third-party transportation and logistics providers. The Group's internal distribution capabilities allow it to understand the cost and quality dynamics associated with its distribution network and benchmark its external transportation and logistics providers to reduce costs and delivery times. For the year ended 31 December 2018, the average home delivery time within France for decorative products was two to five days, whereas for furniture, the average home delivery time was seven to ten days.

Restocking of stores is a key component of the Group's business model, allowing low stock levels to be held at stores. On average, the Group generally ships products from its warehouses to its stores on a bi-weekly basis for most stores and up to four times a week depending on store size and footfall. Generally, the Group's distribution model is largely the same for each of its channels, notably regarding the delivery of furniture products.

Distribution Channels

Overview

The Group distributes its products through a fully-integrated and complementary omnichannel platform that includes stores, catalogues and a website. The complementarity of the Group's channels is illustrated by the range of SKUs offered through each channel. At any given point, the Group's stores typically display a wide range of decoration items (an average of approximately 8,000 SKUs as of 31 December 2018) but a more limited range of furniture (an average of approximately 270 SKUs as of 31 December 2018). The Group's online channel showcases most of its product range, displaying an average of approximately 7,800 decoration item SKUs and approximately 3,600 furniture SKUs at any given point [1].

The Group's catalogues constitute an additional information channel allowing it to disseminate and promote it's products. The online channel has increasingly become a source of sales growth. In 2018, the Group's website attracted an average of 7.4 million unique visitors per month. Online sales attributable to desktops increased by 5% between 2017 and 2018, whilst online sales attributable to visits from smartphones increased by 62% over the same period. For the year ended 31 December 2018, the Group's stores generated 77.0% of sales [2], while its online sales generated 23.0% of sales [2].

The Group's e-commerce platform is not only an independent sales channel but also attracts footfall to the store network. The Group believes that its strong online presence and seamless integration across channels provides it with a distinct advantage over its competitors. For example, a customer may view a product in a Maisons du Monde store and later decide to purchase this product via the Group's website. Similarly, a customer may view a product on the Group's websites or catalogue and then visit one of the stores before making a final decision. This is central to Maisons du Monde's omnichannel approach, which was reinforced by the Free In-store Delivery initiative for decoration items ordered on line, launched in France and Switzerland in February 2016, in Italy in September 2016, in Spain in February 2017, in Germany in March 2017, and in Belgium and Luxembourg in April 2017.

The Group also operates a business-to-business (BtoB) sales channel that accounted for €31.2 million in sales in the year ended 31 December 2018.

Stores

Building on its experience managing multiple store formats in several regions and countries, the Group has developed a successful store concept and has a vast integrated network of stores, deployed based on a strict, rigorous development strategy.

As of 31 December 2018, the Group directly operated a total of 336 stores under the Maisons du Monde brand throughout France, Italy, Spain, Belgium, Luxembourg, Germany, and Switzerland, and since 2018, in the United Kingdom and USA with approximately 387,200 square metres of retail trading space in total. The Group's square metres of retail trading space have grown by approximately 21,260 net square metres per annum since 2001, accelerating to growth of approximately 32,240 square metres per annum net since 2012. Since 2012, the Group has opened 14 to 36 new stores gross per annum.

In 2018, Maisons du Monde gained a foothold in the United States through the purchase of a 70% majority stake in Modani, a furniture brand with a presence throughout the United States through its store network and its e-commerce business. As at 31 December 2018, Modani operated a network of 13 stores in Chicago, New York, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Atlanta, Dallas, Frisco, Houston, Los Angeles, Costa Mesa and San Francisco, totalling around 35,000 square metres of retail trading space.

All of the Group's store locations are leased pursuant to commercial agreements with the relevant landlord. The Group's network in France is the most extensive, with 221 stores.

(1) Average number of SKUs available on the Group's websites at a given point in time during the year ended 31 December 2018.
(2) Excluding Modani.

The following table sets forth the number of stores, average retail trading space per store and store openings in each country where the Group operates, as of 31 December 2018:

Country	Number of stores	Average retail trading space per store *(m²)*	Number of stores opened in 2018 *(gross)*	Number of stores opened in 2018 *(net)*
France	221	951	13	8
Italy	45	1,807	3	3
Belgium and Luxembourg	25	1,169	2	1
Spain	23	1,584	3	3
Germany	10	1,582	1	1
Swiss	7	1,772	1	1
United Kingdom	4	372	4	4
USA	1	444	1	1
TOTAL	**336**	**1,155**	**28**	**22**

Maison du Monde's store network is centrally managed from its registered office in Vertou, near Nantes, France. The Group strives to apply its retail model through consistent execution across the countries in which it operates. However, the Group accommodates adjustments where permitted or where required by market conditions. For example, in certain regions where the weather permits (such as Spain, Southern France and certain regions of Italy), retail selling space dedicated to outdoor furniture may be greater than in other locations. Additionally, certain universes are given more prominence in stores where the Group's data indicates higher acceptance of a given collection. For example, the Vintage and Industrial universes tend to have higher conversion rates in France and Germany than in Italy. Due to the Group's wide product offer and its ability to apply data gathered from in-store sales and its online channel, the Group's store network can be easily adjusted to suit the catchment area's demographics or historical shopping patterns. Due to the strong consistency of retail best practices and the rollout of the Group's merchandising concepts across its network, country-level head offices are modest in size.

A. STORE FORMATS

The Group's stores are primarily located in high-traffic areas and the product offering in each of the stores has been adapted to the customer demographics of the area as well as the size of the store. The Group's stores can be characterised principally by location: city centres, suburban commercial zones and shopping malls. As of 31 December 2018, the majority of the Group's stores were located in suburban commercial zones (66% of stores) or in shopping malls (16% of stores) which are attractive due to lower rents and high conversion rates, and the remainder are in high traffic city centres (18% of stores). The Group believes that situating its stores in locations with strong catchment potential is critical to the success of its business.

City Centre Stores

City centre stores have approximately 300 to 800 square metres of retail trading space and primarily sell decoration items (on average, 75% of city centre store product mix by sales for the year ended 31 December 2018), with a limited offering of furniture (on average, 25% of city centre store product mix by sales for the year ended 31 December 2018). City centre stores tend to generate high footfall, and are important for generating future sales either in the Group's larger suburban commercial zone and shopping mall locations or online. For the year ended 31 December 2018, each city-centre store generated average sales of approximately €1.5 million and the Group's 60 city-centre stores generated around 10% of in-store sales [(1)].

Shopping Malls

Shopping mall stores have approximately 300 to 1,000 square metres of retail trading space and primarily sell decoration items (on average, 77% of shopping mall store product mix by sales for the year ended 31 December 2018), with a limited offering of furniture (on average, 23% of shopping mall store product mix by sales for the year ended 31 December 2018). The shopping malls where the Group opens stores are both inside and outside city centres, though the majority are outside city centres. Shopping malls are selected based on, among other factors, the target demographics of the particular shopping mall, accessibility and the mix of the other retail and entertainment tenants. For the year ended 31 December 2018, each shopping centre store generated average sales of approximately €2.0 million and the Group's 53 shopping centre stores generated approximately 12% of the Group's in-store sales [(1)].

(1) Excluding Modani.

Suburban Commercial Zone Stores

Retail park stores have approximately 500 to 4,500 square metres of retail trading space (with most stores having 1,000 to 2,000 square metres of retail trading space) and generally offer a wider range of furniture (on average, 37% of the product range sold by retail park stores for the year ended 31 December 2018) but a more limited offering of decoration items (on average, 63% of the product range sold by retail park stores for the year ended 31 December 2018) as compared with the shopping centre or city-centre stores. Suburban commercial zone stores are typically located near key transportation arteries and connected to mass transportation, generally with on-site or adjacent parking facilities. For the year ended 31 December 2018, each retail park store generated average sales of approximately €3.0 million, and the Group's 223 suburban commercial zone stores generated approximately 78% of the Group's in-store sales [1].

B. MANAGEMENT OF THE STORE NETWORK

The Group's store network is the result of an industrialised and data-driven process to centrally identify promising new locations. Additionally, the Group's centralised store management team receives weekly reports enabling it to respond proactively when an existing store's performance is not consistent with the Group's standards. As a result of this strong management of the store network, stores exhibit a fairly homogenous profitability level. International stores display similar metrics to French stores, and in the year ended 31 December 2018, six of the top ten stores (as ranked by sales) in the network were located outside of France.

New Store Selection

The Group applies a vigorous and disciplined store selection approach based on prior experience and a detailed financial evaluation. First, a dedicated team scouts for new store locations and/or receives and evaluates proposals that are made by developers, landlords or shopping mall operators. Site identification can begin up to two years before the opening of a new store. The Group considers several factors when selecting and evaluating a store location including, among other factors, the potential profitability of a site, accessibility and visibility, traffic patterns, signage, availability of parking, trading space, nearby shopping options, competition and certain demographic factors, including new housing starts, household purchasing power, housing density and percentage of secondary housing. For example, the Group believes that stores located near IKEA stores experience higher footfall as a result of such proximity and record sales that are typically higher than the average sales of similarly sized stores that are not located near IKEA stores.

Second, individual sites are evaluated based on a holistic analysis of such factors as well as competition drivers and cannibalisation. Should the site appear promising, a business case is prepared and presented to the Group's Central Development Committee. Following approval by the Central Development Committee, a store opening plan is then submitted to the Group's Board of Directors for approval. This process generally takes eight weeks from site evaluation to approval. Finally, once the relevant lease is negotiated and secured, a process which ordinarily takes approximately two weeks, an experienced team of store outfitters and technicians undertake the fit out, recruitment of personnel and initial launch of the store, a process that takes approximately ten weeks.

The Group rigorously monitors store payback, which refers to store net fixed assets[2] divided by the related store EBITDA[3], and store ramp-up, which refers to the amount of time it takes for a store to generate sales per square metre in line with the Group's average. Stores located in countries with high brand recognition, such as France, Italy, Spain and Belgium have shorter average payback and ramp-up periods.

The Group's development strategy is based on a dynamic portfolio management approach in which multiple stores can be positioned in the same metropolitan area to fully present the Group's product range and capture incremental sales. The Group's process of new store selection is also scalable. For example, when Vivarte, a French multi-brand apparel and accessories retailer, sought to close a number of stores in its network in 2015, the Group was able to quickly vet 30 potential locations, ultimately choosing nine of them. Five stores were opened in a short timeframe, including a strategically attractive location on the Grands Boulevards of Paris which was evaluated, acquired, outfitted and opened in six weeks, in time for the winter holiday shopping season.

In 2019, the Group plans to extend its store network with 35 to 40 gross store openings, two thirds of which outside France (including five for Modani), and around 10 store closures in France for repositioning. The retail trading surface area should reach approximately 426,000 square metres[1] by 31 December 2019, compared to approximately 387,200 square metres[1] as at 31 December 2018.

(1) Excluding Modani.

(2) The Group uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analysing the performance of its stores.

(3) Store EBITDA is defined as store sales less related expenses (cost of sales, personnel expenses, rents and related rental charges and other direct store charges) but excluding any allocation of general marketing and corporate costs.

Store Refurbishment, Repositioning and Closure

The Group undertakes a review of each of its stores on an annual basis, focusing on various operational performance indicators. When a store is consistently underperforming, the Group analyses the store's circumstances and either invests in refurbishment, seeks to reposition the store in another location if external factors are causing the underperformance, enters into discussions to renegotiate rent levels or closes the store. The Group has refurbished certain stores in its network, particularly older stores that tend to be concentrated in city centres. In recent years, the Group has also selectively engaged in store repositioning, particularly in favour of stores that have larger selling space and therefore provide a better venue to present the Group's extensive range of products. Thanks to well-established procedures for the selection of new stores, only two foreign stores have been closed in the Group's history, other than relocations.

E-commerce

The Group was one of the first to develop an online sales platform and innovate in this area, and was a leader in the development of this activity in the French decoration and furniture market. The Group ranks first in terms of the share of sales generated online in France in the homeware business. E-commerce represents a consistently growing sales channel for Maisons du Monde that is complementary to stores and exhibits profitability metrics similar to the Group's store network. The e-commerce channel has bolstered international penetration by enabling the Group to enter new markets at lower cost. For example, Germany was the second largest online market for the year ended 31 December 2018 even though it has a comparatively small store network.

The Group offers its products online through its primary website, www.maisonsdumonde.com, which has been optimised for computer, smartphone and tablet navigation and is accessible in multiple languages. The Group launched its online platform in 2006. In 2018, the Group's website attracted an average of 7.8 million unique visitors per month (compared to 6.8 million in 2017). Online sales were €249.2 million in for the financial year ended 31 December 2018, or 23.0% of sales [1] up 18.7% compared to the financial year ended 31 December 2017.

In 2018, approximately 49% of total online sales for the Group were generated outside of France (compared to 47% in 2017). Additionally, about 70% of the Group's online traffic was from mobile devices (compared to 64% in 2017). Lastly, furniture accounted for 71% of online sales, and decoration items for 29% (compared to 72% and 28% respectively in 2017).

The Group's e-commerce platform allows customers to discover and experience the universes found in its catalogues and stores in a simple and easy-to-use format. The Group's online channel showcases most of its product range, displaying an average of approximately 7,800 decoration item SKUs and approximately 3,600 furniture SKUs at any given point [2]. Current online sales consist mainly of furniture, however, sales of decoration items have increased. The Group has promoted online sales of decoration items by investing in delivery options such as its Free In-store Delivery. The Group's website also offers universe-based and room-based navigation, which allows its customers to conceptualise their home's redesign and shop for items by product category, style, theme or universe, thereby improving their shopping experience. For example, customers can search for products by size or colour, browse through its extensive product categories and see detailed information about each product and collection, such as dimensions, materials used and care instructions. Customers can select colour swatches and view merchandise displayed with different colour and fabric options. The Group's website has also introduced curated pairings of decoration items and furniture which assemble unique assortments of SKUs based on a current trend, allowing customers to redo a room in a new theme or style and add additional personalisation options assembled from the Group's universes and collections, in order to encourage a "shop the look" purchasing experience. Based on analysis of customer page views, the Group's online pages presenting "shop the look" by trend, style and other inspiration attract one out of five webpage visitors, who spend approximately double the time on such pages than they do viewing the other pages of the website. The Group regularly updates its website to reflect product availability and new product launches and implements system improvements for its e-commerce platform.

In the last few years, the Group recorded a significant increase in the percentage of consumers accessing its website from tablets and mobile phones, which enables its product offering to be accessible on multiple devices that customers use to navigate and shop. For example, in the year ended 31 December 2018, approximately 70% of hits on the Group's website were logged from mobile devices, up 22% from the year ended 31 December 2017. For the year ended 31 December 2018, online sales from smartphones recorded growth of 62% compared to the year ended 31 December 2017.

The Group's website is an important part of its omnichannel sales approach. It includes a store inventory check feature, which directs consumers to the nearest store stocking the desired item. In 2015, the Group piloted a Free In-Store Delivery initiative for decoration items ordered online in eight stores in two regions in France. According to data analysed from this pilot, more than 10% of customers made additional in-store purchases upon visiting the store to collect their online purchase. The free in-store delivery initiative was then expanded nationwide in France and Switzerland in February 2016, in Italy in September 2016, and in other European markets where the Group is present from February to April 2017, to provide additional convenience to customers and encourage additional purchases. Furthermore, the Group's focus on the management of its online inventory has also had a positive effect on in-store sales. Customers visiting a Maisons du Monde store increasingly make purchases of products that are not physically displayed in-store, but instead appear either in the catalogues distributed in-store or on tablets available in the store, or, alternatively are identified through discussions with sales associates. The Group identifies these transactions as in-store digital sales, or click-in-store sales, which together amounted to €264 million in the year ended 31 December 2018. To enhance its in-store digital sales, the Group started to install tablets in its stores in France at the beginning of 2016. At the end of December 2018, this programme was available in 328 stores, or 98% of the Group's European stores.

(1) Excluding Modani.

(2) Average number of SKUs available on the Group's websites at a given point in time during the year ended 31 December 2018.

Furthermore, the Group's website allows the Group to offer its products to customers who cannot easily access the Group's physical stores and to ship products to countries where the Group does not possess any physical stores, such as Portugal and Austria. Likewise, the Group's website requires limited capital expenditures and lower investments in personnel and rent costs, as compared with that of stores.

The Group regards its stores, e-commerce platform and catalogues as complementary sales and engagement channels. For instance, certain customers choose to buy items online that they have viewed in stores after having considered their options, while other customers prefer to visit the Group's websites before making a purchase at one of its stores. Based on its customers' purchasing behaviour, the Group considers the share of purchases carried out in stores by its customers that had visited the internet site over the previous five days to be 25%.

The Group delivers the products ordered on its websites to customers in the countries in which it operates stores, as well as to customers in Austria, the Netherlands and Portugal, where the Group does not currently have stores.

Business-to-Business Sales (BtoB)

In recent years the Group has developed an ancillary business-to-business ("BtoB") sales activity. The Group's BtoB activity consists of sales of Group decoration items and furniture to a variety of end-users, namely hotels, architects/interior designers, offices, retailers and others. BtoB sales are managed by an internal sales force and utilise the Group's existing retail and delivery network. The Group's BtoB activity accounted for €31.2 million in sales in the year ended 31 December 2018, as compared with €14.4 million in the year ended 31 December 2017. In 2018, the Group launched 68 product SKUs dedicated to professionals, as well as a catalogue presenting the different universes on offer to professional customers.

Marketing and Customer Services

Overview

The Group's track record of strong sales growth and like-for-like sales growth that is greater than the market average is in large part attributable to its loyal customers. In the past few years, the Group has dedicated an increasing number of resources to getting to know its customers and to interacting with them through the deployment of omnichannel initiatives such as its free in-store delivery service for decoration items ordered online. It has also equipped its in-store sales force with tablets, and offered new customer services, including the ability for customers to give their opinion during all phases of their shopping experience (in stores, on the Internet, during home delivery). It has also strengthened its investment in and its visibility on social networks and has launched a programme for the management of customer relations and targeted marketing to increase the appeal of its product offering and to develop cross-fertilisation operations between its distribution channels to promote in-store footfall and online traffic. The Group also successfully deployed its Deco advice service in stores and in digital format, including a 3D application enabling customers to visualise the furniture at home, and a new service allowing them to call on interior architects for their layout projects.

Marketing Strategy

The Group's stores, website and catalogues are the primary branding and advertising channels for the "Maisons du Monde" brand. The highly differentiated shopping environment of the Group's stores drives customer footfall not only to its stores but also to its website. The Group's website and catalogues further reinforce the "Maisons du Monde" brand and help drive sales across all of its sales channels. The Group's products are also regularly displayed in brand-relevant publications and on YouTube. For example, the Group's YouTube channel showcases short story videos that illustrate particular collections, such as the Group's Christmas collection, as well as videos that show the making of the Group's catalogues and DIY tutorial videos.

New initiatives in the marketing space have focused on digitisation of the retail experience and increasing cross-channel interaction. In January 2016, the Group installed tablets in 17 stores in order to evaluate whether such technology could assist sales personnel in cross-selling and providing better advice. With the results having been positive, the Group expanded this initiative, as of 31 December 2018, to 98% of its stores equipped with tablets. Additionally, the Group has begun to install video screens in its stores to present Maisons du Monde original content in-store and prompt customers to navigate fully through the Group's product offering. Moreover, during 2017, the Group launched an internal Net Promoter Score (NPS) system, allowing customers to give their opinion during all phases of the shopping experience. This system was first launched in stores in March 2017, and was then expanded to the Group's website in June 2017, and finally to home deliveries in September 2017. During 2018, the Group reinforced its ties with customers through the continuous optimisation of its online marketing investments with a customer centric approach, the development and retention of its customer base and the improvement to brand visibility through the development of ambassador communities and the reinforcement of its presence on the social networks.

Marketing Functions and Expenses

Marketing is a key component of the Group's ability to implement its business strategy, attract footfall and engage with customers. The Group's advertising and marketing expenditures for the year ended 31 December 2018 were €39.9 million and represented 3.9% of sales.

The Group's primary marketing expense is the production of its catalogues. During the financial year ended 31 December 2018, the Group distributed approximately 15.2 million free catalogues across the countries in which it operates. Additionally, the Group invests in online marketing, both to acquire new customers as well as to build its brand.

Catalogues

The Group's catalogues are a powerful marketing tool to inspire its customers and illustrate the Group's unique offering by presenting the breadth of its universes and its various styles and themes. The Group's catalogues look and feel like a design magazine, displaying high quality photos shot in real home settings in compelling locations. With over 500 pages in the 2018 edition, the Group's standard catalogue showcases its full furniture product range complemented with a selected range of decoration items. The Group additionally produces three specialised catalogues that focus on outdoor furniture, junior decoration items and furniture, and lighting. The Group distributed approximately 15.2 million free catalogues to its customers in 2018. They are a key marketing tool for the Group and increase in-store and online sales by encouraging customers to explore the various distribution channels. In 2018, the Group launched its new BtoB catalogue presenting the different universes on offer to professional customers.

Customer Engagement and Social Media

In January 2013, the Group began creating and maintaining a CRM database of its customers who buy its products in its stores, in order to better understand their shopping habits and preferences. At the end of 2015, the Group created a unified database of customers combining its online and offline customer bases. This database includes their detailed purchasing information, demographic data, geographic locations and postal and email addresses. The Group has significantly increased its database of customers and, as of 31 December 2018, it had a base of approximately 16.5 million contacts (compared to around 14.0 million contacts at end December 2017). The Group launched its Customer Relationship Management (CRM) system during 2017. The Group's CRM system provides it with the information necessary to develop new products and categories that respond to current trends and evolving customer preferences, as well as to more effectively promote the current product offering thanks to a targeted marketing approach that involves, among other things, sending personalised newsletters to customers. In 2018, the Group continued to reinforce its CRM strategy through targeted marketing actions involving sending emails to customers selected on the basis of their omnichannel purchasing behaviour, promoting the rate of conversion into sales. The Group also increased the average spending per active customer by 6% in 2018 compared to 2017.

Social media outreach is another key component of the Group's marketing strategy. The Group is present on various online platforms such as YouTube, Facebook, Instagram and Pinterest. The Group's YouTube account shows original video content presenting new collections and product launches as well as providing "do it yourself" instructional videos for home decorating. Its Facebook pages allow it to share new product launches, showcases newly opened stores and other news from the Group. At 31 December 2018, almost 1.9 million users had "liked" the Group's Facebook pages. The Group's digital strategy for the social networks mainly focuses on Instagram and Pinterest, which are true visual inspiration platforms. The Group has an Instagram account with almost 1.9 million followers, positioning it in second place behind IKEA for this platform. The Group also engages its customers on Pinterest, which allows it to present a number of functionalities, such as by style or theme; it had over 230,000 followers at 31 December 2018, placing it in first place for this network. In 2018, around 10 million visitors consulted the photos and videos of products posted online by the Group on Pinterest each month. During 2018, the Group also launched new services such as "Shop the Look" with Pinterest and "InstaShopping" with Instagram.

The Group also continued its efforts to improve its brand's visibility by developing ambassador communities. During 2018, the Group tested an independent consultant community, which are in reality customers that are passionate about the brand and help the Group's customers in their online purchases, from 21:00 to 7:00 via a live chat, with a very promising conversion rate. The Group has also set up the possibility of sharing user opinions on the product sheets on its website, highlighting its strong conviction in the development of peer-to-peer communication.

Customer Service and Returns

Part of maintaining the "Maisons du Monde" brand image includes providing a high standard of customer service, which encompasses in-store service, online technical and sales support and after-sales service. The Group has a team of approximately 100 employees who handle after-sales services such as returns and respond to customer queries in relation to deliveries and product quality. The Group has historically recorded relatively few product returns. The return rate is in the low single-digits, which, for example, is significantly lower than retailers active in the apparel markets. The Group's after-sales services do not directly generate any revenue. To support its e-commerce channel, the Group maintains a hotline dedicated solely to its online customers' sales inquiries and handles certain over-the-phone sales. Over-the-phone sales represented €31 million for the financial year ended 31 December 2018. Outside working hours, a service provider answers the calls or e-mails from customers. Additionally, e-commerce customers are encouraged to fill out satisfaction surveys, which are analysed in order to assess and improve the online experience, check-out process and post-purchase support. For example, in response to customer feedback, more visuals and detailed product information were added, and new delivery and payment options are proposed. The Group has partnered with the consumer financing firm Cetelem, a member of the BNP Paribas Group, to offer customers the possibility of paying for purchases from €150 up to €16,000 in 3, 10, 20 or 30 monthly instalments, depending on the purchase price. In the year ended 31 December 2018, approximately 11% of furniture sales were generated using consumer financing obtained by customers from Cetelem. Finally, the Group offers a "privileged customer card" programme, which provides customers with longer guarantees on certain of their purchases.

Information Technology

The Group's business depends on the ability of its employees to process transactions on secure information systems and its capacity to store, retrieve, process and manage information. The Group's IT systems are supervised by the Group's Chief Technology Officer and are managed in-house by a team of around one hundred IT and data professionals supported by third parties and who are led by a team of managers with in-depth e-commerce experience. Two fully redundant data centres support the continuity and connectivity of the Group's IT systems. The Group's IT systems provide a full range of business process support and information to its store, design, merchandising, sourcing and finance teams. The Group believes that the combination of its business processes and systems provides it with improved operational efficiencies, scalability, increased management control and timely reporting that allow it to identify and respond to trends in its business. The Group utilises a combination of customised and industry standard software systems to provide various functions related to:

- inventory management;
- online order fulfilment;
- quality control;
- point of sale front office and back office applications;
- contact with the Group's suppliers; and
- the Group's CRM system.

The Group's key IT systems are replicated and stored on two separate sites, and all of its stores are linked to the head offices as well as to backup sites. The Group's data are systematically backed up daily. Various business continuity plans have been created to respond to possible future incidents. These plans are regularly reviewed, tested and updated.

Regulation

The Group is subject to a wide variety of laws, regulations and industry standards in the jurisdictions in which it operates. The following provides a brief description of the main laws and regulations that govern the Group's activities and personnel. References and discussions to directives, laws, regulations and other administrative and regulatory documents are entirely qualified by the full text of such directives, laws, regulations and other administrative and regulatory documents themselves.

Regulation of Furniture Production and Products Liability

The Group is regulated as a manufacturer, importer and distributor of decoration items and furniture pursuant to European Union (EU) laws and regulations as well as the national laws of the EU Member States in which it operates. The following Sections briefly summarise the EU and Member State regulations that are most material to the Group's activities.

A. EUROPEAN UNION REGULATIONS

Since the furniture that the Group produces and sells incorporates timber, the Group must take into account the Forest law Enforcement Governance and Trade ("FLEGT") action plan that the EU adopted in 2003, which is aimed at reducing deforestation by regulating imports of timber and timber products into the EU. FLEGT regulates where the Group can source its timber and timber products. FLEGT includes a timber licensing system to certify the legality of imported wood products: in order to obtain a FLEGT licence, voluntary partnership agreements ("VPAs") must be signed between timber-producing countries and the EU. As of 31 December 2018, six countries have signed a VPA with the EU and are developing the systems needed to control, verify and license legal timber. Nine other countries are in negotiations with the EU and others have expressed interest in joining.

Certain decoration and furniture contain chemicals for a wide variety of applications, including as varnishes and in paints and other coatings. As a result, the Group is also subject to Regulation 2006/1907/EC (known as the Registration, Evaluation, Authorisation and Restriction of Chemicals Directive or "REACH"). REACH, which entered into force on 1 June 2007, requires all companies manufacturing or importing chemical substances into the EU in quantities of one ton or more per year to register these substances with the European Chemicals Agency. REACH also addresses the continued use of chemical substances of very high concern (SVHCs) because of their potential to negatively impact on human health or the environment. Since 1 June 2011, the ECHA must be notified of the presence of any SVHCs in products where it equates to more than 0.1% of the mass of the object.

The Group must comply with a number of other EU regulations, including:

- directive 79/117/EEC (as amended), which prohibits the sales and use of pesticides that contain certain active substances that could harm human health or the environment;
- directive 1999/13/EC (as amended by Directive 2004/42/EC and known as the VOC Solvent Directive), which applies to the use of solvents for coating wooden surfaces and other coatings for textiles, metal, wood and plastic lamination, wood impregnation, finishing processes and degreasing processes. This Directive limits emissions values for compounds used for solvent purposes, requiring the Group to monitor the use of certain products in the manufacturing of its merchandise;
- directive 96/61/EC (known as the Integrated Pollution, Prevention and Control Directive), which applies to treatment of metal and plastics with solvents, requiring that the Group obtain certain environmental permits for some of its manufacturing processes;
- directive 2002/45/EC, which provides specific provision for leather production and prohibits the marketing of substances and preparations for the fat liquoring of leather containing C10-C13 chloro-alkanes in concentrations above 1%;
- directive 2001/95/EC (known as the General Product Safety Directive), which requires manufacturers to put only safe products into the market place, requiring the Group to provide consumers with information that enables them to evaluate the potential risk of a product if the risk is not easily apparent;
- directive 1999/44/EC which regulates certain aspects of the sale of consumer goods and associated guarantees. This Directive regulates fitness for purpose of consumer goods and the liability of the seller by providing basic protection to consumers against inferior products. Under the Directive, consumers are entitled to a guarantee period of half a year. Consumers may also hold the seller liable in cases where the lack of conformity has become apparent within two years of the delivery of the goods;
- directive 94/62/EC, which regulates the packaging requirements for shipments made to end-consumers. This Directive is designed to reduce waste through and provides for recycling of packaging materials to help achieve this goal.

B. MANDATORY REGULATIONS IN INDIVIDUAL MEMBER STATES

France

Decree No. 86-583 of 14 March 1986 requires sellers of new furniture to include specified information on all product labels. Any advertising document that includes the price information of the relevant information must also contain the information disclosures mandated by the law. This information includes, but is not limited to: the materials used in production, the words "do-it-yourself" (à monter soi-même) if the furniture is not assembled, the world "style" or "copy" (*copie*) must precede any reference to a time period, a century, a school, a state or a region other than the place of production and the word "imitation" to indicate that the style attempts to mimic a theme, style or process that was not used in the production process.

United Kingdom

The furniture and furnishing (fire safety) regulations of 1988 (as amended in 1989 and 1993) require manufacturers, importers and retailers of furniture and its components to comply with six main requirements when selling products: filling materials must satisfy specified ignition requirements, furnishing fabrics and upholstery composites must be resistant to cigarettes; covers must be resistant to matches, a permanent label must be affixed to all new furniture items, a display label must be affixed to certain new furniture at the point of sale and the UK supplier must maintain records for five years to prove compliance with these measures. The regulation applies to all types of upholstered seating, including junior furniture and outdoor furniture, in addition to mattress filling materials and permanent covers for furniture. Manufacturers, importers and retailers must not only ensure that the furniture products sold do not contain any prohibited materials, but also provide appropriate labels indicating that the product complies with the relevant safety requirements imposed by the regulation.

Regulation of the Group's Retail Activities in France

A. LAWS ON COMMERCIAL LEASES

Commercial leases for the Group's operations in France are regulated by Decree No. 53-960 of 30 September 1953 ("Decree 53-960"), codified in part in Articles L. 145-1 et seq. and R. 145-1 *et seq.* of the French Commercial Code. Decree 53-960 as modified by the law No. 2014-626 on craft industries, trade and small enterprises (the "Pinel law"). Most of the Group's stores are leased under commercial leases subject to the provisions of Articles L. 145-1 et seq. and R. 145-1 *et seq.* of the French Commercial Code and non-codified articles of Decree 53-960, which confer certain rights to the tenant.

French commercial leases have a minimum initial duration of nine years, but rarely exceed 12 years. The lessee has the right to terminate a commercial lease at the conclusion of each three-year period. The lessor may only terminate the lease at the conclusion of each three-year period in certain limited circumstances. At the end of the contractual term of the lease, the lessee is entitled to a renewal. If the landlord does not accept such renewal, the lessor will be required to compensate the lessee, unless the lessor can show good cause (*un motif sérieux et légitime*). Upon expiration of the lease agreement, if the lessor and lessee take no action to renew or to terminate the lease, the original lease will be automatically extended until a notice of termination is served by either the lessee or the lessor. An automatically renewed lease (*tacite reconduction*) may be terminated at any time by either the lessee or the landlord upon providing six months' prior notice.

The parties are free to determine the initial rent, generally according to the current market value of the property. The rent may be fixed, variable or composed of a fixed portion and a variable portion. Generally, the lease contains an annual rent indexation clause. The agreed index must have some connection with the activity carried out by one of the parties or to the purpose of the lease. Alternatively, parties can choose to refer to the Commercial Rent Index ("ILC") or the Index Applicable to Leases of the Service Sector ("ILAT") (indice des loyers des activités tertiaires), both published by INSEE, the French public statistics institute.

Certain of the Group’s premises may be subject to the safety standards applicable to buildings open to the public (*établissements recevant du public*), as defined in Articles L. 123-1 to L. 123-4 and Articles R. 123-1 to R. 123-55 of the French Construction and Housing Code. Builders, owners and operators of buildings open to the public are required, both during construction and operation, to comply with certain preventive and protective measures to ensure safety, and must also ensure that the facilities and equipment are maintained and repaired in accordance with applicable regulations.

B. EMPLOYMENT REGULATIONS

French working time regulations generally provide for a statutory weekly average working time of 35 hours. An employer may be prosecuted for offenses of “undeclared work” (*travail dissimulé*) in connection with the failure to properly declare the time worked beyond 35 hours per week, which may result in fines and imprisonment. As a result of undeclared work, an employer may also be liable to employees for the payment of a fixed penalty representing six months of salary, in the event of the termination of the employee’s contract. In addition, noncompliance with legal provisions regarding overtime may expose the Group to additional fines. Moreover, because any compensation paid to an employee is subject to the payment of social security contributions, social security contributions related to overtime hours may be reassessed, which may result in the payment of additional social security contributions, as well as additional charges for the late payment of contributions, penalties for late declarations and fines. The Labour Code, however, provides for a certain degree of flexibility in applying the statutory weekly average working time of 35 hours per week for certain categories of employees. Under French law the relationship between an employer and an employee is additionally subject to collective bargaining agreements at both the national and local level. The requirements under a collective bargaining agreement vary by industry and govern employment relationships in conjunction with the French Labour Code.

The Group’s stores are generally not open on Sundays, as French law imposes restrictions on Sunday trading, except for certain Sundays a year when stores are permitted to open. Recent reforms have permitted stores in certain urban shopping zones and certain shopping malls to open on Sundays year-round, subject to reaching agreements with the relevant labour unions or employee representative bodies. Labour law requires that additional compensation be paid to employees for Sunday work.

C. PROTECTION OF PRIVACY AND PERSONAL DATA

In France, the Group is subject to law No. 7817 dated 6 January 1978 (as modified on 6 August 2004) when it collects and processes customer data. This law strengthens individuals’ right of access to their personal data and gives the French Personal Data Protection Authority (*Commission nationale de l’informatique et des libertés* – CNIL) the power to intervene on their behalf. The CNIL has a wide range of powers, including the power to request court orders to curtail the use of the information and to request a temporary suspension or a withdrawal of authorisation. The CNIL can issue monetary fines up to €150,000 for the first reported infringement and up to the lesser of €300,000 or 5% of a Company’s revenues (excluding tax) for repeated infringements. It may also make public warnings and may order notices of the warnings issued to be inserted in any publication, newspaper or media it indicates, with the costs paid by the persons penalised. Failure to comply with French data protection requirements may, in addition, trigger criminal sanctions of up to five years imprisonment and a fine of up to €1.5 million.

French law No. 2004-575 of 21 June 2004 on Trust in the Digital Economy, which transposes into French law European Union Directive 2000/31/EC of 8 June 2000 on certain legal aspects of information services and e-commerce, sets out the rules for the liability of Internet service providers, website publishers, e-merchants and website hosting companies, notably dealing with how e-commerce and encryption are managed.

Regulation No. 2016/679, the General Data Protection Regulation (GDPR), which became applicable from 25 May 2018, reinforces and unifies personal data protection within the European Union.

The Maisons du Monde Group, which is responsible for processing the personal data of customers, prospective customers, employees, etc., is carrying out work to comply with the GDPR. With special attention paid to protecting the personal data of customers and employees of the brand, the project brings together all divisions concerned (marketing, customer relations management, IS management, legal, internal control, HR, etc.).

D. IMPORT-EXPORT RESTRICTIONS

The Group sources many of its products from Asia, mainly China, Vietnam and India. Within the European market, the principle of free movement of goods applies. With respect to the import and export of goods from countries which are not members of the EU, the Group must comply with national and EU foreign trade and customs regulations. At the EU level, the Group’s relevant regulatory framework is based on the Modernised Customs Code (Regulation (EC) No. 450/2008). Whereas imports and exports within the European Economic Area ("EEA") are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control. The customs control charges include statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed. In France, the Group may also pay specific stamp duties, such as the tax for the development of the wood and furnishing industries (*taxe pour le développement des industries de l’ameublement ainsi que des industries du bois*), currently set at 0.20% of the value of the goods imported.

1.5 Property, plant and equipment

Maisons du Monde's registered office is located in Vertou (44), in France.

The Group operates primarily from administrative premises, manufacturing sites and commercial stores.

As of 31 December 2018, the property portfolio formed by these sites was as follows:

- two offices housing the Group's registered office, one located at Le Portereau, 44120 Vertou, France and the other at ZAC de Bel Air, 44120 Vertou, France. The Group leases these premises from its founder, Xavier Marie, pursuant to commercial leases entered into on an arm's-length basis;
- premises housing offices leased from third parties and used for the Group's web and network services (144 rue de Rivoli, 75001 Paris, 565 avenue du Prado, 13008 Marseille France, and 81 Rivington Street, London, England), development teams (140, Rue Galliéni 92100 Boulogne-Billancourt, France), and B2B and import-logistics services (6 rue Anne de Bretagne (Immeuble Viséo), 44120 Vertou, France);
- eleven warehouses serving all of the Group's sales channels and five logistics platforms conveying products to end-customers located in the South of France;
- a showroom located at 30 avenue de la Vertonne, 44120 Vertou in France, and a warehouse used for photo shoots for the Group's catalogues, located in rue de la Voyette, 59810 Lesquin, France, leased from a third-party landlord;
- 336 stores located in France (including the showroom opened in 2017 in Paris), Italy, Spain, Belgium, Luxembourg, Germany, Switzerland, the United Kingdom and the United States;
- a furniture manufacturing facility in China operated by the subsidiary Chin Chin Furnishing in Shanghai, the Group's joint-venture with SDH Limited;
- a furniture manufacturing facility in Vietnam operated by the Group's wholly owned subsidiary Mekong Furniture.

1.6 Investment policy

1.6.1 MAIN INVESTMENTS MADE

Acquisitions of Intangible and Tangible Assets

The Group's capital expenditure is for: (i) store development; (ii) store renovation; (iii) store maintenance; (iv) guarantees; and (v) other intangible asset and property, plant and equipment expenditures. Capital expenditures for store development principally relate to property, plant and equipment expenditures relating to the opening of new stores. Capital expenditures for store refurbishment relate to renovation expenses undertaken in respect of existing stores. Capital expenditures for maintenance mainly include asset replacement in existing stores. Deposits and guarantees relate to the Group's lease contracts. Capital expenditures for other purposes principally relate to: (a) expenditures relating to the Group's head office (such as office equipment); (b) IT expenditures and web expenses bearing on the Group's business processes and CRM system relating to its e-commerce channel, including capitalised development costs and licences; (c) expenditures relating to capital expenditures inherent to the Group's warehouses and manufacturing facilities; and (d) tangible fixed assets.

The Group's capital expenditures totalled €45.8 million, or 4.1% of sales, for the year ended 31 December 2018, including:

- €22.0 million in expenditure for store development, with 32 gross openings carried out by the Group during the year (including 28 gross openings under the Maisons du Monde brand and four under the Modani brand);
- €16.0 million in expenditure on maintaining and renovating the Group's existing stores;
- €7.8 million in other expenditure, for the expenditures related to the Group's head offices, and capital expenditures on e-commerce, logistics and information systems expenses.

Financial Investments

In July 2006, the Group entered into a joint-venture agreement with SDH Limited and acquired 50% of the share capital of the joint-venture company, Chin Chin. Through its wholly-owned subsidiary Chin Chin in Shanghai, the joint-venture manufactures and sells furniture products under the "Maisons du Monde" brand.

1.6.2 MAIN FUTURE INVESTMENTS

The Group's objective is to gradually lead future capital expenditure to a range of 5.5% to 6.0% of sales by the year 2020. Most capital expenditure is expected to reflect investments in connection with the store network development, additional investments related to the opening of new logistic surfaces, and structural investments to support continued like-for-like sales growth.

1.7 Research and development, patents and licences

The Group's ability to design and launch new products and improve existing products is an important aspect in view of its business. The Group seeks to promote a corporate culture in which employees can be creative, promoting its long-term success. Designers review the market and its trends, define themes - each season - together with buyers and product managers, design new products based on those themes and also regularly adjust the Group's product range to meet sales criteria and changes in trends and designs.

The Group's Proprietary Rights

The Group owns the intellectual property rights needed to exercise its activities. These include:

- commercial trademarks: Maisons du Monde France S.A.S. owns the right to the "Maisons du Monde" name, its most important trademark, which it has registered in the form of figurative and semi-figurative trademarks in the territories in which Maisons du Monde operates;
- domain names: the Group owns a portfolio of "Maisons du Monde" domain names and has registered them with the relevant authorities;
- patents: Maisons du Monde has jointly filed a patent for the foam padding of its eco-designed sofas.

In addition, Maisons du Monde files the drawings and models designed by its style office with a bailiff (*huissier de justice*) on a weekly basis. This process makes the brand's creative process more secure, since Maisons du Monde has a guarantee that it will able to produce proof of ownership of its rights for those works should they ever be misappropriated by third parties.

For further information relating to the risks associated with the Group's intellectual property, see section 1.8.2. "Intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights could diminish the value of the Group's brand and weaken its competitive position" of this Registration Document.

Third-Party Licences

Some of the Group's products integrate third-party technologies. In order to obtain the rights to use these third-party technologies, the Group has entered into the following arrangement:

- inbound licence agreements: the Group relies on licensed software for its back-office, finance, Human Resources and store management systems.

The Group uses certain trademarks belonging to The Coca-Cola company and Nestlé SA for some of its products. In order to obtain the rights to use these third-party technologies, the Group has entered into the following arrangements:

- trademark licencing agreements with The Coca-Cola company and Nestlé SA: these agreements were concluded by the Group in order to use the trademarks of these companies for some of its products.

Security inherent to the Group's intellectual property rights

Not applicable.

1.8 Risk factors, insurance and risk hedging

Investors should carefully consider the risks described below, as well as the other information contained in this Registration Document, before making an investment decision. Any of the following risks may have a material adverse effect on the Group's business, financial condition, results of operations or prospects. The risks described below are not the only risks the Group faces. Additional risks and uncertainties, of which the Group is currently unaware or that it currently deems immaterial, may also have a material adverse effect on the business, reputation, financial position, results of operations or prospects.

1.8.1 RISKS RELATED TO THE GROUP'S BUSINESS AND STRATEGY

Risks related to economic developments, competition and general industry conditions

Unfavourable economic conditions in France and the other European markets could result in a reduction in consumer spending levels and a decline in the demand for the Group's products.

Economic factors outside of the Group's control, such as a decrease in GDP or the construction index or lower consumer confidence, can negatively influence the Group's results of operations. The Group is active in the decoration and furniture market. Consumer purchases, and more specifically, purchases of furniture, are largely discretionary and may be adversely affected by economic drivers such as employment levels, salary and wage levels, the availability of consumer credit, the level of consumer debt, inflation, interest rates, tax rates and consumer confidence with respect to current and future economic conditions. Additionally, because consumers often make purchases of furniture in connection with the purchase, lease or redecoration of a residence, demand for the Group's furniture products also tends to be correlated with housing prices, trends in the housing sector, the state of the mortgage industry and other aspects of consumer financing tied to housing. In an uncertain economic environment characterised by decreasing or stagnant disposable income or during periods with fewer housing starts or reduced expenditures by consumers on their homes, consumers may curtail their visits to decoration and furniture stores, reduce overall spending on decoration and furniture or opt to purchase products with lower average selling prices (ASPs).

The Group's largest market is France, which accounted for 59.7% of its sales[1] and 64.8% of its EBITDA (excluding corporate EBITDA) in the year ended 31 December 2018. In most of the Group's principal markets, economic recovery has been slow and uneven. Accordingly, unfavourable economic conditions or an uncertain economic outlook in one or more of the principal markets in which the Group operates, particularly in France, could have an adverse effect on consumer spending in the decoration and furniture market, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's results of operations are subject to seasonal fluctuations, and results for any quarter may not necessarily be indicative of the results that may be achieved for the full financial year.

The Group's quarterly results have fluctuated in the past and may fluctuate significantly in the future, depending upon a variety of factors, including, among other things, the Group's product offerings, store openings, store closings, level of home remodelings or relocations, shifts in the timing of holidays, timing of catalogue releases, timing of delivery of orders, competitive factors and general economic conditions. Unseasonable weather conditions may reduce footfall in certain shopping areas and reduce demand for certain product categories, such as outdoor furniture, which could also have an impact on the Group's quarterly results.

For the financial years ended 31 December 2017 and 2018, the proportion of annual sales generated in the fourth quarter was 31%, compared to 23% to 24% for each of the other three quarters of the year for the financial years ended 31 December 2017 and 2018. In addition, the Group has historically generated, and expects to continue to generate, higher results of operations and EBITDA in the fourth quarter of its financial year. The proportion of EBITDA generated in the fourth quarter averaged 50% for the years ended 31 December 2017 and 2018. As a result of these factors, the Group's working capital requirement is at its highest level in the three months ended 30 September as the Group ramps up for the holiday selling season. Due to the Group's significant fixed cost base represented by rent and employee wages and salaries, if the Group experiences lower sales during the fourth quarterly period, the Group may be unable to reduce its costs in the short term to offset the lower revenue which could have a material adverse effect on its business, financial condition and results of operations.

(1) Excluding Modani

Demands on the Group's logistics chain also fluctuate during the year in response to seasonal trends in the Group's business. For example, the weeks immediately preceding the holiday selling season in the fourth quarter are a particularly demanding period for the Group as inventory volumes tend to be higher to cope with anticipated demand. Any disruption in the Group's supply or logistics chain during that period would therefore have a significant effect on its results of operations.

As a result of the foregoing factors, the Group's results of operations may fluctuate on a seasonal basis and relative to corresponding periods in prior years. The Group may also take certain marketing actions that could have a disproportionate effect on its business, financial condition and results of operations in a particular quarter or selling season. Due to the seasonality inherent in the decoration and furniture industry, investors are cautioned that period-to-period comparisons of the Group's results of operations may not necessarily be meaningful and cannot be relied upon as indicators of future performance.

The decoration and furniture market is highly competitive and the Group's business and financial results may be adversely affected by actions of the Group's competitors and the Group's failure to respond to competitive pressures.

The Group operates in the highly fragmented and competitive decoration and furniture industry. In the retail channel, the Group competes with international, national and regional retailers focused on decoration and furniture and with other stores that sell decoration and furniture in addition to other products. Certain competitors may focus on decorative products only and carry limited or no furniture, whereas others may exclusively carry large furniture items. The Group's average selling prices ("ASPs") are concentrated in the mid-range, and as a result, the Group faces competition from both the value and high-end segments of the market. A large proportion of the Group's customers also shop with value retailers, which in a challenging macroeconomic environment could result in these customers directing a greater share of their spending on home decoration items and furniture towards such retailers. Competition is generally based on product quality and choice, brand name recognition, price and customer service, as well as the number and location of stores and in-store experience.

The Group's main competitors include other retailers in the affordable inspirational segment, which includes retailers who emphasise style and originality at affordable prices, such as Casa, Habitat, AM.PM., Zodio and Zara Home, as well as functional retailers such as IKEA, Conforama, Alinéa, Atlas, and But. The Group additionally experiences competition from independent retailers. Department stores and supermarkets also sell decoration and furniture as part of a larger offering, and in France the Group competes with department stores such as Galeries Lafayette and home improvement retailers such as Bricorama. Certain such competitors are present in multiple European markets where the Group operates. For example, IKEA and Zara Home are present in all of the markets where the Group operates, except Luxembourg. Conforama operates in France, Italy, Spain, Switzerland and Luxembourg, and Habitat in France, Spain, Germany, Belgium, Switzerland and Luxembourg. Additionally, the Group competes with certain local retailers that are present in only one of the Group's markets. For example, the Group competes with Depot, which is only present in the German market, and Mercatone Uno, which is only present in the Italian market.

In the online channel, the Group competes both with pure-play online retailers focused on decoration and furniture and the online channels of several of its retail store competitors. In addition to the same general competition factors for retail stores related to product range and price, the Group's website competes with others based on factors such as ease of user interface, search engine optimisation, online advertisements and social media campaigns to draw online traffic, methods of payment, shipping and delivery options, technical and platform support and click-and-collect programmes.

Pure-play online retailers specialising in home decoration and furnishings include made.com, Westwing and Home24, which are accessible from multiple European jurisdictions. Additionally, e-commerce platforms such as Amazon do not specifically focus on decoration and furniture but sell such products from other distributors and manufacturers. Most of the Group's retail store competitors also operate online channels.

The Group may face more intense competition in the future. Competitors may adopt aggressive pricing policies, expand their store networks, undertake more extensive marketing and advertising campaigns, offer more appealing products or adapt more quickly to changes in customer preferences and trends. Certain of the Group's competitors may possess greater financial resources, larger purchasing economies of scale and/or lower cost bases, integrated manufacturing capabilities, stronger name recognition and/or entrenched relationships with suppliers, any of which may give them a competitive advantage over the Group and could result in a loss of the Group's market share. The Group's competitors could also consolidate, which could increase the intensity of the competition the Group faces.

The Group may be obliged to respond to competitive pressures by lowering prices, leading to a decrease in its profit margins and/or an erosion of market share. Actions taken by the Group's current or future competitors, or reactions of the Group in response thereto, may have an adverse effect on its business, financial condition and results of operations.

If the Group fails to successfully anticipate consumer preferences and demand, offer attractive products to its customers or manage its inventory commensurate with demand, the Group's results of operations may be adversely affected.

The decoration and furniture industry is generally characterised by continually evolving customer preferences and trends. The Group's success depends in large part on its ability to follow, interpret and react to changing consumer demands in an appropriate and timely manner. The Group's products must appeal to a broad range of customers whose preferences cannot always be predicted with certainty and are subject to change.

The Group cannot assure investors that it will be able to continue to develop products that resonate with customers or that it will successfully respond to consumer preferences in the future. Any failure on the Group's part to anticipate, identify or respond effectively to consumer preferences could adversely affect sales of the Group's products. If orders do not match actual demand, the Group could have higher or lower than anticipated inventory levels. For example, if products remain unsold, the Group may need to reduce selling prices resulting in lower margins or incur higher charges to store inventory or transport it to other markets within its network where there may be demand. The Group may also be required to record impairment of inventory charges. Although the Group has historically not incurred such charges, nor has it needed to make a provision in regards to such charges, the Group cannot exclude this possibility in the future. If a particular style or theme, or multiple styles or themes, within a collection underperform, the Group's like-for-like sales and results of operations could be materially and adversely affected for the particular period and its brand could be damaged, leading to lower footfall in subsequent periods. Conversely, if the Group fails to stock sufficient quantities of high-selling products, shortages of inventory could cause the Group to lose sales and damage its reputation with customers. Furthermore, in recent years the Group expanded outside of France, its principal market, and as a result may not be able to respond to the preferences of customers in other markets, who could have different tastes and could follow different trends than French customers. To the extent the Group is unable to align its inventory with consumer demand, the Group's business, financial condition and results of operations could be materially and adversely affected.

The occurrence of catastrophic events could adversely affect the Group's business.

The occurrence of catastrophic events could adversely affect the Group's sales. The Group operated 336 stores under the Maisons du Monde brand in eight European countries and in the United States as of 31 December 2018, and 13 stores under the Modani brand in the United States, and its supply and logistics chain is global, spanning several countries for the manufacturing, sourcing and distribution of products. Catastrophic events such as severe weather, floods, fires, earthquakes, pandemics or epidemics, terrorist and war activities in the countries in which the Group operates or from which it sources its products may have a negative effect on consumer spending in the countries where the Group operates or disrupt the Group's supply and logistics chain.

In particular, a catastrophic event, such as a terrorist attack or severe winter weather, in December that either discourages customers from patronising the Group's stores or impairs the Group's ability to move inventory to its stores or make deliveries, could exacerbate this risk and particularly affect the Group's business during the important holiday shopping period. The Group cannot accurately predict the extent to which such events may affect its business, directly or indirectly, in the future. The Group also cannot assure investors that it will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist acts and any losses that could result from these acts. If there is a disruption at the Group's stores, an interruption in the Group's supply and logistics chain and/or suppliers are unable to manufacture or deliver their products due to natural disasters, severe weather, terrorist attacks or other catastrophic events, the Group's business, financial condition and results of operations could be materially and adversely affected.

Risks related to the Group's sourcing and logistics activities

The Group depends on third-party suppliers to produce the merchandise that it sells and if the Group's suppliers fail to supply quality merchandise in a timely manner, the Group's reputation and business may be damaged.

The Group purchases approximately 91% (in terms of purchases of goods) of its products from more than 500 third-party suppliers, in addition to sourcing goods through its joint-venture with SDH Limited (Hong Kong), Chin Chin, and its fully-owned subsidiary in Vietnam, Mekong Furniture. The Group's performance therefore depends on its ability to source its products in sufficient quantities at competitive prices in the required time frame. The Group contracts for manufacture of products bearing the "Maisons du Monde" brand from numerous suppliers, particularly in China and Vietnam. Additionally, for certain high-value products, such as cloth sofas, the Group is dependent upon a limited number of suppliers in France. The use of third-party suppliers entails a number of additional risks, including the risk of termination of the relationship and comparatively less control over the quality of manufactured products. A number of the Group's suppliers, particularly its artisan suppliers, may have limited resources, production capacities and operating histories. As a result, the capacity of some of the Group's suppliers to meet its supply requirements has been, and may in the future be, constrained at various times and the Group's suppliers may be susceptible to production difficulties, financial difficulties, bankruptcy, errors in complying with product specifications, insufficient quality control, failures to comply with applicable regulations and ethical rules, failures to meet production deadlines or increases in manufacturing costs or other factors that negatively affect the quantity or quality of their production. Although the Group strives to ensure consistent product quality from its suppliers by selectively controlling pre-production samples, conducting periodic visits to manufacturing sites of some of its suppliers and randomly vetting shipments arriving at its logistics platforms, there is no guarantee that such efforts will be effective. Any of these risks, taken in isolation or in combination with other risks, may adversely affect the Group's business, results of operations, financial position and reputation.

Additionally, the manufacturing of the Group's products could be delayed or not be possible. The Group's products are typically manufactured on an order-by-order basis. If the Group experiences a surge in demand or the need to replace an existing supplier, there can be no assurance that additional manufacturing capacity will be available when required (once placed, orders can take up to four or five weeks to be delivered from Asia to the Group's principal warehouses in Southern France) on terms that are acceptable to the Group. There is also a risk that production by one or more manufacturers could be suspended or delayed, temporarily or permanently, due to economic or technical problems, such as the insolvency of the manufacturer or lack of liquidity, the failure of manufacturing facilities or disruption to the production process, all of which are beyond the Group's control. Such difficulties may negatively impact the Group's ability to deliver quality products to its customers on a timely basis, which may, in turn, have a negative impact on its customer relations and lead to a drop in sales. Any such occurrence could have a significant adverse effect on the Group's business, financial condition and results of operations.

The Group generally does not have any exclusive or formal contractual arrangements with its external furniture manufacturers, which could limit the Group's ability to resist price increases, ensure continuity of supply or seek damages or make other legal claims against its external furniture manufacturers or to ensure the continuity of supply.

The Group does not have exclusive relationships with its suppliers. As a result, even though its suppliers may not sell its branded products to other retailers, most of the Group's suppliers may be able to sell similar or identical products to certain of its competitors, some of which purchase products in significantly greater volumes. The Group's competitors may enter into arrangements with suppliers that could impair its ability to procure those suppliers' products, including by requiring suppliers to enter into exclusive arrangements. The Group's suppliers could also initiate or expand sales of their products to other retailers, outlet centres or discount stores or directly to the market *via* the Internet and could therefore compete directly with the Group, increasing the competitive pricing pressure the Group faces.

Although the Group has long-standing relationships with certain of its suppliers, it generally does not enter into any formal contractual or volume arrangements with the external furniture manufacturers who produce approximately 83.5% (in terms of purchases of furniture) of the furniture products the Group's customers buy. Accordingly, the Group negotiates prices with manufacturers for each order it places and the Group is therefore subject to the risk that manufacturers will demand higher prices and it may not be able to successfully resist such demands, which could impact the Group's margins if it cannot incorporate such changes into its prices. Furthermore, the Group has no contractual remedy against these manufacturers if it suffers economic loss as a result of their actions.

Moreover, there is a risk that the Group's suppliers could require more stringent payment terms, and condition their sale or shipment of products on the Group's acceptance of such terms. If these events were to occur and the Group was not able to adequately respond, it could materially disrupt the Group's business. Any such developments could increase the Group's costs of sales and adversely affect its profit margins.

The Group is exposed to political, economic and other business risks in its sourcing markets.

Most of the Group's products are manufactured in markets outside the European Union, principally in Asia. The Group faces a variety of risks generally associated with doing business in foreign markets and importing products from these markets, including, among others, political and economic instability, increased security requirements applicable to foreign goods, imposition of taxes or other charges and restrictions on imports, currency and exchange rate risks, exchange controls, delays in shipping and increased costs of transportation, risks related to labour practices and disputes, product safety or manufacturing safety standards, environmental matters, natural disasters such as floods and earthquakes or other issues in the foreign countries or factories in which the Group's products are manufactured. Any such risk which either disrupts the production of the Group's suppliers, increases cost through imposition of new import-export restrictions, taxes or non-tariff barriers or otherwise materially affects global shipping could result in increased costs for the Group or impact its ability to adequately supply its warehouses. This risk is exacerbated by the fact that the risk of loss is transferred to the Group upon dispatch in Asia. The occurrence of any of these events could have an adverse impact on the Group's ability to source products from its suppliers, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be required to remove or recall defective or unsafe products and may not have adequate remedies against its suppliers for defective merchandise, which could harm its business and damage its reputation and brand.

As the distributor of its products in the European Union, the Group is liable for the safety of the products it sells. Product quality or safety concerns may require the Group to remove selected products from its stores. If products that the Group purchases from suppliers are damaged or prove to be defective, unsafe or of low quality, the Group may seek recourse from its suppliers but can offer no assurance that suppliers will replace defective products in a timely manner, provide the Group with sufficient refunds or indemnifications or that such incidents will be covered by the Group's product liability insurance.

Any failure by the Group's suppliers to adhere to product safety or manufacturing safety standards could result in serious product defects issues that may not be detected by the Group's quality control procedures and which may in turn lead to product recalls. Although there have historically been no major recalls with respect to the Group's products, there can be no assurance that a product recall will not occur in the future. The Group's reputation and brand could be damaged by the marketing of defective products, especially in the event of serious defects, such as breach of applicable flammability standards or products incorporating harmful substances causing physical harm or other health problems. Such serious defects could also lead to a significant decline in sales. In addition, there is a risk that compliance lapses by the Group's suppliers could occur, which could lead to investigation by agencies responsible for international trade compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact the Group's business. In all such cases, especially if there is a prolonged impact on product quality, the Group's business, financial condition, results of operations and reputation may be materially and adversely affected.

The Group may not be able to locate and develop relationships with a sufficient number of new suppliers, which could lead to increased costs, product shortages and customer backorders, which could harm its business.

In the event that one or more of the Group's suppliers decides to no longer work with the Group, demands higher prices or more stringent payment terms or is unable to meet the quantity or quality of the Group's product requirements, the Group may not be able to develop relationships with new suppliers in a manner that is sufficient to supply the shortfall. In addition, from time to time, the Group invests in new product areas; for example, in 2011, the Group launched its junior collection, which includes products for children and teenagers. In this respect, existing suppliers may not have the expertise or production capacity required to provide the products inherent to these new universes. Even if the Group does identify new suppliers, the Group may experience increased costs, product shortages and customer backorders as the Group transitions its product requirements to alternative suppliers. In addition, the Group cannot assure investors that any new supplier with which it does business would not be subject to the same or similar quality- and quantity-related risks as its existing suppliers. Any such developments could increase the Group's cost of sales and adversely affect its profit margins.

Any significant interruptions or a casualty event at the Group's warehouse facilities or at the port of Marseille-Fos could have a material adverse effect on its business, financial condition and results of operations.

The Group's products are collected at 11 Group-operated warehouse facilities. The Group's wholly-owned subsidiary Distrimag performs distribution functions for all of the Group's sales channels. As of 31 December 2018, the Group managed approximately 444,000 square metres of warehousing and distribution space, located mainly in the Marseille-Fos port area in the South of France.

Any major breakdown of the Group's warehouses, labour disruptions and strikes, severe weather, natural disasters, accidents or similar events, such as a serious fire at one of the Group's warehouses could significantly impact its ability to distribute products to its stores and maintain its supply chain. Such disruption could also have an adverse effect on the Group's in-store inventory. In particular, any disruption at the Marseille-Fos port, such as severe weather or labour disruptions, could materially and adversely impact the Group's ability to receive its products manufactured in Asia and distribute them in a timely fashion or at all. For example, the Group was impacted by a general strike of third-party employees in the port of Marseille-Fos in 2010, which caused the Group to redirect the importation of its products through other ports and resulted in delivery delays and increased logistics costs. Any of these risks, in isolation or in combination, could materially and adversely affect its business, financial condition and results of operations.

The Group does not fully control its Chinese joint-venture and the actions taken by its joint-venture partner could affect the Group's business.

The Group manufactures a portion of its furniture products in China through a joint-venture vehicle, Chin Chin, which the Group owns together with SDH Limited, a Hong Kong-based company.

Joint-venture projects may be developed pursuant to arrangements over which the Group only has partial control. Such projects are subject to the risk that the other parties thereto, who may have different business or investment strategies than the Group or with whom the Group may have a disagreement or dispute, may affect such project's business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or the Group's investment in therein, or otherwise implement initiatives which may be contrary to the Group's interests. Moreover, joint-venture partners may be unable or unwilling to fulfil their obligations under the relevant joint-venture agreements and shareholder agreements or may experience financial or other difficulties that may adversely impact the Group's investment in a particular joint-venture.

While the Group has a certain amount of influence over Chin Chin, the Group does not fully control it and is therefore dependent on SDH Limited's cooperation with the Group in making decisions regarding the joint-venture. Moreover, the day-to-day operation of Chin Chin is the responsibility of its local management team. Therefore, the Group's ability to influence Chin Chin's operations on a day-to-day basis is limited and the Group may be unable to prevent actions that the Group believes are not in the best interests of Chin Chin or the Group as a whole. While the Group may discontinue operations with SDH Limited if the Group determines that such operations are not in its interests, the Group's joint-venture arrangements may impose costs and penalties for unwinding the joint-venture. Any such occurrence could have an adverse effect on the Group's business, financial condition and results of operations.

The Group relies upon third-party logistics providers for imports of its products from its suppliers and to distribute its products to its stores and customers located outside the South of France.

The Group currently relies upon independent third-party logistics providers to ship its products from its suppliers. The Group also outsources the distribution of its products to end-customers located outside of the South of France and to its stores. The Group's use of such delivery services, or those of any other logistics companies the Group may elect to use, is subject to risks, including increases in fuel prices, which would increase the Group's shipping and transportation costs. Strikes, work stoppages and inclement weather may impact the Group's logistics providers' ability to provide delivery services that adequately meet the Group's needs. If the Group changes its arrangements with or loses one of its third-party transportation and logistics providers (in particular the largest ones), it could face logistical difficulties that could materially adversely affect its deliveries and could cause it to incur substantial costs and expend significant resources in connection with such change. Moreover, the Group may not be able to obtain terms as favourable as those received from the third-party transportation and logistics providers the Group currently uses, which in turn would increase the Group's costs. Any of these factors could have an adverse effect on the Group's business, financial condition and results of operations.

The Group risks the theft or the misappropriation of funds and products in its stores and in its warehouses.

In the normal course of its activities, the Group incurs the risk that products in stores or warehouses will be stolen. During the year ended 31 December 2018, the Group suffered a loss representing approximately 0.3% of its sales due to the theft of products in stores and warehouses. Products may also be misappropriated during transportation. The Group carries no insurance for the theft of its products. Occasionally, the Group's stores may also be the targets of successful or unsuccessful robbery attempts by third parties.

In addition, the Group may from time to time experience a misappropriation of funds in its stores or at other levels of its business. Any such theft or misappropriation could have a material adverse effect on the Group's business, financial condition, results of operations and reputation.

The Group relies on certifications by industry standards-setting bodies, the standards of which may become more stringent in the future. The loss of certification within the Group's supply chain or by its suppliers could harm its business.

The Group is committed to operating its business in a manner that takes into account social and environmental considerations. Many of the Group's customers support the purchase of decoration and furniture that bear certifications by the Forest Stewardship Counsel ("FSC") or Program for the Endorsement of Forest Certification ("PEFC"). Approximately 60% of the Group's wood furniture products are either FSC or PEFC-certified or manufactured from recycled wood. If suppliers fail to qualify for or maintain the applicable certifications, or if the requirements for such certifications become more stringent, the Group's business may be harmed because customers that value such certifications may stop purchasing its products or the Group may incur additional expenses to engage replacement suppliers, either of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to the Group's retail network and expansion strategy

The Group's ability to attract customers to its stores depends heavily on the success of retail destinations such as shopping malls, city centres and suburban commercial zones in which the Group's stores are located, and any decrease in customer traffic at these retail destinations could adversely impact the Group's sales.

The Group operates stores located in a variety of locations, mainly city centres, shopping malls and suburban commercial zones. The Group's sales at these stores is dependent, to a significant degree, on the volume of consumer traffic in those retail destinations and the surrounding areas. Factors which may be relevant to customers for generating and/or maintaining the attractiveness of a particular urban or suburban retail location include, among others, mass transit connections, parking, distance from the consumer's home or place of business and the mix of other retail, dining and entertainment options in the vicinity.

The Group's stores can benefit from the ability of other tenants in those retail destinations to generate consumer traffic and the continuing popularity of those areas as retail destinations. Adverse economic conditions or other factors in certain markets where the Group operates have caused other retailers to close stores. As a result, certain shopping centres have reduced occupancy rates which tends to reduce footfall to the entire shopping centre.

The Group cannot control the availability or cost of appropriate locations, competition with other retailers for prominent locations or the success of individual shopping centres. All of these factors may impact the level of customer traffic in the Group's stores and could have a material adverse effect on its business, financial condition and results of operations.

Future increases in occupancy costs may negatively affect the Group's profitability.

The Group currently leases all of its store locations. Leases for the Group's stores provide for either: (i) fixed rent, with rent reviews every year or set rent increases at certain intervals during the subsequent years of the relevant leasehold term or (ii) rent that is set according to a fixed percentage of the turnover of the relevant store, with certain guaranteed minimums. In France, fixed rent commercial leases that the Group signs with its landlords typically provide for a rent adjustment in accordance with changes in certain national indices, in particular the commercial rent index (*indice trimestriel des loyers commerciaux*). In other countries where the Group operates, the Group's leases typically include adjustment mechanisms referencing national consumer price indices. In 2018, the majority of the Group's leases in France provided for fixed rent while the majority of its international leases provided for variable rent premised on a percentage of revenues. The Group faces the risk that occupancy costs will offset or erode any increases in footfall or positive like-for-like sales growth which in the aggregate could have a material adverse effect on its business, financial condition and results of operations.

The Group cannot assure investors that its store expansion strategy will be successful.

Between 2017 and 2018, the network of Maisons du Monde stores went from 313 to 336 stores (at 31 December 2018), due to the reinforced presence of the Group in Europe and the opening of the brand's first store in the United States. In recent years, the Group has developed a strategy of repositioning certain smaller city centre stores in favour of larger suburban stores. The Group has also focused its expansion efforts on suburban commercial zones and shopping mall stores. Maisons du Monde's development strategy is based on an analysis of the potential of its store network by country (for more information, see section 1.4.4 "Group Strategy" of this Registration Document). The Group believes that larger locations better showcase the Group's complete range of decoration and furniture and thereby provide customers with a fuller shopping experience. However, the Group's expansion strategy may not succeed if the Group is not able to identify appropriate locations for new stores or successfully execute its store concepts. The success of this strategy will, however, depend in part upon the Group's ability to open and operate new stores and convert existing city centre stores into suburban stores on a timely and cost-effective basis while continuing to increase sales at its existing stores. In France and the other markets in which the Group currently operates, new points of sale could take sales away from existing ones, resulting in lower like-for-like sales growth.

The Group's ability to successfully open new stores also depends upon a number of other factors, including: the identification of sites suitable for its stores in terms of proximity to the Group's target demographic and distance from existing stores; the negotiation of acceptable lease terms; the hiring, training and retention of qualified personnel; the level of existing and future competition in areas where new stores are to be located; the Group's ability to integrate new stores into its operations on a profitable basis; the capability of the Group's existing IT, distribution and supply network to accommodate new stores; and general macroeconomic conditions in the countries where the Group operates. In addition, the process of locating, fitting out and opening new stores requires significant management time and attention, which may be diverted from other important activities.

There can be no assurance that the Group will be able to open new stores on a timely or profitable basis or that the Group will be able to secure store sites on acceptable terms. The Group may not manage its expansion effectively and its failure to achieve or properly execute its expansion plans could limit the Group's growth or have a material adverse effect on its business, financial condition and results of operations. A delay to one or more planned store openings from one financial year (n) to the next (n+1) could lead to a reduction in business in financial year (n).

If the Group is unable to renew or replace its store leases or enter into leases for new stores on favourable terms, or if any of the Group's current leases are terminated prior to the expiration of their stated term and the Group cannot find suitable alternate locations, the Group's growth and profitability could be harmed.

The Group's current leases expire at various dates ranging (with limited exceptions) from nine to twelve years. Approximately 2.0% of Group lease agreements in Europe expired in 2018; approximately 25% of leases will expire between 2019 and 2022. The Group's ability to maintain its existing rents during renewals or to renew any expired lease on favourable terms will depend on many factors which are not within its control, such as applicable real estate laws and regulations, conditions in the local real estate market, competition for desirable properties and the Group's relationships with current and prospective landlords. If the Group is unable to renew certain of its leases, the Group's ability to lease a suitable replacement location on favourable terms is subject to similar factors. If the Group's lease payments increase or the Group is unable to renew existing leases or lease suitable alternate locations, the Group's profitability may be significantly harmed. In addition, the Group may face challenges in identifying attractive locations to lease for new stores at reasonable prices, which could impair the Group's ability to implement its business strategy. The Group competes with other global and regional retailers for store locations and may be unable to secure attractive sites for new points of sale. There can be no guarantee that the Group will be able to secure or maintain leases for its stores in attractive areas or areas with high consumer traffic. If the Group is unable to obtain appropriate locations for its stores as well as maintain their quality, the Group's business, results of operations and financial condition may be materially and adversely affected.

The Group's lease obligations may limit its operating flexibility.

The Group leases its store locations from third-party landlords. Neighbourhood or economic conditions where stores are located could decline in the future, resulting in potentially reduced sales in these locations. In order to optimise its real estate portfolio and respond to changes in demographics or other conditions at specific store locations, the Group may seek to exit certain leases at regular intervals and obtain new leases in new locations that provide similar flexibility. The Group's ability to negotiate lease terminations or modifications on acceptable terms or at all may be limited. For example, in France, commercial leases generally provide for a minimum nine-year term, with breakpoints at the end of each three-year period, and include strict termination and renewal provisions, including the possibility of a rent increase if the lease is renewed after the initial nine-year term. If the Group is unable to terminate the leases of stores which have been underperforming or are no longer consistent with the Group's strategy, the Group may incur expenses in relation to the termination of the leases of such stores. To the extent the Group remains obligated under leases for unprofitable or vacant stores, or to the extent that the termination or modification of leases results in significant costs, the Group's business, results of operations and financial condition may be materially and adversely affected.

The Group's growth strategy will require it to adapt and improve its structure and could strain its existing resources.

The expansion of the Group's store network and growth of its online channel have increased the Group's operational complexity. This increased complexity requires the Group to continue to expand and improve its operational capabilities, in particular upgrading its logistics systems accordingly and growing, training and managing its employee base. The Group will also need to continually evaluate the adequacy of its information and logistics systems, controls and procedures. Implementing new systems, controls and procedures and any changes to existing systems, controls and procedures could present challenges that the Group does not anticipate and could negatively impact its business, financial condition and results of operations.

In addition, the Group may be unable to hire, train and retain a sufficient number of personnel to successfully manage its growth. Moreover, the Group's planned expansion will place increased demands on its existing operational, managerial, administrative and other resources, particularly in the areas of IT, logistics, warehousing and procurement. Developing and refining the appropriate internal management, organisational compliance, financial and risk monitoring structures and controls required to manage this growth and the increasingly complex Group structure place high demands on the Group. The Group will require more staffing in these areas, and may also require improvements in internal risk management and control systems. Delays in improving these systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors, which may also lead to higher operating expenses. Such delays may also make it more difficult to identify and manage risks, trends and errors on a timely basis and to ensure compliance with applicable laws, regulations and standards on a Group-wide basis. These increased demands could cause the Group to operate its business less effectively, which in turn could cause deterioration in the financial performance of its individual stores or its overall business.

The Group's growth could also make it difficult to adequately predict the expenditures it will need to make in the future. This growth may also place increased burdens on the Group's suppliers, since the Group will likely increase the size of its merchandise orders. In addition, increased orders may negatively impact the Group's approach of generally striving to minimise the time from purchase order to product delivery and may increase its inventory risk. This growth could also impact the operational flexibility and reactivity of the Group's supply chain and limit the Group's ability to react as promptly to changing customer preferences and new market trends. If the Group does not make the necessary capital or other expenditures to accommodate its future growth, the Group may not be successful in its growth strategy.

The Group may not be able to anticipate all of the demands that its expanding operations will impose on its business, personnel, systems, controls and procedures, and the Group's failure to appropriately address such demands could materially and adversely affect the Group's existing operations and prevent the Group from implementing its growth strategy.

The Group's potential expansion of its retail operations into new markets presents a number of risks.

The Group's management periodically evaluates the entry into new markets where the Group currently does not operate a store network against a number of commercial and financial criteria. Expansion into new markets may take the form of organic growth, acquisitions of existing networks or joint-ventures or other partnerships. Historically, the Group has entered new markets through organic expansion. For example, the Group opened stores in Italy in 2007, Luxembourg in 2010, Germany in 2013, Switzerland in 2014, and the United Kingdom and USA in 2018. During the years ended 31 December 2017 and 2018, the Group opened a total of 48 stores (net of 12 closures) across Europe and in the United States. Expansion into new markets is likely to carry greater risks than the Group faces in its existing core markets and such risks may be inherently higher if the expansion is made through acquisitions. New markets may have different competitive and market conditions, customer preferences and discretionary spending patterns than the Group's existing markets. The Group may also face a higher cost of entry, alternative customer preferences, reduced brand recognition, logistics difficulties and minimal operating experience in such territories. The Group's product offering may not be successful in new markets and its costs may increase due to cost overruns, unexpected delays or other unforeseen factors. Cultivating brand recognition in new markets may be difficult in markets where competitors are already deeply entrenched and may require the Group to make substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics, catalogue distribution and employee training, which could adversely affect its cash flow and which may ultimately not be successful. Additionally, the Group may not be successful in its efforts to integrate new stores (regardless of whether they are the product of organic growth or of acquisitions) into its network. Any of these challenges could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to the Group's e-commerce operations

The Group faces operational and other risks in relation to e-commerce and activities.

E-commerce is an increasingly important part of the Group's [(1)] omnichannel retail network, representing 23.0% of its sales for the year ended 31 December 2018. The Group sells its products over the Internet in the countries where it maintains physical stores (France, Italy, Spain, Belgium, Luxembourg, Germany, Switzerland, the United Kingdom and USA), as well as in certain other countries where it has an online sales presence only (Austria, the Netherlands, and Portugal), through its e-commerce platform. For the year ended 31 December 2018, approximately 51% of the Group's online sales were generated in France, with the remainder generated from other countries where the Group's online channel operates.

The Group's e-commerce operations are subject to numerous risks, including:

- reliance on third parties for certain ordering and customer fulfilment software and payment services;
- vulnerability to phishing, hacking and system breach which could expose the Group to regulatory action or consumer complaints that could damage its reputation and its business;
- the risk that the Group's websites may become unstable or unavailable due to failures or necessary upgrades of its computer systems or related IT support systems, or disruption of Internet service;
- customers finding the websites difficult to use, being less willing to use the websites than the Group expects or not being confident that they are secure;
- difficulty integrating the Group's e-commerce platform with its store network, which may result in complications for its e-commerce customers (for example, a customer may experience difficulty returning products bought online to a local store);
- logistical difficulties in delivering products to customers in a satisfactory manner;

(1) Excluding Modani.

- negative reviews from dissatisfied customers spreading online or through social networks and deterring other potential customers from considering the Group's online offering;
- violations of national, EU or international laws, including those relating to online privacy;
- liability for online credit card fraud and problems adequately securing the Group's payment systems; and
- the incurrence of additional costs due to the necessity of investing in the maintenance of an online look, presence and connectivity that is commensurate with the Group's brand positioning and adapting to software and hardware platforms.

The Group's failure to respond appropriately to these risks and uncertainties could reduce its revenues from e-commerce, as well as damage its reputation and brand.

Furthermore, the Group may not be able to continue growing and developing its e-commerce platform as planned, due to technical difficulties in continuing to adapt its business model to this retail network or other factors. The development of an online channel is an ongoing, complex undertaking and there is no guarantee that any resources the Group applies to this effort will result in increased sales or operating performance. With the growing acceptance of online shopping, increasingly convenient online payment options and the proliferation of computers, smartphones, tablets and mobile websites, consumers have begun to expect a seamless online experience.

In addition to the competitive pressures discussed under the heading "The decoration and furniture market is highly competitive, and the Group's business and financial results may be adversely affected by actions of the Group's competitors and the Group's failure to respond to competitive pressures" of this Registration Document, the Group's online channel also faces its own competitive pressures. Consumers connect to the Group's websites using a variety of devices (such as computers, tablets and smartphones) and operating systems (such as OS X) which requires the Group to constantly strive to optimise its websites for such devices and systems. In addition, the Group's e-commerce platform may also, to a certain extent, compete with its stores and cannibalise the Group's sales. The online channel presents a unique opportunity to directly engage with consumers from their homes but also poses an organisational and technical challenge; a failure to successfully respond to the growing trend of e-commerce or, conversely, a failure to implement the Group's plan to develop online sales could have a material adverse effect on its business, financial condition and results of operations.

Additionally, changes to search engines' algorithms or terms of service could cause the Group's websites to be excluded from or ranked lower in natural search results. Search engines typically do not accept payments to rank websites in their natural listings and instead rely on algorithms to determine which websites are included in the results of a search query and their ranking in such results. The Group endeavours to enhance the relevancy of its websites to common consumer search queries and thereby improve the rankings of its websites in natural listings, a process known as Search Engine Optimisation ("SEO"). Search engines frequently modify their algorithms and ranking criteria to increase the relevance of their natural listings. If the Group is unable to recognise and adapt quickly to such modifications in search engine algorithms, or if the effectiveness of the Group's SEO activities is diminished for any other reason, the Group could suffer a significant decrease in traffic to its websites and, in turn, conversion rates and revenues.

Risks related to the Group's reputation

The Group's business depends in part on its brand recognition and reputation.

