MAISONS DU MONDE

HALF-YEAR 2020 FINANCIAL REPORT

AT 30 JUNE

Contents

Half-Year 2020 Financial Report
at 30 June

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.

Half-year activity report

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1.1 Results of operating activities

1.1.1 KEY METRICS

KEY FINANCIAL METRICS FOR THE FIRST HALF OF 2020

	Six-month period ended 30 June		
(in € millions – IFRS 16)	**2020**	**2019**	***% change***
Sales	**488.9**	**564.0**	***-13.3%***
Maisons du Monde	467.9	543.8	*-13.7%*
% like-for-like change	*(17.3)%*	*+4.4%*	
Modani	19.7	20.3	*-2.8%*
Rhinov	1.3	-	
Gross margin	**313.4**	**360.7**	***-13.1%***
As a % of sales	*64.1%*	*64.0%*	
EBITDA	**68.8**	**97.1**	***-29.1%***
As a % of sales	*14.1%*	*17.2%*	
EBIT	**(7.4)**	**30.2**	
As a % of sales	*(1.5)%*	*5.4%*	
Net income	**(20.4)**	**5.4**	
Free cash flow	**42.7**	**(11.4)**	
Net debt	**762.7**	**829.5**	***-8.1%***
Net debt (1)	105.8	204.2	*-48.2%*
Leverage ratio (2)	0.9x	1.4x	

(1) Net debt less lease debt as per the Senior Credit Facilities Agreement of 18 April 2016.

(2) Net debt divided by last-twelve-months EBITDA as calculated under IAS 17 as per the Senior Credit Facilities Agreement of 18 April 2016.

1.1.2 SALES ANALYSIS

OVERVIEW OF SALES FOR THE FIRST HALF OF 2020

	Six-month period ended 30 June		
(in € millions – IFRS 16)	**2020**	**2019**	***% change***
TOTAL SALES	**488.9**	**564.0**	***-13.3%***
Sales by geography			
France	252.1	307.5	*-18.0%*
International	236.8	256.5	*-7.7%*
France *(%)*	51.6%	54.5%	
International *(%)*	48.4%	45.5%	
Sales by distribution channel			
Stores	302.9	415.1	*-27.0%*
Online	185.9	148.9	*+24.9%*
Stores *(%)*	62.0%	73.6%	
Online *(%)*	38.0%	26.4%	
Sales by product category			
Decoration	237.0	285.8	*-17.1%*
Furniture	251.9	278.2	*-9.5%*
Decoration *(%)*	48.5%	50.7%	
Furniture *(%)*	51.5%	49.3%	

Maisons du Monde reported sales of €488.9 million in the first half of 2020, down 13.3% compared to the first half of 2019. Like-for-like sales growth was (17.5)% for the period, reflecting the impact of store closes for an eight-week period due to the COVID-19 lockdown. This performance was achieved taking into account the French docker strike in the first quarter as well as the outbreak of the COVID-19 pandemic in China where the Group sources more than 60% of its inventory. Growth accelerated in online sales (+24.9%) which represented 38% of total sales. International sales were down 7.7% and represented 48% of Group sales.

At 30 June 2020, Maisons du Monde's global store network stood at 366 stores, a net decrease of 10 stores compared to the end of 2019 as the Group optimizes its footprint. During the first half of 2020, Maisons du Monde opened 2 stores in France (Strasbourg and Paris), while Modani opened 1 store in the state of New York. During the same period, 8 stores were closed in France, 1 in Belgium and Germany each and 3 in the United States (1 Modani store in Texas and Maisons du Monde's 2 stores in Florida).

A. Sales by geography

First half 2020 sales in France were €252 million, while international sales totalled €237 million and represented 48% of total sales (45% in 1H 2019).

B. Sales by distribution channel

As a result of government-imposed COVID-19 lockdowns across Europe, most of Maisons du Monde's European stores were closed as of 17 March, and the entire store network was closed as of 19 March. All Modani stores in the US were closed as of 3 April.

Maisons du Monde's European stores gradually reopened from 11 May through 1 June. The two Maisons du Monde stores in Florida were closed permanently on 31 May.

Modani stores progressively reopened beginning 11 May, and 15 stores (out of 18) were open as of 30 June. The situation in the US remains complicated, especially concerning the evolution of the COVID-19 pandemic in different states.

In the first half of 2020, total 1st half store sales decreased 27% to €303 million supported by high growth (+18%) in store sales post COVID-19 lockdown (17 March through 30 June).

Online sales performed exceptionally well, posting +25% growth (+51% in the 2nd quarter) to reach €186 million, representing 38% of total sales. Online traffic increased more than 30% in the first half of 2020 (+65% post-lockdown). Growth in certain countries was especially high (Germany +55%; Belgium +76%; Switzerland +87%).

C. Sales by product category

In the first half of 2020, in terms of sales split by product category, furniture sales represented 51.5% of total 1st half sales, gaining 2.2 points in the mix. Decoration items made up the remaining percentage of sales.

1.1.3 EBITDA ANALYSIS

BREAKDOWN OF EBITDA BY GEOGRAPHY

	Six-month period ended 30 June		
(in € millions – IFRS 16)	**2020**	**2019**	***% change***
France	52.0	79.7	*-34.7%*
International	53.1	54.3	*-2.2%*
Corporate segment [(1)]	(36.3)	(36.9)	*-1.7%*
EBITDA	**68.8**	**97.1**	***-29.1%***

(1) See note 5 "Geographical segment information" of this half-year financial report.

In the first half of 2020, EBITDA was €69 million, down 29% yoy, resulting in a resilient EBITDA margin of 14.1%. The lower sales volume impact was partially offset by the reduction in operational expenses, primarily staffing costs. Expenses related to depreciation, amortization and allowance for provisions increased yoy as 2019 was a record year in store openings (41 gross openings at Group level).

A. EBITDA in France

In France, EBITDA was €52 million in the first half of 2020, down 34.7% compared to the first half of 2019, notably reflecting (i) the volume effect of Group's lower store sales in France due to the Covid-19 store closure over the period, and (ii) and increase in cost of goods sold of €5 million.

B. International EBITDA

Internationally, EBITDA was €53.1 million in the first half of 2020, down 2.2% compared to the first half of 2019, notably reflecting (i) the lower impact of lost revenue due to COVID-19 closures, and (ii) the optimization of international logistics and transport costs.

1.1.4 INCOME STATEMENT ANALYSIS

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

	Six-month period ended 30 June	
(in € millions – IFRS 16)	**2020**	**2019**
Sales	**488.9**	**564.0**
Sales to franchise and promotional sales	1.5	3.0
Other revenue from ordinary activities	19.6	15.6
Revenues	**509.9**	**582.6**
Cost of sales	(175.5)	(203.3)
Personnel expenses	(94.4)	(112.4)
External expenses	(175.8)	(175.8)
Depreciation, amortization, and allowance for provisions	(76.2)	(66.9)
Change in fair value – derivative financial instruments	9.9	4.6
Other income from operations	0.6	1.2
Other expenses from operations	(2.4)	(3.9)
Current operating profit before operating income and expenses	**(3.7)**	**26.1**
Other operating income and expenses	(2.2)	(3.1)
Operating profit/(loss)	**(5.8)**	**23.0**
Financial profit/(loss)	(9.6)	(10.8)
Profit/(loss) before income tax	**(15.5)**	**12.2**
Income tax	(4.9)	(6.8)
NET INCOME	**(20.4)**	**5.4**

A. Revenue

Maisons du Monde's **first-half 2020 sales** totalled €489 million, down only 13.3% year-on-year (yoy) (-17.5% LFL), due to a better than expected 2Q20 performance following the COVID-19 lockdown period, which saw the entire store network closed for 8 weeks from mid-March to mid-May, and, to a lesser extent, the French strikes in the 1st quarter. Maisons du Monde sales were down 14% to €468 million (-17.3% LFL) while Modani's sales of €19.7 million were roughly unchanged (-2.8%). Rhinov added €1.3 million.

The Group's **consolidated revenue** decreased by €72.7 million to €509.9 million in the first half of 2020, a drop of 12.5% compared with the first half of 2019.

B. Gross margin

Cost of goods sold declined €27.9 million (-13.7%) from €203.3 million to €175.5 million. The first half 2020 gross margin amounted to €313 million, down 13% due to reduced sales volume. The gross margin as a percentage of sales was broadly stable at 64.1%, despite an unfavorable product mix (higher-margin decoration items are mostly sold *via* the store network). This was offset by a favorable exchange rate effect and lower promotions.

C. Current operating profit

Personnel expenses decreased by €18.0 million, or 16.0%, to €94.4 million in the first half of 2020, compared with €112.4 million in the first half of 2019, as European governments paid more than 70% of employees' net salaries *via* temporary unemployment during the COVID-19 lockdown. As a result, as a percentage of sales, personnel costs were 19.3% in the first half of 2020, compared to 19.9% in the first half of 2019.

External expenses were stable at €175.8 million in the first half of 2020, compared to €175.8 million in the first half of 2019. Reductions in rental payments, third party suppliers, and travel expenses were offset by additional logistics costs incurred due to the French docker strike in the first quarter of 2020. As a percentage of sales, external expenses amounted to 36.0% in the first half of 2020, compared to 31.2% in the first half of 2019. This change resulted from the decline in sales due to the COVID-19 related store closures from 17 March to 10 May 2020.