The Group believes that the "Maisons du Monde" brand has contributed significantly to the success of its business to date by driving footfall to its stores and generating unique visits to its websites. The Group also believes that maintaining and enhancing its brand are integral to the success of its business and to the implementation of its expansion strategies. This will require the Group to make further investments in areas such as marketing and advertising, as well as the day-to-day investments required for store operations, website operations and employee training. Maintaining, promoting and positioning the Group's brand will depend largely on the success of its design, marketing and merchandising efforts, and its ability to provide a good customer experience and identify products and customer trends meeting its target customer expectations. The Group's brand could be adversely affected if the Group fails to achieve these objectives or if the Group's public image or reputation were to be tarnished by negative publicity. The Group's brand may be diminished if the Group fails to maintain high standards for products and service quality, if the Group fails to maintain high ethical, social and environmental standards for all of its operations and activities, if the Group fails to comply with local laws and regulations or if the Group experiences other negative events that affect its image or reputation. Any failure to maintain a strong brand could have an adverse effect on the Group's business, financial condition and results of operations.

If the Group's suppliers fail to use ethical business practices and comply with applicable laws and regulations, the Group's business and brand may be damaged.

While the Group's operating guidelines promote ethical business practices such as environmental responsibility, fair wage practices, and compliance with child labour laws, among others, and the Group seeks to monitor compliance with those guidelines, the Group does not control its third-party suppliers or their business practices. The Group employs professionals charged with conducting site inspections and generally monitoring the compliance of its suppliers with Group policies. However, the Group's contractual remedies with respect to supplier practices are limited. Furthermore, the Group's monitoring actions may not be effective given its large number of suppliers. Accordingly, the Group cannot guarantee that suppliers will comply with the Group's guidelines. As a result, from time to time the Group's suppliers or manufacturers may not be in compliance with local labour law or recognised ethical or environmental standards. A lack of compliance could lead the Group to seek alternative suppliers, which could increase its costs and result in delayed delivery of its products, product shortages or other disruptions of its operations. Violation of labour or other laws by the Group's third-party suppliers or the divergence of a third-party supplier's labour or other practices from those generally accepted as ethical in the European Union could also attract negative publicity for the Group and harm the integrity of the "Maisons du Monde" brand. An incident calling into question the integrity of the Group's suppliers and their business practices could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to information technology and customer data

The Group's operations may be interrupted or otherwise adversely affected as a result of a failure in its systems.

The timely development, implementation, and uninterrupted performance of the Group's hardware, network, websites and other IT systems, including those which may be provided by third parties, are important factors of the Group's operations, including managing purchases and shipments, processing customer transactions and monitoring store performance. The Group's ability to protect these processes and systems against unexpected adverse events is a key factor in continuing to offer customers its full range of products in a timely and uninterrupted manner. The Group's operations are vulnerable to interruption from a variety of sources, many of which are not within its control, such as: power loss and telecommunications failures; software and hardware errors, failures, defects, or crashes; computer viruses and similar disruptive problems; fire, flood, and other natural disasters; attacks on its network or damage to its business intelligence tools, software and systems carried out by hackers or criminals; and the performance of third-party suppliers. Any material disruption or slowdown of the Group's systems could cause information, including data related to customer orders, to be lost or delayed, which could result in delays in the delivery of products to its stores and customers or lost sales. Moreover, a failure that causes the Group's websites to become unavailable could materially and adversely affect online product viewing and online sales or even footfall to the Group's stores, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Group's existing safety systems, data backup, access protection, user management and emergency planning may not be sufficient to prevent information loss or disruptions to its information systems. If changes in technology cause the Group's information systems to become obsolete, or if its information systems are inadequate to handle the Group's growth, the Group could lose customers. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with the maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of the Group's operations. Moreover, the Group relies on its IT personnel who are knowledgeable about the Group's systems; if the Group cannot adequately meet its staffing needs in this area, it may not be able to maintain continuous IT coverage. Any material interruptions or failures in the Group's systems may have a material adverse effect on its business, financial condition and results of operations. See also the "Information Technology" section of this Registration Document.

The Group relies on software and information systems licensed from third-parties and any failure or interruption in products or services provided by these third parties could harm the Group's ability to operate its business.

The Group's information technology systems, including key business automation systems and applications used in *reporting* and analysis for business planning have been licensed from third-parties. The Group relies on the applicable licensor to provide maintenance, technical support and periodic upgrades so that the relevant system or application can continue to support the Group's business. The inability of these developers or the Group to continue to maintain and upgrade these information systems and software programmes would disrupt or reduce the efficiency of the Group's operations if the Group was unable to convert to alternate systems in an efficient and timely manner.

Noncompliance with privacy and information laws and requirements could be costly and the misappropriation of customer information collected by the Group poses reputational, business and legal risks.

A significant number of customer purchases from the Group across all of its channels are made using credit cards and a significant number of the Group's customer orders are placed through its websites. Additionally, the Group collects, processes and retains customer data, which is principally derived from online sales, loyalty schemes and consumer engagement campaigns, such as email and other mailing lists. In 2013, the Group launched its CRM system to track and store certain customer data, including purchasing information, demographic data, geographic locations and postal and email addresses. In order for the Group's business to function successfully, the Group and other market participants must be able to handle and transmit confidential information, including credit card information, securely and must comply with applicable data protection laws.

The regulatory environment governing the Group's use of individually identifiable data of customers, employees and others is complex and changes frequently, and compliance with laws and regulations may require the Group to incur costs to make necessary systems changes and implement new administrative processes. The collection, use, and protection of individually identifiable data by its business and its partners are regulated at the local, national and international levels. In France, the Group is presently subject to the law on information technology, data files and civil liberties dated 6 January 1978 (as modified by a law dated 6 August 2004) for the collection of personal data of its customers. The EU's General Data Protection Regulation ("GDPR") applicable from 25 May 2018 provides for significant penalties and controls may be carried out in each country by the national authorities. Although the Group strives to comply with all applicable laws, regulations and other legal obligations relating to privacy and data protection, the Group cannot exclude the risk of being subject to fines or any other consequences of noncompliance with such laws, or relating to any inadvertent or unauthorised use or disclosure of data that the Group stores or handles as part of operating its business. Increasing costs associated with information security, such as increased investment in technology, the costs of compliance with changing consumer protection laws and costs resulting from consumer fraud, could cause the Group's business and results of operations to be impacted.

Additionally, the success of the Group's online operations depends upon the secure transmission of confidential information over public networks, including the use of cashless payments. Despite controls to ensure the confidentiality, availability and integrity of customer data, the Group may breach restrictions or may be subject to an attack from computer programmes that attempt to penetrate network security and misappropriate customer information. There is no guarantee that the Group's security measures are sufficient to prevent breaches. Any such breach or compromise of security could adversely impact the Group's reputation with current and potential customers, lead to a loss of stakeholder trust and confidence and to litigation or fines and require the Group to divert financial and management resources from more beneficial uses. If any such compromise of the Group's security were to occur, it could have a material adverse effect on its reputation, results of operations or financial condition and may materially increase the costs the Group incurs to protect against such information security breaches.

Risks related to Management, employees and labour relations

The Group relies on key people in management and the rest of the workforce. For that reason, any departure by said members of management or said personnel could cause harm to the Group's activities.

The Group is currently managed by certain key Senior Management personnel, particularly Julie Walbaum, the Group's Chief Executive Officer, and Arnaud Louet, the Group's Chief Financial Officer. Certain executive managers and other members of Management have played a decisive role in the Group's development and/or possess considerable experience in the retail industry and decoration and furniture sector in particular. While many key managers are also shareholders of the Group, and the Group has entered into non-competition agreements with several of its key personnel, none of these factors and arrangements can fully ensure the continued availability of their services to the Group.

The Group's business also requires that it hire and retain skilled employees, particularly product designers and purchasers, and the Group's success depends in part on its ability to continue to attract, motivate and retain highly qualified employees. Such employees have extensive experience in and knowledge of the Group's industry, as well as of other companies in the Group's industry. Because the Group's collections are often based on a style or theme or on shared motifs, designers are particularly important to defining the brand's image, maintaining the brand's positioning and executing the Group's strategy of Meeting and adapting to changing consumer preferences. The Group can provide no assurance that such key employees will remain with the Group.

The Group also faces the challenge of attracting, developing and retaining qualified staff for the Group's stores, manufacturing plants, distribution centres and aftermarket services teams while controlling its labour costs. The Group's ability to support its strategy may be limited by its ability to employ, train, motivate and retain sufficient skilled personnel such as manufacturing staff, store managers, aftermarket service providers and product designers. There can be no assurance that any of these key personnel will continue to be employed by the Group or that the Group will be able to attract and retain qualified personnel in the future.

Increased labour costs could adversely affect the Group's business.

The Group's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including competition for and availability of qualified personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs, union membership levels and activity among its employees and changes in employment and labour laws or other workplace regulation. The supply of such employees is limited and competition to hire and retain them results in higher labour costs, which could adversely affect the Group's business, financial condition and results of operations. In recent years, the Group has benefited from government programmes in certain European countries designed to favour employment, including with respect to recent labour reforms that effectively reduce the costs associated with hiring new employees. There can be no assurance that such programmes will continue and that labour costs will not increase. A rise in labour costs could adversely affect the Group's business, financial condition and results of operations.

A deterioration in the relationships with the Group's employees or trade unions or a failure to extend, renew or renegotiate the Group's collective bargaining agreements on favourable terms could have an adverse impact on the Group's business.

The Group's business is labour intensive and, as a result, maintaining good relationships with its employees, unions and other employee representatives is crucial to the Group's operations. Any deterioration of the relationships with the Group's employees, unions and other employee representatives could have an adverse effect on its business, results of operations and financial condition.

The Group's 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 the Group's 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 the Group's ability to restructure its operations and facilities or terminate employees. The Group 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 favourable and timely manner or without work stoppages, strikes or similar industrial actions. The Group may also become subject to additional company-specific agreements or amendments to its existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase the Group's operating costs and have an adverse effect on its business, results of operations and financial condition.

While the Group suffered from general strikes of third-party employees in the port of Marseille-Fos in 2010, through which the Group imports the vast majority of its products, in the last five years the Group has not experienced any material disruption to its business as a result of strikes, work stoppages or other labour disputes which were specific to the Group. The occurrence of such events could disrupt its operations, result in a loss of reputation, increased wages and benefits, or otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

Changes in labour and employment laws or regulations and related enforcement activities may adversely affect the Group's business.

The Group's operations are subject to a variety of labour and employment laws and regulations. For further information, see the Section heading "Regulations" of this Registration Document. In particular, because of its workforce of 6,752 employees as of 31 December 2018 (excluding Mekong Furniture and Chin Chin), and its significant Group-wide personnel expenses and social security contributions, which represented 19.2% of the Group's sales in the year ended 31 December 2018, laws and regulations relating to labour and employment, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, may constrain the Group's ability to provide services to customers or may increase its operating costs and could have a material adverse effect on its business, financial condition and results of operations. In addition, any failure to comply with applicable regulations of the countries in which the Group operates, including, but not limited to, laws or regulations relating to labour and employment, could result in substantial fines, penalties or claims. The modification, suspension, repeal or expiration of favourable provisions in labour and employment laws and regulations or, conversely, any increases of mandatory minimum wages pursuant to laws, regulations or collective bargaining agreements, or of social security contributions, may negatively impact the Group's business and profitability.

Labour market reform in general continues to be a key policy measure on the French government's political agenda, and changes in any of the above-mentioned laws or regulations or the coming into force of any new laws or regulations could substantially increase the Group's operating costs or restrict its operational flexibility and therefore have a material adverse effect on the Group's business, financial condition and results of operations.

Other risks

Product returns in excess of historical levels could harm the Group's results of operations.

The Group has historically experienced relatively few product returns. Furthermore, the introduction of new products, changes in suppliers or product mix, changes in consumer confidence or other competitive factors and general economic conditions may cause actual returns to exceed the Group's expectations. Adverse economic conditions in the past have resulted in an increase in the Group's product returns. In addition, to the extent that returned products are damaged, the Group often does not receive full retail value from the resale or liquidation of the products. Any significant increase in product returns could harm the Group's business, financial condition and results of operations.

Changes in credit and debit card provider requirements or applicable regulations could adversely affect the Group's business.

Since a substantial portion of the Group's sales is derived from customers who pay for their purchases with credit or debit cards rather than cash, the Group is exposed to a variety of risks associated with credit and debit cards. For credit and debit card payments, the Group pays interchange and other fees. These fees may increase over time and therefore increase the Group's operating expenses and adversely affect its results of operations. The Group is also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for the Group to comply.

Any failure to comply with applicable requirements or regulations may subject the Group to fines and higher transaction fees, the loss of the Group's ability to accept credit and debit card payments from its customers or the frozen payments from credit and debit card providers to the Group for purchases already made. Any of these scenarios could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's marketing and communications strategy may prove ineffective.

Historically, the Group has made limited investments in marketing. The Group's advertising and marketing expenditures for the years ended 31 December 2017 and 2018 were €36.6 million and €41.8 million, respectively, and consist primarily of online marketing and catalogue costs. The Group will continue to invest in its catalogue and online marketing initiatives. The results of these investments may be unsuccessful on a return on investment basis. The Group's failure to implement its marketing initiatives, or their failure to result in improved profitability, could have an adverse effect on the Group's liquidity, financial position and results of operations and on the implementation of the Group's growth strategy.

The Group may incur liabilities that are not covered by insurance and its insurance premiums may increase substantially.

The Group carries various types of insurance, including general liability, property coverage, product liability, product transportation, terrorism and workers' compensation insurance. Given the diversity of locations and settings in which the Group's employees provide services and the range of activities the Group's employees engage in, the Group may not always be able to accurately foresee all activities and situations in order to ensure that they are fully covered by the terms of its insurance policies and as a result, the Group may not be covered by insurance in specific instances. While the Group seeks to maintain appropriate levels of insurance, not all claims are insurable and the Group may experience major incidents of a nature not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages in a calendar year may have a material adverse effect on the Group's insurance premiums. Finally, the Group's insurance costs may increase over time in response to any negative development in its claims history or due to material price increases in the insurance market in general. The Group may not be able to maintain its current insurance coverage or do so at a reasonable cost, which could have an adverse effect on its business, results of operations and financial condition.

The Group's franchise operations present a number of risks.

The Group is exploring franchise opportunities for third-party stores bearing the "Maisons du Monde" brand in select markets. The effect of franchise arrangements on the Group's business and results of operations is uncertain and will depend upon certain factors, including the demand for the Group's products in new markets internationally and the Group's ability to successfully position its brand name in new territories. Factors that may impair the Group's ability to conclude agreements with prospective franchisees and/or impair the success of franchisees potentially include, among others, the Group's unfamiliarity with local business environments, inadequate due diligence procedures, the lack of name recognition of the "Maisons du Monde" brand in markets outside of Western Europe and competition with other homeware retailers that are seeking to establish franchises in the same target markets as the Group. The Group may not be able to form relationships with additional franchisees in other regions on acceptable commercial terms, or at all, and/or the franchisees that the Group contracts with may not have the know-how or resources to deliver on their commitments. The Group would have limited control over franchise operations and franchisees may not successfully operate such locations in a manner consistent with the Group's standards and requirements, or may not hire and train qualified managers and other store personnel. The occurrence of any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

1.8.2 LEGAL, REGULATORY AND TAX RISKS

With the exception of the items mentioned in note 30 of section 5.1.6 “Notes to the consolidated financial statements” of this Registration Document, the Company is not aware of any governmental, judicial or arbitration proceedings that may have significant effects on its financial condition or profitability.

Risks related to legal proceedings and changes in law

There are claims made against the Group and/or its Management from time to time that can result in litigation, tax proceedings or regulatory proceedings which could result in significant liability.

From time to time the Group and/or its Management are involved in litigation, tax audits, claims and other proceedings relating to the conduct of the Group’s business including, but not limited to, claims from its employees, claims of intellectual property infringement (including with respect to trademarks), and claims asserting unfair competition and unfair business practices by third parties. In addition, from time to time, the Group is subject to product liability and personal injury claims for the products the Group sells and the stores the Group operates. In particular, French law provides for specific protection for consumers in the area of liability for defective products. For further information, see the Section heading “Regulations” of this Registration Document. Subject to certain exceptions, the Group’s purchase orders generally require the supplier to indemnify the Group against any product liability claims; however, if the supplier does not have insurance or becomes insolvent, the Group may not be indemnified. Moreover, the Group is from time to time subject to tax audits. In addition, the Group could face a wide variety of employee claims against it, including general discrimination, privacy, labour and employment and disability claims. Any claims could result in litigation against the Group and could also result in regulatory proceedings being brought against the Group by various governmental agencies. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time and legal expenses. Litigation and other claims and regulatory proceedings against the Group or the Group’s Management could result in unexpected expenses and liability and could also materially and adversely affect the Group’s business, financial condition, results of operations and reputation.

The Group is exposed to liability and reputational harm from injury at its stores.

Part of the Group’s strategy is to create retail spaces that encourage customers to spend time in its stores and get to know its products. The Group is therefore exposed to the risk of liability from lawsuits or reputational harm if its customers are injured at the Group’s premises, either through no fault of the Group or due to unsafe conditions caused by, among other factors, crowded conditions or the Group’s failure to use adequate care in stocking the shelves or installing instore displays. While such occurrences are rare, any liability resulting from such injuries, including reputational damage, could adversely affect the Group’s business.

Intellectual property claims by third parties or the Group’s failure or inability to protect its intellectual property rights could diminish the value of the Group’s brand and weaken its competitive position.

The Group is not aware of any material violations or infringements of its intellectual property rights as of the date of this Registration Document. However, there is no assurance that third parties will not infringe its intellectual property rights in ways that will have negative repercussions on its reputation, business and results of operations or that measures taken by the Group will be effective in protecting its intellectual property rights. In the event that third parties unlawfully infringe on the Group’s intellectual property rights, the Group may face considerable difficulties and costly litigation in order to fully protect its intellectual property rights which may in turn adversely affect its business, reputation, results of operations and prospects.

Third parties have in the past and may in the future assert intellectual property claims against the Group, particularly as the Group expands its business to include new products and product categories and move into other geographic markets. The Group’s defence of any claim, regardless of its merit, could be expensive and time consuming, and could divert management resources. Successful infringement claims against the Group could result in significant monetary liability and prevent the Group from selling some of its products. In addition, the resolution of claims may require the Group to abandon or redesign its products, acquire license rights from third parties or cease using those rights altogether, which could have a material adverse impact on the Group’s business, financial condition or results of operations.

The Group currently relies on a combination of copyright, trademark and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect its intellectual property rights. The Group believes that its trademarks, domain names and other proprietary rights have significant value and are important to identifying and differentiating its brand and certain of its products from those of its competitors and creating and sustaining demand for certain of its products. The Group cannot assure investors that the steps taken by the Group to protect its intellectual property rights will be adequate to prevent infringement of such rights by others, including the imitation of its products and the misappropriation of its brand, trademarks and domain names. If the Group is unable to protect and maintain its intellectual property rights, the value of its brand could be diminished and its competitive position could suffer.

Changes in laws, regulations and related enforcement activities may adversely affect the Group's business.

The Group is subject to numerous national, EU and international laws and regulations, including customs, truth-in-advertising, consumer protection, privacy, safety, environmental, health and safety, occupancy and other laws, including consumer protection regulations that regulate retailers generally or govern its business. For further information, see the Section heading "Regulations" of this Registration Document. If these regulations were to change or be violated by the Group or its suppliers, the cost of certain goods could increase, or the Group could experience delays in shipments of its goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for its products, and harm its business and results of operations. Based on currently available information, the Group believes it is in material compliance with current environmental, health and safety regulations.

Risks related to compliance and internal controls

The requirements of being a company listed on a regulated market may strain the Group's resources and its management's attention.

The Group previously operated as a private company; since the admission of its shares to trading, it has been required to comply with the reporting requirements of French securities law and the listing rules of Euronext Paris. As a listed company, the Group may incur significant legal, accounting, and other expenditures that it did not incur as a private company. French securities laws and other applicable securities rules and regulations impose various requirements on listed companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. The Group's management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase the Group's legal and financial compliance costs and will make some activities more time consuming and costly. The Group's business could be adversely affected if it is unable to fulfil its listed company obligations.

Risks related to tax laws or tax issues

Changes in tax laws or challenges to the Group's tax position could adversely affect the Group's results of operations and financial condition.

The Group is subject to complex tax laws in the different countries in which it operates. Changes in tax laws could adversely affect the Group's tax position, including its effective tax rate or tax payments. The Group often relies on generally available interpretations of applicable tax laws and regulations. The Group cannot be certain that the relevant tax authorities will be in agreement with its interpretation of these laws, including with respect to transfer pricing regulations. If the Group's tax positions are challenged by relevant tax authorities, the Group could be required to pay additional taxes that it currently does not collect or pay and increase the cost of tracking and collecting such taxes, which could increase its costs of operations or its effective tax rate and have a negative effect on its business, financial condition and results of operations.

The Group's business may be adversely affected by VAT rate increases in the countries where it operates.

As of 31 December 2018, the Group's products were subject to VAT in each of the countries where the Group operates with different applicable rates set by each such country. For example, VAT on homeware was 20% in France, 21% in Belgium, 19% in Germany, 22% in Italy and 21% in Spain. From 2010 to 2012, European governments increased VAT rates in order to bolster public finances, and there can be no assurance that VAT rates will not be further increased in the future. The Group's published retail prices are inclusive of VAT.

If VAT rates were to increase in the future, the Group's profitability margins will be negatively impacted if the Group does not increase the prices of its products to match the increase in VAT. However, if the Group passes the increase in VAT on to its customers by raising the prices of its products, the demand for its products may decline, which could have a material adverse effect on its business, financial condition and results of operations. Furthermore, the Group faces VAT risks arising out of its operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganisations.

The Group qualifies for a French employment incentive tax credit. However, the extent to which it benefits may be materially adversely affected by changes in the law or in the application of related accounting rules.

In December 2012, the French government enacted a competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* or "CICE"), as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Eligible salaries are calculated on the basis of regular working hours plus overtime hours (but without taking into account the overtime rate). This tax credit has been equal to 6% since 1 January 2014 and increased to 7% as of 1 January 2017. Its rate has been 6% since 1 January 2018. The CICE will then be abolished in 2019 and replaced by a 6% reduction in employer contributions (Article 9 of the Social Security Financing Law for 2018).

In accordance with the IFRS accounting rules applicable as of the date of this Registration Document, the Group is able to record the CICE credit for which it is eligible as a deduction from personnel costs. Consequently, the CICE credit had a positive impact of €4.7 million on its EBIT and EBITDA for the year ended 31 December 2018, as shown in its consolidated financial statements. Additionally, in France the Group benefits from reductions in employer social security contributions on certain wages pursuant to the Fillon law (law 2008-1258 of 3 December 2008).

The CICE credit for any particular financial year may be used to reduce its corporate income tax payable for the three years following the year in which the CICE credit is recognised. Any excess credits not used to offset corporate income tax become fully refundable in cash by the French tax authorities at the end of that period.

There can be no assurance that the Group will continue to benefit from the CICE or similar incentives. Any changes to the CICE, including changes in the conditions or requirements companies must satisfy in order to claim the CICE or the accounting treatment thereof, may result in the decrease or elimination of the positive impact of the CICE on the Group's results of operations. Finally, certain commercial partners of the Group, such as customers, suppliers and concession grantors, may increase price pressure on the Group in order to share the benefit of the CICE, which could have an impact on its revenue and margins and as such decrease or eliminate the positive impact of the CICE.

The Group's future results, French and foreign tax regulations and tax audits or disputes could limit the Group's ability to use its tax loss carry-forwards and, as a result, have an impact on the Group's financial condition.

The Group has tax loss carry-forwards (€0.7 million as of 31 December 2018), which have given rise to deferred tax assets on its balance sheet. The ability of the Group to make use of tax loss carry-forwards depends on a number of factors, including: (i) the ability to generate taxable profits and the adequacy of such profits and tax losses; (ii) the overall limit applicable to tax loss carry-forwards in France, pursuant to which the percentage of tax loss carry-forwards that may be used to offset the share of taxable profits exceeding €1 million is capped at 50% for the years ended 31 December 2012 or later, as well as the specific restrictions related to the use of certain categories of tax loss carry-forwards; (iii) restrictions on the use of tax loss carry-forwards that may be taxed under foreign laws and regulations (for example, in the event of a change of control); (iv) the result of tax audits and the settlement of current and future disputes; and (v) any changes in applicable laws and regulations.

French tax law may limit the Group's capacity to deduct interest for tax purposes, which could lead to a reduction in the Group's net cash flows.

Articles 212 *bis* and 223 B *bis* of the French Tax Code limit the fraction of net financial expenses that is deductible for corporate tax purposes, subject to certain conditions and, with certain exceptions, to 75% for financial years beginning on or after 1 January 2014.

Whilst the Group was not impacted in 2018, this limitation deprived it of the ability to deduct approximately €1.6 million in 2017.

The impact of such rules on the Group's ability to effectively deduct, for tax purposes, interest paid on loans could increase its tax burden.

1.8.3 MARKET RISKS

Currency fluctuations and hedging risks could adversely affect the Group's earnings and cash flow.

The Group's business is subject to risks due to fluctuations in currency exchange rates as a majority of the Group's purchases from suppliers and marine freight costs are denominated in US dollars. Substantially all of the Group's revenue is denominated in euros. Changes in the value of the euro or the US dollar relative to foreign currencies may increase the Group's suppliers' cost of business and ultimately the Group's cost of goods sold and its selling, general and administrative costs. The exchange rate between the US dollar and the euro has fluctuated significantly in recent years and may continue to fluctuate significantly in the future. Although the Group engages in foreign exchange rate hedging transactions, the Group's hedging strategies may not adequately protect its earnings from the effects of exchange rate and interest rate fluctuations or may limit any benefit that the Group might otherwise receive from favourable movements in such rates. For further information, see the section "Exchange Rate Risk" of this Registration Document.

The Group's results may be adversely affected by fluctuations in raw materials and energy costs.

The raw materials used to manufacture the Group's products (mainly lumber and cotton) are subject to availability constraints and price volatility. These prices may fluctuate based on a number of factors beyond the Group's control, including: commodity prices such as the prices of oil, lumber and cotton, changes in supply and demand, general economic conditions, regional conflict or unrest, labour costs, competition, import duties, tariffs, anti-dumping duties, currency exchange rates and government regulations. Although the Group does not directly purchase the majority of the raw materials and components used in its products, their cost is reflected in the manufacturing prices the Group pays to its suppliers. In addition, energy costs have fluctuated dramatically in the past. These fluctuations may result in an increase in the Group's transportation costs for freight and distribution, utility costs for its stores and overall costs to purchase products from its suppliers.

If the Group is unable to pass such cost increases on to its customers or the higher cost of products results in decreased demand for its products, then this could reduce the Group's earnings to the extent it is unable to adjust the prices of its products and therefore adversely affect its business, financial condition and results of operations.

Exchange Rate Risk

Foreign exchange rate risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency, which is the euro for most of entities. The Group adopts a centralized approach to foreign exchange risk management. Permission of the Group Chief Financial Officer is required before a foreign exchange transaction may be undertaken, under policies approved by the Board of Directors.

A majority of the Group's purchases from suppliers and marine freight costs are denominated in US dollars, and are therefore exposed to fluctuations in the translation into euros of its foreign currency liabilities. The Group hedges all of its US dollar transactions using forward contracts and accumulated boost forward contracts negotiated with leading banks. In this case, the Group only enters into derivative transactions related to operating and/or financial assets and liabilities or forecast future transactions. The Group does not enter into any trading derivative transactions without underlying assets, liabilities or future cash flows. Hedging is part of the forecast/budget process.

The fair value of foreign currency financial instruments was €2.3 million as of 31 December 2018, compared with €(38.0) million as of 31 December 2017. In the years ended 31 December 2015, 2014 and 2013, the Group did not apply hedge accounting according under IFRS. As a consequence, changes in fair value are directly recognised in profit or loss within "Change in fair value – derivative financial instruments" included in the recurring operating profit before other operating income and expense, as they relate to hedges of regular business transactions.

Since 1 January 2016, the Group has applied hedge accounting, which reduces the charges in the consolidated income statement, as only the ineffective portion of the change in the fair value of the hedge is recognised. The difference between the two accounting options consists of having an equity impact (new accounting option) instead of an income statement impact (previous accounting option) for the recognition of the change in fair value of the hedging contracts. The impact on the income statement of the change in fair value of the Group's derivative financial instruments for 2017 stems mainly from the use of the derivative financial instruments held at the end of December 2015. At 31 December 2017, all derivatives existing at 31 December 2015 prior to the establishment hedge accounting were consumed.

Interest Rate Risk

The Group is exposed to interest rate fluctuations as certain of its indebtedness bears interest rates at floating rates that could rise, increasing its debt service obligations. In connection with the refinancing of its borrowings using the proceeds from the IPO, the Group has set up a syndicated €250.0 million term loan and €75.0 million revolving credit facility (the "New Senior Credit Facilities"), pursuant to a senior credit facilities agreement (the "Senior Credit Facilities Agreement") with a pool of banks. During the 2017 financial year, the Group made an early repayment of €200.0 million of the term loan and subscribed an additional revolving credit facility of €75.0 million on terms identical to those of the Senior Credit Facility. Borrowings under the Group's New Senior Credit Facilities will bear interest indexed to the Euro Interbank Offered Rate ("EURIBOR"), adjusted periodically, plus a margin for drawings in euro and at the London Interbank Offered Rate ("LIBOR"), adjusted periodically, plus a margin for borrowings in other currencies. EURIBOR and/or LIBOR may increase significantly in the future, resulting in additional interest expense for the Group, reducing the available cash flow for investments and limiting its ability to service its indebtedness.

Liquidity Risk

The Group's financial liabilities mainly include borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity. To manage its liquidity risk, the Group draws on the funds it has available and also establishes revolving lines of credit or bank facilities based on a suitable amount and length of time to ensure that it has the necessary funds to meet its commitments in respect of a large pool of banks. The Group had cash and cash equivalents of €57.2 million as of 31 December 2018. The total amount of unused credit facilities as of 31 December 2018 was €140.0 million, compared with €150.0 million as of 31 December 2017. In connection with the IPO, the Group entered into the Senior Credit Facilities Agreement with a pool of banks in respect of the Senior Credit Facilities comprising a €250.0 million term loan and a €75.0 million revolving credit facility. During 2017, the Group issued a €200.0 million convertible bond that enabled it to extend the maturity of part of its financial debt and reduce the interest paid by partially repaying the long-term €200.0 million loan. In addition, the Group took out an additional revolving credit facility of €75.0 million on terms identical to those for the Senior Credit Facility. The ability of the Group to draw revolving credit under such facilities is subject to compliance with certain covenants and conditions precedent.

1.8.4 FINANCIAL RISKS

The Group relies on documentary letters of credit to support its purchases in Asia, and any difficulty in obtaining such letters of credit may negatively affect its working capital.

The Group purchases a majority of its products from third-party suppliers in Asia, particularly China. Market practice for export-oriented firms in China is to receive payment through a documentary letter of credit (*crédit documentaire*). Pursuant to this arrangement, the Group, as purchaser, obtains a letter of credit from a financial institution (the "issuing bank") upon dispatch of the merchandise. The issuing bank releases payment upon receipt of certain documentation indicating that the merchandise has been shipped according to the terms and conditions of the purchase order. The issuing bank charges the purchaser a certain percentage of the value of the merchandise, and once the documents have been received and the supplier has been paid, seeks payment from the purchaser in order to release the title of the goods to the latter. The Group relies on a number of issuing banks, including Banque Tarneaud, Banque Populaire, CIC Ouest, Crédit Agricole Corporate and Investment Bank, and Crédit Lyonnais, in order to support its purchases in Asia. If for any reason, whether due to the Group's financial condition, general conditions in the documentary letters of credit market, or changes in applicable law, the Group is unable to obtain sufficient documentary letters of credit to satisfy its future purchasing requirements, it may be required to make advance cash payments or seek other forms of remitting payment to suppliers in Asia which could materially and adversely affect its working capital, business, financial condition and results of operations.

The Group's total assets include intangible assets with an indefinite life, *such as* goodwill and trademarks, and long-lived assets, principally property and equipment.

Changes to estimates or projections used to assess the fair value of these assets, or results of operations that are lower than the Group's current estimates at certain store locations, may cause the Group to incur impairment charges that could adversely affect its results of operations.

The Group's total assets as of 31 December 2018 include intangible assets with an indefinite life, such as goodwill and trademarks, and long-lived assets, such as property and equipment, which accounted for 65.6% of the Group's total assets. The Group makes certain estimates and projections in connection with impairment analyses for these intangible and long-lived assets. The Group also reviews the carrying value of these assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group will record an impairment loss when the carrying value of the underlying asset, asset Group or reporting unit exceeds its fair value. For further information, see the notes "Intangible assets", and "Impairment of non-financial assets" to the consolidated financial statements of Maisons du Monde S.A. for the years ended on 31 December 2018 and 2017 presented under the heading "Group Consolidated Annual Financial Statements" of this Registration Document.

The Group's financing arrangements following the IPO impose restrictive covenants that will limit its operating, strategic and financial flexibility.

The Group's financing agreements following the IPO contain covenants that impose significant restrictions on the way the Group can operate. The financing related to these restrictions includes the long-term loan and the revolving credit facilities (see note 28 of Section 5.1 "Consolidated financial statements" of this Registration Document). In particular, subject to certain exceptions, the Group's financing arrangements following the IPO include restrictions, among others, on its ability to:

- create or permit to subsist certain security interests in its assets;
- sell, transfer or otherwise dispose of assets;
- make certain acquisitions;
- enter into certain mergers or corporate reorganisations;
- and change the general nature of the business of the Group.

Moreover, as a result of the Group's financing agreements, it may be required to comply with certain affirmative covenants and avoid exceeding specified financial ratios (see note 28.1 of Section 5.1 "Consolidated financial statements" of this Registration Document). These covenants could affect the Group's ability to operate its business and may limit its ability to react to market conditions or take advantage of potential business opportunities as they arise. If the Group breaches any of these covenants or restrictions, it could be in default under the related financing agreements.

If there were an event of default under any of the Group's debt instruments that was not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to become due and payable immediately, which in turn could result in cross defaults or cross acceleration under the Group's other debt instruments. In these circumstances, the assets and cash flow might not be sufficient to repay in full that debt and the Group's other debt if some or all of these instruments were accelerated, which could force the Group into bankruptcy or liquidation.

The Company is a holding company that has no revenue generating operations of its own and depends on its operating subsidiaries for cash flows.

The Company is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. For further information, see the section 1.3 "Simplified Group organisational chart" of this Registration Document. The ability of the Company to generate cash flows to meet its obligations or distribute dividends depends on the ability of its operating subsidiaries to generate profits and make funds available to the Company.

The Company's cash flows are primarily derived from payments of dividends, interest on and principal of intragroup loans from its subsidiaries. The ability of the Company's operating subsidiaries to make such payments depends on economic, commercial, contractual, legal and regulatory considerations. Any decrease in such subsidiaries' profitability or any other factor leading to their inability to make such payments could have a material adverse effect on the ability of such subsidiaries to repay their respective debts or meet their other obligations. Any of these challenges could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's ability to raise capital depends in part on access to financing sources.

In the future, the Group may seek to raise additional capital through public or private financing or other arrangements in order to finance its expansion strategy, refinance its debt or for other reasons. Such financing may not be available on acceptable terms, or at all. Factors that could increase the difficulty of obtaining financing include, but are not necessarily limited to: a deterioration in economic conditions globally, in Europe generally, or in the specific markets in which the Group operates at the date of such financing; fluctuations in interest rates; and a deterioration in the Group's financial condition or results of operations. Should the Group be unable to raise capital in the future to meet its financing needs, the Group's business, financial condition and results of operations could be adversely affected.

1.8.5 FINANCIAL RISKS RELATED TO CLIMATE CHANGE

The fight against climate change is a key issue for the Group, whose commitment concerns not only the impacts on its direct activities but also of the entire value chain.

In order to identify and control the risks related to climate change, the Group has formalised a mapping of these risks, initiated an assessment of greenhouse gas ("GHG") emissions on scopes 1, 2 and 3 (*direct and indirect emissions*) and defined targets for reducing the carbon intensity of its activities.

The following risks were identified:

- impact of an extreme climate event on the infrastructure of the Group or one of its partners;
- scarcity of raw materials as a result of climate change;
- rises in energy prices; and
- strengthening of regulatory requirements: energy performance, emission reduction, carbon tax, environmental labelling;
- changes in customer demand towards low-carbon products.

In order to control these risks, an emission measurement and reduction programme was defined with an initial deadline of 2020: - 30% carbon intensity of activities in kgCO2eq/m². In 2018, this programme will be enriched and supplemented to enable the Group to undertake a low-carbon strategy compatible with the objectives of the Paris Agreement defined at COP21: energy consumption reduction targets, development of renewable electricity supplies, development of eco-designed products, engagement with carriers, etc.

For more information on the group's commitment to reducing greenhouse gas emissions, see chapter 2 of this Registration Document, in the section "greenhouse gas emissions".

1.8.6 INSURANCE AND RISK MANAGEMENT

The Group maintains insurance to cover risks associated with the ordinary operation of its business, including property and casualty insurance policies that are typical for the industry in which the Group operates, at levels that the Group believes are appropriate when taking into account its size and the risks incurred.

The Group's global insurance programmes are negotiated and coordinated by the general counsel, which is responsible for identifying the Group's insurable risks, quantifying their potential consequences for the Group, and designing or structuring adequate insurance programmes with the support of leading insurance brokers with international networks. The Group aims to ensure the maintenance of adequate coverage for all of its activities and sites worldwide. It has established internal claims procedures for each of its insurance policies in the event of loss suffered by the Group. It also periodically reviews its insurance coverage in light of innovative and new risk transfer solutions offered by the insurance markets in order to ensure that the terms and conditions of its coverage are adequate, to verify that its deductibles and premiums are at reasonable levels and to reflect changes in its risk profile that arise as a result of events such as mergers and acquisitions, new fields of activity and the development of new technologies.

The Group's comprehensive insurance programmes generally take the form of master contracts applicable to its operations worldwide. The Group enters into local insurance policies generated from these master programmes to comply with local insurance-related regulatory obligations, as applicable in certain countries. The Group does not operate, rent or own any captive insurance vehicles.

The Group's main insurance policies, entered into with reputable insurance companies, cover lines of exposures including the following:

- commercial general liability insurance, which covers general corporate liability as well as product liability exposures;
- property damage and business interruption insurance;
- director and officer liability insurance;
- comprehensive crime insurance; and
- transport and marine cargo insurance.

The Group's insurance policies contain exclusions, caps and deductibles that could expose it to unfavourable consequences in the event of a significant event or legal action against it. Moreover, the Group may be required to indemnify third parties for certain damages that are not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies.

Corporate responsibility

2

2.1 Committed together! Our CSR approach, integrated into our corporate strategy

When manufacturing and distributing such great products, it is only right to take responsibility for their impacts throughout their life cycle. This responsibility is at the heart of the Maisons du Monde Group's CSR commitment. Aware of its role as creator and distributor, the Group has structured its sustainable development policy to reconcile its business vision with the convictions of its teams. The "Committed together!" strategy is part of Maisons du Monde Group's value creation strategy and is transforming the business lines to incorporate all the social, environmental and societal issues that relate to its activities, stakeholders' expectations and the risks and opportunities identified by Maisons du Monde.

The Maisons du Monde value creation model, described on pages 10 to 11 of this Registration Document, is based on mobilising a certain number of resources, (human, financial, natural, etc.) as well as on an ecosystem of partners and suppliers who contribute to the Group's development. All activities are monitored in terms of results and impacts, both positive or negative, for the main stakeholders (employees, customers, suppliers, investors, non-profits, communities, etc.).

The aim of the Group's CSR commitment, which is key to this model, is to save resources, develop the partner ecosystem and optimise the impacts of Maisons du Monde's activities, creating sustainable, shared value for our customers, financial partners, teams and, more broadly, for society as a whole.

2.1.1 A CLEAR PICTURE OF THE KEY ISSUES AND ASSOCIATED RISKS

CSR materiality analysis

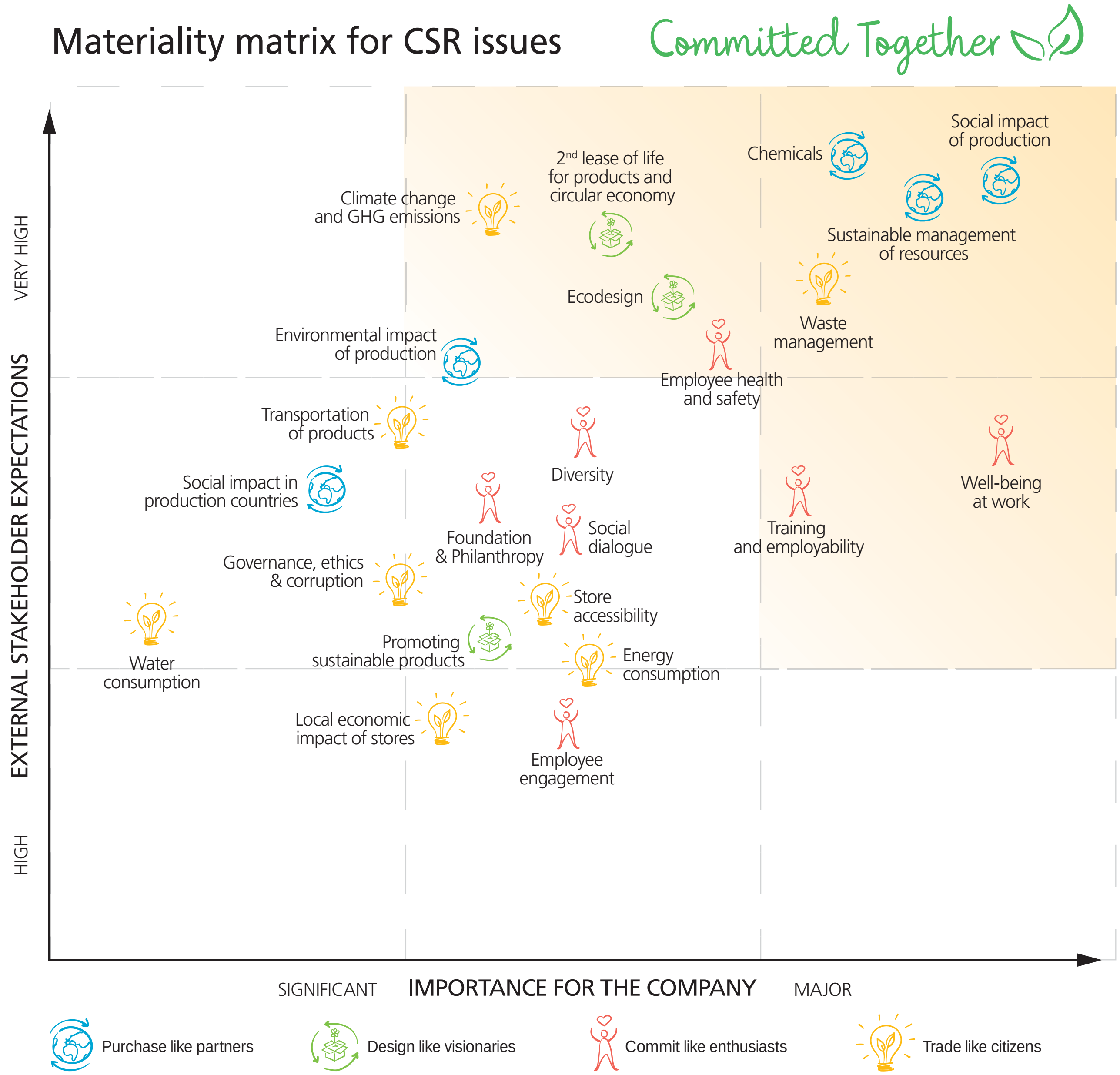
To ensure that the Group's CSR ambitions are in line with the main impacts of its activity, in 2018, Maisons du Monde strengthened its internal and external stakeholder listening and consultation process by updating the materiality analysis. This maps the main CSR issues identified by the Group with regard to its model of creating value in line with expectations.

Based on a list of responsibility topics of relevance to Maisons du Monde, a series of interviews was conducted to identify the key issues for the brand and its different activities. Internally, interviews were conducted with members of the Executive Committee, Network Managers responsible for oversight of the Group's store activities as well as with a staff representative. These interviews were then supplemented by an employee questionnaire, completed by over 300 people. Some fifteen interviews were conducted with external stakeholders such as suppliers, service providers, investors, and regulators, representatives from social and environmental non-profits and even from other retailers. These interviews were also supplemented by research on the brand's customers. Two qualitative workshops were held in July 2018 and a questionnaire was sent out to over 1,300 customers in the four main countries where the Group operates.

The essence of the "Committed together!" programme includes consultation with all stakeholders to create the right conditions for business line transformation. This consultation is crucial in terms of defining and developing our responsibility strategy.

2

Materiality matrix for CSR issues



The map points to an overall alignment between internal and external stakeholder expectations and confirms high expectations on a number of issues, particularly relating to the Maisons du Monde supply chain.

To cover all the key issues and risks identified in a proportionate way, the Group has structured its approach around four pillars:

- **Purchase like** partners: sustainable management of resources, social and environmental impacts of the supply chain, health and safety of customers;
- **Design like visionaries:** ecodesign, 2nd lease of life for products, promotion of a responsible offering;
- **Trade like citizens:** climate change, waste management and energy consumption policies, environmental impact of transport, governance and ethical practices;
- **Commit like enthusiasts:** HR commitment to employee well-being, safety, training and employability, commitments to Maisons du Monde Foundation philanthropic initiatives and activities.

Non-financial risk review

In parallel, and in addition to said materiality analysis, the Group updates its non-financial risk assessment on an annual basis. A list of 28 CSR risks was incorporated into the existing risk map as a result of joint work carried out by the CSR and Internal Control Departments. Key risks were analysed in terms of their probability and the extent of their potential impacts (judicial/legal, image/reputation, financial/strategic).

Analysing these risks for each of the non-financial reporting categories (social and environmental consequences of the activity, respect for human rights, anticorruption) enables the Group to ensure that the “Committed together!” strategy, *via* specially designed policies and due diligence procedures, covers all the

CSR issues, risks and opportunities relevant to the Maisons du Monde business model.

Among these 28 risks covered by the review, seven non-financial risks are considered key for Maisons du Monde. The table below provides a simple overview of these main risks and refers back to the corresponding sections of this report providing details of the policies implemented, their results and key performance indicators.

Issue	Risk identified	Paragraph in question
Chemicals	• Use of problematic substances in the supply chain • Presence of problematic substances not recognised in Maisons du Monde requirements	2.2.4
Sustainable management of resources	• Non-compliance with the requirements of the European Union Timber Regulation (EUTR) • Disclosure of the social or environmental impact on the supply chain (leather, cotton, metal)	2.2.2
Social and environmental impacts in the supply chain	• Situation regarding corruption at our suppliers or in our supply chain • Non-compliance with social requirements • Serious environmental incident at our suppliers	2.2.3

2.1.2 OUR AMBITIONS FOR 2020

Given these CSR priorities, the "Committed together" strategy brings all the Group's business lines on Board with a two-fold ambition: to work with our stakeholders to manage non-financial risk and to make commitment a differentiating factor and a brand preference. The quantified targets for 2020 were set in 2017 on the basis of this dual perspective of corporate responsibility and citizenship. These targets are monitored by all the Group's business lines and make progress part of our business structure.

They are listed in the table below and throughout the chapter to measure progress against these "Ambitions 2020"

Purchase like partners
100% of our suppliers sign the Code of Conduct
100% of our strategic suppliers audited on the basis of social criteria, every two years
100% of product managers trained in responsible purchasing
100% of our strategic furniture suppliers in India committed to our traceability programme with TFT (The Forest Trust)
Standardise the use of timber from sustainably managed forests in accordance with FSC®/PEFC™ standards
100% of our suppliers sign the "substances" specifications
Early replacement of problematic, unregulated substances
Design like visionaries
Develop the responsible offering on an ongoing basis: certified timber, recycled timber, ecodesigned products
Ten ecodesigned flagship products marketed
Develop partnerships that are supported by social and solidarity-oriented structures to offer products a second lease of life
Trade like citizens
90% of our sites to sort their waste
70% of waste sorted and recycled
25% reduction in our energy intensity
30% reduction in our carbon intensity
Optimise our packaging, from suppliers to customers
Commit like enthusiasts
100% of our managers trained in local management
100% of new managers participate in a personalised training programme
100% of our managers aware of, and sign, the Maisons du Monde Management Charter
65% of Store Managers and logistics managers in post as a result of internal promotion
An employee survey is conducted once every two years and the results and actions plans are shared
10 million customer donations through the ROUNDING UP at check-outs to help charities supported by the Maisons du Monde Foundation
1,000 employees took part in solidarity activities

In light of the progress made, the updated materiality analysis and the 2018 non-financial risk review, all Group business lines are committed to formalising, in 2019, new ambitions for 2025 that match the Group's strategic developments.

2.1.3 OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

Maisons du Monde Group contributes, at the level of its activities and through its CSR strategy, to the sustainable development goals (SDG) of the United Nations. Of the seventeen SDGs, the Group's business activities and commitments contribute to nine goals.

The ongoing development of a responsible offering contributes to the following goals:

- **SDG 8 – decent work and economic growth** by supporting our suppliers, primarily in Asia, to improve workers' rights and guarantee compliance with fundamental ILO conventions;
- **SDG 12 – sustainable consumption and production** by developing a more environmentally-friendly product offering that consumes less natural resources and has a higher profile with our customers;
- **SDG 15 – life on land** by improving the traceability of the raw materials used in our products – particularly timber – to guarantee sustainable forest management and the protection of biodiversity.

In addition to its products, the Group's operations also contribute to the SDGs:

- **SDG 5 – gender equality by** promoting an antidiscriminatory human resources policy that promotes gender equality in the workplace;
- **SDG 7 – affordable and clean energy** by rolling out energy efficiency initiatives in stores and warehouses and by using renewable electricity;
- **SDG 13 – action to combat climate change** by developing a strategy to reduce greenhouse gas emission throughout the product life cycle.

Lastly, the Group's societal commitments, through the brand's philanthropic policy and the work of the Foundation, contribute to other goals:

- **SDG 4 – quality education** as a result of the brand's support for charities involved in protecting children and supporting families in difficulty such as the French Red Cross or *Toutes à l'école*;
- **SDG 10 – reduced inequalities** by supporting social and solidarity economy operators and integration through economic activity to offer everyone access to decent work;
- **SDG 17 – partnerships for the goals** by talking to stakeholders and systematically constructing the progress strategy with all partners: suppliers, carriers, non-profit partners, customers and employees.

2.1.4 CSR GOVERNANCE AND ORGANISATION

Maisons du Monde's CSR department reports directly to Chief Executive Officer, Julie Walbaum, demonstrating the Group's commitment. Guaranteeing the roadmaps defined as part of the "Committed together!" programme, a special CSR Committee brings together seven members of the Executive Committee (COMEX) and the Communication Department (Chief Executive Officer, Logistics Director, Brand Director, Network Director, HR Director, Web Director, Chief Financial Officer). This committee met twice in 2018 to analyse all the issues, report on progress and mobilise all the Group's different functions. Since November 2018, the format of this CSR Committee has changed to become an extension of Executive Committee meetings so that all members of the Group's general management can be involved in decision making and roadmap construction.

CSR COMMITTEE

Validates the key strategic thrusts and objectives
Allocates means and resources
Provides impetus for the process by sponsoring the project

CSR MANAGEMENT

Steers the CSR strategy
Mobilises internal and external resources
Coordinates the implementation of action plans
Manages reporting
Drives the sustainable development approach internally and externally

BUSINESS LINE MANAGEMENT

Based on decisions taken by the CSR Committee or the Executive Committee, business line managers, coordinated by the CSR Department, are in charge of implementing roadmaps:

- **Purchasing and Supply Departments:** support for suppliers on social and environmental issues, responsible management of resources and chemicals used in products and the supply chain. A dedicated unit within the Supply Department brings together all these CSR purchasing issues;
- **Technical Department:** oversight of the environmental performance of network stores and Distrimag warehouses: energy consumption, use of renewable energies, waste management and development of responsible stores;
- **General Purchasing Department:** reduction of the environmental impact of non-retail purchases, check-out packaging and trade publications, management of employees' business travel;
- **HR Department:** training and skills development, employee well-being and health and safety;
- **Network** Department: roll-out of CSR strategy at points of sale and bringing the customer on Board. The network's CSR commitment is reflected in the introduction of in-store CSR contacts in half of the French store network in 2018 and in all Group stores by 2020;
- **Logistics (Distrimag, Distri-Traction, Distri-Meubles) and production (Mekong Furniture) subsidiaries:** adaptation and roll-out of CSR commitment locally according to their activity.

2.1.5 ENGAGEMENT WITH STAKEHOLDERS

Mobilisation of stakeholders and dialogue on CSR issues is vital for the success of the Group's engagement strategy.

The Group's main stakeholders are listed below.

Social sphere	**Employees**
Financial sphere	**Shareholders Analysts**
Economic sphere	**Customers Professional clients Suppliers, economic partners**
Public sphere	**Citizens Professional bodies Social and environmental NGOs Regulatory bodies and local authorities**

Employees and trade unions

The performance of the CSR contracts in the different business lines contributing to the "Committed together" strategy is the key to success in meeting 2020 targets.

In addition to the business lines that make a direct contribution to the CSR strategy (see 2.1.4), the Group's commitment is disseminated among the teams by means of various tools:

- two e-learning modules have been co-constructed by the Training and CSR Departments to raise awareness among team members and train them in corporate social responsibility. These modules provide an overview of sustainable development, highlight the value of stakeholder commitments and explain how everyone can play a role on a day-to-day basis, by creating a relationship with the customer by giving meaning to purchases in Maisons du Monde stores.;
- at store network level, a CSR contacts programme has been rolled out since 2017. This programme has a twofold objective, to disseminate the Group's policy on the ground, to teams and customers, and to facilitate dialogue between head office services and employees. The network of CSR contacts, coordinated by the Group's CSR Department, implements practical measures to reduce the stores' environmental impact, to improve dialogue and encourage stores to share best practices. Rolled out across half of the French stores by the end of 2018, this programme will be operational across the entire Maisons du Monde network by 2020;
- the CSR contacts network initiative has been replicated at the administrative headquarters in Nantes and Paris to identify volunteers to act as CSR ambassadors for their services. Meeting once a month, these ambassadors share their expectations in terms of day-to-day engagement in their business line, design awareness-raising events for all the teams and relay key CSR systems and measures to their colleagues;
- to encourage employees to come on Board and to offer individuals a means of getting involved, the Maisons du Monde Group introduced a solidarity programme, open to all. Collective solidarity leave, individual solidarity leave with *Planète Urgence* and Solidarity Day, are the three main opportunities for employees to improve their understanding of the Group's commitment, in particular, by finding out about the work of the non-profits supported by the Maisons du Monde Foundation, and to provide practical support, at their own level, for the network of Maisons du Monde partner non-profits. Further details of these programmes are given in Section 2.6.2. of this report;
- the Group's internal communications tools, the Intranet and the in-house newsletter, distributed to all employees, are also used to pass on all CSR news throughout the year. The voluntary "Committed Together!" CSR report is distributed to all head office and store employees. Lastly, the Maisons du Monde Group corporate website (corporate.maisonsdumonde.com) also has a section on the Group's CSR commitment.

In addition to the raising awareness of the Group's CSR actions, dialogue with Group employees is key to the well-being at work policy driven by the Maisons du Monde Human Resources Department. "Your voice", an employee survey, was conducted with all network, administrative premises and logistics employees in 2017. 77% of employees completed the 2017 survey and action plans were rolled out to respond to employee expectations. The aim is to update this survey at least once every two years and it will be repeated in 2019 (see Section 2.5.2).

Customers

Customer dialogue and satisfaction are key to all the Group's business lines. Talking with our customers in order to fulfil their expectations and "bringing them on Board with our CSR approach" takes place *via* two main channels: the Customer Relations Management Department and omnichannel communications on CSR issues, in-store, online and in the Group's catalogues.

The Customer Relations Management Department comprises 170 people, and is located in our head office in Vertou as well as in London. Six languages are used (French, Italian, German, Spanish, English and Dutch) to deal with 1 million incoming contacts every year.

Two customer satisfaction programmes are currently in place:

- a customer observatory analysing all customer feedback regardless of the channel used (telephone, email, chat) to improve customer satisfaction and internal processes;
- the Customer's Voice: a programme to measure customer satisfaction at key points in the purchase experience, through NPS questionnaires on in-store and Internet sales, free in-store delivery and home delivery.

These various tools are geared towards allowing Maisons du Monde to successfully make its customers central to the experience by aligning itself as closely as possible with their expectations and improving its service by clearly identifying dysfunctions and fixing them.

More specifically, with regard to CSR issues, Customer Relations Department teams are trained to respond to customers and to feed back Customer's demands to the experts in question (CSR Department, standards, substances and responsible purchasing teams) where necessary.

Since 2017, the Customer's Voice tool has been rolled out post in-store experience, delivery or online order, to monitor the brand's customer satisfaction and improve the Group's services. A dedicated customer service team was also set up in London to respond to in-store or online questions from customers in the United Kingdom, Germany, Belgium or the Netherlands.

Maisons du Monde is also a very active brand on social networks (Facebook, Instagram, Pinterest, Twitter and YouTube) where its community continues to grow. The Maisons du Monde brand has over 1.8 million followers on Facebook, more than 1.4 million Instagram subscribers and its Pinterest content is viewed over 10 million times a month. This presence enables Maisons du Monde to enter into dialogue with its customers and prospective customers on a daily basis, to showcase its new collections and to talk about its commitments. In 2018, the community was invited to select one of the winners of the Sustainable Creation Trophies to be given the "Like it" award. The brand also used Facebook, Instagram and Twitter to heavily promote its "*Aux Arbres*!" event which was organised in June 2018, in Nantes, by the Maisons du Monde Foundation to publicise the work carried out by non-profits supported by the Foundation.

On the other hand, communications with customers about CSR issues have now been adapted in line with the Maisons du Monde Group omnichannel model.

- The range of sustainable products developed by the Group is promoted in the same way across the e-commerce website, the stores and the catalogues by creating and communicating visual logos describing the different sustainability criteria, enhanced by the presence of in-store CSR contacts.
- The brand's global CSR commitment, news and events are communicated according to the public targeted on the e-commerce website, on the Company website, on social networks or in customer newsletters and are incorporated into Maison du Monde brand messaging.
- The roll-out of "Rounding Up" at check-out, in all French stores completes this "invitation to customers to get on Board with CSR" and offers customers the chance to get involved in, and commit to, supporting the non-profits and charities selected by the Maisons du Monde Foundation. In 2018, over 3,271,000 donations, worth over €413,000, were made by the brand's in-store customers (see Section 2.6).

Professional clients

Over the last five years, Maisons du Monde has provided professional clients with a BtoB team providing close assistance in their space opening or renovation projects. This service has a deep understanding of indoor and outdoor design, and can offer appropriate solutions for all spaces depending on the priorities and requirements of the project, but without losing sight of its constraints. From assistance concerning the choice of products to their arrangement, Maisons du Monde Pro advises decision-makers with a view to optimising services, budgets and deadlines.

Suppliers

All Maisons du Monde Group suppliers are on Board with the Group's sustainability approach and were invited by Purchasing Department teams to commit to making progress in respect of the CSR issues identified (social conditions, raw materials, chemicals). Details of this dialogue, which is now supplemented by inter-supplier training sessions on social responsibility issues, are provided in Section 2.2. "Purchase like partners"

Shareholders and investors

The Maisons du Monde Group's CSR commitment is an integral part of its communication with investors and analysts. The Group's ESG (environmental, social and governance) performance is assessed, on a regular basis and the CSR and Finance Departments work together to report to analysts transparently.

This dialogue and transparent reporting with analysts and investors enabled the Maisons du Monde Group to rise up the Gaïa Index, constructed by Ethifinance, climbing from 69th to 37th place in the index.

In addition, the Maisons du Monde Group was rewarded for its ambitious climate change strategy by obtaining an A- rating for its response to the 2018 CDP questionnaire.

For more information on dialogue with investors, see Section 8.3.1 "Investor relations" of this Registration Document.

Professional bodies and NGOs

The construction of the Group's CSR strategy and its ongoing development cannot take place without an open dialogue with external partners, NGOs, associations and other distribution brands.

The Group works with various non-profits and NGOs to implement practical projects and facilitate discussions to drive the brand's progress on CSR issues on an ongoing basis:

- the Group works in conjunction with various organisations to ensure the traceability of raw materials. The timber traceability programme (see Section 2.2.2) in India, for example, has been developed and operated by the TFT-Earthworm organisation since 2010. Maisons du Monde is also an active member of FSC France. This dialogue also guarantees that the actions taken by Maisons du Monde regarding the traceability of raw materials not only match with the expectations of environmental non-profits but also enable progress plans to be formalised on a joint basis;
- as regards issues relating to social conditions in our supply chain, the Group also supports the international NGO *Ressources Humaines Sans Frontières* (RHSF – Human Resources Without Borders). With a presence in China, India and the United States, this NGO, created in 2006, works to promote human rights at work throughout the subcontracting chain while respecting the environment and local communities. Since 2017, the Group has also been a member of the *Initiative Clause Sociale* (ICS), which has 37 distribution brand members. The ICS promotes responsible trade by working on the corporate social responsibility of retail and distribution brand suppliers;
- as regards the challenge of giving products a second lease of life, the Group works closely with social and solidarity economy operators such as the Emmaüs France network and some recycling centres to encourage customers to give their old products a 2nd lease of life, favouring the circular economy approach (see Section 2.3.2);
- Maisons du Monde has also been a member of the Climate Solidarity Ambassadors' Club since 2017. This movement, started by the GERES association, aims to unite public and private operators to reduce greenhouse gas emissions in industrialised countries whilst supporting low-carbon socioeconomic development in the least developed countries;
- lastly, Maisons du Monde supports NGOs through its philanthropic policy, *via* the brand or the Maisons du Monde Foundation (see Section 2.6). These partnerships are another opportunity to discuss the issues dealt with by these non-profits and the brand's response to such issues. The Group is also a member of the 1% for the Planet club which brings together philanthropic companies who elect to donate 1% of their profits to environmental NGOs. A member since 2013, Maisons du Monde focuses its donation on the revenue generated by traced, recycled and ecodesigned timber, identifiable by the "1% for the planet" logo.

The Group also constantly holds talk with other retail brands and other companies to monitor and share best practices at sector level. The Group has been a member of the Board of Sustainable Development Directors (C3D) since 2018. Maisons du Monde is also an active member of *Club Génération Responsable*, which brings retail companies together. As a member of this Club, Maisons du Monde has been a signatory of the voluntary commitment agreement for organised retailers since 2015 and was labelled as "Responsible Brand - level 3" in 2018, following an evaluation carried out by SGS, a certifying body. In 2018, the Group was also awarded three R-Awards by the Club Génération Responsable for organising inter-supplier training sessions in social issues, for its ecodesign programme and for organising the "*Aux Arbres!*" event, driven by the Maisons du Monde Foundation. The Group was also designated "2018 Brand of the year" by the same panel of judges.

2.1.6 NON-FINANCIAL PERFORMANCE AND REPORTING SCOPE

The Group's CSR performance indicators are monitored by the CSR Department, together with all contributing business lines responsible for advancing the roadmaps defined as part of the "Ambitions 2020" targets. Key indicators are shown in the paragraphs below in terms of the targets for each pillar of the "Committed Together!" strategy. It should be noted that, unless otherwise stated, these indicators cover all the Group's activities and are presented as follows:

- Network and administrative premises: impact of the Group's stores (non-franchised) in France and internationally and of all the administrative premises of the Maisons du Monde head office in France. Please note that for Modani, acquired on 1st July 2018, only indicators relating to the workforce as at 31/12 and to staff turnover are shown;
- Logistics: impact of the activities of Distrimag, which incorporates Distri-meubles and Distri-traction, including logistics warehouses and the fleet of vehicles carrying goods between the port of Fos-sur-Mer and the warehouses, and of its own distribution business. Please note that Distri-meubles was sold on 30rd June 2018. Impact indicators for this company are, therefore, only included for the first half of 2018;
- Production: impact of the activities of the Mekong Furniture factories, in Vietnam.

Further information on how reporting is organised is provided in Section 2.7 "reporting methodology".

2.2 Purchase like partners

The first pillar of the Group's CSR strategy, the commitment to "Purchase like partners" acknowledges environmental and social issues in the Group's supply chain, particularly the extraction or production stages of the raw materials used to manufacture the products sold by the brand.

2.2.1 VIGILANCE PLAN

Pursuant to the regulatory requirements arising from law No. 2017-399 of 27th March 2017, on the duty of vigilance, in 2018, the Maisons du Monde Group formalised its vigilance plan. This vigilance plan describes due diligence for risks identified in relation to human rights and fundamental freedoms, personal health and safety as well as serious environmental damage.

In the light of the non-financial risks map (see Section 2.1.1) and the significance of the social and environmental issues in the Group's supply chain, Maisons du Monde focused its vigilance plan on three key issues: sustainable management of natural resources, social risks and working conditions in the supply chain and the management of chemicals. This document, compiled jointly by the CSR Purchasing, Legal and Internal Control Departments, details the key risks identified, contains all the control procedures in force within the Group and lists the action plans associated with the development of these procedures. Maisons du Monde Group's coverage of these key risks is summarised in Sections 2.2.2, 2.2.3 and 2.2.4 of this report, on the Group's CSR commitment in its supply chain.

2.2.2 SUSTAINABLE MANAGEMENT OF RESOURCES

Ambitions 2020
100% of our strategic furniture suppliers in India committed to our traceability programme with TFT
Standardise the use of timber from sustainably managed forests in accordance with FSC®/PEFC™ standards

Managing environmental risks in the supply chain is key for Maisons du Monde. The "sustainable management of natural resources" roadmap, formalised in 2017, makes the responsible purchasing policy part of a progress plan by identifying key risks, compiling an action plan to reduce such risks, and voluntary measures to offer an increasingly responsible range of products to the brand's customers.

This roadmap makes it possible to respond to the risk of non-compliance with the legal requirements of the European Union Timber Regulation (EUTR) or the highlighting of negative social or environmental impacts on the supply chain of certain raw materials such as wood, leather and cotton.

In 2018, this progress plan was expanded once again, in line with key stakeholder issues and expectations. Actions plans were formalised for leather goods distributed by Maisons du Monde. A leather procurement map identified the key issues associated with regions of production as well as the significant environmental impact of processing. On this basis, the Group is committed to LWG (Leather Working Group) certification for tanneries.

In addition, when the vigilance plan was formalised, the timber purchasing policy was strengthened by formalising control procedures as well as by applying sanctions in the event of supplier non-compliance.

Lastly, to ensure suppliers' commitment, Maisons du Monde has included its minimum requirements for the responsible supply of raw materials in documents sent out to suppliers (product specifications and terms and conditions). By signing these documents, suppliers agree to:

- provide reliable and verifiable information on the type and origin of all raw materials used in Maisons du Monde products;
- ban the use of animal or plant species recognised as being vulnerable (VU), endangered (EN) or critically endangered (CR) by the IUCN (International Union for the Conservation of Nature);
- ban the use of animal or plant species listed Appendix I of the Washington Convention (CITES). Species listed in Appendices II and III of the Convention may be accepted if they are sourced in accordance with the import rules defined by said Convention;
- ban the use of animal fur;
- comply with the timber purchasing policy.

Our sustainable timber commitment

Since 2010 the Group has carried out substantive work on sourcing timber, a material used in most of its products. The actions taken have a dual objective: to comply with regulations – beginning with the European Union Timber Regulation (EUTR), and to guarantee the sustainability of timber resources by taking a voluntary differentiating approach.

These commitments are formalised in the Maisons du Monde timber purchasing policy which was updated in 2018. This policy not only contains the minimum requirements, but also some additional recommendations, making suppliers aware of the Groups expectations and enabling them to be part of a partnership and support network.

Minimum requirements	Compliance with the European Union Timber Regulation Ban timber from regions identified as being at risk: Myanmar, Cambodia, the Congo basin and the Amazon basin Compliance with the specifications of voluntary FSC® and PEFCTM certification standards for labelled timber
Additional recommendations	Prioritisation of the FSC® label Use of recycled wood wherever possible Best efforts to reduce the risks identified

This updated version of the timber purchasing policy is now sent to furniture suppliers involved in new developments, as an attachment to the product specifications. The minimum requirements are also included in the terms and conditions sent, on an annual basis, to suppliers of decoration items.

Monitoring regulatory compliance

As a crucial step in our sustainable timber commitment, compliance with regulations and monitoring of such compliance are key to the Group's vigilance plan. The European Union Timber Regulation (EUTR) applies to all products distributed by the Group. In 2013, Maisons du Monde formalised a "due diligence" procedure enabling it to ensure the legality of the timber used and to comply with the requirements of this regulation. This procedure is based on following three steps very closely:

- collection of information on the provenance of the wood, as well as documents proving its legality;
- analysis of the risk of illegality;
- implementation of risk mitigation procedures.

Should suppliers fail to comply with these regulatory requirements, the Group has formalised a monitoring and withdrawal procedure. This specifies the time that the supplier is given to comply, as well as the withdrawal procedures, ranging from stopping any new development to transferring the products in question.

Range of products made from sustainable timber

In addition to regulatory requirements, Maisons du Monde is continually seeking to increase the number of environmentally-friendly products. For this reason, the Group has defined several product ranges that currently comprise the sustainable timber product offering in Maisons du Monde catalogues:

- **Products made from recycled timber**: recycled timber can be used to create new and unique products without consuming any additional forestry resources. In 2018, 147 SKUs were products made from recycled wood, or 5% of the wooden furniture sold by the brand;
- **Products made from certified timber**: Maisons du Monde is constantly seeking to expand the number of FSC® and PEFC™ SKUs. Timber from certified forests meets responsible management standards based on protecting biodiversity, renewing resources and complying with social criteria for dependent communities. Between 2017 and 2018, the number of FSC® certified SKUs rose from 657 to 890, up 35%. PEFCTM certified SKUs were up from 424 to 529 in 2018. Currently, labels are the best way of guaranteeing that timber comes from sustainably managed forests. To ensure that these labels are robust and to avoid any false allegations regarding products, Maisons du Monde exercises oversight with regard to these certifications. For each SKU made from certified timber and distributed by the brand, suppliers must supply their own valid certificate, a valid certificate from their timber supplier as well as proof of purchase of certified timber. If the supplier is unable to submit the evidence required, or if there is any doubt as to the authenticity of the documents, Maisons du Monde may trigger a third party audit. Labels are only affixed to products and displayed in the catalogue once a detailed audit has been conducted. In 2018, Maisons du Monde carried out three independent audits to ensure suppliers' compliance with the specifications of FSC® certification;
- **Products made from traced timber**: as it is unable to source FSC® or PEFC™ certified timber in India where these certifications do not exist, Maisons du Monde has introduced its own traceability system in partnership with a non-governmental organisation, TFT (Earthworm). Operated by the Group's main Indian suppliers, this system makes it possible to trace the timber back to its origins and to ensure that it has been legally felled. Once the entire supply chain has been audited by Earthworm, products are marked with a QR code that tells the brand's customers their history, from its forest of origin to its place of sale, including the audit date. The programme now has 12 Indian suppliers, accounting for 82% of the purchase volume of wooden furniture manufactured in India. 92% of strategic Indian suppliers are now involved in this programme. These suppliers are committed to making their supply chains more transparent and to gradually increasing the number of products traced. Thus, 55,075 pieces of furniture bearing QR Codes were shipped in 2017 compared with 32,700 in 2017, a 68% increase. In addition, to raise local players' awareness of environmental issues, Maisons du Monde organised a press conference in Jaipur, in the region of Rajasthan in India. Over 40

journalists made the journey to find out about the innovative traceability system introduced by the Group.

PERCENTAGE OF STRATEGIC INDIAN SUPPLIERS INVOLVED IN THE TRACEABILITY PROGRAMME.

	2018	2017
Number of suppliers committed to the traceability programme	12	13
Percentage of strategic Indian suppliers committed to the programme	92%	92%

NUMBER OF FURNITURE SKUS MEETING ONE SUSTAINABILITY CRITERION:

	2018	2017	2016
Traced timber	144	135	134
Recycled timber	147	140	151
FSC® certified timber	890(1)	657	620
PEFC™ certified timber	529(2)	424	679
"ECodesigned" products	14	6	-
Percentage of wooden furniture SKUs	**60%**	**56%**	**56%**

(1) and (2) The number of FSC and PEFC SKUs does not include ecodesigned SKUs, which are also made from certified timber.

Please note that, for the first time in 2018, the responsible timber product offering was supplemented by SKUs from the decoration item range.

NUMBER OF DECORATION ITEM SKUS MEETING ONE SUSTAINABILITY CRITERION:

	2018
Traced timber	-
Recycled timber	3
FSC® certified timber	31
PEFC™ certified timber	-
Percentage of wooden decoration SKUs	**5%**

Traceability of leather goods

In the context of its roadmap, Maisons du Monde identified leather as being the second priority material, after timber. Leather is, in fact, a material that comes from a complex animal supply network with multiple by-products that poses challenges that go beyond environmental issues. These challenges include issues of animal welfare, rearing-related deforestation, the environmental impact of tanning skins, the use of chemicals and even the social conditions at each stage of the production process. Leather procurement mapping, launched in 2017, identified the key risks and made it possible to devise an action plan to make leather goods more responsible in relation to two issues:

- **the environmental impact of skin tanning processes:** Maisons du Monde has chosen the Leather Working Group (LWG) standard to guarantee its customers that skins are tanned under environmentally friendly conditions. The task force brings stakeholders together with the aim of devising a common standard to reduce environmental impacts and ensure that leather products are harmless. In addition to treating effluents and managing chemicals, the LWG audit protocol covers water and energy consumption, waste management, the health and safety of workers and leather traceability. By the end of 2018, 36 SKUs had been manufactured using leather from LWG certified tanneries, accounting for 18% of SKUs containing leather;
- **the impact of livestock farming on deforestation:** Intensive cattle rearing in some regions has been identified as one of the main causes of deforestation, particularly in Brazil. In the light of the complexity and opacity of supply chains and to ensure that the leather products distributed by Maisons du Monde do not contribute to this deforestation, the Group has mapped the origin of the leather used in its products. According to the results of this mapping exercise in 2018, 20% of Maisons du Monde leather SKUs are currently sourced from Brazil. An action plan is being formalised with a view to reducing the risks related to these sourcing areas.

TRACEABILITY OF LEATHER GOODS

	2018
Percentage of leather SKUs from LWG certified tanneries	18%
Percentage of leather SKUs originating in Brazil	19%

Traceability and certification of cotton

In the light of the environmental and social issues associated with growing cotton (water consumption, use of pesticides and fertilisers, working conditions, etc.), in July 2018, Maisons du Monde started risk mapping, in partnership with Earthworm. 9 suppliers, accounting for 60% of the volume of cotton product purchases, were selected for inclusion in the project. This in-depth analysis will enable Maisons du Monde to question its suppliers so that supply chains can be traced back to growing regions. Once the risk mapping is complete, Maisons du Monde will define the next actions to be taken to reduce the risks identified.

The Group has also identified GOTS and Oeko-Tex® standards as being the best way of guaranteeing that the products are innocuous and reducing their environmental impact. Maisons du Monde targeted textile products from the Junior ranges as being key to the transformation and, in its 2019 catalogue, will include a range of products made from GOTS-certified cotton and Oeko-Tex® labelled products.

Animal well-being

In addition to the environmental issues regarding the traceability of raw materials, respect for animal well-being is an important aspect in the management of the Group's sourcing. Depending on the risks identified concerning the types of animal material (hides, leather, feathers, etc.), the Group endeavours to develop action plans and comply with the standards guaranteeing the respect of animal well-being. Specific action plans will be formalised as part of the process of defining the 2024 roadmaps

2.2.3 SOCIAL AND ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN

Ambitions 2020
100% of our suppliers sign the Code of Conduct
100% of our strategic suppliers audited on the basis of social criteria, every two years
100% of product managers trained in responsible purchasing

Risk management in relation to working conditions at the Group's suppliers is one of the main issues being worked on in relation to Maisons du Monde's duty of vigilance. The supplier support programme aims in particular to respond to the priority risks presented in Section 2.1.1 relating to failure by a supplier to comply with the social requirements of Maisons du Monde, the identification of a situation of corruption or the occurrence of an environmental incident in a factory. This work, which is key to the Ambitions 2020 roadmap, has been adapted according to supplier type, with three distinct levels of commitment:

- **all suppliers**: all of Maison du Monde's suppliers who commit to complying with the Group's requirements sign a Code of Conduct;
- **strategic suppliers:** the Group has defined various control and monitoring mechanisms to aid the progress of strategic suppliers in "at risk" countries (primarily Asia and Eastern Europe). 100% of these suppliers will have to be audited, in particular, on social criteria every two years, by 2020; Please note that the list of strategic suppliers is compiled by Purchasing Departments at the beginning of each year and covers a minimum of 2/3 of furniture and decoration purchasing volumes;
- **directly-owned factories**: the Mekong Furniture production plant in Vietnam as well as the joint-venture in China were supported in working towards the target of SA 8000 certification.

Suppliers' vigilance plan

2018 and the formalisation of the Group's vigilance plan marked the strengthening of the Group's continuous improvement approach to supporting its suppliers' social performance. The Group's commitment has now been formalised and procedures shared both internally and with Group suppliers. The social audit policy has been summarised in a document which introduces the Group's approach to supporting and monitoring social practices: identification of suppliers to be audited, types of audit ordered, monitoring procedures and methods of withdrawal in the event of a lack of cooperation. Compiled with the Purchasing Department and translated into Mandarin, this policy was then sent out to all strategic suppliers in 2018, who were targeted ahead of the launch of the social audit campaign.

To improve risk management and support and monitor the performance of its strategic suppliers, the Group also increased its presence in factories. Two CSR coordinators were recruited in India and then in China. As former social auditors, these local champions of the Group's ambitions are tasked with upskilling audited suppliers by sharing experience, training plant managers and carrying out internal follow-up audits. Under the supervision of high-quality expatriates, they report on operations to the CSR project manager for suppliers in France.

On a wider scale, to incorporate all the risks and impacts of its product manufacturing sites, the Group decided to add an environmental component to its 2019 audit procedure. Training in the environmental audit standard introduced by the ICS was monitored by the Suppliers' CSR project manager and serves as the starting point for related risk mapping. In parallel, this benchmark was tested for the very first time during an audit on the Mekong Furniture plant which obtained a promising rating. A procedure designed to monitor environmental risks in factories by defining minimum criteria and an environmental audit framework will be formalised in 2019 to monitor the "at risk" suppliers and filières. An audit campaign will, therefore, be launched in 2019 in around fifteen factories.

Suppliers' Code of Conduct

Reiterating all the requirements in relation to the social conditions expected from its suppliers, beginning with compliance with fundamental ILO Conventions, the Maisons du Monde Code of Conduct serves as common ground for managing social impacts in the supply chain. This document, which is sent out by buyers direct, is annexed to specifications for furniture suppliers and was also forwarded to key suppliers of decoration items in 2018. Signing must be systematic by 2020.

TOPICS ADDRESSED IN THE CODE OF CONDUCT

1	Child labour
2	Forced labour
3	Discrimination
4	Working time
5	Compensation
6	Freedom of association
7	Health and safety
8	Environment
9	Subcontractors and traceability
10	Management system and transparency
11	Corruption

The document was expanded in 2018 to include the subject of anticorruption policy, identified as a risk in the vigilance plan. At the end of December 2018, 562 suppliers had signed the supplier Code of Conduct, 187 furniture suppliers and 406 decoration suppliers. That accounts for 39% of Group suppliers by number and 79% by purchasing volumes.

PERCENTAGE OF SUPPLIERS WHO HAVE SIGNED THE CODE OF CONDUCT

As a % of all suppliers	2018	2017
Furniture suppliers	92%	86%
MLP/Deco suppliers	32%	26%
GROUP TOTAL	39%	34%

Support for strategic suppliers

As well as signing the Code of conduct, strategic suppliers received ongoing support from Maisons du Monde.

Social audits

Strategic suppliers are audited on social issues on a regular basis to assess their performance. By 2020, audits will have to be carried out at least once every two years at the premises of all strategic suppliers.

In 2018, two types of audit were carried out at the premises of the Group's strategic suppliers: guidance audits, carried out by an independent auditor based in Asia, and audits on compliance with the ICS standard, carried out by accredited audit firms.

Maisons du Monde joined the Initiative for Compliance and Sustainability, (ICS) in 2017 with the aim of:

- accessing a shared audit methodology and tools;
- pooling best practices and implementing joint measures to help factories to progress;
- contributing to the continuous improvement of the standard by taking part in the task forces overseen by the initiative.

ICS audits measure the factory's performance using a rating which illustrates the compliance of practices and the criticality of instances of non-compliance identified. It also lists best practices and corrective measures to be implemented to comply with its standard. Guidance audits are ordered for the smallest suppliers or for those who lack maturity in this area. This approach supplements the advice given to the factory to help it understand the benefit of the approach as well as the overall assessment of practices and fully customised action plan.

In 2018, 49 audits were carried out by Maisons du Monde on the basis of the ICS standard and 9 guidance audits were ordered in parallel. Lastly, 14 social audits were ordered by other members of the initiative on suppliers shared with Maisons du Monde.

NUMBER OF SOCIAL AUDITS IN 2018, BY TYPE

	2018	2017
ICS audits ordered by MDM	49	17
External guidance audits	9	12
ICS audits at shared factories, ordered by other members	14	19
TOTAL	72	48
Percentage of strategic suppliers audited in the last two years	**58%**	**37%**

RATING OF ICS AUDITS AT MAISONS DU MONDE SUPPLIERS IN 2018

In accordance with its social audit policy, a specific action plan is implemented in line with the rating obtained. In 2018, 17 suppliers were awarded an E rating, meaning that at least one critical non-conformity with alert notification had been discovered. These suppliers then enter a more rigorous follow-up and control process which includes a new audit carried out by a third party within the next six months. The role of the local CSR contacts, recruited in 2018, is then vital in offering guidance to suppliers and checking the correction of the instances of non-compliance identified. These suppliers will be audited again in 2019.

Inter-supplier training sessions

Since 2017, Maisons du Monde has been organising training sessions on social issues for its strategic suppliers. These sessions aim to raise awareness of the Group's expectations, to bring the teams together to offer mutual support and to get plant managers involved by asking them to share their experience with their peers. They increase understanding of the support mechanisms put in place for factories and address social issues.

After the success of the first round of the programme in India, in 2017, the Group decided to replicate the inter-supplier meeting in China in September 2018. Organised internally with the support of the local CSR coordinator, this training was co-facilitated by Maisons du Monde, Mind-Up Consulting and TFT China on health and safety issues, and the NGO, Human Resources Without Borders, on human resources policy. To close the day, two historic suppliers took the floor to present their CSR approach to their counterparts. 43 strategic suppliers representing all the product families attended this meeting and over 80% rated it as very satisfactory or above.

Training for product managers

Lastly, Maisons du Monde considers training in the field to be of paramount importance when it comes to enabling Maisons du Monde purchasing teams to understand the challenges faced. This training consists of taking part in a minimum half-day guidance audit, by participating in the Introductory Meeting, the factory inspection and Private Meetings with some of the workers. The product managers who have received training report back on the findings of the inspection to their purchasers and, if necessary, forward the corrective action plan.

At 31st December 2018, 75% of furniture product managers and 47% of deco managers were trained in social audits.

2.2.4 CUSTOMER HEALTH AND SAFETY – CHEMICALS

Since managing chemicals is key to the Maisons du Monde responsibility policy, it is the third strand of the Group's vigilance plan and is a strong focus of commitment. This monitoring work is a response to the risks identified in Section 2.1.1 relating to the presence of problematical substances in the products distributed by the Group or the use of problematical substances at an earlier stage of the supply chain. The process implemented by Maisons du Monde to guarantee product compliance and chemical safety, is based on four main pillars:

- regulatory and documentary oversight supplement Maisons du Monde "substances" specifications;
- systematic forwarding of the "substances" specifications to suppliers together with recommendations for the most risky products;
- monitoring of substances contained in the products;
- a voluntary action plan to reduce some "risky" substances.

With a view to constantly improving its product safety, Maisons du Monde has introduced targets to reduce the "chemical footprint" of its products by 2020, over and above regulatory requirements.

Ambitions 2020
100% of our suppliers sign the "substances" specifications
Early replacement of problematic, unregulated substances

"Substances" specifications

Chemicals contained in products are strictly regulated. The restrictions of the European REACh regulation have the greatest impact on our range of products. Some products are also affected by the regulation on Persistent Organic Pollutants which, for example, restricts the use of certain flame retardants and plasticizers. The regulation on toys and electric/electronic products also restricts some additional substances. The Maisons du Monde Group keeps the "substances" specifications up to date and targets product control campaigns on the basis of regulations and relevant scientific studies.

In 2018, when the European Commission published a regulation restricting the use of 33 carcinogenic, mutagenic or reprotoxic substances or families of carcinogenic, mutagenic or reportoxic substances which will be restricted in textiles from November 2020, the Group decided to include these substances and control their use from 2019 onwards. 2018 was also marked by the registration, before 31 May, of any substances used in candles and aroma diffusers and imported in quantities in excess of one tonne a year, and which had not been registered by any other players in the supply chain.

The Group and its suppliers' commitment to controlling chemicals is based on these updated "substances" specifications. By 2020, these specifications will have to be signed before an order is placed. By the end of 2018, 96% of suppliers had signed this document.

Following the same logic of improving its chemical footprint, and to go further than the regulation, the Group is also working towards eliminating and replacing certain substances within its products that are deemed to be problematic and is vigilant when it comes to unregulated Volatile Organic Compound (VOC) emissions. A detailed roadmap lists all the substances in question (Alkylphenol Ethoxylates (APEO), lead, reprotoxic phthalates, problematic fluorides) and priority product categories (junior furniture range, candles and fragrances range). These specific requirements supplement Maisons du Monde specifications.

Lastly, Maisons du Monde is working on introducing a list of substances that are also prohibited in manufacturing processes (Manufacturing Restricted Substances List - MRSL). The introduction of this type of chemical monitoring system at all stages of production, even if the chemicals are absent from the finished product, ensures greater protection for workers and for the environment.

An ambitious control policy

Suppliers' compliance with these specifications is evidenced by targeted tests on products distributed. To cover the risks, a test procedure has been formalised and incorporated in the vigilance plan. The choice of tests is based on a multi-criteria risk analysis which recognises supplier risk (strategic supplier, new suppliers, supplier on probation) and product risk (risky materials, use with significant exposure on the part of the consumer as with chairs and bed linen).

The tests are carried out on production areas during the manufacture of the articles, by third-party laboratories mandated by Maisons du Monde. The laboratory is responsible for taking the test item from the production line and analysing it, in accordance with the test schedule laid down by the Group based on product risks. In 2018, 1,314 tests were carried out, compared with 1,200 in 2017.

2.3 Design like visionaries

In addition to actions taken to transform the timber products offering through FSC® or PEFC™ certification and traceability of the materials used, Maisons du Monde is committed to a circular economy approach, enabling it to reduce the environmental impact of the products throughout their entire life cycle. This commitment starts with ecodesign and then goes on to consideration of social and environmental criteria in product production or transportation and work on extending product life and offering customers the means of directing these products to re-use or recycling networks.

Ambitions 2020
Develop the responsible offering on an ongoing basis: certified timber, recycled timber, ecodesigned products
Ten ecodesigned flagship products marketed
Develop partnerships that are supported by social and solidarity-oriented structures to offer products a second lease of life

2.3.1 ECODESIGN

The MdM ecodesign programme

Launched in 2010, the Group's ecodesign programme is a driver of transformation for a more sustainable offering. Having gradually been incorporated into the product design and development process, since 2010, the ecodesign programme has increased the number of "ecodesigned" SKUs in our catalogues. From the Roma and Milano sofas which were reworked in 2011, to the Life sofa which was included in the 2018 general catalogue, the approach has been expanded to include the design of flagship products full of environmental innovations. The Life sofa was devised to significantly reduce its environmental impact *via*, in particular:

- the weight of its structure, made from PEFC™-certified timber, has been lessened to reduce the use of materials and the impact of transportation;
- the foam padding comes from a French mattress and base recycling network;
- the cover is made of recycled polyester and cotton from production discards.

In 2018, in addition to developing a new sofa which will be included in the 2019 catalogue, the approach was expanded to cover the various business lines involved in furniture development and to begin to construct a more systematic process of assessing products' environmental impact. All furniture designers and product managers were trained in ecodesign issues in May 2018 with the support of the eco-organisation, Ecomobilier. This training was then rolled out to quality control teams to cover all the stages of product development. These training courses served as the launch pad for the construction of a Maisons du Monde eco-innovation standard which will be finalised in 2019. This eco-innovation standard must incorporate all the stages of the product's life cycle, in line with the specific nature of the Group's activity, and must serve as a guide to new product development.

Sustainable Creation Trophies

In addition to the work of its product development teams, Maisons du Monde also wishes to disseminate best ecodesign practices, particularly among students, and organises Sustainable Creation Trophies on an annual basis. These trophies, set up in partnership with Ecomobilier, the FSC® France non-association, the EVEA consulting firm, Ademe, Eco-TLC and the *Fondation pour la Nature et l'Homme*, are open to design school students or young graduates who are invited to design a piece of furniture or an ecodesigned decoration item.

In 2018, students were presented with two themes, "Cabana" and "Vegan Market". 50 projects from 17 different schools were put before the panel of judges which was made up of ecodesign experts and the Maisons du Monde purchasing and style teams which decided on the winners and gave out four awards: the "furniture" award, the "decor and household linen" award, the special FSC® award and the "Like it" award, voted for by the general public on the Group's Facebook page.

As in 2017, the winners of the "furniture" and "decoration" categories were then developed by our teams in collaboration with the students to develop prototypes complying with Maisons du Monde quality requirements and all current standards. These two products will be sold on the brand's e-commerce website from March 2019 onwards. These trophies show that it is possible to reconcile style with ecodesign and will encourage a change in behaviour by raising awareness amongst the designers of the future.

The third competition was launched in 2018 and applicants can apply until mid-February 2019.

This joint product development approach makes it possible to expand the range of ecodesigned products offered by Maisons du Monde even further.

2.3.2 OFFERING PRODUCTS A 2ND LEASE OF LIFE AND THE CIRCULAR ECONOMY

Reducing the environmental impact of products throughout their life cycle means that the Maisons du Monde Group has to be responsible for their end-of-life. In addition to directing furnishing waste to recycling networks, the Group is seeking to encourage customers to extend the life of the products through partnerships and by offering its customers circular economy solutions.

Partnerships with social and solidarity-oriented structures

As regards handling "substandard" products from customer returns or products damaged on delivery, the Maisons du Monde Group seeks to prioritise repairs and charitable donations before sending them to processing and recycling networks.

The Saint-Martin-de-Crau warehouses (13) are, therefore, equipped with a furniture workshop where products can be refurbished. These repairs mean that products can be returned to stock. The furniture workshop employs just over 30 people in our logistics warehouses and repairs an average of around 100 products a day. In 2018, to increase our capacity for repairs, a partnership was entered into with an ESAT (support and work assistance organisation for disabled people) in Arles. Teams from the furniture workshops trained our ESAT partner's employees to carry out repairs, enabling them to repair some of the flows of damaged goods and to increase the number of products returned to stock.

Products that cannot be repaired in our furniture workshop are handled by means of partnerships with charities so that the furniture can be given a 2nd lease of life. These charities can then renovate or repair donated products or give them a new look, thereby benefiting their communities by mixing the circular economy with their social mission. The group entered into a partnership with the Emmaüs network to collect some substandard products. The Group also works in partnership with two *Croix Rouge* Insertion establishments and other social economy and local community structures.

Lastly, Maisons du Monde is also a partner in the *Emmaüs Défi* non-profit in Paris, and more specifically, in the "*Banque solidaire de l'équipement*" programme. Donated products, which are customer returns or ex-display stock from press conferences to present new collections, enable people in precarious situations who are being given their first permanent home to furnish their accommodation very cheaply.

MAIN PARTNER NON-PROFITS

Réseau Emmaüs
Emmaüs Défi, Paris
Croix Rouge Insertion
Ressourcerie Déclic 13

Lastly, products that cannot be repaired or recycled by charities are directed to the most appropriate treatment network by the eco-organisation Ecomobilier, so that recycling can be maximised. Information about the volumes sent to these networks for recycling is shown in Section 2.4.1 of this chapter.

Inviting our customers to give our products a second lease of life

In addition to the substandard products in the logistics channels, customers' end-of-life product management is a major challenge for which the Maisons du Monde Group must take responsibility. The Group does not currently offer generalised solutions for taking back customers' old products but has chosen to present customers with solutions enabling them to extend the life of their products by means of repair, makeover or *via* other reuse channels, particularly within the social and solidarity economy (SSE).

To engage customers in a circular and solidarity economy by strengthening its partnerships with SSE structures, Maisons du Monde takes various actions:

- customer information regarding their nearest community product reuse or recycling solutions in stores or on our website's product information pages, due to information provided by Ecomobilier;
- the publication of advice on product maintenance on the maisonsdumonde.com website to extend product life.

2.3.3 PROMOTING THE OFFERING, CONSUMER INFORMATION

Promoting ecodesign and the circular economy and offering increasingly responsible products is part of our brand commitment.

The purchasing teams are encouraged to grow, on an annual basis, the percentage of products in the Group's catalogues that fulfil sustainability criteria, whether these are "ecodesigned" products (see Section 2.3.1.) or products using responsibly sourced timber (see Section 2.2.2 on the certification programme, traceability and the use of recycled timber). Responsible products accounted for 60% of the wooden furniture retailed by Maisons du Monde at the end of 2018. The aim is to grow this responsible product offering year on year by incorporating new criteria and new materials. The 2019 catalogues will include products made using Oeko-Tex® labelled textiles, GOTS cotton and leather goods from LWG certified tanneries.

Maisons du Monde has also been a member of 1% For the Planet since 2013 and pays 1% of revenue from traced, recycled or ecodesigned timber to environmental associations *via* the Maisons du Monde Foundation. In 2018, these products generated sales of €46.1 million.

The value added nature of these products, and publicising circular economy solutions and responsible consumption practices, are key to the transformation of the offering. The Group is always working on developing tools to raise awareness of its responsible product offering to make them more visible to the brand's customers. This includes:

- pictograms representing the different elements of the responsible offering: recycled timber, traced timber, ecodesigned product and certifying body logos on point-of-sale advertising and on the brand's online product pages;
- promotion of the Group's commitments on the Maisons du Monde website in a specific section of the homepage;
- raising awareness of the Maisons du Monde Foundation's commitment (see Section 2.6) *via* ROUNDING UP at the check-out which enables customers to make a direct contribution to non-profits on the ground;
- holding one-off in-store solidarity or product share operations such as the partnership with the non-profit, "*Toutes à l'école*", *via* the 2018 junior catalogue;
- regular reports of these operations or promotion of the responsible product offering on social networks or in newsletters sent out by Maisons du Monde to its customers.

Transparency around the products' origins is very important to customers and customer service teams are trained to answer questions and are assisted by experts from the different business lines, depending on the questions raised.

2.4 Trade like citizens

Group environmental policy

The Group generates a significant environmental impact through its production, logistics and distribution activities, both in-store and online. This impact plays a central role in Maisons du Monde's corporate responsibility. Fully aware of the impact of its activities, the Group is committed to a continuous improvement approach on issues identified as priorities, namely waste management, climate change, managing energy consumption and the environmental impact of its general purchasing. Environmental performance targets were formalised in the Ambitions 2020 plan and are managed by the Group's Technical Department, General Purchasing Department and its subsidiaries' Logistics and Production Departments.

To roll out actions in stores and disseminate best environmental practices, a network of CSR contacts has been set up since 2017. At 31st December 2018, a CSR contact had been appointed and trained in over 100 stores in France. The aim of this network was to roll out in-store measures to reduce the environmental impact of the business, not just by providing action plans but also by raising awareness, both internally and externally, of sustainable development challenges.

The information presented in the paragraphs below gives an overview of the Group's environmental impact by separating the activities of the Maisons du Monde store network from those of its administrative premises, the logistics business (Distrimag) and the Mekong Furniture production plant in Vietnam.

At 31/12/2018, the Maisons du Monde Group operated the following sites:

Germany	stores	10
Belgium	stores	22
Spain	stores	23
	stores	221
France	Distrimag logistic platforms	13
Italy	stores	45
Luxembourg	stores	3
United Kingdom	stores	4
Swiss	stores	7
United States[1]	stores	14
Vietnam	production units	4

(1) Environmental information on the Group's sites in the United States, combining "Modani" brand business (13 stores) which was consolidated on 1st July 2018, with that of the Maisons du Monde store in Miami, which opened in December 2019, are not included in these reports.

2.4.1 WASTE MANAGEMENT

Ambitions 2020
90% of our sites to sort their waste
70% of waste sorted and recycled[1]

(1) Excluding Mekong Furniture production.

Waste management is a real challenge for the Group, which is striving to reduce its environmental footprint. By reducing waste at source, optimising packaging, sorting waste in-store and in our logistics and production activities to ensure more efficient recycling in stores, and developing a second life for its products, the Group is committed to reducing waste from its activities and those of its customers at every stage of the product life cycle.

Introducing sorting into the Group's factories, warehouses and stores to ensure waste is recycled, is a key commitment. To achieve these goals, Technical Department teams are, in particular, tasked with optimising in-store sorting, continuously identifying new recycling channels and forging innovative partnerships. The logistics and production teams are, on the other hand, in charge of optimising sorting across the different sites and work on procurement to reduce waste at source.

VOLUME OF WASTE PRODUCED – GROUP

tonnes	2018	2017	2016
Network	11,135	9,416	8,732
Administrative premises	39	46	30
Logistics – Distrimag	5,497	6,741	5,747
Production – Mekong	3,377	Not available	Not available
GROUP TOTAL	**20,049**	**16,203**	**14,509**
Percentage of waste sorted for recycling (excluding production)[(1)] (%)	**57%**	**59%**	**55%**

(1) The percentage of waste sorted for recycling, excluding production activities at the Mekong site, is calculated in line with the 2020 target which only includes stores, administrative and logistics sites.

The Group's activities generated 20,049 tonnes of waste in 2018 across its various activities. The increase in waste tonnage is linked to the hike in the Group's business activity and the fact that the table now includes indicators relating to Mekong Furniture production activity.

Network and administrative premises

Most of the waste generated in the Group's stores comes from the packaging used to protect goods during shipment. The Group strives to optimise its management by establishing, where possible, in-store sorting equipment and coordinating waste collection by specialised providers.

71% of in-store waste management is overseen by the Maisons du Monde Technical Department, the remaining stores being dependent upon the shopping centres in which they are located. Information on the waste tonnage produced is not always available and may estimate. However, the Maisons du Monde General Purchasing teams work with teams from all the stores, and with landlords in the case of shopping centres, to ensure that the waste produced is properly sorted on site.

In 2018, the stores and administrative premises generated 11,174 tonnes of waste, including:

- 4,774 tonnes of cardboard or plastic sent to recycling companies;
- 6,400 tonnes of ordinary industrial waste (polystyrene, mixed household waste etc.).

VOLUME OF WASTE PRODUCED – NETWORK AND ADMINISTRATIVE PREMISES

tonnes	Other waste	Cardboard/plastic waste sorted for recycling	Total 2018	Total 2017	Total 2016
Stores	6,376	4,759	11,135	9,416	8,732
Administrative premises	24	15	39	46	30
TOTAL STORES AND ADMINISTRATIVE PREMISES	**6,400**	**4,774**	**11,174**	**9,462**	**8,762**
Percentage of waste sorted for recycling (%)			**43%**	**41%**	**38%**

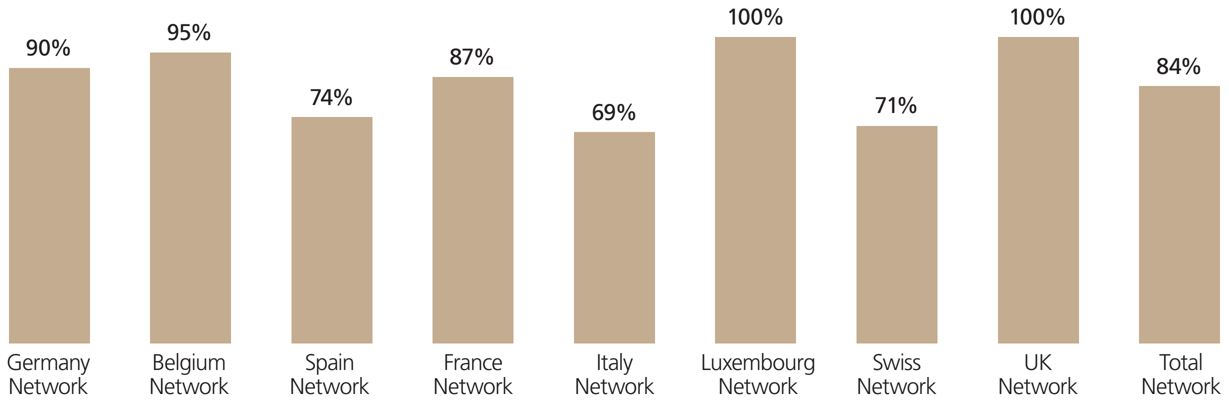
The 18% increase in volumes between 2017 and 2018 was linked to the opening of new stores and more reliable monitoring of indicators in 2018.

Maisons du Monde focuses its efforts to reduce the environmental impact of its activities and waste flows in stores on waste sorting as a means of ensuring their recycling. The Group uses the following levers to optimise waste management in stores:

- increasing the number of stores performing sorting (provision of the appropriate equipment);
- extending sorting campaigns to other types of waste (plastic, glass, wood, metal, etc.);
- involving all employees (accountability, training, awareness, etc.);
- considering waste management when looking for or designing new premises (feasibility of selective waste sorting);
- requests for detailed reports from service providers to improve tracking of waste products and allow regular targeted and efficient optimisation work.

By the end of 2018, 84% of stores were sorting waste compared with 81% in 2017. This increase was boosted by the introduction of waste sorting solutions when new stores are opened.

PERCENTAGE OF STORES SORTING CARDBOARD AND/OR PLASTIC:



In 2018, Maisons du Monde focused its waste management efforts on introducing plastics sorting in France. In-store plastics sorting solutions are currently being rolled out and, by the end of 2018, 208 stores in the network were sorting plastic as well as cardboard, compared with 90 at the end of 2017. New sorting instructions for in-store teams were rolled out in 2018 to support these solutions and increase the tonnage of waste sorted for recycling. These instructions were disseminated by the Technical Department and via the CSR *con*tacts network to educate teams about sorting.

Maisons du Monde also attaches importance to sorting waste on its administrative premises: paper, cardboard, batteries and print cartridges are sorted and collected in differentiated and appropriate receptacles. Advertising campaigns, events organised during the European Week for Waste Reduction and dedicated displays are also used to inform employees about best sorting practices.

This increase in the number of stores sorting waste, combined with the teams' efforts with regard to in-store sorting and greater awareness of sorting instructions, means that 43% of product waste in stores or on administrative premises is now recycled.

In addition, in 2018, Maisons du Monde launched a major project to optimise its waste services across the French sites. Waste data was analysed and an audit of a representative panel of stores and warehouses was conducted. This situational analysis identified optimisation drivers to be rolled out in 2019 (relocation of services, circular economy processes etc.). A tool will also be used to monitor operational services. This will improve the reliability of waste flow data, measure service provider performance and give access to performance indicators

Lastly, the increased rate of recycling of waste generated in stores is also due to a reduction of waste at source and to the end of the use of "non-recyclable" packaging. A task force was set up to identify these items and to work with our suppliers to find replacements.

Logistics

Waste management in three of the Group's logistics business entities (Distrimag, Distri-Meubles and Distri-Traction) also involves the systematic use of selective sorting in all buildings to guarantee the recycling of re-usable or recyclable waste. The logistics business generates four main sources of waste: cardboard and plastics from product packaging, home furnishing waste (HFW) - primarily from customer returns, timber – mainly from broken pallets – and non-hazardous industrial waste (NHIW). Please note that the Group sold Distri-Meubles on 1st July 2018, and that 2018 data only includes waste volumes generated by Distri-Meubles until 30th June 2018.

In 2018, the logistics subsidiary's warehouse and offices generated 5,497 tonnes of waste, which breaks down as follows:

VOLUME OF WASTE PRODUCED – LOGISTICS

tonnes	Cardboard/ plastic waste	HFW collected by Ecomobilier	Timber waste - pallets	Non-hazardous industrial waste (NHIW)	Scrap metal	Hazardous waste	Total 2018	2017	2016
Warehouses and offices	2,000	1,717	844	818	113	5	5,497	6,741	5,747
Percentage of waste sorted for recycling (%)							**85%**		

In 2018, waste sorting in logistics entities' warehouses and offices enabled 85% of the waste generated by Distrimag to be sent to recycling networks, almost unchanged from 2017.

To optimise waste sorting and potential recycling, containers were assessed by service providers and sorting anomalies were reported to operators. On this basis, action plans were drawn up with operational managers to improve sorting, particularly by increasing teams' awareness of the issues and by identifying non-recyclable items in sorting chains. A monitoring tool is used, on a monthly basis, to track sorting performance indicators for each building and teams are regularly challenged to improve their score. A remote management system was introduced to prevent rotating compactors from making empty passes.

In 2019, a task force will be set up with the help of a project manager specifically responsible for improving sorting and an outside company to raise all teams awareness of the importance of waste sorting: visual displays on the various bins, waste baskets, compactors and containers, appointment of sorting contacts in each department, staff training, etc.).

Lastly, waste deemed hazardous requires specific treatment because of the risk it poses to the environment. Hazardous waste generated by the logistics subsidiary is mainly from furniture repairs: empty packaging for paints and varnishes, used oil and solvents. This waste is sorted and collected by PAPREC, an environmental organisation that provides waste tracking documents.

Production

The Mekong furniture factory generates different types of waste:

- wood offcuts and veneer from the processing of raw materials or semi-finished products. Waste of this nature is collected by an external company for reuse as industrial heating products. Quantities are estimated on the basis of number of loads;
- packaging waste (cardboard, polystyrene, paper), these types of waste are not monitored by Mekong;
- metal waste from the Metal components production section. This waste is sold on for recycling;
- domestic waste generated by employees. Waste of this nature is sent to the public processing centre;
- hazardous waste. This waste is processed separately in the local authority processing centre.

VOLUME OF WASTE PRODUCED – PRODUCTION

tonnes	Timber	Packaging	Metal	Domestic waste	Hazardous waste	Total 2018	2017
Production plants	3,328	Not available	8.5	6.5	34	3,377	2,781(1)

(1) 2017 waste volumes were corrected due to the identification of a reporting error for tonnages of timber waste.

Tonnages of hazardous waste generated are calculated by weight. Please note that the change in tonnage compared with 2017 was associated with the inclusion of metal waste in the indicators monitored.

2.4.2 ENERGY CONSUMPTION AND USE OF RENEWABLE ENERGIES

Maisons du Monde sees optimising energy consumption as a critical challenge and a major conservation issue in the fight to preserve resources and combat global warming. Whether it is the energy needed for production operations, stores and warehouses, or fuel consumed by Distri-Traction and Distri-Meubles commercial vehicles and trucks for their logistics activities, the Group involves all its teams in the efforts to reduce consumption.

The Group undertakes a proactive approach to optimise and reduce consumption in each of its activities.

Ambitions 2020
25% reduction in our energy intensity
30% reduction in our carbon intensity

Energy consumption of buildings

ENERGY CONSUMPTION OF BUILDINGS – GROUP

Total eEnergy *(kWh)*	**2018**	**2017**	**2016**
Network and administrative premises	64,417,315	63,203,528	59,678,684
Logistics	10,000,859	9,577,905	10,474,018
Production	4,229,919	3,140,280	3,296,050
GROUP TOTAL	**78,648,093**	**75,921,713**	**73,448,752**

Network and administrative premises

The energy consumption of the Group's stores and administrative premises stems chiefly from lighting, heating and air conditioning needs, and from power used to run electrical and electronic equipment.

ENERGY CONSUMPTION OF BUILDINGS – NETWORK AND ADMINISTRATIVE PREMISES

					Total energy		
Energy *in kWh*	**Electricity**	**Heat network**	**Natural gas**	**Domestic fuel oil**	**2018**	**2017**	**2016**
Stores	62,935,573	38,528	113,163	36,446	63,123,710	61,948,092	58,318,760
Administrative premises	1,131,251	0	117,489	44,865	1,293,605	1,255,436	1,369,924
TOTAL STORES AND ADMINISTRATIVE PREMISES	**64,066,824**	**38,528**	**230,652**	**81,311**	**64,417,315**	**63,203,528**	**59,678,684**
Energy intensity *(kWh/m²)*					130	143	156

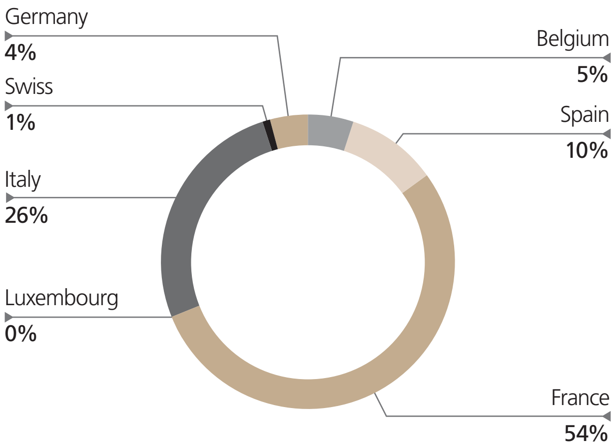
In 2018, the energy consumption of administrative buildings and the Maisons du Monde store network totalled 64,417,315 kWh, up 2% on 2017. This increase, which was due to network expansion, was contained by programmes to reduce energy consumption and intensity.

In fact, keen to reduce its energy consumption, the Group has taken a series of measures to improve the energy efficiency of its administrative premises and stores. The optimisation of energy consumption is an integral part of the work performed by technical teams, particularly during store maintenance, renovation, opening or relocation. To this end, the main measures taken in 2018 were as follows:

- improvements to lighting equipment using low-energy technologies; 103 of the existing stores had been fitted with LED lighting at 31 December 2018;
- improvement of control and automation systems (automation, detectors of presence and brightness) and the installation of key touch systems;
- modernisation of heating, air conditioning and ventilation systems as well as improved management or the installation of thermodynamic hot-air curtains in some stores in France and Belgium.

These different measures make a direct contribution to optimising the Group's sites. In 2018, the Group's stores and administrative premises consumed an average of 130 kWh/m², down 17% on the previous year.

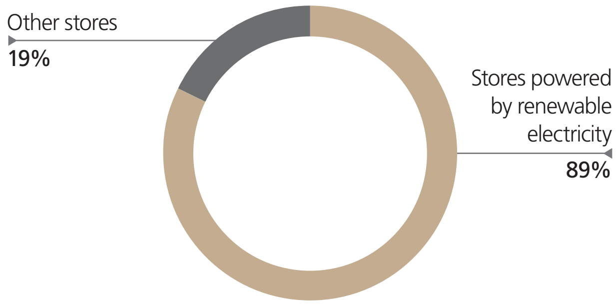
ENERGY CONSUMPTION OF BUILDINGS BY COUNTRY



Lastly, control over the environmental impact of energy consumption also involves renegotiating supply contracts and the use of renewable energy. The Group decided to prioritise renewable energy purchases to reduce the carbon footprint of its activities. All French and Italian administrative premises and stores have been powered by electricity from renewable sources since 2017. In 2018, this commitment was extended to Spanish stores which have been powered by electricity from renewable sources since May 2018.

By the end of 2018, 89% of the Maisons du Monde store network was powered by renewable electricity.

PERCENTAGE OF STORES POWERED BY RENEWABLE ELECTRICITY



Furthermore, to improve the monitoring and oversight of its energy consumption, Maisons du Monde has a specially designed tool for overseeing stores' energy consumption. Rolled out in France in 2018, this tool automatically monitors consumption and improves data reliability by taking legacy (existing equipment, floor space etc.) and environmental (standard degree-day etc.) data into consideration. It can not only be used to optimise contracts and equipment operation but also to provide regular indicators across all stores. International roll out is planned over three years.

Logistics

The logistics activities' energy consumption includes the consumption of natural gas (freeze protection in buildings), propane (forklifts and autoscrubbers) and electricity consumption (lighting and charging of forklift batteries). Consumption is monitored on a monthly basis for each building and controlled by Distrimag general services teams as well as by the management control service.

In 2018, energy consumption at Distrimag logistics sites totalled 10,000,859 kWh, an increase of around 4%.

ENERGY CONSUMPTION OF BUILDINGS - DISTRIMAG

				Total energy		
Energy *in kWh*	**Electricity**	**Natural gas and propane**	**Domestic fuel oil**	**2018**	**2017**	**2016**
Warehouses and offices	9,061,760	828,736	110,363	10,000,859	9,577,905	10,474,018
Energy intensity (kWh/m²)				21.7	20.5	

In 2018, the logistics activities warehouses and offices consumed an average of 21.7 kWh/m², a rise in energy intensity of around 6% compared with 2017. This rise was mainly due to the increase in Distrimag's business and the disposal of Distrimeubles floor space on 30 June 2018.

Efforts to reduce this consumption are currently focused primarily on the energy performance of buildings, particularly the switch to LED lighting in buildings. The latest 96,000 square metre warehouse opened in 2016 is certified HQE (High environmental quality) and BREEAM, notably thanks to the establishment of presence detectors, improved insulation and tighter monitoring of consumption. Motion sensors can be used so that racks only light up when forklift trucks go by.

Continuing efforts to invest in equipment, studies were launched in 2018 into on-site renewable electricity productions, particularly the use of photovoltaic solar panels in buildings' car parks.

Production

Mekong Furniture's production activities mainly require electricity to power machinery and equipment, to light production lines and, to a lesser extent, for cooling. Domestic fuel oil is also consumed for the operation of generators in case of power failure.

In 2018, production plant consumption totalled 4,229,919 kWh down from 3,130,324 kWh in 2017. This increase of around 35% was mainly due to the opening, and gradual ramp-up in production, of the MK3 production unit over the year.

ENERGY CONSUMPTION OF BUILDINGS - MEKONG

			Total energy		
Energy *in kWh*	**Electricity**	**Domestic fuel oil**	**2018**	**2017**	**2016**
Mekong factories	4,103,400	126,519	4,229,919	3,140,280	3,296,050
Energy intensity (kWh/hour worked)			2.5	1.9	2.1

It should be noted that production activity energy intensity reported in kWh/m² is not relevant because energy consumption is not proportional to operational floor space but to production activity. Energy intensity is, therefore, recorded in kWh/hour worked.

In 2018, with the new MK3 factory's gradual ramp-up in production, efforts to reduce consumption focused on the following measures:

- deployment of innovative technologies to reduce energy consumption with MK3 production line lighting being replaced by LEDs. Investment in this item began in 2016 at MK1 and MK2 and continued in 2018 at MK3;
- additional drying units using infrared light technologies were installed in the paint shop, in addition to two units already installed in 2017. This technology consumes less electricity than hot-air blower drying systems. On a like-for-like basis, this technology offers energy savings of around 25 to 30%;
- to reduce unnecessary indirect losses, weekly maintenance work is carried out to reduce potential air leaks in systems and equipment that can have an impact on the consumption of electricity compressors.

Lastly, replacing some electrical equipment has also cut electricity losses, such as the replacement of condensers in main electrical equipment boxes).

Vehicle fuel consumption

VEHICLE FUEL CONSUMPTION BY ACTIVITY

litres of diesel or petrol	**2018**	**2017** (1)
Network - Company vehicles	132,523	135,491
Short-term rental vehicles (network and logistics)	71,712	66,824
Logistics- Fleet of trucks and Company vehicles	908,750	1,166,117
Production – Factory vehicles	8,310	4,645
GROUP TOTAL	**1,121,295**	**1,373,077**

(1) 2017 data was restated to include the Logistics activity Company vehicles in "logistics" fuel consumption.

Network and administrative premises

Maisons du Monde has a fleet of 94 company vehicles in Europe, mainly used to meet the needs of network teams. Fuel consumption in 2018 is estimated at 132,523 litres of diesel compared with 135,491 in 2017.

To reduce its environmental footprint, at the end of 2018, the Group decided to systematically replace its diesel vehicles with petrol engines whatever the anticipated duration/distance coupling. The Group's goal is to optimise this fleet and to reduce its average level of CO_2 emissions, whilst improving its accessibility through the incorporation of sustainable transport tools. Three electric car-sharing vehicles were incorporated into the fleet in 2017 for employees working at administrative premises in Nantes and car-sharing parking spaces have been made available for head office employees, with the aim of limiting the use of private cars. A mobility plan was also signed in 2015 with Nantes Métropole and events to promote car-sharing, the use of bicycles and public transport are held on a regular basis.

In addition to its company vehicles, the Group also uses short-term hire cars for Maisons du Monde and Distrimag employee travel. In 2018, this type of travel accounted for the consumption of an estimated 71,712 litres of fuel. Greenhouse gas (GHG) emissions associated with this fuel consumption are recognised under "Scope 3" GHG emissions relating to employee business travel.

Logistics

The logistics activity of the Distri-Traction and Distri-Meubles entities contributes significantly to the Group's fuel consumption. With the sale of Distri-meubles on 1 July 2018, the truck fleet fell from 63 to 29 vehicles used to carry products from the port of delivery to warehouses, cutting the Group's direct consumption sharply. Fuel consumption by the logistics activity fell 22% between 2017 and 2018. Greenhouse gas emissions associated with the transportation of products from warehouses to stores or to the Group's customers are recognised under "Scope 3" emissions.

To reduce the fuel consumption and environmental impact of the Distri-traction fleet, 100% of drivers have completed mandatory continuing safety training (training and eco-driving module). Two drivers have been designated as eco-driving contacts and, by the end of 2018, 90% of the truck fleet had been fitted with driver monitoring systems with a view to optimising and streamlining driving practices. The tool will be rolled out to 100% of the fleet by the end of January 2019.

Furthermore, Distrimag also monitors vehicle fuel consumption which accounts for around 3% of logistics activity fuel consumption. In 2018, fuel consumption amounted to 876,802 litres of diesel for the truck fleet and 31,948 litres for company vehicles.

The fleet is also in the process of being replaced so that all traction vehicles comply with the Euro 6 emissions standard by the end of March 2019. 59% of the fleet of light vehicles (company vehicles and inter-site vehicles) was replaced by hybrid and electric vehicles in 2018, the aim being to have a 100% hybrid or electric fleet by February 2020.

Production

Factory vehicles are the main source of fuel consumption in Mekong Furniture factory production activities (fuel consumption by factory forklifts is recognised as energy consumption for production activities). This consumption stood at 8,310 litres in 2018. The increase in fuel consumption in 2018, compared with 2017 (+79%), was due to the increase in production at the MK3 factory, resulting in greater use of company vehicles to shuttle staff between the two sites, and the greater use of cars to transfer products.

Refrigerants

Network and administrative premises

In addition to energy consumption, refrigerant emissions, particularly those associated with leaking air conditioning units, are a major challenge for technical and maintenance teams. The work of all maintenance service providers is monitored to quantify the amounts of gas injected into the installations, the amounts recovered for recycling and thus the emissions into the air. Leaks were mainly associated with network equipment and were measured during maintenance operations.

REFRIGERANT EMISSIONS – GROUP

kg of refrigerant emitted	2018	2017
Network – R407C	81	101
Network – R410 A	301	170
Logistics – R410 A	52	13

2.4.3 GREENHOUSE GAS EMISSIONS

Ambitions 2020
30% reduction in our carbon intensity

Our climate commitment

The Maisons du Monde Group's commitment goes beyond targets for reducing energy consumption as the Group's aim is to incorporate climate change issues and the raw materials used to process end-of-life products.

In 2017, the Group rolled out a 2020 roadmap incorporating an assessment of the Group's scope 1, 2 and 3 CO_2 emissions, a map of key risks and opportunities arising from climate change and set an initial target for 2020 of reducing the carbon intensity (in $kgCO_2eq./m^2$) of buildings and distribution and logistics activities (Maisons du Monde and Distrimag) by 30%, compared with 2016.

In 2018, this goal was supplemented with a target for reducing direct greenhouse gas emissions (Scope 1 and 2) by 50% by 2025 compared with 2016. The Group has agreed to set a trajectory for indirect Scope 3 emissions that is compatible with the IPCC's 1.5°C or 2°C scenarios and validated by the Science Based Target Initiative.

Maisons du Monde's climate change strategy is also based on assessing related risks. A review of 28 CSR risks was jointly conducted by the CSR Department and the Internal Control Department. As discussed in the "Internal control and risk management" section of Chapter 3 of this report, the following climate change-related risks have been identified.

Risk identified	Type
Extreme climate event impacting buildings belonging to the Group or Suppliers (flooding, storms, etc.)	Physical risk
Scarcity of raw materials: climate change in supply area, regulatory changes (CITES), etc.	Physical risk
Rises in energy prices	Economic risk
Tightening of regulations on the energy performance of buildings	Regulatory risk
Requirement to reduce emissions or introduction of a carbon tax	Regulatory risk
Environmental product labelling requirement	Regulatory risk
Increase in customer demand for more responsible products	Economic risk

This risk assessment will be expanded in 2019 to include supply chain-related risks and the climate change exposure of suppliers of raw materials used.

The paragraphs below contain an assessment of the main greenhouse gas emissions and the reduction measures taken.

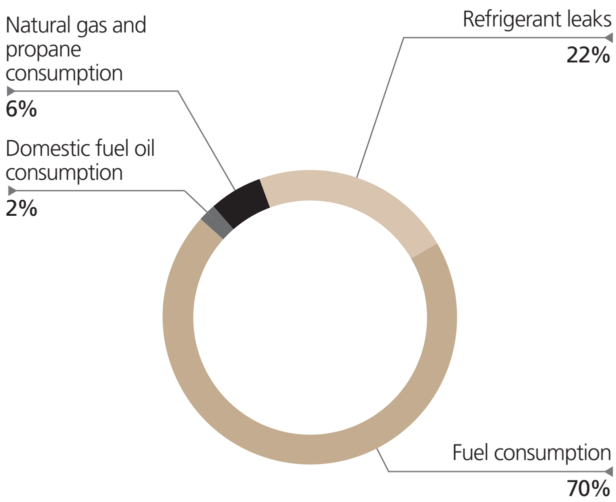
Scopes 1 & 2 related to energy consumption

In terms of activities directly operated by the Maisons du Monde Group (scopes 1 and 2 associated with energy consumption) the main sources of greenhouse gas emissions (GHG) are linked to the electricity consumption of buildings, particularly across the store network.

SCOPE 1 & 2 GHG EMISSIONS – GROUP

Emissions (in tonnes CO_2eq.)	2018	2017	2016
Scope 1 emissions	3,729	4,142	4,622
Scope 2 emissions	4,468	9,997	12,043
TOTAL SCOPE 1 & 2 EMISSIONS	**8,197**	**14,139**	**16,665**

BREAKDOWN OF SCOPE 1 GHG EMISSIONS BY SOURCE



Scope 1 emissions are mainly associated with vehicle fuel consumption, particularly the Distri-traction truck fleet. It should be noted that Scope 1 emissions also include emissions from Company or service vehicles, on long-term lease, considered as under the management of the Maisons du Monde Group.

Scope 2 emissions, generated by electricity consumption are mainly associated with lighting and HVAC equipment (heating, ventilation and air conditioning) in buildings. To reduce these emissions, the Group has committed to three main types of action:

- measures to raise employees' awareness of eco-friendly and energy-saving practices, particularly *via* the introduction of in-store CSR contacts;
- a plan to replace in-store lighting with LEDs *via* the systematic installation of LED lighting when new stores are opened and a plan to replace lighting in existing stores;
- the negotiation of contracts for the supply of renewable electricity.

The Group's direct GHG emissions (Scope 1 & 2) have fallen by 50% in absolute terms since 2016. This drop in emissions was mainly due to the fact that all of the Group's sites in France, Italy and Spain are now powered by renewable energy. In terms of direct emissions, the Group's main target was to reduce the carbon intensity of buildings by 30% by 2020 (in $kgCO_2eq./m^2$) then to reduce these emissions by 50%, in absolute terms, by 2025. Fuel consumption-related scope 1 emissions are not included in the indicator shown below.

CARBON INTENSITY OF BUILDINGS – SCOPE 1 & 2

Carbon intensity *$kgCO_2eq./m^2$*	2018	2017	2016
Network (stores and administrative premises)	7	21	29.3
Logistics (buildings)	0.6	0.6	2.3
GROUP (NON-PRODUCTION)	**4,3**	**10**	**14**

Main Scope 3 emissions

Recognising that reducing "direct" Scope 1 and 2 greenhouse gas emissions will not be sufficient to achieve the objectives in the fight against climate change set at COP 21 (keeping global warming to below 2°C), the Group has undertaken work on "indirect" emissions, so-called Scope 3 emissions.

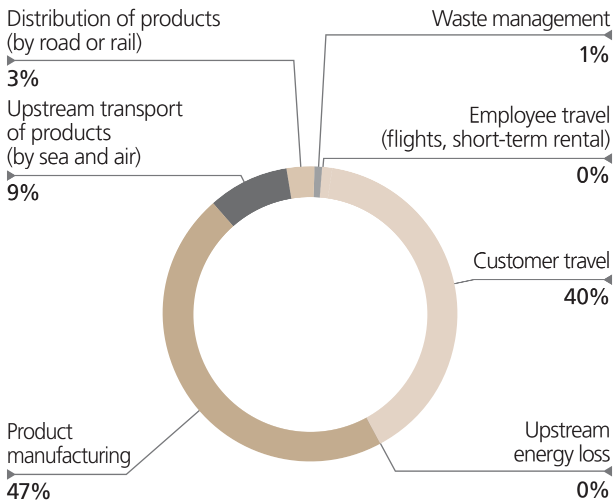
Since 2017, the Group has assessed and updated its main emissions on an annual basis to construct a roadmap compatible with the "2°C" climate strategy validated by the Science Based Target Initiative.

MAIN INDIRECT EMISSIONS – SCOPE 3

Emissions *($tCO_2eq.$)*	2018
Products and services purchases	170,000
Upstream transport of products	32,000
Downstream transport of products (by road or rail)	11,000
Employee travel (flights and short-term rental vehicles)	1,600
Upstreem energy	800
Waste processing	2,400
Customer travel	140,000
TOTAL MAIN SCOPE 3 ITEMS	**>360,000**

The Scope 3 assessment shows the share of the Group's GHG emissions from the supply chain. Indeed, taken together the various stages in the manufacture of products distributed by Maisons du Monde (products and services purchases) are the biggest indirect GHG emissions category (Scope 3) before customer travel to stores of the network

BREAKDOWN OF THE SCOPE 3 EMISSIONS



Please note that due to delays in data calculations and availability, GHG emissions relating to "products and services purchases" are based on 2017 sales data.

Products and services purchases

The manufacturing stages of the products distributed by the Group, from the extraction of raw materials to manufacture in suppliers' factories, are the main source of the Group's greenhouse gas emissions. This item is assessed annually on the basis of products' sales figures and information on their composition.

The materials chosen when products are being designed is key to reducing these emissions. The ecodesign programme, in the process of being devised in conjunction with product development teams, is key to hitting the targets referred to in the "2°C" climate strategy.

Customer travel

Customer travel to the Group's stores represent the second item in Scope 3 emissions. In 2018, an assessment of the greenhouse gas emissions generated by customer travel to stores was carried out. This assessment highlighted the significance of this item in the Group's "Scope 3" indirect emissions. These emissions were calculated on the basis of the number of store visits and on transport scenarios by type of store (city centre, shopping centre, retail park). The Group has decided to build these emissions into the calculation of Scope 3 in order to obtain visibility concerning the potential impact of the choice of store locations on the Group's actions to reduce greenhouse gas emissions.

Transportation of products

Sourcing for the brand's stores and those of its clients is a key activity for the Maisons du Monde Group. All products, furniture and decoration items transit *via* the warehouses of the Distrimag subsidiary, in Fos-sur-Mer and Saint-Martin-de-Crau (13). The upstream transportation of products from the production sites is almost 100% by boat and this stage accounts for a substantial proportion of the Group's indirect GHG emissions. In 2018 this upstream transportation accounted for 32,479 tonnes of CO_2 equivalent compared with 28,029 tonnes of CO_2 equivalent in 2017.

Then, the products are delivered to stores or end customers using carriers working for Maisons du Monde or, sometimes by Distri-Meubles, the Distrimag transport business which was sold on 1 July 2018. In 2018, emissions from the transportation by road of products to the Group's stores or customers accounted for 11,191 tCO_2 eqivalent, compared with 10,929 tCO_2 equivalent in 2017. This increase is due to the greater volumes transported and the expansion of the international network.

Aware of the environmental impact of transporting products and of its responsibility towards carriers, the Maisons du Monde Group is working with its service providers to reduce CO_2 emissions from this type of transport. As such, wherever possible (accessibility, delivery times), the Group favours rail. Over 90% (by weight transported) of deliveries to the Paris region are carried out by rail. Lastly, the Group encourages its partners to enforce emissions standards in their fleet, replace used vehicles and train drivers in eco-driving.

Employee air travel

Employee air travel accounts for a significant share of the Group's indirect greenhouse gas emissions. As such, in 2018, employee travel at Maisons du Monde and Distrimag generated around 1,498 tonnes of CO_2 eq. compared with 1,749 tCO_2 eq. in 2017.

Emissions relating to employee travel using short-term rental vehicles accounted for 180 tCO_2 eq.

2.4.4 GENERAL PURCHASING

Environmental and societal issues are an important part of the Group's general purchasing work. The integration of environmental criteria in the choice of products (choice of materials, recyclability, eco-labels, etc.) and societal criteria in service provision is an integral part of the purchasing process, from the sourcing stage to final product and solution selection.

Ambitions 2020
Optimise our packaging, from suppliers to customers

Packaging and paper consumed

Packaging used at check-outs

Packaging items and paper, including packaging used at check-outs, are a big part of the environmental impact of the Group's general purchasing. Such products are not always counted in the waste generated by Maisons du Monde because they are mostly passed on to customers (packaging used at check-outs, marketing publications) even though it is the Group's responsibility to oversee their reduction. This is why environmental criteria are included in purchasing procedures, not only to reduce volumes purchased, but also to reduce their environmental footprint, notably by promoting products that are more respectful of the environment.

PURCHASES OF PACKAGING USED AT CHECK-OUTS

tonnes of packaging	2018	2017	2016
Till rolls	42	47	45
Packaging used at check-outs	1,539	1,555	1,446
TOTAL PURCHASE OF PAPER AND PACKAGING USED AT CHECK-OUTS	1,581	1,602	1,491

In 2018, Maisons du Monde purchases of packaging used at check-outs and of paper (till rolls) for network activities amounted to 1,581 tonnes (compared with 1,602 tonnes in 2017), including 1,539 tonnes of packaging used at check-outs.

As regards this packaging, the entire range of kraft paper carrier bags (which account for 53% of the entire weight of check-out packaging distributed) has been FSC® or PEFC TM certified since 2012, and this certification has been an essential criterion of packaging specifications. This certification reduces the environmental impact of this packaging by guaranteeing the sustainable management of the forests of origin.

In addition, market watch on approved and prospective suppliers continues to be key when it comes to our purchasing policy. The aim is to keep abreast of the latest technical and regulatory developments in relation to the products. In 2018, in conjunction with our suppliers, this optimisation process reduced the gram weight of the Medium-sized kraft paper bags (from 100g to 90g) and Large bags (from 110g to 100g) and reduced the thickness of the cellophane paper used by 5 microns.

Lastly, short, fun training programmes for check-out staff are being looked at in 2019 to reduce the consumption of in-store packaging but still make the best use of the teams' time.

Catalogues, commercial publications and paper

PURCHASES OF PAPER, CATALOGUES AND COMMERCIAL PUBLICATIONS

tonnes of paper	2018	2017	2016
Catalogues	7,066	7,521	7,530
Other commercial publications	291	304	146
Office paper	87	91	91
TOTAL PURCHASES	7,444	7,915	7,767
Percentage of publications covered by environmental labelling	**100%**	**100%**	**100%**

Commercial publications account for the majority of the Group's paper purchases and therefore require specific vigilance. 100% of Maisons du Monde brand commercial publications (catalogues, brochures) are printed on FSC® or PEFC TM paper. These publications account for an annual weight totalling 7,357 tonnes (up from 7,825 tonnes in 2017), with catalogues accounting for 96% of this total tonnage.

Despite a new lighting catalogue being released in 2018, efforts to reduce the impact of printing catalogues reduced the catalogue-related paper tonnage in 2018 by around 6%. Optimisation research and tests with "lighter" "bouffant" papers reduced the weight of the Indoor catalogue by 10g, for the same number of pages. Lastly, greater vigilance in terms of monitoring stocks optimised print run quantities.

As regards purchases of paper in reams, 100% of the quantities used in 2018 were paper-based and certified PEFCTM FSI. From the first half of 2019, a printing policy for administrative headquarters' staff will be rolled out *via* technical settings that contribute to reducing consumption.

2

Packaging purchases – logistics activity

CARDBOARD AND PLASTIC PACKAGING PURCHASES - LOGISTICS

Tonnes of paper and cardboard	2018	2017
Cardboard packaging for delivery	706	694
Kraft filling paper	221	167
Plastic packaging for delivery	38	
Other cardboard	294	700
TOTAL CARDBOARD AND PLASTIC PACKAGING - DISTRIMAG	1,259	1,561

Reducing waste produced by the Group and optimising its reuse involves work on the quantities and materials used for such packaging. With this in mind, the logistics subsidiary has opted for fully recycled fibre in its cardboard. To facilitate the proper recycling of boxes once they are in the hands of customers, Distrimag has affixed specific sorting instructions. At the same time, quality teams have made efforts to reduce the volume of packaging, which optimised the protection of furniture coming directly from manufacturers.

Lastly, e-commerce activity contributes significantly to the tonnage of cartons used (boxes for individual deliveries). To further limit the environmental impact of this protective packaging, since 2016, Distrimag has chosen to use Blue Angel label filling paper made from post-consumption recycled fibre.

Purchases from the protected sector

Use of the adapted and/or protected sector is another critical lever in the social action of the Group and the general purchasing team. Today focused on maintenance services for stores' green spaces, purchases from the protected sector (adapted companies, institutions and social services for inclusion through employment) accounted for 69% of the services purchased in this category in 2018.

For two years now, the Group has also endeavoured to develop printing partnerships in this sector. €49,000 worth of work had already been given to the protected sector in 2018 and the aim is to increase the percentage of printing work purchased from the protected sector by 30% by 2020.

2.4.5 OTHER ENVIRONMENTAL ISSUES

Water consumption

The water consumption of stores and administrative premises is confined to domestic consumption, from piped water systems. As such, other than control of the risk of leaks during maintenance operations, domestic water consumption is not considered a significant environmental challenge. Water consumption is not monitored systematically and is not presented in a consolidated format.

Classified facilities (ICPE)

All warehouses of the Group's logistics subsidiary are classified as facilities subject to environmental protection statutes, and must accordingly obtain a permit. Distrimag's general services team ensures compliance with this regulation. In 2018, Distrimag was not audited or sanctioned under environmental protection statutes.

Beyond compliance with regulatory requirements in relation to facilities subject to environmental protection statutes, no specific framework for the prevention of environmental risks and pollution, including emissions as well as noise pollution, into the air, water and soil, has been laid down due to the non-material nature of these risks. The activity conducted in stores means that wastewater discharged from these sites is not responsible for major pollution.

Moreover, the Group has not to date recognised any provisions or guarantees for environmental risks.

Protection of biodiversity

Being aware of the potential impacts of its activities on biodiversity, the Group is focusing its efforts on its impact on the supply chain.

The timber purchasing policy and the development of the responsible product offering make a direct contribution to reducing impacts on biodiversity, particularly through the development of the FSC® and PEFCTM forestry certifications (see detailed information in Section 2.2.2. on the management of natural resources).

In addition to issues relating to the raw materials used to manufacture the products distributed by the Group, Maisons du Monde is seeking to limit, as far as possible, the impact of its sites on biodiversity. The implementation of Distrimag's logistics platforms in Saint Martin de Crau was subject to a preliminary impact assessment for sites likely to be affected. This study, carried out by NATURALIA, demonstrated the compatibility of the project with Natura 2000 standards, including the commune of La Crau, which supports species that are rare in France and Europe.

In 2018, Maisons du Monde also signed up to the commitments made by the Act4Nature initiative, the companies for biodiversity movement. As a result, the Group has agreed to respect ten collective commitments focusing on biodiversity and dialogue with stakeholders, strategic decisions throughout the value chain, reducing impacts and transparency of commitments. In 2019, the Group will formalise a series of individual commitments to adapt these goals to the Maisons du Monde business model.

Furthermore, various events were held, throughout the year, at the Group's administrative headquarters in Vertou, to raise employees' awareness of biodiversity protections issues and to improve the scope of work. Two kitchen gardens are cultivated at the two Vertou sites and welcome employees once a week. Bees have also been introduced at the Portereau site and, since 2018, this same site has kept sheep for eco-grazing.

2.4.6 ACCESSIBILITY OF STORES

The accessibility of points of sale and accommodating people with disabilities in our stores are a major challenge that the Group has taken up through two main initiatives: training its team and fitting out its buildings.

Training action

Since 2016, Maisons du Monde has undertaken two major training programmes to raise the awareness of all employees about the reception of people with disabilities and regulations regarding establishments open to the public.

In the first instance, managers of merchandising, installation, maintenance, safety/security and technical design teams initially received a day's training devoted to the prevailing regulations on accessibility. At the same time, an e-learning course dedicated to accessibility has been devised by the Maisons du Monde Group's training service. This e-learning course, intended for all Store Managers and their employees, has been provided since 2017.

Accessibility work on stores

In 2015, Maisons du Monde undertook to achieve the full compliance of the French fleet of directly owned stores by the end of 2021, by officially adopting a Government-sponsored action plan known as *Agenda d'Accessibilité Programmée* (Ad'Ap).

While all store openings and renovation programmes have ensured the compliance of stores since 1st January 2007, an inventory conducted between 2009 and 2012 has helped draw up a list of sites in need of upgrades. All of the work is set out in the Ad'Ap plan, staggered between 2016 and 2021 and updated each year.

To achieve the 2021 goal, Maisons du Monde has established a three-phase plan, namely the preparatory studies and compliance work on 2 sites in 2018, and a further 24 sites in the 2019-2021 period.

The budget for accessibility upgrades to French stores was €350,000 for 2019.

2.4.7 BUSINESS ETHICS, ANTICORRUPTION AND TAX EVASION POLICY

The Maisons du Monde Group has been a member of the United Nations Global Compact since 2011, committing to disclose its actions on ten principles in favour of human rights, labour standards, the environment and the fight against corruption. All the information appearing in this document enables the Group's commitments to be reported on an annual basis.

More specifically, with regard to the challenges posed by corruption, in 2017, Maisons du Monde rolled out a series of procedures and practices to identify and manage the risks that are specific to the Group's business operations. These mechanisms fulfil the requirements of the "Sapin 2" law on anticorruption and influence peddling. Thus, the Group formalised:

- an anticorruption risk map, compiled as a result of twenty or so interviews with the Group's key functions, conducted by an external firm of consultants. This map makes it possible to identify, analyse and prioritise the Company's risk of exposure to corruption and to scale internal procedures;
- the Maisons du Monde professional Code of Conduct aims to formalise the ethical and legal frame of reference within which Maisons du Monde and its employees perform their day-to-day professional activities;
- a whistle-blowers' charter and an ethics hotline enable any situation that contravenes the Code of Conduct to be reported confidentially by telephone or email.

In 2018, the Group also rolled out training for those employees most exposed to the risk of corruption as well as for all service managers. This classroom-based training, focused on:

- a general introduction to issues of corruption, its forms and the sanctions incurred;
- behaviours to adopt, as well as the roles and responsibilities of individuals when faced with a situation which might involve acts of corruption;
- presentation of the anticorruption mechanism in place within the Group.

Accordingly, 117 people were trained on issues and procedures in connection with anticorruption in 2018 and training courses will ne organised every two years.

More generally, the awareness of those less exposed to the risks of corruption was raised by filtering information down through the ranks of line management.

Tax evasion policy

Maisons du Monde groups tax evasion into two categories covered by procedures deployed and audited at Group level:

- in-store, the Group complies with the cash payment thresholds in force in the various countries where it operates to counter money laundering;
- at Group level, the Finance Department is responsible for the fiscal policy which applies to all Group entities. This policy incorporates transfer pricing procedures and compliance with the Base Erosion and Profit Shifting (BEPS) regulation. Maisons du Monde is also subject to the Country by Country Reporting (CbCR) regulation and makes a declaration to the authorities listing sales generated in each country in which it operates taxes due and settled as well as the Group's workforce in each of these countries.

2.5 Commit like enthusiasts

2.5.1 MAISONS DU MONDE'S HR POLICY

Through its values and its actions, Maisons du Monde promotes a work environment founded on respect, dialogue, consideration and well-being at work. Respectful of diversity and privacy, the Group puts the skills of its employees first, and strives to foster their employability. Teamwork is highly valued. It is based on open and constructive dialogue designed to strengthen cohesion and intensify passion. Maisons du Monde strives to inform its employees about its objectives and challenges in order to encourage their involvement in the life of the Company. The high expectations and professional approach aspired to by the Group promotes the development of individuals, both professionally and personally. All employees contribute to the development of the Group, regardless of their function or service.

"Commit like enthusiasts", this is the watchword of the Group's human resources policy. Employees are supported in their day-to-day duties, they are encouraged to develop their skills and fulfilling career paths are put in place to ensure that they reach their true potential.

Since 2016, with that in mind, Maisons du Monde has formalised its human resources targets for 2020:

- to improve well-being in the workplace, in particular, by improving local management and the roll-out of a regular employee survey;
- to improve its employees' employability and development through training and internal mobility;
- to support corporate change, growth and digitalisation.

The aim of this approach is to offer employees a well-thought-out and stimulating experience throughout their career at Maisons du Monde. The Group devised its "Ambitions 2020" roadmap, which forms part of the "Committed Together!" strategic plan, on the basis of these HR targets:

Ambitions 2020
100% of our managers trained in local management
100% of new managers participate in a personalised training programme
100% of our managers aware of, and sign, the Maisons du Monde Management Charter
65% of Store Managers and logistics managers in post as a result of internal promotion

In 2018, as part of this roadmap, Maisons du Monde rolled out the manager training programme, formalised the Management Charter and continued to invest in employee development by promoting the "*grandir*" career path which led to 12 network employees being awarded the "*management des univers marchands*" (retail management) certificate. Lastly, 2018 was marked by the integration of the Modani teams on 1 July last year, the workforce being included in the Group headcount shown below, and by the sale of Distri-meubles.

Workforce management and job creation

Employees

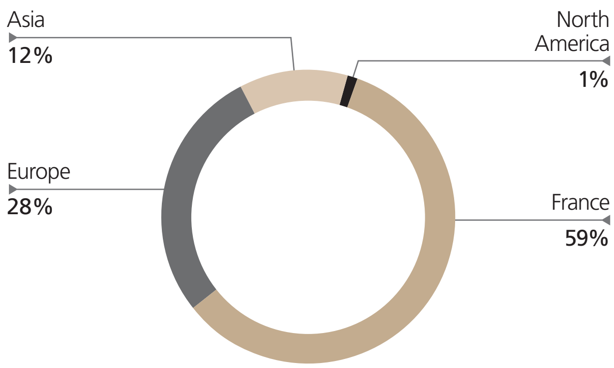
At 31st December 2018, the Group had 7,648 employees (6,630 full-time equivalents), up 5.1% on 2017.

GROUP WORKFORCE BY GEOGRAPHY

	31/12/2018	31/12/2017	31/12/2016
France	4,496	4,498	4,329
Europe	2,138	2,040	1,730
Asia	896	741	695
North America	118		
TOTAL	**7,648**	**7,279**	**6,754**

Most employees work in France where the headcount was stable. There was a sharp increase in the workforce in Europe of 4.8% The Mekong production plant in Vietnam accounts for 12% of the Group's employees. Modani and Maisons du Monde United States staff in post at 31/12 accounted for 1% of the Group's employees.

BREAKDOWN OF WORKFORCE BY GEOGRAPHY



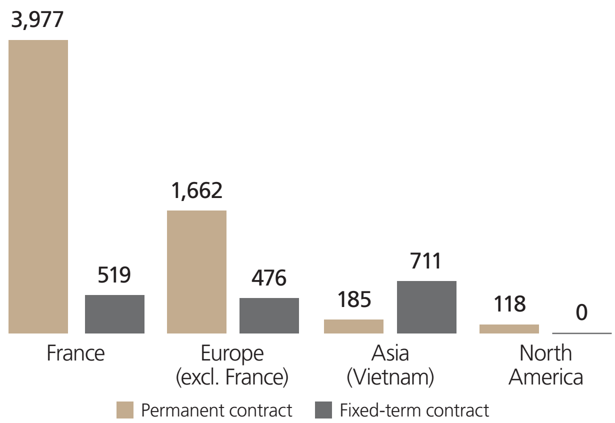
BREAKDOWN OF WORKFORCE BY CONTRACT TYPE

	31/12/2018	31/12/2017	31/12/2016
Permanent contract	5,942	5,453	4,855
Fixed-term contract	1,706	1,826	1,899
TOTAL	**7,648**	**7,279**	**6,754**

Over 77% of employees have permanent contracts. The average seniority of employees on permanent contracts is 3.9 years (same as last year):

- permanent contracts are prioritised in the network and the logistics business. Fixed-term contracts are primarily used to cover absence and spikes in activity associated with the Christmas holidays and the sales;
- as regards production in Vietnam, the number of fixed-term contracts is due to the fact that workers are primarily taken on under fixed-term contracts, as is the local custom, but then their contracts are made permanent after three years.

BREAKDOWN OF WORKFORCE BY CONTRACT TYPE AND BY GEOGRAPHY

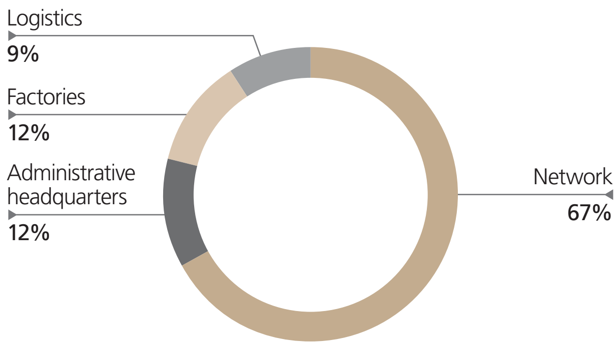


GROUP WORKFORCE BY ACTIVITY

	31/12/2018	31/12/2017	31/12/2016
Network	5,175	5,021	4,679
Logistics	667	712	700
Production	896	741	695
Administrative headquarters	910	805	680
TOTAL	**7,648**	**7,279**	**6,754**

Two-thirds of employees work in stores that are part of the Maisons du Monde or Modani network (sales teams, cashiers, display teams and supervisors).

BREAKDOWN OF WORKFORCE BY ACTIVITY

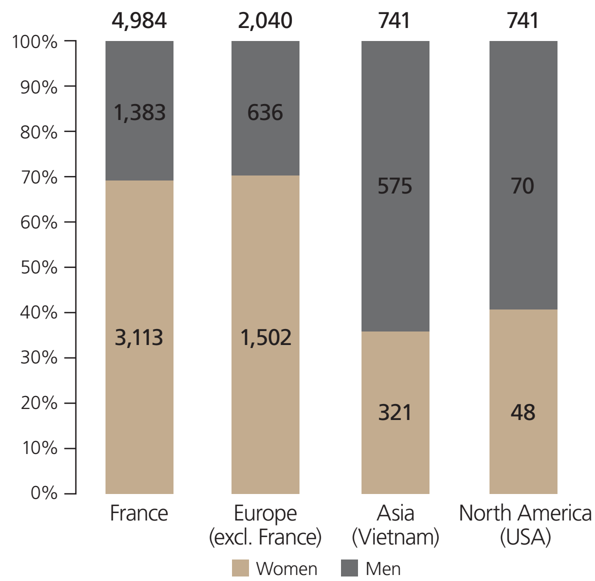


BREAKDOWN OF WORKFORCE BY GENDER

	31/12/2018	31/12/2017	31/12/2016
Women	4,984	4,759	4,407
Men	2,664	2,520	2,347
TOTAL	**7,648**	**7,279**	**6,754**

Just as in 2018, women make up 65% of the total workforce.

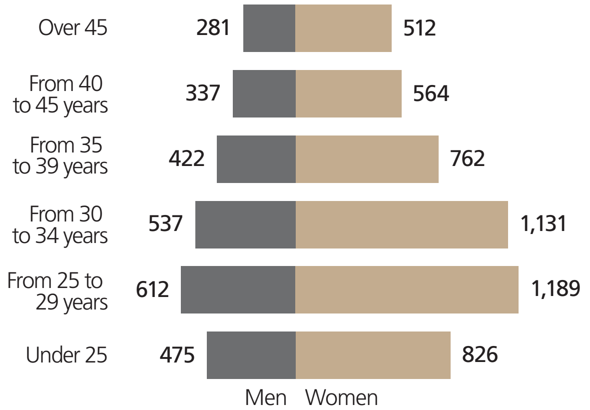
WORKFORCE BY GENDER



2

BREAKDOWN OF WORKFORCE BY AGE

The average age of employees is 33 compared with 32.5 in 2017.



Hiring, departures and local economic impact

Growth in the Group's business is reflected in the creation of jobs in stores. For example, the new stores that opened in Europe in 2018 had 246 permanent employees at 31 December.

Maisons du Monde's aim is still to recruit on the basis of life skills, prioritising individuals' wealth of experience. To create an applicant experience, new multimedia content is added to the HR website on a regular basis, promoting the Group's values and presenting jobs, HR commitments and HR news. To increase the Group's appeal to the younger generation, Maisons du Monde has chosen to conduct its recruitment drives *via* social networks, particularly LinkedIn, on a twice-weekly basis.

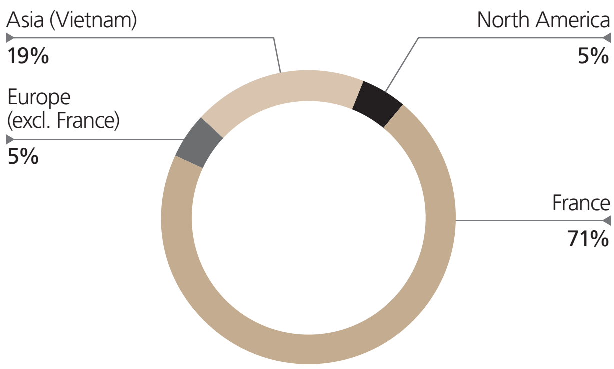
The growth of the Group and its activities is creating new jobs and providing the opportunity to recruit new talent to add to the wealth of experience of Maisons du Monde teams. Still with the aim of adding value to its employees, Maisons du Monde trialled a co-optation system in the second half of 2018. Co-optation is proving to be a success both for Maisons du Monde and for employees and demonstrates Company loyalty.

The recruitment service brought in new recruitment methods this year to give as many people as possible the opportunity to join Maisons du Monde. A partnership was signed with the *Pôle Emploi* (French employment agency) to recruit using a simulation-based recruitment method (MRS), particularly for Management and Customer Relations posts: no more CVs or candidates chosen solely on the basis of qualifications rather than on candidates' skills or experience. The Group also increased its presence on forums such as DevFest, the first global tech-driven conference

BREAKDOWN OF PERMANENT HIRES BY GEOGRAPHY

	2018	2017	2016
France	992	850	793
Europe	268	253	194
Asia	76	64	86
North America	66		
TOTAL	**1,402**	**1,167**	**1,073**

In 2018, 1,402 employees were hired on a permanent basis (1,167 in 2017). For each store opening, Maisons du Monde favours hiring on permanent contracts and internal mobility.



BREAKDOWN OF DEPARTURES OF STAFF EMPLOYED UNDER PERMANENT CONTRACTS, BY GEOGRAPHY

	2018	2017	2016
France	1,148	1,012	932
Europe	286	191	155
Asia	30	8	4
North America	48		
TOTAL	**1,512**	**1,211**	**1,091**

There were 358 terminations in 2018 (262 in 2017). The average seniority of departing employees on permanent contracts is 2.36 years.

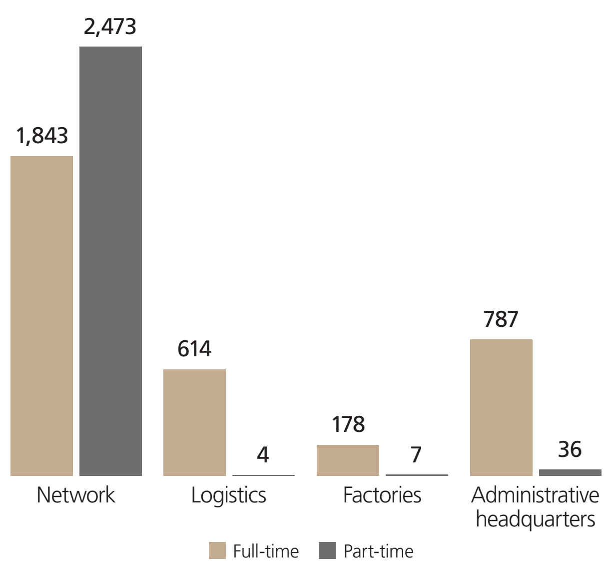
Working hours

Contractual working hours (permanent employees)

More than 97% of logistics, production plant and head office employees are full time.

Nearly four-fifths of employees in the store network have a contractual work schedule representing at least 70% of statutory working hours under local law.

BREAKDOWN OF EMPLOYEES EMPLOYED UNDER FULL-TIME/PART-TIME CONTRACTS



Temporary

As a result of its activities, the Group may use temporary staff to meet more specific demands identified, such as reinforcements when setting up new stores. As for logistics, the number of employees on temporary contracts may be higher, due to the specific nature of the activity.

Compensation policy

Maisons du Monde is scrupulous about setting fair and equitable wages for all employees. For most employees, wages are above the agreed minimum (France and Europe). The change in personnel expenses follows the Maisons du Monde Group's growth, increasing from €194.1 million in 2017 to €213.6 in 2018.

Maisons du Monde seeks to promote collective performance. 100% of employees (not including Mekong production workers) are eligible for variable compensation based on the collective achievement of qualitative and quantitative objectives, recognising the commitment and achievement of all employees in the performance of their duties. Compensation is consistent for all employees of the store network, logistics and the Mekong production plant.

The Group has introduced a two-part incentive plan to complement its compensation policy and enable employees to benefit collectively from a share in the profits made:

- annual plan: a system of incentives was introduced for all Group employees (non-production) linked to hitting annual targets. Thus, employees receive an additional bonus, either in the form of an incentive payment (France & Italy), or in the form of a salary bonus (other countries);
- medium/long-term plan: a free share award plan was introduced for some employees. Acquisition will be dependent on performance, which will be measured every two financial years, and on working for the Group for a period of three years. The free shares should be granted at regular intervals, based on decisions by the Board of Directors.

2.5.2 WELL-BEING AT WORK

Fostering employee well-being is key to Maisons du Monde's HR commitment. As a result, the Group decided to incorporate HR targets, on strengthening local management and improving working conditions for teams, into its CSR roadmap This action plan was supplemented by employee feedback collected when the employee survey was launched in 2017 and updated every two years.

STRENGTHENING LOCAL MANAGEMENT IN SUPPORT OF WELL-BEING AT WORK

Local management is key to providing more career-based support for Group employees and to conveying Maisons du Monde's HR policy and values to all the teams.

- Careers managers were formally appointed and a "Management Charter" was introduced. This charter, which defines the manager's role and outlines the brand's values, was distributed to all managers in 2018.
- Furthermore, manager training is key to disseminating the Group's HR policy and commitments. Every year, a training plan, specially designed for administrative and network managers, is rolled out through training modules designed by the Training Academy on the basis of consultation with the Group's teams and Executive Committee. In particular, this training highlights the importance of managerial or sales routines in terms of disseminating information and mobilising the teams.

The question of well-being at work is incorporated into all projects driven by the Maisons du Monde Training Academy, so that this issue, and the improvement of working conditions, can be taken into consideration in all the training modules introduced. These include, for example, conflict resolution and management of antisocial behaviour, which will be rolled out to store network teams in 2019.

Improving working conditions

The continuous improvement of working conditions is the second part of the Maisons du Monde well-being at work policy. Related action plans are updated on a regular basis, according to context, and the results of the employee satisfaction survey.

The Group has committed to a wide-ranging plan to renovate Company premises as well as to equip stores with a cash transport plan to improve teams' day-to-day experience.

Furthermore, based on feedback from the 2017 employee survey, other measures were implemented such as, for example:

- a "social events budget" for in-store teams to fund time spent together outside of work and team-building;
- the roll out of wifi in staff rooms so that employees can access training and e-learning tools more easily;
- the approval, in 2018, of a leave day for employees who are moving home.

Employee survey

Lastly, to ensure that measures to improve working conditions are really in line with employee expectations, an employee survey is conducted once every two years. The last survey, in 2017, resulted in the plan of action being shared with employees.

This survey, which will be repeated in 2019, aims to:

- give employees a voice and assess their level of satisfaction;
- analyse feedback and draw up action plans;
- listen to employees and measure the effectiveness of actions implemented.

In 2017, over 77% of employees responded to the survey. The survey confirmed employees' firm commitment to the Company and their desire to see it flourish. A figure to remember: 88% of employees are proud to work for Maisons du Monde.

To respond to the employee expectations expressed in this survey, Maisons du Monde has since rolled out measures such as:

- the roll out of the "grandir" career path to support employees with their careers;
- the roll out of management training modules;
- increased availability of e-learning and expansion of the training catalogue.

Absenteeism

Maisons du Monde is attentive to absenteeism, monitoring trends and taking appropriate measures to reduce the number of staff off work.

Annual appraisals are an opportunity to share specific situations. Systematic oversight of these appraisals and the implementation of action plans are means of reducing absenteeism.

This close relationship with employees is also important at Distrimag. By way of example, the Logistics Human Resources service keeps in contact with absent employees to encourage them to return to work and conducts a return-to-work interview after any absences lasting more than 15 days.

RATE OF ABSENTEEISM DUE TO ILLNESS(1)

	2018	2017	2016
France	4.10%	3.93%	3.60%
Europe	5.05%	3.00%	-
TOTAL	**4.32%**	**3.35%**	**3.60%**

(1) Number of calendar days of absence due to illness based on the total theoretical number of working days. "Europe" data does not include employee absences at German and Spanish stores and at the administrative premises in the United Kingdom.

2.5.3 SOCIAL DIALOGUE

Maisons du Monde strives to ensure a peaceful labour relations climate fostering exchange and dialogue with staff representatives and employees.

NUMBER OF MEETINGS WITH STAFF REPRESENTATIVES

	2018	2017	2016
MdM France	19	26	31
Logistics	39	55	65
MdM Belgium	23	22	23
TOTAL	**81**	**103**	**119**

The drop in the number of meetings with staff representatives in 2018 was due to the introduction of the Social and Economic Committee (CSE) in France which combines the Works Council, the Health and Safety and Working Conditions Committee (CHSCT) and employee representatives, into one single body.

Network and administrative premises

In France, Maisons du Monde employees are represented by two representative trade unions.

In 2018, workplace elections were held in France to elect members of the Social and Economic Committee. This single body enjoys all the prerogatives of the previous bodies, the Works Council, the Health and Safety and Working Conditions Committee and Employee Representatives.

In addition to this single body, commissions were set up to respond more specifically to specific difficulties. This was particularly true for the health, safety and working conditions commission as well as the disability commission.

In Spain, there are staff representatives in four stores (one permanent and one alternate). They do not hold monthly meetings.

In Italy, as a result of the elections held in 2018, six employees are now responsible for security (RLS)

In Belgium, employees are represented on two bodies, the Works Council and the Committee for prevention and protection in the workplace.

Discussions with staff representatives were reflected in the following agreements in 2018:

- amendment to the profit-sharing agreement (Maisons du Monde France and Maisons du Monde Italy);
- mandatory annual negotiations on wages, working time and professional equality (Maisons du Monde France);
- agreement on the redistribution and duration of working hours (Maisons du Monde France).