Depreciation, amortization and provisions rose by €9.3 million, or 13.9%, to €76.3 million in the first half of 2020, compared to €66.9 million in the first half of 2019, primarily driven by the depreciation of fixed assets related to new store openings in 2019. As a percentage of sales, depreciation, amortization, and provisions amounted to 15.6% in the first half of 2020, compared to 11.9% in the first half of 2019.

The **change in the fair value of derivative financial instruments**, which hedge or enable the hedging of all Group purchases of goods and sea freight denominated in US dollars for the Group, amounted to income of €9.9 million in the first half of 2020, compared to €4.6 million in the first half of 2019.

Other operating income and expenses amounted to a net income of €1.7 million in the first half of 2020, compared to a net income of €2.7 million in the first half of 2019. This change primarily reflected (i) lower store pre-opening expenses and (ii) lower commercial litigations.

The Group posted **current operating loss** of €3.7 million in the first half of 2020, compared to a profit of €26.1 million in the first half of 2019.

D. Operating profit (loss)

Other operating income and expenses represented a net expense of €2.2 million in the first half of 2020, compared to a net expense of €3.1 million in the first half of 2019. The reduction is mainly lower provisions for store closures.

In the first half of 2020, the Group posted an **operating loss** of €5.8 million, compared to an income of €23.0 million in the first half of 2019.

E. Financial profit (loss)

Financial profit/(loss) represented a net expense of €9.6 million in the first half of 2020, compared to a net expense of €10.8 million in the first half of 2019. The cost of net debt rose by €0.5 million to €3.8 million in the first half of 2020, compared to €3.3 million in the first of half of 2019, due to the€150 million drawdown of revolving credit facilities in March 2020.

F. Income tax expense

Income tax represented a net expense of €4.9 million in the first half of 2020, compared to a net expense of €6.8 million in the first half of 2019, reflecting current tax credit of €4.7 million (compared to €7.6 million in the first half of 2019), including trade taxes such as the French CVAE tax, the Italian IRAP tax and the German Gewerbesteuer tax of €2.2 million (compared to €3.3 million in the first half of 2019) and a provision for a tax audit of €4.8 million (for additional information, please refer to Note 29 of this half year financial report).

G. Net income

In the first half of 2020, the Group posted a **loss** of €20.4 million, compared to gain of €5.4 million in the first half of 2019.

1.2 Liquidity and capital resources

1.2.1 CASH FLOW ANALYSIS

The table below shows the Group's consolidated cash flows for the six-month periods ended 30 June 2019 and 30 June 2020.

	Six-month period ended 30 June	
(in € millions – IFRS 16)	**2020**	**2019**
Net cash flow from/(used in) operating activities	119.3	71.5
Net cash generated by/(used in) investment activities	(24.7)	(35.2)
Net cash flow from/(used in) financing activities	248.7	(63.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**343.3**	**(26.6)**
Cash and cash equivalents at beginning of period	**94.5**	**56.6**
Net increase/(decrease) in cash and cash equivalents	343.3	(26.6)
Exchange gains/(losses) on cash and cash equivalents	(0.5)	0.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**437.3**	**29.9**

The table below shows the statement of cash flows related to operating activities, investment activities and financing activities and net cash flows before financing activities for the six-month periods ended 30 June 2019 and 30 June 2020.

	Six-month period ended 30 June	
(in € millions – IFRS 16)	**2020**	**2019**
EBITDA	**68.8**	**97.1**
Change in operating working capital requirements	72.7	0.3
Income tax paid	(15.7)	(18.2)
Pre-opening expenses	(0.0)	(0.8)
Pro rata - catalogue-related expenses	(5.3)	(7.0)
Pro rata - taxes (IFRIC 21)	(0.9)	(0.9)
Change in other operating items	(0.3)	(1.0)
Net cash flow from/(used in) operating activities	**119.3**	**71.5**
Capital expenditure	(19.8)	(23.4)
Acquisition of financial assets	(0.0)	(4.2)
Change in debt on fixed assets	(4.9)	(8.0)
Proceeds from sale of non-current assets	0.1	0.4
Net cash generated by/(used in) investing activities	**(24.7)**	**(35.2)**
Proceeds from borrowings	301.2	-
Repayment of borrowings	(0.4)	(10.4)
Decrease of lease debt	(45.4)	(48.3)
Acquisitions (net) of treasury shares	0.1	0.2
Interest paid	(0.3)	(0.8)
Interest on lease debt	(6.5)	(3.7)
Net cash generated by/(used in) financing activities	**248.7**	**(63.0)**
Net cash flow before financing activities	**94.7**	**36.3**

The **change in working capital** had a positive impact on cash flow of €72.7 million in the first half of 2020 (compared to a €0.3 million inflow in the first half of 2019), reflecting (i) a decrease in inventories of €37.4 million which fell given the Group's decision to reduce its inventory orders following the COVID-19 related store closures, and (ii) an increase in trade and other payables of €92.8 million, partially offset by (iii) an increase of €57.5 million in trade receivables and other current.

The Group's **operating activities** generated a net cash inflow of €119.3 million in the first half of 2020 (compared to a net cash inflow of €71.5 million in the first half of 2019), primarily reflecting: (i) the decline of EBITDA, ii) a negative change in catalogue, tax and other operating item expenses in the amount of €6.6 million,

(iii) a positive change of €72.7 million in working capital requirements, and (iv) a €15.7 million cash outflow related to the payment of income tax.

In the first half of 2020, the **Group's investment activities** generated a net cash outflow of €24.7 million (compared to a net cash outflow of €35.2 million in the first half of 2019), mainly including capital expenditure of €19.8 million, of which approximately €8 million related to development investments in store openings, extensions and renovations.

Free cash flow was €42.7 million in the first half of 2020 compared to €(11.4) million during the same period in 2019. This reflected (i) an increase in net cash from operating activities of €47.8 million, (ii) an increase in net cash from investing activities less financial assets of €6.3 million, and (iii) stable cash flows related to lease debt.

The Group's **financing operations** generated a net cash inflow of €248.7 million in the first half of 2020 (compared to a net cash outflow of €63.0 million in the first half of 2019), mainly reflecting: (i) the drawdown of both of the Group's revolving credit facilities in the amount of €150 million, and (ii) the taking out of a French state-guaranteed term loan in June for €150 million.

1.2.2 FINANCIAL RESOURCES

The change in net debt over the period 31 December 2019 to 30 June 2020 was as follows:

		Cash impact		Without cash impact				
(in € millions - IFRS 16)	**31 December 2019**	**Increase**	**Decrease**	**Perimeter**	**Issuance fees**	**Interest**	**Foreign exchange**	**30 June 2020**
Convertible bond	182.1	-	-	-	0.2	2.1	-	184.4
Term loan	49.8	-	(0.3)	-	0.1	0.3	-	49.8
Revolving credit facilities	(0.4)	150.0	(0.3)	-	0.2	0.9	-	150.3
French- state guaranteed term loan	-	149.6	-	-	-	0.1	-	149.7
Other borrowings	0.9	1.6	(0.0)	-	-	-	(0.0)	2.4
Finance leases	666.2	-	(45.4)	46.1	(5.1)	0.1	0.5	662.4
Deposits and guarantees	0.8	-	-	-	-	-	-	0.8
Banks overdrafts	0.0	0.1	-	-	-	-	-	0.1
Cash and cash equivalents	(94.5)	-	26.5	-	-	-	-	(30.7)
NET DEBT	**804.9**	**(41.6)**	**(46.1)**	**46.1**	**(4.7)**	**3.5**	**0.5**	**762.6**

1.3 COVID-19

During the COVID-19 lockdown (17 March – 10 May in France), first half 2020 sales declined by 54%. The Group estimates that for the entire first half, the net decline in sales was approximately €110 million: store sales were down approximately by €130 million (€40 million in the 1st quarter and €90 million in the 2nd quarter) which was partially compensated by an increase of online sales of around €20 million in the second quarter.

To mitigate the impact of the COVID-19 pandemic on its financial results, the Group implemented a stringent cash preservation and cost savings program, including:

- placing over 85% of Maisons du Monde staff on temporary unemployment; for Modani, c. 45% of staff were furloughed, and headcount was reduced by c. 20%;
- recruitment plans and discretionary salary increases were frozen, while reducing temporary labor;
- executive pay was temporarily cut: CEO -25%, Board -25%, Executive Committee -15% (April and May);
- all lease payments were subject to renegotiations with lessors;
- a substantial opex reduction program was implemented, including:
  - cutting external fees,
  - eliminating discretionary expenses,
  - reducing post lockdown staff travel to a strict minimum,
  - rationalizing store maintenance costs, and
  - reducing and reallocating marketing costs;

- working capital was optimized by reducing furniture and decoration inventory orders as well as renegotiating payment terms with suppliers;
- a significant number of capital expenditure projects (store openings and refurbishments, logistics investments, IT projects, etc.) were canceled or postponed;
- the dividend payment for 2019 was cancelled.

In terms of operating and finance costs on a full year basis, the Group estimates that it will have spent approximately €2 million related to the implementation of social distancing measures in its stores. The extra charges associated with the precautionary finance steps taken by the Group in response to the COVID-19 (drawdown of the revolving credit lines in the amount of €150 million, as well as the French state guaranteed term loan of €150 million) are estimated to be around €1.4 million in the financial year.

The pandemic also impacted the Group's supply chain:

- chinese suppliers were essentially closed down for most of the first quarter, delaying inventory restocking;
- in response to the lockdown in Europe and in order to preserve cash in an uncertain environment, the Group froze most supply orders from mid-March to early May. Orders were selectively restarted thereafter. However, due to the large increase in consumer demand for online shopping and better than expected post-lockdown activity, inventories were drawn down to sub-optimal levels. This latter issue is being addressed but will likely have an impact on product availability in the coming months.