Lastly, it should be noted that Maisons du Monde France took a unilateral decision to introduce a procedure whereby employees can donate days off to their colleagues.

Logistics

At Distrimag, 2018 was marked by the introduction of the Social and Economic Committee (CSE) last June.

The CSE, a driver of social and corporate dialogue, now not only brings the different bodies together in a single entity, Staff Representative (DP), Works Council (CE) and the Health and Safety and Working Conditions Committee (CHSCT), but also sets up various commissions (health and safety and working conditions/information and housing support/training/equal opportunities). A shop steward and a union representative were appointed. As part of this process, an initial agreement was signed with the shop steward in September 2018. Throughout the year, the bodies were regularly updated and consulted in relation to the Company's results and were involved in the roadmap. Please note that all updates and consultations were favourably received.

To facilitate a closer relationship with employees and guarantee optimum support for managers, in 2018, Distrimag's Human Resources Department chose to no longer be structured by business line but by specialist unit: Staff administration, Training, operational Human Resource Managers.

At Distrimag, employees and management are also the focus of social dialogue, in both directions and opportunities for discussion are increasing:

- daily briefs from Operational Managers: these offer vital opportunities to share both the Company's results and its well-being guidelines with teams;
- quarterly Meetings: Operational Managers welcome a delegation of employees, as well as a CSE representative, to discuss work, working conditions, difficulties, site operation, question or ideas;
- quarterly Directors' Reports to Employees: these give an overview of the work carried out by the Management and its commitments;
- manager and employee discussion times: quarterly meeting on variable pay, annual grade reviews for employees receiving a promotion, Annual appraisals, etc;
- in-house newsletters released on a quarterly basis, featuring employee interviews;
- organisation of social events (cake sales, doors open days, etc.)

Particular attention is paid to common standards which have been shared for the last two years now. On this basis, employees are coached in the Group's shared values which are respect, adaptability, rigour and commitment. They are challenged right the way along the chain of command on common goals, in line with corporate policy (Performance, Customer satisfaction, Safety and Well-being at work) and work with managers to share common managerial approaches. It was from this standpoint that Distrimag launched a programme entitled: "Distriway, we are all agents of change" This programme numbered twenty or so projects in 2018, involving 105 employees. These projects focused on customer satisfaction and structure or the impact on ergonomy and safety. This system means that discussions and proposals are employee-centred and employees can participate in decision-making.

Production

In Vietnam, social dialogue is organised in close collaboration with union representatives. In 2016, 11 union members were elected from within the Company for a five-year term at the MK1 and MK2 sites and, in 2018, four new representatives were appointed, on a voluntary basis, at the MK3 site. The union representatives are regularly consulted on all issues liable to contribute to improving employees' working conditions and environment. The union representatives are free to exercise their duties pursuant to rules laid down and set by local law. They meet at least every three months to discuss all subjects of interest to employees.

The Mekong Furniture Company signed an agreement with union representatives in 2016 on employee benefits granted by the Company. It covers bonuses, additional allowances and additional aid not set under Vietnamese law. This agreement was still in force at the end of 2018.

In addition to dialogue with the trade union, the Human Resources Department and the management team also communicate weekly on all topics liable to help employees better understand their rights and duties (in accordance with the labour law and the Company's internal regulations). This communication takes various forms, from weekly meetings to posters. Employees can also meet and interact with the Human Resources Department at specific times set aside for this purpose.

2.5.4 OCCUPATIONAL HEALTH AND SAFETY

Maisons du Monde is aware that its CSR challenges, particularly in terms of well-being at work, mean that professional risk management must play a role at all decision-making levels and on all sites. No agreement has been signed with the Trade Unions on occupational health and safety, but all departments are committed to gradually implementing an appropriate and realistic preventive approach in each of its activities. There was a slight increase in workplace accidents with stoppages.

NUMBER OF WORKPLACE ACCIDENTS WITH STOPPAGES(1)

	2018	2017	2016
Network	232	200	216
Administrative headquarters	11	6	9
Logistics	71	105	105
TOTAL	**314**	**311**	**330**

(1) Workplace accidents with stoppages excluding Vietnam, Spain, Germany and the United Kingdom.

FREQUENCY OF WORKPLACE ACCIDENTS(2)

	2018	2017	2016
Network	42.7	35	-
Administrative headquarters	8.2	4.7	-
Logistics	59.6	56.3	-
TOTAL	**39.4**	**35.2**	**-**

(2) Number of workplace accidents with stoppages/hours worked x1,000,000

SEVERITY RATE OF WORKPLACE ACCIDENTS(3)

	2018	2017	2016
Network	1.44	1.01	-
Administrative headquarters	0.12	0.05	-
Logistics	3.03	3.03	-
TOTAL	**1.45**	**1.30**	**-**

*(3) *Number of days lost due to temporary incapacity/hours worked x 1,000.*

Lastly, six people were off work in 2018 due to occupational illnesses recognised by Social Security services.

Network and administrative premises

Maisons du Monde is committed to continuing its effort to ensure the health and safety of its employees, in line with its previous years' commitments. The collaborative momentum and dialogue between our Network Managers and the prevention service has not only enabled real issues to be discussed but also expectations in terms of occupational risk-prevention. Efforts to monitor the accident rate by means of a more relevant analysis resulted in the introduction of a more comprehensively structured programme on the subject of manual load handling.

In 2018, this approach, which aims to promote responsible and sustainable handling, led to the implementation of measures such as:

- the creation and roll out of a mobile workstation (Multipurpose Trolley) providing a work surface specially designed for unpacking, labelling or folding, anywhere in the store or in the stock room. The main objective being to reduce awkward working positions that could lead to musculoskeletal disorders. 800 Multipurpose trolleys were rolled out across the network;

- ongoing research into the creation of a shelf-stocking tower to limit repeated handing during restocking. This aims halve the total weight lifted by employees during restocking by reducing the number of times that products are lifted and put down between the stock room and their display position;
- provision of non-electric order picking trucks to limit awkward working positions.

This research into solutions for manual handling-related risks and the prevention of MSDs, will also be supported by the direct involvement of employees *via* a future Prevention Network based on the principle of the Physical Activity Risk Prevention (PRAP) approach proposed by the INRS. This initiative will be launched in project mode in 2019 and should foster a culture of prevention and safety-related initiatives on a local level.

At the same time, Maisons du Monde is continuing with its multi-year plans, such as:

- the roll out of phase 2 of the cash transport plan covering 65% of the store network (target of 75% in three years), including over 160 sites equipped with a connected safe;
- continuation of the training plan in relation to issues such as risk management (year 3) whilst continuing to develop relations with the Training Department to expand the range of safety training on offer:
  - co-creation of a "Best handling practices" E-learning programme,
  - training of 140 employees at administrative premises in the use of defibrillators and resuscitation;
- the launch of INRS Occupational First Aid trainer accreditation.

Logistics

Protecting our employees' health is also a priority for Distrimag. A 2018 roadmap was drawn up and shared with teams, elected representatives, and members of the CHSCT commission, teams and managers. It breaks down into two phases, one on safety investment with, in particular, the development of wrapping equipment and the introduction of a holding conveyor for acceptance testing, and another, more extensive phase, on behaviours, with different categories: feedback, management, reporting, training and prevention.

In tandem, a systematic analysis was carried out after every workplace accident. This analysis was then shared with members of the Management Committee so that tailored decisions could be made to prevent these situations. Distrimag management also agreed to train all employees in "movements and postures" and to make the subject of the 2018 workshop, "overhauling basic safety procedures".

Managers, as well as management, have taken up the subject, for example, by organising a safety lunch on the theme of: "Protect what's important, where it's important" to celebrate 151 days without an accident.

Employees who have been able to take part in the safety workshops (Ergonomy during acceptance testing, for example) have also been able to help improve the Company's working conditions and safety.

Production

To prevent and reduce the risks in relation to occupational health and safety, human resources, Mekong Furniture management teams and members of management have worked together since 2016 on the risks associated with the different workstations in the factory: a diagnostic was carried out on potential machine-related risks, workstation risk prevention information sheets were drafted and displayed, and, lastly, employees received training on occupational risks.

In 2017, Mekong Furniture also recruited an HSE manager to oversee any measures needed to improve employees' working conditions and prevent potential risks.

In 2018, the Company continued to invest in production lines to improve employees' working conditions and, in particular:

- three production areas were redesigned and improved to streamline the transportation of components on production lines. This reduced the strenuous nature of this work for those working in these areas (applying veneer, assembly and packaging);
- metal section workstations were restructured at MK1: installation of new welding and grinding tables for seated operation to improve ergonomy and reduce fatigue in the workplace.

In 2018, the Company also continued with the health and safety prevention measures launched in 2017 at Mekong:

- awareness-raising of all employees on health and safety in the workplace by a team of approved doctors. In 2018, this awareness-raising was extended to risks specifically linked to maintenance work;
- display of workplace accident information by factory (number, severity, workstation, photos) and action plans;
- monitoring of "5S" in all production sections and weekly team assessments to maintain and guarantee a clean and orderly environment for employees.

2.5.5 TRAINING AND EMPLOYABILITY

Commitment in terms of access to training demonstrates that Maisons du Monde is committed to developing its employees' skills over and above regulatory requirements, *via* a stated and ambitious objective and the implementation of specific systems. 100% of our permanent employees received training at least once every four years.

Careers and employability

Maisons du Monde's recruitment philosophy emphasises life skills and the wealth of experience. The dynamism of the Group is closely intertwined with the personality of each of its members. A dedicated recruitment website was launched in April 2017 to showcase the Group's business lines, values, HR commitments and job offers.

Maisons du Monde promotes internal mobility and offers real opportunities to all of its employees. Maisons du Monde strengthened its commitment to prioritising internal promotion. In addition to the in-house digital space dedicated to mobility, exclusive offers are made to employees, offering them real opportunities. Every time a mobility application is made, employees can talk to the Recruitment Department to assess their know-how and obtain careers support.

In 2018, 521 people were promoted internally. The in-house digital space dedicated to geographical and functional mobility is promoted on a regular basis in internal communications to ensure that all employees benefit from continuity of information in support of their mobility applications.

In 2018, 555 mobility applications were received *via* this space, and 44% were approved.

NUMBER OF INTERNAL PROMOTIONS

	2018	2017	2016
Network	247	236	201
Logistics	72	87	97
Factories	102	62	21
Administrative headquarters	100	12	71
TOTAL	521	397	390

The mobility programme makes a direct contribution to the 2020 target of having 65% of Shop Managers and logistics managers in post as a result of internal promotion. By the end of 2018, this percentage was 58%. This type of mobility is facilitated by a policy that encourages internal skills development as well as geographical mobility.

PERCENTAGE OF SHOP MANAGERS AND LOGISTICS MANAGERS IN POST AS A RESULT OF INTERNAL PROMOTION

	Promotion %	Promu	Global
Shop Managers	54%	177	325
Logistics managers	82%	37	45
TOTAL	58%	214	370

The Human Resources Department routinely contacts each employee who requests mobility so that they can receive support with their application and, more generally, with their career plans.

Employee training

Being highly committed to the development of all its workers, Maisons du Monde once again confirmed its aim to allow all employees to take full control of their own career path. As part of its 2020 development plan, the Training and Skills Department intends to consolidate the training measures put in place, capitalise on its human potential, facilitate access to training and skills development and lastly, to support the brand's development strategy.

PERCENTAGE OF PERMANENT WORKFORCE TRAINED, BY ACTIVITY(1)

	Trained	Not trained	Training rate
Network	2,837	1,361	68%
Logistics	538	80	87%
Production	177	8	96%
Administrative premises	511	312	62%
TOTAL	4,063	1,761	70%

(1) *Permanent workforce in post at 31/12/2018*

In 2018, Maisons du Monde allocated a budget of 2.40% of its payroll to training its employees based in Europe. (2.22% in 2017).

TRAINING PROGRAMME

% of gross payroll	2018	2017	2016
France	2.42%	2.06%	1.66%
Europe	2.54%	2.67%	2.88%
Asia	0.11%		
TOTAL	2.40%	2.22%	1.95%

NUMBER OF HOURS OF TRAINING

	2018	2017	2016
France	53,989	51,233	38,963
Europe	27,545	29,542	20,880
Asia	10,308		
TOTAL	**91,791**	**80,775**	**59,843**

In 2018, 91,791 hours of employee training was delivered, 17,170 of which was safety training. 4,056 permanent employees had followed at least one training course at 31/12, up on 2017 (Mekong data in 2018).

Permanent workforce in post at 31/12	2018	2017	2016
Percentage of women trained	67%	70%	71%
Average no. of hours of training per employee	15h30	11h45	11h30

The significant increase in the number of employees receiving training and the number of hours of training reflects Maisons du Monde's desire to offer its employees means of development and to support new employees with innovative projects. The Training Academy endeavours to increase the number of training programmes to enable all individuals to progress in their jobs. Major initiatives also continued in 2018 to facilitate access to digitalisation of the training offering, in conjunction with business line experts.

Network and administrative premises

To fulfil the ambitions and hit the targets set by the CSR roadmap, various training programmes were organised in 2018.

A MANAGEMENT CHARTER, A REFERENCE POINT FOR MANAGERS

The Management Charter was developed collaboratively between late 2017 and 2018 with a representative sample of network and administrative headquarters' employees and mangers. It is a guide to management actions designed to facilitate the interaction between managers and employees. It promotes teamwork, leadership, agility, decision-making, collaboration and skills development. In 2018, all employees embarking upon the "let's manage" career path were able to access the charter *via* Manager training schemes *("Let's Manage", "Chef d'orchestre")* or *via* the intranet.

To ensure that managerial practices are disseminated within the brand, two major training schemes were organised for Group Managers, based on the Management Charter:

- the *"Chef d'orchestre"* training scheme designed for Network Managers and held over two days. 220 Network Managers received the *"Chef d'orchestre"* training;
- and the *"Let's Manage"* training scheme designed for Managers at administrative headquarters. In 2018, 115 head office Managers were trained in managerial practices *via* the *"Let's Manage"* training scheme.

PERCENTAGE OF MANAGERS TRAINED IN LOCAL MANAGEMENT

% of managers in post at 31/12/2018	31/12/2018
Network – "*Chef d'orchestre*" scheme	50%
Administrative premises – "Let's manage" scheme	69%
TOTAL - NETWORK AND ADMINISTRATIVE PREMISES	**58%**

A GROUP SKILLS FRAME OF REFERENCE TO STRUCTURE THE TRAINING ON OFFER

As a direct result of the Management Charter, and to support skills development, the "Network and head office Skills Frame of Reference" was defined in 2016 and updated in 2018, to structure the training on offer, develop the employability of our employees and provide a frame of reference for annual appraisals. It lists the levels of skills expected for each job at Group level. The training plan is compiled every year by cross-referencing the training needs expressed during annual appraisals with the Company's strategic priorities.

IDENTIFYING AND SUPPORTING TALENTED INDIVIDUALS

Maisons du Monde has made it a priority to better identify and manage talented individuals at network and head office level. The brand has designed schemes to enable employees to improve their skills. Annual appraisals are used to identify talented individuals. Maisons du Monde is, in fact, planning to hold performance-related appraisals for all employees on permanent contracts, at least once a year.

To help employees progress beyond their current posts, in 2018, the Training Academy also highlighted opportunities to move between Network careers and jobs using a "Careers Booklet" (*Livret Carrière*). From their current posts, proactive employees can study gateways to other jobs. This passport can be accessed on the Company's intranet.

Lastly, the Training Academy designed the "*Parcours Grandir*" scheme, which leads to a managerial qualification, to promote the in-house development of deputy managers and the acquisition of managerial skills. This development programme has been specifically tailored to the brand and the reality of life in stores, to offer deputies ways of working towards becoming managers, *via* the "*Manager d'Univers Marchand*" (MUM) certification, recognised by the Government and by the world of retail. The scheme also provides the Company with a pool of trained employees ready to take up new posts.

For this reason, a Professional Development Committee was set up to select candidates. In 2018, 100% of participants were awarded the title of "MUM". The success of the pilot scheme means that the experiment can be repeated in 2019 and that the "Parcours Grandir" scheme can be added to the training on offer.

LANGUAGES TO SUPPORT INTERNATIONAL GROWTH

In 2018, significant efforts were directed at language training which was delivered to support the brand's international development. In fact, the Group intends to continue to expand into 2020, requiring employees to significantly improve their language skills, and intends to increase the number of training schemes abroad.

In 2018, 72 employees received training leading to language qualifications and 72 received training leading to other qualifications (IT, OHS etc.)

To guarantee high-quality training, the training service also developed a signature training programme as well as two Quality Label charters which are presented to trainees at every training session and can be accessed on the Intranet.

Logistics

Distrimag is continuing to develop its managerial culture, encouraging participative management and continuous improvement. The local manager training schemes launched in 2017, continued in 2018, to ensure that managerial skills are in line with the Company's expectations.

On the strength of feedback from the Recognition of Prior Learning (*validation des acquis de l'expérience* - VAE) initiative in 2017 (eight employees), Distrimag repeated the RPL initiative for seven of these employees (Jobs: drivers and warehouse workers). Management also wanted to set up Foreign Language Training (FLT) courses for 17 employees. These systems added value to the teams not only by enabling them to obtain qualifications, become more professional and guarantee their employability, but also by facilitating employees' professional and personal integration.

Production

Unfortunately, the local situation in Vietnam means that there are not many qualified employees with a great deal of experience available. That is why the Company is investing heavily in training to enable white and blue-collar workers to acquire new technical and/or managerial skills as their responsibilities increase. In-house peer training is the main way in which the Company tailors employees' skills to their work. It is also a vital tool for conveying know-how to support the Company's business growth.

In 2018, in-house training was conducted for new recruits to enable them to get used to using production machinery and equipment. As well as technical training, workers systematically receive initial guidance to raise their awareness of health and safety risks.

In-house training was also provided for older workers who had been promoted to a new post requiring a specific technical skill:

- some employees also received paint shop training. Women can learn this job which, up until now, has been done by men;
- the Company also trained employees in certain high-tech machinery (for example, digital control systems - CNC).

Training was also delivered for employees not involved in production such as quality engineers, technical draughtspersons, inventory management or administrative staff such as accounting personnel (mandatory training for administrative staff in the use of the Company's ERP system).

For some new work that is beyond the scope of these technical skills, such as metalwork, the Company also called in an external consultant in 2018 to train technicians.

The Company also encourages Company executives to familiarise themselves with changes in Vietnamese regulations. These types of training were delivered by Vietnamese government authorities in 2018, focusing on different subjects such as:

- changes in employment regulations;
- tax changes;
- improving the role of women in the workplace.

2.5.6 COMMITTING TO DIVERSITY AND DISABILITY

Respecting diversity, Maisons du Monde puts the skills of its employees first. The Human Resources Department guarantees non-discrimination in hiring, employment and access to training.

Because Maisons du Monde is convinced that talent is to be found in each of us and that diversity is a strength, the Group is committed to the principle of non-discrimination in all its forms and practices an inclusive recruitment policy. This applies not only to equal pay and equal opportunities for men and women but also to a desire to hire across the generations so that knowledge can be passed on.

Because disability should not be an obstacle to a successful career, in 2013, Maisons du Monde set up a Disability Commission to monitor and support workers with disabilities within our Company.

Equal opportunities

Maisons du Monde managers endeavour to convey the values of the Group and the HR policy to their teams. The Maisons du Monde Group make every effort to ensure that diversity and gender equality is respected at every level of the Company.

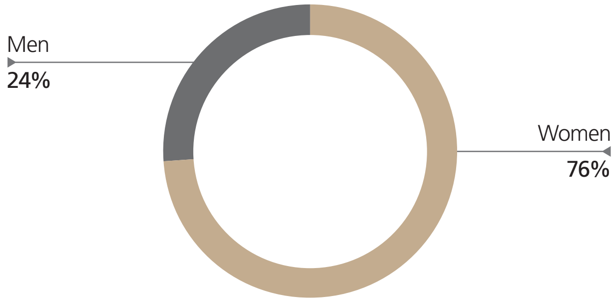
BREAKDOWN BY GENDER, MEMBERS OF THE EXECUTIVE COMMITTEE AND N-1

	2018	2017	2016
Women	42	43	27
Men	34	28	21
TOTAL	76	71	48
Proportion of female employees	**55%**	**61%**	**56%**

BREAKDOWN OF STORE MANAGERS BY GENDER

	2018	2017	2016
Women	248	240	217
Men	78	70	58
TOTAL	326	310	275
Proportion of female employees	**76%**	**77%**	**79%**

PROPORTION OF FEMALE STORE MANAGERS



People with disabilities

Since 2010, Maisons du Monde has paid particular attention to employees recognised as workers with disabilities. In 2013, the Group established a disability commission to define and monitor actions in favour of said workers. The Group supports employees with disabilities on an individual basis *via* adapted workstations, training, help with approaching external organisations (AGEFIPH, SAMETH) and even funding for medical equipment. Maisons du Monde also takes part in local events (recruitment fairs, network memberships, etc.).

Maisons du Monde continued its initiatives in 2018 and, in particular, organised the "Diversity European Game" quiz during European Disability Employment Week for all head office and network employees. Points won in this quiz were translated into a donation to the non-profit, Eurordis, which works to improve the day-to-day lives of 30 million people in Europe who live with a rare illness.

A 2018-2020 disability plan was also signed which focuses on four different areas: recruiting, raising awareness, supporting and getting involved in disability diversity.

Distrimag continued its annual furniture restoration partnership with the ESAT, "*les abeilles*". This year, in addition to its existing commitments, Distrimag also organised a "duo day" with this same establishment. In principle, a disabled person spends a day shadowing a volunteer employee. The programme includes participation in the employee's usual tasks and/or observation of their work. Four services volunteered to share their daily routines. All the participants gave very enthusiastic feedback about the day.

Combined work-study programmes

In 2018, 69 young people benefited from combined work-study contracts in France (apprenticeship or professional qualification contracts). Maisons du Monde contributes to the employability of such people by enabling them to obtain a recognised diploma and a rewarding experience.

Combined work-study programmes give everyone a chance and integrate different skills that are not derived from traditional training courses.

Personalised support for young people on work-study programmes (guidance, regular interviews, HR point of contact) helps ensure that they have every chance of success in their studies. The tutor, meanwhile, is assisted in passing on his or her skills and developing relational and teaching skills.

After their training, young people can either continue their education or enter the job market. In 2018, 21% of them were given permanent jobs by the Maisons du Monde Group.

2.6 Maisons du Monde's philanthropic ambitions

Ambitions 2020

10 miillion customer donations through the ROUNDING UP at check-outs to help charities supported by the Maisons du Monde Foundation

2.6.1 THE MAISONS DU MONDE FOUNDATION

Officially active since 2016, the Maisons du Monde Foundation was placed under the aegis of the Fondation pour la Nature et l'Homme (FNH) created by Nicolas Hulot. FNH guarantees that funds are used wisely whilst the Maisons du Monde Foundation is responsible for operations, in accordance with the environmental and social values and commitments shared by the two organisations.

The aim of the Maisons du Monde Foundation is to help promote the preservation of forests and timber resources by, and for, humankind. As a result, the Foundation only funds projects led by general-interest non-profits located in the European Union or South-East Asia (including India) with the purpose of:

- preserving forests and/or protecting biodiversity in forests in countries in the southern hemisphere;
- reusing timber in European Union countries (recycling, ecodesign, upcycling, etc.) to promote the circular economy, reuse and socio-professional integration;
- mobilising all its stakeholders (employees, customers, partners, citizens) for the environment. This last pillar covers programmes and partnerships raising the awareness of the brand's employees (*via* the solidarity programme), customers (*via*the system of "Rounding Up" at check-out) and citizens in general (*via* "1% for the Planet" and the "I Act for Nature" programme coordinated by the FNH and lastly, *via* the "*Aux Arbres!"* event).

The Foundation's website presents its goals as well as the charitable projects it has supported: fondation.maisonsdumonde.com. An annual business report is also published on an annual basis and can be accessed in electronic format on the Foundation's website.

Governance of the Foundation

The Maisons du Monde Foundation is a separate structure from Maisons du Monde France S.A.S. It is legally dependent on the Fondation pour la Nature et l'Homme (FNH). It is run by a committee which has five members:

- Gilles Petit, Chief Executive Officer of Maisons du Monde until 1st July 2018;
- Catherine Filoche, Maisons du Monde Company Secretary;
- Cécile Ostria, CEO of the Fondation Nicolas Hulot pour la Nature et l'Homme;
- Stéphane Rivain, Associate Director of Oréade-Brèche, an environmental and development consultancy;
- Charles-Édouard Vincent, founder of *Emmaüs Défi* and *Lulu dans ma rue*.

Two committee meetings a year are held, bringing together committee members and invited partners depending on the topics to be discussed. The first committee meeting selects new projects arising from calls for projects and pre-selection committee meetings, or renews existing partnerships. The second committee meeting, held at the end of the year, presents the annual balance sheet, deliberates on the Foundation's strategic issues and can, if necessary, take action in the event of changes of strategic direction.

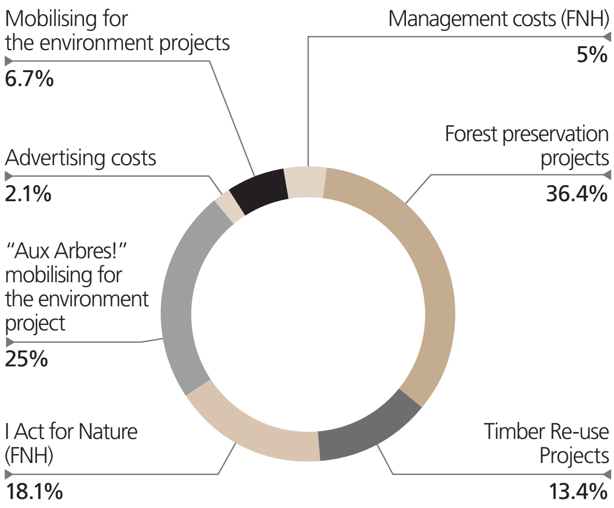
Breakdown of the Foundation's budget:

The Maisons du Monde Foundation's operating budget represents 0.08% of the Group's pre-tax customer sales, as reported in the consolidated financial statements for the previous year, or a grant of €808,455 in 2018.

The grant from Maisons du Monde was also supplemented by the balance from 2017, partnership endowments obtained as part of the "Aux Arbres!" event (grants from Nantes Métropole and CIC Ouest), receipts from workshop registrations at this same event and, lastly, the repayment of an advance given to the non-profit, Forestever. The Maisons du Monde Foundation's budget totalled €953,539.

The Maisons du Monde Foundation has made the defining choice of providing three years' funding for projects led by general-interest non-profits for the purposes of making a significant impact on society. Funding ranges between €20,000 and €30,000 annually and is *via* two complementary funding mechanisms - own funds and "Rounding Up" at the check-out.

BREAKDOWN OF THE FOUNDATION'S BUDGET IN 2018:



In 2018, the Maisons du Monde Foundation financed a total of 23 projects. 15 projects, in other words, the majority, are forest preservation projects, and represent 36.4% of the annual budget. Seven of these projects were selected by the 2016Selection Committee and renewed for a third partnership year, four projects were selected by the 2017 committee for a second year, and five were selected by the 2018 committee.

The Maisons du Monde Foundation funded eight timber recycling and socio-professional reintegration projects. Four of these eight projects, all in France, were selected in 2016 and were being funded for their third partnership year, two were selected following the 2017 call for projects and were in their second year of partnership, and finally, two were selected by the 2018 committee. The funding of non-profit projects in this area accounted for 13.4% of the annual budget.

Lastly, with regard to "Mobilisation for the environment" projects, 20% of the Foundation's operating budget is earmarked for projects led by the FNH. In 2018, these funds were allocated under the "I act for nature" programme launched in 2010. This platform puts citizens who wish to donate their time in contact with 670 bodies (non-profits, managers of natural spaces, local authorities) in need of specific support for their environmental protection initiatives.

2018 was marked by the fact that 25% of the budget was earmarked for the "Aux Arbres" event which was held on 8 and 9th April 2018 in Nantes. "Aux Arbres!" brought together experts, non-profits, entrepreneurs, companies and civil society, to facilitate a better understanding of forest-related challenges and benefits, as well as to offer an inter-disciplinary view of solutions for preserving forest ecosystems across the planet. In addition to bringing together all the players working on these issues, the event's aim was to invite citizens to take action by focusing on practical solutions. There were more than 5,000 visitors to the event, over a two-day period, attending fifteen conferences/debates, speakers' evening or taking parting in twenty or so workshops. "Aux Arbres!" has become the Maisons du Monde Foundation's flagship event, rallying all its stakeholders around a cause that is at the heart of its DNA and channelling positive energy into the preservation of forests, biodiversity and the climate. The ecosystem created by this event has continued to be mobilised *via* multimedia content shared on social networks and on the aux-arbres.com website.

Lastly, the remaining funds, or 6.7% of the Foundation's budget, were used to roll out "Rounding Up" at check-out, for "1% for the Planet" club meetings with non-profit and philanthropic organisations, to organise the Emmaüs Awards, and to introduce Collective Solidarity Leave for employees.

An overview of all the projects funded by the Maisons du Monde Foundation in 2018 appears on the fondation.maisonsdumonde.com website.

"ROUNDING UP" at check-out:

To mobilise the brand's customers, the Maisons du Monde Foundation rolled out the MicroDON solution for collecting community donations, "Rounding Up" at the check-out, in all of the brand's French stores. This system offers customers who wish to do so the opportunity to help fund a project selected by the Foundation.

This programme was a real success with 52% of customers taking part. 3,271,277 donations were made and €413,878 collected for projects selected by the Foundation in 2018. A total of €837,715 and 6,785,749 donations have been collected since the system was introduced in 2017.

A minimum of four non-profits are made beneficiaries of "Rounding Up" every year, after being selected by the Foundation's Committee, until such time as they have reached their collection target. This funding mechanism is in addition to funding *via* Maisons du Monde Foundation's own funds, as shown above. 100% of donations are paid to the project selected, according to a timetable set in an agreement with the non-profit. In 2018, Forestever, Envol Vert, Ishpingo, AICO and Tchendukua were supported by the brand's customers *via* "Rounding Up" at check-out.

Other philanthropic projects supported

In addition to Maisons du Monde Foundation programmes, the brand supports philanthropic commitments centred around the Group's business activities. This financial support or these product donations for non-profits are aimed at helping two main causes:

- help for disadvantaged children and parents. For several years now, the brand has supported this cause in association with the Maisons du Monde "Junior" activities, in particular by donating products. In 2018, this commitment became a reality *via* continuation of the partnership with the French *Croix Rouge*. This partnership resulted in new furniture from the Group's warehouses being donated to five "*Enfance-Famille*" network centres as part of a refurbishment programme. This partnership meets a very real need on the part of these establishments and helps to create a warm and welcoming atmosphere for their beneficiaries; Since 2018, Maisons du Monde has supported the non-profit, *Toutes à l'École!*, which works on educating girls in Cambodia. The non-profit is supported by a "product share" system for a selection of products identified in the Maisons du Monde "Junior" catalogue;

- donations of furnishings and decorations. To reduce the number of substandard products being thrown away and to support reuse networks and the social and solidarity economy, Maisons du Monde has entered various partnerships so that products which are out of the sales circuit can be donated. These products are collected from the warehouse or from stores by the brand's partner to stock their charity shops or for their reuse activities. These donations enable these partner charities' beneficiaries to obtain Maisons du Monde products at a social price. As part of this programme, the Group partners with different structures, such as Emmaüs network, *Croix Rouge Insertion* or *Secours Populaire* (see Section 2.3.2).

2.6.2 FOSTER EMPLOYEE COMMITMENT

Ambitions 2020
1,000 employees took part in solidarity activities

The Maisons du Monde solidarity programme

In line with the Maisons du Monde Foundation's goal of "mobilising for the environment", the aim of the solidarity programme is to involve Maisons du Monde employees in solidarity initiatives by offering them the resources needed for this type of commitment. Three complementary systems were introduced to offer all employees the chance to get involved according to their means and time: collective solidarity leave, an historic Maisons du Monde programme, individual solidarity leave (Congé Solidaire®) organised by *Planète Urgence*, and lastly, the solidarity day.

Collective Solidarity Leave

Collective solidarity leave is Maisons du Monde's flagship solidarity programme. Set up in 2011, it is a programme to raise awareness of sustainable development challenges by enabling employees to find out about forestry preservation projects in the southern hemisphere led by NGOs and supported by the Maisons du Monde Foundation. Participants are drawn at random from volunteer employees and set off to find out about the work of the NGOs and the Foundation in the field, taking part in NGO's activities and immersing themselves in another social reality. Upon their return, participants become the Foundation's CSR ambassadors and sometimes NGO volunteers. Their involvement in other solidarity projects such as the Solidarity Day and *Planète Urgence*'s Solidarity Leave (Congé Solidaire®) reflect their increased awareness and their desire to continue to be involved.

Since 2011, 160 employees have embarked upon this initiative. In 2017, two periods of solidarity leave were organised with 16 employees coming on Board: the first was in Colombia, to find out about an Amazon forest preservation project led by the NGO, Forestever, and the second was in Indonesia on the island of Flores with the NGO, *Cœur de Forêt*.

Individual Solidarity Leave (Congé Solidaire®) with Planète Urgence:

This system enables employees to do skills-based volunteer work for a local organisation in the southern hemisphere for a 15-day period. Employees choose and apply for volunteer work on the basis of the skills that they can donate to the host organisation (non-profit, cooperative, etc.). Leaving alone or in a group, these employees are supervised at every stage by *Planète Urgence*. Employees are offered two types of assignment: socio-educational support for young children and literacy; skills transfers as part of adult training; Biodiversity protection and development.

In 2018, eight employees volunteered for biodiversity protection and development initiatives under this scheme.

The Solidarity Day

The Solidarity Day is the opportunity for 10 to 15 employees to find out about a charitable organisation's activities over the course of a day devoted to this purpose. These days enable non-profits to showcase their initiatives in a practical way and to receive help from volunteers. These days are also an opportunity for employees to bond or for bonds between employees taking part in these solidarity initiatives to be strengthened: these are veritable team-building *experiences*.

In 2018, 90 employees took part in nine Solidarity Days, organised together with the CPIE, the *croix rouge* Foundation, the *Foyer Notre Dame des Sans Abris*, the French Red Cross and the Second Chance School (Ecole de la 2e chance).

NUMBER OF EMPLOYEES THAT PARTICIPATED IN THE SOLIDARITY PROGRAMME

Solidarity programme participants (cumulative)	2018
Solidarity Day	141
Individual solidarity leave	16
Collective solidarity leave	160
TOTAL NUMBER OF EMPLOYEES THAT PARTICIPATED IN THE SOLIDARITY PROGRAMME	**317**

2.7 Non-financial reporting methodology

This Chapter 2 on "Corporate responsibility" can be taken as a non-financial performance statement in accordance with Article L. 225-102-1 of the French Commercial Code.

The following information, mentioned in Article L. 225-102-1 of the French Commercial Code, is not shown in this chapter because is not considered to apply to Maisons du Monde Group business:

- fight against food waste. The Group's business does not generate food waste beyond employee meals;
- fight against food insecurity The Group's businesses do not impact on consumers' access to food;
- respect for responsible, fairly traded and sustainable food.

The information mentioned in Article L. 225-102-4 relating to the vigilance plan is shown in Section 2.2 of this chapter.

In light of the materiality matrix presented in 2.1.1, it can be seen that the "social impact in production countries" issue is not the subject of a dedicated paragraph. Indeed, the actions put in place by the Group are limited to the financial partnerships and supplier social support (presented in Section 2.2.3) and the programmes of the Maisons du Monde Foundation in the Group's production.

Scope and reporting period

The CSR indicators are reported for the entire Group, i.e. the stores (network), administrative premises, Distrimag sites (logistics) and the Mekong Furniture sites (production factory in Vietnam). The Group's reporting scope does not include franchise operations, nor does it include Chin-Chin Limited – located in China and accounted for using the equity method in the financial scope. As for Modani, consolidated on 1st July 2018, only workforce indicators are shown in this document. Any other eventual exclusions from the scope of consolidation is specified in the body of the text and is set out below.

The data is reported for the period 1 January to 31 December.

2.7.1 ENVIRONMENTAL INDICATORS

Reporting tool

The information contained in the report was collected from various contributors from different parts of the Group's activities using data collection files specifically adapted for each contributor. The files were consolidated at Group level by the CSR Department.

Key methodological specificities

As regards the store network's reporting of waste, it should be noted that data have been extrapolated for stores for which data from service providers are not available, or for which waste is not managed by Maisons du Monde (some out-of-town or shopping centre stores). This data was extrapolated on the basis of a ratio of tonnes of waste per euro of revenue made. Moreover, the tonnage of waste generated at administrative premises is limited to amounts monitored by service providers.

It should be noted that, for reasons of data availability, the quantities of waste reported for Mekong Furniture factory production activities are estimates. Tonnages of waste are estimated on the basis of the number of trucks emptied or bins filled and relate to standard weights.

Energy consumption (electricity, gas, fuel oil and thermal networks for heating) are monitored on the basis of billing for the period from 1 January to 31st December 2018 and do not necessarily reflect exact consumption for the reporting period due to discrepancies in billing. In terms of electricity consumption, when invoicing is not available consumption is estimated on the basis on average intensity in kWh/m‹#exposant|2|Oexposant#› calculated by country. These estimations represent approximately 3% of consumption in 2018.

The fuel consumption of vehicles under long-term lease at Maisons du Monde is estimated on the basis of average consumption in litres per 100 kilometres (maker's data) for each of the vehicle types used and quarterly monitoring of kilometres travelled reported by users. Short-term vehicle hire consumption is estimated on the basis of km travelled with an average consumption of 6l/100km.

The Scope 1 & 2 CO_2 emissions related to energy and fuel consumption are calculated on the basis of the emission factors provided by the French environmental agency ADEME, but only for the "combustion" part.

When it comes to recognising CO2 emissions, long-term rental vehicles (leasing) are recognised as direct "scope 1" emissions, short-term rental vehicles are recognised as indirect "scope 3" emissions relating to employee travel. Moreover, the main Scope 3 indirect emissions items cannot be calculated for all items in 2018. The data provided under the "Products and services purchases" item are calculated based on 2017 activity data. These emissions are calculated on the basis of the information concerning composition and the weighting of products and emission factors provided by the French environmental agency ADEME (impact basis, latest data available in 2018). The breakdown of the product weighting between the different materials is calculated on the basis of a 80%/20% ratio between the principal material and the secondary material used to make the product.

GHG emissions from the transportation of suppliers' products to the brand's stores or customers (Scope 3 - excluding Distri-meubles) are calculated based on the quantities transported in tonnes/km and Ademe's emissions factors (latest data available in 2018).

Lastly, the greenhouse gas emissions generated by customer travel are calculated on the basis of the type of store and its location (urban, intermediary, peri-urban), assumptions of distances covered and means of transport (car, public transport, soft transport) and the total number of store visits recorded.

As far as general purchasing data is concerned, the amounts of paper reported in the quantities of paper purchased by Maisons du Monde are limited to purchases of reams of paper and rolls for receipts.

2.7.2 HR INDICATORS

Scope

The social reporting scope includes all consolidated legal entities in accordance with the requirements of financial consolidation. Indicators for Modani and for the Maisons du Monde store in Miami which opened in December 2018, are limited to workforce data at 31st December 2018 and turnover (hires and departures).

Note that for reasons of information availability, the indicators collected do not cover the Group's entire scope. In a process of continuous improvement, the Group is working to expand the collection scope of HR data so as to disclose the most comprehensive information possible. Scope specificities are provided throughout the report.

Reporting tools

The indicators are derived from the payroll tool (Business Objects), external payroll companies responsible for managing payroll in some countries as well as the ERP of the Mekong factory in Vietnam.

Social indicators were collected through a network of contributors identified at Maisons du Monde, Distrimag, Mondani and Mekong on the basis of their business line expertise. The HR reporting managers run this network of contributors from France. The aim is to improve the quality of data and establish common definitions.

Key methodological specificities

Social data correspond exclusively to people with an employment contract with a Group entity. People on temporary contracts, external providers and franchises, as well as trainees and people on probation (Vietnam) are excluded from these data. However, people on combined work/study contracts (apprenticeship or professional qualification contracts) are included in the scope. A reporting protocol has been created, containing all the qualitative and quantitative indicators and the associated definitions.

The monitoring of hirings and dismissals presented in the report is limited, as of now, to permanent staff.

The monitoring of workplace accidents and the rate of absenteeism does not include information on Group employees in Vietnam, Germany, Spain, the United States and the United Kingdom. This exclusion corresponds to 22% of the workforce.

Concerning training indicators, the training of employees undergoing induction into the store network is included in the calculation of training hours and costs.

Lastly, information on work-study contracts is only monitored for employees in France.

2.8 Report by by the Statutory Auditor, appointed as an independent third party, on the consolidated non-financial performance statement in the Management Report

This is a free English translation of the Statutory Auditor report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2018

To the shareholders,

In our capacity as the Statutory Auditor, appointed as an independent third party, of your company (hereinafter the "entity"), certified by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049[1], we hereby report to you on the consolidated non-financial performance statement for the year ended 31 December 2018 (hereinafter the "Statement"), included in the Management Report, in accordance with the legal and regulatory provisions of Articles L.225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

It is the Board of Directors' responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the entity (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the entity's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics for statutory auditors (Code de déontologie). Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code;
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R.225-105-I(3) and II of the French Commercial Code concerning policy outcomes, including key performance indicators and actions relating to the main risks.

However, it is not our responsibility to express an opinion on:

- the entity's compliance with other applicable legal and regulatory provisions, particularly relating to Duty of Care and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 et seq. of the French Commercial Code (*Code de commerce*), defining the conditions under which the independent third party performs its engagement, and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) relating to this engagement and with ISAE 3000 (international standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- We gained an understanding of the activity of all companies in the consolidation scope, of the Entity's exposure to the main social and environmental risks relating to the business activity and of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity,

(1) Accreditation scope available at www.cofrac.fr

by taking into consideration, where relevant, the sector's best practices;

- We verified that the Statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, as well as policies, actions and outcomes, including key performance indicators;
- We verified that the Statement presents the disclosures required under article R. 225-105, Paragraph II, of the French Commercial Code if they are relevant given the main risks or policies presented;
- We obtained an understanding of the process for selecting and validating the main risks;
- We enquired about the existence of internal control and risk management procedures implemented by the entity;
- We assessed the consistency of the outcomes and key performance indicators with the main risks and policies presented;
- We verified that the Statement covers all companies in the consolidation scope in accordance with Article L. 233-16 within the limits specified in the Statement;
- We assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the Information;
- For key performance indicators and the other quantitative outcomes[1] that we considered the most important, we set up:
- analytical procedures to verify that collected data is correctly consolidated and that any changes to the data are consistent;
- tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing[2] to the reported data and represents between 67% and 100% of consolidated data of key performance indicators and outcomes selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the qualitative disclosures (actions and outcomes) that we deemed the most important[3];
- We assessed the overall consistency of the Statement based on our understanding of all companies within the consolidation scope.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work drew on the skills of four individuals and was conducted between December 2018 and March 2019 for a total working time of approximately three weeks.

To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility (CSR) specialists. We conducted ten interviews with the individuals responsible for preparing the Statement.

Opinion

Based on our work, we have no material misstatements to report that would call into question the compliance of the non-financial performance statement with the applicable regulatory provisions, or the fair presentation of the Information, taken as a whole, in accordance with the Guidelines.

Paris-La Défense, on 25th March 2019

KPMG S.A.

Anne Garans	Gwenaël Chedaleux
Partner	Partner
Sustainability Services	

(1) *Social indicators: Breakdown of workforce by contract type and by gender, Total number of permanent contract hires, Total number of permanent contract layoffs, Number of training hours, Percentage of employees proud to work for Maisons du Monde.*
Environmental indicators: Energy consumption (electricity, heat network, natural gas and propane, domestic fuel oil), Vehicles fuel consumption, Greenhouse gas emissions (scopes 1 and 2), Volume of waste produced, Share of waste sorted for recovery, Packaging - Purchases of paper and packaging used at check-outs, Packaging - Commercial publications, Packaging - Purchases of cardboard, Share of wood furniture SKUs that meet a sustainability criterion, Share of wood decoration SKUs that meet a sustainability criterion, Share of Maisons du Monde leather SKUs from Leather Working Group-certified tanneries, Share of Maisons du Monde leather SKUs from Brazil.
Societal indicators: Number of employees participating in solidarity programmes, Share of strategic suppliers audited in the last two years.

(2) *Maisons du Monde administrative headquarters (France, Vertou) and Mekong production plant (Vietnam).*

(3) *Employee engagement, Governance, ethics & corruption, Well-being at work, Social dialogue, Employee health and safety, Training and employability, Foundation & Philanthropy, Diversity, Climate change, Promotion of a responsible offering, Sustainable management of resources, Ecodesign, Chemicals, Second lease of life for products, Energy consumption, Environmental impact of production, Social impact of production.*

Corporate governance

3

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, as amended by Order 2017-1162 of 12 July 2017, and as a supplement to the Management Report, the purpose of this corporate governance report is to report to the shareholders on:

- the composition, work and powers of the Board;
- conditions for preparing and organising the work of the Board;
- the compensation of corporate officers;
- the agreements signed between an executive or significant shareholder and a subsidiary;
- elements liable to have an impact in the event of a public offering;
- the procedures for shareholder participation in the Shareholders' Meeting.

Please note that the information regarding **the elements liable to have an impact in the event of a public offering** as well as the description of **the procedures for participating in the Shareholders' Meeting** can be found in Chapter 6 of this Registration Document.

This report was compiled with the assistance of the Company's Finance and Legal Departments and was approved by the Board of Directors of 22 March 2019, after being reviewed by the Nomination and Compensation Committee.

The Company uses the AFEP-MEDEF Corporate Governance Code, revised in June 2018, as its reference since 2016. This Code can be consulted on the websites of the MEDEF (www.medef.fr) and the AFEP (www.afep.com).

The Company complies with this Code, subject to the reservations shown in this report, where applicable.

3.1 Organisation of the governance

3.1.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

COMPOSITION OF THE BOARD

In accordance with its bylaws, the Company is run by a Board of Directors with a minimum of three and a maximum of eighteen members, subject to derogations provided for by law.

Directors serve a four-year term of office. By way of exception, some directors may be appointed for a shorter term, to permit the reappointment of members of the Board of Directors to be staggered over two-year periods.

No more than one third of the directors in office shall be over seventy (70) years of age.

As of 31 December 2018, Maisons du Monde's Board of Directors was composed of the following eight members: Sir Ian CHESHIRE, Michel PLANTEVIN, Gilles PETIT, Sophie GUIEYSSE, Marie-Christine LEVET, Nicolas WOUSSEN, Marie SCHOTT and Mustapha OULKHOUIR.

Positions and offices of members of the Board of Directors are presented in Section 3.1.2 "Positions and offices of members of the Board of Directors" of this Registration Document.

Chairman and Chief Executive Officer

In 2016, the Company's Board of Directors chose to separate the functions of Chairman and Chief Executive Officer.

This separation allows for a clear differentiation between the respective tasks of the Chairman and Chief Executive Officer: the Chairman of the Board of Directors organises and directs the work of the Board and reports on this work to the Shareholders' Meeting. The Chairman ensures that Company bodies are running smoothly and, in particular, that directors are able to perform their duties. The Chief Executive Officer represents the Company and is in charge of operational functions.

Independence of Board members

Under the terms of the AFEP-MEDEF Code, revised in June, directors are independent when they have no relationship whatsoever with the Company, its Group or its Management that could compromise the exercise of free judgement. More specifically, the only directors to be classed as independent are those who:

- are not, and have not been during the last five years, employees, executives directors or directors of a related company;
- are not customers, suppliers or business or corporate bankers of the Company or of its group or with regard to which the Company or its group represent a significant part of its business;
- do not have any family ties with any of the Company's corporate officers;
- have not been statutory auditors of the Company auditors in the last five years;
- have not been directors of the company for over 12 years.

In accordance with the Internal Regulations of the Board of Directors and the provisions of the AFEP-MEDEF Code, the Board performs an annual evaluation of the independence of each Board member on the basis of the Nomination and Compensation Committee's Report.

The Board of Directors, at its meeting of 22 March 2019, having reviewed the situation of each director in relation to each one of the independence criteria defined by the Internal Regulations and the AFEP-MEDEF Code.

Based on the report from the Nomination and Compensation Committee, it assessed Sir Ian Cheshire's independent status according to the criterion of the existing business relationship between the Company and Debenhams, of which Sir Ian CHESHIRE is Chairman of the Board.

In 2018, a concession contract was signed by the subsidiary, Maisons du Monde France, and Debenhams, for the opening of corners within Debenhams stores. Four Maisons du Monde corners were opened in 2018.

After discussion, and in view of total sales at year-end, the Board of Directors considered that the business relationship between the Company and Debenhams was immaterial and did not undermine Sir Ian CHESHIRE's independent status.

The Board of Directors thus confirmed the independent status of the following members: Sophie GUIEYSSE, Marie-Christine LEVET, Marie SCHOTT, Sir Ian CHESHIRE and Nicolas WOUSSEN;

Summary table of the independence criteria of each Board member regarding the criteria set out in the AFEP-MEDEF Code

	Sir Ian Cheshire	Gilles Petit	Michel Plantevin	Sophie Guieysse	Marie Christine Levet	Nicolas Woussen	Marie Schott	Mustapha Oulkhouir
Criterion 1: Employee corporate officer during the last five years Is not, and has not been during the last five years, an employee, executive director or a director of a related Company	X	No	No	X	X	X	X	No
Criterion 2: Overlapping positions Absence of overlapping positions	X	X	X	X	X	X	X	X
Criterion 3: Significant business relations is not, and has not been during the last five years, a customer, supplier or business or corporate banker of the Company or of its group or with regard to which the Company or its group represent a significant part of its business	X	X	No	X	X	X	X	X
Criterion 4: Family ties Does not have, and has not had within the last five years, any close family ties with any of the Company's corporate officers	X	X	X	X	X	X	X	X
Criterion 5: Statutory Auditor Has not been a statutory auditor of the Company in the last five years;	X	X	X	X	X	X	X	X
Criterion 6: Directorship of over 12 years Has not been a director of the Company for over 12 years	X	X	X	X	X	X	X	X
Criterion 7: Non-executive Director status Does not receive variable compensation in cash or securities or any compensation linked to the performance of the Company or the Group	X	X	X	X	X	X	X	X
Criterion 8: Major shareholder status Does not represent an important shareholder of the Company holding more than 10% of the share capital or voting rights; above this threshold controls the existence of potential conflicts of interest	X	X	X*	X	X	X	X	X

* *Michel Plantevin no longer represents Bain Capital since 19 May 2017.*

Composition and balanced representation of men and women on the Board of Directors

Three of the eight current members of the Company's Board of Directors are women, in accordance with the provisions of the law of 27 January 2011 and Article L. 225-18-1 of the French Commercial Code regarding balanced gender representation on Boards of Directors. It should be recalled that, in accordance with the provisions of article L. 225-20 of the French Commercial Code, the director representing the employees is excluded from the threshold for calculating representation.

Diversity policy applied in the Board

In response to the Group's strategic issues, and to encourage high-quality internal debate, the Board of Directors seeks to establish, and maintain, a balance between the different directors' profiles so that they complement one another.

The Board is keen to prioritise diverse career paths and skills when appointing, or reappointing, its members. It relies on its Nomination and Compensation Committee to obtain a long-term gender balance, a high number of independent directors and directors with international experience.

Representation of employee shareholders and employees

Director representing employee shareholders

If the Board of Directors' Annual Report shows that the employees of the Company and its associated companies represent over 3% of the Company's share capital, a director representing employee shareholders is appointed by the Ordinary Shareholders' Meeting, in accordance with the methods set by the regulations in force and by the bylaws, where applicable, provided that the Board of Directors does not already include one or several directors appointed from among the members of the Supervisory Boards of the Company mutual funds representing the employees.

At 31 December 2018, Group employees represented less than 3% of the Company's share capital. Furthermore, the Company has not established any Company Savings Plans for Group employees.

Director representing the employees

During the meeting of 1 June 2018, the Board of Directors appointed Mr. Mustapha OULKHOUIR as director representing the employees.

This appointment was made in accordance with the nomination conditions specified in the bylaws of the Company, and after the naming of Mr. Mustapha OULKHOUIR by the trade union organisation having obtained most votes during the first round of elections of Maisons du Monde and its subsidiaries whose registered offices are located in France.

Mr. Mustapha OULKHOUIR was appointed for a term of four years.

Overview of the Board of Directors

	Personal information				Experience	Position on the Board				Service on the Board's committees
	Age	Gender	Nationality	Number of shares	Offices in listed companies	Independence	First appointed	Expiry of term of office	Length of service on the Board	
Executive director/director										
Sir Ian CHESHIRE	60	M	British	1,000	3 offices, 2 of which are abroad	yes	29/04/16	31/12/19	3 years	Member of the Audit Committee and the Nomination and Compensation Committee
Director										
Michel PLANTEVIN	63	M	French	100	3 offices, 2 of which are abroad	no	29/04/16	31/12/19	3 years	Member of the Nomination and Compensation Committee
Gilles PETIT	63	M	French	445,782	1 office	no	29/04/16	31/12/19	3 years	N/A
Sophie GUIEYSSE	56	F	French	1,000	3 offices, 1 of which is abroad	yes	29/04/16	31/12/21	3 years	Chairwoman of the Nomination and Compensation Committee
Marie-Christine LEVET	52	F	French	100	4 offices, 1 of which is abroad	yes	29/04/16	31/12/19	3 years	Member of the Audit Committee
Nicolas WOUSSEN	43	M	French	100	1 office	yes	29/04/16	31/12/19	3 years	Chairman of the Audit Committee
Marie SCHOTT	46	F	French	100	1 office	yes	19/05/17	31/12/19	2 years	N/A
Directors representing the employees										
Mustapha OULKHOUIR	34	M	French	N/A	1 office	no	01/06/18	31/05/22	1 year	N/A
Director representing employee shareholders										
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

OPERATION OF THE BOARD

Maisons du Monde adopted Internal Regulations in line with industry recommendations aiming to guarantee compliance with fundamental principles of corporate governance and, in particular, those referred to in the Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"). The Internal Regulations of the Board of Directors can be consulted on the Company's website: corporate.maisonsdumonde.com.

Duties and powers of the Board

The Board of Directors of Maisons du Monde is a collegiate body that collectively represents all the shareholders and whose duty is to act in the interest of the Company. It sets guidelines for the Company's business and oversees their implementation. It deals with any issues relating to the smooth operation of the Company and, through its deliberations, takes decisions on related issues.

The Company performs the duties and exercises the powers invested in it by law, by the Company's bylaws and by the Board's Internal Regulations.

Duties of the Chairman of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board and reports on this to the Shareholders' Meeting.

The Chairman ensures that Company bodies are running smoothly and, in particular, that directors are able to perform their duties.

Information provided to the directors

The directors receive the agenda for each Board Meeting and any items for consideration in good time before the meeting, except under exceptional circumstances.

The Chairman updates the directors on a regular basis and, if necessary, between meetings, on any relevant information about the Company. In addition, each director may solicit any explanation or additional information that he/she may deem appropriate.

Directors receive any training that they may need in order to successfully perform their duties as a Board member, and if appropriate, as a committee member. Such training is provided, or approved, by the Company.

Limitations of the powers of the Chief Executive Officer

The Board gives its prior approval to strategic decisions that cannot be implemented by the Chief Executive Officer without the express prior approval of the Board.

This relates, in particular, to the approval or amendment of the annual budget, as well as the approval of any expenditure, the creation, purchase or sale of holdings, decisions relating to the appointment of managers or the settlement of disputes, where the amount exceeds the threshold set and which may not have been budgeted for. This list is not exhaustive.

Code of Conduct of Maisons du Monde directors

Holding of shares

In accordance with the Maisons du Monde Internal Regulations, each member of the Board must be a shareholder on a personal basis and must own a relatively significant number of Company shares. If they do not own shares when they take office, directors must use their directors' fees to acquire Company shares within six (6) months of taking office. It is desirable for each director to directly, or indirectly through a Group mutual fund, where this type of holding is permitted, hold at least one hundred (100) Company shares.

Confidentiality

Directors, as well as any person invited to attend meetings of the Board or of its committees, are bound by a duty of discretion with regard to the confidential information of which they are made aware.

In addition, since Company shares are traded on a regulated market, certain information shared with the Board may be inside information and holders of inside information are, in particular, prohibited:

- from carrying out transactions in relation to Company shares, or having such transactions carried out by third parties, whilst such information is not in the public domain;
- from disclosing such information to third parties outside the normal course of their profession or duties or for purposes other than those for which the information has been received.

With regard to directors who are physical persons, the ban on disclosing inside information also applies within the companies by which they are employed, even if they are shareholders therein.

Preventing conflicts of interest

To the Company's knowledge, there are no family ties between the members of the Company's Board of Directors and Senior Management.

Likewise, over the last five years, no member of the Board has incurred a fraud conviction, been involved in a bankruptcy, court-ordered receivership or liquidation, and no criminal offence and/or official public sanctions have been ordered against one of the aforementioned persons by the statutory or regulatory authorities (including the designated professional bodies), and no member of the Board has been prevented by a court from being a member of an administrative, management or supervisory body of an issuing company, or from taking part in the management or leadership of the business of an issuing company.

To the Company's knowledge, there is no potential conflict of interest between the duties of the members of the Board of Directors with regard to the Company and their private interests.

Organisation and work of the Board

The Board meets as often as the interest of the Company requires it.

The Chairman endeavours to ensure that there are at least five calendar days between Board Meetings being convened and held. He also endeavours to consider the constraints imposed by Board members' schedules so as to ensure that as many members as possible are able to attend each meeting.

During the year ended 31 December 2018, the Board of Directors met 11 times in order notably:

- to approve the final budget for the 2018 financial year (Board Meeting of 16 February 2018);
- to grant the Chief Executive Officer the prior authorisations in application of the Internal Regulations: authorisation of the majority shareholding in MODANI in the United States (Board Meeting of 26 January 2018);
- to approve the annual financial statements for the 2017 financial year (Board Meeting of 20 March 2018) and the half-year financial statements for the 2018 financial year (Board Meeting of 27 July 2018);
- to set the compensation of Executive Directors, to perform the annual evaluation of the operation of the Board, to review the independence of its members and to convene the Shareholders' Meeting (Board Meeting of 20 March 2018);
- to review the results of the first and third quarters of the 2018 financial year (during the Board Meetings of 3 May 2018 and 7 November 2018 respectively);
- to record the resignation of Gilles PETIT as Chief Executive Officer and name Ms Julie WALBAUM as Chief Executive Officer with effect from 1 July 2018 (Board Meeting of 3 May 2018);
- to appoint Mr. Mustapha OULKHOUIR as director representing the employees (Board Meeting of 1 June 2018);
- at the end of the Shareholders' Meeting, to allocate free Company shares and distribute the directors' fees allocated to the Board of Directors (Board Meeting of 18 May 2018);
- to authorise, pursuant to the provisions of Articles L. 228-38 of the French Commercial Code, Board of Directors' Meeting of 29 June 2018);
- to analyse the Company's business over the 2018 financial year and present a draft budget for the 20198 financial year (Board Meeting of 12 December 2018).

Attendance of the directors at the Board of Directors' Meetings during the 2018 financial year:

Director	Attendance at Board meetings	Attendance Rate
Sir Ian CHESHIRE	9/11	82%
Gilles PETIT	11/11	100%
Michel PLANTEVIN	10/11	91%
Sophie GUIEYSSE	8/11	73%
Marie-Christine LEVET	9/11	82%
Nicolas WOUSSEN	10/11	91%
Marie SCHOTT	11/11	100%
Mustapha OULKHOUIR	3/3	100%

Meetings are organised as required by the Group's business. These meetings must enable the Board to receive a regular flow of relevant information, thus ensuring that conditions are in place for robust corporate governance.

Members of the Maisons du Monde Executive Committee or any other person with a particular skill of relevance to the Board's agenda, may attend all, or part, of a Board Meeting, at the Chairman's request. Likewise, the Company's statutory auditors may be invited to attend meetings other than those they are required to attend by law.

Directors' fees

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

Information about the payment of directors' fees appears in Section 3.2.1 "Compensation of corporate officers" of this Registration Document.

Evaluation of the operation of the Board

At least once a year, one item on the agenda is devoted to the evaluation of the Board's operation, an account of which is given in the Company's Annual Report, such that shareholders are kept informed, on a yearly basis, of the evaluations performed and, if necessary, any follow-up given.

Based on the Board of Director's assessment questionnaire compiled in accordance with the provisions of the AFEP/MEDEF Code, the Directors had an exchange of views on the composition, organisation and operation of the Board of Directors and its two Committees, which they deemed to be in order.

The Board of Directors reviewed its composition, organisation and operation at its meeting on 22 March 2019.

The Board considered its composition to be balanced in terms of the percentage of external Directors, the breakdown of its capital and the diversity and complementary nature of the skills and experience of its members.

The Board noted that:

- Directors were satisfied with the frequency of meetings and the quality of information sent to them (strategic guidelines, business activities, financial statements, budget). In future, Directors would like to receive information earlier, so as to better prepare for meetings.

- Directors' attendance at meetings was almost unchanged from 2017. In future, Directors would like to prioritise physical meetings;

- the diversity of the Directors and their different areas of expertise allows for the diverse approaches and sensibilities that are vital in a European and international Group;

- the Board has a role to play in fulfilling its duties and objectives which are to increase the value of the company and protect social interests;

- Directors did not make any particular observations on the rules governing the distribution of directors' fees and the number of shares to be held by each Director;

The same was true for the composition of the two Committees and the quality of their work.

SPECIALISED COMMITTEES OF THE BOARD

The Board of Directors is assisted by two specialised permanent committees: the Audit Committee and the Nomination and Compensation Committee.

Audit Committee

The Audit Committee consists of the following directors:

Chairman	Nicolas WOUSSEN – independent director
Members	Marie-Christine LEVET – independent director
	Sir Ian CHESHIRE – independent director

The Audit Committee assists the Board of Directors in its mission of approving the statutory and consolidated financial statements and in preparing the information to be delivered to the shareholders and to the market. The Audit Committee ensures that the internal control systems and the risk management procedures of the Group are effective and efficient. It also monitors questions relating to the preparation and control of the accounts and financial information, as well as the legal control of the accounts.

In this framework, the Audit Committee carries out the following duties:

- monitoring the process of preparing the financial information;
- monitoring the appropriateness and consistency of accounting methods;
- monitoring of the statutory auditor's independence;
- tracking of the amounts paid to the statutory auditors for their work on matters other than those related to the legal audit of the financial statements;
- monitoring and effectiveness of internal control and risk management systems relative to the procedures for the preparation and processing of accounting and financial information.

During the financial year, the work of the Audit Committee consisted of:

- examining the 2017 annual financial statements and the 2018 interim financial statements, and the control of these financial statements by the statutory auditors;
- review of the control systems set up to strengthen Internal Control;
- review of the legal risks, potential litigation and important events that may have a significant impact on the financial position and assets of the Group;
- review of the services other than the certification of the accounts provided by the statutory auditors during the financial year. In 2018, this work, which was submitted for the prior agreement of the Audit Committee, comprised;
  - the verification of the CSR information by a third party organisation;
  - certifications of the data from the accounts (certifications regarding the revenue per store, covenant certifications, ecofolio certification, etc.).

Attendance of the directors at the Board of Directors' Meetings during the 2018 financial year:

Director	Attendance at Board meetings	Attendance Rate
Nicolas WOUSSEN	3/3	100%
Marie-Christine LEVET	3/3	100%
Sir Ian CHESHIRE	1/3	33%

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of the following directors:

Chairwoman	Sophie GUIEYSSE – independent director
Members	Sir Ian CHESHIRE – independent director
	Michel PLANTEVIN

The Nomination and Compensation Committee is a specialised committee whose principal duty is to help the Board of Directors in the composition of the management bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits granted to Group executives (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context, the Nomination and Compensation Committee's duties are to make proposals in relation to the appointment of members of the Board of Directors and of the members of the management of the Company, as well as the members and the Chairmen of each of the other committees and to perform an annual evaluation of the independence of the members of the Board of Directors.

The work of the Nomination and Compensation Committee in 2018 comprised:

- analyse the compensation of the executive directors;
- propose the determination of the amounts due to the Chief Executive Officer in variable compensation in respect of the prior fiscal year, and the analysis of the suitability of the criteria used for the coming fiscal year, with regard to the Group strategy.

  Prior to the Board of Directors meeting of 20 March 2018, the Committee reviewed the compensation policy for executives and decided that there was no need to amend it. It reviewed the fixed compensation of the Chief Executive Officer and decided that no events justified its modification;
- issue an opinion on the situation of all directors, particularly with regard to the independence criteria stipulated by the AFEP-MEDEF Code;
- propose the long-term incentive plan in the form of performance shares granted at the end of the 2017 Shareholders' Meeting, in line with the first grant made at the end of 2016;

- issue an opinion regarding the renewal/proposal of new directors;
- initiate a project to formalise the existence of the succession plan for executive directors and obtain information regarding the plans in place for the other main executives of the Group.

  In this context, the committee conducted interviews of candidates for the position of Chief Executive Officer to replace Gilles Petit.

Attendance of the directors of the Nomination and Compensation Committee:

Director	Attendance at Board meetings	Attendance Rate
Sophie GUIEYSSE	3/3	100%
Michel PLANTEVIN	3/3	100%
Sir Ian CHESHIRE	3/3	100%

EXECUTIVE COMMITTEE OF MAISONS DU MONDE

The Group has an experienced management team led by Julie WALBAUM, its Chief Executive Officer since 1 July 2018 and the following individuals, who are actively involved in the Group's day-to-day operations:

- Guillaume APOSTOLY, Information Systems Director;
- Marie-Laure CASSE, Digital and Marketing Director;
- Yohann CATHERINE, Operations Director;
- Philippe CHAUMAIS, European Development Director;
- Catherine FILOCHE, Company Secretary, Head of Franchising and Business-to-Business Sales (BtoB);
- Arnaud LOUET, Chief Financial Officer;
- Stéphane MORTELETTE, Human Resources Director;
- Julien VIGOUROUX, Logistics Director.

3.1.2 POSITIONS AND OFFICES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Description of the positions and offices at 31 December 2018

As of 31 December 2018, the Company's Board of Directors was composed of the following eight members whose positions and duties are indicated below.

During the last fiscal year, Mr. Gilles PETIT resigned as Chief Executive Office with effect from 1 July 2018 Mr. Mustapha OULKHOUIR was appointed as director representing the employees on 1 June 2018.

Date of birth

6 August 1959

Nationality

British

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

1,000

SIR IAN CHESHIRE

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Chairman of the Board of Directors

Biography

Sir Ian CHESHIRE spent 17 years with Kingfisher plc including 7 years as group Chief Executive Officer between 2008 and 2015. He served as the Chairman of the Board of Directors and of the Nomination Committee and as a member of the Remuneration Committee of Debenhams from April 2016 until the end of his term of office on 31 January 2019. Sir Ian currently holds positions as a senior independent director of Whitbread plc, Chairman of Menhaden Capital plc and lead non-executive director for the British government. Sir Ian Cheshire is also a non-executive member of the Cabinet Office Board (British Prime Minister's cabinet). In addition, he is President of the Business Disability Forum, Chairman of the Advisory Board of the Cambridge Institute for Sustainability Leadership and has been made a "Chevalier de l'Ordre National du Mérite" of France. Sir Ian formerly served as Chairman of the British Retail Consortium.

Sir Ian CHESHIRE graduated from Cambridge University

Main offices held in the last five years

Current terms of office:

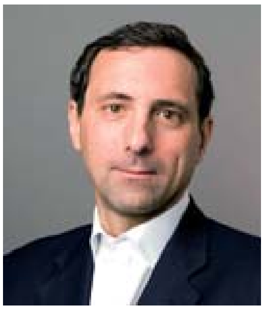
French companies:
- Independent director and Chairman of the Board of Directors of Maisons du Monde S.A.

Foreign companies:
- Chairman of the Board of Directors of Barclays UK
- Chairman of Menhaden Capital Plc
- Lead non-executive director (Special advisor) for the British Government
- Member of the Cabinet Office Board (Executive Committee) of the British Prime Minister's Cabinet
- President of the Business Disability Forum

Terms of office that have expired in the last five years:

French companies:
- None

Foreign companies:
- Chairman of the Board of Directors of Debenhams (term of office ends 31 January 2019)
- Director of Kingfisher Plc from 2000 to 2015, Chief Executive Officer from 2008 to 2015
- Director of Whitbread Plc
- Chairman of the Advisory Board of the Cambridge Institute for Sustainability



MICHEL PLANTEVIN

Business address: Le Portereau 44120 Vertou

Date of birth

24 October 1956

Nationality

French

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

100

Main position held in the Company

Vice-Chairman of the Board of Directors

Biography

Michel PLANTEVIN has been a Managing Director at Bain Capital Private Equity (Europe) LLP since 2003, responsible for the firm's investments in the industrial sector and more specifically in France and Benelux. He served as a Managing Director at Goldman Sachs International, initially in the investment banking division and then in the merchant banking division. He previously served as a consultant of Bain & Company Inc. and headed its Paris office as a Managing Director.

Main offices held in the last five years

Current terms of office:

French companies:
- Director and Vice-Chairman of the Board of Directors of Maisons du Monde S.A.
- Member of the Supervisory Board of Autodistribution SA
- Member of the Supervisory Board of Consolis Holding SAS

Foreign companies:
- Managing Director of Bain Capital Equity LLP
- Member of the Board of Global Private Equity Bain Capital Investors LLC
- Member of the Supervisory Board of Diversey
- Member of the Supervisory Board of IMCD NV (Netherlands)

Terms of office that have expired in the last five years:

French companies:
- Member of the Supervisory Board of FCI SA.

Foreign companies:
- Director of Ibstock PLC
- Member of the Supervisory Board of NXP

GILLES PETIT

Business address: Le Portereau 44120 Vertou

Date of birth

22 March 1956

Nationality

French

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

445,782

Main position held in the Company

Director

Biography

Gilles PETIT started his career in 1980 at Arthur Andersen before joining the Promodès group in 1989. At the time of the merger between Promodès and Carrefour in 1999, Gilles PETIT was CEO of the hypermarkets division of Promodès in France. He was subsequently appointed CEO of Carrefour Belgium in 2000 and served as CEO of Carrefour Spain from 2005 to 2008, upon which time he served as CEO of Carrefour France from 2008 to 2010. He joined Elior in 2010 as CEO and Chairman of the Executive Committee and led the initial public offering of Elior on Euronext Paris in 2014.

Gilles PETIT graduated from the École Supérieure de Commerce de Reims, France.

3

Main offices held in the last five years

Current terms of office:

French companies:
- Director Maisons du Monde S.A.

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Chairman of Elior
- Director and Chief Executive Officer of Elior concessions
- Director and Chief Executive Officer of Elior Restauration et Services
- Director and Chief Executive Officer of Elior Financement
- Director of Ansamble Investissements
- Director of Areas
- Director of Serunion

Foreign companies:
- Director of Elior UK Ltd
- Director of Elior Ristorazione
- Director of Gourmet Acquisition Holdings Inc.
- Director of Trusthouse Services Holdings LLC

SOPHIE GUIEYSSE

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Director

Date of birth

19 February 1963

Nationality

French

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2021

Maisons du Monde shares held

1,000

Biography

Sophie GUIEYSSE started her career in 1988 at the French Ministry of Equipment where she held different engineer positions in the field of urban development, housing, transportation and public infrastructures until 1997. Sophie Guieysse joined the LVMH Group in 1997 to source international high potential talents to serve the fast growth of all divisions and was successively promoted as human resources executive Vice-President of LVMH Watches & Jewelry, Sephora Europe and of the global LVMH Group. From 2005 to 2015, she was human resources executive Vice-President and a member of the Executive Committee of the CANAL+ Group. She was advisor to the Chairman of Dior from 2016 to 3 2017. She is the Human Resources Director of the Richemont Group since October 2017.

Sophie GUIEYSSE holds an MBA from the Collège des Ingénieurs and undergraduate and master’s degrees in engineering from the École Polytechnique and the École Nationale des Ponts et Chaussées.

Main offices held in the last five years

Current terms of office:

French companies:

- Independent director of Maisons du Monde S.A.
- Member of the Paris 2024 Olympic Organising Committee's Compensation Committee
- Member of the 2023 Rugby World Cup Organisation Committee's Compensation Committee

Foreign companies:

- Director of Compagnie Financière Richemont SA

Terms of office that have expired in the last five years:

French companies:

- Member of the Supervisory Board of Group Rallye
- Director of GO SPORT

Foreign companies:

- Director of the TVN Group in Poland

MARIE CHRISTINE LEVET

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Director

Biography

Marie-Christine LEVET was the CEO of several major French Internet companies between 1997 and 2009 (Lycos, Club-Internet/T-Online France and Groupe 01), prior to becoming a venture capitalist. She participated in the creation of Jaina Capital from 2010 to 2013, an investment fund specialising in early-stage start-ups, (notably Made.com, Sensee, La Ruche qui dit oui, Ouicar and Devialet, etc.).

In October 2017, Marie-Christine LEVET launched the investment fund Educapital, the first European investment fund dedicated to the education and training sectors and their digital transformation.

Marie-Christine LEVET graduated from HEC and holds an MBA from INSEAD.

Date of birth

28 March 1967

Nationality

French

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

100

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director of Maisons du Monde S.A.
- Director of Iliad
- Director of AFP
- Director of So Local Group

Foreign companies:
- Director of Econocom

Terms of office that have expired in the last five years:

French companies:
- Director of Mercialys
- Manager of Jaina Capital
- Director of FINP
- Director of Hi Pay

Foreign companies:
- None

3

NICOLAS WOUSSEN

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Directors

Biography

Nicolas WOUSSEN began his career in the M&A Department of Dresdner Kleinwort Wasserstein in 2000. In 2005, he joined Casino Guichard Perrachon as Deputy Director of M&A in Europe, Asia, Latin America and the United States. In 2010, he joined Cdiscount as Deputy CEO in charge of Finance and supported its development in France and seven other countries as well as its IPO on the Nasdaq in 2014. He joined Showroomprivé.com in 2015 as Deputy Chief Executive Officer in charge of Finance and Development, where he oversaw the Company's IPO on Euronext in 2015, as well as the Group's first acquisitions in France and abroad. In 2017, he joined Camaïeu as Deputy Chief Executive Officer in charge of Finance. Since 2018 he has been Chairman of Camaïeu Group.

Nicolas WOUSSEN graduated from HEC.

Date of birth

8 June 1976

Nationality

French

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2021

Maisons du Monde shares held

100

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director of Maisons du Monde S.A.
- Chairman of MODACIN SAS
- Chairman of Financière Brame SAS
- Chairman of Camaïeu International SAS

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Deputy Chief Executive Officer in charge of finance at CDISCOUNT
- Corporate officer at Cnova
- Director of CDISCOUNT
- Director of MoncornerDec

Foreign companies:
- None

MARIE SCHOTT

Business address: Le Portereau 44120 Vertou

Date of birth

3 August 1973

Nationality

French

Date of 1st appointment

19 May 2017

End of term of office as director

31 December 2019

Maisons du Monde shares held

100

Main position held in the Company

Director

Biography

Marie SCHOTT has over 20 years' experience in the retail and fashion industry. In particular, she was part of the Etam Group for 11 years from 2007 to 2018. First she successfully launched the Undiz lingerie brand, and was appointed Deputy Chief Executive Officer of the Etam brand in 2011. Prior to this, she spent four years with Vivarte as Head of Mission with the Group Chairman and then as Head of Purchasing for the Parti Prix with La Halle aux Vêtements.

Marie SCHOTT began her professional career in consulting at Deloitte Consulting Group, then at Mercier Management Consulting. She is a graduate of HEC Paris.

Main offices held in the last five years

Current terms of office:

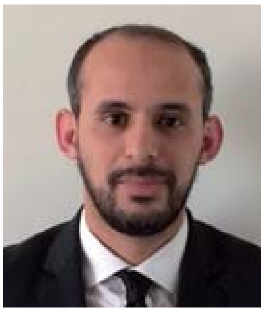
French companies:
- Independent director of Maisons du Monde S.A.

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Director of Noyon Dentelle SAS Group

Foreign companies:
- None



MUSTAPHA OULKHOUIR

Business address: Le Portereau 44120 Vertou

Date of birth

14 November 1985

Nationality

French

Date of appointment

1 June 2018

End of term of office as director

31 May 2022

Maisons du Monde shares held

None

Main position held in the Company

Director representing the employees

Biography

Mustapha OULKHOUIR has been Deputy Head of Employment and Social Affairs at Maisons du Monde since April 2016. As Head of individual and collective labour relations, he supports all Maisons du Monde French and foreign teams. Mustapha OULKHOUIR began his career in 2010 as a lawyer at the Inditex Group and has held various legal positions, specialising in employment law. He was responsible for industrial relations at Galeries Lafayette Haussmann and the Bernard Hayot Group.

Mustapha OULKHOUIR graduated with a Masters 2 in Employment law and industrial relations from the University Paris Ouest, Nanterre La Défense.

Mustapha OULKHOUIR has also taught on the Masters 2 in Employment Law and Human Resources in Ile de France and Loire Atlantique.

Main offices held in the last five years

Current terms of office:

French companies:
- Maisons du Monde S.A, Director representing the employees

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- None

Foreign companies:
- None

Changes in the composition of the Board of Directors and Committees during fiscal year 2018

Situation as at 28 February 2019

	Departure	Appointment	Renewal
Board of Directors	Gilles PETIT Resignation of the Chief Executive Officer from 01/07/2018	Mustapha OULKHOUIR On 01/06/2018	Sophie GUIEYSSE Nicolas WOUSSEN on 18/05/2018
Audit Committee			Nicolas WOUSSEN on 18/05/2018
Nomination and Compensation Committee			Sophie GUIEYSSE on 18/05/2018

Status of the terms of office of the members of the Board of Directors

No director's term of office will expire at the end of the next Shareholders' Meeting.

Plan to appoint a new member of the Board of Directors

On the recommendation of the Nomination and Compensation Committee, at its meeting on 22 March 2019, the Board of Directors decided to submit the appointment of Julie WALBAUM as a Company Director with a four-year term, for shareholders' approval.

This appointment is in keeping with the implementation of the succession plan drawn up by the Board of Directors, given Julie WALBAUM's experience and knowledge of the Group's business lines, as well as her appointment as Chief Executive Officer of Maisons du Monde on 1 July 2018.

This proposed appointment is also in line with the Board's desire to maintain a balanced composition, tailored to the Group's issues.

Julie WALBAUM's biography is set out in point 3.1.3 of this Chapter.

3.1.3 POSITIONS AND OFFICES OF THE CHIEF EXECUTIVE OFFICER

On 3 May 2018, the Board of Directors of Maisons du Monde appointed Julie WALBAUM as Chief Executive Officer with effect from 1 July 2018.

Date of birth

30 November 1977

Nationality

French

Date of appointment

1 July 2018

End of term of office as director

30 June 2021

Maisons du Monde shares held

2,941

JULIE WALBAUM

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Chief Executive Officer

Biography

Julie WALBAUM is Chief Executive Officer of Maisons du Monde since 1 July 2018. She was previously Executive Director, Digital, Customer Marketing, Customer Care and Shipping, in charge of all Maisons du Monde's web shops, marketing activities for the web and stores, before and after sales customer relationships and store and customer shipping. Julie WALBAUM joined the company in 2014. She previously worked for two years at the Rocket Internet e-commerce incubator, where she developed and managed the French subsidiary of Westwing, an online shopping club specialising in home and living. She also has 11 years of experience in management consulting, having spent two years at Deloitte Consulting, then nine years at McKinsey&Company, at their Paris and London offices, specialising in retail. Julie began her career at a start-up offering online market surveys, developing its initiatives in France and in Spain.

Julie is a graduate of ESSEC and holds an MBA from INSEAD Business School.

Main offices held in the last five years

Current terms of office:

French companies:
- Chief Executive Officer of Maisons du Monde S.A.