In terms of cash management as well as to preserve and reinforce its liquidity, the Group:

- drew down immediately post-lockdown the entirety of its two revolving credit facilities in the amount of €150 million;
- successfully negotiated the suspension of its Senior Credit Facility's covenant whereby the Group was required to maintain a net debt leverage ratio (as calculated under IAS 17, net debt divided by the last twelve-month EBITDA level was required to be below 3.75 times). This "covenant holiday" applies to the facility's final two covenant testing dates of 30 June 2020 and 31 December 2020. The Group's leverage ratio at 30 June 2020 was 0.9x LTM EBITDA, unchanged from the end of 2019;
- successfully arranged a French state-guaranteed term loan in the amount of €150 million at the beginning of June.

Please refer to Note 1 of this half year financial report for further information.

1.4 Events after the reporting period

The Group has identified the following material event having occurred after the reporting date of 30 June 2020:

- On the 17th and the 21st of July 2020, an agreement has been signed with the Italian Tax Administration regarding a tax audit started in 2019 for the periods ending 31/12/2014, 31/12/2015 and 31/12/2016. This agreement for €4.8 million for the 3 periods concludes all actions for those periods and includes principal, interest and penalties. All financial impacts were posted to the Group's consolidated accounts as of 30 June 2020. For additional information, please refer to Note 29 of this half year financial report.

1.5 Outlook

Virtually all Maisons du Monde and most Modani stores have been up and running since mid-June, and the Group has experienced strong sales since then. Third quarter overall activity to date has been ahead of last year's level, due in part to July private sales and promotions (*vs.* June in 2019). The high level of activity since mid-May is currently expected to lead to inventory shortages in the coming months. We are focused today on addressing this as well as placing the right amount of product orders for the rest of the year.

In terms of store development, we currently anticipate between 4 and 8 net store closures in the full year (10 net closures in the first half of 2020).

The Group believes it is prudent not to underestimate the challenges posed by the current uncertain environment. We believe it is not appropriate to provide guidance for the rest of the year. Although the second half performance should show an improvement over the first six months of 2020, it is currently expected that it will be below its 2019 level.

The forward-looking statements presented above are based on data, assumptions and estimates that the Group considers to be reasonable as of the date of this half-year financial report, in light of the future economic outlook. 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 half-year financial report.

First-half 2020 condensed consolidated interim financial statements

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(Half-Year ended 30 June 2020)

2.1 Consolidated income statement

(in € thousands)	Notes	30 June 2020	30 June 2019
Revenue	6	490,330	566,994
Other revenue from ordinary activities	6	19,600	15,604
Revenue		**509,930**	**582,598**
Cost of sales		(175,463)	(203,322)
Personnel expenses	7	(94,377)	(112,401)
External expenses	8	(175,787)	(175,826)
Depreciation, amortization and allowance for provisions		(76,159)	(66,877)
Fair value - derivative financial instruments	19	9,927	4,608
Other income from operations	9	634	1,187
Other expenses from operations	9	(2,361)	(3,869)
Current operating profit before other operating income and expenses		**(3,656)**	**26,100**
Other operating income and expenses	10	(2,168)	(3,095)
Operating profit (loss)		**(5,824)**	**23,004**
Cost of net debt	11	(3,797)	(3,265)
Cost of lease debt	11	(6,649)	(6,149)
Finance income	11	2,341	820
Finance expenses	11	(1,543)	(2,201)
Financial profit (loss)		**(9,647)**	**(10,795)**
Share of profit (loss) of equity-accounted investees		-	-
Profit (loss) before income tax		**(15,471)**	**12,210**
Income tax expense	12	(4,897)	(6,813)
PROFIT (LOSS)		**(20,368)**	**5,397**
Attributable to:			
• Owners of the Parent		(18,601)	6,222
• Non-controlling interests		(1,767)	(825)
Earnings per share attribuable to the owners of the parent:			
Basic earnings per share	13	(0.41)	0.14
Diluted earnings per share	13	(0.35)	0.15

The accompanying notes are an integral part of the consolidated interim financial statements.

2.2 Consolidated statement of other comprehensive income

(in € thousands)	Notes	30 June 2020	30 June 2019
PROFIT (LOSS) FOR THE PERIOD		**(20,368)**	**5,397**
• Remeasurements of post employment benefit obligations	22	-	(1,300)
• Income tax related to items that will not be reclassified		(11)	363
Total items that will not be reclassified to profit or loss		**(11)**	**(937)**
• Cash-flow hedge	19	(7,386)	11,477
• Currency translation differences		71	289
• Income tax related to items that will be reclassified		2,643	(3,675)
Items that will be reclassified subsequently to profit or loss		**(4,672)**	**8,091**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**(4,683)**	**7,154**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(25,051)**	**12,551**
Attributable to:			
• owners of the parent		(23,338)	13,305
• non-controlling interests		(1,713)	(754)

The accompanying notes are an integral part of the consolidated interim financial statements.

2.3 Consolidated statement of financial position

ASSETS

(in € thousands)	Notes	30 June 2020	31 December 2019
Goodwill	15	375,357	375,202
Other intangible assets		250,022	247,068
Property, plant and equipment		159,346	165,662
Rights of use	16	668,229	680,090
Other non-current financial assets	17	15,794	15,693
Deferred income tax assets	18	5,033	4,581
Derivative financial instruments	19	3,347	-
Non-current assets		**1,477,128**	**1,488,297**
Inventories		173,590	210,837
Trade receivables and other current receivables		121,022	63,430
Current income tax assets		15,026	4,450
Derivative financial instruments	19	15,911	16,858
Cash and cash equivalents		437,415	94,489
Current assets		**762,964**	**390,063**
TOTAL ASSETS		**2,240,092**	**1,878,360**

EQUITY AND LIABILITIES

(in € thousands)	Notes	30 June 2020	31 December 2019
Share capital	20	146,584	146,584
Share premiums	20	134,283	134,283
Retained earnings	20	347,377	292,788
Profit (loss) for the period		(18,601)	59,477
Equity attributable to owners of the Company		**609,643**	**633,132**
Non-controlling interests		(2,392)	(679)
TOTAL EQUITY		**607,251**	**632,453**
Borrowings	21	151,387	50,891
Convertible bond	21	184,387	182,075
Medium and long term lease liability	16	544,311	554,547
Deferred income tax liabilities	18	52,989	60,319
Post-employment benefits	22	11,579	10,939
Provisions	23	14,034	13,702
Derivative financial instruments	19	-	141
Other non-current liabilities	24	23,516	23,149
Non-current liabilities		**982,203**	**895,764**
Current portion of borrowings and convertible bond	21	201,814	216
Short term lease liability	16	118,077	111,653
Trade payables and other current payables		319,293	232,772
Provisions	23	3,646	3,856
Corporate income tax liabilities		7,808	1,646
Current liabilities		**650,638**	**350,143**
TOTAL LIABILITIES		**1,632,842**	**1,245,906**
TOTAL EQUITY AND LIABILITIES		**2,240,092**	**1,878,360**

The accompanying notes are an integral part of the consolidated interim financial statements.

2.4 Consolidated statement of cash flows

(in € thousands)	Notes	30 June 2020	30 June 2019
Profit (loss) for the period before income tax		(15,471)	12,210
Adjustments for:			
• Depreciation, amortization and allowance for provisions		74,341	69,451
• Net (gain) loss on disposals	9 & 10	3,312	1,571
• Change in fair value – derivative financial instruments	19	(9,927)	(4,608)
• Share-based payments		(354)	1,330
• Cost of net debt	11	3,797	3,265
• Cost of Lease debt		6,649	6,149
Change in operating working capital requirement:			
• (Increase) decrease in inventories		37,388	25,521
• (Increase) decrease in trade and other receivables		(57,473)	(30,818)
• Increase (decrease) in trade and other payables		92,772	5,639
Income tax paid		(15,741)	(18,166)
Net cash flow from/(used in) operating activities		**119,294**	**71,543**
Acquisitions of non-current assets:			
• Property, plant and equipment		(12,844)	(18,571)
• Intangible assets		(6,880)	(4,127)
• Financial assets		(35)	(4,225)
• Other non-current assets		(60)	(717)
Change in debts on fixed assets		(4,947)	(7,971)
Proceeds from sale of non-current assets	9 & 10	70	447
Net cash flow from/(used in) investing activities		**(24,696)**	**(35,164)**
Proceeds from borrowings	21	301,217	-
Borrowings	21	(353)	(10,420)
Decrease in lease debt	16	(45,427)	(48,284)
Acquisitions (net) of treasury shares	20	121	197
Interest paid	21	(330)	(753)
Lease interest paid	16	(6,526)	(3,749)
Net cash flow from/(used in) financing activities		**248,702**	**(63,009)**
Exchange gains/(losses) on cash and cash equivalents		(470)	19
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**343,300**	**(26,630)**
Cash and cash equivalents at beginning of period		94,478	56,550
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**437,309**	**29,939**
Cash and cash equivalents (excluding bank overdrafts)		437,415	30,730
Bank overdrafts		(108)	(791)
CASH AND CASH EQUIVALENTS		**437,309**	**29,939**

The accompanying notes are an integral part of the consolidated interim financial statements.