Foreign companies:
- None

Terms of office that have expired in the last five years:

Sociétés françaises :
- None

Foreign companies:
- None

3.2 Compensation and benefits

3.2.1 COMPENSATION OF CORPORATE OFFICERS

The Board of Directors of Maisons du Monde refers to the AFEP-MEDEF Code when setting the compensation and benefits awarded to its executive and non-executive directors.

COMPENSATION POLICY

Compensation is set by the Board of Directors on the recommendation of the Nomination and Compensation Committee and in accordance with the following principles:

- the overall amount of Executive Directors' compensation submitted to the Board for approval takes into consideration the general interest of the Company, industry practice and the Executive Directors' performance;
- clearly stated reasons, corresponding to the general interest of the Company, are given for each of the components of their compensation. The appropriateness of the compensation proposed must be assessed within the context of the Company's business and in reference to French and international industry practice;
- the compensation of Company Executive Directors must be set fairly and in line with that of other Group Executive Directors, in view of their responsibilities, skills and personal contributions to the Group's performances and development;
- the variable portion of their compensation must be consistent with their annual performance evaluation and with the Group strategy. The performance criteria used to calculate the variable portion of Executive Directors' compensation, whether this relates to a bonus or stock options or performance share grants, must be simple to establish and explain, must be a satisfactory reflection of the Group's performance and economic development objective, at least in the medium term, must allow for transparency with regard to shareholders in the Annual Report and during Shareholders' Meetings and must correspond to the Company's corporate objectives and standard practices in terms of the compensation of Executive Directors.

This methodology is applied when assessing the compensation and benefits of the Group's senior executives who are not Company officers and, more broadly, any policies put in place in this regard.

COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS DURING THE 2018 FINANCIAL YEAR

Compensation of Sir Ian CHESHIRE – Chairman of the Board of Directors

Sir Ian CHESHIRE did not receive any fixed or variable compensation, or benefits in kind, for serving as the Company's Chairman of the Board of Directors in 2018. He was not awarded any free performance shares. Sir Ian CHESHIRE received directors' fees, set at €100,000 by the Board of Directors at its meeting on 18 May 2018, for serving as Chairman of the Board of Directors, including his participation in the Board's two committees. €5,000 was added to this amount, in accordance with the Board's directors' fee distribution policy, for Sir Ian CHESHIRE's attendance at an extra Board meeting.

Compensation of Gilles PETIT – Chief Executive Officer for the period from 1 January 2018 to 30 June 2018

Gilles PETIT served as the Company's Chief Executive Officer until 30 June 2018, when he resigned from this position.

In accordance with the provisions of the AFEP-MEDEF Code, the financial terms of Gilles PETIT's departure were published on 29 June 2018.

Gilles PETIT received the following compensation for 2018:

- **fixed compensation:** Gilles PETIT's fixed annual compensation was set by the Board of Directors at its meeting on 20 March 2018 at €400,000 gross. In view of Gilles PETIT's resignation from his office as Chief Executive Officer, he was paid €200,000 for the period from 1 January to 30 June 2018;
- **variable compensation:**

  In 2018, Gilles PETIT received variable compensation for 2017 totalling €340,000, including €204,000 paid on the basis of an EBIT-related quantitative criterion which was more than 110% met, and €136,000 on the basis of two qualitative criteria which were met in full. The variable compensation owing to Gilles PETIT for 2017 was approved by the Shareholders' Meeting of 18 May 2018.

  For 2018, the Board of Directors, at its meeting on 22 March 2019 regarding the recommendations of the Nomination and Compensation Committee, set variable compensation for Gilles PETIT at the sum of €170,000. This amount was calculated based on the achievement of targets set by the Board of Directors on 20 March 2018, on the basis of the Group's EBIT for the quantitative portion and on precisely pre-defined qualitative objectives that were not disclosed for reasons of confidentiality, The achievement of quantitative and qualitative targets was assessed on 30 June 2018. €170,000 is 50% of the maximum bonus, and was prorated to cover the period from 1 January 2018 to 30 June 2018. This amount will be definitively acquired subject to the approval of the Shareholders' Meeting of 3 June 2019.

- **Medium/long-term incentives:**

  The Board of Directors, during its meeting of 19 May 2017, abiding by the recommendations of the Nomination and Compensation Committee, decided to include Gilles PETIT in the medium/long-term incentives implemented in December 2016 for other key Group executives and managers, by awarding him 34,500 free performance shares.

  Following Gilles PETIT's resignation from his duties as Chief Executive Officer, and on the recommendation of the Nomination and Compensation Committee, in accordance with Company Regulations on the free performance share allocation plan of 19 May 2018, the Board of Directors, at its meeting on 29 June 2018, approved Gilles PETIT's exemption from the continued employment condition provided for by the plan's regulations. In accordance with recommendations on good governance, a rule was applied, on a prorated basis, to the amount of free shares initially awarded. Accordingly, the Nomination and Compensation Committee reduced the number of shares awarded to Gilles PETIT by one third. By virtue of this exemption and the application of the rule on a prorated basis basis, at the end of the vesting period, Gilles PETIT will be awarded a maximum of 23,000 of the 24,500 free performance shares initially awarded, subject to performance conditions. By taking this decision, the Board of Directors sought to enable Gilles PETIT to participate in the long-term incentive plan set up in December 2016 for almost 300 of the Group's employees and deemed this exemption to be fully justified in the case in point due to the importance of the services rendered by Gilles PETIT.

  The final number of performance shares that he may obtain at the end of the vesting period, on 19 December 2019, will be dependent on internal Group performance conditions measured according to Sales revenue (as defined in the consolidated financial statements) for 2018 (sales 2018) of the Maisons du Monde Group, the cumulative 2017 and 2018 EBITDA (17+18 EBITDA), and a third condition for the cumulative normative 2017 and 2018 earnings per share (17+18 EPS) of the Group.

  The Board of Directors meeting of 19 May 2017, on a proposal from the Nomination and Compensation Committee, reviewed the levels of the expected targets for each of the performance conditions that were set during its 16 December 2016 meeting (these levels were the ones selected for the shares granted to other members of the Group's Executive Committee):

  – 20% of the shares therefore have a sales 2018 condition,

  – 50% have a 17+18 EBITDA condition,

  – 30% have a 17+18 EPS condition;

Regarding internal performance conditions involving sales 2018, the measurement of the performance set as a condition for the number of shares vested for this performance, and subject to continued presence, is established as follows:

  – the lower limit of the performance (at 95% of the sales 2018 objective) gives the right to 50% of the shares dependent on this condition,

  – the performance target (at 100% of the objective) gives the right to 100% of the shares dependent on this condition,

  – below this lower limit, no shares are acquired for this performance,

  – between the lower limit and the performance target, the shares for this condition are acquired on a proportional and straight-line basis;

Regarding the two internal performance conditions (17+18 EBITDA and 17+18 EPS), the performance measurement for each of the conditions, a measurement on which depends the number of shares vested for this performance, and which is subject to continued presence, is established as follows:

  – the lower limit (at 90% of the objective) gives the right to 50% of the shares dependent on this condition,

  – the performance target (at 100% of the objective) gives the right to 100% of the shares dependent on this condition,

  – between the lower limit and the performance target, the shares for this condition are acquired on a proportional and straight-line basis;

  – In the event that the number of performance shares obtained following the application of the above performance conditions is not a whole number, it will be rounded down to the nearest unit.

In accordance with the provisions of the French Commercial Code, it was decided that the Chief Executive Officer is required to retain in registered form, until the end of his term of office, 40% of the shares granted until he holds a quantity of shares representing two years of base salary. Given this retention requirement, the availability of performance shares is not conditional on the purchase of additional shares of the Company.

- **benefits in kind** corresponding to the private use of a company vehicle, amounting to €2,888 for the period from 1 January to 30 June 2018.

Compensation of Julie WALBAUM in respect of her function as Digital, Customer Marketing and Customer Relations Director for the period from 1 January 2018 to 30 June 2018

Prior to her appointment as Chief Executive Officer of the Company, Julie WALBAUM occupied the function of Digital, Customer Marketing and Customer Relations Director for which she received fixed compensation.

Her gross variable compensation was assessed at €45,785, representing 98.5% of overall achievement of the target with a quantitative portion (70% of the variable compensation) achieved at 97.8% (online revenue and Ebitda targets) and a qualitative portion (30% of the variable compensation) achieved at 100%. This amount will be paid to Julie WALBAUM subject to the approval of shareholders at the Shareholders' Meeting on 3 June 2019.

Compensation of Julie WALBAUM, Chief Executive Officer for the period from 1 July 2018 to 31 December 2018

Julie WALBAUM was appointed as the Company's Chief Executive Officer on 3 May 2018, with effect from 1 July 2018, for a three-year term.

In accordance with the provisions of the AFEP-MEDEF Code, Maisons du Monde published the decisions taken by the Board of

Directors on 29 June 2018 regarding its new Chief Executive Officer's components of compensation, in a press release dated the same day.

Julie WALBAUM also resigned from the employment contract binding her to the Company with effect from 30 June 2018.

For the period from 1 July 2018 to 31 December 2018, Julie WALBAUM received the following compensation, given that the Chief Executive Officer's compensation terms are subject to approval by the Shareholders' Meeting of 3 June 2019.

▪**fixed compensation:** Julie WALBAUM's fixed annual compensation was set at €400,000 and she was paid €200,000 for the period between 1 July and 31 December 2018.

▪**variable compensation:** the Board of Directors' meeting on 29 June 2018 set the following variable compensation terms for 2018: the gross variable annual bonus has a target value of 60% of the gross fixed annual compensation. This amount may be between 0 and 150% of the target value, based on performance. The annual bonus is capped at 90% of the fixed annual compensation. Entitlement to the variable bonus is subject meeting quantitative and qualitative targets for the second half of 2018: 70% of the variable annual bonus is determined on the basis of a quantitative target based on the Group's sales and budget EBIT; 30% is determined on the basis of specific pre-established qualitative targets. Qualitative targets and the level of achievement of quantifiable criteria are not published for reasons of confidentiality.

On the recommendation of the Nomination and Compensation Committee, the Board of Directors, at its meeting on 22 March 2019, assessed the overall performance achievement at 90% of the target performance, the quantitative achievement being assessed at 97% of the target on a weighted average basis and the qualitative achievement at 73% of the target on a weighted average basis. The variable portion for the period was rounded to €110,000, or 55% of the base salary for the period. This amount will be paid to Julie Walbaum subject to the approval of shareholders at the Shareholders' meeting on 3 June 2019.

Medium/long-term incentives: Julie WALBAUM was not awarded any free performance shares during the period from 1 July 2018 to 31 December 2018.

She was awarded 16,000 free performance shares for serving as a member of the Executive Committee, which she received in the first half of 2018.

▪**Benefit in kind** corresponding, in particular, to unemployment insurance contributions amounting to €9,542 for the second half of 2018. Julie WALBAUM is the beneficiary of an executive social security plan (GSC) giving her 12-months compensation, capped at 70% of her net compensation for the tax year for tranches A and B and 55% for tranche C.

With regard to social protection, Julie WALBAUM has the same supplementary social protection cover as all the other Company executives, governed by binding contracts between the Company and its insurers. On this basis, she is covered by the 'incapacity - disability - death" scheme and the healthcare scheme applicable within the company.

REVIEW OF THE COMPENSATION OF CORPORATE OFFICERS FOR THE 2019 FINANCIAL YEAR

On 22 March 2019, the Board of Directors, upon the recommendation of the Nomination and Compensation Committee, set the following compensation for 2019:

Review of the compensation of Sir Ian CHESHIRE

As was the case in the previous year, Sir Ian CHESHIRE will not receive any fixed or variable compensation for his position. He will receive directors' fees, in the amount set by the Board of Directors Meeting after the Shareholders' Meeting of 3 June 2019. Sir Ian CHESHIRE will not receive any other type of compensation in any form whatsoever beyond the payment of directors' fees.

Review of the compensation of Julie WALBAUM

Following the development of an external benchmark, comprising listed groups of a similar size and with similar issues, which positioned the Company below the first quartile of the market, the Nomination and Compensation Committee proposed that Julie WALBAUM's fixed compensation should be set at €450,000. This increase in base salary was justified by the fact that Julie WALBAUM is now in full control of her position at the head of the Group. This decision was taken at the Board meeting of 22 March 2019, subject to validation by the Shareholders' Meeting.

The Chief Executive Officer's **variable compensation** will be set as follows: the variable annual bonus will have a target value of 60% of the gross fixed annual compensation. This amount may be between 0 and 150% of the target value, based on performance. The annual bonus is capped at 90% of the fixed annual compensation. Eligibility for the bonus will be subject to meeting quantitative and qualitative targets incorporating CSR-related criteria.The variable portion is structured as follows:

- quantitative target based on Group sales: 20% of the target variable portion;
- quantitative target based on the Group's EBIT: 50% of the target variable portion;
- qualitative targets: 30% of the target variable portion. Qualitative targets include Corporate Social Responsability / Environmental Responsability criteria consistent with the Group's 2020 ambitions.These targets, which are precisely pre-determined, and the level of achievement of quantifiable criteria are not published for reasons of confidentiality.

It is stated that in 2019, as in the previous year, the Chief Executive Officer will be eligible for the allocation of free performance shares for up to a maximum of 150% of overall compensation (fixed plus maximum variable compensation). Moreover, he must comply with the requirement that 40% of such definitively acquired shares must be held in registered form throughout the duration of his term of office, up to an amount representing two years of basic salary.

Lastly, Mrs WALBAUM will receive benefits in kind corresponding to the private use of a company vehicle as well as unemployment social contributions.

Julie WALBAUM will not receive any other type of compensation in any form whatsoever beyond the aforementioned items of compensation.

COMMITMENTS MADE TO EXECUTIVE DIRECTORS

Sir Ian CHESHIRE – Chairman of the Board of Directors

No commitments were made to Sir Ian CHESHIRE by the Company in 2018.

Mrs Julie WALBAUM – Chief Executive Officer

- **Pension commitments**: As per the legislation applicable to social security old age pensions, Julie WALBAUM is a beneficiary of the ARRCO and AGIR supplementary schemes. She does not benefit from any internal defined benefit or defined contribution supplementary pension plans.
- **Non-compete commitment:** Julie WALBAUM will be subject to a non-compete obligation in the event of the termination of her duties within the Company. In exchange for this twelve-month commitment, starting from the termination of her corporate office, Julie WALBAUM will receive, once her term of office has been terminated and for the entire duration of this non-compete clause, a special monthly payment of 50% of the average gross monthly compensation received for the last twelve complete months of her activity. Should Julie WALBAUM's term of office be terminated within the first twelve months, the fixed monthly compensation will amount to 50% of the average gross monthly compensation received during her term of office.

  The Company's Board of Directors may waive the non-compete clause when Julie WALBAUM's term of office is terminated. In this case, Julie WALBAUM will not receive any special fixed monthly payments.

  Julie WALBAUM will no longer receive special monthly payments once she exercises her right to retire. In any event, no compensation will be paid after she reaches the age of sixty five.
- **Obligation in the event of termination of duties:** no obligation has been made to Julie WALBAUM in the event of her term of office being terminated.

DIRECTORS' FEES

Directors' fees and other compensation received by non-executive Corporate Officers

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

The amount of the allocated directors' fees is set and paid according to the following terms: subject to being present at five Board Meetings with an agenda concerning the approval and/or review of the Company's periodic accounts, each director receives a sum of €40,000 for their office.

This sum is increased as follows to take into account participation in a specialised committee:

- €5,000 for participation in a specialised committee;
- €10,000 for chairing the Nomination and Compensation Committee;
- €15,000 for chairing of the Audit Committee.

To these amounts is added €5,000 for attendance at any Board Meeting held in addition to the five meetings mentioned above and having a significant agenda.

The directors' fees paid in respect of 2018, distributed by the Board of Directors during its meetings of 18 May 2018 and 12 December 2018, also included a payment made in March 2018. Sir Ian Cheshire, Chairman of the Board of Directors, received €105,000 in directors' fees, composed of a fixed amount of €100,000 plus €5,000 to account for his participation in additional Board meetings, in accordance with the principles stated above. During its meeting of 12 December 2018, the Board of Directors decided to allocate €24,000 in directors' fees to Gilles PETIT for his office as director, taking into account of his resignation as Chief Executive Officer as of 1 July 2018.

The amounts of directors' fees allocated to the members of the Board are shown in table 3 of the AFEP-MEDEF Code below.

No other compensation was paid by the Company to non-executive directors for the financial year ended 31 December 2018.

Authorisation of the directors' fees for the 2019 financial year

The next Shareholders' Meeting will be asked to vote on the overall amount of €500,000 of directors' fees allocated to the Board of Directors for the current financial year.

SERVICE AGREEMENTS

At its meeting on 29 June 2018, the Board of Directors authorised the signing of a service agreement between the Company and GILLES PETIT CONSEIL, of which Gilles PETIT is the sole partner and Chairman. Under this agreement, Gilles PETIT provides management consultancy services and support, as well as operational management and coaching to Maisons du Monde Senior Management from 1 July 2018 for a period of eighteen months.

The financial terms of the agreement are as follows:

- Payment of a lump sum of €16,666.67 whitout taxes month for the period from 1 July 2018 to 31 December 2018;
- Payment of a lump sum of €8,333.33 without taxes per month for twelve months in 2019;
- Reimbursement of expenses incurred by GILLES PETIT CONSEIL necessary for the performance of the service upon presentation of receipts;
- Provision of GILLES PETIT CONSEIL during the second half of 2018, of a corresponding vehicle to a benefit of 2,888 euros.

The essential characteristics and modalities, as well as the interest for the Company this convention are mentioned in the special report of the Statutory Auditors appearing in chapter 7 point 7.4 of this Registration Document.

AGREEMENTS SIGNED BEETWEN AN EXECUTIVE OR SIGNIFICANT SHAREHOLDER AND A SUBSIDIARY

In accordance with the provisions of Article L. 225-37-4-2 resulting from the Order of 12 July 2017, please note the agreement signed between the English company, Debenhams, of which Sir Ian CHESHIRE is the non-executive Chairman, and the subsidiary, Maisons du Monde France, to open concessions within Debenhams stores.

SUMMARY OF THE COMPENSATION OF EXECUTIVE DIRECTORS

In application of the provisions of the AFEP-MEDEF Code, amended in June 2018, we hereby present to you the summary of the compensation of Executive Directors

Summary table of the compensation paid and options and shares allocated to each Executive Director (table 1 of the AFEP-MEDEF Code)

Gilles PETIT **Chief Executive Officer** *(in euros) - Period from 1 January to 30 June 2018*	**2018**	**2017**
Compensation for the financial year (as detailed in Table 2)	396,888	745,776
Valuation of options granted during the year (details of which are given in Table 4)	n/a	n/a
Valuation of performance shares granted during the year (details of which are given in Table 6)	n/a	1,079,215
Valuation of other long-term compensation plans	n/a	n/a
TOTAL	**396,888**	**1,824,991**

Julie WALBAUM **Chief Executive Officer** *(in euros) - Period from 1 July to 31 December 2018*	**2018**	**2017**
Compensation for the financial year (as detailed in Table 2)	319,542	n/a
Valuation of options granted during the year (details of which are given in Table 4)	n/a	n/a
Valuation of performance shares granted during the year (details of which are given in Table 6)	n/a	n/a
Valuation of other long-term compensation plans	n/a	n/a
TOTAL	**319,542**	**n/a**

Summary table of the compensation of each Executive Director (table 2 of the AFEP-MEDEF Code)

Gilles PETIT **Chief Executive Officer**	**2018**		**2017**	
(in euros) - Period from 1 January to 30 June 2018	**Due**	**Paid**	**Due**	**Paid**
Fixed compensation	200,000	200,000	400,000	400,000
Annual variable compensation	170,000	510,000	340,000	340,000
Exceptional compensation	n/a	n/a	n/a	200,000
Directors' fees	24,000	0	n/a	n/a
Benefits in kind	2,888	2,888	5,776	5,776
TOTAL	**396,888**	**736,888**	**745,776**	**945,776**

Julie WALBAUM **Chief Executive Officer** *(in euros) - Period from 1 July to 31 December 2018*	2018		2017	
	Due	Paid	Due	Paid
Fixed compensation	200,000	200,000	n/a	n/a
Annual variable compensation	110,000	0	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Directors' fees	n/a	n/a	n/a	n/a
Benefits in kind (Company car)	9,542	9,542	n/a	n/a
TOTAL	319,542	209,542	n/a	n/a

Table on the directors' fees and other compensation received by non-executive Directors (table 3 of the AFEP-MEDEF Code)

Sir Ian CHESHIRE - Chairman of the Board of Directors *(in euros)*	2018	2017
Directors' fees	105,000	110,000
Other compensation	n/a	n/a
TOTAL	105,000	110,000

Michel PLANTEVIN – Vice-Chairman of the Board of Directors – Director *(in euros)*	2018	2017
Directors' fees	85,000	42,000
Other compensation	n/a	n/a
TOTAL	85,000	42,000

Sophie GUIEYSSE – Director *(in euros)*	2018	2017
Directors' fees	55,000	65,000
Other compensation	n/a	n/a
TOTAL	55,000	65,000

Marie-Christine LEVET – Director *(in euros)*	2018	2017
Directors' fees	55,000	65,000
Other compensation	n/a	n/a
TOTAL	55,000	65,000

Nicolas WOUSSEN – Director *(in euros)*	2018	2017
Directors' fees	70,000	65,000
Other compensation	n/a	n/a
TOTAL	70,000	65,000

Marie SCHOTT – Director *(in euros)*	2018	2017
Directors' fees	55,000	32,000
Other compensation	n/a	n/a
TOTAL	55,000	32,000

Gilles PETIT – Director *(in euros)*	2018	2017
Directors' fees	24,000	n/a
Other compensation	n/a	n/a
TOTAL	24,000	n/a

The directors' fees allocated for the 2018 financial year were paid in March 2019.

Michel PLANTEVIN has been awarded directors' fees since June 2017, the date on which he was no longer the representative of Bain Capital. Gilles PETIT has been awarded directors' fees since 1 July 2018, following his resignation as Chief Executive Officer. Mustapha OULKHOUIR, director representing the employees, appointed on 1 June 2018, was not awarded any directors' fees.

Stock options allocated during the financial year to each Executive Director by the issuer or by any Group company (Table 4 of the AFEP-MEDEF Code)

No stock options were allocated to the Executive Directors during the course of 2018.

Stock options exercised during the financial year by each Executive Director (Table 5 of the AFEP-MEDEF Code)

No stock options were exercised during the 2018 financial year.

Performance shares allocated to each Executive Director during the financial year by the issuer or by any Group company (Table 6 of the AFEP-MEDEF Code)

No performance shares were awarded during the past year to any executive directors.

Performance shares that have become available during the financial year for each Executive Director (Table 7 of the AFEP-MEDEF Code)

No performance shares awarded to executive directors became available in 2018.

History of stock option allocations (Table 8 of the AFEP-MEDEF Code)

Not applicable.

History of performance share allocations (Table 9 of the AFEP-MEDEF Code)

Gilles PETIT Chief Executive Officer	2016 Plan	2017 Plan	2018 Plan
Date of Shareholders' Meeting	29/04/2016	19/05/2017	19/05/2017
Date of Board of Directors Meeting	16/12/2016	19/05/2017	18/05/2018
Total number of shares allocated including the number allocated to:	153,250	54,350	146,435
Gilles PETIT	n/a	34,500	n/a
Vesting date of shares	n/a	15/12/2019	n/a
End-date of holding period	n/a	n/a	n/a
Performance conditions	n/a	20% of the shares involve a 2018 sales condition, 50% a 2017+18 EBITDA condition, 30% a 2017+18 EPS condition	n/a
Number of shares vested at 31/12/2018	n/a	0	n/a
Cumulative number of cancelled or lapsed shares	n/a	11,500	n/a
Remaining performance shares at the end of the financial year	n/a	23,000	n/a

Summary table of multi-year variable compensation paid to each Executive Director (Table 10 of the AFEP-MEDEF Code)

Not applicable.

Summary of the commitments made to Executive Directors (Table 11 of the AFEP-MEDEF Code)

Executive Corporate officers	Employment agreements	Pension schemes Supplementary	Severance payments and benefits due or likely to become due in the event of termination of office	Severance payment in relation to a non-compete clause
Gilles PETIT Chief Executive Officer Start of term of office 29/04/2016 End of term of office 30/06/2018	No	No	Yes	No
Julie WALBAUM Chief Executive Officer Start of term of office 01/07/2018 End of term of office 30/06/2021	No	No	No	Yes

The commitment made to Gilles PETIT in the event of the termination of his duties has expired and became void as of 30 June 2018, following his resignation as Chief Executive Officer on that same date.

CONSULTATION OF THE SHAREHOLDERS REGARDING THE COMPONENTS OF THE COMPENSATION OF CORPORATE OFFICERS (EX POST VOTE)

Overview of the compensation of Corporate Officers (according to the AFEP-MEDEF Code)

Gilles PETIT
Chief Executive Officer

Components of compensation due or allocated for the 2018 financial year	Amount or accounting valuation submitted to the vote	Overview
Fixed compensation	€200,000	Gross fixed annual compensation initially set at €400,000 by the Board of Directors on 20 March 2018, for 2018, reduced to €200,000 due to the resignation of Gilles Petit as Chief Executive Officer on 30 June 2018
Annual variable compensation	€170,000	Annual variable compensation initially set to a total maximum amount of €340,000 gross, representing 85% of gross annual fixed compensation (i) of which up to 60% paid (i.e. a maximum amount of €204,000) in return for the achievement of quantitative criteria and (ii) of which up to 40% paid (i.e. a maximum amount of €136,000) in return for the achievement of qualitative criteria. <u>Quantitative criteria:</u> the achievement of an EBIT (annual consolidated EBIT) amount in relation to the Budget EBIT. If the EBIT Budget achievement rate = 95% bonus = €0, if 100% bonus = €115,000 gross, if higher or equal to 110% bonus = €204,000 gross. <u>Qualitative criteria</u> are not made public for strategic reasons. The Board of Directors (meeting of 22/03/19) reviewed the achievement of the criteria, which amounted to 85% of his fixed compensation and 100% of his target bonus Variable compensation on a pro rata basis to cover the period from 1 January to 30 June 2018
Multi-year variable compensation in cash	N/A	There is no multi-year variable compensation.
Stock options, performance shares or other allocations of securities	Performance shares: €719,440	Number of shares: 34,500, 23,000 confirmed as a result of the resignation of the office of Chief Executive Officer i.e. 0.05% of the capital. Performance conditions: 20% of the shares involve a 2018 sales condition, 50% a 2017+18 EBITDA condition, 30% a 2017+18 EPS condition. Shareholders' Meeting authorisation of 19/05/17 (13th resolution) and Board of Directors allocation decision on 19/05/2017 and confirmation decision on 29/06/18.
Exceptional compensation	N/A	No exceptional compensation was paid for the 2018 financial year.
Directors' fees	N/A	The Chief Executive Officer does not receive any directors' fees for the period from 1 January to 30 June 2018
Valuation of benefits in kind	€2,888	Company vehicle

Components of compensation due or allocated for the 2018 financial year that were submitted to the vote of the Shareholders' Meeting under the procedure for regulated agreements and commitments	**Amount submitted to a vote**	*Overview*
Severance payment	N/A	Gilles Petit did not receive any severance payment following his resignation as Chief Executive Officer
Non-compete payment	N/A	Gilles Petit did not receive any non-compete payment following his resignation as Chief Executive Officer
Supplemental pension plan	N/A	there is no defined-benefit supplemental pension plan for the Chief Executive Officer

Sir Ian CHESHIRE
Chairman of the Board of Directors

Components of compensation due or allocated for the 2018 financial year	**Amount or accounting valuation submitted to the vote**	*Overview*
Fixed compensation	N/A	*No fixed compensation was paid for the 2017 financial year.*
Annual variable compensation	N/A	*No variable annual compensation was paid for the 2017 financial year*
Multi-year variable compensation in cash	N/A	*There is no multi-year variable compensation.*
Stock options, performance shares or other allocations of securities	N/A	*No allocations*
Exceptional compensation	N/A	*No exceptional compensation was paid for the 2017 financial year.*
Directors' fees	105,000	*Decisions of the Board of Directors of 18 May 2018 and 12 December 2018 on the distribution of directors' fees*
Valuation of benefits in kind	N/A	*The Chairman of the Board of Directors does not receive any benefits in kind*
Components of compensation due or allocated for the 2018 financial year that were submitted to the vote of the Shareholders' Meeting under the procedure for regulated agreements and commitments	**Amount submitted to a vote**	*Overview*
Severance payment	N/A	*No commitments have been made for the benefit of the Chairman of the Board of Directors*
Non-compete payment	N/A	*There are no non-compete agreements*
Supplemental pension plan	N/A	*There is no defined-benefit supplemental pension plan for the Chairman of the Board of Directors*

Julie WALBAUM Chief Executive Officer Components of compensation due or allocated for 2018 financial year	Amount or accounting valuation submitted to the vote	Overview
Fixed compensation	€200,000	At its meeting on 29 June 2018, the Board of Directors set the Chief Executive Officer's fixed annual compensation at €400,000. This was prorated to cover the period between 1 July and 31 December.
Annual variable compensation in respect of the function of Digital, Customer Marketing and Customer Relations Director Period from 1 January to 30 June 2018	€45,785	Gross variable compensation assessed at €45,785, representing 98.5% of overall achievement of the target with a quantitative portion (70% of the variable compensation) achieved at 97.8% (online revenue and Ebitda targets) and a qualitative portion (30% of the variable compensation) achieved at 100%.
Annual variable compensation	€110,000	Variable annual compensation, the target value of which is 60% of the fixed remuneration, is between 0 and 150% of the target value based on performance, capped at 90% of the fixed compensation and subject to meeting quantitative and qualitative targets. For the period covered, 70% of the variable bonus relates to a quantitative target based on Group sales and budget EBIT and 30% of the bonus relates to precisely pre-defined qualitative targets that are not disclosed for reasons of confidentiality. The Board of Directors (meeting of 22 March 2019) reviewed the conditions governing the fulfilment of criteria for the second half of 2018, and assessed the performance at 90% of the target bonus, or a rounded figure of €110,000, 55% of fixed compensation.
Multi-year variable compensation in cash	N/A	There is no multi-year variable compensation
Stock options, performance shares or other allocations of securities	N/A	
Exceptional compensation	N/A	No exceptional compensation was paid for the 2018 financial year.
Valuation of benefits in kind	9 542 euros	Unemployment insurance contributions and miscellaneous

Components of compensation due or allocated for the 2018 financial year that were submitted to the vote of the Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount submitted to a vote	Overview
Severance payment	N/A	No commitments have been made to the Chief Executive Officer
Non-compete payment	Yes	A twelve-month non-compete commitment has been given to the Chief Executive Officer, starting from the termination of her corporate office, in exchange for which she will receive, once her term of office has ended and throughout the commitment period, a fixed special monthly gross payment of 50% of the average monthly gross compensation received for the last twelve complete months of her activity. The Board may renege on its commitment. Payments will stop as soon as the Chief Executive Officer exercises her right to retire and when she is over 65.
Supplemental pension plan	No	There is no defined-benefit supplemental pension plan for the Chief Executive Officer

Draft resolutions regarding "Say on Pay" proposed to the Shareholders' Meeting

In application of the provisions of Article L. 225-37-2 al 2 and L. 225-82-2 of the French Commercial Code, as amended by Order 2017-1162 of 12 July 2017, we hereby present to you the draft resolutions prepared by the Board of Directors to be submitted to the approval of the Shareholders' Meeting of 3 June 2019, with a view to approving the components of compensation that were allocated and that may be allocated to the Executive Directors of the Company.

Sixth resolution

Approval of the components of compensation due or allocated for the 2018 financial year to Sir Ian CHESHIRE, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Corporate Governance Code for listed companies, approves the components of compensation due or allocated for the 2018 financial year to Sir Ian CHESHIRE, Chairman of the Board of Directors.

Seventh resolution

Approval of the principles and criteria for the determination, distribution and allocation of the components of the total compensation and benefits in kind to be allocated to Sir Ian CHESHIRE, Chairman of the Board of Directors, for the 2019 financial year.

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and having taken note of the report of the Board of Directors on the compensation policy for Executive Directors, prepared in accordance with Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Sir Ian CHESHIRE, Chairman of the Board of Directors, for the 2019 financial year, as presented in the Company's Registration Document and Annual Financial Report.

Eighth resolution

Approval of the components of compensation due or allocated for the 2018 financial year to Gilles PETIT, Chief Executive Officer for the period from 1 January to 30 June 2018

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Corporate Governance Code for listed companies, approves the components of compensation due or allocated for the 2018 financial year to Gilles PETIT, Chief Executive Officer, for the period from 1 January to 30 June 2018, as presented in the Company's Registration Document and annual financial report.

Ninth resolution

Approval of the principles and criteria for the determination, distribution and allocation of the components of the total compensation and benefits in kind to be allocated to Julie WALBAUM, Chief Executive Officer, for the period from 1 July to 31 December 2018

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and having taken note of the report of the Board of Directors on the compensation policy for Executive Directors, prepared in accordance with Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Julie WALBAUM, Chief Executive Officer, for the period from 1 July to 31 December 2018, as presented in the Company's Registration Document and Annual Financial Report.

Tenth resolution

Approval of the components of compensation due or allocated for the 2018 financial year to Julie WALBAUM, Chief Executive Officer, for the period from 1 July to 31 December 2018

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Code of Corporate Governance for listed companies, approves the components of the compensation due or granted for the 2018 fiscal year, for the period from 1 July to 31 December 2018 to Julie WALBAUM Chief Executive Officer, as presented in the Registration Document and the annual financial report of the Company.

Eleventh resolution

Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Julie WALBAUM, Chief Executive Officer, for the 2019 financial year

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report on the compensation policy for Executive Directors, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Julie WALBAUM, Chief Executive Officer, for the 2019 financial year, as presented in the Registration Document and the annual financial report of the Company.

3.2.2 FREE SHARE ALLOCATION PROGRAMMES

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, we hereby report to you on the transactions performed pursuant to the provisions of Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code and bring to your attention the additional information regarding the Company's allocations of free shares during the past financial year.

Maisons du Monde free performance share allocation plans

	2016 Plan	2017 Plan	2018 Plan
Date of Shareholders' Meeting	29/04/2016	19/05/2017	19/05/2017
Allocation date (Board of Directors)	16/12/2016	19/05/2017	18/05/2018
Total number of shares allocated	153,250	54,350	146,435
of which to corporate officers	n/a	34,500	n/a
Start of vesting period	16/12/2016	19/05/2017	18/05/2018
End of vesting period (final acquisition)	16/12/2019	19/12/2019	18/12/2020
End of holding period (sale possible)	16/12/2020	n/a	n/a
Number of shares vested at 31/12/2018	n/a	n/a	n/a
Cumulative number of cancelled or lapsed shares	13, 450	13,550	17,000
Remaining performance shares at the end of the financial year	139,800	40,800	129,435
Closing price on the allocation date	24.31 euros	32.70 euros	35.14 euros

2016 Plan

On 16 December 2016, the Board of Directors carried out a new allocation as part of the Group's medium/long-term incentive plan, in consultation with Management, in order to:

- motivate and retain key staff for the Group's future growth and some middle management (including store managers);
- ensure buy-in by the main employees into clear goals communicated to shareholders during the IPO;
- be aligned with other listed companies in the market in establishing an ambitious long-term incentive plan, which is seen as an essential aspect of the Group's compensation policy.

Accordingly, the Board awarded 153,250 free shares to 294 recipients subject to the following conditions:

- vesting period: 3 years;
- holding period: 1 year;
- period for the measurement of performance indicators: 2 financial years;

– performance measured according to cumulative 2017 and 2018 EBITDA (as defined in the consolidated financial statements) for 70% of shares, and based on Maisons du Monde Group 2018 Sales (as defined in the consolidated financial statements) for 30% of shares;

– a third condition applies to members of the Executive Committee, on 30% of shares, measured according to cumulative normative 2017 and 2018 Earnings Per Share. (for these members of the Executive Committee, the performance of cumulative EBITDA 2017/2018 therefore now only accounts for 50% and 2018 performance based on revenue accounts for only 20%);

– for each of these performance criteria, the Board has set the target level (in line with the Group's medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target sales and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis.

2017 Plan

On 19 May 2017, the Board of Directors carried out a third free allocation of 54,350 shares to 67 recipients, of which 34,500 shares were allocated to the Executive Director.

The conditions of Plan No. 3 are as follows:

- vesting period: 31 months;
- holding period: n/a;
- period for the measurement of performance indicators: 2 financial years;

– for all beneficiaries, excluding corporate officers: performance measured according to cumulative 2017 and 2018 EBITDA (as defined in the consolidated financial statements) for 70% of shares, and based on Maisons du Monde Group 2018 Sales (as defined in the consolidated financial statements) for 30% of shares;

– a third condition applies to the executive director, on 30% of shares, measured according to cumulative normative 2017 and 2018 earnings per share. (cumulative 2017/2018 EBITDA performance therefore now only accounts for 50% and 2018 performance based on sales accounts for only 20%);

– for each of these performance criteria, the Board has set the target level (in line with the Group's ambitious medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target sales and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis;

- specific details of the allocation to the executive director:
  - the 34,500 shares proposed for the executive director represent - based on a share price of €32 and a fair value of the share of €30.7 - an amount lower than €1,060,000, (€1,110,000 being the maximum amount, i.e. 150% of the fixed and variable compensation of the executive director set by the Board),
  - the executive director is required to retain 40% of the allocated shares as registered shares until the end of his term of office, until he holds a quantity of shares representing two years of base salary.

2018 Plan

On 18 May 2018, 390 designated beneficiaries were awarded a total of 146,435 performance shares as follows:

- Vesting period: 31 months
- Holding period: n/a
- Period for the measurement of performance indicators: 2 financial years;
  - For shares awarded to all beneficiaries apart from Executive Committee members, performance is measured on the basis of the level of 2018 and 2019 cumulative EBITDA for 70% of shares, and on the basis of Maisons du Monde Group 2019 sales (as per the consolidated financial statements) for 30% of shares.
  - A third condition is applied to 30% of the shares, solely for Executive Committee members, and is measured in relation to normative, cumulative Earnings Per Share (EPS) in 2018 and 2019, 2018/2019 cumulative EBITDA performance being weighted no higher than 50% and 2019 Sales performance no higher than 20%.
  - For each of these performance criteria, the Board has set the target level (in line with the Group's ambitious medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target sales and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis.

3.2.3 IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

The Company uses the AFEP-MEDEF Corporate Governance Code as its reference, amended in June 2018, with the exception of the following recommendations:

Recommendations of the AFEP-MEDEF Code	Company practices
Board Meetings “It is recommended that at least one meeting a year is held without the Executive Directors.” (Article 10.3)	Gilles Petit and Julie Walbaum, the former having resigned from his office on 30/06/2018 and the latter having been appointed Chief Executive Officer with effect from 1/07/2018, attended all Board meetings held in the past year. This was mainly due to the fact that the Chief Executive Officer changed halfway through the financial year, and also to the fact that items on the agenda of each meeting required the presence of Gilles Petit or Julie Walbaum. Only Board deliberations directly pertaining to them took place in their absence.
Staggering terms of office "Terms of office are staggered to avoid renewal of the Board en masse and to facilitate the smooth reappointment of directors". (Article 13.2)	At this time, five of the eight directorships are due to expire in 2019. This situation is due to the following: in 2016, when all the directors were first appointed, the Board had nine members, five of whom had terms of office expiring in 2017 and four of whom had terms of office expiring in 2019. In 2017, one member was appointed with a term of office expiring in 2019, but three members, whose term of office was due to expire in 2017, resigned. The Nomination and Compensation Committee is particularly focused on staggering terms of office and this will be taken into consideration when directors are next appointed/reappointed.
Assessment of the Board "A formal assessment is carried out at least once every three years. It can be implemented under the direction of the Selection or Nomination Committee or by an independent director, with the help of an external consultant. (Article 9-3 paragraph 2)	The Board decided to conduct an internal assessment of its operation during the first eighteen months of its operation in 2016 and 2017. As part of this assessment, each member of the Board was, in the first instance, invited to comment on all the Board's operating procedures: frequency of meetings, quality of information and dialogue. These points were discussed by members during a Board meeting and clarifications and solutions for improvements were put forward.In 2018, under the direction of its Nomination and Compensation Committee, the Board conducted a formal assessment of its third year of operation with the help of an external consultant.

3.3 Specific verifications by the Statutory Auditors regarding corporate governance

In accordance with the provisions of Article L. 225-235 amended by Order 2017-1162, reference is made to the specific verifications performed by the Statutory Auditors on the report of the Board of Directors on corporate governance in their report on the annual financial statements, which is contained in Section 5.4 of this Registration Document.

Notes to financial year 2018

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4.1 Key highlights

4.1.1 ACQUISITION OF MODANI

On 3 May 2018, Maisons du Monde purchased a 70% majority stake in Modani, a furniture chain with a presence throughout the United States through its stores and e-commerce business, with an option to acquire the remaining outstanding shares. With this acquisition, Maisons du Monde made significant progress in achieving its goal of growing its international footprint, gaining a foothold in one of the world's largest markets.

Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand that offers a unique range of high-quality modern, contemporary and mid-century furniture at affordable prices. In 2018, Modani reported sales of US$42.4 million and EBITDA of US$4.8 million. As at 31 December 2018, Modani operated a network of 13 stores in the United States, located in Chicago, New York, Atlanta, Miami, Boca Raton, Fort Lauderdale, West Palm Beach, Houston, Dallas, Frisco, Los Angeles, Costa Mesa and San Francisco.

4.1.2 MANAGEMENT TRANSITION

On 3 May 2018, the Board of Directors of Maisons du Monde SA appointed Julie Walbaum as Chief Executive Officer with effect from 1 July 2018.

Julie Walbaum succeeded Gilles Petit, who remained within the Group as a special advisor to the Senior Management and a director.

4.1.3 ADJUSTMENT TO THE CONVERSION/EXCHANGE RATIO

In accordance with the decision of the Maisons du Monde Combined Shareholders' Meeting of 18 May 2018, on 20 June 2018 the Group paid a cash dividend of €0.44 per share for the financial year ended on 31 December 2017.

As a result of this distribution and in accordance with the terms and conditions governing OCEANEs, the conversion/exchange ratio was increased from 1.0 share to 1.004 Maisons du Monde shares for 1 OCEANE, with an effective date on 20 June 2018.

4.2 Results of operating activities

4.2.1 KEY OPERATING METRICS

KEY FINANCIAL INDICATORS FOR THE FULL YEAR 2018

	Year ended 31 December		
(in € millions)	**2017**	**2018**	**% change**
Sales	**1,010.6**	**1,111.2**	**+10.0%**
Of which Maisons du Monde	1,010.6	1,085.4	+7.4%
% like-for-like change [1]	+7.4%	+3.1%	-
Of which Modani	-	25.9	n/a
Gross margin	**673.5**	**734.4**	**+9.0%**
As a % of sales	66.6%	66.1%	(50) bps
EBITDA	**138.8**	**148.0**	**+6.6%**
As a % of sales	13.7%	13.3%	(40) bps
EBIT	**106.8**	**111.6**	**+4.5%**
As a % of sales	10.6%	10.0%	(60) bps
NET INCOME	**63.0**	**60.7**	**(3.7)%**
Dividend per share *(€)*	0.44	0.47	+6.8%
FREE CASH FLOW BEFORE ACQUISITION OF SUBSIDIARIES (NET OF CASH ACQUIRED) [2]	**99.9**	**13.3**	**n/a**
NET DEBT	**125.5**	**185.5**	**+47.8%**
LEVERAGE RATIO [3]	**0.9 x**	**1.2 x**	**+0.3 x**

(1) For more information, see section 8.8 "Glossary" of this Registration Document.

(2) For more information, see Section 4.2.5 "Non-IFRS financial indicators" of this Registration Document.

(3) Net debt divided by EBITDA (including Modani on a pro forma basis for the period, excluding the liabilities relative to the earn-out and the put option).

4

4.2.2 ANALYSIS OF SALES

OVERVIEW OF FULL YEAR 2018 SALES (1)

	Year ended 31 December		
(in € millions)	**2017**	**2018**	**% change**
SALES BY GEOGRAPHY			
France	624.8	647.4	+3.6%
International	385.8	437.9	+13.5%
TOTAL SALES	**1,010.6**	**1,085.4**	**+7.4%**
France *(%)*	61.8%	59.7%	-
International *(%)*	38.2%	40.3%	-
TOTAL SALES *(%)*	**100.0%**	**100.0%**	**-**
SALES BY DISTRIBUTION CHANNEL			
Stores	800.6	836.2	+4.4%
Online	210.0	249.2	+18.7%
TOTAL SALES	**1,010.6**	**1,085.4**	**+7.4%**
Stores *(%)*	79.2%	77.0%	-
Online *(%)*	20.8%	23.0%	-
TOTAL SALES *(%)*	**100.0%**	**100.0%**	**-**
SALES BY PRODUCT CATEGORY			
Decoration	583.9	619.0	+6.0%
Furniture	426.6	466.4	+9.3%
TOTAL SALES	**1,010.6**	**1,085.4**	**+7.4%**
Decoration *(%)*	57.8%	57.0%	-
Furniture *(%)*	42.2%	43.0%	-
TOTAL SALES *(%)*	**100.0%**	**100.0%**	**-**

Maisons du Monde posted total sales of €1,111.2 million in 2018, up 10.0% compared to 2017, including Modani, and up 7.4% at constant perimeter. Like-for-like sales growth was 3.1% at constant perimeter, demonstrating the robustness of the Group's omnichannel and international strategy, despite a softer retail environment in France that impacted in-store traffic.

At constant perimeter, all product categories, geographical areas and distribution channels contributed to growth. Growth momentum remained strong in online sales, up 18.7% year-on-year to €249.2 million, as well as international business, up 13.5% year-on-year to €437.9 million, representing approximately 23% and 40% of the Group's sales respectively. Including orders made in-store on digital devices such as tablets, total digital sales were close to half of the Group's sales in 2018.

During the year, Maisons du Monde continued to implement its store network development plan with 28 gross store openings, including 13 in France and 15 across international markets, of which its first store in the United States under its banner. Taking into account six store closures in the period as part of the Group's active management of its store portfolio, net store openings amounted to 22 in 2018. As at 31 December 2018, the Group operated 336 stores in nine countries, up from 314 last year, with total sales area of 387,200 square metres, an addition of 24,000 square metres year-on-year. Moreover, Maisons du Monde also opened two new store franchises in Dubai and Martinique in 2018, bringing the total to seven worldwide.

Since its acquisition by Maisons du Monde in May 2018, Modani has performed in line with expectations and commercial synergies have continued to be implemented. in 2018, Modani delivered another year of solid growth, recording sales of $42.4 million, up around 6% like-for-like compared to 2017. Four showroom openings and a closure also occurred over the period, bringing the network total to 13 in the United States for the Modani brand.

A. Sales by geography (1)

In 2018, the Group's sales in France reached €647.4 million, or 59.7% of total sales, up 3.6% compared to 2017, due to strong growth in online sales, the net opening of eight new stores over the period and the full-year impact of store openings that occured in 2017, despite a softer retail environment in France that impacted in-store traffic. The Group's international sales were €437.9 million in 2018, or 40.3% of total sales, up 13.5% compared to 2017, reflecting the continued strong growth in sales on a like-for-like basis, the full-year impact of store openings that occurred in 2017 and the net opening of 14 new stores over the period.

(1) Excluding Modani.

B. Sales by distribution channel [1]

In 2018, store sales reached €836.2 million, or 77.0% of total sales, up 4.4% compared to 2017, as a result of continued sales growth on a like-for-like basis internationally, which partially offset the impact of a softer retail environment in France on in-store traffic, and the opening of 22 new stores over the period. Online sales were €249.2 million in 2018, up 18.7% from 2017. The contribution of online sales to total sales once again expanded in the period to 23.0% in 2018, from 20.8% in 2017, confirming the effectiveness of the Group's omnichannel strategy.

C. Sales by product category [1]

In 2018, sales of decorative items were €619.0 million, accounting for 57.0% of total sales, up 6.0% compared to 2017, while furniture sales reached €466.4 million, representing 43.0% of total sales, up 9.3% compared to 2017. This performance reflected strong growth in online sales, which have a more concentrated product mix for furniture.

4.2.3 EBITDA ANALYSIS

BREAKDOWN OF EBITDA BY GEOGRAPHY

	Year ended 31 December		
(in € millions)	**2017**	**2018**	**% change**
France	134.7	136.6	+1.4%
International	57.9	74.1	+27.9%
Corporate segment*	(53.8)	(62.7)	+16.4%
EBITDA	**138.8**	**148.0**	**+6.6%**

* *For further information, refer to Note 5 "Segment reporting" in Section 5.1.6 "Notes to the consolidated financial statements" of Chapter 5 "Financial statements" of this Registration Document.*

In 2018, EBITDA amounted to €148.0 million in 2018, up 6.6% compared to 2017, resulting in an EBITDA margin of 13.3% compared to 13.7% in 2017. This performance reflected robust sales growth, positive operating leverage and effective cost management, including the benefit of cost reduction measures implemented during the second half of 2018. This allowed the Group to continue to invest in growth initiatives and to increase its digital marketing spend, as planned.

A. EBITDA in France

In France, EBITDA totalled €136.6 million in 2018, up 1.4% compared to 2017. This change reflected a decline in sales on a like-for-like basis related to the impact from a softer retail environment on in-store traffic, as well as the positive scope effect from new store openings over the period. This growth also includes the benefits from the cost reduction measures implemented during the second half of 2018. As a percentage of sales in France, the EBITDA margin (excluding the corporate segment) was 21.1% in 2018 compared to 21.6% in 2017.

B. International EBITDA

Internationally, EBITDA was €74.1 million in 2018, up 27.9% compared to 2017, reflecting continued strong sales growth on a like-for-like basis, the scope effect from new store openings over the period and the contribution from Modani. As a percentage of international sales, the EBITDA margin (excluding the corporate segment) was 16.0% in 2018 compared to 15.0% in 2017.

(1) Excluding Modani.

4.2.4 INCOME STATEMENT ANALYSIS

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
(in € millions)	**2017**	**2018**
Sales	**1,010.6**	**1,111.2**
Other revenue	26.2	31.9
Total revenue	**1,036.8**	**1,143.1**
Cost of sales	(337.1)	(376.8)
Personnel expenses	(194.1)	(213.6)
External expenses	(365.9)	(403.5)
Depreciation, amortisation, and allowance for provisions	(32.0)	(36.4)
Change in fair value - derivative financial instruments	(2.3)	(1.2)
Other income and expenses from operations	(3.9)	(3.5)
Current operating profit	**101.5**	**108.2**
Other operating income and expenses	(1.7)	(4.7)
Operating profit/(loss)	**99.8**	**103.5**
Cost of net debt	(6.3)	(6.6)
Financial income	1.8	1.6
Financial expenses	(6.0)	(4.3)
Financial profit/(loss)	**(10.4)**	**(9.3)**
Share of profit/(loss) of equity-accounted investees	(1.0)	-
Profit/(loss) before income tax	**88.3**	**94.2**
Income tax	(25.3)	(33.5)
PROFT/(LOSS) FOR THE PERIOD	**63.0**	**60.7**

A. Revenue

In 2018, Group **sales** were €1,111.2 million, up 10.0% compared to 2017 including Modani, and 7.4% at constant perimeter. This change reflected 3.1% sales growth on a like-for-like basis, a scope effect related to the net opening of 22 new stores over the period, the full-year impact from the store openings that occurred in 2017, as well as the acquisition of Modani.

The contribution from other revenue totalled €31.9 million in 2018 compared to €26.2 million in 2017, reflecting an increase in the volume of transport services sold in line with sales trends and a rise in sales to franchisees.

In view of all these elements, the Group's **consolidated revenue** increased by €106.3 million, or 10.3% compared with 2017, to €1,143.1 million in 2018.

B. Gross margin

Cost of Sales increased by €39.7 million, or 11.8%, to €376.8 million in 2018, compared to €337.1 million in 2017. As a percentage of sales, cost of sales was 33.9% in 2018 compared to 33.4% in 2017 and mainly reflected an unfavourable change in the product mix towards the furniture category and a slight negative impact from the integration of Modani.

In 2018, Maisons du Monde posted a **gross margin** of €734.4 million, or 66.1% of sales, compared to €673.5 million, or 66.6% of sales, in 2017.

C. Current operating profit before operating income and expenses

Personnel expenses increased by €19.5 million, or 10.1%, to €213.6 million in 2018, compared to €194.1 million in 2017, and the average number of full-time equivalent (FTE) employees increased from 5,932 at 31 December 2017 to 6,399 at 31 December 2018, mainly reflecting the opening of new stores and the impact on the year of additional resources for the central functions recruited in 2017 and 2018.

As a percentage of sales, personnel expenses totalled 19.2% in 2018, stable compared to 2017, mainly due to: (i) the slight increase in same-store personnel expenses against a backdrop of sales growth, and (ii) an increase of €1.0 million in employee profit-sharing and incentive programmes (social security costs included), which were offset by (iii) changes in the sales breakdown by distribution channel, with lower personnel costs for online sales (which showed stronger growth than store sales over the period).

External charges increased by €37.6 million, or 10.3%, to €403.5 million in 2018, compared to €365.9 in 2017, mainly reflecting: (i) a 14.2% increase in transport costs related to sales growth, (ii) the increase in retail trading space related to net store openings, from 363,200 square metres at 31 December 2017 to

387,200 square metres at 31 December 2018, resulting in an increase in rents and related expenses, energy expenses and repair and maintenance expenses, (iii) the planned increase in marketing expenses, (iv) an increase in fees, and (v) increased use of temporary employees related to the optimisation of the sales and logistics staff.

As a percentage of sales, external charges were 36.3% in 2018, compared to 36.2% in 2017. This evolution reflected the good management of logistics and operational costs in stores.

Depreciation, amortisation, and allowance for provisions rose 13.7%, or €4.4 million, to €36.4 million in 2018, compared to €32.0 million in 2017, primarily driven by depreciation of fixed assets related to new store openings in 2017 and 2018 and the acquisition of Modani.

As a percentage of sales, depreciation, amortisation, and allowance for provisions amounted to 3.3% in 2018, compared to 3.2% in 2017.

The **change in the fair value of derivative financial instruments**, which hedge or enable the hedging of all purchases of goods and sea freight denominated in US dollars, was a €1.2 million expense in 2018, compared to an expense of €2.3 million in 2017.

Since 1 January 2016, Maisons du Monde has applied hedge accounting. As a result, only the ineffective portion of the change in the fair value of the hedge is recognized through profit or loss for instruments that are not unwound.

Other operating income and expenses represented a net expense of €3.5 million in 2018, compared to a net expense of €3.9 million in 2017, mainly due to lower pre-opening expenses related to the reduced number of openings, and commercial litigation, which by its nature may be volatile.

The Group posted **current operating profit before operating income and expenses** of €108.2 million in 2018 compared to €101.5 million in 2017. Excluding the change in fair value of derivative financial instruments, current operating profit before operating income and expenses increased by €5.5 million to €109.4 million in 2018, compared to €103.8 million in 2017.

D. Operating profit (loss)

Other operating income and expenses represented a net expense of €4.7 million in 2018, compared with a net expense of €1.7 million in 2017. This change resulted mainly from costs related to the management transition (€0.9 million), the acquisition of Modani (€0.8 million) as well as an increase in restructuring and contingency charges (€2.2 million).

As a result, the Group posted an **operating profit** of €103.5 million in 2018 compared to €99.8 million in 2017.

E. Financial income and expenses

Financial profit (loss) represented a net expense of €9.3 million in 2018 compared to a net expense of €10.4 million in 2017. The cost of net debt increased by €0.4 million to €6.6 million in 2018, compared to €6.3 million in 2017, mainly reflecting the impact of a non-cash IFRS charge of €4.1 million related to convertible bonds (OCEANEs), which was more than offset by an improvement in the cost of debt, driven by (i) the impact of refinancing through the issuance of OCEANEs at the end of 2017, (ii) lower use of the revolving credit facility given the Group's cash position over the period, and (iii) a decrease in the interest rate for the term loan and the revolving credit facility given the leverage ratio.

F. Actual income tax expense

Income tax represented an expense of €33.5 million in 2018, compared with €25.3 million in 2017.

In 2018, income tax comprised the following: (i) €30.8 million in current tax due (€19.6 million in 2017), including trade taxes such as the French CVAE tax, the Italian IRAP tax and the German Gewerbesteuer tax of €4.2 million (€4.0 million in 2017), and (ii) a deferred tax expense of €2.7 million (compared with a €5.8 million expense in 2017).

G. Net profit (loss)

In 2018, the Group recorded a **profit** of €60.7 million in 2018 compared to €63.0 million in 2017. The share attributable to the owners of the parent totalled €60.0 million.

4.2.5 NON-IFRS FINANCIAL METRICS

RECONCILIATION OF EBITDA

	Year ended 31 December	
(in € millions)	**2017**	**2018**
Current operating profit	**101.5**	**108.2**
Depreciation, amortisation, and allowance for provisions	32.0	36.4
Change in fair value - derivative financial instruments	2.3	1.2
EBITDA after pre-opening expenses	**135.8**	**145.7**
Pre-opening expenses	3.0	2.2
EBITDA	**138.8**	**148.0**

RECONCILIATION OF EBIT

	Year ended 31 December	
(in € millions)	**2017**	**2018**
EBITDA	138.8	148.0
Depreciation, amortisation, and allowance for provisions	(32.0)	(36.4)
EBIT	**106.8**	**111.6**

RECONCILIATION OF FREE CASH FLOW

	Year ended 31 December	
(in € millions)	**2017**	**2018**
Net cash generated by(used in) operating activities	153.9	51.6
Net cash generated by/(used in) investing activities	(54.0)	(74.6)
Free cash flow	**99.9**	**(23.0)**
Acquisition of subsidiaries (net of cash acquired)	-	(36.3)
FREE CASH FLOW BEFORE ACQUISITION OF SUBSIDIARIES (NET OF CASH ACQUIRED)	**99.9**	**13.3**

4.3 Liquidity and capital resources

4.3.1 ANALYSIS OF CASH FLOWS

The table below shows the Group's consolidated cash flows for the years ended on 31 December 2017 and 2018.

	Year ended 31 December	
(in € millions)	**2017**	**2018**
Net cash generated by/(used in) operating activities	153.9	51.6
Net cash generated by/(used in) investing activities	(54.0)	(74.6)
Net cash generated by/(used in) financing activities	(59.7)	(20.5)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**40.2**	**(43.5)**
Cash and cash equivalents at beginning of period	59.7	100.1
Net increase/(decrease) in cash and cash equivalents	40.2	(43.5)
Foreign exchange gains/(losses) on cash and cash equivalents	0.2	(0.0)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**100.1**	**56.6**

The table below shows the statement of cash flows related to operating activities and investment activities and free cash flows for the years ended on 31 December 2017 and 2018.

	Year ended 31 December	
(in € millions)	**2017**	**2018**
EBITDA	**138.8**	**148.0**
Change in operating working capital requirement	27.1	(75.8)
Income tax paid	(9.8)	(17.7)
Pre-opening expenses	(3.0)	(2.2)
Change in other operating items	0.8	(0.6)
Net cash generated by/(used in) operating activities[(A)]	**153.9**	**51.6**
Capital expenditure	(49.4)	(45.8)
Acquisition of subsidiaries (net of cash acquired)	-	(36.3)
Change in debts on fixed assets	(5.4)	7.3
Proceeds from sale of non-current assets	0.8	0.2
Net cash generated by/(used in) investing activities[(A)]	**(54.0)**	**(74.6)**
FREE CASH FLOW[(A) + (B)]	**99.9**	**(23.0)**

In 2018, **the Group's operating activities** generated a net positive change in cash flow of €51.6 million (compared to a net positive change of €153.9 million in 2017), which included: (i) a gain of €145.1 million in pre-tax income for the period after restatement of the cost of net debt of €6.6 million and an expense of €44.4 million, with no impact on cash flow (including €38.8 million in depreciation, amortisation and allowance for provisions, €2.7 million in share-based payments and a €1.2 million negative change in fair-value hedging derivatives), (ii) a negative change of €75.8 million in working capital requirements and (iii) a €17.7 million cash outflow related to the payment of income tax.

The **change in working capital** had a negative impact on cash flow of €75.8 million in 2018 (compared with a positive impact of €27.1 million in 2017), due mainly to an increase in inventories of €71.9 million and a decrease in trade and other payables of €3.5 million. The change of inventories reflected a phasing effect linked to pre-orders for the Chinese New Year (calendar delay in the arrival of new furniture SKus compared to 2017), inventory increases of selected SKUs ("best sellers") to support product availability, a mix effect and the Modani integration.

In 2018, **the Group's investing activities** generated a net negative change in cash flow of €74.6 million (compared with a net negative change of €54.0 million in 2017), which mostly included: (i) capital expenditure of €45.8 million, of which approximately 48% relates to development investments made for the opening of 28 new stores (gross data) and (ii) the acquisition of Modani for €36.3 million.

In 2018, **the Group's financing activities** generated a net negative change in cash flow of €20.5 million (compared to a net negative change of €59.7 million in 2017), which mostly included (i) the use of the revolving credit facility for €10.1 million, (ii) interest paid, related mainly to the term loan and revolving credit facility, for €1.9 million, (iii) net acquisitions of treasury shares per a liquidity contract and share buyback plans, for €6.5 million, and (iv) the payment of dividends to Group shareholders for €19.9 million.

4.3.2 FINANCIAL RESOURCES

The change in net indebtedness in the period 31 December 2017 to 31 December 2018 was as follows:

		Cash impact		Without cash impact							
(in € thousands)	31 December 2017	Increase	Decrease	Change in scope	Issuance fees	Finance leases	Interests	Currency translation differences	Change in scope	Other	31 December 2018
Convertible bonds (OCEANEs)	173,615	-	(250)	-	302	-	4,123	-	-	-	177,791
Term Loan	49,446	-	(616)	-	194	-	609	-	-	-	49,633
Revolving credit facility	(1,045)	10,000	(844)	-	326	-	838	-	-	-	9,275
Other borrowings	-	-	(1,356)	1,485	20	-	155	68	1,485	-	373
Finance leases	3,180	-	(1,014)	-	-	2,407	-	-	-	(14)	4,559
Deposits and guarantees	390	81	-	-	-	-	-	-	-	-	471
Bank overdraft	45	570	-	-	-	-	-	-	-	-	615
Cash and cash equivalents	(100,138)	-	42,957	-	-	-	-	-	-	-	(57,181)
TOTAL NET DEBT	**125,493**	**10,651**	**38,877**	**1,485**	**842**	**2,407**	**5,726**	**68**	**1,485**	**(14)**	**185,536**

4.4 Events after the reporting date

The Group has not identified any significant event that occurred after the reporting date of 31 December 2018 that should be mentioned in this Registration Document.

4.5 Outlook

In a macroeconomic and political environment that is likely to remain uncertain, Maisons du Monde expects to continue to outperform the market and deliver another year of profitable growth for 2019, setting for itself the following objectives:

- continued sales growth of around 10%;
- 35-40 gross store openings, of which two thirds outside France (including 5 for Modani), and around 10 store closures in France for relocation;
- EBITDA margin above 13% of Sales.

The objectives presented above are based on data, assumptions and estimates that the Group considers to be reasonable as of the date of this Registration Document in light of its expectations for future economic prospects. These targets result from, and are dependent upon, the success of the Group's strategy. They may change or be adjusted, particularly as a result of changes and uncertainties in the economic, financial, competitive, regulatory or tax environment or as a result of other factors not under the Group's control, or of which the Group was not aware on the date this Registration Document.

Financial statements

5

5.1 Consolidated financial statements

For the year ended 31 December 2018

5.1.1 CONSOLIDATED INCOME STATEMENT

(in € thousands)	Notes	31 December 2018	31 December 2017*
Retail revenue	6	1,118,194	1,015,743
Other revenue from ordinary activities	6	24,944	21,045
Revenue		**1,143,138**	**1,036,788**
Cost of sales		(376,751)	(337,074)
Personnel expenses	7	(213,634)	(194,111)
External expenses	8	(403,492)	(365,851)
Depreciation, amortization and allowance for provisions		(36,353)	(31,964)
Fair value - derivative financial instruments	25	(1,166)	(2,346)
Other income from operations	9	2,561	3,145
Other expenses from operations	9	(6,100)	(7,095)
Current operating profit before other operating income and expenses		**108,203**	**101,493**
Other operating income and expenses	10	(4,718)	(1,705)
Operating profit (loss)		**103,485**	**99,788**
Cost of net debt	11	(6,617)	(6,252)
Finance income	11	1,620	1,788
Finance expenses	11	(4,326)	(5,961)
Financial profit (loss)		**(9,323)**	**(10,425)**
Share of profit (loss) of equity-accounted investees		0	(1,034)
Profit (loss) before income tax		**94,162**	**88,330**
Income tax expense	12	(33,473)	(25,319)
PROFIT (LOSS)		**60,689**	**63,009**
Attributable to:			
• Owners of the Parent		60,050	63,009
• Non-controlling interests		640	-
Earnings per share attribuable to the owners of the parent:			
Basic earnings per share	13	1.33	1.39
Diluted earnings per share	13	1.26	1.38

* *See note 4 – Restated consolidated financial statements.*

The accompanying notes are an integral part of the consolidated financial statements.

5.1.2 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in € thousands)	Notes	31 December 2018	31 December 2017*
PROFIT (LOSS) FOR THE PERIOD		**60,689**	**63,009**
• Remeasurements of post employment benefit obligations	29	226	(608)
• Income tax related to items that will not be reclassified	12	(77)	165
Total items that will not be reclassified to profit or loss		**149**	**(443)**
• Cash-flow hedge	25	41,467	(58,303)
• Currency translation differences		947	(910)
• Income tax related to items that will be reclassified	12	(14,277)	20,071
Items that will be reclassified subsequently to profit or loss		**28,137**	**(39,142)**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		28,286	(39,585)
TOTAL COMPREHENSIVE INCOME (LOSS)		**88,975**	**23,423**
Attributable to:			
• Owners of the parent		88,223	23,423
• Non-controlling interests		752	-

* *See note 4 – Restated consolidated financial statements.*

The accompanying notes are an integral part of the consolidated financial statements.

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5.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(in € thousands)	Notes	31 December 2018	31 December 2017*
Goodwill	15	368,449	321,183
Other intangible assets	16	267,244	250,517
Property, plant and equipment	17	159,282	146,671
Equity-accounted investees	18	0	0
Other non-current financial assets	19	14,816	16,953
Deferred income tax assets	20	2,751	2,705
Derivative financial instruments	25	4,664	-
Other non-current assets	21	7,862	7,632
Non-current assets		**825,070**	**745,662**
Inventories	22	241,229	159,713
Trade receivables and other current receivables	23	83,547	80,523
Other current financial assets	24	27	2
Current income tax assets		4,310	12,020
Cash and cash equivalents	26	57,181	100,138
Current assets		**386,294**	**352,396**
TOTAL ASSETS		**1,211,364**	**1,098,059**

* See note 4 – Restated consolidated financial statements.

Equity and Liabilities

(in € thousands)	Notes	31 December 2018	31 December 2017*
Share capital	27	146,584	146,584
Share premiums	27	134,283	134,283
Retained earnings	27	248,946	181,161
Profit (loss) for the period		60,050	63,009
Equity attributable to owners of the Company		**589,863**	**525,037**
Non-controlling interests		752	-
TOTAL EQUITY		590,614	525,037
Borrowings	28	53,039	51,485
Convertible bond	28	178,092	173,635
Deferred income tax liabilities	20	58,180	37,127
Post-employment benefits	29	8,619	7,703
Provisions	30	14,409	13,668
Derivative financial instruments	25	-	19,154
Other non-current liabilities	32	34,994	11,986
Non-current liabilities		**347,332**	**314,757**
Current portion of borrowings and convertible bond	28	11,586	511
Trade payables and other current payables	31	250,940	238,111
Provisions	30	1,128	231
Corporate income tax liabilities		964	578
Derivative financial instruments	25	2,354	18,837
Others current liabilities	33	6,450	-
Current liabilities		**273,422**	**258,269**
TOTAL LIABILITIES		620,754	573,025
TOTAL EQUITY AND LIABILITIES		1,211,364	1,098,059

* *See note 4 – Restated consolidated financial statements.*

The accompanying notes are an integral part of the consolidated financial statements.

5.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Notes	31 December 2018	31 December 2017*
Profit (loss) for the period before income tax		94,162	88,330
Adjustments for:			
• Depreciation, amortization and allowance for provisions		38,802	33,825
• Net (gain) loss on disposals	9 & 10	1,686	608
• Share of profit (loss) of equity-accounted investees		0	1,034
• Change in fair value – derivative financial instruments	25	1,166	2,346
• Share-based payments		2,717	1,720
• Other		-	2,470
• Cost of net debt	11	6,617	6,252
Change in operating working capital requirement:			
• (Increase) decrease in inventories		(71,869)	10,918
• (Increase) decrease in trade and other receivables		(397)	(30,326)
• Increase (decrease) in trade and other payables		(3,534)	46,494
Income tax paid		(17,736)	(9,795)
Net cash flow from/(used in) operating activities		**51,614**	**153,875**
Acquisitions of non-current assets:			
• Property, plant and equipment	17	(42,632)	(39,484)
• Intangible assets	16	(6,419)	(9,431)
• Financial assets		-	(25)
• Subsidiaries acquisition, net of cash acquired (1)		(36,288)	-
• Other non-current assets		3,210	(461)
Change in debts on fixed assets		7,275	(5,409)
Proceeds from sale of non-current assets		233	823
Net cash flow from/(used in) investing activities		**(74,621)**	**(53,986)**
Proceeds from borrowings	28	10,081	-
Proceeds from convertible bond (2)		-	197,658
Borrowings (3)	28	(2,228)	(236,292)
Acquisitions (net) of treasury shares	27	(6,544)	(488)
Dividends paid	14	(19,890)	(14,016)
Interest paid	28	(1,893)	(6,523)
Net cash flow from/(used in) financing activities		**(20,473)**	**(59,661)**
Exchange gains/(losses) on cash and cash equivalents		(48)	184
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(43,480)	40,228
Cash and cash equivalents at beginning of period		100,093	59,675
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**56,565**	**100,093**

(in € thousands)	Notes	31 December 2018	31 December 2017*
Cash and cash equivalents (excluding bank overdrafts)	26	57,181	100,138
Bank overdrafts	26	(615)	(45)
CASH AND CASH EQUIVALENTS		**56,565**	**100,093**

(1) Related to the acquisition of Modani (See 1.1 – Acquisition of Modani in the United States).

(2) In 2017, the Group issued a Convertible Bond (OCEANE) for a nominal amount of €200 million.

(3) In 2017, following the issuance of the Convertible Bond, the Term Loan has been partially repaid for €200 million.

* *See note 4 – Restated consolidated financial statements.*

The accompanying notes are an integral part of the consolidated financial statements.

5.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousands)	Notes	Attributable to owners of the parent: Share capital	Share premium	Retained earnings	Currency translation difference	Total	Non-controlling interest	Total equity
Balance as of 1 January 2017		**146,584**	**134,959**	**214,996**	**429**	**496,970**	**-**	**496,970**
Dividends cash-settled		-	(676)	(13,340)	-	(14,016)	-	(14,016)
Convertible bond		-	-	17,282	-	17,282	-	17,282
Share-based payments	27	-	-	1,720	-	1,720	-	1,720
Treasury shares	27	-	-	(343)	-	(343)	-	(343)
Profit (loss) for the period		-	-	63,009	-	63,009	-	63,009
Other comprehensive income for the period		-	-	(38,675)	(910)	(39,585)	-	(39,585)
BALANCE AS OF 31 DECEMBER 2017*		**146,584**	**134,283**	**244,649**	**(481)**	**525,037**	**-**	**525,037**
Balance as of 1 January 2018		**146,584**	**134,283**	**244,652**	**(481)**	**525,037**	**-**	**525,037**
Change in scope of consolidation		-	-	-	-	-	-	-
Variation of non controlling interest (1)		-	-	-	-	-	18,287	-
Non-controlling interest put option (2)		-	-	-	-	-	(18,287)	-
Dividends cash-settled	14	-	-	(19,890)	-	(19,890)	-	(19,890)
Convertible bond	28	-	-		-		-	-
Share-based payments	27	-	-	2,717	-	2,717	-	2,717
Treasury shares	27	-	-	(6,226)	-	(6,226)	-	(6,226)
Profit (loss) for the period		-	-	60,050	-	60,050	640	60,689
Other comprehensive income for the period		-	-	27,339	835	28,174	112	28,286
BALANCE AS OF 31 DECEMBER 2018		**146,584**	**134,283**	**308,641**	**354**	**589,862**	**752**	**590,613**

(1) See 1.1 – Acquisition of Modani in the United States

(2) See 1.1 – Acquisition of Modani in the United States and note 32 – Other non-current liabilities

* *See note 4 – Restated consolidated financial statements.*

The accompanying notes are an integral part of the consolidated interim financial statements.

Maisons du Monde S.A. is a limited liability company with a Board of Directors, governed by the laws of France. Its registered office is at Le Portereau – 44120, Vertou. Maisons du Monde's shares are listed on Euronext Paris.

The following consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, cover Maisons du Monde S.A. and its subsidiaries and equity interests in affiliated companies (hereafter referred collectively as "the Group" and individually as a "subsidiary" or "joint-venture").

The Group is a fast-growing omnichannel retailer of stylish, affordable furnishings and homeware products through its network of stores and its e-commerce platform. Its product range includes a wide variety of styles and categories of furnishings, both in terms of small decorative items, with products including household textiles, tableware and kitchenware, mirrors and picture frames, and large decorative products and furniture, such as large mirrors and lamps, tables, chairs, armchairs and sofas, cupboards, bookshelves and outdoor furniture.

The consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 22 March 2019 and will be submitted to the annual shareholders' meeting for approval on 3 June 2019. All amounts are expressed in thousands of euro, unless otherwise specified.

5.1.6 NOTES TO THE CONSOLIDATED FINANCIAL

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Note 1 Significant events

1.1 Modani Group acquisition in the United-States

On 3 May 2018, Maisons du Monde S.A. purchase a 70% stake in Modani, with an option to acquire the remaining outstanding shares. Modani is a furniture chain present across the US through its stores and e-commerce business.

In 2017, Modani reported sales of $41.4 million and EBITDA of $4.9 million. Founded in 2007 and based in Miami, Modani has a network of 10 stores as of 31 December 2017 in major US cities and markets its offering through its website and marketplaces.

Based on valuations carried out by independent expert, the acquired assets and liabilities were recorded at their fair value at the acquisition date among which the brand (€13.8 million) and a profitable lease agreement (€1.2 million).

The Group has measured non-controlling participations at fair value (full goodwill method). At acquisition date, the goodwill stands to €44.8 million. Goodwill mainly derives from Modani's position in the US market and the expected synergies in terms of developing the product portfolio of the two banners.

The table below presents the fair value of the assets and liabilities at the acquisition date:

(in € thousands)	**Fair value of the assets/liabilities on the acquisition date**
Total non-current assets	17,862
Total current assets	10,913
TOTAL ASSETS	**28,775**
Total other non-current liabilities	5,245
Total current liabilities	7,378
TOTAL LIABILITIES	**12,623**
NET ASSETS	**16,152**

This acquisition of a majority stake is combined with a put option granted to minority stockholders valid during the second half of 2022, as well as a call option granted to the Group during the first half of 2023. By mutual agreement, the 30% shares sale or redemption price has been set at fair market value at the option strike date.

As at 31 December 2018, the debt related to put option granted to minority stockholders has been measured at present value of the option strike price, based on enterprise value estimated during the purchase price allocation process. This debt is recognized in balance sheet items as "Other non-current liabilities". Subsequent changes in the fair value of the debt will be recognized against the equity of the Group.

1.2 Adjustment to the conversion/exchange ratio

According to the Maisons du Monde SA's General Meeting held on 18 May 2018, the Group paid €0.44 dividend per share on 20 June 2018.

Following this dividend payment, in accordance with paragraph 2.6.(B).10 of the terms and conditions of the OCEANES (the "Terms and Conditions"), the Conversion/Exchange Ratio (as defined in the Terms and Conditions) is adjusted from 1.0 to 1.004 Maisons du Monde SA share for 1 OCEANE (calculated to three decimal places by rounding to the nearest thousandth). The new Conversion/Exchange Ratio is effective on 20 June 2018.

1.3 Management transition

On 3 May 2018, the Board of Maisons du Monde SA appointed Mrs. Julie Walbaum as Chief Executive Officer with effect from 1 July 2018. Gilles Petit, the former Chief Executive Officer, remains as special advisor to the new CEO and member of the Board.

Note 2 Accounting policies and consolidation rules

2.1 Basis of preparation

The 2018 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The standards adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/finance/accounting/ias/index.fr.htm.

On the reporting date, there is no difference between the framework used and the standards adopted by the IASB, which are mandatory for the financial year presented.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value or at amortized cost as discussed in the accounting policies below. The main accounting principles applied are unchanged from the prior year, except for the adoption of the standards described in the note 2.2, applicable since 1 January 2018 including those related to the first application of IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments.

Financial data is presented in € thousands. Amounts are rounded to the nearest thousand, unless otherwise stated. Generally speaking, the amounts stated in the consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest unit. As a result, there may be immaterial differences between the sum of the rounded amounts and the total reported.

2.2 New standards, amendments and interpretations

a) New standards, amendments to existing standards and interpretations whose application is mandatory as of 1 January 2018

Adopted by the European Union:

- Interpretation IFRIC 22 - Foreign Currency Transactions and Advance Consideration;
- Amendment to IFRS 2 - Clarifications of classification and measurement of share-based payment transactions;
- Amendment to IAS 40 - Transfers of Investment Property;
- Annual Improvements to the 2014-2016 IFRS Cycle;
- Amendments to IFRS 4 - Apply IFRS 9 Financial Instruments with IFRS 4;

The application of these new standards has no impact for the Group.

The new standards whose application has an impact for the Group are as follows:

- IFRS 9 - Financial instruments

  As of 1 January 2018, IFRS 9 - Financial Instruments become effective instead of IAS 39. It introduces new requirements related to classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Accounting methods described below have been updated accordingly.

  The Group adopted IFRS 9 as of 1 January 2018. Given the non-material impact of the application of this new standard on the consolidated financial statements, the Group chose not to restate the comparative period. As a result, prior years data are disclosed in accordance with the previously applied accounting methods, as published in the 2017 Registration Document.

  Classification and measurement of financial assets and liabilities

  The reclassification of financial instruments in IFRS 9 categories had no overall impact on their respective measurement basis.

  Each category of financial assets has been classified according to the management model applied by the Group to these assets, in accordance with the SPPI test.

The financial assets included in the financial position statement, as well as their category of ownership and method of valuation under IFRS 9 (compared to IAS 39), are shown in the table below:

		Position		Evaluation					
				Amortized cost		Fair value through profit or loss		Hedge accounting	
Financial assets	**Balance sheet**	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Participation in GIE	Other non-current financial assets	Available-for-sale securities	Assets at fair value through profit or loss	x			x		
Loans	Other current financial assets	Loans and receivables	Amortized cost	x	x				
Security Deposit	Other non-current financial assets	Loans and receivables	Amortized cost	x	x				
Trade receivables	Trade receivables and other current receivables	Loans and receivables	Amortized cost	x	x				
Other current receivables	Trade receivables and other current receivables	Loans and receivables	Amortized cost	x	x				
Receivables from suppliers	Trade receivables and other current receivables	Loans and receivables	Amortized cost	x	x				
Derivative financial instruments	Derivative financial instruments	Hedging Instruments	Hedging Instruments					x	x
Cash and cash equivalents	Cash and cash equivalents	Loans and receivables	Amortized cost	x	x				

IFRS 9 has retained most of IAS 39 standards provisions relating to classification and measurement of financial liabilities that continue to be measured at amortized cost, except specific cases which does not apply to the Group.

Impairment of financial assets

On 1 January 2018, the management has reviewed and measured the Group's financial assets, considering all reasonable and justifiable information, including forward-looking information. No material impact has been identified.

Hedge accounting

In accordance with the transition measures proposed by IFRS 9, the Group applied hedge accounting provisions prospectively from the date of its first application, 1 January 2018.