2.5 Consolidated statement of changes in equity

(in € thousands)	Notes	Share capital	Share premium	Retained earnings	Currency translation difference	Total	Non-controlling interest	Total equity
		Attributable to owners of the parent						
Balance as of 1 January 2019		**146,584**	**134,283**	**308,641**	**354**	**589,862**	**752**	**590,613**
Non-controlling interest put option (1)		-	-	*(4,563)*	-	*(4,563)*	-	*(4,563)*
Dividends		-	-	(21,264)	-	(21,264)	-	(21,264)
Share-based payments	20	-	-	1,330	-	1,330	-	1,330
Treasury shares	20	-	-	149	-	149	-	149
Profit (loss) for the period		-	-	6,222	-	6,222	(825)	5,397
Other comprehensive income for the period		-	-	6,865	218	7,083	71	7,154
BALANCE AS OF 30 JUNE 2019		**146,584**	**134,283**	**297,380**	**572**	**578,819**	**(3)**	**578,816**
Balance as of 1 January 2020		**146,584**	**134,283**	**351,188**	**1,077**	**633,131**	**(679)**	**632,453**
Share-based payments	20	-	-	(354)	-	(354)	-	(354)
Treasury shares	20	-	-	158	-	158	-	158
Profit (loss) for the period		-	-	(18,601)	-	(18,601)	(1,767)	(20,368)
Other comprehensive income for the period		-	-	(4,754)	17	(4,737)	54	(4,683)
Other changes		-	-	45	-	45	-	45
BALANCE AS OF 30 JUNE 2020		**146,584**	**134,283**	**327,682**	**1,094**	**609,642**	**(2,392)**	**607,251**

(1) *Revaluation of minority put as of 30 June 2019.*

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 interim 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 condensed interim consolidated financial statements have been authorized for issue by the Board of Directors held on 27 July 2020. All amounts are expressed in thousands of euro, unless otherwise specified.

Contents

Note 1 Significant events

The activity of Maisons du Monde was strongly impacted by the spread of the coronavirus pandemic in the markets where the Group operates

1.1 Store Network

Maisons du Monde was forced to gradually close its entire network of stores when the COVID-19 pandemic spread and containment measures were applied in a large part of Europe and in several American states: thus, all Italian stores were closed as of 13 March, all French and Spanish stores as of 15 March, all stores in the rest of Europe as of 17 March, and the two American stores as of 19 March. The Modani stores were gradually closed from 14 March and were all closed from 3 April.

Maisons du Monde's European stores gradually reopened from 11 May to 1 June.

The two Maisons du Monde stores in Florida were definitively closed as of 31 May.

Modani stores gradually reopened from 11 May and 15 stores (out of 18) were open by 30 June. The situation in the United States remains complicated, particularly with regard to the evolution of the COVID 19 pandemic in different states.

As of 30 June 2020, the global network had 366 stores, a net decrease of 10 compared to the end of 2019, the Group optimizing its locations. In the first half of 2020, Maisons du Monde opened 2 stores in France (Strasbourg and Paris), while Modani opened 1 store in the state of New York. During the same period, 8 stores were closed in France, 1 in Belgium, 1 in Germany and 3 in the United States (1 Modani store in Texas and 2 Maisons du Monde stores in Florida).

1.2 Sales

Maisons du Monde’s first-half 2020 sales amounted €489 million, down only 13.3% year-on-year (-17.5% with comparable perimeter), due to a better than expected second quarter performance following the COVID-19 lockdown period. Maisons du Monde sales were down only 14% to €468 million (-17.3% with comparable perimeter) while Modani’s sales of €19.7 million were roughly unchanged (-2.8%). Rhinov added €1.3 million.

Online sales performed exceptionally well, posting +25% growth (+51% in the second quarter) to reach €186 million, representing 38% of total sales. Total half year store sales decreased 27% to €303 million supported by high growth (+18%) in store sales post COVID-19 lockdown. Sales in France were €252 million, while international sales totaled €237 million and represented 48% of total sales (45% in the first semester of 2019).

1.3 Online Activity

The Group’s omnichannel business model was able to absorb more than 30% increase in online traffic in the first half of 2020 (+65% post-lockdown). Growth in certain countries was especially high (Germany +55%; Belgium +76%; Switzerland +87%). The average order value also improved over the period. First half 2020 online order intake was up +36% year on year (+57% in the second quarter), and while the order book as at 30 June 2020 is higher than last year, it is gradually normalizing. It should be noted that this high level of activity led to the gradual saturation of the parcel delivery network in France and other EU countries. Sales of Rhinov grew 23% year on year to €1.3 million thanks to higher advertising spending and an increase in average basket size.

1.4 Other impacts of COVID-19

During the COVID-19 lockdown (store closing period), sales declined by 54%. The Group estimates that for the entire first half, the net decline in sales due to COVID-19 was approximately €110 million: store sales were down approximately by €130 million (€40 million in the first quarter and €90 million in the second quarter) which was partially compensated by an increase of online sales of around €20 million in the second quarter.

In terms of operating and finance costs on a full year basis, the Group estimates that it will have spent approximately €2 million related to the implementation of social distancing measures in its stores. The extra charges associated with the precautionary finance steps taken by the Group in response to the COVID-19 (drawdown of the revolving credit lines in the amount of €150 million, as well as the French state guaranteed term loan of €150 million) are estimated to be around €1.4 million in the financial year.

The pandemic also impacted the Group’s supply chain:

- chinese suppliers were essentially closed down for most of the first quarter, delaying inventory restocking;
- in response to the lockdown in Europe and in order to preserve cash in an uncertain environment, the Group froze most supply orders from mid-March to early May. Orders were selectively restarted thereafter. However, due to the large increase in consumer demand for online shopping and better than expected post-lockdown activity, inventories were drawn down to sub-optimal levels. This latter issue is being addressed but will likely have an impact on product availability in the coming months.

1.5 Cost reduction & cash preservation

To mitigate the impact of the COVID-19 pandemic on its activity, the Group has implemented comprehensive cost savings and cash preservation actions, including:

- placing over 85% of Maisons du Monde staff in Europe on temporary unemployment and benefiting from governments' support;
- negotiating 2020 commercial lease payments with lessors (postponement of payments from the 2nd quater to the 3rd and 4th quaters for €13.7 million including tax and rent free obtained and booked in the amount of € 5.2 million excluding tax over the half-year);
- implementing a substantial opex-reduction program, including external fee reductions, marketing and discretionary expense cuts and decrease in maintenance costs;
- canceling or postponing a significant number of capital expenditure projects (mainly store openings and IT projects).

The Group's first semester 2020 ending cash position of €437 million (thanks notably to the drawdown of two Revolving Credit Facilities for €150 million) has just been reinforced by a Term Loan of €150 million issued within the scope of the French state's *Prêt Garanti par l'État* (PGE). The facility was provided by a syndicate of six banking groups : Groupe Crédit Agricole, Groupe BPCE, Groupe Société Générale (agent and coordinator), Groupe CM-CIC, HSBC and BNP Paribas and has a maturity of one year, with an extension option of up to 5 additional years (June 2026).

Maisons du Monde also successfully negotiated the suspension of its financial covenant for the two remaining test periods (June 2020 and December 2020) of its €200 million senior credit facility, which matures in the second quarter of 2021.

In this context of cash preservation, the Board of Directors decided on 15 April 2020 to no longer propose a dividend payment at the 2020 Shareholders' General Meeting to be held on 12 June 2020.

1.6 Cash flow

Operating activities generated a net cash inflow of €119 million at 30 June 2020, an increase of 67% compared to the end of June 2019. The main reason for this change is a significant decrease in working capital requirements (73 million). This is mainly the combined effect of a temporary reduction in inventory levels, the renegotiation of payment terms with suppliers and several exceptional items (mainly deferred rent payments and cash from undelivered customer orders).

Investments in the first half of 2020 amounted to €20 million, compared to €23 million at the end of the first half of 2019, with initiatives supporting future growth being maintained.

This included:

- €4 million for store openings;
- €4 million for extensions and renovations;
- €6 million for IT expenditure; and
- €4 million for logistical investments.

Thus, the available cash flow was €43 million at the end of June 2020, compared to (€12 million) at the end of 2019. Without the *ad hoc* renegotiations of payment terms with suppliers and the exceptional items mentioned above, the available cash flow would have been slightly negative in the first half of the year.

1.7 EBITDA

EBITDA was €69 million, down 29% year to year, resulting in a resilient EBITDA margin of 14.1%. The lower sales volume impact was partially offset by the reduction in operational expenses, primarily staffing costs.

Note 2 Accounting policies and consolidation rules

2.1 Basis of preparation

The condensed consolidated financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting. The accompanying notes therefore relate to significant events and transactions of the period and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

The accounting policies used in the preparation of the condensed consolidated financial statements for the period from 1 January to 30 June 2020 comply with international financial reporting standards (IFRS) as endorsed by the European Union. The standards adopted by the European Union are available on the European Commission's website: www.efrag.org/Endorsement.

The accounting policies applied as of 30 June 2020 are identical to those described in the notes to the published consolidated financial statements as of 31 December 2019.

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 2020

Adopted by the European Union:

- amendment to IFRS 3 – Business combination: this amendment relates to the definitive of a business;
- amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform.

These amendments aim to provide useful financial information during the period of uncertainty related to the reform of the reference interest rates (IBOR). They amend certain hedge accounting provisions. With this in mind, the Group is paying increased attention to the arrangements defined in the context of the new financing. IBOR rates continue to be used as reference rates in the financial markets and are used for the valuation of financial instruments whose maturity dates exceed the expected end date of these rates.

- changes to the references of the conceptual framework in IFRS;
- amendment to IAS 1 and IAS 8 - Refine the definition of material.

The application of these new standards has no impact for the Group.

b) New standards, amendments to existing standards and interpretations applicable in future years, not early adopted by the Group

Adopted by the European Union: None

Not yet adopted by the European Union:

- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

c) New standards, amendments to existing standards and interpretations applicable in future years, adopted by the Group

Adopted by the European Union: None

Not yet adopted by the European Union:

- amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (published on 28 May 2020):

This amendment is a relaxation measure, which allows:

  - to grant the lessee an optional exemption to assess whether a lease concession related to the Covid-19 outbreak is an amendment to the lease agreement;
  - require lessees applying the exemption to consider Covid-19 related rent concessions as if they were not amendments to the lease agreement and to recognize the impacts directly in income.

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 judgments 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): note 15;
- deferred tax: note 18;
- financial instruments and their classification: note 19;
- provision for litigations: note 23;
- the duration used for the rental contracts and the Group's marginal debt ratio: note 16;
- uncertain tax positions in accordance with IFRIC 23.

Goodwill is not amortized but an impairment test is performed annually or whenever potential impairment evidence has occurred (note 15).

As part of the preparation of condensed interim financial statements, the Group uses certain specific valuation methods in accordance with IAS 34 – Interim Financial Reporting:

- the tax expense is calculated for each tax entity by applying to the taxable result of the period the estimated annual average effective rate for the current year;
- the cost of retirement obligations is calculated on the basis of projected actuarial valuations carried out at the end of the previous financial year. These valuations are adjusted to take into account any amendments, reduction or liquidation of the plan. In addition, in the event of a significant market fluctuation having an impact on the actuarial assumptions (discount rate and inflation rate), a new valuation of the retirement commitments is carried out by extrapolating the annual actuarial valuation.

Note 4 Seasonality

The decoration and furniture market in which the Group operates is subject to seasonal fluctuations. The Group’s 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.

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, corresponding to the winter selling season. However, the Group’s fixed costs, including personnel costs, leases, general and administrative expenses, are more evenly distributed over the course of the year.

2.6 Notes on consolidated income statement

Note 5 Geographical segment information

In accordance with IFRS 8 "Operating segments", the segment information presented is based on the internal management 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 discussion 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.

The customer 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.

Half-yearly EBITDA uses the same definition as annual EBITDA except that it includes (i) a *pro rata* amount of the annual catalog related expenses that were borne in the first-half 2019 and 2020 and (ii) a *pro rata* amount of the annual impact of IFRIC 21 on costs related to some government levies that were accounted for in full in the first-half of 2019 and 2020.

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.

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).

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5.1 Segment income statement

(in € thousands)	30 June 2020	30 June 2019
Sales	488,859	564,022
France	*252,082*	*307,504*
International	*236,777*	*256,518*
Cost of sales	(175,463)	(203,322)
Gross margin	**313,396**	**360,700**
Gross margin (%)	***64.1%***	***64.0%***
EBITDA	**68,815**	**97,058**
France	*52,001*	*79,673*
International	*53,066*	*54,256*
Corporate	*(36,252)*	*(36,871)*
Depreciation, amortization and allowance for provisions	(76,159)	(66,877)
EBIT	**(7,343)**	**30,182**
Change in fair value - derivative financial instruments	9,927	4,608
Expenses prior to openings	(14)	(788)
Pro rata – catalogs related expenses	(5,323)	(7,030)
Pro rata – taxes (IFRICS 21)	(903)	(871)
Current operating profit before operating income and expenses	**(3,656)**	**26,100**
Other operating income and expenses	(2,168)	(3,095)
Operating profit (loss)	**(5,824)**	**23,004**
Financial profit (loss)	(9,647)	(10,795)
Profit (loss) before income tax	**(15,471)**	**12,210**
Income tax expense	(4,897)	(6,813)
PROFIT (LOSS)	**(20,368)**	**5,397**

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.

	30 June 2020			
(in € thousands)	France	International	Corporate	Total
Segment assets [(1)]	342,325	223,394	219,006	784,725
Rights of use	380,242	278,426	9,561	668,229
Non-segment assets				787,136
TOTAL ASSETS				**2,240,092**

(1) Goodwill, other intangible and tangible assets.

	30 June 2019			
(in € thousands)	France	International	Corporate	Total
Segment assets [(1)]	323,663	207,361	233,050	764,074
Rights of use	388,427	261,917	7,588	657,932
Non-segment assets				406,652
TOTAL ASSETS				**1,828,659**

(1) Goodwill, other intangible and tangible assets.

Note 6 Revenue[1]

6.1 Revenue breakdown

(in € thousands)	30 June 2020	30 June 2019
Sales	488,859	564,022
Sales to franchise and promotional sales	1,471	2,972
Retail revenue and decoration services	**490,330**	**566,994**
Transportation to customers	15,021	12,642
Supply chain services	198	608
Other services	4,381	2,308
Sundry revenue	-	47
Other Revenue from ordinary activities	**19,600**	**15,604**
TOTAL REVENUE	509,930	582,598

6.2 Revenue by channel

	30 June 2020			30 June 2019		
(in € thousands)	Maisons du Monde (1)	Modani	Total	Maisons du Monde	Modani	Total
Stores	285,530	17,396	302,926	396,970	18,142	415,112
Web	183,634	2,299	185,933	146,796	2,114	148,910
TOTAL SALES	469,164	19,695	488,859	543,766	20,256	564,022

(1) *Including Savane Vision (Rhinov) sales*

6.3 Revenue by product

	30 June 2020			30 June 2019		
(in € thousands)	Maisons du Monde (1)	Modani	Total	Maisons du Monde	Modani	Total
Decoration	236,810	198	237,008	285,572	203	285,775
Furniture	232,355	19,496	251,851	258,193	20,054	278,247
TOTAL SALES	469,165	19,694	488,859	543,766	20,256	564,022

(1) *Including Savane Vision (Rhinov) sales*

Note 7 Personnel expenses

Personnel expenses are broken down as follows:

(in € thousands)	30 June 2020	30 June 2019
Wages and salaries (1)	(69,093)	(80,715)
Social security costs (1)	(20,266)	(24,106)
Share-based payment (including social security costs) (2)	103	(1,812)
Employee profit-sharing (including social security costs)	(4,115)	(4,954)
Post-employment benefits - Defined benefit plans	(1,006)	(813)
TOTAL PERSONNEL EXPENSES	(94,377)	(112,401)

(1) *The Group has benefited from short-term unemployment measures implemented by various governments. The net salaries paid by the Group as part of the subrogation were €8.9 million for the period March to June, corresponding to a gross salary charge of €18.2 million, including employer's contributions. For the entire consolidated perimeter, including countries not subrogated, the Group estimates that the total impact of short-time working was €25 million.*

(2) *See note 20.3*

(1) *The sales has been commented in note 1.*

Note 8 External expenses

External expenses are broken down as follows:

(in € thousands)	30 June 2020	30 June 2019
Energy and consumables used	(11,254)	(11,076)
Leases and related expenses	(20,182)	(13,005)
Rental	(4,411)	(3,885)
Repairs and maintenance	(8,827)	(9,786)
Insurance	(991)	(901)
Temporary staff	(9,028)	(10,832)
Advertising & marketing	(28,641)	(29,065)
Fees	(5,699)	(5,446)
Transportation	(67,599)	(69,621)
Post & Telecom	(2,380)	(2,837)
Travel & meeting expenses	(2,207)	(4,972)
Bank services	(4,223)	(4,051)
Taxes other than on income	(7,558)	(7,153)
Other external expenses	(2,787)	(3,197)
TOTAL EXTERNAL EXPENSES	**(175,787)**	**(175,826)**

The remaining rents and related expenses correspond to variable rents, rents for non-restated lease contracts (short-term) and rental expenses. The residual leases concern short-term furniture contracts, for low value assets or contracts for which the Group does not obtain substantially all the economic benefits associated with the use of the asset.

The increase in "Rents and related charges" is explained by two opposing effects:

- an increase in charges of approximately €(11) million in storage costs in the port areas following the strike by dockers in Marseille and goods in transit during the Covid-19 period; and
- a reduction in rent following the negotiations carried out by the Group with the lessors of the stores over the closing period of €5.2 million (early application of the IFRS 16 amendment not yet voted by the European Union).

The decrease in "outside personnel", "Transportation" and "travel expenses" is mainly related to the containment period following the Covid-19.

Other external expenses consist mainly of Modani logistics subcontracting expenses for €1.8 million at 30 June 2020 (compared to €1.9 million in June 2019) and other items that are not individually significant.

Note 9 Other income and expenses from operations

Other income and expenses from operations are broken down as follows:

(in € thousands)	30 June 2020	30 June 2019
Pre-opening expenses	(14)	(788)
Gains and losses on disposals [(1)]	(1,204)	(1,075)
Commercial disputes & losses	(32)	(444)
Leases & related expenses [(1)]	(90)	(24)
Other income and expenses from operations	(387)	(350)
TOTAL OTHER OPERATING INCOME/EXPENSES FROM OPERATIONS	**(1,727)**	**(2,682)**

(1) Relate to stores relocated in the same area.

Note 10 Other operating income and expenses

Other operating income and expenses are broken down as follows:

(in € thousands)	30 June 2020	30 June 2019
Impacts related to store closures [1]	(1,564)	(1,169)
Restructuring costs	(604)	(460)
Other	-	(1,465)
TOTAL OTHER OPERATING INCOME/(EXPENSES)	(2,168)	(3,095)

(1) Relate to stores not replaced by another MDM store in the same area (no relocation). The impact presented includes the charges and reversals recorded following the closure of stores.