Group operations qualified as falling within the scope of hedge accounting under IAS 39 still meet the hedge accounting requirement under IFRS 9 and no rebalancing of the hedging relationships was necessary as of 1 January 2018. Hedging relationships remain effective under IFRS 9. No material impact has been identified.

- IFRS 15 and Clarification of IFRS 15 - Revenue from Contracts with Customers.

As of 1 January 2018, the Group adopted IFRS 15 - Income from contracts with customers, as well as related amendments.

The Group retained retrospective method option applying the new standard at the beginning of the first comparative period published. Only the following presentation impacts have been identified (see note 4):

- The Group acting as an agent in respect of eco-participation collection, amounts received from customers, previously presented in other revenue from ordinary activities, have been offset with the sums paid back to the collection organizations, presented in external charges (see note 8),
- Capitalized production, previously presented in other income from ordinary activities, has been offset with the related expenses (see notes 7 and 8).

Accounting principles of the Group for recognition of revenues are presented in note 2.6.

Not yet adopted by the European Union: None.

b) New standards, amendments to existing standards and interpretations applicable in future years, not early adopted by the Group

Adopted by the European Union:

- Amendments to IFRS 9 - Prepayment features with negative compensation;
- IFRIC 23 – Accounting for uncertainties in income taxes: this interpretation will be applicable for annual periods beginning on or after 1 January 2019;
- IFRS 16 – “Rental contract”:

  IFRS 16 – Leases, which is applicable from 1 January 2019, requires a single lessee accounting model for all leases (finance and operating), under which a lessee must book a specific asset called « right-of-use » with a corresponding “Rentals debt” as a liability.

  As transition method, the Group has chosen to apply the simplified retrospective approach and some of the simplifying measures provided by the standard:

  - No restatement of contracts with maturity less than 12 months,
  - Initial direct costs are excluded (commissions, legal fees, negotiation costs…),
  - Use of single discount rate for a set of contracts with similar features.

  Prior-period comparative data will therefore not be restated at the transition date (i.e., 1 January 2019) and only opening equity at that date will be impacted.

  The Group has performed an inventory of its lease agreements, which basically concern real estate assets, mainly stores, but also warehouses and offices. To a lesser extent, the Group also leases PPE, mainly logistical equipment and computer equipment.

  For real estate contracts, the Group retained the incremental borrowing rate. It relies on the Group's financing conditions and on the economic environment in which the contract was concluded. Concerning other contracts, the Group use the implicit rate of the contract when it was easily determinable and the marginal debt rate otherwise.

  Lease data collection is being finalized. In addition, the framework to be used in assessing reasonably certain rental terms (which depend in particular on the regulations and leasing practices specific to each country as well as on each type of underlying asset) and the methodology for assessing discount rates, necessary for the precise estimation of IFRS 16 impacts as of the date of first application (1 January 2019), are also being finalized.

  The Group has initiated the implementation of an IT tool that will process the information required to recognize lease contracts under IFRS 16.

  Off-balance-sheet commitments shown in note 36.2 "Lease commitments" amount to 730 million euros. Regarding specific features of some lease agreements (particularly their renewal clauses), terms used for valuation purpose under IFRS 16 May differ, in some cases, from the terms used for off-balance sheet commitments assessment, as only firm term of rental contracts was considered. Similarly, the discount rates used to value the lease debt will have an impact on the amount recognized as a financial liability. Therefore, the commitments presented in note 36.2 "Lease commitments" could be different from the liabilities to be recognized in the application of IFRS 16.

Other standards and interpretations that have no impact for the Group:

- Amendments to IAS 40 - Transfers of Investment Property;
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions;
- Annual improvements to the 2014-2016 cycle: Amendments to IFRS 1 and IAS 28;
- IFRIC 22 - Foreign Currency Transactions and Anticipated Consideration.

Not yet adopted by the European Union:

- IFRS 17 – Insurance contract;
- Amendments to IAS 28 – Long term interest in associates and joint-ventures;
- Annual improvements to the 2015-2017 IFRS cycle;
- Amendments to IAS 19 – Plan amendment, reduction or settlement;
- Changes to the references of the conceptual framework in IFRS;
- Amendment to IFRS 3 – Business combination.

2.3 Consolidation method

a) Business combination

Business combinations are recognised according to the acquisition method. Identifiable assets acquired and assumed liabilities are measured at fair value on the date control was obtained.

On the acquisition date, goodwill is measured as the difference between:

- the fair value of the consideration transferred, plus the amount of any non-controlling interest, and where relevant, the acquisition-date fair value of the acquirer's previously held equity interest; and
- the fair value of the identifiable assets acquired, and the liabilities assumed.

Non-controlling interests are measured either at fair value, or at the non-controlling interest's proportionate share of net assets of the entity acquired. This option is available on a case-by-case basis for each acquisition.

Negative goodwill is immediately recognised in profit or (loss).

Acquisition expenses are immediately recognised in expenses as they are incurred, unless they relate to equity instruments.

b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when its relationship with the entity exposes it to or gives it rights to variable returns and it has the ability to affect those returns through its power it exercises over the entity. Power over the investee is assessed based on the actual rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intercompany transactions, balances and realised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, subsidiaries' accounting methods have been adjusted to conform with the Group's accounting policies.

c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint-ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint-ventures. Interests in joint-ventures are accounted for using the equity method.

Equity interests consolidated under the equity method are initially recognised at acquisition cost. Their carrying value is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses. Dividends received or receivable from an investee are recognised as a reduction of the carrying amount of the investment.

When the Group's share of losses in a joint-venture equals or exceeds its interests in the joint-venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint-ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint-venture.

Unrealised gains on transactions between the Group and its joint-ventures are eliminated to the extent of the Group's interest in the joint-ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of the joint-ventures have been changed to ensure consistency with the policies adopted by the Group.

The carrying amount of interests in joint-ventures is tested for impairment in accordance with the policy described in note 2.17.

2.4 Foreign currency translation method

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges, *via*:

- the operating profit for the transactions related to operational activities;
- the financial profit for the transactions related to financing activities.

c) Group companies

The results and financial position of all the Group's companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, including goodwill and fair value adjustments, for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2.5 Segment reporting

In accordance with IFRS 8 Operating Segments, segment information is reported on the basis of internal management reports used by the Board of Directors – the Group's main decision-making body – to analyse performance and decide on the allocation of resources.

As a result, an operating segment is a separate component that engages in business activities from which the Group may earn revenues and incur expenses. Each operating segment is monitored individually and the operating profit from each segment is reviewed by the Board with a view to assessing performance in making decisions on resource allocation.

Operating segment information is disclosed in note 5 of this Section.

2.6 Revenue

Revenues from sales of goods and services is assessed on the basis of the counterparty that is planned to be transferred to the client in the contract and does not include amounts collected for third parties.

The Group mainly generates its revenues from the sale of furniture and decorative items in stores or on its website. It also delivers transport services for goods delivery to clients as well as for supply chain services for third parties.

a) Sales of goods in stores or on website

The Group recognizes revenue when the control of goods is transferred to the client. This is supposed to arise at the very moment of the delivery, when the client accepts and takes physical possession of the asset. Then, he bears the risks and benefits from the advantages related to its property.

The amount recognized as revenue is based on the transaction's price that is fixed in the contract and corresponds to the amount the Group expects to receive in accordance with the contractual agreement. As a Group's specificity, the price does not include any variable amount which would require the use of estimates.

A receivable is recognized as soon as the Group is discharged from its liabilities, at the date of the goods delivery.

Either in store or on the website, customers pay the full amount when they order. The Group has also concluded partnerships with companies specialized in consumer lending to provide payment facilities to clients. Contracts concluded with clients do not include financing component as the selling price does not change either the purchase is done through a consumer credit or not.

A return policy is attached to online sales. When appropriate, the Group recognizes a liability that represents future refunds and an asset that should be equal to the goods it expects to recover. Traditionally, the Group has a low return rate.

Guarantees given to buyers over the goods sold do not represent a distinct performance obligation, meaning that customers could not benefit from additional services that could be sold on a standalone basis. Guarantees solely ensure products compliance and are recognized in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets when applicable.

As the Group does not have contracts that exceed one year, it decided to apply simplified measures by not disclosing information on performance obligations that would not be completed yet at closing.

b) Sales of transportation services

The Group recognized revenue when it has fulfilled its obligations towards the client. That is supposed to happen at the delivery time, when the customer accepts and takes physical possession of the asset.

2.7 Share-based payments

The Group's share-based payment policy consists of implementing regular performance shares grant plans and occasionally stock options in favour of members of Senior Management and other senior and middle managers. The plans in progress at 31 December 2018 are settled in shares for performance shares and in cash for stock options.

The cost of performance share plans (settled in shares) is recognized as personnel expenses over the vesting period, with a corresponding increase in equity.

The cost of stock options plan (settled in cash) is recognized in personnel expenses over the vesting period, with a corresponding increase of social debt.

Performance shares valuation

In accordance with IFRS 2, the performance shares plan cost is determined by reference to the fair value of the shares at the grant date, corresponding to the share price at the same date less the estimated present value of dividends not received during the vesting period.

The estimated probability of market performance conditions being met reduces the performance shares' fair value on the grant date.

Non-market performance conditions (such as condition of continued presence within the Group, or internal performance objectives) are not taken into account for the purpose of measuring grant-date fair value but adjust the final cost of the plan, depending on the actual number of equity instruments that vest.

The dilution effect of non-vested performance share allocations plans in progress is reflected in the calculation of diluted earnings per share.

Performance shares are measured at fair value, taking into account a discount to reflect their non-transferability. The cost of non-transferability is measured as the cost of a two-step strategy consisting in the forward sale of shares being non-transferable for one year and the purchase on the spot market of the same number of shares funded by an amortizable loan with an in fine capital repayment.

Valuation is based on the following main underlying assumptions:

- dividend growth rate, based on the forecast average annual growth rate;

- employee departure rate which is estimated for each position in the Group and based on the historical employee departure rate of the corresponding occupational category. This departure rate is used to estimate the shares that will not be allocated due to the departure of beneficiaries;
- the achievement of performance conditions.

Stock options valuation

In accordance with IFRS 2, the stock options plans cost is determined by reference to stock options fair value at the grant date, corresponding to the option price at the same date less the exercise price. As stock options plan is related to subsidiary's unlisted securities, the valuation was carried out by using the profit multiplier method.

2.8 Other operating income and expenses

Other operating income and expenses mainly includes reorganization costs (store closure without relocation), restructuring costs, acquisition-related and impairment losses. This income statement item includes cash as well as non-cash items.

Other operating income and expenses relates to other unusual, infrequent or non-recurring items. Such items are those that in management's opinion need to be disclosed in the financial statements by virtue of their size, nature or incidence. The accounting classification is consistent with the way that financial performance is measured by management and reported to the Board of Directors and assists in providing a meaningful analysis of the trading results of the Group.

2.9 Financial income and expenses

Interest income and expense are recognised according to the time elapsed, taking into account the actual return from the asset, which is the interest rate required to discount the future cash flows expected over the life of the asset to make it equal to the asset's initial value.

2.10 Dividends

Dividend income from equity interests is recognised when the shareholder's right to receive payment is established.

Dividends paid to the shareholders of the Company are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

2.11 Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the net profit for the period attributable to the Group;
- by the weighted average number of ordinary shares outstanding during the period, less the weighted average number of treasury shares held by the Group.

b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding used in the determination of basic earnings per share to take into account dilutive instruments.

Under certains circumstances, the dilutive effect may result from the subscription of options granted to the employees, stock purchase warrant or bonds conversion according to the prevailing condition at the closing date.

Diluted earnings per share consider:

- performance shares allocated to employees;
- the impact of all potentially dilutive ordinary shares, particularly those resulting from convertible bonds;

The number of shares retained is the one that would have been allocated if the performance criteria were evaluated at the end of the closing period or may be created if all bonds issued were converted.

2.12 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint-ventures and represents the difference between the consideration transferred, the amount of any non-controlling interest in the acquired entity, as well as the acquisition-date fair value of any previous equity interest in the acquired entity, and the fair value of the net identifiable assets acquired. When the difference is negative, this amount is recognised in profit or loss during the year of acquisition.

Where settlement is deferred, the amounts payable in the future are discounted to their present value as at the date of settlement. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financial establishment under comparable terms and conditions.

A potential price adjustment is estimated at its fair value on the acquisition date, and this initial value may not be adjusted subsequently as an offset to goodwill except in the case of new information obtained about facts and circumstances that were in existence at the acquisition date, and insofar as the measurement was presented as provisional (the measurement period is 12 months). Any subsequent adjustments that do not meet these criteria are recognised in debt or receivables, with an offsetting entry in income.

If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is included in intangible assets and is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or group of cash-generating units, that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the smallest level within the entity at which the goodwill is monitored at Group level. Goodwill is monitored at the geographical level: France and International.

The carrying value of goodwill is compared to the recoverable amount of the CGU or group of CGU to which the goodwill is allocated, which is the higher of value in use and the fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Any impairment is recognised immediately as an expense and is not subsequently reversed. Impairment is allocated first to the carrying amount of any goodwill allocated to the CGU, and then to the carrying amounts of the other assets on the CGU on a pro rata basis.

b) Brands

A brand has an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The valuation of brands has been determined with the assistance of valuation specialists, taking into account various factors, including brand awareness. The "royalties" method was used to estimate the fair value of brands. This approach consists in determining the brand's value on the basis of futures revenues from royalties received in the event that the brand is exploited under the form of a license by a third party. These brands, which are legally protected, are not amortised but are individually tested for impairment annually or more frequently if signs of impairment exist at Group level. Advertising and promotional campaigns contribute to maintain the positioning of brands.

c) Commercial leasehold rights ("Droits au bail" and "Pas de porte")

In France, the holder of the commercial leasehold rights ("Droits au bail") is entitled to renew the lease almost indefinitely. If the lessor wishes to cancel a commercial lease in France, the lessee has the right to receive eviction indemnity equal to the value of the leasehold rights at the date of cancellation. As a result, leasehold rights have an indefinite useful life as there is no foreseeable end to the period during which the leasehold right is expected to generate net cash inflows. Consequently, main leasehold rights (paid to the former lessee) are not amortised but are tested for impairment annually and whenever events or circumstances indicate that their recoverable amounts may be less than their book values.

In some cases, another legal term is used for commercial leasehold rights. They are referred to as "Pas de porte" when the amount is paid by the lessee to the lessor. In this case they are classified in "Prepaid expenses", within "Trade and other receivables" and "Other non-current assets" in the consolidated statement of financial position, and are recognised as rental expenses on a straight-line basis over the estimated term of the lease.

d) Trademarks and licenses

Acquired trademarks and licences are recorded at acquisition cost.

Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are subsequently carried at acquisition cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their useful lives, estimated at one to four years.

e) Internally generated software development costs

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software development so that it will be available for use;
- management intends to complete the software development and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated that the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

When these criteria are met, internal software development costs are capitalised during the application development stage. The costs capitalised correspond to external direct costs and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Amortisation is calculated from the point at which the asset is put into use, using the straight-line method to allocate the cost of software over their estimated useful lives of three years.

2.13 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives and is recognised in profit and loss. The estimated useful lives of PPE for the period are as follows:

• constructions:	20 to 25 years
• fixtures and fittings to buildings:	7 to 15 years
• general installations:	7 to 10 years
• equipment and machinery:	3 to 15 years
• transportation equipment:	4 to 5 years
• office and computer equipment:	3 to 5 years
• furniture:	5 to 10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.14 Lease agreements

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as a lessee are classified as operating leases. Payments made under operating leases (net of any free rents received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases certain property, mainly the Group stores and warehouses, and these contracts are generally qualified as operating leases.

Lease contracts where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the debt repayment and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if it is not reasonably certain that the Group will obtain ownership by the end of the lease term.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or some intangible assets – are not amortised and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the difference between the asset's carrying amount and its recoverable amount, if the latter is less than the asset's carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.16 Financial assets

Under IFRS 9, financial assets contain three classifications categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (JVOCI) and financial assets measured at fair value through profit and loss statement (JVPL).

The classification is based on the business model in which financial assets are managed and their future cash flows characteristics.

a) Financial assets measured at amortized cost

Those financial assets are held to collect contractual cash flows.

At initial recognition, they are measured at fair value on the acquisition date, usually the transaction price. Afterwards, if they are not hedged, the assets are measured at amortized cost, according to the effective interest rate method.

They mainly correspond to the following balance sheet items: loans, deposits, trades receivables, other receivables, and receivables from suppliers.

b) Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI are financial assets held to both collecting contractual cash flows and selling the financial asset. Those instruments are recognized at fair value in the balance sheet through other comprehensive income. Only, interests and dividends received as well as exchange rate changes impacts are recognized in the income statement.

The fair value of investments on listed companies is determined by the market price which is disclosed at closing date. Changes in fair value are recognized in other comprehensive income statement (directly in equity). On disposal of the investment, the cumulative change in fair value is recycled in other comprehensive income.

For non-consolidated investments that are not quoted on a market, those are maintain at the acquisition cost that the Group estimates to be equal to the fair value. An impairment is recognized if a sustained loss of the value in use is recorded. The value in use is determined based on the most appropriate financial criteria to each specific situation and each company. Criteria that are usually used are: equity value and profitability prospects.

c) Financial assets measured at fair value through profit or loss (FVPL)

Financial assets classified and measured at FVPL are the ones that cannot be included in the above categories. Those assets are held for trading and are recognized at fair value through the income statement.

Financial assets fall into this category if they were acquired in order to be sold on a short-term basis and or if no contractual cash flows are predetermined. Derivatives that have not been designated in a hedging relationship are considered as held-for-trading.

Those assets mainly refer to investments in Economic Interest Groups.

2.17 Impairment of financial assets

a) Impairment

The Group recognized an impairment based on expected loss for financial assets measured at amortized cost or at FVOCI.

The provision amount is measured annually in order to reflect the financial asset's credit risk evolution since its initial recognition.

The Group uses the lifetime expected credit losses method for financial assets (other than trade receivables), only when the credit risk increased significantly. If the financial instrument's credit risk has not increased significantly since its initial recognition, the Group measures the 12-months expected credit losses (after the closing date).

In order to test the credit risk evolution, the Group compares the financial instrument's default risk with the default risk at initial recognition, taking into consideration reasonable and justifiable information that is available without engaging undue cost or effort and that indicate important increase in credit risk since initial recognition.

For trade receivables, the Group uses the simplified method and recognizes lifetime credit losses.

b) Derecognition

The Group derecognizes a financial asset when the rights to the cash flows expire or the asset is transferred to another party.

If the Group does not transfer or still retains almost all risks and benefits from the asset and keeps controlling it, it recognizes its residual interest. If the Group retains almost all risks and benefits of a transferred asset, the Group maintain the recognition of this asset.

When a financial asset measured at amortized cost is derecognized, the difference between the book value and the consideration received is recognized in the profit or loss.

2.18 Derivative financial instruments and hedging activities

The Group uses derivatives to hedge its exposure to currency risk. The use of these instruments allows the Group to manage risks arising from exchange rates and commercial transactions.

On inception of the hedging relationship, the Group designates and documents the hedging relationship by describing the relationship between the hedging instrument and the underlying hedged, the Group's risk management objective and strategy for undertaking the hedge: designation of the hedging instrument and the underlying hedged, type of risk hedged, means chosen by the Group to test and determine the extent of any the edge effectiveness.

The hedging relationship meet effectiveness constraints if:

- an economic relationship exists between the hedging instrument and the underlying hedged;
- the credit risk does not exceed the changes in the value which arise from this economic relationship;
- the hedge ratio of the hedging relationship equals the ratio of the quantity of the underlying hedged and the quantity of hedging instruments the Group uses to cover that quantity of underlying hedged.

When a derivative contract is concluded, the hedging instruments are recorded at fair value and then reassessed at fair value on each closure. The derivatives' fair value is measured based on the exchange rate at closing.

Changes in the fair value of derivatives are recognized in profit or loss, unless for instrument defined as cash flow hedging instrument for which changes in the fair value are recognized in other comprehensive income for their effective share and in profit or loss for their ineffective share.

The hedging instrument's fair value is classified in non-current asset or non-current liability when the remaining maturity is higher than 12 months, and in current asset or current liability when the remaining maturity is smaller than 12 months. Transaction-for-trading on derivatives are classified in current asset or current liability.

2.19 Inventories

Inventories are recognised at the lower of historical cost and net realisable value.

Cost is determined using the weighted-average cost method. The valuation of warehouse inventory is equal to the cost of acquisition plus shipping, duty and transportation costs. The valuation of retail store inventory is composed of the warehouse cost price plus the warehouse-to-retail stores' transportation costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.20 Trade and other receivables

Trade receivables are recognized at fair value and then reassessed at amortized cost through the effective interest rate method, after deduction of the depreciation provisions.

The Group uses the simplified method and recognizes expected credit losses over future trade receivables' lifetime. Expected credit losses are measured by considering a range of factors specific to customers and other debtors and using current general economic conditions and economic conditions forecasts that are available at closing date without supporting undue cost and effort.

The provision amount is recognized in profit or loss in « Depreciation, amortization and allowance for provisions ».

2.21 Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents (excluding bank overdrafts) include cash and other short-term investments (marketable securities) with original maturities of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts. In the consolidated statement of financial position, bank overdrafts are presented within borrowings in current liabilities.

2.22 Share capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are presented as a deduction to equity, net of tax, with no impact on net income.

When the Group buys back its own shares, they are classified as treasury shares at the purchase price and recognised as a deduction from equity for the consideration paid. Gains and losses on disposals of treasury shares are recognised directly in equity, for their amount net of tax, without affecting profit.

No impairment losses are recognised on treasury shares.

2.23 Post-employment benefits

Group companies operate various pension schemes, which are all defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of leading corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in personnel expenses, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

Past-service costs, which are the change in the present value of the defined benefit obligation resulting from a plan amendments or curtailments, are recognised immediately in profit or loss.

The interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in other finance expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been delivered in the ordinary course of business from suppliers. These debts are classified as current liabilities if payment is due within 12 months after the reporting date (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.26 Other non-current liabilities

Other non-current liabilities mainly relate to non-current portion of free rents granted by lessors which is reversed on a straight-line basis over the expected lease term and to the put option held by the minority shareholders.

2.27 Borrowings and other financial debts

a) Borrowing from credit institutions

Borrowings, including issued bonds, and other financial debts are initially recognised at fair value, net of transaction costs incurred. Borrowings and other financial debts are subsequently carried at amortised cost. Any difference between the amounts (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is the rate used to discount the expected stream of future cash flows (transaction costs included) through the maturity of the financial liability, or a shorter period if appropriate, to the current net carrying amount of the liability on the date of initial recognition.

Fees are deducted from borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

b) Convertible bond

A convertible bond is a "compound financial instrument", with a debt component and an equity component that are measured and accounted separately.

The debt component refers to the present value of the contractual future cash flows, discounted at the interest rate applied by the market at that date to instruments with identical characteristics, but without any conversion option. It is then measured using the amortized cost method over its estimated useful life.

The equity portion is equal to the difference between the issued nominal value and the debt component. The value recorded in equity corresponding to the valuation of the conversion option is not revalued during the life of the loan.

Issuance costs are booked as a reduction of debt and equity based on their respective value.

2.28 Current and deferred income tax

The income tax for the period comprises current and deferred tax. Current or deferred income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and their tax bases in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against on which they can be used.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In accordance with IAS 12, the Group recognises the CVAE tax (France), IRAP tax (Italy) and Gewerbesteuermessbetrag tax (Germany) as an income tax.

The Group recognised deferred tax assets on tax loss carryforwards. A budget forecast has been prepared to document the use of this deferred tax asset within a reasonable period of time.

2.29 Other current liabilities

Other current liabilities are related to Modani's earn-out.

2.30 Contingent assets and liabilities

Depending on the outcome of uncertain future events, contingent assets and liabilities may be recognised by an entity. Details of these are set out in the notes to the consolidated financial statements.

Note 3 Critical estimates and judgements

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates and judgements that may have an impact on the carrying amount of certain assets, liabilities, proceeds, expenses and on the information provided in the notes to the financial statements.

Estimates and assumptions are reviewed on a regular basis, and at least on each reporting date. They may vary if the circumstances on which they are based change or new information becomes available. Actual results may differ materially from these estimates.

The main estimates made by Management during the preparation of the consolidated financial statements relate to the assumptions used for:

- valuation of intangible assets (goodwill and brands): see notes 2.12 a and 8b and 2.15;
- deferred tax: see note 2.28;
- financial instruments and their classification: see note 2.18;
- provision for litigations: see note 2.24.

Goodwill is not amortized but an impairment test is performed annually or whenever potential impairment evidence has occurred (see note 2.12 a).

Note 4 Restated consolidated financial statements

The consolidated financial statements for the comparative periods have been restated to reflect:

- the reclassification of eco-participation and capitalized production following the first application of IFRS 15 (see note 2.2);
- the reclassification of advances and prepayments on fixed assets, from "Other non-current financial assets" to the fixed asset lines to which they relate;
- the omission of the deferred tax liability resulting from the separate recognition of the OCEANE's equity component, net of expenses, and debt. This deferred tax will be reversed along with the recognition of the notional financial expense related to the bond issue;
- reclassification of deferred tax assets from the French tax consolidation group as a reduction of deferred tax liabilities of the same tax consolidation group.

CONSOLIDATED INCOME STATEMENT RESTATED AS AT 31 DECEMBER 2017

(in € thousands)	31 December 2017	IFRS 15 Eco-contribution	IFRS 15 Capitalized production	31 December 2017 restated
Retail revenue	1,015,743	-	-	1,015,743
Other revenue from ordinary activities	26,149	(2,224)	(2,880)	21,045
Revenue	**1,041,892**	**(2,224)**	**(2,880)**	**1,036,788**
Cost of sales	(337,074)	-	-	(337,074)
Personnel expenses	(195,512)	-	1,401	(194,111)
External expenses	(369,554)	2,224	1,479	(365,851)
Depreciation, amortization and allowance for provisions	(31,964)	-	-	(31,964)
Fair value - derivative financial instruments	(2,346)	-	-	(2,346)
Other income from operations	3,145	-	-	3,145
Other expenses from operations	(7,095)	-	-	(7,095)
Current operating profit before other operating income and expenses	**101,493**	**-**	**-**	**101,493**
Other operating income and expenses	(1,705)	-	-	(1,705)
Operating profit (loss)	**99,788**	**-**	**-**	**99,788**
Cost of net debt	(6,252)			(6,252)
Finance income	1,788	-	-	1,788
Finance expenses	(5,961)	-	-	(5,961)
Financial profit (loss)	**(10,425)**	**-**	**-**	**(10,425)**
Share of profit (loss) of equity-accounted investees	(1,034)	-	-	(1,034)
Profit (loss) before income tax	**88,330**	**-**	**-**	**88,330**
Income tax expense	(25,319)	-	-	(25,319)
PROFIT (LOSS)	**63,009**	**-**	**-**	**63,009**
Attributable to:				
• Owners of the Parent	63,009	-	-	63,009
• Non-controlling interests	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION RESTATED AS AT 31 DECEMBER 2017

Assets

(in € thousands)	31 December 2017	French deferred tax reclassification	OCEANE deferred tax	Advances and prepayments on property, plant and equipment	31 December 2017 restated
Goodwill	321,183	-	-	-	321,183
Other intangible assets	250,517	-	-	-	250,517
Property, plant and equipment	146,044	-	-	627	146,671
Equity-accounted investees	0	-	-	-	0
Other non-current financial assets	17,580	-	-	(627)	16,953
Deferred income tax assets	28,775	(26,070)	-	-	2,705
Other non-current assets	7,632	-	-	-	7,632
Non-current assets	**771,732**	**(26,070)**	**-**	**-**	**745,662**
Inventories	159,713	-	-	-	159,713
Trade receivables and other current receivables	80,523	-	-	-	80,523
Other current financial assets	2	-	-	-	2
Current income tax assets	12,020	-	-	-	12,020
Derivative financial instruments	-	-	-	-	-
Cash and cash equivalents	100,138	-	-	-	100,138
Current assets	**352,396**	**-**	**-**	**-**	**352,396**
TOTAL ASSETS	**1,124,129**	**(26,070)**	**-**	**-**	**1,098,059**

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Equity and Liabilities

(in € thousands)	31 December 2017	French deferred tax reclassification	OCEANE deferred tax	Advances and prepayments on property, plant and equipment	31 December 2017 restated
Share capital	146,584	-	-	-	146,584
Share premiums	134,283	-	-	-	134,283
Retained earnings	188,226		(7,065)	-	181,161
Profit (loss) for the period	63,009	-	-	-	63,009
Equity attributable to owners of the Company	**532,102**	**-**	**(7,065)**	**-**	**525,037**
Non-controlling interests	-	-	-	-	-
TOTAL EQUITY	**532,102**	**-**	**(7,065)**	**-**	**525,037**
Borrowings	51,485	-	-	-	51,485
Convertible bond	173,635	-	-	-	173,635
Deferred income tax liabilities	56,132	(26,070)	7,065	-	37,127
Post-employment benefits	7,703	-	-	-	7,703
Provisions	13,668	-	-	-	13,668
Derivative financial instruments	19,154	-	-	-	19,154
Other non-current liabilities	11,986	-	-	-	11,986
Non-current liabilities	**333,762**	**(26,070)**	**7,065**		**314,757**
Current portion of borrowings and convertible bond	511	-	-	-	511
Trade payables and other current payables	238,111	-	-	-	238,111
Provisions	231	-	-	-	231
Corporate income tax liabilities	578	-	-	-	578
Derivative financial instruments	18,837	-	-	-	18,837
Current liabilities	**258,269**	**-**	**-**		**258,269**
TOTAL LIABILITIES	**592,030**	**(26,070)**	**7,065**	**-**	**573,025**
TOTAL EQUITY AND LIABILITIES	**1,124,129**	**(26,070)**	**-**		**1,098,059**

CONSOLIDATED CASH-FLOW STATEMENT RESTATED AS AT 31 DECEMBER 2017

(in € thousands)	31 December 2017	Advances and prepayments on property, plant and equipment	31 December 2017 restated
Profit (loss) for the period before income tax	88,330	-	88,330
Adjustments for:			
• Depreciation, amortization and allowance for provisions	33,825	-	33,825
• Net (gain) loss on disposals	608	-	608
• Share of profit (loss) of equity-accounted investees	1,034	-	1,034
• Change in fair value – derivative financial instruments	2,346	-	2,346
• Share-based payments	1,720	-	1,720
• Other	2,470	-	2,470
• Cost of net debt	6,252	-	6,252
Change in operating working capital requirement:			
• (Increase) decrease in inventories	10,918	-	10,918
• (Increase) decrease in trade and other receivables	(30,326)	-	(30,326)
• Increase (decrease) in trade and other payables	46,494	-	46,494
Income tax paid	(9,795)	-	(9,795)
Net cash flow from/(used in) operating activities	**153,875**	**-**	**153,875**
Acquisitions of non-current assets:			
• Property, plant and equipment	(40,245)	761	(39,484)
• Intangible assets	(9,431)	-	(9,431)
• Financial assets	(25)	-	(25)
• Subsidiaries, net of cash acquired	-	-	-
• Other non-current assets	300	(761)	(461)
Change in debts on fixed assets	(5,409)	-	(5,409)
Proceeds from sale of non-current assets	823	-	823
Net cash flow from/(used in) investing activities	**(53,986)**	**-**	**(53,986)**
Proceeds from convertible bond	197,658	-	197,658
Borrowings	(236,292)	-	(236,292)
Acquisitions (net) of treasury shares	(488)	-	(488)
Dividends paid	(14,016)	-	(14,016)
Interest paid	(6,523)	-	(6,523)
Net cash flow from/(used in) financing activities	**(59,661)**	**-**	**(59,661)**
Exchange gains/(losses) on cash and cash equivalents	184	-	184
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	40,228	-	40,228
Cash and cash equivalents at beginning of period	59,675	-	59,675
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**100,093**	**-**	**100,093**

Notes on consolidated income statement

Note 5 Geographical segment information

In accordance with IFRS 8 "Operating segments", segment information is based on internal analytical data used to analyze the performance of activities and the allocation of resources by the Board of Directors, which is the Group's main operational decision making body.

Consequently, an operating segment is a separate component of the Group that engages in activities from which the Group is likely to acquire revenue, ordinary activities and incur expenses. Each operating segment is regularly reviewed by the Board of Directors in order to take decisions on the resources to be allocated and to evaluate their performance.

Sales, EBITDA and Goodwill, other intangible assets and property, plant and equipment are presented by geographical segment. The operating segments (geographical) are as follows:

- France;
- International.

In addition, the corporate segment includes the holding company's activities, including assets that cannot be allocated to any segments and CICE. This segment, which does not include any revenues, mainly comprises overheads related to finance, legal, human resources and IT Department as well as expenses related to design, procurement, customer relationship management (CRM) and merchandising.

The Group defines its annual EBITDA as its current operating profit before other operating income and expenses excluding the following:

- i) depreciation, amortization and allowance for provisions, and,
- ii) the change in fair value of its derivative instruments, which are both non-cash items, as well as;
- iii) store pre-opening expenses related to expenses incurred prior to the opening of new stores.

EBITDA by geographical segment includes:

- allocations of certain marketing expenses related to the network of stores as well as operating and marketing expenses for the e-commerce platform. The allocation of these expenses by geographical segment is based on Sales (stores and e-commerce) for each country;
- allocation of EBITDA of the logistical entities by geographical segment is based on their respective cost of sales.

A deeper analysis of "Corporate" activities allowed a different allocation of customer service costs and generated a change in data for the year ended 31 December 2017, compared to the information disclosed in the consolidated financial statements for the year ended December 2017.

Sales and EBITDA related to B2B activity (Maisons du Monde) has been fully allocated to the France segment.

This segment information is consistent with groups of CGU that have been identified for the impairment test (see note 15).

5.1 Segment income statement

(in € thousands)	31 December 2018	31 December 2017
Sales	1,111,191	1,010,569
France	647,429	624,771
International	463,762	385,798
Cost of sales	(376,751)	(337,074)
Gross margin	**734,440**	**673,495**
Gross margin (%)	***66.1%***	***66.6%***
EBITDA	**147,963**	**138,780**
France	*136,579*	*134,717*
International	*74,051*	*57,895*
Corporate	*(62,667)*	*(53,832)*
Depreciation, amortization and allowance for provisions	(36,353)	(31,964)
EBIT	**111,611**	**106,816**
Change in fair value - derivative financial instruments	(1,166)	(2,346)
Expenses prior to openings	(2,241)	(2,976)
Current operating profit before operating income and expenses	**108,203**	**101,493**
Other operating income and expenses	(4,718)	(1,705)
Operating profit (loss)	**103,485**	**99,788**
Financial profit (loss)	(9,323)	(10,425)
Share of profit (loss) of equity-accounted investees	0	(1,034)
Profit (loss) before income tax	**94,162**	**88,330**
Income tax expense	(33,473)	(25,319)
PROFIT (LOSS)	**60,689**	**63,009**

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5.2 Segment assets and liabilities

The Group discloses here only segment assets whose amounts are regularly reviewed by the Executive Committee, under Board of Director's supervision.

	31 December 2018			
(in € thousands)	France	International	Corporate	Total
Segment assets [(1)]	351,708	208,709	234,560	794,976
Non-segment assets				416,388
TOTAL ASSETS				**1,211,364**

(1) Goodwill, other intangible and tangible assets.

	31 December 2017			
(in € thousands)	France	International	Corporate	Total
Segment assets [(1)]	341,486	156,680	219,579	717,745
Non-segment assets				380,314
TOTAL ASSETS				**1,098,059**

(1) Goodwill, other intangible and tangible assets.

Note 6 Revenue

6.1 Revenue breakdown

(in € thousands)	31 December 2018	31 December 2017*
Sales	1,111,191	1,010,569
Sales to franchise and promotional sales	7,003	5,174
Retail revenue	**1,118,194**	**1,015,743**
Transportation to customers	21,799	18,870
Supply chain services	996	878
Other services	2,149	1,297
Sundry revenue	-	-
Other revenue from ordinary activities	**24,944**	**21,045**
TOTAL REVENUE	**1,143,138**	**1,036,788**

** See note 4 – Restated consolidated financial statements.*

6.2 Revenue by channel

	31 December 2018			31 December 2017		
(in € thousands)	Maisons du Monde	Modani	Total	Maisons du Monde	Modani	Total
Stores	836,153	23,253	859,406	800,591	-	800,591
Web	249,201	2,584	251,784	209,978	-	209,978
TOTAL SALES	**1,085,353**	**25,837**	**1,111,191**	**1,010,569**	**-**	**1,010,569**

6.3 Revenue by product

	31 December 2018			31 December 2017		
(in € thousands)	Maisons du Monde	Modani	Total	Maisons du Monde	Modani	Total
Decoration	618,993	-	618,993	583,924	-	583,924
Furniture	466,360	25,837	492,197	426,645	-	426,645
TOTAL SALES	**1,085,353**	**25,837**	**1,111,191**	**1,010,569**	**-**	**1,010,569**

Note 7 Personnel expenses

Personnel expenses are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017*
Wages and salaries	(151,106)	(137,871)
Social security costs	(46,391)	(41,559)
Share-based payment (including social security costs) [(1)]	(2,586)	(2,264)
Employee profit-sharing (including social security costs)	(12,202)	(11,156)
Post-employment benefits - Defined benefit plans	(1,350)	(1,260)
TOTAL PERSONNEL EXPENSES	**(213,634)**	**(194,111)**

(1) *The social security costs related to share-based payments amounts to €0,1m as of 31 December 2018 as compare to €0.6 million as of 31 December 2017.*

* *See note 4 – Restated consolidated financial statements.*

For the year ended 31 December 2018, the Group recorded accrued income of €4.7 million (2017: €5.5 million) related to CICE tax credit (introduced in France in 2013 to encourage competitiveness and employment). This income is accrued under personnel expenses items (social security costs).

The average number of full-time employees (FTE) is 6.399 for the year 2018 and 5.932 for the year 2017.

Note 8 External expenses

External expenses are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017*
Energy and consummables used	(23,315)	(21,755)
Leases and related expenses	(117,914)	(111,375)
Rental	(8,889)	(8,098)
Repairs and maintenance	(16,984)	(15,230)
Insurance	(1,849)	(1,650)
Temporary staff	(22,462)	(21,457)
Advertising & marketing	(41,840)	(36,617)
Fees	(13,627)	(11,679)
Transportation	(119,878)	(105,010)
Post & Telecom	(5,314)	(5,025)
Travel & meeting expenses	(7,634)	(7,635)
Bank services	(7,071)	(6,541)
Taxes other than on income	(12,647)	(12,156)
Other external expenses	(4,068)	(1,624)
TOTAL EXTERNAL EXPENSES	**(403,492)**	**(365,851)**

* *See note 4 – Restated consolidated financial statements.*

In 2018, other external expenses are made up of Modani's logistic outsourcing expenses for €1.9 million and of other items that are individually not significant. In 2017, they were made up of items that were individually not significant.

Note 9 Other income and expenses from operations

Other income and expenses from operations are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Preopening expenses	(2,241)	(2,976)
Gains and losses on disposals [(1)]	(981)	(608)
Commercial disputes & losses	431	(113)
Leases & related expenses [(1)]	(99)	(234)
Other income and expenses from operations	(649)	(19)
TOTAL OTHER OPERATING INCOME/EXPENSES FROM OPERATIONS	**(3,539)**	**(3,949)**

(1) *Relate to stores relocated in the same area.*

Other income and expenses are made up of attendance fees and other items that are individually not significant.

Note 10 Other operating income and expenses

Other operating income and expenses are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Gains and losses on disposals [(1)]	(509)	(1)
Provision for closure of store [(1)]	(79)	(173)
Restructuring costs	(1,233)	(197)
Commercial disputes & losses	-	(808)
Acquisition costs (Modani)	(801)	-
Other [(2)]	(2,095)	(525)
TOTAL OTHER OPERATING INCOME/ (EXPENSES)	**(4,718)**	**(1,705)**

(1) *Relate to stores not replaced by another store in the same area (no relocation).*
(2) *Mainly related to:*
- *performance shares expense for the former CEO (€0.5 million/see note 21.3);*
- *recruitment fees for the new CEO (€0.4 million);*
- *a provision in the context of a DIRRECTE audit in France (€1 million).*

Note 11 Financial profit (loss)

Finance income and expenses are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Interests on term loan	(802)	(4,402)
Interests on convertible bond	(4,432)	(303)
Interests on loans, including Revolving Credit Facilities	(1,396)	(1,524)
Proceeds from cash and cash equivalents	30	1
Interests on bank overdrafts	(18)	(23)
Cost of net debt	**(6,617)**	**(6,252)**
Finance leases	(100)	(82)
Exchange gains and losses	(329)	135
Commission costs	(2,252)	(1,702)
Other finance income & costs [(1)]	(25)	(2,524)
TOTAL FINANCIAL PROFIT (LOSS)	**(9,323)**	**(10,425)**

(1) In 2017, €2.5 million of issuance fees not yet amortized at the date of the partial repayment of the long-term loan.

Note 12 Income tax

Income tax is broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Current income tax	(30,779)	(19,555)
Deferred tax	(2,694)	(5,764)
INCOME TAX EXPENSE	**(33,473)**	**(25,319)**

The Group's income tax differs from the theoretical tax which would apply according to the actual tax rate applicable to the results of consolidated companies for the following reasons:

(in € thousands)	31 December 2018	31 December 2017
Profit (loss) for the period	60,689	63,009
Less share of profit investments accounted for using the equity method	0	(1,034)
Less income tax expense	(33,473)	(25,319)
Profit (loss) of consolidated companies before tax	**94,162**	**89,361**
Theoretical tax rate	34%	34%
Theoretical income tax expense (+)/ product (-)	**32,420**	**30,767**
Difference in income tax rates in other countries	(1,853)	(1,369)
Utilisation of previously unrecognised tax loss	-	-
Tax losses for which no deferred income tax asset was recognized	-	-
Tax [(1)]	4,167	4,028
Impact of tax credits	(4,938)	(3,677)
Impact of permanent differences	2,551	1,931
Other [(2)]	1,126	(6,361)
ACTUAL INCOME TAX EXPENSE	**33,473**	**25,319**

(1) *Including CVAE (France), IRAP (Italy) and Gewerbesteuermessbetrag (Germany).*

(2) *Mainly the effect on deferred tax basis of the French tax rate gradual decrease from 34.43% to 25.9% for French entities (in particular Brand for €6.3 million in 2017).*

The tax effects relating to other comprehensive income (loss) are as follows:

(in € thousands)	31 December 2018	31 December 2017
Cash-flow hedge	(14,277)	20,071
Income tax relating to items that may be subsequently reclassified to profit or loss	**(14,277)**	**20,071**
Tax on actuarial gains (losses) on post-employment benefits	(77)	165
Income tax relating to items that will not be subsequently reclassified to profit or loss	**(77)**	**165**
TOTAL INCOME TAX ON OTHER COMPREHENSIVE INCOME (LOSS)	**(14,354)**	**20,236**

Note 13 Earnings per share

13.1 Basic earnings per share

(in € thousands, unless otherwise stated)	31 December 2018	31 December 2017
Profit (loss) for the period attributable to shareholders of the parent	60,050	63,009
Weighted average number of ordinary shares *(in thousands)*	45,121	45,229
BASIC EARNINGS PER SHARE *(IN EUROS)*	**1.33**	**1.39**

The number of ordinary shares remained the same during the 2018 and 2017 financial years.

The change in the weighted average number of common shares is the result of restating treasury stock, whose number has changed during the period (see note 27.2).

13.2 Diluted earnings per share

The share capital of the Group as of 31 December 2018 consists solely of the ordinary shares of Maisons du Monde S.A.

Diluted earnings per share take into account the weighted average number of performance shares allocated to employees (see note 27.3) and the convertible bond (see note 28.1).

(in € thousands, unless otherwise stated)	31 December 2018	31 December 2017
Profit (loss) for the period attributable to shareholders of the parent (1)	62,552	63,194
Weighted average number of ordinary shares *(in thousands)*	**45,121**	**45,229**
Adjustment for dilutive impact of performance shares	293	187
Dilutive effect of convertible bonds (2)	4,109	292
Adjusted weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	**49,524**	**45,708**
DILUTED EARNINGS PER SHARE *(IN EUROS)*	**1.26**	**1.38**

(1) For the calculation of the diluted earning per share, the profit (loss) for the period has been restated of convertible bonds' interests.

(2) Shares that may be created in the event of conversion of all the convertible bonds issued by the Group.

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Note 14 Dividend per share

For the financial year 2017, an ordinary dividend of €0.44 per share was allocated at the General Meeting of 18 May 2018 and paid on 20 June 2018 for €19,890 thousand. The dividend attributable to treasury shares has not been paid. The amount corresponding to the dividends not paid to the treasury shares, €16 thousand, has been allocated to reserves and the overall amount of the dividend has been adjusted accordingly.

Notes on consolidated balance sheet

Note 15 Goodwill

15.1 Goodwill

Management reviews the business performance based on geography. Therefore, management allocates the goodwill at the geographical area-level. For the Group, it has identified France and International geographical areas. The following is a summary of goodwill allocation:

(in € thousands)	France	International	Total
Balance as of 1 January 2017	**240,949**	**80,234**	**321,183**
Acquisitions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Currency translation differences	-	-	-
Balance as of 31 December 2017	**240,949**	**80,234**	**321,183**
Balance as of 1 January 2018	**240,949**	**80,234**	**321,183**
Acquisitions	-	44,805	44,805
Disposals	-	-	-
Impairment	-	-	-
Currency translation differences	-	2,461	2,461
BALANCE AS OF 31 DECEMBER 2018	**240,949**	**127,500**	**368,449**

15.2 Impairment tests for goodwill and other assets

a) Cash-generating unit (CGU)

Impairment tests are performed at the level of the cash-generating unit. Goodwill is allocated at the geographical area-level (France and International). Each geographical area represents a group of CGUs, each CGU representing a brick and mortar store or online store.

b) Valuation by the discounted cash-flow method

The core assumptions used to determine the recoverable amount of an asset or a CGU or a group of CGUs are consistent with those used to prepare the Group's business plans and budgets approved by governance bodies. Assumptions are based on historical data and past experience and also take into account information from external sources such as sector growth forecasts and forecasts concerning geopolitical and macro-economic developments in the related CGU's.

Main drivers of the business plan are the Sales growth and the gross margin variance.

The Sales growth is made up of the followings:

- like-for-like growth that is the result of both the work done on the collections and the optimization of the two channels: the Group's store network and e-commerce platform;
- network expansion (stores) that illustrates the potential of opening identified by the expansion team in the existing countries.

Regarding the gross margin hypothesis, this is the result of an analysis of the expected evolution on foreign exchange rates combined with the pricing and commercial strategy.

The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost.

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS AS OF 31 DECEMBER 2018:

	Discount factor (WACC)	Average growth rate over the 5 year period	Terminal value growth rate
France	9.6%	6.2%	1.9%
International	10.8%	12.7%	1.9%
TOTAL	**10.2%**	**9.3%**	**1.9%**

Average growth rate used for the impairment test is on a like-for-like basis.

SENSITIVITY TO VARIATIONS OF THE DISCOUNT RATE (WACC)

The carrying value of the CGU France would get higher than the recoverable amount if the discount rate related to France increased by more than 1,010 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the discount rate related to International increased by more than 580 basis points.

SENSITIVITY TO VARIATIONS OF THE TERMINAL VALU GROWTH RATE

The carrying value of the CGU France would get higher than the recoverable amount if the terminal value growth rate related to France decreased by more than 3,200 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the terminal value growth rate related to International decreased by more than 1,260 basis points.

SENSITIVITY TO VARIATIONS OF THE EXCHANGE RATE EUR/USD

The sensitivity analysis presented below is based on the assumption of an increasing purchase price in euros without any mechanism to balance this effect.

The carrying value of the CGU France would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 0.98.

The carrying value of the CGU International would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 1.08.

The impairment test as at 31 December 2018 supported the Group's opinion that goodwill was not impaired (same in 2017).

Note 16 Other intangible assets

16.1 Detail of Other intangible assets

(in € thousands)	Brand, Trademarks, licenses, patents	Commercial leasehold rights	Internally generated software development costs	Other	Total
Net carrying amount as of 1 January 2017	**208,824**	**32,434**	**2,503**	**214**	**243,975**
Acquisitions	2,806	1,860	2,254	2,518	9,439
Disposals	(0)	(269)	-	(82)	(351)
Amortization charge	(1,470)	(297)	(1,095)	(15)	(2,878)
Impairment (charge/release)	-	342	-	-	342
Other	-	213	-	(223)	(10)
Currency translation differences	-	-	-	-	-
Net carrying amount as of 31 December 2017	**210,160**	**34,283**	**3,662**	**2,412**	**250,517**
Net carrying amount as of 1 January 2018	**210,160**	**34,283**	**3,662**	**2,412**	**250,517**
Change in scope of consolidation	13,904	-	-	154	14,058
Acquisitions	2,023	1,186	3,091	119	6,419
Disposals	(10)	(239)	-	(51)	(300)
Amortization charge	(1,983)	(296)	(1,639)	-	(3,918)
Impairment (charge/release)	-	(516)	-	67	(449)
Other	665	2,115	-	(2,694)	87
Currency translation differences	821	-	-	8	830
NET CARRYING AMOUNT AS OF 31 DECEMBER 2018	**225,581**	**36,534**	**5,113**	**16**	**267,244**

Other intangible assets are mainly made up of “Maisons du Monde” Brand for €206.5 million. Other intangible assets increase is mainly due to the purchase price allocation process following the acquisition of Modani. "Modani" brand is evaluated at €13.8 million (see note 1.1).

16.2 Impairment of brands

The basic assumptions used to determine the recoverable value of the brand are identical to those used to determine the recoverable amount of goodwill and other assets. This recoverable value is determined using the royalty method with a rate of 3% for the brand “Maisons du Monde” and a rate of 1.5% for the brand “Modani”.

As of 31 December 2018, the impairment test processed on the brands held by the Group did not reveal any indication of impairment (same in 2017).

Brand “Maisons du Monde”:

- The carrying amount of the brand would get higher than its recoverable amount if the discount rate increases more than 770 basis points.
- The carrying amount of the brand would get higher than its recoverable amount if the growth rate to infinity was decreased by more than 1,990 basis points.

Brand “Modani”:

- The carrying amount of the brand would get higher than its recoverable amount if the discount rate increases more than 10 basis points.
- The carrying amount of the brand would get higher than its recoverable amount if the infinity growth rate decrease by more than 20 basis points.

Note 17 Property, plant and equipment

(in € thousands)	Constructions	Technical installations, industrial equipment and machinery	Other property, plant and equipment	Fixed assets under construction	Advances and payments on property, plant and equipment	Total
Net carrying amount as of 1 January 2017	**90,555**	**8,328**	**34,685**	**3,309**	**1,388**	**138,266**
Acquisitions	21,338	5,292	13,308	1,272	(761)	40,449
Disposals	(641)	(16)	(457)	-	-	(1,114)
Amortization charge	(16,989)	(3,327)	(10,241)	-	-	(30,556)
Impairment (charge/release)	558	-	-	-	-	558
Other	2,822	2	-	(2,825)	-	-
Currency translation differences	(539)	(241)	(172)	20	-	(931)
Net carrying amount as of 31 December 2017 *	**97,105**	**10,038**	**37,124**	**1,777**	**627**	**146,671**
Net carrying amount as of 1 January 2018	**97,105**	**10,038**	**37,124**	**1,777**	**627**	**146,671**
Change in scope of consolidation	-	103	1,518	104	-	1,725
Acquisitions	22,371	3,036	13,213	5,192	1,350	45,162
Disposals	(976)	(90)	(266)	(105)	(45)	(1,482)
Amortization charge	(17,882)	(2,490)	(11,697)	-	-	(32,070)
Impairment (charge/release)	47	-	-	-	-	47
Other	462	170	(208)	(1,345)	(309)	(1,229)
Currency translation differences	236	59	154	8	-	457
NET CARRYING AMOUNT AS OF 31 DECEMBER 2018	**101,363**	**10,827**	**39,838**	**5,631**	**1,623**	**159,282**

* *See note 4 – Restated consolidated financial statements.*

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Technical installations, industrial equipment and machinery mainly and also other property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

(in € thousands)	31 December 2018	31 December 2017
Finance leases gross value	12,274	10,687
Accumulated depreciation	(7,796)	(7,492)
NET CARRYING AMOUNT	**4,478**	**3,195**

Note 18 Equity-accounted affiliates

Set out below are the joint-ventures of the Group as of 31 December 2018.

Name of the entity	Country	% ownership interest	Nature of relationship
Chin Chin limited	Hong Kong	50%	Holding company
Shanghai Chin Chin [(1)]	China	50%	Furniture manufacturing

(1) *Shanghai Chin Chin is a sub consolidated Group which includes Shanghai Chin Chin Furnishing, Wujiang Chin Chin Furnishing and Wujiang Henghui Machinery.*

These entities are private companies and there is no quoted market price available for its shares. The Group has not made any commitment relating to its interests in these entities.

Set out below are the summarised financial information for these entities which are accounted for using the equity method.

a) Summarised statement of financial position

	Chin Chin Limited		Shanghai Chin Chin		TOTAL
(in € thousands)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Cash and cash equivalents	-	-	740	486	740
Other current assets (excluding cash)	376	356	4,889	2,647	5,265
Total current assets	**376**	**356**	**5,629**	**3,133**	**6,005**
Financial liabilities (excl. trade payables)	-	-	4,323	3,167	4,323
Other current liabilities (incl. trade payables)	1,377	1,307	6,120	5,239	7,497
Total current liabilities	**1,377**	**1,307**	**10,443**	**8,406**	**11,820**
Non-current assets	**-**	**-**	**7,105**	**7,457**	**7,105**
Financial liabilities	-	-	2,353	4,704	2,353
Other liabilities	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**2,353**	**4,704**	**2,353**
NET ASSETS	**(1,001)**	**(951)**	**(62)**	**(2,520)**	**(1,063)**

b) Selected financial information on the statement of comprehensive income

The information below reflects the amounts presented in the financial statements of the joint-ventures adjusted for differences in accounting policies between the Group and the joint-venture (and not the joint-venture's shares of those amounts).

	Chin Chin Limited		Shanghai Chin Chin		TOTAL
(in € thousands)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Revenue	-	-	13,242	15,902	13,242
Depreciation, amortisation, provisions and impairment	-	-	(599)	(255)	(599)
Interest income	3	4	-	9	3
Interest expense	-	-	(189)	(277)	(189)
Income tax	-	-	(107)	(252)	(107)
Profit/(loss) for the period	**(4)**	**(2)**	**13**	**(2,067)**	**9**
Other comprehensive income	5	70	(14)	(83)	(9)
Total comprehensive (expense)/income	**1**	**68**	**(1)**	**(2,150)**	**-**
Dividends received from joint-ventures	-	-	-	-	-

c) Reconciliation of summarised financial information

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint-venture.

(in € thousands)	Chin Chin Limited		Shanghai Chin Chin		TOTAL
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Opening net assets 1 January	**(124)**	**(192)**	**124**	**2,274**	**1**
Profit/(loss) for the period	(4)	(2)	13	(2,067)	9
Other comprehensive income	5	70	(14)	(83)	(9)
Closing net assets	**(123)**	**(124)**	**123**	**124**	**1**
Interest in joint-venture at 50%	(61)	(62)	62	62	0
Goodwill	-	-	-	-	-
CARRYING VALUE	**(61)**	**(62)**	**62**	**62**	**0**

Note 19 Other non-current financial assets

(in € thousands)	31 December 2018	31 December 2017*
Equity securities (1)	2,245	2,295
Other financial assets (2)	12,571	14,659
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**14,816**	**16,953**

* *See note 4 – Restated consolidated financial statements*

(1) *Equity securities mainly correspond to investments in economic interest groups (groupements d'intérêt économique) acquired at opening of stores for €2.2 million.*

(2) *Other financial assets relate mainly to deposits and guarantees paid or granted to the lessor of the store, warehouses, headquarters and facilities for €11.7 million.*

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Note 20 Deferred income tax assets and liabilities

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

(in € thousands)	31 December 2018	31 December 2017*
Deferred tax assets	2,751	2,705
Deferred tax liabilities	(58,180)	(37,127)
TOTAL DEFERRED TAX ASSETS/(LIABILITIES)	**(55,428)**	**(34,421)**

* *See note 4 – Restated consolidated financial statements*

The deferred income tax assets and liabilities are offset when they are in the same tax jurisdiction.

Movements in deferred income tax assets and liabilities are shown in the table below:

(in € thousands)	Brand	Tax loss carry-forwards	Temporary differences	Hedging instruments	Commercial leasehold rights	Step/Free rents	Others	Oceane deferred tax	Total
31 December 2016	**(59,664)**	**17,398**	**3,397**	**(7,801)**	**2,505**	**3,489**	**(1,147)**	**-**	**(41,821)**
Change in P&L	6,348	(12,829)	457	808	244	73	(954)	89	(5,764)
Change in equity	-	-	-	20,074	-	-	153	(7,063)	13,164
31 December 2017	**(53,316)**	**4,569**	**3,854**	**13,081**	**2,749**	**3,562**	**(1,948)**	**(6,974)**	**(34,421)**
Change in P&L	-	(4,382)	(229)	402	(94)	365	(60)	1,305	(2,694)
Change in equity	-	-	-	(14,277)	-	-	(77)	-	(14,354)
Change in scope of consolidation	(3,454)	-	-	-	(306)	-	-	-	(3,760)
Currency translation differences	(190)	-	-	-	(17)	-	7	-	(200)
31 December 2018	**(56,959)**	**187**	**3,625**	**(795)**	**2,332**	**3,927**	**(2,077)**	**(5,669)**	**(55,428)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. According to the forecast budget, the Group has fully activated tax loss carry forwards. It amounts to €0.7 million as of 31 December 2018 compared to €13.5 million as of 31 December 2017. The change mainly results from the use of tax loss carry forwards over the period by the French tax group.

Tax losses carried forward are detailed in the table below:

(in € thousands)	France (tax consolidation)	Germany	Luxembourg	United States	Total loss carryforwards
Loss carryforwards until					
2018	-	-	-	-	-
2019	-	-	-	-	-
2020	-	-	-	-	-
> 2021	-	-	-	-	-
Loss carryforwards undefinitely	-	-	111	621	732
TOTAL LOSS CARRYFORWARDS 2018	**-**	**-**	**111**	**621**	**732**
Of which not recognized	-	-	-	-	-
TOTAL LOSS CARRYFORWARDS 2017	**13,094**	**379**	**-**	**-**	**13,473**
Of which not recognized	-	-	-	-	-

A projected budget has been established to demonstrate the use of this deferred tax asset within a reasonable period of time.

Note 21 Other non-current assets

The "Other non-current assets" mainly correspond to the commercial leasehold rights, referred to as key money (Pas-de-porte), which are recognized as rents on a straight-line basis over the estimated term of the lease. The current part of the "Pas-de-porte" is recorded under "Trade receivables and other current receivables". The "Other non-current assets" also comprises a profitable lease agreement identified with the purchase price allocation process following the acquisition of Modani and estimated at €1.2 million (see note 1.1).

Note 22 Inventories

The carrying amounts of inventories are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Packaging and supplies	5,075	2,311
Semi-finished products	1,644	1,197
Merchandises	234,912	156,204
Gross value	**241,631**	**159,713**
Depreciation	(402)	-
Net carrying amount	**241,229**	**159,713**

The low level of provision is explained by the depletion of inventory at a price higher than cost. In some cases, the Group may occasionally be required to depreciate inventories of packaging and supplies or goods.

Note 23 Trade receivables and other current receivables

Trade receivables and other current receivables are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Trade receivables	13,128	10,793
Impairment of receivables	(1,615)	(1,699)
Trade receivables - Net	**11,513**	**9,094**
Advances paid to suppliers	16,142	30,591
Receivables from suppliers	23,072	3,876
Taxes and duties	13,125	16,018
Other receivables	1,593	1,935
Prepaid expenses	18,102	19,010
Other receivables	**72,034**	**71,429**
TOTAL TRADE AND OTHER RECEIVABLES	**83,547**	**80,523**

All receivables have a maturity date shorter than one year.

Prepaid expenses are mainly made up of key money (pas-de-porte) (€1.1 million as of 31 December 2018 and €1.2 million as of 31 December 2017), next quarter's rents (€11.5 million as of 31 December 2018 and €12.2 million as of 31 December 2017) and next year's catalogue related expenses (€2.5 million as of 31 December 2018 and €2.7 million as of 31 December 2017).

Note 24 Other current financial assets

Other current financial assets are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Receivables from related parties	444	418
Depreciation	(417)	(416)
TOTAL OTHER CURRENT FINANCIAL ASSETS	**27**	**2**

Note 25 Derivative financial instruments

The fair value of derivative financial instruments is broken down as follows:

	31 December 2018		31 December 2017	
(in € thousands)	Asset	Liabilitiy	Asset	Liabilitiy
Forward foreign exchange contracts	4,664	2,354	-	37,990
Accumulated Boost Forward Contracts	-	-	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	**4,664**	**2,354**	**-**	**37,990**

All contracts are intended to cover the purchase of goods and freight in US Dollars. These derivative financial instruments had a total nominal value of $417.1 million as of 31 December 2018 and $575.5 million as of 31 December 2017.

The amount recognized directly in equity at the end of December 2018 is €41.5 million. It corresponds to the value of the current contract at the closing date which are intended to cover the expected cash flows.

The amount recognized in the profit or loss, in current result, for €(1.2) million corresponds to the time value for the change in fair value of hedging instruments (forward spread « premium/ discount »).

Note 26 Cash and cash equivalents

Cash and cash equivalents (excluding bank overdrafts) are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Cash at bank and in hand	57,165	100,123
Short term investments & cash equivalent	16	15
TOTAL CASH AND CASH EQUIVALENTS	**57,181**	**100,138**

Short term investments (such as investments in SICAVs and certificates of deposit) are short-term investments (less than 3 months) which are subject to an insignificant risk of changes in value.

Bank overdrafts are presented as borrowing under “Current liabilities”.

Note 27 Equity

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to shareholders.

The Board of Directors has decided to ask shareholders to approve a cash dividend of €0.47 per share for the year ended 31 December 2018, representing a payout ratio of 35% based on Group net income.

27.1 Shares

The share capital as of 31 December 2018 is composed of 45,241,894 ordinary shares of Maisons du Monde S.A. Based on a nominal value of €3.24 per share, Maisons du Monde SA's share capital amounted to €146,583,736.56 as at 31 December 2018.

27.2 Treasury shares

Treasury shares are Maisons du Monde S.A. shares held by the Group as part of a liquidity contract, in accordance with an Ethics Charter established by the French association of financial markets (AMAFI charter) and approved by the French financial markets authority (Autorité des marchés financiers), or as part of shares buyback plans allocated to performance shares plans.

As of 31 December 2018, the Group held 73,022 treasury shares under this liquidity contract compared to 12,100 as of 31 December 2017. As part of the shares buyback plans allocated to performance shares plans, the Group holds 191,193 treasury shares.

27.3 Share-based payments

a) Performance share plan n°3 amendment

On 19 May 2017, the Board of Directors adopted the "Plan d'actions gratuites n°3", which granted 34,500 performance shares to the Company's Chief Executive Officer.

Performance shares are subject to:

- a continued service requirement during the vesting period, calculated as from the grant date, of 31 months ;
- performance requirements based on Customer sales level, EBITDA and earning per share ;
- a holding requirement, for the Company's General Manager, as from the grant date until the corporate office term.

Following the departure of the Chief Executive Officer on 30 June 2018, the Board of Directors granted a continued service requirement exemption for some performance shares allocated (23,000). Under this exemption, considering performance conditions remain unchanged, the performance shares will be definitively awarded to Company's Chief Executive Officer at the end of the vesting period.

Other terms of "Plan d'actions gratuites n°3" remain unchanged.

b) New performance share plan

The 13th resolution adopted by the Extraordinary Shareholder's Meeting held on 19 May 2017 authorizes the Board of Directors to grant free shares to Group employees, up to a maximum of 2% of the Company's share over a 38-month period. Under this authority, the Board of Directors adopted a new plan on 18 May 2018 (Plan d'actions gratuites n° 4) which granted 146,435 performance shares to 390 beneficiaries located in France and abroad.

Performance shares are subject to:

- a continued service requirement during the vesting period: the shares granted to a beneficiary shall only finally vest if he or she has been an employee of a Group company during a vesting period, calculated as from the grant date, of 31 months. In the event of death, disability or retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;
- performance requirements based on Sales level and EBITDA for all beneficiaries;
- an additional performance requirement for the Executive Committee's members, based on the earning per share level.

The granted shares shall be either shares issued through a share capital increase performed by Maisons du Monde SA by no later than the definitive vesting date or shares bought back by the Group on the market prior to such date.

c) Information on the fair value of attribution of performance shares

The performance conditions as defined were deemed to have been fully at the valuation date.

	Plan n°2	Plan n°3	Plan n°4
	16 December 2016	19 May 2017	18 May 2018
Duration of plan	3 years	2.59 years	2.59 years
Fair value of performance shares (in euros)	22.51	31.28	33.61

As part of the performance share plans, an expense of €2.7 million (excluding social charges) was recognized in the income statement (1.7 million in 2017), with a corresponding increase in equity, within:

- other operating income and expenses for the part allocated to the former Company's Chief Executive Officer (see note 10) as well as for some executives who left the Group;
- personal expenses for the part awarded to the other beneficiaries (see note 7).

d) New stock option plan

In accordance with the Modani's acquisition terms, stock options were granted for a total amount of 1.35% of Modani Holding LLC's share capital as of 31 December 2018. The stock options plan has been allocated to 3 beneficiaries and will be settled in cash at the end of the vesting period.

Since 1st July 2018, stock options are acquired progressively and definitively over a period of 48 months. Stock options plan are only subject to continued service requirement.

As part of the stock option plans, an expense of €0.5 million was recognized in the income statement as personnel expenses (see note 7), with a corresponding increase in social debt.

Note 28 Net debt

28.1 Net debt

The variations in net debt are broken down as follows:

		Cash impact		Without cash impact						
(in € thousands)	**31 December 2017**	**Increase**	**Decrease**	**Scope effect**	**Issuance fees**	**Finance leases**	**Interest**	**Change effect**	**Other**	**31 December 2018**
Convertible bond	173,615	-	(250)	-	302	-	4,123	-	-	177,791
Term loan	49,446	-	(616)	-	194	-	609	-	-	49,633
Revolving Credit Facilities	(1,045)	10,000	(844)	-	326	-	838	-	-	9,275
Other borrowings	-	-	(1,356)	1,485	20	-	155	68	-	373
Finance leases	3,180	-	(1,014)	-	-	2,407	-	-	(14)	4,559
Deposits and guarantees	390	81	-	-	-	-	-	-	-	471
Banks overdrafts	45	570	-	-	-	-	-	-	-	615
Cash and cash equivalents	(100,138)	-	42,957	-	-	-	-	-	-	(57,181)
TOTAL NET DEBT	**125,493**	**10,651**	**38,877**	**1,485**	**842**	**2,407**	**5,726**	**68**	**(14)**	**185,536**

The breakdown by currency of the net is broken down as follows:

	31 December 2018							
(in € thousands)	**EUR**	**CHF**	**GBP**	**USD**	**IDR**	**INR**	**VND**	**Total**
Convertible bond	177,791	-	-	-	-	-	-	177,791
Term loan	49,633	-	-	-	-	-	-	49,633
Revolving Credit Facilities	9,275	-	-	-	-	-	-	9,275
Other borrowings	-	-	-	373	-	-	-	373
Finance leases	4,559	-	-	-	-	-	-	4,559
Deposits and guarantees	471	-	-	-	-	-	-	471
Banks overdrafts	615	-	-	-	-	-	-	615
Cash and cash equivalents	(48,546)	(845)	(2,386)	(5,004)	(7)	(31)	(361)	(57,181)
TOTAL NET DEBT	**193,797**	**(845)**	**(2,386)**	**(4,631)**	**(7)**	**(31)**	**(361)**	**185,536**

	31 December 2017							
(in € thousands)	**EUR**	**CHF**	**GBP**	**USD**	**IDR**	**INR**	**VND**	**Total**
Convertible bond	173,615	-	-	-	-	-	-	173,615
Term loan	49,446	-	-	-	-	-	-	49,446
Revolving Credit Facilities	(1,045)	-	-	-	-	-	-	(1,045)
Finance leases	3,180	-	-	-	-	-	-	3,180
Deposits and guarantees	390	-	-	-	-	-	-	390
Banks overdrafts	45	-	-		-	-	-	45
Cash and cash equivalents	(92,318)	(3,583)	(1,075)	(2,838)	(16)	(19)	(289)	(100,138)
TOTAL NET DEBT	**133,313**	**(3,583)**	**(1,075)**	**(2,838)**	**(16)**	**(19)**	**(289)**	**125,493**

a) Convertible Bond

On 6 December 2017, Maisons du Monde issued bonds convertible into new or existing shares ("OCEANE") due December 2023 by way of a private placement to institutional investors, for a nominal amount of €200 million (4,100,041 bonds with a nominal value of €48.78). Existing shareholders of the Company shall have no preferential subscription rights (or priority subscription period) in connection with the bonds or the underlying shares of the Company.

The Bonds have been issued at par and bear interest at an annual rate of 0.125%, payable annually in arrears on 6 December of each year and for the first time on 6 December 2018. Issuance fees were €2.3 million.

Unless previously converted, exchanged, redeemed, or purchased and cancelled, the Bonds will be redeemed at par on 6 December 2023. The Bonds may be redeemed prior to maturity at the option of the Company, subject to certain conditions, and at the option of the holders in the event of a change of control of the Company.

From the Issue Date (i.e. 6 December 2017) and up to 5:00 P.M. (Paris time) on the 7th business day preceding the maturity date or the relevant early redemption date, the Bonds will entitle their holders to receive shares of the Company at a ratio of one share per Bond, subject to any potential subsequent adjustments.

The Bonds are listed on the Euronext Access™ market of Euronext Paris since 12 December 2017.

The general meeting of 18 May 2018 decided to distribute a dividend of €0.44 per share, resulting in a change in the conversion/exchange ratio (see note 1.2).

The market rate used and the initial breakdown between the "Debt" portion and the "Equity" portion are as follows:

- market rate used for the calculation of the debt: 2.35%;
- fair value of financial debt at issue: €173.3 million (net of €2.1 million of issuance fees);
- equity portion of the convertible bond: €24.3 million (net of € 0.3 million of issuance fees).

As of 31 December 2018:

- the amount of the convertible bond, net of issuance fees, is €177.8 million;
- effective interest rate stands at 2.55% and the financial expense amounts to €4.4 million (debt accretion effect using the effective interest rate method).

During 2018, no bonds were converted or refunded.

	31 December 2018
1 - Number of convertible bonds	
Beginning of the period	4,100,041
Conversion of the period	-
At the end of the period	4,100,041
2 - Number of shares issued in respect of the convertible bond	
Beginning of the period	-
Transactions for conversions	-
End of the period	-
3 - Number of shares that may be issued by 6 December 2023	
Minimum number	4,100,041
4 - Gross amount of initial issue (in thousands of euros)	**200,000**
5 - Maximum amount repayable at maturity under the convertible bonds *(in thousands euros)*	**200,000**

b) Senior Credit Facilities ("Term Loan" and "RCF") and additional Credit Revolving Facility ("Additional RCF")

On 18 April 2016, the Group entered into a Senior Credit Facility with a syndicate of international banks. This Senior Credit Facility comprises a €250 million term loan and a €75 million Revolving Credit Facility (€10 million drawn as at 31 December 2018). The Revolving Credit Facility is repayable on 31 May 2021, while the Term Loan has been partially repaid for €200 million following the issuance of the convertible bond. Then, as at 31 December 2018, the Term Loan amounts to €50 million.

On 1 Mars 2017, the Group entered into an additional Revolving Credit Facility for an amount of €75 million (undrawn as at 31 December 2018), which financing terms and conditions are the same than the Senior Credit Facility.

Issuances fees amounted to €4.5 million for the Senior Credit Facilities (of which €3.5 million for the Term Loan and €1 million for the RCF) and to €0.5 million for the additional Revolving Credit Facility.

Issuances fees related to the Revolving Credit Facilities are amortized on a straight-line basis over their maturity. The issuance cost not yet amortized, related to the repaid portion of the Term Loan, were booked as expense on the period.

The corresponding financial expenses are breakdown as of 31 December 2018:

	Finance expenses			
	Interest rate	**Margin**	**Commitment Fees**	**User fees**
Term loan	Euribor 6 month	1.25%	n/a	n/a
Revolving Credit Facility (available amount)	n/a	n/a	0.44%	n/a
Revolving Credit Facility (undrawn amount)	Euribor 1, 3 or 6 months (1)	1.25%	n/a	
Less than €25 million				*0.1%*
From €25 million to €50 million				*0.2%*
More than €50 million				*0.4%*

(1) The applicable Euribor period depends on the interest rate period applicable to the relevant drawdown.

The margin has been revised to 1.0% as of 6 April 2018 then up to 1.25% as of 26 September 2018.

From 1 June 2018, the applicable margin for the next 12-months-period will be the percentage *per annum* set out below, depending on the Leverage ratio:

Leverage ratio	Margin
Superior to 3.50:1	2.50%
Less than or equal to 3.50:1 but superior to 3.00:1	2.25%
Less than or equal to 3.00:1 but superior to 2.50:1	2.00%
Less than or equal to 2.50:1 but superior to 2.00:1	1.75%
Less than or equal to 2.00:1 but superior to 1.50:1	1.50%
Less than or equal to 1.50:1 but superior to 1.00:1	1.25%
Less than or equal to 1.00:1	1.00%

The Senior Credit Facilities agreement includes a financial covenant under which the leverage ratio may not exceed the ratio set out in the table below for each period:

Relevant period	Leverage ratio
Expiring 31 December 2017	4.25:1
Expiring 30 June 2018	4.00:1
Expiring 31 December 2018	3.75:1
Expiring 31 December 2019	3.75:1
Expiring 31 December 2020	3.75:1

The leverage ratio, which is the ratio of total net debt on the last day of the period, and the consolidated pro forma EBITDA of the Group for the same period is fulfilled as of 31 December 2018.

28.2 Maturity of borrowings and other financial debts

As of 31 December 2018, the maturity ranges of borrowings are as follows:

	Maturity as of 31 December 2018			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Convertible bond	(301)	178,092	-	177,791
Term loan	(123)	49,756	-	49,633
Revolving Credit Facilities	9,736	(461)	-	9,275
Other borrowings	373	-	-	373
Finance leases	1,286	3,273	-	4,559
Deposits and guarantees	-	-	471	471
Bank overdraft	615	-	-	615
TOTAL BORROWINGS	**11,586**	**230,659**	**471**	**242,717**

28.3 Fixed and variable rate

(in € thousands)	31 December 2018	31 December 2017
Floating rate	64,868	52,738
Fixed rate	177,848	172,893
TOTAL BORROWINGS	**242,717**	**225,631**

Floating rate borrowings includes the Term Loan, Credit revolving facilities, financial leases and bank overdrafts.

Note 29 Post-employment benefits

The employment benefits provision relates to defined benefit pension plans.

In addition to State plans, the Group's French subsidiaries are legally required to pay lump sums to employees when they retire from service, the "indemnités de fin de carrière" (IFC). The amounts are based on years of service in the Company and on the base salary according to the collective bargaining agreement in force. This scheme covers all employees under permanent contract within the Company.

For the Italian subsidiary, Trattamento di Fine Rapporto (TFR) is an employee benefit payable at the end of the working period or as soon as the employee leaves the Company. According to IAS 19, the TFR falls into "post-employment benefits" category.

Concerning the Swiss subsidiary, the occupational benefit is a reserve funded by the employer's and employee's contribution. This capital is converted into a life annuity based on a "conversion rate" defined by the law, currently set at 6.8%.

The defined benefit obligations are broken down by country as follows:

(in € thousands)	31 December 2018	31 December 2017
France	2,796	2,841
Switzerland	364	232
Italy	5,459	4,630
DEFINED BENEFIT OBLIGATION	**8,619**	**7,703**

The movements in the defined benefit obligation over the years presented are as follows:

(in € thousands)	Defined benefit obligation
Balance as of 31 December 2016	**6,079**
Current service cost	1,369
Interest expense/(income)	115
TOTAL EXPENSE/(INCOME)	**1,484**
Actuarial (gains) and losses - demographic assumptions	-
Actuarial (gains) and losses - financial assumptions	308
Experience (gains)/losses	300
TOTAL REMEASUREMENTS	**608**
Employer contributions	(116)
Other contributions	-
Benefits paid	(340)
Currency impact	(12)
TOTAL PAYMENTS	**(468)**
Balance as of 31 December 2017	**7,703**
Current service cost	1,483
Interest expense/(income)	126
TOTAL EXPENSE/(INCOME)	**1,609**
Actuarial (gains) and losses - demographic assumptions	-
Actuarial (gains) and losses - financial assumptions	(250)
Experience (gains)/losses	24
TOTAL REMEASUREMENTS	**(226)**
Employer contributions	(118)
Other contributions	-
Benefits paid	(361)
Currency impact	12
TOTAL PAYMENTS	**(467)**
NET CARRYING AMOUNT AS OF 31 DECEMBER 2018	**8,619**

The significant actuarial assumptions were as follows:

	31 December 2018			31 December 2017		
	France	Italy	Switzerland	France	Italy	Swizterland
Discount rate	1.90%	1.70%	1.00%	1.50%	1.60%	0.70%
Turnover rate	0.00% to 11.60%	10%	10%	0.00% à 11.60%	10%	10%
Mortality rate	INSEE 2009-2011	IPS55	BVG 2015 GT	INSEE 2009-2011	IPS55	BVG 2015 GT
Estimated future salary increase	1.50% to 2.50%	1.8%	1.5%	1.50% à 2.50%	1.5%	1.5%
Probable retirement age	62-64	68	Variable - legal	62-64	68	Variable - legal

Turnover rates for France for the years ended 31 December 2018 and 2017 are based on internal statistics over the last 3 years per entity, age category and category of personnel.

The sensitivity of the commitment to a variation of 0.5% of some assumptions, all other things remaining unchanged, breaks down as follows at 31 December 2018:

	Impact on defined benefit obligation		
(in € thousands)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(592)	666
Salary growth rate	0.50%	474	(435)

The estimated amount of payments to be paid out in 2019 is €850 thousand.

As of 31 December 2018, the average duration of the Group's benefit obligation was 17 years (17.4 years as of 31 December 2017).

Note 30 Provisions

(in € thousands)	Provisions for commercial disputes	Provisions for labour disputes	Provision relating to stores (closures and lease disputes)	Tax Provisions	Other	Total
Balance as of 1 January 2017	**12,854**	**1,039**	**239**	**332**	**-**	**14,464**
Additionnal provisions	1,503	696	159	12	-	2,370
Unused amounts reversed	(421)	(498)	-	(8)	-	(927)
Amounts used during the year	(1,238)	(412)	(140)	(217)	-	(2,007)
Balance as of 31 December 2017	**12,699**	**824**	**257**	**119**	**-**	**13,899**
Of which non-current	*12,599*	*824*	*125*	*119*	-	*13,668*
Of which current	*100*	-	*132*	-	-	*231*
Balance as of 1 January 2018	**12,699**	**824**	**257**	**119**	**-**	**13,899**
Additionnal provisions	730	721	48	26	1,000	2,524
Unused amounts reversed	(278)	(119)	(93)	-	-	(491)
Amounts used during the year	(137)	(126)	(134)	-	-	(396)
Balance as of 31 December 2018	**13,014**	**1,300**	**78**	**145**	**1,000**	**15,537**
Of which non-current	*13,014*	*1,201*	*49*	*145*	-	*14,409*
Of which current	-	*99*	*29*	-	*1,000*	*1,128*

During the year 2018:

- there was no change in the main litigations identified as of 31 December 2017, that would change the Group's assessment of the risks;
- there was no new litigation whose risk assessment by the Group would imply to recognize a significant provision as of 31 December 2018;
- as part of an in-progress audit of DIRRECTE in France, a provision for risk of €1 million has been accrued.

Note 31 Trade and other payables

Trade and other payables are broken down as follows:

(in € thousands)	31 December 2018	31 December 2017
Trade payables	123,776	124,864
Advance payments received on orders in progress	37,490	30,399
Social and tax payables	71,756	70,711
Amounts payable on fixed assets	11,511	4,157
Deferred revenue	6,407	7,980
TOTAL TRADE PAYABLES AND PAYABLES	**250,940**	**238,111**

Deferred revenue mainly includes goods not delivered.

Note 32 Other non-current liabilities

The “Other non-current liabilities” mainly correspond to:

- the step/ free rent negotiated at the inception of a lease contract, which are recognized on a straight-line basis over the estimated term of the lease (€15.2 million). The current part of the step/ free rent is registered in the “Trade payables and other current payables”;
- the debt related to put option granted to minority stockholders (€19.4 million). This debt is assessed at the present value of the option strike price based on enterprise value estimated during the purchase price allocation process (see note 1.1).

Note 33 Other current liabilities

The other current liabilities correspond to the earn-out related to Modani acquisition recognized at fair value on acquisition date (€6.4 million - see note 1).

Note 34 Financial instruments

34.1 Financial instruments by category

(in € thousands)	Loans and receivables	Fair value through P&L	Hedging derivatives	Total	Fair value
Assets -31 December 2018					
Other non-current financial assets	14,816	-	-	14,816	14,816
Trade receivables	11,513	-	-	11,513	11,513
Other receivables (excl. Prepaid expenses and Corporate Income Tax)	53,932	-	-	53,932	53,932
Other current financial assets	27	-	-	27	27
Derivative financial instruments	-	-	4,664	4,664	4,664
Cash and cash equivalents	57,181	-	-	57,181	57,181
TOTAL	**137,468**	**-**	**4,664**	**142,132**	**142,132**

(in € thousands)	Other financial liabilities at amortized costs	Fair value through P&L	Hedging derivatives	Total	Fair value
Liabilities -31 December 2018					
Borrowings	53,039	-	-	53,039	53,039
Convertible bond	178,092	-	-	178,092	178,092
Derivative financial instruments	-	-	2,354	2,354	2,354
Borrowings and current convertible bond	11,586	-	-	11,586	11,586
Trade payables and other payables (excl. Deferred revenue)	244,533	-	-	244,533	244,533
TOTAL	**487,249**	**-**	**2,354**	**489,603**	**489,603**

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(in € thousands)	Loans and receivables	Fair value through P&L	Hedging derivatives	Total	Fair value
Assets -31 December 2017					
Other non-current financial assets	16,953	-	-	16,953	16,953
Trade receivables	9,094	-	-	9,094	9,094
Other receivables (excl. Prepaid expenses and Corporate Income Tax)	52,420	-	-	52,420	52,420
Other current financial assets	2	-	-	2	2
Derivative financial instruments	-	-	-	-	-
Cash and cash equivalents	100,138	-	-	100,138	100,138
TOTAL	**178,607**	**-**	**-**	**178,607**	**178,607**

(in € thousands)	Other financial liabilities at amortized costs	Fair value through P&L	Hedging derivatives	Total	Fair value
Liabilities -31 December 2017					
Borrowings	51,485	-	-	51,485	51,485
Convertible bond	173,635	-	-	173,635	173,635
Derivative financial instruments	-	-	37,990	37,990	37,990
Borrowings and current convertible bond	511	-	-	511	511
Trade payables and other payables (excl. Deferred revenue)	230,131	-	-	230,131	230,131
TOTAL	**455,762**	**-**	**37,990**	**493,752**	**493,752**

34.2. Fair value estimation

As at 31 December 2018, the financial assets and liabilities net carrying value are equal to the fair value, except for Term loan and Revolving credit facilities that are booked at amortized cost.

The derivative financial instruments (see note 25) are carried at fair value using a valuation method that relies on inputs based on observable market data.

The concept of fair value shall be understood to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a three-level fair value hierarchy under IFRS 13:

- level 1: fair value is measured by reference to quoted prices in active markets for identical assets or liabilities;
- level 2: fair value is measured by reference to inputs other than quoted market prices included within level 1, which are observable for the asset or liability, either directly (price) or indirectly (inputs derived from price);
- level 3: fair value is measured by reference to information on the asset or liability that are not observable (unobservable inputs) in the market.

Below you will find an analysis of the financial instruments by level:

(in € thousands)	Level 1	Level 2	Level 3
Balance as of 31 December 2018			
Derivative financial instruments	-	2,310	-
Balance as of 31 December 2017			
Derivative financial instruments	-	(37,990)	-

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2018:

	Notes	IFRS 9 measurement principles	IFRS 7 Fair value hierarchy
Financial assets:			
Derivatives financial instruments	25	Fair value	2
Trade and other receivables	23	Amortised cost	N/A
Cash and cash equivalents	26	Fair value	1
Other current/non current financial assets	21 et 24	Amortised cost	N/A
Financial liabilities:			
Borrowings and other financial debts (excl. Bank overdrafts)	28	Amortised cost	N/A
Derivatives financial instruments	25	Fair value	2
Bank overdrafts	28	Fair value	1
Trade and other payables	31	Amortised cost	N/A

Financial risk management

Note 35 Financial risk management

In the course of its activities, the Group is mainly exposed to foreign exchange risk, liquidity risk and credit risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge its foreign exchange risk exposures. In this case, the Group only enters into derivative transactions related to operating and/or financial assets and liabilities or forecast future transactions. The Group does not enter into any speculative transactions without underlying assets or liabilities.

Risk management is carried out by the Group's Treasury Department and the Chief Financial Officer, under policies approved by the Board of Directors.

35.1 Financial risks factor

a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's subsidiaries' functional currency which is the Euro, for most of them.

A majority of the Group's purchases from suppliers and sea freight costs are denominated in US dollars and is therefore exposed to fluctuations on the translation into euros of its foreign currency liabilities. The Group hedges all of these US dollar transactions using forward contracts and Accumulated Boost Forward Contracts negotiated with leading banks. Hedging is part of the forecast/budget process.

The fair value of foreign currency financial instruments is €2.3 million as of 31 December 2018 compared to (€38) million as of 31 December 2017.

The Group adopts a centralized approach to foreign exchange risk management. Permission of Group CFO is required before a foreign exchange transaction may be undertaken, under policies approved by the Board of Directors.

In addition:

- the Group sales in UK and Switzerland are denominated in local currency but foreign exchange risk is limited given the volume of sales in these currencies;
- the Group operations in US are denominated in local currency but foreign exchange risk is limited given the volume of operations in this currency.

b) Interest rate risk

The Group gross indebtedness exposed to interest rate fluctuations amounted to €64.9 million as of 31 December 2018, compared to €52.7 million as of 31 December 2017.

An increase in interest rates by 100 basis points (+1%) across all yield curves would have an effect of approximately +€0.6 million on the Group's annual financial expenses before tax, assuming outstanding debt remains constant. A decrease in interest rates would have almost no effect as the applicable interest rates at the end of the year 2018 are nil for most of the debt.

In case of an interest rates increase, the Group will consider using hedging instruments.

c) Liquidity risk

Financial liabilities mainly comprise borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity.

In order to manage its liquidity risk, the Group contracts revolving credit contracts or bank facilities for an appropriate amount and maturity to ensure that it has adequate available funds to meet its commitments with various financial institutions. The total amount of credit facility that was not used as of 31 December 2018 is €140 million, compared to €150 million as of 31 December 2017.

Maisons du Monde France has entered into various credit facilities with various financial institutions (see note 36.3).

The tables below analyse the Group's financial liabilities based on their contractual maturities:

	Contractual cash flows as of 31 December 2018				
(in € thousands)	Carrying amount	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Term Loan	50,000	50,000	-	50,000	-
Interests on Term Loan	45	1,510	625	885	-
Issuance fees related to Term Loan	(412)	-	-	-	-
Convertible bond [1]	175,366	200,000	-	200,000	-
Interests on convertible bond	4,156	1,250	250	1,000	-
Issuance fees related to convertible bond	(1,731)	-	-	-	-
RCF	10,000	10,000	10,000	-	-
Interests on RCF [1]	61	1,586	656	930	-
Issuance fees related to RCF	(786)	-	-	-	-
Other borrowings	373	373	373	-	-
Finance leases	4,559	4,559	1,286	3,273	-
Deposits	471	471	-	-	471
Bank overdraft	615	615	615	-	-
TOTAL BORROWINGS	**242,716**	**270,364**	**13,806**	**256,088**	**471**
Other non current liabilities	34,994	34,994	-	23,396	11,598
Others current liabilities	6,450	6,450	6,450	-	-
Trade and other payables	250,940	250,940	250,940	-	-
TOTAL OTHER LIABILITIES	**292,384**	**292,384**	**257,390**	**23,396**	**11,598**

(1) The contractual cash-flows for interests on the Term Loan and the RCF are based on the following assumption: a rate of 1.25% which are the minimum contractual rate, for the presented periods according to the forecast debt leverage (see note 28.1).

	Contractual cash flows as of 31 December 2017				
(in € thousands)	**Carrying amount**	**Total**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
Term Loan	50,000	50,000	-	50,000	-
Interests on Term Loan (1)	52	1,813	604	1,208	-
Issuance fees related to Term Loan	(606)	-	-	-	-
Convertible bond (1)	175,366	200,000	-	-	200,000
Interests on convertible bond	282	1,500	250	1,000	250
Issuance fees related to convertible bond	(2,033)	-	-	-	-
RCF	0	-	-	-	-
Interests on RCF (1)	67	1,903	634	1,269	-
Issuance fees related to RCF	(1,112)	-	-	-	-
Finance leases	3,180	3,180	859	2,321	-
Deposits	390	390	-	-	390
Bank overdraft	45	45	45	-	-
TOTAL BORROWINGS	**225,630**	**258,831**	**2,394**	**55,798**	**200,640**
Other non current liabilities	11,986	11,986	-	4,282	7,704
Trade and other payables	238,111	238,111	238,111	-	-
TOTAL OTHER LIABILITIES	**250,097**	**250,097**	**238,111**	**4,282**	**7,704**

(1) The contractual cash-flows for interests on the Term Loan and the RCF are based on the following assumption: a rate of 1.5% until 31 May 2018 then 1% from 1 June 2018, which are the minimum contractual rate, for the presented periods according to the forecast debt leverage (see note 28.1).

d) Credit risk

Credit risk relates to cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as customer credit, including outstanding receivables.

Sales (store and online) are mostly settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual customers.

Additional information

Note 36 Off-balance sheet commitments

36.1. Secured debt

The shares of Maisons du Monde S.A., Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain are pledged to guarantee the term loan of €50 million as well as the Revolving Credit Facilities of €150 million.

36.2. Operating lease commitments – group as lessee

Most of our leased stores and warehouses 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. A significant number 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 months' prior notice. In France, less than five of our stores are also sublet to lessees through commercial subleases. Although some of our commercial subleases contain specific provisions on the right of renewal of the sublessee, sublease agreements are less protective for tenants than regular commercial leases.

Leases and related expenses amounted to €117.9 million for the year ended 31 December 2018 compared to €111.4 million for the year ended 31 December 2017.

2.05% of our leases expired in 2018. Between 2019 and 2022, 25.22% of our leases will expire.

The minimum commercial lease commitments are as follow:

	As of 31 December 2018			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Rental	95,880	336,187	297,991	730,058

As part of the Group's lease arrangements with landlords of certain of the premises it occupies, the Group enters into lease guarantees in the ordinary course of business. As of 31 December 2018, the Group had €24 million of outstanding lease guarantees compared to €22.8 million as of 31 December 2017.

36.3 Bilateral Lending Facilities

Maisons du Monde France has entered into various credit facilities (for an aggregate amount of €10 million) with Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Crédit Agricole Corporate and Investment Bank, Natixis and Société Générale.

36.4 Letter of Credit Facilities

The Group is a party to certain letter of credit facilities (crédit documentaire) with Banque Tarneaud, Banque Populaire, CIC Ouest, Crédit Agricole Corporate and Investment Bank and Crédit Lyonnais issued in favour of certain of our suppliers in the ordinary course of business. As of 31 December 2018, the Group had $4.7 million aggregate amount of letters of credit issued, as compared to $15.4 million as of 31 December 2017.

36.5 Call option for Modani shares

The Group's acquisition of a majority stake in Modani's capital is accompanied, among other thinds, by a call option granted to the Group exercisable during the first half of 2023. By mutual agreement between the parties, the redemption price of the share 30% has been set at fair market value at the date of exercise of the option.

Note 37 Transactions with related parties

37.1 Relations with the Group's other shareholders

a) Leases

Certain members of the Group have entered into lease or sublease agreements (the "Leases") in respect of three properties (head offices) with entities owned and controlled by Xavier Marie, member of the Board of Maison du Monde SA until 23 October 2017. The Group made arm's length rental payments to entities owned and controlled by Xavier Marie. For the year ended 31 December 2018, the annual rent of the properties leased under the Leases was €1.0 million (compared to €2.3 million in 2017).

b) Consulting services agreements

From 1 July 2018 following the appointment of Julie Walbaum as CEO, the Group has entered for a period of 18 months into a new consulting agreement with Gilles Petit Conseil, an entity owned and controlled by Gilles Petit. As such, and in accordance with the terms of the agreement, Gilles Petit Conseil officiates as Senior Advisor and received 0.1 million euros for the year ended 31 December 2018.

c) Attendance fees

Some members of the Board of Directors are paid by attendance fees. The total gross amount of attendance fees due for the 2018 financial year by the Company and its subsidiaries to all of the directors was €449 thousand compared to €379 thousand for the year 2017.

37.2 Compensation and benefits granted to key management personnel

The key management personnel are the members of the Board of Directors of the Company, the General Manager of the Company, and the members of the Executive Committee of the Group.

Terms and conditions of the compensation and benefits granted to the Executive Director are approved by the Board of Directors, following the recommendation of the Appointments and Remunerations Committee.

The following table presents the total gross amount of fixed compensation paid by the Company and its controlled entities to the members who are at the closing (or, have been during the period), members of the key management of the Group.

These amounts were booked as expenses in 2018 and 2017 according the following detail:

(in € thousands)	31 December 2018	31 December 2017
Short-term employment benefits	2,946	3,002
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	155	-
Share-base payments	1,331	959
TOTAL COMPENSATION AND BENEFITS	**4,432**	**3,961**

Members of the Board of Directors of the Company did not receive any compensation from the Group except attendance fees (see note 37.1c).

37.3 Relations with the joint-ventures of the Group

The joint-ventures of the Group are Chin Chin Limited and Shanghai Chin Chin. Chin Chin Limited is a holding entity and there is no significant relation with the Group. Shanghai Chin Chin is a sub consolidated group which includes Shanghai Chin Chin Furnishing, Wujiang Chin Chin furnishing and Wujiang Henghui Machinery. Shanghai Chin Chin manufactures furniture mainly for the Group.

(in € thousands)	31 December 2018	31 December 2017
Equity-accounted investees	-	0
Other current receivables	-	-
Other current financial assets	27	-

Note 38 Statutory auditor's fees

The following table shows the amount of auditor's fees included in the Group's consolidated income statement for the year, broken down into audit and certification fees for the statutory and consolidated financial statements and fees for other services rendered. The fees shown apply to fully consolidated subsidiaries.

	KPMG				Deloitte			
	Amount		%		Amount		%	
(in € thousands)	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Audit								
Statutory audit fees, certification, auditing of the accounts	**260**	**293**	**87%**	**87%**	**188**	**206**	**98%**	**87%**
• Parent company	95	113	36%	39%	98	113	52%	55%
• Subsidiaries	165	180	64%	61%	91	93	48%	45%
Other services rendered by auditors' networks to fully-consolidated subsidiaries	**38**	**44**	**13%**	**13%**	**3**	**31**	**2%**	**13%**
• Other	38	44	100%	100%	3	31	100%	100%
TOTAL FEES PAID TO THE STATUTORY AUDITOR	**298**	**336**	**100%**	**100%**	**191**	**237**	**100%**	**100%**

Note 39 Scope of consolidation

The table set out below provides a list of the Group's subsidiaries and shows the ownership interest of Maisons du Monde S.A. in each entity as of 31 December 2018.

As of 31 December 2018 40 companies have been fully consolidated in the financial statements (15 in 2017) and 4 companies have been consolidated through equity method (4 in 2017).

Subsidiary	Activity	Country of incorporation	Consolidation method	As of 31 December 2018		As of 31 December 2017	
				% control	% interest	% control	% interest
Maisons du Monde S.A.	Holding Company - Parent entity	France	Full	100%	100%	100%	100%
Maisons du Monde France	Retail stores selling home furnishings and decorations/Main buyer	France	Full	100%	100%	100%	100%
Maisons du Monde Belgium	Retail stores selling home furnishings and decorations	Belgium	Full	100%	100%	100%	100%
Maisons du Monde Spain	Retail stores selling home furnishings and decorations	Spain	Full	100%	100%	100%	100%
Maisons du Monde Italy	Retail stores selling home furnishings and decorations	Italy	Full	100%	100%	100%	100%
Maisons du Monde Luxemburg	Retail stores selling home furnishings and decorations	Luxemburg	Full	100%	100%	100%	100%
Maisons du Monde Germany	Retail stores selling home furnishings and decorations	Germany	Full	100%	100%	100%	100%
Maisons du Monde Switzerland	Retail stores selling home furnishings and decorations	Switzerland	Full	100%	100%	100%	100%
MDM Furniture & Decoration	Retail stores selling home furnishings and decorations	United Kingdom	Full	100%	100%	100%	100%
Distrimag	Warehouse logistics and order preparation	France	Full	100%	100%	100%	100%
Distri-traction	Container transport between harbour and warehouses	France	Full	100%	100%	100%	100%
Distri-Meubles	Customer delivery	France	Full	100%	100%	100%	100%
Chin Chin Limited	Holding Company	Hong Kong	Equity Method	50%	50%	50%	50%
Shanghai Chin Chin [(1)]	Furniture manufacturing	China	Equity Method	50%	50%	50%	50%
Mekong Furniture	Furniture manufacturing	Vietnam	Full	100%	100%	100%	100%
International MDM	Dormant entity	France	Full	100%	100%	100%	100%
International MGL	Dormant entity	France	Full	100%	100%	100%	100%
Maisons du Monde USA	Holding Company	United-States	Full	100%	100%	n/a	n/a
Modani Holdings LLC	Holding Company and support functions	United-States	Full	100%	70%	n/a	n/a
Modani Atlanta LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Boca Raton LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Brickell LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Chicago LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Dallas LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Doral LLC	Dormant entity	United-States	Full	100%	70%	n/a	n/a
Modani Fort Lauderdale LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Frisco LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Houston LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a

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Subsidiary	Activity	Country of incorporation	Consolidation method	As of 31 December 2018		As of 31 December 2017	
				% control	% interest	% control	% interest
Modani King of Prussia LLC	Dormant entity	United-States	Full	100%	70%	n/a	n/a
Modani Los Angeles LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Miami LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani New York LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani New York Midtown LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani OC LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani Paramus LLC	Dormant entity	United-States	Full	100%	70%	n/a	n/a
Modani San Diego LLC	Dormant entity	United-States	Full	100%	70%	n/a	n/a
Modani San Francisco LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Modani West Palm Beach LLC	Showroom selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
Urbanmod LLC	Online activity of home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a
SNS Imports LLC	Imports on the US territory	United-States	Full	100%	70%	n/a	n/a
Maisons du Monde Holdings LLC	Holding Company	United-States	Full	100%	70%	n/a	n/a
MDM Wynwood LLC	Retail store selling home furnishings and decorations	United-States	Full	100%	70%	n/a	n/a

(1) Sub consolidated group Shanghai Chin Chin Furnishing, Wujiang Chin Chin Furnishing and Wujiang Henghui Machinery.

Note 40 Events subsequent to 31 December 2018

The Group did not identify any other significant event after the reporting period that should be mentioned in these consolidated financial statements.

5.2 Statutory auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31st 2018

To the Annual General Meeting of Maisons du Monde,

Opinion

In compliance with the engagement entrusted to us by your bylaws and your annual general meeting, we have audited the accompanying consolidated financial statements of Maisons du Monde for the year ended December 31st 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31st 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- Verification of the CSR information
- Issuance of attestations bases on data extracted from the financial statements (turnover per shop, financial ratios)

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

VALUATION OF THE "MAISONS DU MONDE" BRAND

Risk identified	Our response
Recorded in connection with the acquisition of the *Maisons du Monde* Group in 2013, the "Maisons du Monde" brand presented in the intangible assets represents a net carrying amount of M€ 206.5 as at 31 December 2018, compared to a total balance sheet of M€ 1,211. As described in Note 2.12 b) to the consolidated financial statements, the brand is not amortised but is tested individually for impairment annually or more frequently if indications of impairment exist at Group level. The methods used by the Group's management to test for impairment are described in Note 16.2 to the consolidated financial statements; they include a significant share of judgements and assumptions, in particular: • The royalty rate applied; • The cash flow forecasts to which the royalty rate applies; • The perpetual growth rate adopted for the flow forecasts; • The discount rate applied to the estimated royalty flows. A change in these assumptions would likely impact the recoverable amount of the brand. We consider the valuation of the "Maisons du Monde" brand to be a key audit matter due to: • Its material importance in the Group accounts; • The judgements and assumptions necessary to determine its recoverable amount, based on discounted royalty flow forecasts, whose conclusion is inherently uncertain.	We analysed the compliance of the methodology applied by the Group with the accounting standards in force. We familiarised ourselves with the key assumptions adopted and we: • Reconciled the business forecasts underlying the determination of the royalty flows with the available information, including actual results and the most recent Management estimates, i.e. the 2019 budget approved by the Board of Directors and the 2020-2024 strategic plan approved by the Strategic Committee which updated the Business Plan's assumptions; • Reconciled the 2018 business forecasts prepared by Management as part of the previous 31 December 2017 year-end closing with the actual data, in order to assess the quality of the process of establishing these forecasts; • Compared the perpetual growth rate retained for the flow forecasts with the market analyses and the consensus of the main professionals concerned; • Corroborated the discount rate with the help of our financial valuation specialists and the royalty rate by comparing their parameters with external benchmarks; We obtained and reviewed the sensitivity analyses carried out by Management, which we compared with our own calculations to verify that the related disclosures in the Notes to the consolidated financial statements were appropriate. Lastly, we verified that Notes 2.12 b) and 16.2 to the consolidated financial statements provided an appropriate disclosure.

VALUATION OF GOODWILL

Risk identified	Our response
As at 31 December 2018, the net carrying amount of goodwill recorded on the balance sheet stood at M€ 368, compared to a total balance sheet of M€ 1,211. Goodwill is not amortised but is individually tested for impairment annually or more frequently if indications of impairment exist at Group level. Impairment tests are conducted at the most granular level at which the goodwill is monitored at Group level, i.e. the France and International geographical areas. The methods used to test for impairment implemented by Management are described in Note 15.2 to the consolidated financial statements; they include a significant share of judgements and assumptions, in particular for: • The future cash flow forecasts (particularly sales growth and the change in the gross margin); • The perpetual growth rate adopted for the flow forecasts; • The discount rate applied to the estimated cash flows; • The change in the euro-USD exchange rate. A change in these assumptions would likely impact the recoverable amount of the goodwill. We consider the valuation of goodwill to be a key audit matter due to: • Its material importance in the Group accounts; • The judgements and assumptions necessary to determine its recoverable amount, based on discounted cash flow forecasts, whose conclusion is inherently uncertain.	We analysed the compliance of the methodologies applied by the company with the accounting standards in force. We familiarised ourselves with the key assumptions adopted and we: • Reconciled the business forecasts underlying the determination of the cash flows with the available information, including actual results and the most recent Management estimates, i.e. the 2019 budget approved by the Board of Directors and the 2020-2024 strategic plan approved by the Strategic Committee which updated the Business Plan's assumptions; • Assessed the reasonableness of the cash flow forecasts in relation to the economic context surrounding the Group's operations; • Reconciled the 2018 business forecasts prepared by Management as part of the previous 31 December 2017 year-end closing with the actual data, in order to assess the quality of the process of establishing these forecasts; • Compared the perpetual growth rate retained for the flow forecasts with the market analyses and the consensus of the main professionals concerned; • Corroborated the discount rate with the help of our financial valuation specialists and the royalty rate by comparing their parameters with external benchmarks; We obtained and reviewed the sensitivity analyses carried out by Management, which we compared with our own calculations to verify that the absence of goodwill impairment was based on reasonable assumptions and if only an unreasonable variance of the hypothesis would lead to book an impairment. Lastly, we verified that Notes 2.12 a) and 15.2 to the consolidated financial statements provided an appropriate disclosure.

VALUATION AND ACCOUNTING TREATMENT OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Risk identified	Our response
The Group holds derivative financial instruments, which are used to hedge currency risks for currency purchases, mainly euro – USD, arising in the normal course of business. They are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date, based on the exchange rate at the reporting date. Changes in fair value are recognised in profit or loss, except for instruments qualified as cash flow hedges, for which changes in fair value are recognised in other comprehensive income for their effective portion and in profit or loss for their ineffective portion. Changes in fair value of derivative financial instruments for 2018 were deducted from equity for M€ 41.5 and expensed in the income statement for M€ 1.2. We consider the recognition of financial instruments financiers to be a key audit matter due to: • the importance of Management judgements and estimates in qualifying financial instruments as cash flow hedging instruments and determining the fair value of these instruments; • the importance of the changes in fair value of these instruments and the accounting impacts relating to their qualification as cash flow hedging instruments.	We analysed the compliance of the methodologies applied by the company with the accounting standards in force. We assessed the expertise of the specialists the company mandated to measure the fair value of financial instruments and held discussions with Management to understand the scope of their procedures. We: • Obtained the components of the Group's financial instruments portfolio, which we compared with the fair value determined by the Group's external specialists. We also compared these statements with the bank confirmations; • Reviewed the cash flow hedging documentation with the help of our experts; • Reviewed the accounting treatment applied to financial instruments and the impacts on the income statement and other comprehensive income based on the qualification of these instruments. Lastly, we verified that Notes 2.18 and 25 to the consolidated financial statements provided an appropriate disclosure.

Specific verifications

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

We attest that the non-financial statement required by Article L.225-102-1 of the French Commercial Code is included in the management report, being specified that, in accordance with the provisions of Article L.823-10 of the code, we have not verified the fair presentation and the consistency with the financial statements of the information contained therein and should be reported on by an independent assurance services provider.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Maisons du Monde by your bylaws dated June 24th 2013 for KPMG Audit and by your Annual General Meeting of April 29th 2016 for Deloitte & Associés.

As of December 31st 2018, KPMG Audit was in the 5th year and 3rd year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market and Deloitte & Associés in the 3rd year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Commitee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed in Nantes et Paris – La Défense, 25 March 2019

The statutory auditors

KPMG AUDIT Département de KPMG S.A.	Deloitte & Associés
Gwénaël CHEDALEUX	Jean Paul SEGURET

5.3 Statutory financial statements

(Financial Year from 1 January 2018 to 31 December 2018)

5.3.1 INCOME STATEMENT

(in € thousands)	Notes	31 December 2018	31 December 2017
Revenues	14	3,796	4,619
Reversal of depreciation, amortisation and provisions, and transferred expenses		104	164
Other income		0	107
TOTAL OPERATING INCOME		**3,900**	**4,890**
Purchases of goods and related inventory changes		(4)	(1)
Purchases of raw materials, other supplies and related inventory changes		-	-
External expenses	16	(3,391)	(4,847)
Taxes and levies		(199)	(269)
Personnel expenses	15	(4,589)	(5,653)
Depreciation and amortisation		(1,111)	(676)
Other expenses	15	(530)	(350)
TOTAL OPERATING EXPENSES		**(9,823)**	**(11,796)**
OPERATING PROFIT (LOSS)		**(5,923)**	**(6,906)**
FINANCIAL PROFIT (LOSS)	**17**	**69,704**	**16,099**
EXCEPTIONAL PROFIT (LOSS)	**18**	**(852)**	**1,989**
Profit (loss) before income tax		**62,929**	**11,182**
Income tax	19	7,190	15,467
NET PROFIT (LOSS)		**70,119**	**26,649**

5.3.2 BALANCE SHEET

Assets *(in € thousands)*	**Notes**	31 December 2018 Gross values	31 December 2018 Depreciation and amortisation	31 December 2018 Net values	31 December 2017 Net values
Intangible assets		**-**	**-**	**-**	**-**
Tangible assets		**-**	**-**	**-**	**-**
Equity interests	3	676,694	-	676,694	637,872
Receivables from equity interests	3	65,691	-	65,691	58,702
Other equity interests	3	-	-	-	-
Other financial assets	3-9	2,141	(66)	2,075	2,999
Financial assets	**3**	**744,526**	**(66)**	**744,460**	**699,573**
FIXED ASSETS		744,526	(66)	744,460	699,573
Trade receivables	4	320	-	320	1,052
Other receivables	4	36,718	-	36,718	34,406
Marketable securities	5	4,801	-	4,801	-
Cash and cash equivalents		2,638	-	2,638	25
Prepaid expenses	4	63	-	63	45
CURRENT ASSETS		**44,540**	**-**	**44,540**	**35,528**
Issuance fees to be amortized	6	3 127	-	3 127	4 034
TOTAL ASSETS		**792,193**	**(66)**	**792,127**	**739,135**

Equity and liabilities *(in € thousands)*	**Notes**	**31 December 2018**	**31 December 2017**
Share capital	7-8	146,584	146,584
Share premiums	8	301,975	301,975
Legal reserve	8	1,883	703
Retained earnings	8	2,536	(3,043)
Profit (Loss) for the period	8	70,119	26,649
Regulated provisions	8-9	3,052	3,052
EQUITY	**8**	**526,148**	**475,920**
Provisions for risks and charges	9	6,022	5,039
PROVISIONS	**9**	**6,022**	**5,039**
Convertible bonds (OCEANE)	10	200,021	200,017
Borrowings and debt from credit institutions	10	50,097	50,119
Financial liabilities	**10**	**250,119**	**250,136**
Trade payables	11	2,662	2,286
Social and tax payables	11	1,419	2,657
Other debt	11	5,757	3,097
Operating liabilities	**11**	**9,838**	**8,040**
LIABILITIES		259,957	258,176
TOTAL EQUITY AND LIABILITIES		**792,127**	**739,135**

5.3.3 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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As of 31 December 2018, Maisons du Monde S.A. (formerly Magnolia (BC) SAS) is a société anonyme (limited liability company) with a Board of Directors, governed by the laws of France. Its registered office is located at Le Portereau – 44120 Vertou, France.

The financial statements are presented in € thousands and were approved by the Board of Directors on 22 March 2019.

Maisons du Monde's shares have been listed on Euronext Paris since May 2016.

Note 1 Significants events

1.1. Modani Group acquisition in the United-States

On 3 May 2018, Maisons du Monde S.A., *via* its subsidiary Maisons du Monde USA Inc., purchase a 70% stake in Modani, with an option to acquire the remaining outstanding shares. Modani is a furniture chain present across the US through its stores and e-commerce business.

This acquisition of a majority stake is combined with a put option granted to minority stockholders valid during the second half of 2022, as well as a call option granted to the Group during the first half of 2023. By mutual agreement, the 30% shares sale or redemption price has been set at fair market value at the option strike date.

1.2. Adjustment to the conversion/exchange ratio

According to the Maisons du Monde SA's General Meeting held on 18 May 2018, the Group paid €0.44 dividend per share on 20 June 2018.

Following this dividend payment, in accordance with paragraph 2.6.(B).10 of the terms and conditions of the OCEANES (the "Terms and Conditions"), the Conversion/Exchange Ratio (as defined in the Terms and Conditions) is adjusted from 1.0 to 1.004 Maisons du Monde SA share for 1 OCEANE (calculated to three decimal places by rounding to the nearest thousandth). The new Conversion/Exchange Ratio is effective on 20 June 2018.

1.3 Management transition

On 3 May 2018, the Board of Maisons du Monde SA appointed Mrs. Julie Walbaum as Chief Executive Officer with effect from 1 July 2018. Gilles Petit, the former Chief Executive Officer, remains as special advisor to the new CEO and member of the Board.

Note 2 Accounting policies and rules

The financial year lasts 12 months, covering the period from 1 January 2018 to 31 December 2018.

The annual financial statements have been prepared in accordance with the provisions of regulations 2014-03 of the ANC (*Autorité des normes comptables*), approved by the ministerial decision of 8 September 2014 concerning the French Chart of Accounts.

General accounting conventions were applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- business continuity;
- consistency of accounting methods from one year to the next;
- independence of separate financial years.

And in accordance with the general rules for preparing and presenting financial statements.

The method used to value items recorded in the accounts is the historical cost method.

The main accounting rules and methods applied are as follows:

2.1 Financial assets

Gross value is valued at acquisition cost excluding incidental expenses.

Impairment is recognised when the inventory value is lower than the gross value of the assets. The inventory value is determined taking into account the Group share held in net equity and the earnings outlook reviewed annually. The earnings outlook is based on information available when these are drawn up. When the share of the Company in equity holdings is negative, and if the situation warrants this, a provision for risk is established.

In accordance with the tax rules, acquisition expenses on equity interests are subject to a tax deduction over a period of five years from the date of acquisition, *via* a provision in regulated provisions.

As regards goodwill from mergers, they are subject to an impairment test to determine whether or not they should be depreciated.

Furthermore, treasury shares held *via* a liquidity agreement, and which are not destined for share plans are recorded in “Other financial assets”. These shares are valued at their acquisition cost. If the probable market value at the close of the financial year (based on the average listed price for the last month of the period) falls below the purchase price, an impairment is recorded in the amount of the difference.

2.2 Receivables and payables

Receivables and payables are valued at their nominal value.

Receivables are depreciated, if necessary, by way of provision to take account of the recovery risks they generate.

Receivables and payables in foreign currencies are translated and recorded based on the official exchange rate at closing. Unrealized exchange gains are recognised as foreign exchange gains, while unrealized exchange losses are recognised as foreign exchange losses and are subject to a provision for risks and charges. Exchange gains and losses corresponding to current accounts are recognised directly in the income statement and are not subject to any unrealized exchange gains or losses.

2.3 Marketable securities

Treasury shares are recorded in "marketable securities" when these securities are intended to cover performance share plans. Treasury shares are valued at their acquisition cost.

Treasury shares allocated to a specific plan are classified in a specific account for marketable securities and are not depreciated.

Treasury shares not allocated to a specific plan are classified in another specific account of marketable securities. If the probable market value at the close of the financial year (based on the average listed price for the last month of the period) falls below the purchase price, an impairment is recorded in the amount of the difference.

2.4 Cash and cash equivalents

Cash and cash equivalents in bank and at hand was valued at nominal value.

2.5 Provisions for risks and charges

A provision is recognised when there is an obligation that is likely or certain to entail an outflow of resources without an at least equivalent offset transaction.

2.6 Tax consolidation

As of 31 December 2018, Maisons du Monde S.A., the parent company benefits from a tax consolidation regime as defined by Article 223 A of the French General Tax Code with the following subsidiaries:

- Maisons du Monde France;
- Distrimag;
- Distri-Traction;
- Distri-Meubles;
- International Magnolia Company;
- International MDM Company.

Maisons du Monde S.A. owes the Treasury the tax calculated on the sum of taxable income for consolidated companies. The tax savings result from the difference between the tax expense for the tax group and tax expense for the beneficiary companies is recognized as income in the financial year.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

These financial statements are expressed in € thousands, unless otherwise stated.

Note 3 Financial assets

(in € thousands)	31 December 2017	Acquisitions, contribution, increases	Reclassification	Disposals, decreases	31 December 2018
Equity interests [1]	637,872	38,822	-	-	676,694
Receivables from equity interests [2]	58,702	6,997	-	(7)	65,691
Other equity interests	-	-	-	-	-
Other financial assets [3]	3,012	-	-	(871)	2,141
• o/w deposits	-	-	-	-	-
• o/w treasury shares as per liquidity agreement	442	-	1,743	(869)	1,316
• o/w other long term receivables as per liquidity agreement	2,569	-	(1,743)	(1)	825
FINANCIAL ASSETS - GROSS VALUE	**699,585**	**45,819**	**-**	**(878)**	**744,526**

(1) *Movements on equity interests correspond to the contribution in Maisons du Monde USA Inc., a 100% subsidiary (see note 1.1).*

(2) *Movements in receivables from equity interests mainly relate to the intercompany loan to Modani.*

(3) *Other financial assets mainly relate to the liquidity agreement implemented 26 October 2016 and amended on 1 November 2017, with the following details:*

Liquidity agreement	Number		Average purchase price	Average price December 2018	Value as of 31 December 2018	Amount *(in € thousand)*		
	31 December 2017	31 December 2018				Total	Provision	Depreciation
Treasury shares	12,100	73,022	18.02	17.11	n/a	1,316	-	(66)
Mutual funds - other long-term receivables	107	31	23,201	n/a	23,194	719	-	0
Cash - other long-term receivables	n/a	n/a	n/a	n/a	n/a	106	-	-

Note 4 Maturity of receivables

(in € thousands)	31 December 2017	31 December 2018	Maturing 31 December 2018		
			Less than 1 year	1 to 5 years	More than 5 years
Receivables from equity interests	58,702	65,691	513	65,179	-
Other financial assets	3,012	2,141	2,141	-	-
Trade receivables	1,052	320	320	-	-
Other receivables	34,406	36,718	35,098	1,620	-
• o/w social	16	0	0	-	-
• o/w tax and duties (1)	12,763	3,827	3,827	-	-
• o/w Group	18,056	29,331	29,331	-	-
• o/w sundry debtors (2)	3,571	3,560	1,940	1,620	-
Prepaid expenses	45	63	63	-	-
TOTAL RECEIVABLES	**97,217**	**104,933**	**38,134**	**66,799**	**-**

(1) Includes €2.4 million in income tax advance payments (overpaid) and €1.0 million in VAT credit.

(2) Only related to receivables towards group entities due to the recharge of performance shares' cost.

Note 5 Marketable securities

At 31 December 2018, marketable securities correspond to treasury shares that were allocated to specific performance share plans and amounted to €4.8 million.

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Note 6 Expenses amortized over several years

The expenses amortized over several years correspond to issuance fees of financing.

As of 31 December 2018, they consist of issuance fees related to:

- the residual value for the term loan spread over the term of the agreement on the basis of an effective interest rate (€412 thousand as of 31 December 2018);
- the initial as well as the additionnal revolving credit facility spread over the term of the agreement (€787 thousand as of 31 December 2018);
- the convertible bonds (OCEANE) issued on 6 December 2017 spread over the term of the agreement on the basis of an effective interest rate (€1,928 thousand as of 31 December 2018).

Note 7 Share capital

The share capital of the Company as at 31 December 2018 stood at €146,583,736.56, divided into 45,241,894 ordinary shares each of a nominal value of €3.24.

To the Company's knowledge, at 31 December 2018 those shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 60.66%, 90% or 95% of capital and/or voting rights in the Company were as follows:

	% in shares (approx.)	% in voting rights (approx.)
BlackRock, Inc.	5,01%	5,01%

Exercisable voting rights take into account treasury shares as of 31 December 2018: the Company owned 73,022 Maisons du Monde S.A. shares classified under "Other financial assets" under the liquidity agreement and 191,193 Maisons du Monde S.A. shares classified in "Marketable securities" allocated to performance share plans.

Note 8 Changes in equity

(in € thousands)	Share capital	Premiums	Reserves	Retained earnings	Result for the year	Regulated provisions	Total equity
Situation at 31 December 2016	**146,584**	**302,651**	**-**	**-**	**14,052**	**1,617**	**464,903**
Appropriation of result 2016	-	(676)	703	9	(14,052)	-	(14,016)
Merger with Abaco	-	-	-	(3,052)	-	1,435	(1,617)
Reconstitution of regulated provisions of Abaco	-	-	-	(3,052)	-	3,052	-
Reversal of regulated provisions of MDM SA	-	-	-	-	-	(1,617)	(1,617)
Result for the year	-	-	-	-	26,649	-	26,649
Regulated provisions	-	-	-	-	-	-	-
Situation at 31 December 2017	**146,584**	**301,975**	**703**	**(3,043)**	**26,649**	**3,052**	**475,920**
Appropriation of result 2017 (1)	-	-	1,180	5,579	(26,649)	-	(19,890)
Result for the year	-	-	-	-	70,119	-	70,119
Regulated provisions	-	-	-	-	-	-	-
Situation at 31 December 2018	**146,584**	**301,975**	**1,883**	**2,536**	**70,119**	**3,052**	**526,148**

(1) For the financial year 2017, an ordinary dividend of €0.44 per share was allocated at the Annual General Meeting of 18 May 2018 and paid on 20 June 2018 for a total amount of €19,890 thousand. The dividend on the shares that the Group holds on its own was not paid. Hence, the amount corresponding to the dividends related to the treasury shares, €16 thousand, have been allocated to the retained earnings and the total amount of the dividend has be adjusted accordingly.

Note 9 Provisions

(in € thousands)	31 December 2017	Depreciation	Reclassification	Reversals used	Reversals unused	31 December 2018
Tax amortization	3,052	-	-	-	-	3,052
Regulated provisions	**3,052**	**-**	**-**	**-**	**-**	**3,052**
Performance shares - plan n°2	3,963	429	-	-	(1,130)	3,261
Performance shares - plan n°3	1,076	332	-	-	(272)	1,136
Performance shares - plan n°4	-	1,624	-	-	-	1,624
Provisions for risks and charges	**5,039**	**2,385**	**-**	**-**	**(1,402)**	**6,022**
Equity interests	-	-	-	-	-	-
Other financial assets	13	81	-	-	(27)	66
Depreciation	**13**	**81**	**-**	**0**	**(27)**	**66**
TOTAL PROVISIONS	**8,103**	**2,466**	**-**	**0**	**(1,429)**	**9,140**
Operating		*204*	-	-	-	
Financial		*81*	-	-	*(27)*	
Exceptional		*2,181*	-	-	*(1,402)*	

The change in provisions relating to performance share plans is explained by:

- Taking into account the acquisition price of the treasury shares allocated to the different plans (see note 5).
- The progress of the plans over time for the beneficiaries of Maisons du Monde S.A..
- A new allocation plan issued on May 18, 2018 (see note 25).

Note 10 Financial liability

10.1 Convertible bonds (OCEANE)

On 6 December 2017, the Company issued bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") due 6 December 2023 for a nominal amount of €200 million. Issuance fees amounted to €2.3 million.

The nominal unit value of the bonds has been set at €48.78, corresponding to a premium of 42.5% above the Company's reference share price on the regulated market of Euronext Paris. The reference share is equal to the volume-weighted average price of Maisons du Monde shares recorded on the regulated market of Euronext Paris from the start of trading on 29 November 2017 until the determination of the final terms of the Bonds on the same day.

The bonds have been issued at par on 6 December 2017, the settlement and delivery date of the bonds and will bear a coupon of 0.125%, payable annually in arrears on 6 December of each year (or on the following business day if this date is not a business day) and for the first time on 6 December 2018 (or on the following business day if this date is not a business day).

Unless previously converted, exchanged, redeemed or purchased and cancelled, the bonds will be redeemed at par on 6 December 2023 (or on the following business day if this date is not a business day). The bonds may be redeemed prior to maturity at the option of the Company, subject to certain conditions, and at the option of bondholders in the event of a change of control of the Company (as defined in the terms and conditions of the Bonds).

Existing shareholders of the Company shall have no preferential subscription rights (or priority subscription period) in connection with the bonds or the underlying shares of the Company.

The Bonds are listed on the Euronext Access market of Euronext Paris since 12 December 2017.

From the Issue Date (i.e. 6 December 2017) and up to 5.00 p.m. (Paris time) on the 7th business day preceding the maturity date or the relevant early redemption date, the Bonds will entitle their holders to receive shares of the Company at a ratio of one share per Bond, subject to any potential subsequent adjustments.

Upon exercise of their conversion/exchange right, bondholders will receive, at the option of the Company, new and/or existing Company shares. The Company new shares eventually delivered shall carry current rights to dividends paid following the date of delivery of the shares.

The conversion/exchange ratio is increased, starting 20 June 2018, from 1.0 share to 1.004 Maisons du Monde S.A. share for 1 OCEANE (see note 1.2).

10.2 Term loan and revolving credit facilities

Following the issuance of convertible bonds, the Company partly reimbursed the term loan for an amount of €200 million. Thus as at 31 December 2018, the nominal amount of the term loan is €50 million.

On 1 March 2017, the Company entered into an additional revolving credit facility of €75m as authorised by the Senior Facility Agreement dated 18 April 2016. This complementary Revolving Credit Facility was taken out under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016. Issuance fees amounted to €0.5 million.

As a reminder as of 18 April 2016, the Group obtained a senior credit facility with a syndicate of international banks. The senior credit facility includes a term loan for €250 million and a revolving credit facility (RCF) for €75 million. It is repayable on 31 May 2021. Issuance fees amounted to €4.5 million of which €3.5 million for the term loan and €1 million for the revolving credit facility.

The applicable interest rate is Euribor 1, 3 or 6 months plus a margin initially set at 2.25% for the first twelve months, and then set according to a margin ratchet based on the net debt leverage ratio for the period (with a margin cap of 2.50% maximum). The applicable Euribor depends on the interest rate period applicable to the relevant drawdown period. Since September 2018 the margin has been set to 1.25%.

The senior credit facility is subject to compliance with a leverage ratio which must remain lower than those set out in the table below for each period under consideration:

Period considered	Leverage ratio
Maturing 30 June 2017	4.50:1
Maturing 31 December 2017	4.25:1
Maturing 30 June 2018	4.00:1
Maturing 31 December 2018	3.75:1
Maturing 31 December 2019	3.75:1
Maturing 31 December 2020	3.75:1

The leverage ratio is the ratio of total net debt on the last day of the period, and the consolidated pro forma EBITDA of the Group for the same period.

Note 11 Maturity of liabilities

(in € thousands)	31 December 2017	31 December 2018	Maturing 31 December 2018		
			Less than 1 year	1 to 5 years	More than 5 years
Convertible bonds (OCEANE)	200 017	200 021	21	200 000	-
Borrowings and debt from credit institutions	50 119	50 097	97	50 000	-
Trade payables	2 286	2 662	2 662	-	-
Social payables	1 916	1 330	1 330	-	-
Tax payables	741	89	89	-	-
Other debt	3 097	5 757	5 757	-	-
• o/w Group	2 747	5 256	5 256	-	-
• o/w miscellaneous	350	500	500	-	-
TOTAL DEBT	**258 176**	**259 957**	**9 957**	**250 000**	**-**

(in € thousands)	31 December 2016	31 December 2017	Maturing 31 December 2017		
			Less than 1 year	1 to 5 years	More than 5 years
Convertible bonds (OCEANE)	-	200,017	17	-	200,000
Borrowings and debt from credit institutions	250,441	50,119	119	50,000	-
Trade payables	1,609	2,286	2,286	-	-
Social payables	1,577	1,916	1,916	-	-
Tax payables	722	741	741	-	-
Other debt	1,662	3,097	3,097	-	-
• o/w Group	1,611	2,747	2,747	-	-
• o/w miscellaneous	50	350	350	-	-
TOTAL DEBT	**256,011**	**258,176**	**8,176**	**50,000**	**200,000**

Note 12 Related companies

Gross values *(in € thousands)*	**31 December 2018**	**31 December 2017**
Assets		
Equity interests	676,694	637,872
Receivables from equity interests	65,691	58,702
Trade receivables	320	1,052
Other receivables	32,891	21,626
Liabilities		
Trade payables	5	16
Other debt	5,256	2,747
Operating income		
Revenues	3,796	4,619
Expenses transferred	-	54
Operating expenses		
Leases	56	56
Fees	76	-
Financial income		
Dividends received	69,998	19,967
Income from equity interests	945	1,173
Interests	264	135
Financial expenses		
Interests	7	20
Exceptional expenses		
Other exceptional expenses	-	34

The Company has not identified any transactions with related parties that were not concluded pursuant to normal market conditions.

Note 13 Accruals, prepayments and deferred income

(in € thousands)	**31 December 2018**	**31 December 2017**
Convertible bonds (OCEANE)	21	17
Borrowings and debt from credit institutions	97	119
Trade payables	2,412	1,676
Social and tax payables	1,107	1,977
Accrued expenses	**3,637**	**3,789**
Prepaid expenses	**63**	**45**
Receivables from equity interests	513	603
Trade receivables	299	853
Other receivables	3,560	3,991
Accrued income	**4,372**	**5,447**
Deferred income	**-**	**-**

Note 14 Revenues

The Company's revenues correspond to consulting services rendered to its subsidiaries.

Note 15 Compensation of management bodies

The average number of employees (full-time equivalent) for the 2018 fiscal year was eight employees, similar to 2017. The Company only employed managers for the 2018 and 2017 fiscal years.

Nine members of the Executive Committee out of a total of ten comprise the Company's workforce at 31 December 2018.

Compensation paid to members of Management is not disclosed. This information would allow individual elements of compensation to be identified.

The compensation granted to members of the governing bodies is as follows:

- For the fiscal year ended 31 December 2018, attendance fees allocated to members of the Board of Directors amounted to €449,000;
- For the fiscal year ended 31 December 2017, attendance fees allocated to members of the Board of Directors amounted to €379,000.

These fees are recorded as other operating expenses.

Note 16 External expenses

(in € thousands)	31 December 2018	31 December 2017
Leases and related expenses	50	34
Rental	35	35
Repairs and maintenance	12	10
Insurance	67	106
Temporary staff	35	171
Fees	2,903	1,791
Travel and meeting expenses	195	146
Bank services	77	2,545
Other external expenses	17	9
TOTAL EXTERNAL EXPENSES	**3,391**	**4,848**

Significant variations and expenses are detailed below:

- Because of its activity, the Company uses various advisors on a regular basis, but depending on the events and transactions, fees may vary significantly. Thus, during the 2018 financial year, non-recurring expenses concern recruitment fees (€ 0.4 million) and miscellaneous fees (€ 0.2 million) in the context of the change of Chief Executive Officer, expenses related to the Modani acquisition (€ 0.1 million), and strategic advisory fees;
- In 2017, in connection with the €200 million reimbursement of term loan, the portion of issuance costs not amortized at the time of the reimbursement was recorded in external expenses for €2.5 million.

Note 17 Financial profit (loss)

(in € thousands)	31 December 2018	31 December 2017
Dividends received [(1)]	69,998	19,967
Income from equity interests [(2)]	945	1,173
Interest income on current account	264	135
Term loan interest [(3)]	(609)	(4,411)
Interest on convertible bonds [(4)]	(254)	(17)
Interest on loans, including revolving credit facilities [(5)]	(590)	(741)
Interest expense on current account	(7)	(20)
Allowance for provisions net of reversals	(54)	22
Net foreign exchange differences	(5)	0
Other	16	(8)
FINANCIAL PROFIT (LOSS)	**69,704**	**16,099**

(1) In 2018, Maisons du Monde France S.A.S. paid dividends for a total amount of €69,998 thousand to its sole shareholder Maisons du Monde S.A. (€19,967 thousand in 2017).

(2) Corresponds to income on receivables from equity interests.

(3) Corresponds to the interest on the term loan (see note 10).

(4) Corresponds to the interest on convertible bonds (see note 10).

(5) Corresponds to interest on the revolving credit facilities (see note 10).

Note 18 Exceptional profit (loss)

(in € thousands)	31 December 2018	31 December 2017
Gain or loss on treasury shares [(1)]	(869)	127
Liquidation of Magnolia MEP Finco	-	(31)
Performance shares [(2)]	10	(169)
Reversal of provision on tax credit [(3)]	-	446
Reversal/allowance on regulated provisions [(4)]	-	1,617
Other exceptional income and expenses	8	-
EXCEPTIONAL PROFIT (LOSS)	**(852)**	**1,989**

(1) As part of the liquidity agreement.

(2) Corresponds to the estimated costs of performance shares not recharged to subsidiaries.

(3) in 2017, reversal of provision on tax credit from Abaco, as a tax credit has been transferred to Maisons du Monde S.A. thanks to the merger.

(4) In 2017, reversal on regulated provisions related to acquisitions costs on Abaco's shares due to the merger.

Note 19 Income tax

The Company recorded a tax consolidation profit of €7,190 thousand for the year ended 31 December 2018 (profit of €15,467 thousand for the year ended 31 December 2017).

Note 20 Principal increases and reductions in the tax base for future income tax liability

None.

ADDITIONAL INFORMATION

Note 21 Guarantees

Shares in Maisons du Monde S.A., Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain were pledged as collateral for the term loan of €50 million and the revolving credit facilities of €150 million.

Note 22 Pension commitments

Upon retirement, Company employees will receive compensation in accordance with the law and with the provisions of the applicable Collective Agreements.

Pension commitments are not recognised, but rather recorded as off-balance sheet commitments. They are assessed using the retrospective projected unit credit method as per the revised IAS 19 standard.

The estimate of these commitments was undertaken by an independent actuary.

The main actuarial assumptions are as follows:

- discount rate: 1.9%;
- rate of salary increase: between 1.5% and 2.5% for executives;
- retirement age: 64 for executives;
- mortality table: INSEE 2009-2011.

At 31 December 2018, commitments stood at €232 thousand.

Note 23 Share price

At 31 December 2018, the share price of Maisons du Monde S.A. was €16.71.

Note 24 Transactions with related parties

For the financial year 2018:

- the Company holds a loan towards its subsidiary Maisons du Monde France S.A.S. amounting to €59,596 thousand including interest accrued as of 31 December 2018;
- the Company holds a loan towards Modani Holdings LLC amounting to €6,096 thousand including interest accrued as of 31 December 2018;
- the Company reveiced dividends from its subsidiary Maisons du Monde France S.A.S. amounting to €69,998 thousand.

For the financial year 2017:

- the Company held a loan towards its subsidiary Maisons du Monde France S.A.S. amounting to €58,702 thousand including interest accrued as of 31 December 2017;
- the Company reveiced dividends from its subsidiary Maisons du Monde France S.A.S. amounting to €19,967 thousand.

Net financial income and expenses on these transactions are outlined in note 17.

Note 25 Attribution of performance shares

	Plan n°1	Plan n°2	Plan n°3	Plan n°4
Grant date	25 October 2016	16 December 2016	19 May 2017	18 May 2018
Status	delivered in 2017	in progress	in progress	in progress
Number of shares	14,411	153,250	54,350	146,435
Number of beneficiaries	4	294	67	390
Vesting period *(years)*	1	3	2.59	2.59
Holding period *(years)*	1	1	0	0

The attribution of performance shares is subject to the following conditions:

- a continued service requirement during the vesting period: the shares granted to a beneficiary shall only finally vest if he or she has been an employee of a Group company during a vesting period, calculated as from the grant date, of one year for Plan d'actions gratuites n°1 beneficiaries, three years for Plan d'actions gratuites n°2 beneficiaries and two years and seven months for Plan d'actions gratuites n°3 and Plan d'actions gratuites n°4 beneficiaries. In the event of death, disability or retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;
- performance requirements based on Sales level for the Plan d'actions gratuites n°1 and Sales, EBITDA and earning per share level (depending on employees) for Plan d'actions gratuites n°2, Plan d'actions gratuites n°3 and Plan d'actions gratuites n°4;
- a holding requirement: as from the final grant date, the beneficiaries are required to hold their shares for one year at least for Plan d'actions gratuites n°1 and Plan d'actions gratuites n°2, and the General Manager is required to hold part of its shares until the term of its office for Plan d'actions gratuites n°3.

The granted shares shall be either shares issued through a share capital increase performed by the Company by no later than the definitive vesting date or shares bought by the Company on the market prior to such date.

In order to deliver performance shares of plan n°1, the Company bought shares on the market in October 2017.

In order to cover the following plans, the Company purchased 191,193 shares on the market during the 2018 financial year. This confirms the assumption that the Company will purchase a sufficient number of shares to deliver them according to the vesting dates. Therefore the Company accrued provisions related to performance shares' plan at year end:

- €3,262 thousand for plan n°2 (€3,963 thousand as of 31 December 2017);
- €1,136 thousand for plan n°3 (€1,076 thousand as of 31 December 2017);
- €1,624 thousand for plan n°4.

The Group set up recharge agreements with its subsidiaries, except for Belgium.

Note 26 List of subsidiaries

The table below provides a list of the Group's subsidiaries and the level of investment of Maisons du Monde S.A.

	Currency	Share capital	Share of capital held (% of detention)	Tax consoli-dation	Gross carrying amount of investments	Net carrying amount of investments	Loans and advances granted by the Company not yet repaid	Guarantees given by the Company	Dividends received by the Company during the financial year
Subsidiaries of Maisons du Monde S.A.									
International Magnolia Company	€ th.	1	100%	yes	1	1	13	n/a	-
Maisons du Monde France	€ th.	57,376	100%	yes	159,054	159,054	88,913	n/a	69,998
Maisons du Monde USA	USD th.	45,200	100%	n/a	38,822	38,822	-	n/a	-
Subsidiaries of Maisons du Monde France									
Maisons du Monde Allemagne	€ th.	25	100%	n/a	25	25	-	n/a	-
Maisons du Monde Belgique	€ th.	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Espagne	€ th.	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Italie	€ th.	120	100%	n/a	100	100	-	n/a	-
Maisons du Monde Luxembourg	€ th.	20	100%	n/a	20	20	-	n/a	-
Maisons du Monde Suisse	CHF th.	20	100%	n/a	17	17	-	n/a	-
MDM Furniture & Decoration	GBP th.	20	100%	n/a	27	27	-	n/a	-
Distrimag	€ th.	40	100%	yes	40	40	-	n/a	-
International MDM Company	€ th.	1	100%	yes	1	1	1	n/a	-
Mekong Furniture	VND m.	86,027	100%	n/a	3,189	3,189	-	n/a	-
Chin Chin	USD th.	1	50%	n/a	1	1	-	n/a	-
Subsidiaries of Distrimag									
Distri-Meubles	€ th.	100	100%	yes	1,703	192	-	n/a	-
Distri-Traction	€ th.	150	100%	yes	150	150	-	n/a	-
Subsidiary of Chin Chin									
Shangai Chin Chin Furnishing	CNY th.	7,715	50%	n/a	1,000	1,000	-	n/a	-
Subsidiary of Shangai Chin Chin Furnishing									
Wujiang Chin Chin Furniture	CNY th.	20,000	50%	n/a	20,000	20,000	-	n/a	-
Subsidiary of Wujiang Chin Chin Furniture									
Wujiang Henghui Machinery	CNY th.	1,000	50%	n/a	12,400	12,400	-	n/a	-
Subsidiary of Maisons du monde USA									
Modani Holdings, LLC	USD th.	n/a	70%	n/a	51,541	51,541	7,052	n/a	-

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	Currency	Share capital	Share of capital held (% of detention)	Tax consoli-dation	Gross carrying amount of investments	Net carrying amount of investments	Loans and advances granted by the Company not yet repaid	Guarantees given by the Company	Dividends received by the Company during the financial year
Subsidiaries of Modani Holdings, LLC									
Modani Atlanta, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Boca Raton, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Brickell, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Chicago, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Dallas, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Doral, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Fort Lauderdale, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Frisco, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Houston, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani King of Prussia, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Los Angeles, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Miami, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani New York, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani New York Midtown, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani OC, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Paramus, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani San Diego, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani San Francisco, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani West Palm Beach, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
SNS Imports, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Urbanmod, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Maisons du Monde Holdings, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Subsidiary of Maisons du Monde Holding, LLC									
MDM Wynwood, LLC	USD th.	n/a	70%	n/a	n/a	n/a	-	n/a	-

Revenues, profits and capital other than share capital of subsidiaries are not disclosed for confidentiality reasons related to business and industrial strategy.

Note 27 Results for the last five years

The Company was incorporated on 27 June 2013 and ended its first fiscal year on 31 December 2014.

(in euros)	31 December 2014	31 December 2015	31 December 2016	31 December 2017	31 December 2018
Financial position at year end					
Duration of the financial year	18 months	12 months	12 months	12 months	12 months
Share capital	139,889,001	139,889,001	146,583,737	146,583,737	146,583,737
Number of ordinary shares	139,889,001	139,889,001	45,241,894	45,241,894	45,241,894
Number of preferred shares	-	-	-	-	-
Number of convertible bonds	-	-	-	4,100,041	4,100,041
Operations and income (loss) for the year					
Revenues	4,764,149	4,305,229	4,777,149	4,619,433	3,795,790
Income before tax, employee profit-sharing, depreciation and amortisation	(37,829,068)	(30,705,750)	(7,956,365)	14,460,595	64,872,283
Income tax	(7,056,381)	(17,710,167)	(24,366,165)	(15,466,996)	(7,189,535)
Employee profit-sharing	-	-	-	-	-
Depreciation and amortisation	5,167,877	3,624,899	2,357,922	3,278,228	1,943,229
Net profit (loss)	(35,940,564)	(16,620,482)	14,051,878	26,649,363	70,118,589
Profit distributed (1)	-	-	14,024,987	19,906,433	21,263,690
Earnings per share					
Income after tax and employee profit-sharing, but before depreciation and amortisation	(0.22)	(0.09)	0.36	0.66	1.59
Income after tax, employee profit-sharing, depreciation and amortisation	(0.26)	(0.12)	0.31	0.59	1.55
Dividend alloted (1)	-	-	0.31	0.44	0.47
Personnel					
Average number of employees (FTEs)	10	6	7	7	7
Wages and salaries	1,611,339	1,800,296	4,225,412	5,653,124	4,588,513
Amount paid to welfare bodies (social security, service projects, etc.)	472,693	518,175	1,188,817	2,751,080	1,722,110

(1) Amount including treasury shares. For 2018, based on the proposal for the Annual General Meeting of 3 June 2019.

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Note 28 Events subsequent to 31 December 2018

The Company has not identified any events subsequent to 31 December 2018 with a material impact on the Company's financial statements.

5.4 Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31st 2018

To the annual general meeting of Maisons du Monde S.A.,

Opinion

In compliance with the engagement entrusted to us by your bylaws and your annual general meeting, we have audited the accompanying financial statements of Maisons du Monde for the year ended December 31st 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31st 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- Verification of the CSR information
- Issuance of attestations bases on data extracted from the financial statements (turnover per shop, financial ratios)

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

- Valuation of Maisons du Monde France's equity interests and related receivables

Risk identified	Our response
Maisons du Monde France's equity interests and related receivables, as described in Notes 3 and 26, are recorded in the balance sheet for respective net carrying amounts of M€ 676.7 and M€ 65.7 as at 31 December 2018, compared to total assets of M€ 792.1. The company ensures that no year-end impairment loss need be recorded by comparing the fair value with the carrying amount recorded in the accounts. Fair value is determined by taking into account the share of net assets and the profitability outlooks reviewed on an annual basis. Profitability outlooks are based on the information available at the time of their preparation. We consider the valuation of Maisons du Monde France's equity interests and related receivables to be a key audit matter due to: • Their material importance in the company's accounts; • The judgements and assumptions necessary to determine their fair value, based on profitability outlooks in particular, whose conclusion is inherently uncertain.	To assess the reasonableness of the fair value measurement of the Maisons du Monde France equity interests, based on the information we were provided, our work mainly consisted in: • Assessing whether the valuation method and figures used by Management to estimate the fair value are appropriately justified; • Obtaining the 2019 budget approved by the Board of Directors, which updated the Business Plan's assumptions; • Verifying the reasonableness of the forecasts in relation to the economic context surrounding the company's operations. In addition to assessing the fair value of the Maisons du Monde France equity interests, our work also consisted in assessing the recoverability of the related receivables with respect to the equity interest analyses. Lastly, we verified that Notes 2.1 and 3 to the financial statements provided an appropriate disclosure.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information give in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-4 of the French Commercial Code (*Code de commerce*).

We attest that the consolidated declaration of extra-financial performance, required under Article L. 225-102-1 of the French Commercial Code (Code de commerce), is included in the management report, being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Maisons du Monde by your bylaws dated June 24th 2013 for KPMG Audit and by your Annual General Meeting of April 29th 2016 for Deloitte & Associés.

As of December 31st 2018, KPMG Audit was in the 5th year and 3rd year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market and Deloitte & Associés in the 3rd year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed in Nantes et Paris – La Défense, 25 March 2018

The statutory auditors

KPMG AUDIT Département de KPMG S.A. Gwénaël CHEDALEUX	Deloitte & Associés Jean Paul SEGURET

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Information on the Company and its capital

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6.1 Information on the Company

HISTORY AND DEVELOPMENT OF THE GROUP

Founded in France in 1996, Maisons du Monde is a creator of original universes. It offers a unique range of homeware and furniture in a wide variety of styles and themes at affordable prices. The Group's business is structured around an integrated and complementary omnichannel approach, leveraging its international network of stores, websites and catalogues. With sales of €1,111 million for the year ended 31 December 2018, Maisons du Monde is the leading player in the "original and accessible" homeware segment in France and one of the most important in Europe.

At 31 December 2018, the Maisons du Monde operated a network of 336 stores in nine countries (including France, Italy, Spain, Belgium, Luxembourg, Germany, Switzerland, the United Kingdom and the United States. The Group also operates a comprehensive and complementary e-commerce platform, which is available in 12 countries (the nine in which its stores are located, as well as Austria, the Netherlands and Portugal).

In 2018, Maisons du Monde gained a foothold in the US market through the acquisition of a majority stake of 70% in Modani, a furniture chain present across the US through its stores and e-commerce business. Founded in 2007 and based in Miami, Modani is an aspirational lifestyle brand, offering a unique range of modern, contemporary and mid-century furniture at affordable prices. At 31 December 2018, Modani operated a network of 13 stores in the United States.

COMPANY NAME

The Company's corporate name is Maisons du Monde.

PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered with the Nantes Trade and Companies Register under number 793 906 728.

REGISTERED OFFICE

The Company's registered office is located in "Le Portereau", Route du Port aux Meules, 44120 Vertou, France.

The telephone number of the registered office is (+33) (0) 2 51 71 17 17.

LEGAL FORM AND APPLICABLE LEGISLATION

The Company Maisons du Monde is a *société anonyme* with a Board of Directors governed by French law, in particular the provisions of the French Commercial Code, and its bylaws.

6.2 Articles of association and bylaws

DATE OF INCORPORATION AND DURATION

The Company was incorporated on 24 June 2013 and registered with the Paris Trade and Companies Register on 27 June 2013. The Company will cease to exist on 27 June 2112, unless it is dissolved early or its duration is extended.

CORPORATE PURPOSE

As stated in Article 2 of the bylaws, the Company's purpose, in France and abroad, is:

- the purchase, subscription, holding, management and transfer, in any form, of shares and securities in any companies or legal entities created or to be created, French or foreign;
- all administrative, financial, accounting, business, IT or management services for the benefit of the subsidiaries of the Company or any other company in which it holds an interest;

And more broadly:

- all securities and property, industrial, commercial or financial transactions relating directly or indirectly to this purpose or any similar or related purpose, or which may be beneficial for this purpose or of a nature to facilitate its achievement.

FISCAL YEAR

The Company has a financial year of 12 months, beginning on 1 January and ending on 31 December of each year.

CONSULTATION OF CORPORATE DOCUMENTS

Corporate documents and information relating to the Company may be consulted at the registered office, "Le Portereau" 44120 Vertou.

SHAREHOLDERS' MEETINGS

Notice of Shareholders' Meetings

Shareholders' Meetings are called in accordance with to the conditions, forms and time limits provided for by the applicable regulations. They are held at the registered office or at any other place indicated in the notice of meeting.

The decisions of the shareholders are taken depending on their nature at Ordinary, Extraordinary or Combined Shareholders' Meetings.

Attendance at Meetings

All shareholders may take part in Shareholders' Meetings, personally or by proxy, pursuant to the conditions set by the regulations in force, after providing proof of their identity and ownership of the securities.

Upon decision of the Board of Directors to use such means of telecommunications, as published in the notice of meeting or notice to attend, shareholders are deemed to be present for quorum and majority purposes if they attend *via* videoconference or any other means of telecommunication or remote transmission, including the Internet, provided that their identity can be verified under the conditions provided for by the regulations in force.

All shareholders may vote by correspondence or give a proxy in accordance with the regulations in force, by means of a form drawn up by the Company and returned to it pursuant to the regulations in force, including by electronic mail or file transfer, upon decision of the Board of Directors. The form must be received by the Company in the prescribed conditions for it to be taken into account.

The legal representatives of legally incapacitated shareholders and physical persons representing shareholders that are corporate entities may attend meetings, whether or not they are shareholders personally.

Shareholder communication rights

All shareholders have the right to obtain disclosure of documents, the nature and conditions of which shall be determined by the applicable regulations.

Voting rights

Each share is entitled to one vote at Shareholders' Meetings, double voting rights as provided for by Article L. 225-123 of the French Commercial Code being expressly excluded.

Treasury shares do not have voting rights.

Form and disposal of shares

In accordance with Articles 9 and 12 of the bylaws, shares may be held in registered or bearer form, at the shareholder's discretion, under the conditions provided for by the regulations in force.

Shares are freely tradable. Transfers of shares shall be effected by transfer from account to account, in accordance with the procedures laid down by law and regulations.

Identification of shareholders

In accordance with legal and statutory provisions, the Company may request at any time from the central depository in charge of its securities issue account, the name or, in the case of a corporate entity, the corporate name, nationality, year of birth or year of incorporation, postal address and, where applicable, electronic address of the holders of securities conferring immediately or in the future the right to vote at its Shareholders' Meetings, as well as the number of securities held by each of them and, where applicable, the restrictions attached to such securities.

6.3 Information on the share capital

6.3.1 AMOUNT AND COMPOSITION OF SHARE CAPITAL

At 31 December 2018, the Company's share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each, fully paid up and of the same class.

6.3.2 CHANGES IN SHARE CAPITAL OVER THE PAST THREE FINANCIAL YEARS

In 2016, the Company carried out the following capital transactions:

- on 24 March 2016, the share capital was reduced through a €64,348,940.46 by reduction of par of €0.46, bringing it to €75,540,060.54, divided into 139,889,001 shares with a par value of €0.54 each;
- on 29 April 2016:
  - the Company first proceeded with a capital increase through the issue of three new shares with a par value of €0.54 each, although the share capital amounted to €75,540,062.16 divided into 139,889.004 shares with a par value of €0.54 subsequently;
  - the Company then consolidated its shares by allocating one share with a par value of €3.24 for six existing shares of €0.54. The share capital was accordingly constituted of 23,314,834 shares with a par value of €3.24 each;
  - the share capital was again increased by €116,089,621.20 through the issuance of 35,830,130 new shares in consideration for a contribution made in connection with a merger;
  - subsequently, it was reduced by the cancellation of 23,314,834 treasury shares contributed in connection with the aforementioned merger.

Within the framework of its initial public offering on 27 May 2016, the Company performed a further capital increase in cash by offer to the public, with the cancellation of preferential subscription rights, of a nominal amount of €30,494,115.36 through the issue of 9,411,764 new shares.

At 31 May 2016, the settlement date, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each.

The share capital of Maisons du Monde has not been modified since this date.

6.3.3 AUTHORISED SHARE CAPITAL NOT ISSUED

In application of the provisions of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, we hereby inform you, below, of the currently valid delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors with respect to capital increases, as well as their use during the 2017 and 2018 financial years.

Nature of the delegation and/or authorisation given to the Board of Directors	Maximum amount authorised	Duration of the authorisation	Expiry	Use in 2017	Use in 2018
CAPITAL INCREASE BY ISSUING SHARES AND/OR ANY OTHER SECURITIES CONVERTIBLE INTO SHARES OF THE COMPANY					
Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities as part of an offering referred to in II of Article L. 411-2 of the French Financial and Monetary Code, with the cancellation of preferential subscription rights (CSM 29/04/2016 -30th resolution)	€36 million	26 months	29/06/2018	Issuance of OCEANEs maturing in 2023 for a nominal amount of €200m	
Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with the cancellation of preferential subscription (CSM 18/05/18 -14th resolution)	€14.650 million	26 months	18/07/2020		
Capital increase by issuing ordinary shares and/or securities convertible into shares of the Company and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with preferential subscription rights (CSM 18/05/2018 -15th resolution)	€73 million	26 months	18/07/2020		
Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities as part of an offering referred to in II of Article L. 411-2 of the French Financial and Monetary Code, with the cancellation of preferential subscription rights (CSM 18/05/2028 -16th resolution)	€14.650 million	26 months	18/07/2020		
Capital increase by issuing shares and/or securities convertible into shares of the Company with the cancellation of preferential subscription rights in consideration for contributions in kind made to the Company and consisting of shares or convertible into shares of the Company, outside public exchange offers (CSM 18/05/2018 -19th resolution)	10% of share capital	26 months	18/07/2020		
Capital increase by incorporation of reserves, profits, premiums or other (CSM 18/05/2018-20th resolution)	10% of share capital	26 months	18/07/2020		
Capital increase by share issuance and/or securities convertible into the shares of the Company, reserved to the subscribers of the Company saving plans with cancellation of the preferred subscription rights (CSM of 18/05/2018 -21st Resolution)	2% of share capital	26 months	18/07/2020		
SHARE BUYBACK PROGRAMME					
Share buyback programme (CSM 19/05/2017 -9th resolution)	10% of share capital and maximum purchase price set at €50 per share, i.e. a maximum of €226.2 million	18 months	19/11/2018	12,100 treasury shares held at 31/12/2017 under a liquidity contract	
Share buyback programme (CSM 18/05/2018 -12th resolution)	10% of share capital and maximum purchase price set at €55 per share, i.e. a maximum of €248.8 million	18 months	18/11/2019		264,215 treasury shares held at 31/12/2018
Capital reduction by cancelling treasury shares (CSM 18/05/2018 -23th resolution)	Capped at 10% of share capital per 24-month period	18 months	18/11/2019		

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Nature of the delegation and/or authorisation given to the Board of Directors	Maximum amount authorised	Duration of the authorisation	Expiry	Use in 2017	Use in 2018
TRANSACTIONS RESERVED FOR EMPLOYEES AND EXECUTIVE DIRECTORS					
Free shares subject to performance conditions, existing or new, granted to employees and eligible corporate officers of the Company and companies related to it (19/05/2017 Shareholders' Meeting -13th resolution)	2% of share capital	38 months	17/07/2020	19/05/2017	18/05/2018

During the year ended 31 December 2018, the Board of Directors, using delegations of authority granted by the Shareholders' Meeting, proceeded to:

- the allocation of 146,435 free performance shares of the Company to the employees of the Group and the corporate officer (Board of Directors Meeting of 18 May 2018);
- the repurchase, as part of the implementation of the Company's share buyback programme, of 191,193 treasury shares in order to cover free performance share plans for Group employees, as well as the implementation of a liquidity contract (73,0220 treasury shares as of the end of the year).

6.3.4 INFORMATION ON SECURITIES TRANSACTIONS

Results of the share buyback programme

Pursuant to Articles L. 225-209 et seq. of the French Commercial Code, the Shareholders' Meetings of 19 May 2017 and 18 May 2018 authorised the Board of Directors to trade, except during a public offer, in the Company's shares.

The purchases were set to take place according to a maximum price per share of €34 (programme authorised in 2017) and €55 (programme authorised in 2018), with the maximum number of shares to be acquired not exceeding 10% of the share capital.

During the 2018 financial year, the Company used these authorisations in the following manner:

- the Company purchased 191,193 shares to cover free share plans;
- no securities were sold;
- no securities were cancelled.

Since 1 November 2017, the Company entrusted Exane BNP Paribas with the implementation of a liquidity contract for its ordinary shares, in accordance with the Ethics Charter of the French Financial Markets Association (*Association française des marchés financiers* – AMAFI) of 21 March 2011, approved by the *Autorité des marchés financiers* (AMF) by decision of 21 March 2011.

The following resources were allocated to the liquidity account for the implementation of this contract:

- 4,808 Maisons du Monde shares;
- €2,821,382.80.

On 31 December 2018, the settlement date, the following resources were recorded in the liquidity account:

- 73,002 shares;
- €825,100.

During the period from 1 January to 31 December 2018, Exane BNP Paribas purchased 529,855 Company shares at an average price of €28.78 for a total amount of €14,254,249.22, and sold 467,740 shares at an average price of €28.96 for a total amount of €12,511,675.

At 31 December 2018, the Company held 264,215 treasury shares, representing 0.58% of the share capital, with a market value of €4,415 million based on a closing price of €16.71.

The shares held under the share buyback programme were used for the following purposes:

- cancellation of treasury shares: 0 securities;
- holding of shares for exchange or payment in connection with acquisitions: 0 securities;
- distribution following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company: 0 securities;
- coverage of stock option or free share plans: 191,193 securities;
- coverage of employee shareholding transactions reserved for members of a company savings plan: 0 securities;
- performance of the liquidity contract of the Company's shares: 73,022 securities.

Moreover, on 19 December 2018, the Company entrusted Exane BNP Paribas with the implementation of the new liquidity contract in accordance with AMF decision No. 2018-01 of 2 July 2018 implementing liquidity contracts on capital securities in respect of an admitted market practice.

Description of the share buyback programme pursuant to Articles 241-1 et seq. of the General Regulation of the Autorité des marchés financiers

Pursuant to the provisions of Article 241-2 of the AMF General Regulation, this item constitutes the description of the share buyback programme to be submitted to the authorisation of the Shareholders' Meeting of 3 June 2019.

Objectives of the buyback programme

Purchases of shares within the framework of the share buyback programme will be made with the following purpose:

- cancelling them; or
- holding them for delivery by way of future exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company; or

- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company; or implementing stock option plans free share plans; or
- employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 *et seq.* of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount; or allocations of shares to employees and/or Executive Directors of the Company and of the companies related to it, in accordance with the applicable legal and regulatory provisions; or
- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the AMF; or
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the AMF.

The shares may, in whole or in part, be acquired, assigned, exchanged or transferred, on one or more occasions, by any means, in accordance with regulations that are applicable or that would become applicable, in any market, including trading systems (MTF) or via a systematic internaliser, or over-the-counter, including through the acquisition or disposal of blocks of shares (without limiting the share of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force.

Maximum share of capital, maximum number and characteristics of the securities that the Company proposes to acquire and maximum purchase price.

Pursuant to the law, the maximum number of shares that Maisons du Monde would be able to hold under this programme, authorised by the Shareholders' Meeting of 3 June 2019, will be 4,524,189 shares of the Company corresponding to 10% of the share capital.

The maximum authorised purchase price would be €55 per share. Purchases could not exceed the cumulative net sum of €248.8 million.

Duration of the buyback programme

The duration of the programme would be set at 18 months from the approval of the Shareholders' Meeting of 3 June 2019, i.e. until 3 December 2020 and would replace the approval granted by the twelfth resolution of the Shareholders' Meeting of 18 May 2018.

6.4 Shareholding

6.4.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

At 31 December 2018, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares.

At that date, the structure of the share capital was as follows:

Shareholders	Share shares	% of capital	Theoretical voting rights	% of theoretical voting rights	Exercisable voting rights in the Company (1)	% of exercisable voting rights
BlackRock, Inc. (2)	2,265,120	5.01%	2,265,120	5.01%	2,265,120	5.04%
The Capital Group Companies, Inc. (3)	2,252,773	4.98%	2,252,773	4.98%	2,252,773	5.01%
Amundi (4)	2,241,910	4.96%	2,241,910	4.96%	2,241,910	4.98%
FMR LLC (5)	2,206,051	4.88%	2,206,051	4.88%	2,206,051	4.90%
Sycomore Asset Management (6)	2,196,667	4.86%	2,196,667	4.86%	2,196,667	4.88%
Treasury shares (7)	264,215	0.58%	264,215	0.58%	-	-
Free float	33,815,158	74.74%	33,815,158	74.74%	33,815,158	75.18%
TOTAL	**45,241,894**	**100%**	**45,241,894**	**100%**	**44,977,679**	**100%**

(1) Exercisable voting rights take into account treasury shares held at 31 December 2018;

(2) Based on the legal threshold crossing statement issued by BlackRock, Inc. on 22 February 2018;

(3) Based on the legal threshold crossing statement issued by The Capital Group Companies, Inc. on 16 November 2018;

(4) Based on the legal threshold crossing statement issued by Amundi on 5 November 2018;

(5) Based on the legal threshold crossing statement issued by FMR LLC on 31 July 2018;

(6) Based on the legal threshold crossing statement issued by Sycomore Asset Management on 4 May 2018;

(7) Treasury shares at 31 December 2018 (including shares held under the liquidity agreement, which totalled shares).