Note 11 Financial profit (loss)

Finance income and expenses are broken down as follows:

(in € thousands)	30 June 2020	30 June 2019
Interests on term loan	(343)	(397)
Interests on convertible bond	(2,311)	(2,244)
Interests on loans, including Revolving Credit Facilities	(1,141)	(628)
Others	(2)	5
Cost of net debt	**(3,797)**	**(3,265)**
Cost of lease debt	(6,649)	(6,149)
Exchange gains and losses	1,803	(45)
Commission costs	(1,020)	(1,319)
Other finance income & costs	15	(21)
TOTAL FINANCIAL PROFIT (LOSS)	(9,647)	(10,795)

Note 12 Income tax

Income tax includes the tax on subsidiaries, the capitalization of losses generated during the period, the CVAE and the charge related to the Italian tax audit (see note 29).

2

Note 13 Earnings per share

13.1 Basic earnings per share

(in € thousands, unless otherwise stated)	30 June 2020	30 June 2019
Profit (loss) for the period attributable to shareholders of the parent	**(18,601)**	**6,222**
Weighted average number of ordinary shares (in thousands)	45,044	44,985
BASIC EARNINGS PER SHARE *(IN €)*	**(0.41)**	**0.14**

The number of ordinary shares remained the same during the first half of 2020. 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 20.2).

13.2 Diluted earnings per share

The share capital of the Group as of 30 June 2020 is only made up of ordinary shares of Maisons du Monde S.A. and did not change during 2020 and 2019.

Diluted earnings per share take into account the weighted average number of performance shares allocated to employees (see note 20.3) and the convertible bond (see note 21.1).

(in € thousands, unless otherwise stated)	30 June 2020	30 June 2019
Profit (loss) for the period attributable to shareholders of the parent (1)	(17,145)	7,641
Weighted average number of ordinary shares *(in thousands)*	**45,044**	**44,985**
Adjustment for dilutive impact of performance shares	248	371
Dilutive effect of convertible bonds (2)	4,126	4,116
Adjusted weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	**49,418**	**49,473**
DILUTED EARNINGS PER SHARE *(IN €)*	**(0.35)**	**0.15**

(1) For the calculation of the diluted earnings 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.

Note 14 Dividend per share

In a context of cash preservation, the Board of Directors decided on 15 April 2020 to no longer propose a dividend payment at the 2020 General Meeting of Shareholders to be held on 12 June 2020.

2.7 Notes on consolidated balance sheet

Note 15 Goodwill

15.1 Goodwill

Management assesses the Company's performance by geographical area. Accordingly, it allocates goodwill at the level of the geographical area concerned. For the Group, the geographical areas identified are France and International.

The table below provides a summary of the allocation of goodwill:

(in € thousands)	France	International	Total
Balance as of 1 January 2019	**240,949**	**127,500**	**368,449**
Acquisitions	5,844	-	5,844
Currency translation differences	-	909	909
Balance as of 31 December 2019	**246,793**	**128,409**	**375,202**
Balance as of 1 January 2020	**246,793**	**128,409**	**375,202**
Currency translation differences	-	155	155
NET CARRYING AMOUNT AS OF 30 JUNE 2020	**246,793**	**128,564**	**375,357**

15.2 Analysis on 30 June 2020 situation

The Covid-19 epidemic and its consequences, although does not in itself constitute an indication of impairment but has had a significant impact on the Group’s performance in the first half of 2020:

- impact on the main business and profitability indicators (sales, margin, EBIT), linked to the closure of all Group stores for nearly 2 months (mid-March to mid-May);
- abandonment or postponement of certain investments planned in the 2020 budget (store openings, in particular);
- a massive use of partial unemployment;
- drawdown of the 2 revolving credit lines for €150 million and subscription of a state-guaranteed loan (PGE) for €150 million in order to strengthen the Group's cash position.

However, despite this difficult context at the beginning of the year, the Management of the Group remains confident in the Group's ability to generate value for the following reasons:

- the Group's multi-channel sales model made it possible to at least partially contain the effects of the health crisis thanks to the sustained growth of the Web business over the period;
- stores activities, following the re-opening in mid-May, is much better than expected and shows a double-digit growth over the same period last year;
- web sales continue to show excellent results even after the reopening of the stores;
- a major savings plan has been put in place to mitigate the negative effects of the health crisis;
- the cash position remains very satisfactory at €137 million at 30 June (excluding additional drawdowns on revolving loans and EMPs for a total of €300 million),

Based on the latest information available to management, the COVID-19 impact appears to be cyclical and is not likely to jeopardize the Group’s short- and medium-term growth and profitability dynamics.

Plus, at the beginning of the year, the Group suffered of the effects of the dockers' strike which disrupted supplies and weighed on business in the first months of the first half of 2020.

The impairment tests carried out at 31 December 2019 showed that the margin between the recoverable amount and the carrying amount of the assets was very high for both France CGU and International CGU (representing 29% and 72% of net capital employed, respectively).

Based on this observation, the Group considers that a prudent estimate of the future economic outlook related to Covid-19 is not such as to fundamentally call into question the cash flow and Business Plan projections made at CGU level at 31 December 2019 and therefore does not require full impairment tests to be performed at 30 June 2020.

Nevertheless, the Management of Maisons du Monde has decided to carry out a simulation based on a very deteriorated economic environment in order to strengthen its position.

This simulation consisted of:

- updating the financial data for 2020 on the basis of a revised budget in May 2020 – before the reopening of the stores – and therefore not taking into account the excellent performance recorded since their reopening;
- taking the data from the plan used for the tests on 31 December 2019 and applying a year's delay (2020 achievements postponed to 2021, those from 2021 to 2022, etc.), which amounts to considering that:
  - no stores are to be opened in 2020,
  - the year 2020 is a blank year for business growth;
- update Wacc France and International to 30 June 2020;
- maintain the long-term growth rates used as of 31 December 2020.

Main assumptions used to calculate value in use at 30 June 2020:

	Discount factor (WACC)	Average growth rate over the 5 year period	Terminal value growth rate
France	9.8%	5.0%	2.0%
International	10.8%	12.9%	1.8%

15.3 Results of the simulation carried out as at 30 June 2020 and recognition of the absence of impairment losses

The simulation carried out, based on the downgraded scenario described in 15.2, did not highlight any impairment losses requiring the recognition of a provision for impairment of goodwill or other assets of the Group for both the France CGU and the International CGU at 30 June 2020.

Note 16 Rights of use and lease debts

16.1 Rights of use

The rights of use as defined in note 2.2 have the following net values:

(in € thousands)	Constructions	Technical installations, industrial equipment and machinery	Other property, plant and equipment	Total
Net carrying amount as of 1 January 2020	**669,963**	**6,087**	**4,040**	**680,090**
New contracts included revaluation (1)	38,376	-	7,706	46,082
Ended contracts	(1,399)	-	-	(1,399)
Amortization charge	(51,776)	(1,099)	(1,182)	(54,057)
Other	(2,979)	-	-	(2,979)
Currency translation differences	492	-	-	492
NET CARRYING AMOUNT AS OF 30 JUNE 2020	**652,677**	**4,988**	**10,564**	**668,229**

(1) Including a €21.7 million increase in the right of use related to the IFRIC's decision of 16 December 2019, which requires the depreciation period for building fixtures and fittings to be consistent with the period used for leases under IFRS 16.

16.2 Lease debt

The variations in lease debt are broken down as follows:

		Cash impact		Without cash impact				
(in € thousands)	31 December 2019	Increase	Decrease	New contracts included revaluation (1)	Sorties Contrats	Interest	Change effect	30 June 2020
Lease debt	666,200	-	(45,427)	46,094	(5,136)	122	534	662,388
TOTAL NET DEBT	**666,200**	**-**	**(45,427)**	**46,094**	**(5,136)**	**122**	**534**	**662,388**

(1) Including a €21.7 million increase the rental debt related to the IFRIC's decision of 16 December 2019, which requires the depreciation period for building fixtures and fittings to be consistent with the period used for leases under IFRS 16.

As of 30 June 2020, the maturity ranges of lease debt is as follows:

	Maturity as of 30 June 2020			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Lease debt	118,077	343,374	200,937	662,388
TOTAL BORROWINGS	118,077	343,374	200,937	662,388

As of 30 June 2020, the lease debt bears interest at a fixed rate.

Note 17 Other non-current financial assets

(in € thousands)	30 June 2020	31 December 2019
Equity securities [(1)]	2,280	2,245
Other financial assets [(2)]	13,514	13,448
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	15,794	15,693

(1) Equity securities mainly correspond to investments in economic interest groups acquired at opening of stores for €2.3 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 €13.5 million.

Note 18 Deferred income tax assets and liabilities

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

(in € thousands)	30 June 2020	31 December 2019
Deferred tax assets	5,033	4,581
Deferred tax liabilities	(52,989)	(60,319)
TOTAL DEFERRED TAX ASSETS/(LIABILITIES)	(47,956)	(55,738)

The deferred income tax assets and liabilities are offset when they are in the same tax jurisdiction and that the applicable tax regulations allow this compensation for the tax due.

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 France's tax loss carry forwards.

It amounts to €34,1 million as of 30 June 2020 compared to €7,4 million as of 31 December 2019. The change is mainly due to the activation of the deficit at the level of the France tax integration head.

A projected budget has been established to demonstrate the use of this deferred tax asset within a reasonable time period.