Sycomore Asset Management, acting on behalf of clients and funds it manages, declared that it had exceeded the legal threshold of 5% of the capital and voting rights of Maisons du Monde on 12 February 2019 as a result of a purchase of shares on the market, and that on said date, it held 2,310,234 shares, i.e. 5.11% of the Group's capital and voting rights.

BlackRock Inc., acting on behalf of clients and funds it manages, declared that it had fell below the legal threshold of 5% of the capital and voting rights of Maisons du Monde on 22 February 2019 as a result of a sale of shares on the market, and that on said date, it held 2,185,502 shares, i.e. 4,83% of the Group's capital and voting rights.

To the knowledge of the Company, Sycomore Asset Management is the only shareholder holding, directly or indirectly, alone or in concert, more than 5% of share capital and voting rights.

6.4.2 CONTROL OF THE COMPANY

The Company is controlled in accordance with the description in the table in Section 6.4.1 of this Registration Document.

As such, the prevention of possible misuse of control by a shareholder is guaranteed by the regular meetings of the Board of Directors and the presence of five independent directors, who also hold a majority in the specialised committees (Audit Committee and Nomination and Compensation Committee).

6.4.3 CROSSING OF THRESHOLDS

Provisions of the bylaws

In accordance with Article 14 of the bylaws, and in addition to the legal obligation to inform the Company of the holding of certain fractions of the capital or voting rights, any physical person or legal entity or any shareholder who holds, directly or indirectly, alone or in concert, a number of shares of the Company equal to or greater than 1% of the total number of shares or voting rights must, before the close of the fourth trading day following the crossing of that threshold, inform the Company by registered letter with acknowledgement of receipt. The same declaration must be made under the same conditions whenever a new threshold of a multiple of 1% of the total number of shares or voting rights is crossed. Any shareholder whose interest or voting rights falls below one of the aforementioned statutory thresholds is also obliged to inform the Company within the same period of four days and under the same terms.

Change in Maisons du Monde's shareholding structure

In 2018, Maisons du Monde received the following legal threshold crossing declarations pursuant to Article L. 233-7 of the French Commercial Code and the following declarations regarding thresholds contained in the bylaws:

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
American Century Investment Management	03/01/2018	Bylaws downward	1%	418,737	0.93%
Alken Luxembourg	15/01/2018	Bylaws downward	1%	0	0.00%
AFFM	15/01/2018	Bylaws upward	1%	702,825	1.55%
BNP Paribas Asset Management	23/01/2018	Bylaws upward	1%	623,034	1.38%
BNP Paribas Asset Management	31/01/2018	Bylaws downward	1%	210,238	0.46%
BlackRock Inc.	12/02/2018	Legal upward	5%	2,272,438	5.02%
BlackRock Inc.	14/02/2018	Legal downward	5%	2,231,100	4.93%
Axa Investment Managers	21/02/2018	Bylaws downward	1%	447,304	0.99%
BlackRock Inc.	22/02/2018	Legal upward	5%	2,265,120	5.01%
Axa Investment Managers	07/03/2018	Bylaws upward	1%	480,000	1.06%
Amundi	08/03/2018	Bylaws upward	4%	1,819,245	4.02%
La Financière de l'Échiquier	09/03/2018	Bylaws downward	1%	334,129	0.74%
Fonds de réserve pour les retraites (FRR)	13/03/2018	Bylaws downward	1%	442,318	0.98%
Allianz Global Investors GmbH	14/03/2018	Bylaws upward	2%	931,238	2.06%
Allianz Global Investors GmbH	19/03/2018	Bylaws downward	2%	899,863	1.99%
Amundi	19/03/2018	Bylaws downward	4%	1,785,443	3.95%
BMO Global Asset Management	13/04/2018	Bylaws upward	1%	615,271	1.36%
Amundi	16/04/2018	Bylaws upward	4%	1,821,808	4.03%

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
Wellington Management Group	19/04/2018	Bylaws upward	2%	910,763	2.01%
Caisse des Dépôts (CDC)	30/04/2018	Bylaws upward	1%	481,047	1.06%
Sycomore Asset Management	04/05/2018	Legal downward	5%	2,196,667	4.86%
Allianz Global Investors GmbH	07/05/2018	Bylaws upward	2%	946,130	2.09%
Wellington Management Group	07/05/2018	Bylaws downward	2%	901,858	1.99%
Sycomore Asset Management	11/05/2018	Bylaws downward	4%	1,758,627	3.89%
BMO Global Asset Management	18/05/2018	Bylaws downward	1%	197,966	0.44%
Sycomore Asset Management	18/05/2018	Bylaws downward	3%	1,349,414	2.98%
Wellington Management Group	31/05/2018	Bylaws upward	2%	906,806	2.00%
Millenium International Management	04/06/2018	Bylaws upward	1%	458,188	1.01%
Legal & General Investment Management	11/06/2018	Bylaws downward	1%	433,107	0.96%
BNP Paribas Asset Management	26/06/2018	Bylaws downward	1%	175,436	0.39%
Amundi	02/07/2017	Legal upward	5%	2,569,214	5.68%
Millenium International Management	18/07/2018	Bylaws downward	1%	438,255	0.97%
FMR Co	30/07/2018	Legal downward	5%	2,197,683	4.86%
FMR LLC	31/07/2018	Legal downward	5%	2,206,051	4.88%
Millenium International Management	31/07/2018	Bylaws upward	1%	460,002	1.02%
Millenium International Management	02/08/2018	Bylaws downward	1%	451,041	1.00%
AFFM	02/08/2018	Bylaws upward	2%	1,020,699	2.26%
The Capital Group Companies	08/08/2018	Legal upward	5%	2,374,914	5.25%
AFFM	22/08/2018	Bylaws upward	3%	1,366,077	3.02%
Fonds de Réserve pour les Retraites (FRR)	24/08/2018	Bylaws upward	1%	478,293	1.06%
Sycomore Asset Management	27/08/2018	Bylaws upward	3%	1,374,042	3.04%
Caisse des Dépôts (CDC)	13/09/2018	Bylaws upward	2%	918,583	2.03%
CDC Entreprises Valeurs Moyennes (CDC)	20/09/2018	Bylaws upward	2%	931,603	2.06%
Franklin Resources	24/09/2018	Bylaws upward	2%	975,512	2.16%
Franklin Resources	10/10/2018	Bylaws upward	3%	1,453,751	3.21%
Argenta	26/10/2018	Bylaws upward	1%	471,304	1.04%
Amundi	05/11/2018	Legal downward	5%	2,241,910	4.96%
The Capital Group Companies	16/11/2018	Legal downward	5%	2,252,773	4.98%
Global Alpha Capital Management	22/11/2018	Bylaws upward	1%	522,826	1.16%
CDC Entreprises Valeurs Moyennes (CDC)	04/12/2018	Bylaws upward	3%	1,380,495	3.05%
Amundi	17/12/2018	Bylaws downward	4%	1,789,254	3.95%

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Since 1 January 2019, Maisons du Monde has received the following declarations relating to the crossing of legal thresholds and of thresholds contained in the bylaws:

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
Sycomore Asset Management	10/01/2019	Bylaws upward	4%	2,019,373	4.46%
Allianz Global Investors GmbH	17/01/2019	Bylaws upward	1%	815,378	1.80%
Amundi	23/01/2019	Bylaws downward	3%	1,303,780	2.88%
American Century Investment Management	28/01/2019	Bylaws upward	1%	463,933	1.03%
Sycomore Asset Management	12/02/2019	Legal upward	5%	2,310,234	5.11%
BlackRock Inc.	13/02/2019	Legal downward	5%	2,229,979	4.93%
BlackRock Inc.	19/02/2019	Legal upward	5%	2,287,329	5.06%
BlackRock, Inc.	21/02/2019	Legal downwards	5%	2,185,502	4.83%
Dimensional Fund Advisors	20/02/2019	Bylaws upward	1%	454,473	1.01%
Amundi	27/02/2019	Bylaws downward	2%	877,011	1.93%
Sycomore Asset Management	26/03/2019	Bylaws upward	6%	2,774,417	6.13%
American Century Investment Management	29/03/2019	Bylaws downward	1%	391,203	0.86%

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
Sycomore Asset Management	01/04/2019	Bylaws upward	7%	3,233,288	7.15%
Weinberg Capital Partners	04/04/2019	Bylaws upward	1%	517,664	1.14%
Allianz Global Investors GmbH	09/04/2019	Bylaws downward	1%	437,625	0.97%

6.4.4 EMPLOYEE SHARE OWNERSHIP

Pursuant to Article L. 225-102 of the French Commercial Code, we inform you that the proportion of the capital represented by shares held by employees as of 31 December 2018 was less than 3%; the Company not having established mutual funds for the benefit of Group employees. We inform you that the last Extraordinary Shareholders' Meeting called to approve a capital increase reserved for employees was held on 18 May 2018.

The Board of Directors, using the authorisations granted by the Shareholders' Meeting of 19 May 2017, allocated free shares to certain Maisons du Monde employees, with a view to directly involving them in the future of the Group and its performance through trends in share prices.

Information regarding the allocation of free shares can be found in Chapter 3 of this Registration Document.

6.4.5 TRANSACTIONS PERFORMED ON THE COMPANY'S SHARES BY OFFICERS AND PERSONS TREATED AS SUCH

Pursuant to the provisions of Articles 223-22-A *et seq.* of the AMF General Regulation, the table below shows the transactions carried out by officers and persons treated as such, as declared to the AMF.

Date of the transaction	Declarant	Nature of the transaction	Number of shares	Unit price (in euros)	Transaction amount (in euros)
28/06/2018	Arnaud LOUET Senior Management	Sale	19,794	€33.00	€653,202.00
17/12/2018	Arnaud LOUET Senior Management	Purchase	1,650	€15.8762	€26,195.73
18/12/2018	Marc WALBAUM Person closely associated to Julie WALBAUM	Purchase	3,125	€15.8721	€49,600.31

6.4.6 ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to the provisions of Articles L. 233-13 and L. 225-37-5 of the French Commercial Code, the Company informs the public of the following elements liable to have an influence in the event of a takeover bid:

Shareholders' agreement

At the time of writing, Maisons du Monde was not aware of any shareholders' agreement providing for preferential terms for the sale or acquisition of Maisons du Monde shares or an agreement whose implementation could result in a change of control.

Significant nominal holdings

To the Company's knowledge, as at the date of this Registration Document, there are no significant registered holdings within the share capital other than those detailed in Section 6.4.1 of this chapter.

Control mechanisms

The Company has not established double voting rights. Nor does it have any securities with particular prerogatives.

6.5 Stock market information

6.5.1 LISTING VENUE AND INDICES

The Maisons du Monde share was floated on 27 May 2016 and is listed on Compartment B of the Euronext Paris regulated market (all-day trading). At 31 December 2018, the Maisons du Monde share was part, among others, of the SBF 120 and CAC Mid 60 indexes.

MAISONS DU MONDE SHARE DATA

Information	Characteristics
Listing	• Euronext Paris • Compartment B • Eligible for the SRD (1)
Codes	• ISIN: FR0013153541 • Ticker: MDM
ICB classification (2)	• Industry: Consumer goods (3700) • Sector: Furniture (3726)
Indices	• SBF 120 • CAC Mid 60 • CAC Mid & Small • CAC Consumer Goods • MSCI France Small Cap

(1) Deferred settlement service.

(2) Industry Classification Benchmark.

6.5.2 SHARE PRICE AND TRADING VOLUMES

At 31 December 2018, the Maisons du Monde share price was €16.71, down 56% from 31 December 2017. Market capitalisation amounted to €756 million.

The table below details the changes in the share price and trading volumes for Maisons du Monde shares in 2018 and since the beginning of 2019.

Month	Highest price *(in euros)*	Lowest price *(in euros)*	Closing price *(in euros)*	In progress price *(in euros)*	Number of shares traded	Capital traded *(in millions of euros)*
January 2018	38.58	34.44	34.60	37.53	1,400,901	52.18
February 2018	37.40	33.72	34.82	35.75	1,505,119	53.74
March 2018	35.08	29.46	29.66	31.37	3,255,997	102.49
April 2018	33.92	29.02	33.68	31.65	1,786,744	56.60
May 2018	36.18	32.96	34.54	35.16	2,025,311	71.05
June 2018	35.76	31.50	31.54	33.72	2,013,527	68.13
July 2018	32.80	25.50	26.16	30.40	3,246,657	95.81
August 2018	26.96	23.56	25.22	25.05	2,751,031	69.28
September 2018	25.74	24.54	25.14	24.85	1,902,870	47.32
October 2018	25.70	20.06	22.14	22.46	2,288,314	51.18
November 2018	24.20	17.53	20.16	20.92	2,550,906	53.47
December 2018	20.50	14.90	16.71	17.11	2,268,352	38.80
January 2019	23.34	16.15	22.54	20.42	2,631,635	53.56
February 2019	24.50	21.96	23.00	23.35	1,996,521	46.67
March 2019	24.86	16.97	16.97	20.16	4,001,760	79.1

6.6 Dividend payment

6.6.1 DIVIDEND POLICY

In 2017, in accordance with the objectives announced at the time of the Company's IPO, Maisons du Monde initiated a dividend policy involving an annual amount representing 30% to 40% of restated consolidated net income, incorporating the application of a normative corporate income tax rate of 36% for the previous financial year, subject to the approval of the Shareholders' Meeting. However, this dividend distribution objective is not a commitment of the Company. The actual amounts of future distributions will depend on a variety of factors, including the Company's results and financial position, strategic objectives, or such other factors as the Board of Directors may deem appropriate.

6.6.2 DIVIDENDS DISTRIBUTED DURING THE LAST THREE FINANCIAL YEARS

Maisons du Monde did not pay any dividends in respect of the year ended 31 December 2015. The Company paid a cash dividend of €0.31 per share for the year ended 31 December 2016 and €0.44 per share for the year ended 31 December 2017, i.e. a payout ratio of 35% of restated consolidated net income.

The Company's Board of Directors decided to submit to the approval of the Shareholders' Meeting of 3 June 2019, the payment of a cash dividend of €0.47 per share for the year ended 31 December 2018, i.e. a payout ratio of 35% of consolidated net income (for more information, please see Section 4.2.5 "Non-IFRS financial metrics" of this Registration Document).

Shareholders' Meeting

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The Board of Directors, at its meeting 22 March 2019 convened the Combined Annual Ordinary and Extraordinary Shareholders' Meeting on Friday 3 June 2019 at 2.00 p.m., at the Hôtel Pullman Paris, Roissy CDG Airport, 3 bis Rue de la Haye, 93290 Tremblay-en-France, to deliberate the following agenda:

7.1 Agenda

7.1.1 AGENDA FOR THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

- Approval of the financial statements for the 2018 financial year.
- Approval of the consolidated financial statements for the 2018 financial year.
- Appropriation of profit for the financial year and setting of the dividend.
- Approval of the regulated conventions and commitments pursuant to Article L. 225-38 of the French Commercial Code.
- Approval of a non-compete commitment set for Julie WALBAUM, Chief Executive Officer.
- Approval of the components of compensation due or allocated for the 2018 financial year to Sir Ian CHESHIRE Chairman of the Board of Directors.
- Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Sir Ian CHESHIRE, Chairman of the Board of Directors, for the 2019 financial year.
- Approval of the components of compensation due or allocated for the 2018 financial year to Gilles PETIT, Chief Executive Officer, for the six-month period ended 30 June 2018.
- Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind attributable to Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018.
- Approval of the components of compensation due or allocated for the 2018 financial year to Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018.
- Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Julie WALBAUM, Chief Executive Officer, for the 2019 financial year.
- Appointment of Julie Walbaum as Director.
- Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors.
- Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company.

7.1.2 AGENDA FOR THE EXTRAORDINARY SHAREHOLDERS' MEETING

- Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks.
- Terms and conditions for the appointment of the Alternate Statutory Auditors and corresponding amendment of the bylaws.
- Powers to carry out the formalities.

7.2 Reports of the Board of Directors on the draft resolutions

7.2.1 REPORT OF THE BOARD TO THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

We have convened this Annual Ordinary Shareholders' Meeting to present our Company's situation and activity during the year ended 31 December 2018 and to submit the annual and consolidated accounts for the said financial year for your approval.

Pursuant to the provisions of Articles L. 225-100 *et seq.* of the French Commercial Code, we hereby present the Board of Directors' Management Report.

This report, compiled with the help of the Company's Finance Division and the Internal Control and Legal Departments, was approved by the Board of Directors on 22 March 2019, after having been reviewed by the Audit Committee.

The **information on the Company's situation and activity** at the end of the financial year, as well as its **future outlook** are indicated in Chapter 4 of this Registration Document. The **financial statements** (separate and consolidated, with the notes thereto) are set out in Chapter 5. All the **elements likely to have an impact in the event of a public offer** (in particular, the capital structure, statutory restrictions, capital holdings and the share buyback programme) are presented in Chapter 6. Lastly, **the non-financial performance statement** is shown in Chapter 2.

The Board's Report on **Corporate Governance**, is shown in Chapter 3 of this Registration Document.

The Statutory Auditors' Reports are presented in Chapters 3 and 5.

We will supplement this financial, social, legal and environmental information with the elements indicated below.

Key highlights of the year

Modani Group acquisition in the United States

On 3 May 2018, Maisons du Monde S.A. purchased a 70% stake in Modani through its subsidiary Maisons du Monde USA Inc., a company under US law, with an option to acquire the remaining outstanding shares. Modani is a furniture chain present across the US through its stores and e-commerce business.

This acquisition of a majority stake is combined with a put option granted to minority stockholders valid during the second half of 2022, as well as a purchase option granted to the Group during the first half of 2023. By mutual agreement, the 30% shares sale or redemption price has been set at fair market value at the option strike date.

Adjustment to the conversion/exchange ratio

According to the Maisons du Monde SA's General Meeting held on 18 May 2018, the Group paid €0.44 dividend per share on 20 June 2018.

Following this dividend payment, in accordance with paragraph 2.6. (B).10 of the terms and conditions of the OCEANEs (the "Terms and Conditions"), the Conversion/Exchange Ratio (as defined in the Terms and Conditions) is adjusted from 1.0 to 1.004 Maisons du Monde SA share for 1 OCEANE (calculated to three decimal places by rounding to the nearest thousandth). The new Conversion/Exchange Ratio is effective on 20 June 2018.

Management transition

On 3 May 2018, the Board of Directors of Maisons du Monde SA appointed Mrs. Julie Walbaum as Chief Executive Officer with effect from 1 July 2018. Gilles Petit, the former Chief Executive Officer, remains as special advisor to the new CEO and member of the Board.

Activity of the Company

In addition to the significant events mentioned above, the Company continued to conduct its business as the lead holding company for its subsidiaries during the year, the main results of which are:

Revenue amounted to €3,796,000 down 17.8% as against the previous year, and was from services provided by its subsidiaries.

Operating expenses amounted to €9,823,000, which represented a sharp decline of 16.7% compared with 2017. These expenses were largely made up of "other purchases and external expenses" of €3,391,000 and "personnel expenses" of €4,589 and "Depreciation and amortisation" amounting to €1,111,000.

At year-end, operating profit/(loss) amounted to €(5,923,000), which represented a rise of 14.2% as against the previous year.

Financial profit/(loss) amounted to €69,704,000, against €16,099,000 the previous year.

Extraordinary profit/(loss) amounted to €(852,000), against a loss of €(1,989,000) the previous year.

Income tax was a gain resulting from tax consolidation, which amounted to €7,190,000 against €15,467,000 the previous year.

Net profit amounted to €70,119,000, against €26,649,000 the previous year.

Outlook

The Company will continue its activity as the lead holding company of the Maisons du Monde Group.

Internal control and risk management procedures

In accordance with the provisions of Article L. 225-100-1 I paragraph 5, we report to you on all the procedures put in place by the Company in order to prevent and control the risks arising from its activities.

Objectives of the Group's internal control

Risk management refers to the measures that the Group implements to identify, analyse and manage the risks to which it is exposed in the ordinary course of its business. The Group considers risk management and internal control to be closely related and a priority.

The Group's internal risk management and control systems are based on a combination of appropriate resources, policies, procedures, behaviour and actions.

Therefore, under the impetus of the Board of Directors, the Audit Committee, the Executive Committee and the Internal Control Department, the Group's current internal risk and internal control procedures aim to provide reasonable assurance for realising the following objectives:

- to ensure that acts of management or execution of operations as well as the behaviour of individuals fall within the framework of the guidelines set by the corporate bodies and respect the laws and regulations in force as well as the values, standards, internal procedures and rules of the Company;
- to identify, assess and control risks that could have a material impact on the Group's assets, results, operations or its ability to implement its objectives and strategy, whether these risks are operational, commercial, legal, financial or related to compliance with applicable laws and regulations, or resulting from the risk of fraud or error;
- to ensure the reliability of the financial information and compliance with laws and regulations, particularly in the area of producing accounting and financial information.
- By helping to prevent and manage the risks to which the Group is exposed, the purpose of the internal control system is to facilitate the Group's sustainable economic development in a control environment that is adapted to its businesses.

Risk management and internal control are subject to limits arising from many factors, including uncertainties in the outside world, the exercise of judgement, or dysfunctions that may occur due to technical or human failure, or simple mistakes.

Risk management choices are made by weighing the opportunities against the cost of risk management measures, with due consideration of their potential effects on the occurrence and/or consequences of the risk.

Risk management process

The internal control procedures form part of the ongoing process of identification, evaluation and control of the Company's risks. The risk management and internal control mechanism is based on the internal control reference framework laid down by the AMF. This mechanism covers the following components: control environment (integrity, ethics, skills, etc.), risk assessment (identification, analysis and management of risks), control activities (standards and procedures), information and communication (gathering and exchanging of information) and guidance (monitoring and any changes to the processes).

As part of an ongoing drive to improve the internal control system, the Group continued with its efforts in 2018 by notably taking the following actions:

- implementation of the training course on the prevention of corruption;
- the set of standards and procedures was enhanced (purchase of goods, management of cash flow, management of store inventories): the process for identifying and managing risks made it possible to classify risks by means of mapping, ranking them by likelihood of occurrence and estimated impact on the Group.

A review of major risks at parent company level and in the store network is carried out by the Group's Internal Control Department in collaboration with the Group's various management bodies in order to identify major risks, the assessment of which includes:

- assessment of the inherent and residual risk;
- the principal causes and consequences of the risk;
- the processing of risk aimed at improving the internal control system (there are four possible ways of processing: conservation, reduction, outsourcing, abandonment);
- written action plans aimed at reducing the level of residual risk.

The aim of this is to define action plans, tailored to the Group's business and designed to improve its systems through better efficiency and broader coverage.

Risk management and internal control specific to financial and accounting information

In addition to the risk management approach described above, which applies to all other Group Departments, the Finance Department is responsible for defining and implementing the internal control system specific to the preparation and publication of accounting and financial information.

The internal financial and accounting control system aims to ensure:

- compliance of published financial and accounting information with the applicable rules;
- the reliability of information disseminated and used internally for management or control purposes insofar as the information contributes to the preparation of published accounting and financial information;
- the reliability of the published accounts and other information communicated to the market;
- the safeguarding of assets;
- the prevention and detection, as far as possible, of fraud and accounting and financial irregularities.

The scope of the internal accounting and financial control system, described below, includes the parent company and the companies included in its consolidated financial statements.

Organisation of and responsibility for the production of accounting and financial information

The accounts of the Group's subsidiaries are drawn up under the supervision of the Group's Finance Department.

The consolidated half-yearly and annual results are prepared by the Accounts Department and validated by the Finance Department.

The preparation of the Group's consolidated financial statements is a process carried out by the Accounts Department (also responsible for accounting standards), based on the "restated" accounts of the Group's companies, prepared in accordance with the IFRS and its interpretations as adopted by the European Union. Through its centralised accounting and financial organisation, the Group has acquired the means to ensure that accounting and financial information is in compliance with current legislation and standards, with a view to giving shareholders and third parties the means to assess changes in the performance and asset value of the Company.

The Accounts Department draws up the Group's consolidated accounts, which meet the internal management requirements and the external publication requirements for the half-yearly and annual closing. It also draws up the restated financial statements of the subsidiaries. It takes into account the work of the Statutory Auditors, who, under the terms of their assignment, present recommendations to the Finance Department and the Audit Committee concerning internal control.

Asset control systems are based on annual inventories of stocks held by the Group (stores and warehouses). These inventories are carried out according to strict procedures in terms of separation of tasks and checking the counts, which guarantee their reliability. Group Management ensures that the assets are properly monitored and protected. The separation of tasks, the use of common tools and the centralisation of the processing of financial flows make it possible to limit the risk of errors or fraud.

The investment and financing guidelines and the assessment of counterparty risks to which the Group is exposed as a result of its operations on the financial markets are validated by the Finance Department.

The Head of Investor Relations, reporting to the Finance Department, is responsible for all communications with investors and financial market authorities. The Finance Department coordinates the drafting of the annual Registration Document and ensures compliance with the planning, preparation and dissemination of financial communication.

The Management Control Department is responsible for the preparation and presentation of summary financial data in terms of analyses of results or forecasts.

The Internal Control Department is committed to constantly updating internal management procedures in order to keep them in line with changing organisational structures. It monitors the effectiveness of control systems and manages risk management systems.

Lastly, the implementation of the Maisons du Monde Group's internal control system is part of a continuous improvement process aimed at ensuring the dissemination and formal adoption of best practices in risk management within the Group.

The objective of the Group is to pursue the optimisation and formal adoption of existing systems.

Research and Development activities

We inform you that the Company carried out no research and development activity during the financial year just ended.

Information on supplier payment terms

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we present the information relating to supplier and customer payment terms:

	Article D. 441 I 1: Invoices received, unpaid and overdue at the reporting date						Article D. 441 I 2: Invoices issued, unpaid and overdue at the reporting date					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment categories												
Number of invoices concerned	10					12	0					0
Total amount of invoices concerned, excl. tax	50,716	784	666	3,102	12,520	17,072	-	-			-	-
Percentage of the total amount of purchases for the year	1.49%	0.02%	0.02%	0.09%	0.37%	0.50%						
Percentage of revenue for the year							0%	0%	0%	0%	0%	0%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and claims												
Number of invoices excluded												
Total amount of invoices excluded, excl. tax												
(C) Reference payment terms used (contractual or legal term – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calculate late payment												

Subsidiaries and holdings

Subsidiaries

As of 31 December 2018, the Company directly or indirectly controlled the following entities:

- Wholly-owned companies:
  - Maisons du Monde France S.A.S. registered with the Nantes Trade & Companies Registry under number 393,196,656;
  - Distrimag, SAS registered with the Tarascon Trade & Companies Registry under number 432,547,206;
  - Distri-Meubles, SAS registered with the Tarascon Trade & Companies Registry under number 799,991,732;
  - Distri-Traction, SARL registered with the Tarascon Trade & Companies Registry under number 799,967,443;
  - International Magnolia Company, SARL registered with the Nantes Trade & Companies Registry under number 808,794,176;
  - International MDM Company, SARL registered with the Nantes Trade & Companies Registry under number 809,032,279;
  - Maisons du Monde Allemagne GmbH, subsidiary incorporated under German law, based in Dortmund;
  - Maisons du Monde Belgique Sprl, subsidiary incorporated under Belgian law, based in Arlon;
  - Maisons du Monde España SL, subsidiary incorporated under Spanish law, based in Madrid;
  - Maisons du Monde Italie Spa, subsidiary incorporated under Italian law, based in Milan;
  - Maisons du Monde Luxembourg Sàrl, subsidiary incorporated under Luxembourg law, based in Luxembourg;
  - Maisons du Monde Suisse Sàrl, subsidiary incorporated under Swiss law, based in Fribourg;
  - MDM Furniture & Decoration Limited, subsidiary incorporated under English law, based in London;
  - Mekong Furniture, subsidiary incorporated under Vietnamese law, based in Thu Dau Mot City; Binh Duong Province;
  - Maisons du Monde USA Inc – subsidiary incorporated under US law, based in the State of Delaware.

- Companies between 50% and 100% owned:
  - Chin Chin Limited, a subsidiary based in Hong Kong;
  - Shanghai Chin Chin Furnishing Co. Ltd., a subsidiary based in China;
  - Wujang Chin Chin Furniture Ltd, subsidiary based in China;
  - Wujang Henghui Machinery Company Ltd, subsidiary based in China;
  - Modani Holdings LLC, subsidiary in the State of Florida - Miami;
  - Maisons du Monde Holdings LLC, State of Florida – Miami;
  - MDM Wynwood LLC, State of Florida – Miami.
- Results of subsidiaries at the end of the 2018 financial year:

Revenues, profits and capital other than share capital of subsidiaries and holdings are not disclosed for reasons of confidentiality related to business and industrial strategy.

	Currency	Share capital	Share of capital held (% of detention)	Tax consolidation	Gross carrying amount of investments	Net carrying amount of investments	Loans and advances granted by the Company not yet repaid	Guarantees given by the Company	Dividendes received by the Company during the financial year
Subsidiaries of Maisons du Monde S.A.									
International Magnolia Company	€K	1	100%	yes	1	1	13	n/a	-
Maisons du Monde France	€K	57 376	100%	yes	159 054	159 054	88 913	n/a	69 998
Maisons du Monde USA	USD	45 200	100%	n/a	38 822	38 822	-	n/a	-
Subsidiaries of Maisons du Monde France									
Maisons du Monde Germany	€K	25	100%	n/a	25	25	-	n/a	-
Maisons du Monde Belgium	€K	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Spain	€K	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Italy	€K	120	100%	n/a	100	100	-	n/a	-
Maisons du Monde Luxemburg	€K.	20	100%	n/a	20	20	-	n/a	-
Maisons du Monde Switzerland	KCHF	20	100%	n/a	17	17	-	n/a	-
MDM Furniture & Decoration	KGBP	20	100%	n/a	27	27	-	n/a	-
Distrimag	€K	40	100%	yes	40	40	-	n/a	-
International MDM Company	€K	1	100%	yes	1	1	1	n/a	-
Mekong Furniture	MVND	86 027	100%	n/a	3 189	3 189	-	n/a	-
Chin Chin	KUSD	1	50%	n/a	1	1	-	n/a	-
Subsidiaries of Distrimag									
Distri-Meubles	€K	100	100%	yes	1 703	192	-	n/a	-
Distri-Traction	€K	150	100%	yes	150	150	-	n/a	-
Subsidiary of Chin Chin									
Shangai Chin Chin Furnishing	KCNY	7 715	50%	n/a	1 000	1 000	-	n/a	-
Subsidiary of Shangai Chin Chin Furnishing									
Wujiang Chin Chin Furniture	KCNY	20 000	50%	n/a	20 000	20 000	-	n/a	-

	Currency	Share capital	Share of capital held (% of detention)	Tax consolidation	Gross carrying amount of investments	Net carrying amount of investments	Loans and advances granted by the Company not yet repaid	Guarantees given by the Company	Dividendes received by the Company during the financial year
Subsidiary of Wujiang Chin Chin Furniture									
Wujiang Henghui Machinery	KCNY	1 000	50%	n/a	12 400	12 400	-	n/a	-
Subsidiary of Maisons du monde USA									
Modani Holdings, LLC	KUSD	n/a	70%	n/a	51 541	51 541	7 052	n/a	-
Subsidiaries of Modani Holdings, LLC									
Modani Atlanta, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Boca Raton, LLC	KUSD.	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Brickell, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Chicago, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Dallas, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Doral, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Fort Lauderdale, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Frisco, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Houston, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani King of Prussia, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Los Angeles, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Miami, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani New York, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani New York Midtown, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani OC, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani Paramus, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani San Diego, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani San Francisco, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Modani West Palm Beach, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
SNS Imports, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Urbanmod, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Maisons du Monde Holdings, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-
Subsidiaires of Maisons du Monde Holdings, LLC									
MDM Wynwood, LLC	KUSD	n/a	70%	n/a	n/a	n/a	-	n/a	-

Holdings

In accordance with Article L. 233-6 of the French Commercial Code, it should be noted that no direct and indirect investments were made by the Company or any of its subsidiaries during the last financial year in companies with their registered offices in France.

Internationally, Maisons du Monde acquired a 70% stake in Modani, a company under US law located in the State of Florida.

Proposed appropriation of income

We propose that you approve the annual accounts (balance sheet, income statement and notes thereto) as they are presented and showing a profit of €70,118,589.

We also propose to allocate the income for the financial year as follows:

Net profit for the financial year	€70,118,589
Allocation to the statutory reserve	€(3,505,929)
TOTAL DISTRIBUTABLE AMOUNT	**€66,612,660**
Dividend to the shareholders of €0.47 per share	€21,263,690.18 on the basis of 45,241,894 shares
Allocation to the "Retained earnings" account	€45,348,969.82
TOTAL AMOUNT ALLOCATED	**€66,612,660**

The proposed ex-dividend date is 02 July 2019, with payment on 4 July 2019.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, with the amounts corresponding to the unpaid dividends for treasury shares allocated to "Retained Earnings" and the total amount of dividends adjusted as a result.

We remind you that the proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2° of the French General Tax Code and applicable to natural persons with their tax residence in France. In addition, pursuant to Article 117 quater of the said Code, unless there is an exemption subject to conditions of revenue, dividends received will be subject to a mandatory non-definitive deduction at source of 21%.

Previous dividend distributions

In order to comply with the provisions of Article 243 bis of the French General Tax Code, we remind you that the Company distributed:

- in respect of the 2017 financial year, a dividend amounting to €19,890,269.52, for 45,205,158 dividend-eligible shares, at €0.44 per share, eligible in full for the 40% tax reduction;
- in respect of the 2016 financial year, a dividend of €14,016,029.69, for 45,212,999 dividend-eligible shares, at €0.31 per share, eligible in full for the 40% tax reduction;
- the Company did not distribute any dividend in respect of the 2015 financial year.

Non-deductible tax expenses

In accordance with the provisions of Articles 223 quater and 223 quinquies of the French General Tax Code, we indicate that the non-deductible tax expenditures and income reached an overall amount of €11,400 at the end of the financial year.

This amount corresponds to the non-deductible portion of rents on passenger cars used by the Company, offset by the taxable loss for the same proportion.

Regulated agreements

Agreements entered into over the course of the past financial year

In accordance with Article L. 225-40 of the French Commercial Code, we inform you that the following regulated conventions and commitments referred to in Article L. 225-38 of the French Commercial Code were concluded during the last financial year:

- **Non-compete commitment** set by the Company for Julie Walbaum in the event her term of office is terminated, (*Board of Directors authorisation of 29 June 2018*):
  - benefits to the Company: preservation of the Company's legitimate interests,
  - financial terms: Monthly payment in respect of the non-compete obligation after termination of the term of office of a lump sum equal to 50% of the average gross monthly compensation received during the last 12 months of employment;
- **Term of office agreement** entered into between the Company and Julie Walbaum on the terms and conditions of her term of office as Managing Director, (*Board of Directors authorisation of 29 June 2018*)
  - Benefits to the Company: Preservation of the Company's legitimate interests,
  - Financial terms:
  - gross fixed annual compensation of €400,000 payable over 12 months,
  - payment of a gross variable annual bonus, the target value of which is 60% of the variable compensation, provided the performance conditions are met,
  - benefit of a company vehicle, equivalent to €6,000,
  - benefit of social guarantees, supplementary social protection, liability insurance, unemployment insurance, the entitlement period for which is 12 months,
  - payment in respect of the non-compete obligation after termination of the term of office of a lump sum equal to 50% of the average gross monthly compensation received during the last 12 months of employment.
  - payment in respect of the non-compete obligation after termination of the term of office of a lump sum equal to 50% of the average gross monthly compensation received during the last 12 months of employment;

- **Service agreement** entered into between the Company and Gilles Petit Conseil for the provision of management consultancy, operational management and coaching services to the Senior Management (*Board of Directors authorisation of 29 June 2018*):
  - Benefits to the Company: the support and advice provided to the Company by Gilles Petit Conseil, the Chairman of which is the former Chief Executive Officer of Maisons du Monde,
  - Financial terms: payment of a lump sum of €16,666.67 (excl. VAT) per month for 6 months in 2018, and €8,333.33 (excl. VAT) per month for 12 months in 2019.

Agreements entered into previously which continued during the financial year ended 31 December 2018

We remind you of the agreements entered into and authorised in previous financial years, which continued during the 2018 financial year:

- **Commitment made to Gilles Petit,** Chief Executive Officer: termination benefit *(Board of Directors authorisation of 31 May 2016 – lapsed on 1 July 2018).*

7.2.2 REPORT OF THE BOARD OF DIRECTORS TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

We have also convened this meeting to submit for your approval:

- a plan to reduce the share capital by cancelling treasury shares;
- lastly, a project to update Article 22 of the bylaws on the terms and conditions for the appointment of Alternate Statutory Auditors;

Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks

We propose, under the terms of the 15th resolution, to authorise and grant all powers to the Board of Directors for an 18 month period, to:

- carry out the cancellation, of up to 10% of the share capital per 24 month period, of all or part of the treasury shares held as part of the share buyback programme authorised by the 14th resolution;
- deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves;
- carry out and record the capital reduction transactions, accomplish all acts and formalities for this purpose, modify the bylaws as a consequence.

Terms and conditions for the appointment of the Alternate Statutory Auditors

In accordance with the provisions of Article L. 823-1 of the French Commercial Code, it is only necessary to appoint an alternate statutory auditor when the statutory auditor is a natural person or one-person company.

We therefore propose that you amend Article 22 - "Statutory Auditors" of the bylaws by adding the following terms to paragraph 2 of that Article: "One or more alternate statutory auditors, called to replace the Statutory Auditors in the event of their refusal to act, inability, resignation or death, shall be appointed **at the same time as the statutory auditor(s) and for the same term, when they are natural persons or a single person company.**"

Vertou

22 March 2019

The Board of Directors

7.3 Presentation of the draft resolutions

1st resolution	Approval of the 2018 financial statements
2nd resolution	Approval of the 2018 consolidated financial statements
3rd resolution	Appropriation of profit for the financial year and setting of the dividend
4th resolution	Approval of the regulated conventions and commitments
5th resolution	Approval of a non-compete set for to Julie WALBAUM, Chief Executive Officer
6th resolution	Approval of the elements of compensation due or allocated in respect of the 2018 financial year to Sir Ian CHESHIRE, Chairman of the Board of Directors
7th resolution	Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Sir Ian CHESHIRE, Chairman of the Board of Directors, for the 2019 financial year
8th resolution	Approval of the components of compensation due or allocated for the 2018 financial year to Mr Gilles PETIT, Chief Executive Officer, for the six-month period ended 30 June 2018
9th resolution	Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind attributable to Mrs Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018
10th resolution	Approval of the components of compensation due or allocated for the 2018 financial year to Mrs Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018
11th resolution	Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Mrs Julie WALBAUM, Chief Executive Officer, for the 2019 financial year
12th resolution	Appointment of Julie WALBAUM as Director
13th resolution	Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors
14th resolution	Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company
15th resolution	Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks
16th RESOLUTION	Terms and conditions for the appointment of the Alternate Statutory Auditors and corresponding amendment of the Bylaws
17th resolution	Powers to carry out the formalities

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7.3.1 RESOLUTIONS WITHIN THE POWERS OF THE ORDINARY SHAREHOLDERS' MEETING

1ST RESOLUTION Approval of the 2018 financial statements

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken note of the Board of Directors' Management Report, the Board's Report on Corporate Governance and the Statutory Auditors' Report, approves the annual financial statements of the Company for the financial year ended 31 December 2018, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports.

In application of Article 223 quater of the French General Tax Code, the Shareholders' Meeting approves the amount of expenditures and costs referred to in Article 39-4 of the French General Tax Code amounting to €11,400 for the past financial year ended 31 December 2018.

2ND RESOLUTION Approval of the 2018 consolidated financial statements

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken note of the Board of Directors' Management Report, the Board of Directors Report on Corporate Governance and the Statutory Auditors' Report, approves the Company's consolidated financial statements for the financial year ended 31 December 2018, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports.

3RD RESOLUTION Appropriation of profit for the financial year and setting of the dividend

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, decides to allocate the income for the financial year ended 31 December 2018 as follows:

Net profit for the financial year	€70,118,589
Allocation to the statutory reserve	€(3,505,929)
TOTAL DISTRIBUTABLE AMOUNT	**€66,612,660**
Dividend to the shareholders of €0.47 per share	€21,263,690.18 on the basis of 45,241,894 shares
Allocation to the "Retained earnings" account	€45,348,969.82
TOTAL AMOUNT ALLOCATED	**€66,612,660**

The Shareholders' Meeting decides that the ex-dividend date will be 2 July 2019 with payment on 4 July 2019.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, and the amounts corresponding to the unpaid dividends for treasury shares will be allocated to "Retained Earnings" and the total amount of dividends adjusted as a result.

The Shareholders' Meeting duly notes that the shareholders have been informed of the following terms and conditions:

- since 1 January 2018, the income distributed is subject upon payment to a flat tax of 30% (12.8% for income tax and 17.2% for social contributions);
- individuals belonging to a tax household whose reference income tax for the penultimate year is under €50,000 (single, divorced or widowed taxpayers) or €75,000 (taxpayers subject to joint taxation) may ask to be exempted from the 12.8% income tax charge; it is the responsibility of the shareholder to submit the exemption request no later than 30 November of the year preceding the payment of the dividend;
- progressive taxation of dividends remains an option and must be indicated on the tax return; in this case, the flat rate of 12.8% will be deducted from the tax payable. The 40% rebate will be maintained but social contributions will be based on the amount before the rebate;
- the proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2° of the French General Tax Code and applicable to natural persons with their tax residence in France.

The Shareholders' Meeting duly notes, in accordance with the provisions of Article 243 bis paragraph 1 of the French General Tax Code, that the Company distributed:

- in respect of the 2017 financial year, a dividend amounting to €19,890,269.52, for 45,205,158 dividend-eligible shares, at €0.44 per share, eligible in full for the 40% tax reduction;

- in respect of the 2016 financial year, a dividend of €14,016,029.69, for 45,212,999 dividend-eligible shares, at €0.31 per share, eligible in full for the 40% tax reduction;
- the Company did not distribute any dividend in respect of the 2015 financial year.

4TH RESOLUTION Approval of the regulated conventions and commitments

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken note of the Statutory Auditors' Special Report on conventions and commitments referred to in Article L. 225-38 of the French Commercial Code, approves the regulated conventions and commitments in this report, entered into during the past financial year ended 31 December 2018.

5TH RESOLUTION Approval of a non-compete set for to Julie WALBAUM, Chief Executive Officer

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken note of the Statutory Auditors' Special Report on conventions and commitments referred to in Article L. 225-38 of the French Commercial Code, and in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, approves the non-compete commitment set for Julie WALBAUM, Chief Executive Officer, in the event her term of office is terminated.

6TH RESOLUTION Approval of the elements of compensation due or allocated in respect of the 2018 financial year to Sir Ian CHESHIRE, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and in accordance with the AFEP-MEDEF Code of Corporate Governance for listed companies, approves the elements of compensation due or granted in respect of the 2018 financial year to Sir Ian Cheshire, Chairman of the Board of Directors, as presented in the Company's Registration Document and Annual Financial Report.

7TH RESOLUTION Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Sir Ian CHESHIRE, Chairman of the Board of Directors, for the 2019 financial year

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' Report on the compensation policy for Executive Directors, prepared in application of Article L. 225-37-2 of the French Commercial Code, approves the elements of the compensation policy applicable to Sir Ian CHESHIRE, Chairman of the Board of Directors, as presented in the Registration Document and the Annual Financial Report of the Company.

8TH RESOLUTION Approval of the components of compensation due or allocated for the 2018 financial year to Mr Gilles PETIT, Chief Executive Officer, for the six-month period ended 30 June 2018

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and in accordance with the AFEP-MEDEF Code of Corporate Governance for listed companies, approves the components of the compensation due or granted for the 2018 financial year, for the six-month period ended 30 June 2018 to Mr Gilles PETIT, Chief Executive Officer, as presented in the Registration Document and the Annual Financial Report of the Company.

9TH RESOLUTION Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind attributable to Mrs Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' Report on the compensation policy for Executive Directors, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Mrs Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018, as presented in the Registration Document and the Annual Financial Report of the Company.

10TH RESOLUTION Approval of the components of compensation due or allocated for the 2018 financial year to Mrs Julie WALBAUM, Chief Executive Officer, for the six-month period ended 31 December 2018

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Code of Corporate Governance for listed companies, approves the components of the compensation due or granted for the 2018 fiscal year, for the six-month period from 1 July 2018 to 31 December 2018 to Julie WALBAUM, Chief Executive Officer, as presented in the Registration Document and the Annual Financial Report of the Company.

11TH RESOLUTION Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits in kind to be allocated to Mrs Julie WALBAUM, Chief Executive Officer, for the 2019 financial year

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' Report on the compensation policy for Executive Directors, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Julie WALBAUM, Chief Executive Officer, for the 2019 financial year, as presented in the Registration Document and The Annual Financial Report of the Company.

12TH RESOLUTION Appointment of Julie WALBAUM as Director

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, resolves to appoint Julie WALBAUM as director for a four (4) year period. The term of office of Mrs WALBAUM will expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2022.

13TH RESOLUTION Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken due note of the Board of Directors' Report on corporate governance, sets, for the current financial year, the maximum amount of directors' fees to be divided among the members of the Board of Directors at €500,000.

14TH RESOLUTION Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, having taken due note of the Board of Directors' Management Report:

1. authorises the Board of Directors, with the power to sub-delegate under the terms provided by the law, in accordance with the provisions of Articles L. 225-209 *et seq*. of the French Commercial Code, Articles 241-1 to 241-5 of the General Regulation of the Autorité des marchés financiers (the AMF), Article L. 451-3 of French Financial and Monetary Code, Regulation (EC) No. 596/2014 of the European Commission of 16 April 2014, of delegated regulation 2016/1052 of 8 March 2016 and of the market practices allowed by the AMF, to acquire, through one of more transactions and at such times as it may decide, a number of company shares that may not exceed 10% of the total number of shares forming the Company's capital at any given time, i.e. 4,524,189 shares, with a view to:

- cancelling them, subject to the adoption of the 15th resolution by the Shareholders' Meeting, or
- holding them for future delivery by way of exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company, or
- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company, or
- implementing stock option plans, or free share allocation plans, or employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 *et seq.* of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount, or shares allocations for the benefit of employees and/or executive corporate officers of the Company and related companies, in accordance with the applicable legal and regulatory provisions, or
- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the AMF,
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the AMF;

2. resolves to set the maximum purchase price per share at €40 excluding costs (or the equivalent of this amount at the same date in any other currency). Given the number of shares forming the share capital at 31 December 2018, the cumulative amount of purchases net of costs may not exceed the sum of €180.9 million;

3. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

4. resolves that the shares may, in whole or in part, be acquired, assigned, exchanged or transferred, in one or more transactions, by any means authorised by the regulations in force now or in the future, in any market, including multilateral trading facilities (MTF) or *via* a systematic internaliser, or over the counter, including through the acquisition or disposal of blocks of shares (without limiting the portion of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force;

5. grants all such powers to the Board of Directors, with the power to sub-delegate under the terms provided by the law, as may be needed in order for it, in compliance with the relevant legal and regulatory provisions, to carry out permitted reallocations of shares bought back with a view to one of the objectives of the programme, to one or more of the its other objectives, or to sell them, in the market or otherwise, it being stipulated that such reallocations and sales may concern shares bought back under authorisations of previous programmes.

Consequently, all such powers as may be necessary are conferred on the Board of Directors, with the power to sub-delegate under the terms provided by the law, for it to decide on and implement this authorisation and establish the relevant procedures, subject to the law and to the terms of this resolution, and in particular to give all such stock exchange orders, enter into all such agreements, notably for the keeping of registers of purchases and sales of shares, make all such declarations to the AMF or any other authority, issue all such documents, particularly information documents, complete all such formalities, and in general perform all such actions as may be necessary.

The Board of Directors must inform the Ordinary Shareholders' Meeting of the transactions carried out by virtue of this authorisation, under the terms established by law;

6. sets at 18 months from the date of this Shareholders' Meeting the duration of the validity of this delegation which cancels, for the unused amounts, and replaces the delegation granted by the 12th resolution of the Shareholders' Meeting of 18 May 2018.

7.3.2 RESOLUTIONS WITHIN THE POWERS OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

15TH RESOLUTION Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks

The Shareholders' Meeting, deliberating with the quorum and majority required for Extraordinary Shareholders' Meetings, having taken note of the Statutory Auditors' Special Report, in accordance with the provisions of Articles L. 225-209 of the French Commercial Code:

1. authorises the Board of Directors to cancel, through one or more transactions, within the limit of 10% of the total shares forming the share capital existing at the date of the transaction, per 24-month period, all or part of the shares that the Company holds or might hold, to reduce the share capital accordingly and to deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves, including the legal reserve for up to 10% of the cancelled share capital;

2. authorises the Board of Directors to reduce the share capital accordingly; and

3. resolves that the Board of Directors shall have all such powers, with the power to delegate them under the terms provided by the law, as may be necessary in order to implement this resolution, and in particular:

- to establish the definitive amount of this or these capital reduction(s), set its/their terms and record its/their execution,
- to amend the bylaws accordingly, and
- to perform all such formalities, carry out all such procedures and make all such declarations as may be necessary with any entities or bodies, and in general to perform all such acts as may be necessary.

This authorisation replaces that granted by the Shareholders' Meeting of 18 May 2018, and is granted for a duration of 18 months from the date of this Meeting.

16th RESOLUTION Terms and conditions for the appointment of the Alternate Statutory Auditors and corresponding amendment of the Bylaws

The Shareholders' Meeting, deliberating with the quorum and majority required for Extraordinary Shareholders' Meetings, and having taken note of the Board of Directors' Report and in accordance with the provisions of Article L. 823-1-I paragraph 2 of the French Commercial Code in connection with terms and conditions for the appointment of the Alternate Statutory Auditors.

Resolves to amend paragraph 2 of Article 22 of the bylaws as follows:

"One or more alternate statutory auditors, called to replace the statutory auditors in the event of their refusal to act, inability, resignation or death, shall be appointed at the same time as the statutory auditor(s) and for the same term, when they are natural persons or a single person company.";

The rest of Article 22 remains unchanged.

17TH RESOLUTION Powers to carry out the formalities

The Shareholders' Meeting grants all powers to the holder of an original, copy or certified extract of the minutes of this meeting, to accomplish all formalities of Registration, publication or all other required formalities.

7.4 Statutory Auditors' Report on Related Party Agreements and Commitments.

This is a free translation into English of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Statutory Auditors' Report on Related Party Agreements and Commitments

Annual general meeting held to approve the financial statements for the year ended 31 December 2018

To the Shareholders,

As Statutory Auditors of your Company, we hereby present our report on related party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose and benefits to the Company of the agreements and commitments brought to our attention or which we encountered during our engagement. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements and commitments exist. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the merit of these agreements and commitments with a view to approving them.

In addition, it is our responsibility, where appropriate, to inform you, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), of the agreements and commitments approved at the Annual General Meeting in prior financial years.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Those standards require that we plan and perform our work to verify that the information provided to us is consistent with the documents from which it was derived.

Agreements and commitments submitted for approval at the annual general meeting

Agreements and commitments authorised and signed during the financial year

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we hereby inform you that we were advised of the following agreements and commitments signed during the financial year following prior authorisation by your Board of Directors.

Mandate agreement between the Company and Ms Julie Walbaum

Authorisation: Board of Directors meeting on 29 June 2018,

Person concerned: Julie Walbaum, Chief Executive Officer,

Nature and purpose: Set the terms and conditions governing Julie Walbaum's term of office as Chief Executive Officer,

Benefits to the Company:

- Preservation of the Company's legitimate interests,
- *Terms and Conditions:* Fixed annual gross compensation of €400,000 payable over a 12-month period,
- A gross annual variable bonus whose target value is 60% of variable compensation, subject to performance conditions,
- Use of a company car corresponding to a benefit in kind of €6,000,
- Supplementary health and retirement benefits, civil liability insurance, unemployment insurance guaranteeing indemnities over a 12-month period,
- In exchange for compliance with a non-compete obligation after termination of her term of office, a flat-rate indemnity equal to 50% of average gross monthly compensation paid in the 12 months preceding termination of the term of office.

Non-compete obligation in the event of termination of Ms Julie Walbaum's term of office

Authorisation: Board of Directors meeting on 29 June 2018,

Person concerned: Julie Walbaum, Chief Executive Officer,

Benefits to the Company: Preservation of the Company's legitimate interests,

Terms and Conditions: In exchange for compliance with a non-compete obligation after termination of her term of office, a flat-rate monthly indemnity equal to 50% of average gross monthly compensation paid in the 12 months preceding termination of the term of office.

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Service agreement between the Company and Gilles Petit Conseil

Authorisation: Board of Directors meeting of 29 June 2018,

Person concerned: Gilles Petit, director of the Company and Chairman and Sole Shareholder of Gilles Petit Conseil,

Nature and purpose: Provision of consultancy services (including operational management and coaching) to Management,

Benefits to the Company: Consultancy and support services provided by Gilles Petit Conseil, whose Chairman is the former Chief Executive Officer of Maisons du Monde,

Terms and Conditions: Payment of a monthly flat-rate sum of €16,666.67 excluding tax for six months in 2018, and of €8,333.33 excluding tax for 12 months in 2019.

Agreements and commitments previously approved at annual general meetings

Agreements and commitments approved in prior years, which continued to apply during the financial year

In accordance with Article R.225-30 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments, which were approved at Annual General Meetings in prior years and continued to apply in the financial year.

Commitment with regard to the CEO: termination indemnity

Authorisation: Board of Directors meeting of 31 May 2016,

Person concerned: Gilles Petit, Director and CEO,

Nature and purpose: Termination indemnity paid to the CEO in the event of termination of his term of office, except for gross misconduct or mismanagement resulting in criminal prosecution,

Benefits to the Company: Payment of the indemnity conditional upon the Group achieving revenue growth,

In the event his term of office is terminated after 1 January 2018, 50% of the sum equivalent to 24 months of average gross monthly compensation (which includes variable and fixed compensation, excluding the exceptional bonus received in connection with the planned IPO), calculated as the sum of (A) the monthly average fixed compensation paid in the 24 months preceding termination of the term of office (or as of 7 September 2015, the date Mr Gilles Petit was appointed Chairman of the Company, as a Private Limited Liability Company, if his term of office is terminated before the expiry of a 24-month period from that date); and (B) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received in connection with the planned IPO (or the last annual variable compensation payment if only one payment was made at the date of termination of Mr Gilles Petit's term of office),

Commitment null and void as of 1 July 2018.

Nantes and Paris - La Défense, 25 March 2019

The statutory auditors

KPMG AUDIT Department of KPMG S.A. Gwénaël CHEDALEUX	Deloitte & Associés Jean Paul SEGURET

7

Additional information

8

8.1 Persons responsible

8.1.1 IDENTITY AND FUNCTION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Julie Walbaum
Chief Executive Officer

8.1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT INCORPORATING THE ANNUAL FINANCIAL REPORT

"I hereby declare that, having taken all reasonable measures to this end, the information contained in this Registration Document is, to the best of my knowledge, correct and that it does not contain any omission liable to alter its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and that they give a true and fair view of the assets, financial position and results of the Company and of all the companies included in the consolidation, and that the Management Report, referenced in the cross-reference table on page 311 of the Registration Document gives a true picture of business developments, the results and financial position of the Company and of all companies included in the consolidation, as well as a description of the main risks and uncertainties facing them.

I have obtained from the statutory auditors a letter of completion in which they indicate that they have verified the information concerning the financial position and the financial statements given in this Registration Document, and that they have read the entire Registration Document."

17 April 2019,
Julie Walbaum,
Chief Executive Officer

8.1.3 PERSON RESPONSIBLE FOR FINANCIAL REPORTING

Arnaud Louet
Chief Financial Officer

MAISONS DU MONDE
Le Portereau Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France

Tel.: +33 (0) 2 51 71 17 17
E-mail: investor.relations@maisonsdumonde.com
Website: https://corporate.maisonsdumonde.com

8.2 Persons responsible for auditing the financial statements

8.2.1 INFORMATION ON THE STATUTORY AUDITORS

Statutory auditors

KPMG SA

Represented by Gwenael Chedaleux

Registered member of the Compagnie Régionale des comptes de Versailles.

3 Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Continuing in force since the financial year ended 31 December 2014, the authorisation granted to EXCO BRETAGNE ABO (in the Company's bylaws), which was absorbed by KPMG SA, until KPMG SA's expiration date, or until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ended 31 December 2019.

Deloitte & Associés

Represented by Jean Paul Séguret

Registered member of the Compagnie régionale des comptes de Versailles.

185 avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

Alternate statutory auditors

Salustro Reydel

Registered member of the Compagnie Régionale des comptes de Versailles.

3 Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Appointed at the Shareholders' Meeting of 30 June 2015 for the remaining term of the resigning predecessor, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

CISANE

Registered member of the Compagnie Régionale des comptes de Versailles.

185 avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, i.e. until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

8.2.2 STATUTORY AUDITOR'S FEES

For more information, see note 38 of Section 5.1.6 "Notes to the consolidated financial statements" of this Registration Document.

8.3 Investor relations and documents on display

8.3.1 INVESTOR RELATIONS

The Investor Relations Department is responsible for the Group's financial communication. It also manages relations with financial analysts, institutional investors and shareholders of the Company, including individual shareholders. Throughout the year, The Investor Relations Department maintains regular contact with the financial community and ensures that the market has the most up-to-date and comprehensive information possible in order to correctly grasp the Company's business model, strategy and financial outlook. These exchanges and the disclosure of financial information are carried out in strict compliance with market regulations and the principle of equality of treatment and information for investors.

The Group organises conference calls for financial analysts and institutional investors as part of the release of its annual and interim results. Individual meetings between officers of the Company and institutional investors are also held several times a year at roadshows and conferences organised by financial intermediaries in France and internationally.

During 2018, meetings were organised in France and in several countries in Europe (Germany, Spain, Italy, United Kingdom, Sweden, Switzerland), and North America (United States, Canada).

Investor Relations contact
Laurent Sfaxi
Head of Investor Relations
MAISONS DU MONDE

Le Portereau
Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France
Tel.: +33 (0) 2 51 71 17 17
E-mail: investor.relations@maisonsdumonde.com
Website: https://corporate.maisonsdumonde.com

8.3.2 FINANCIAL INTERMEDIARY FOR REGISTERED SHAREHOLDERS

Maisons du Monde has entrusted the management of registered shareholder accounts to Société Générale Securities Services.

SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES
32, rue du Champ-de-Tir
BP 81236 44312 Nantes Cedex 3
France
Tel.: +33 (0) 2 51 85 50 00
Website: www.securities-services.societegenerale.com

8.3.3 INDICATIVE FINANCIAL COMMUNICATION CALENDAR

Maisons du Monde's indicative financial communication calendar for 2019 is as follows:

Date	Event
12/03/2019	Full year 2018 results
17/04/2019	Filing of the 2018 Registration Document with the AMF
09/05/2019	First quarter 2019 sales
03/06/2019	Combined Shareholders' Meeting
18/06/2019	Capital Markets Day
02/07/2019	Ex-coupon date
03/07/2019	Release of positions for setting the dividend payment
04/07/2019	Payment of the dividend
29/07/2019	First half 2019 results
30/10/2019	Third quarter 2019 sales

8.3.4 2018 ANNUAL INFORMATION DOCUMENT

For 2018, the list of press releases and financial documents published by Maisons du Monde is as follows (information available on the Company's website: https://corporate.maisonsdumonde.com):

Date	Topic
02/01/2018	Monthly information on voting rights and shares comprising the share capital for December 2017
02/01/2018	Monthly information on treasury share buybacks for December 2017
08/01/2018	Half-yearly summary of the liquidity contract at 31 December 2017
05/02/2018	Monthly information on voting rights and shares comprising the share capital for January 2018
05/02/2018	Monthly information on treasury share buybacks for January 2018
06/03/2018	Full year 2017 results
12/03/2018	Maisons du Monde: Information
12/03/2018	Monthly information on voting rights and shares comprising the share capital for February 2018
12/03/2018	Monthly information on treasury share buybacks for February 2018
03/04/2018	Monthly information on voting rights and shares comprising the share capital for March 2018
03/04/2018	Monthly information on treasury share buybacks for March 2018
20/04/2018	Weekly information on the share buyback programme - week of 16 to 20 April 2018
20/04/2018	Publication of 2017 Registration Document
20/04/2018	Press release on the compensation of the Chief Executive Officer
03/05/2018	First quarter 2018 sales
03/05/2018	Maisons du Monde accelerates its international expansion and gains a foothold in the United States with the acquisition of Modani
03/05/2018	Management evolution to lead Maisons du Monde into a new phase
15/05/2018	Monthly information on voting rights and shares comprising the share capital for April 2018
15/05/2018	Monthly information on treasury share buybacks for April 2018
07/06/2018	Details of the 2018-2019 share buyback programme
07/06/2018	Monthly information on voting rights and shares comprising the share capital for December 2018
07/06/2018	Monthly information on treasury share buybacks for May 2018
21/06/2018	Notice to holders of the OCEANEs due 2023 (FR0013300381) - adjustment to the conversion/exchange ratio
29/06/2019	Management transition
09/07/2018	Half-yearly summary of the liquidity contract at 30 June 2018
09/07/2018	Monthly information on voting rights and shares comprising the share capital for June 2018
09/07/2018	Monthly information on treasury share buybacks for June 2018
30/07/2018	First half 2018 results
06/08/2018	2018 Half-year report
13/08/2018	Monthly information on voting rights and shares comprising the share capital for July 2018
13/08/2018	Monthly information on treasury share buybacks for July 2018
13/08/2018	Weekly information on the share buyback programme - week of 30 July to 3 August 2018
13/08/2018	Weekly information on the share buyback programme - week of 6 to 10 August 2018
20/08/2018	Weekly information on the share buyback programme - week of 13 to 17 August 2018
27/08/2018	Weekly information on the share buyback programme - week of 20 to 24 August 2018
05/09/2018	Monthly information on voting rights and shares comprising the share capital for August 2018
05/09/2018	Monthly information on treasury share buybacks for August 2018
01/10/2018	Monthly information on voting rights and shares comprising the share capital for September 2018
01/10/2018	Monthly information on treasury share buybacks for September 2018
06/11/2018	Monthly information on voting rights and shares comprising the share capital for October 2018
06/11/2018	Monthly information on treasury share buybacks for October 2018
07/11/2018	Third quarter 2018 sales
04/12/2018	Monthly information on voting rights and shares comprising the share capital for November 2018
04/12/2018	Monthly information on treasury share buybacks for November 2018

8.3.5 DOCUMENTS ON DISPLAY

The documents relating to the Company to be made available to the public, and in particular the bylaws, minutes of General Meetings, Statutory Auditors' Reports and other corporate documents, as well as historical financial information, may be consulted in accordance with the applicable law at the registered office of the Company (Maisons du Monde, Le Portereau 44120 Vertou). Regulated information within the meaning of the provisions of the General Regulation of the AMF, is also available on the website of the Company (https://corporate.maisonsdumonde.com).

8.4 Information incorporated by reference

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is incorporated by reference into this Registration Document:

- the consolidated financial statements of Magnolia (BC) Midco SARL for the years ended 31 December 2015 and 31 December 2014 and the associated Statutory Auditors' Report, as presented in paragraphs 20.1.1 and 20.1.2 respectively of the Base Document registered with the Autorité des marchés financiers on 18 April 2016 under number I-16-022;
- the review of the financial position and earnings of the Company presented in Chapter 9 of the base document registered with the AMF on 18 April 2016 under number I-16-022;
- The consolidated financial statements of the Company for the year ended 31 December 2016 and the associated Statutory Auditors' Report, as presented in Chapter 5 of the 2016 Registration Document registered with the Autorité des marchés financiers on 25 April 2017 under number R-17-022.

The Base Document filed with the AMF on 18 April 2016 under number I. 16-022 is available on the website of the Company (https://corporate.maisonsdumonde.com) and of the Autorité des marchés financiers (www.amf-france.org).

The 2016 Registration Document filed with the AMF on 25 April 2017 under number R-17-022 is available on the website of the Company (https://corporate.maisonsdumonde.com) and of the Autorité des marchés financiers (www.amf-france.org).

8.5 Information on the Group's business and markets, and third party information

This Registration Document contains statistics, data and information on the Group's businesses and markets, including information on the size, historical developments and outlook for these markets, the Group's market positions and the competitive environment, as well as other segment and macroeconomic information. Unless otherwise specifically indicated to the contrary, this information was obtained from third parties, including publicsources, such as the Banque de France, INSEE (the French national institute of statistics and economic studies) and IPEA (the French institute for the outlook and studies on the Furniture market). To the best of the Group's knowledge, no facts have been omitted which would render the information provided inaccurate or misleading.

8.6 Material contracts

8.6.1 SHAREHOLDERS' AGREEMENT WITH SDH LIMITED

In 2006, the Group signed a shareholder's agreement with the Hong Kong-based company SDH Limited for the creation of Chin Chin Limited, a limited liability company governed by Hong Kong law, and thereby subscribed to 50% of the share capital. Through its wholly owned subsidiary, Chin Chin Furnishing Company Limited, a limited liability Company governed by Chinese law, Chin Chin Limited manufactures and sells products under the “Maison du Monde” brand.

For more information, refer to Section 1.4.5 “Description of the Group's business” of this Registration Document.

8.6.2 SENIOR CREDIT FACILITY AND ADDITIONAL CREDIT FACILITY

In connection with its initial public offering, on 18 April 2016, Maisons du Monde contracted a senior credit facility with a banking pool related to the establishment of new senior credit facilities, including a syndicated credit of €250 million and a revolving credit facility of €75 million that were made available to the Group on the settlement and delivery date of the offering.

On 1 March 2017, Maisons du Monde also subscribed an additional €75 million revolving credit facility under the same conditions as those negotiated for the Group's debt refinancing operations in 2016.

8.6.3 SHAREHOLDERS' AGREEMENT WITH NATCO INVESTMENT GROUP INC, MIAMI FINANCIAL CONSULTING INC, AND SWA CAPITAL INC.

On 3 May 2018, at the same time as the acquisition of a 70% stake in Modani, the Group signed a shareholders' agreement with the US companies Natco Investment Group Inc, Miami Financial Consulting Inc and SWA Capital Inc, minority shareholders in Modani.

For more information, refer to note 1 of Section 5.1.6 of the “Notes to the consolidated financial statements” of this Registration Document.

8.7 Cross-reference tables

8.7.1 CROSS-REFERENCE TABLE OF THE REGISTRATION DOCUMENT

The following cross-reference table identifies the main items mentioned in Annex 1 of Commission Regulation (EC) No. 809/2004 of 29 April 2004.

No.	Heading of the item as per the regulation	Section(s)	Page(s)
1.	Persons responsible		
1.1	Persons responsible for the information contained in the document	8.1.1	300
1.2	Declaration of the persons responsible for the document	8.1.2	300
2.	statutory auditors		
2.1	Name and address of the statutory auditors of the issuer's accounts	8.2.1	301
2.2	statutory auditors that have resigned, been removed or not reappointed during the period covered	8.2.1	301
3.	Selected financial information		
3.1	Selected historical financial information	1.1 4.2.1	16 163
3.2	Historical financial information for interim periods	N/A	N/A
4.	Risk factors	1.8	50
5.	Information about the issuer		
5.1	History and development of the Company	1.2	18
5.1.1	Legal and commercial name of the issuer	6.1	266
5.1.2	Place and registration number of the issuer's	6.1	266
5.1.3	Date of incorporation and duration of the issuer	6.2	267
5.1.4	Domicile and legal form of the issuer, legislation governing its activities, country of incorporation, address and telephone number of its registered office	6.1	266
5.1.5	Important events in the development of the issuer's business	1.2 4.1 6.3.2	18 162 268
5.2	Investments		
5.2.1	Principal investments made by the issuer	1.6.1	48
5.2.2	Current principal investments of the issuer	N/A	N/A
5.2.3	Principal investments to be made by the issuer in the future	1.6.2	48
6.	Overview of activities		
6.1	Principal activities		
6.1.1	Nature of the transactions carried out by the issuer and its principal activities	1.4.1 1.4.5	21 33
6.1.2	New products and/or major services launched on the market	1.4.4	30
6.2	Main markets	1.4.2	23
6.3	Exceptional events affecting the information provided in accordance with points 6.1 and 6.2	N/A	N/A
6.4	Degree of dependency of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	1.7	49
6.5	Basis on which the issuer declares its competitive position	1.4.3	27
7.	Organisational chart		
7.1	Description of the Group and the position occupied by the issuer	1.3.1	19
7.2	List of the issuer's significant subsidiaries	1.3.2	20
8.	Intellectual property, plant and equipment		
8.1	Existing or planned significant items of property, plant and equipment, including leased properties, and major encumbrances thereon	1.5 5.1.6 – Note 17	47 211

No.	Heading of the item as per the regulation	Section(s)	Page(s)
8.2	Environmental issues liable to affect the issuer's use of its property, plant and equipment	2.2 2.3 2.4	82 89 92
9.	Review of financial position and earnings		
9.1	Financial condition of the issuer, changes in the financial condition and the results of operations carried out during each financial year and interim period for which historical financial information	4.2	163
9.2	Operating results		
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	4.2.3 4.2.4	165 166
9.2.2	Reasons for material changes in net sales or net revenues	4.2.2	164
9.2.3	Policies or factors of a governmental, economic, fiscal, monetary or political nature that have materially affected or could materially affect, directly or indirectly, the issuer's operations	1.8	50
10.	Capital resources		
10.1	Information on the issuer's capital resources	4.3 5.1.6 – Note 27	169 217
10.2	An explanation of the sources and amounts of cash flows of the issuer and description of said cash flows	4.3.1 4.3.2	169 170
10.3	Information on the issuer's borrowing requirements and funding structure	5.3.3 – Notes 10 5.3.3 – Note 11	249 251
10.4	Information on any restrictions on the use of capital that have materially affected or could materially affect, directly or indirectly, the issuer's operations	N/A	N/A
10.5	Information on the anticipated sources of funds required to meet the commitments referred to in points 5.2.3 and 8.1	4.3	169
11.	Research and development, patents and licenses	1.7	49
12.	Trend information		
12.1	The most significant trends in production, sales and inventory, costs and selling prices since the end of the last financial year up to the date of the Registration Document	4.4	170
12.2	Known trends, uncertainties, demands or commitments or events reasonably likely to have a material effect on the issuer's prospects, at least for the current financial year	4.5	171
13.	Profit forecasts or estimates	N/A	N/A
14.	Administrative, Management and Supervisory Bodies and Senior Management		
14.1	Information concerning the members of administrative, management or supervisory bodies	3.1	128
14.2	Conflicts of interest within administrative, management or supervisory bodies and the Senior Management	3.1.2 3.1.3	135 144
15.	Remuneration and benefits		
15.1	Amount of compensation paid and benefits in kind granted by the issuer and its subsidiaries	3.2.1 5.1.6 – Note 37	145 233
15.2	Total amount of provisions set aside or otherwise recognised by the issuer or its subsidiaries to provide pension, retirement or similar benefits	N/A	N/A
16.	Board practices		
16.1	Date of expiration of the current term of office of the members of the administrative, management or supervisory bodies	3.1.2 3.1.3	135 144
16.2	Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or any of its subsidiaries and providing for the granting of benefits	3.2.1	145
16.3	Information on the Audit Committee and the Remuneration Committee	3.1.1	128
16.4	Statement as to whether the issuer complies with the applicable corporate governance regime	3.1.1	128
17.	Employees		
17.1	Number of employees at the end of the period covered by the historical financial information or average number during each financial year of this period and breakdown of employees by main type of activity and geographic location	2.5.1	106
17.2	Profit-sharing and stock options	6.4.4	274
17.3	Agreement providing for the investment by employees in the capital of the issuer	3.2.2	155
18.	Major shareholders		

No.	Heading of the item as per the regulation	Section(s)	Page(s)
18.1	Name of any person other than a member of the administrative, management or supervisory bodies who directly or indirectly has an interest in the share capital or voting rights of the issuer which is notifiable under the issuer's national law, and the amount of each such person's interest	6.4.1	271
18.2	Existence of different voting rights	6.2	267
18.3	Holding or control of the issuer, directly or indirectly, and measures in place to ensure that such control is not abused	6.4.2	272
18.4	Description of arrangements, known to the issuer, whose implementation could, at a subsequent date, result in a change in control of the issuer	6.4.6	274
19.	Related party transactions	3.1.1 5.3.3 – Note 24 7.4	128 256 295
20.	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1	Historical financial information	1.1 5.3.3 – Note 27	16 259
20.2	Pro-forma financial information	N/A	
20.3	Financial statements		174 241
20.4	Auditing of historical annual financial information		
20.4.1	Statement declaring that the historical financial information has been audited	5.3 5.4	237 260
20.4.2	Other information contained in the Registration Document verified by the statutory auditors	N/A	N/A
20.4.3	Indication of the source and the absence of audit of the financial information not drawn from the issuer's audited financial statements contained in the document	N/A	N/A
20.5	Age of latest financial information	8.3.4	303
20.6	Interim and other financial information		
20.6.1	Quarterly or half-yearly financial information	N/A	N/A
20.6.2	Interim financial information	N/A	N/A
20.7	Dividend policy	6.6.1	276
20.7.1	Dividend per share	6.6.2	276
20.8	Legal and arbitration proceedings	1.8.2 5.1.6 – Note 30	64 226
20.9	Significant change in the issuer's financial or trading position since the end of the last financial year	4.4	170
21.	Additional information		
21.1	Share capital		
21.1.1	Amount of issued capital	6.3.1	268
21.1.2	Shares not representing capital	N/A	N/A
21.1.3	Shares held by the issuer itself or on its behalf, or by its subsidiaries	6.3.1 6.3.5	268 274
21.1.4	Convertible or exchangeable securities or securities with warrants	4.3.2 5.1.6 – Note 28	170 219
21.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	N/A	N/A
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A	N/A
21.1.7	History of the share capital for the period covered by the historical financial information	6.3.2	268
21.2	Articles of association and bylaws		
21.2.1	Corporate purpose of the issuer	6.2	267
21.2.2	Provisions contained in the issuer's Articles of association, bylaws, a charter or regulation with respect to the members of the administrative, management and supervisory bodies	3.1 6.2	128 267
21.2.3	Rights, preferences and restrictions attached to each class of existing shares	6.2	267
21.2.4	Actions needed to change shareholder rights	6.2	267
21.2.5	Conditions governing the manner in which the Annual and Extraordinary General Meetings of shareholders are called	6.2	267
21.2.6	Provisions of the issuer's Articles of association, bylaws, a charter or regulation that would have an effect of delaying, deferring or preventing a change in control of the issuer	6.4.6	274

No.	Heading of the item as per the regulation	Section(s)	Page(s)
21.2.7	Provisions of the Articles of association, bylaws, a charter or regulations setting the threshold above which any shareholding must be declared	6.4.3	272
21.2.8	Conditions imposed by the Articles of association, bylaws, a charter or regulation governing changes in the capital where such conditions are more stringent than the law	N/A	N/A
22.	**Material contracts**	**8.6**	**305**
23.	**Third party information and statement by experts and declarations of any interest**	**8.5**	**304**
24.	**Documents on display**	**8.3.5**	**304**
25.	**Information on holdings**	**1.3.2** **5.1.6 – Note 39**	**20** **235**

8.7.2 CROSS-REFERENCE TABLE TO THE ANNUAL FINANCIAL REPORT

The following table serves to identify in this Registration Document the elements of the Annual Financial Report provided for in Article L. 451-1-2 of the French Commercial Code and Article 222-3 of the AMF General Regulation.

N°	Information	Section(s)	Page(s)
1.	Annual financial statements	5.3	241
2.	Consolidated financial statements	5.1	174
3.	Management Report containing at least the information referred to in Articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code	8.7.3	311
4.	Statement of the natural persons responsible for the Annual Financial Report	8.1.2	300
5.	Statutory Auditors' Report on the annual financial statements	5.4	260
6.	Statutory Auditors' Report on the consolidated financial statements	5.2	237
7.	Fees of the Statutory Auditors	5.1.6 – Note 38 8.2.2	234 301
8.	Report of the Chairman of the Board of Directors on corporate governance and internal control	3.1 7.2.1	281
9.	Statutory Auditors' Report on the report of the Chairman of the Board of Directors	3.3	158

8.7.3 CROSS-REFERENCE TABLE TO THE MANAGEMENT REPORT

The following table serves to identify in this Registration Document the elements of the Management Report provided for in Articles L. 225-100 *et seq*., L. 232-1.II and R. 225-102 of the French Commercial Code.

8.7.4 CROSS-REFERENCE TABLES FOR THE NON-FINANCIAL PERFORMANCE STATEMENT

This Registration Document contains all the elements required by Article R. 225-102-1 of the French Commercial Code, as set out in the table below.

No.	Information	Section(s)	Page(s)
	Non-financial performance statement		
1.	Business model	Group Profile	10
2.	CSR issues and main risks	2.1.1	74
3.	Vigilance plan	2.2.1	82
	Social, environmental and societal consequences of the activity		
	Social information		
1.	Employment	2.5.1	106
2.	Working hours	2.5.2	110
3.	Social relations and collective agreements	2.5.3	111
4.	Health and safety	2.5.4	112
5.	Training and employability	2.5.5	114
6.	Equal treatment and anti-discrimination policy	2.5.6	117
7.	Promotion and observance of the provisions of the fundamental conventions of the International Labour Organisation	2.2.3	85
	Environmental information		
1.	General policy on environmental matters	2.4	92
2.	Pollution	2.4.5	104
3.	Circular economy	2.4.1	92
4.	Sustainable use of resources	2.2.22.4.2	82 96
5.	Climate change	2.4.3	99
6.	Protection of biodiversity	2.4.5	104
	Societal information		
1.	Territorial, economic and social impact of the activity	2.5.1	106
2.	Stakeholder relations	2.1.5	79
3.	Partnership or philanthropic actions	2.6.1	119
4.	Subcontracting and suppliers	2.2.3	85
5.	Respect for animal welfare	2.2.2	82
6.	Fair trade practices: Measures taken in favour of consumer health and safety	2.2.4	87
7.	Anti-corruption and tax evasion policy	2.4.7	105
8.	Other actions in favour of human rights	2.2.3	85

8.8 Glossary

Glossary

SALES
Represent the revenue from sales of decorative items and furniture through the Group's retail stores, websites and BtoB activities. They mainly exclude (i) customer contribution to delivery costs, (ii) revenue for logistics services provided to third parties, and (iii) franchise revenue. The Group uses the concept of "sales" rather than "total revenue" to calculate growth at constant perimeter, like-for-like growth, gross margin, EBITDA margin and EBIT margin.
SALES GROWTH AT CONSTANT PERIMETER
Represents the percentage change in sales from the Group's retail stores, websites and BtoB activities at constant scope of consolidation between one financial period (n) and the comparable preceding financial period (n-1).
LIKE-FOR-LIKE SALES GROWTH
Represents the percentage change in sales from the Group's retail stores, websites and BtoB activities, net of product returns between one financial period (n) and the comparable preceding financial period (n-1), excluding changes in sales attributable to stores that opened or were closed during either of the comparable periods. Sales attributable to stores that closed temporarily for refurbishment during any of the periods are included.
GROSS MARGIN
Is defined as sales minus cost of sales. Gorss marginis also expressed as a percentage of sales.
EBITDA
Is defined as current operating profit, excluding (i) depreciation, amortisation, and allowance for provisions, (ii) the change in the fair value of derivative financial instruments, and (iii) store pre-opening expenses.
EBIT
Is defined as EBITDA after depreciation, amortisation, and allowance for provisions.
NET DEBT
Is defined as the Group's convertible bonds ("OCEANE"), term loan, revolving credit facilities, finance lease debt, deposits and bank borrowings, net of cash and cash equivalents.
LEVERAGE RATIO
Is defined as net debt divided by EBITDA (including Modani on a pro-forma basis for the period, excluding payables relating to earn-outs and put options).

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