Note 19 Derivative financial instruments

The fair value of derivative financial instruments is broken down as follows:

	30 June 2020		31 December 2019	
(in € thousands)	Asset	Liabilitiy	Asset	Liabilitiy
Forward foreign exchange contracts	19,258	-	16,858	141
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	19,258	-	16,858	141

All contracts are intended to cover the purchase of freight in US Dollars. These derivative financial instruments had a total nominal value of $527.1 million as of 30 June 2020, compared to $537.4 million as of 31 December 2019.

The amount recognized directly in equity at the end of June 2020 is €7.4 million and is dedicated to cover the forecasted cash-flows. The amount recognized in the profit or loss, in current result, for €9.9 million corresponds to the time value for the change in fair value of hedging instruments ("premium/discount" component).

Note 20 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 decided on 15 April 2020 to no longer propose a dividend payment at the 2020 General Meeting of Shareholders to be held on 12 June 2020.

20.1 Shares

The share capital as of 30 June 2020 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 S.A.'s share capital amounted to €146,583,736.56 as at 30 June 2020.

20.2 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 30 June 2020, the Group held 93,123 treasury shares under this liquidity contract compared to 106,024 as of 31 December 2019. As part of the shares buyback plans allocated to performance shares plans, the Group holds 219,952 treasury shares.

20.3 Share-based payments

a) 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 10 March 2020 (6), which granted 352,940 performance shares to 412 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 36 months, either 10 March 2023;
- 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 between 12 and 24 months depending on the indicator;
- 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 S.A. by no later than the definitive vesting date or shares bought back by the Group on the market prior to such date.

b) Information on the fair value of attribution of performance shares

	Plan n°4	Plan n°5a	Plan n°5b	Plan n°6
	18 May 2018	9 June 2019	24 June 2019	10 March 2020
Duration of plan	2.59 years	3 years	3 years	3 years
Fair value of performance shares *(in €)*	33.61	15.49	18.35	8.64

Performance conditions have been calculated for Plan No. 4, 5a, 5b and 6.

In connection with COVID, the number of attributable shares has been readjusted and plan 5a and 5b has been reversed in its entirety.

On the first half of 2020, 0.4 million was recognized (compared to an expense of 1.3 million in June 2019), offset by an increase in shareholders' equity, within:

- other operating income and expenses for the part allocated to the former Company's Chief Executive Officer as well as for some executives who left the Group;
- personal expenses for the part awarded to the other beneficiaries (see note 7).

c) New stock option plan

In the first half of 2020, as part of the stock option plans, an expense of €0.3 million was recognized in the income statement as personnel expenses (see note 7), with a corresponding increase in social debt.

Note 21 Net debt

21.1 Net debt

The variations in net debt are broken down as follows:

		Cash impact		Without cash impact			
(in € thousands)	31 December 2019	Increase	Decrease	Issuance fees	Interest	Change effect	30 June 2020
Cash and cash equivalents	94,489	342,926	-	-	-	-	437,415
TOTAL CASH AND CASH EQUIVALENTS	**94,489**	**342,926**	**-**	**-**	**-**	**-**	**437,415**
Convertible bond	182,075	-	-	166	2,146	-	184,387
Term loan	49,810	-	(307)	58	285	-	49,846
Revolving Credit Facilities	(407)	150,000	(321)	162	865	-	150,299
State-guaranteed term Loan	-	149,647			92		149,739
Other borrowings	904	1,570	(32)	-	-	(22)	2,420
Deposits and guarantees	790	-	-	-	-	-	790
Banks overdrafts	11	97	-	-	-	-	108
TOTAL DEBT	**233,182**	**301,314**	**(660)**	**387**	**3,387**	**(22)**	**537,588**
TOTAL NET DEBT	**138,694**	**(41,612)**	**(660)**	**387**	**3,387**	**(22)**	**100,174**

The breakdown by currency of the debt is broken down as follows:

	30 June 2020								
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	RMB	VND	Total
Convertible bond	184,387	-	-	-	-	-	-	-	184,387
Term loan	49,846	-	-	-	-	-	-	-	49,846
Revolving Credit Facilities	150,299	-	-	-	-	-	-	-	150,299
State-guaranteed term Loan	149,739								149,739
Other borrowings	2,420	-	-		-	-	-	-	2,420
Deposits and guarantees	790	-	-	-	-	-	-	-	790
Banks overdrafts	108	-	-	-	-	-	-	-	108
Cash and cash equivalents	(412,241)	(5,709)	(2,668)	(15,187)	(4)	(5)	(52)	(1,549)	(437,415)
TOTAL NET DEBT	**125,347**	**(5,709)**	**(2,668)**	**(15,187)**	**(4)**	**(5)**	**(52)**	**(1,549)**	**100,174**

	31 December 2019								
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	RMB	VND	Total
Convertible bond	182,075	-	-	-	-	-	-	-	182,075
Term loan	49,810	-	-	-	-	-	-	-	49,810
Revolving Credit Facilities	(407)	-	-	-	-	-	-	-	(407)
Other borrowings	904	-	-		-	-	-	-	904
Deposits and guarantees	790	-	-	-	-	-	-	-	790
Banks overdrafts	11	-	-	-	-	-	-	-	11
Cash and cash equivalents	(82,880)	(4,077)	(1,198)	(5,764)	(4)	(11)	(121)	(433)	(94,489)
TOTAL NET DEBT	**150,302**	**(4,077)**	**(1,198)**	**(5,764)**	**(4)**	**(11)**	**(121)**	**(433)**	**138,694**

a) Convertible Bond

On 6 December 2017, Maisons du Monde issued bonds convertible into new or existing shares ("OCEANE") due December 2023. Bonds have been issued at par value and bear interest at an annual rate of 0.125%.

As of 30 June 2020:

- the amount of the convertible bond, net of issuance fees, amounts to €184.4 million;
- effective interest rate stands at 2,55% and the financial expenses amounts to €2.1 millions (debt accretion effect using the effective interest rate method).

During 2020, no bonds were converted or refunded.

b) Senior Credit Facilities ("Term Loan" and "RCF") and additional Revolving Credit Facility ("Additional RCF")

The senior credit facilities include a long-term credit facility of €50 million and a revolving credit facility ("RCF") of €75 million (drawn as of 30, June 2020).

The additional credit facility is €75 million (drawn as of 30 June 2020).

c) State-guaranteed loan

The Group obtained a term loan of €150 million under the EMP with a syndicate of six banking groups: Crédit Agricole Group, BPCE Group, Société Générale Group (coordinators), CM-CIC Group, HSBC and BNP Paribas. This loan has a maturity of one year with an extension option for up to five additional years (June 2026).

The rate is 0% for the first year, however the Group is subject to a guarantee premium representing 0.5% of the loan. It has been classified as non-current debt.

This loan is 90% guaranteed by the French State.

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d) Financial expenses

The corresponding financial expenses are broken down as follows at 30 June 2020:

	Finance expenses			
	Interest rate	**Margin**	**Commitment Fees**	**User fees**
Term loan	Euribor 6 month	1.00%	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)*	*1.00%*	*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 1.00% as of 28 April 2020.

The revolving credit facilities includes a financial covenant requiring the Leverage Ratio, which is the ratio of total net debt on the last day of the current period to *pro forma* IAS 17 consolidated EBITDA for the same period.

The Group also successfully negotiated the suspension of its financial covenant for the two remaining test periods (June 2020 and December 2020) of its EUR 200 million senior credit facility, which matures in the second quarter of 2021.

21.2 Maturity of borrowings and other financial debts

As of 30 June, 2020, the maturity ranges of borrowings are as follows:

	Maturity as of 30 June 2020			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Convertible bond	-	184,387		184,387
Term loan	49,846	-	-	49,846
Revolving Credit Facilities	150,299	-	-	150,299
State-guaranteed term Loan	-	149,739	-	149,739
Other borrowings	1,561	590	269	2,420
Deposits and guarantees	-	790	-	790
Bank overdraft	108	-	-	108
TOTAL BORROWINGS	**201,814**	**335,505**	**269**	**537,588**

21.3 Fixed and variable rate

(in € thousands)	30 June 2020	31 December 2019
Floating rate	200,551	49,874
Fixed rate	337,036	183,307
TOTAL BORROWINGS	537,588	233,182

Floating rate borrowings includes the Term Loan, Credit revolving facilities and bank overdrafts.

Note 22 Post-employment benefits

The employment benefits provision relates to defined benefit pension plans.

(in € thousands)	30 June 2020	31 December 2019
France	4,009	3,712
Swiss	825	729
Italy	6,745	6,498
DEFINED BENEFIT OBLIGATION	11,579	10,939

Note 23 Provisions

(in € thousands)	Provisions for commercial disputes	Provisions for labor disputes	Provision relating to stores (closures and lease disputes)	Tax Provisions	Other	Total
Balance as of 1 January 2019	**13,014**	**1,300**	**78**	**145**	**1,000**	**15,537**
Additionnal provisions	2,005	796	329	35	230	3,395
Unused amounts reversed	(100)	(542)	(3)	(77)	-	(722)
Amounts used during the year	(42)	(575)	(22)	(11)	-	(650)
31 December 2019	**14,877**	**978**	**382**	**92**	**1,230**	**17,559**
Of which non-current	*12,877*	*685*	*48*	*92*	-	*13,702*
Of which current	*2,000*	*291*	*335*	-	*1,230*	*3,856*
Balance as of 1 January 2020	**14,877**	**978**	**382**	**92**	**1,230**	**17,559**
Additionnal provisions	310	452	48	-	110	919
Unused amounts reversed	-	(69)	(38)	(11)	-	(118)
Amounts used during the year	-	(544)	(131)	-	-	(675)
Currency translation differences	-	(2)	(2)	-	(2)	(6)
BALANCE AS OF 30 JUNE 2020	15,187	815	259	81	1,338	17,680
Of which non-current	*13,187*	*722*	*45*	*81*	-	*14,034*
Of which current	*2,000*	*93*	*214*	-	*1,340*	*3,646*

Note 24 Other non-current liabilities

“Other non-current liabilities” are mainly debt corresponding to put options held by the Modani’s and Rhinov’s minority €22,2 million at 30 June 2020 compared to €22,1 million at 30 June 2019 by the Modani’s minority. This debt is measured at the current exercise price of the option.

The change in the debt fair value is recognized against the Group's equity.

Note 25 Financial instruments

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.

25.1 Financial risks factors

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 State-guaranteed loan negotiated by the Group, as well as the suspension of the bank covenant, combined with the continuation of the cash protection and cost control plan, improves the Group's liquidity and therefore provides more room for manoeuvre in order to be able to deal with even the most negative scenarios concerning the evolution of Covid-19 in the coming months.

The total amount of credit facilities drawn at 30 June 2020 amounts to €150 million undrawn, compared to €150 million at 31 December 2019.

Maisons du Monde France has contracted various credit facilities (totalling €10 million) from Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Credit Agricole Corporate and Investment Bank, Natixis and Société Générale.

The tables below analyse the Group’s financial liabilities based on their contractual maturities:

	Contractual cash flows as of 30 June 2020				
(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	32	458	458	-	-
Issuance fees related to Term Loan	(185)	-	-	-	-
Convertible bond [(1)]	175,366	200,000	-	200,000	-
State-guaranteed term Loan	149,739	150,750	750	150,000	
Interests on convertible bond	10,268	1,000	250	750	
Issuance fees related to convertible bond	(1,247)	-	-	-	-
RCF	151,147	150,000	150,000	-	-
Interests on RCF [(1)]	(549)	1,856	1,856	-	-
Issuance fees related to RCF	(298)	-	-	-	-
Other borrowings	2,420	2,420	1,561	590	269
Deposits	790	790	-	-	790
Bank overdraft	108	108	108	-	-
Total Borrowings	**537,588**	**557,382**	**204,983**	**351,340**	**1,059**
Other non current liabilities	23,516	23,516	-	23,516	-
Trade and other payables	319,293	319,293	319,293	-	-
TOTAL OTHER LIABILITIES	**342,809**	**342,809**	**319,293**	**23,516**	**-**

(1) The contractual cash-flows for interests on the Term Loan and the RCF are based on the following assumption: a rate of 1% which are the minimum contractual rate, for the presented periods according to the forecast debt leverage (see note 21.1).

	Contractual cash flows as of 31 December 2019				
(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	54	1,510	625	885	-
Issuance fees related to Term Loan	(244)	-	-	-	-
Convertible bond (1)	175,366	200,000	-	200,000	-
Interests on convertible bond	8,122	1,000	250	750	
Issuance fees related to convertible bond	(1,413)	-	-	-	-
RCF	-	-	-	-	-
Interests on RCF (1)	54	1,586	656	930	-
Issuance fees related to RCF	(461)	-	-	-	-
Other borrowings	904	904	205	684	15
Deposits	790	790	-	-	790
Bank overdraft	11	11	11	-	-
Total Borrowings	**233,182**	**255,800**	**1,747**	**253,249**	**805**
Other non current liabilities	23,149	23,149	-	23,149	-
Trade and other payables	232,772	232,772	232,772	-	-
TOTAL OTHER LIABILITIES	**255,922**	**255,922**	**232,772**	**23,149**	**-**

(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.

2.8 Additional information

Note 26 Off-balance sheet commitments and contingent liabilities

The off-balance sheet commitments are disclosed in note 35 of the consolidated financial statements for the year ended 31 December 2019.

There were no significant changes in other off-balance sheet commitments between 31 December 2019 and 30 June 2020.

However, the contingent liability identified at 31 December 2019 relating to the Italian tax audit resulted in the recognition of a tax charge in the first half of 2020 (see note 29).

Note 27 Transactions with related parties

Related party transactions are presented in note 36 of the Consolidated Financial Statements for the year ended 31 December 2019.

There was no significant change in related party transactions between 31 December 2019 and 30 June 2020.

Note 28 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 30 June 2020:

At 30 June 2020, there was no change in the scope of consolidation compared to 31 December 2019. 40 companies were consolidated in the consolidated financial statements.

Subsidiary	Activity	Country of incorporation	Consolidation method	30 June 2020		31 December 2019	
				% 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%
Maison du Monde Belgium	Retail stores selling home furnishings and decorations	Belgium	Full	100%	100%	100%	100%
Maison du Monde Spain	Retail stores selling home furnishings and decorations	Spain	Full	100%	100%	100%	100%
Maison 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	Luxembourg	Full	100%	100%	100%	100%
Maison du Monde Germany	Retail stores selling home furnishings and decorations	Germany	Full	100%	100%	100%	100%
Maison du Monde Switzerland	Retail stores selling home furnishings and decorations	Switzerland	Full	100%	100%	100%	100%
Maisons du Monde Portugal	Retail stores selling home furnishings and decorations	Portugal	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 harbor and warehouses	France	Full	100%	100%	100%	100%
Mekong Furniture	Furniture manufacturing	Vietnam	Full	100%	100%	100%	100%
Savane Vision (Rhinov)	Activité spécialisée de design	France	Full	100%	70%	100%	70%
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%	100%	100%
Modani Holdings LLC	Holding company and support functions	United-States	Full	100%	70%	100%	70%
Modani Atlanta LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Boca Raton LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Brickell LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Chicago LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Dallas LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Doral LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Frisco LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%

Subsidiary	Activity	Country of incorporation	Consolidation method	30 June 2020 % control	30 June 2020 % interest	31 December 2019 % control	31 December 2019 % interest
Modani Fort Lauderdale LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani King of Prussia LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Paramus LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Houston LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Los Angeles LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Miami LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani New-York Midtown LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani OC LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani San Diego LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Tampa LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani West Palm Beach LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Urbanmod LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Garden City LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Naples LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Denvers LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Jacksonville LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Las Vegas LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Oak Brook LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Modani Pinecrest LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
Maisons du Monde Aventura LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%
SNS Imports LLC	Warehouse logistics and order preparation	United-States	Full	100%	70%	100%	70%
Maisons du Monde Holdings LLC	Holding	United-States	Full	100%	70%	100%	70%
Maisons du Monde Wynwood LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%

Note 29 Events subsequent after the reporting period

Italian Fiscal Control

An audit of the accounts of MDM Italia SPA was carried out since July 2019 for the financial years ending 31 December 2014, 2015 and 2016.

On 24 October 2019, the Italian tax authorities issued a minutes challenging the deductibility of logistics costs and rent invoiced by MDM France S.A.S. to its Italian subsidiary for the financial years 2015 and 2016. On 20 December 2019 by a notification of adjustment relating to the financial year 2014, also rejecting the deductibility of logistics costs and rent invoiced by MDM France S.A.S. for the financial year 2014.

The financial consequences of the adjustments for the 2014 financial year and estimated for the 2015 and 2016 financial years were evaluated at €8 million of tax, plus interest and penalties (between €8.5 million and €13.7 million).

In accordance with the Italian tax authorities, MDM Italia SPA obtained a proposed agreement dated of 13 July 2020 considering that a part of the logistics and rental costs invoiced by MDM France S.A.S. as deductible. The financial consequence of this agreement on the fiscal years subject to control, including interest for late payment as well as penalties reduced to 30%, corresponds to a final cost of 4,8 million for the 3 years concerned.

The agreement was signed with the Italian tax authorities on 17 July 2020 for the year 2014, and on 21 July 2020 for the years 2015 and 2016, which resulted in a very sharp reduction in the maximun penalities of 180 % incurred in the context of the audit.

This event occurring after the closing is fully booked at 30 June 2020.

No other significant events occurred after the closing.

Statutory auditors' review report on the Half-yearly Financial Information

Period from January 1 to June 30, 2020

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Maisons du Monde S.A., for the period from January 1 to June 30, 2020;
- the verification of the information presented in the half-yearly management report.

These half-yearly condensed consolidated financial statements were prepared under the responsibility of the Board of Directors on 27 July 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

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

As stated in Notes 1 and 2.2. to the financial statements, the Company applied the amendment to IFRS 16 – Leases published by the IASB on May 28, 2020 and recognized income of €5.2 million in P&L for rent concessions granted by lessors prior to June 30, 2020. However, on the preparation date of the condensed half-yearly consolidated financial statements, this amendment had not yet been adopted by the European Union and could not therefore be applied as of June 30, 2020.

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

II. Specific verification

We have also verified the information presented in the half-yearly management report commenting the condensed half-yearly consolidated financial statements subject to our review prepared on 27 July 2020. With the exception of the point described in the Conclusion on the financial statements section, we have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Nantes and Saint-Herblain, July 30, 2020

The statutory auditors, French original signed by

KPMG Audit	Deloitte & Associés
Département de KPMG S.A.	Alexis LEVASSEUR
Gwenaël CHEDALEUX	

Statement by the person responsible for the Half-Year Financial Report

"I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the half year ended 30 June 2020 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 within its scope of consolidation, and that the attached half-year activity report gives a true picture of the significant events that occurred in the first six months of the fiscal year, their impact on the financial statements, and the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year."

July 30, 2020

Julie Walbaum

Chief Executive Officer

MAISONS DU MONDE

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