MAISONS DU MONDE

Half-Year 2019 Financial Report

AT 30 JUNE

Contents

Half-Year 2019 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 2019 [1]

	Six-month period ended 30 June		
(in € millions)	2019	2018	% change
Sales	**564.0**	**507.0**	**+11.2%**
Of which Maisons du Monde	543.8	501.2	+8.5%
% like-for-like change	*+4.4%*	*+4.8%*	-
Of which Modani	20.3	5.8	n/a
Gross margin	**360.7**	**329.7**	**+9.4%**
As a % of sales	*64.0%*	*65.0%*	*(110) bps*
EBITDA	**45.6**	**48.0**	**(4.9)%**
As a % of sales	*8.1%*	*9.5%*	*(140) bps*
EBIT	**26.7**	**30.6**	**(12.9)%**
As a % of sales	*4.7%*	*6.0%*	*(130) bps*
Net income	**7.2**	**8.1**	**(11.3)%**
Free cash flow	**(15.1)**	**(62.0)**	**n/a**
Net debt	**204.2**	**213.1**	**(4.2)%**
Leverage ratio [1] (x)	1.4 x	1.5 x	(0.1) x

(1) Net debt divided by last-twelve-months EBITDA (including Modani on a pro forma basis for the period ending 30 June 2018, and excluding the liabilities related to the earn-out and the put option at 30 June 2018 and excluding the liabilities related to the put option at 30 June 2019).

1.1.2 ANALYSIS OF SALES

OVERVIEW OF SALES FOR THE FIRST HALF OF 2019

	Six-month period ended 30 June		
(in € millions)	2019	2018	% change
Sales by geography			
France	307.5	299.4	+2.7%
International	256.5	207.7	+23.5%
TOTAL SALES	**564.0**	**507.0**	**+11.2%**
France (%)	54.5%	59.0%	-
International (%)	45.5%	41.0%	-
TOTAL SALES (%)	**100.0%**	**100.0%**	**-**
Sales by distribution channel			
Stores	415.1	386.2	+7.5%
Online	148.9	120.8	+23.3%
TOTAL SALES	**564.0**	**507.0**	**+11.2%**
Stores (%)	73.6%	76.2%	-
Online (%)	26.4%	23.8%	-
TOTAL SALES (%)	**100.0%**	**100.0%**	**-**
Sales by product category			
Decoration *(%)*	285.8	264.3	+8.1%
Furniture	278.2	242.7	+14.6%
TOTAL SALES	**564.0**	**507.0**	**+11.2%**
Decoration (%)	50.7%	52.1%	-
Furniture (%)	49.3%	47.9%	-
TOTAL SALES (%)	**100.0%**	**100.0%**	**-**

(1) Before IFRS 16 impact. For more information, please refer to note 2.2 "New standards, amendments and interpretations" in Chapter 2 "Condensed consolidated interim financial statements" of this Half-year financial report.

Maisons du Monde reported sales of €564.0 million in the first half of 2019, up 11.2% compared to the first half of 2018. Like-for-like sales growth was 4.4% for the period, reflecting the robustness of the Group's omnichannel and international strategy. This performance was achieved taking into account a strong comparable base (like-for-like growth of 4.8% in the first half of 2018) and a soft retail environment in France. Like-for-like sales growth accelerated in the second quarter (+6.5%) compared to the first quarter (+2.4%). Growth momentum remained strong in online sales (+23.3%) and international business (+23.5%), representing around 26% and 45% of Group sales respectively.

In the first half of 2019, Maisons du Monde continued to implement its store network development roadmap, with 13 gross store openings, including six in France and seven internationally, of which its first store under its banner in Portugal. Six other stores were closed for relocation during the period (including three in France, one in Belgium, and two in Italy), as part of the Group's active management of its store portfolio. As at 30 June 2019, Maisons du Monde operated 343 stores in ten countries, with total sales area of 395,400 square metres, up by approximately 8,200 square metres compared to 31 December 2018. In addition, two new Modani showrooms were opened during the period, bringing the total to 15 stores in the United States at 30 June 2019.

A. Sales by geography

In the first half of 2019, the Group’s sales in France amounted to €307.5 million, representing 54.5% of sales, up 2.7% year-on-year, due to solid growth in online sales, the opening of three new stores during the period, as well as the half-year effect of store openings in 2018, despite a soft retail environment. The Group's international sales totalled €256.5 million during the first half of 2019, or 45.5% of sales, up 23.5% compared to the first half of 2018, reflecting the strong continued growth in online sales, the net opening of four new stores during the period, the half-year effect of the store openings in 2018, as well as Modani's contribution to the Group's sales during the entire first half of 2019 (*versus* two months during the first half of 2018).

B. Sales by distribution channel

In the first half of 2019, in-store sales totalled €415.1 million, or 73.6% of sales, up 7.5% year-on-year, reflecting the net opening of seven new stores during the period and Modani's contribution to the entire first half of 2019 (*versus* two months for the first half of 2018). Online sales jumped 23.3% to €148.9 million in the first half of 2019 compared to the first half of 2018. The contribution of online sales to Group sales grew significantly during the period, amounting to 26.4% for the first half of 2019, compared to 23.8% for the first half of 2018, confirming the effectiveness and the strength of Maisons du Monde's omnichannel strategy.

C. Sales by product category

In the first half of 2019, sales of decoration items rose 8.1% year-on-year to €285.8 million, accounting for 50.7% of sales, while furniture sales were up 14.6% year-on-year to €278.2 million, representing 49.3% of sales. This performance notably reflected the strong growth in online sales, which have a more concentrated product mix for furniture, as well as Modani's contribution for the entire first half of 2019 (*versus* two months for the first half of 2018).

1.1.3 EBITDA ANALYSIS

BREAKDOWN OF EBITDA BY GEOGRAPHY [(1)]

	Six-month period ended 30 June		
(in € millions)	**2019**	**2018**	**% change**
France	52.8	54.2	(2.6)%
International	29.7	26.6	+11.7%
Corporate segment [(1)]	(36.9)	(32.8)	+12.4%
EBITDA	**45.6**	**48.0**	**(4.9)%**

(1) See note 5 “Geographical segment information” in Section 2.6 “Notes on consolidated interim income statement” of Chapter 2 “Condensed consolidated interim financial statements” of this half-year financial report.

In the first half of 2019, EBITDA reached €45.6 million, down 4.9% compared to the first half of 2018, resulting in an EBITDA margin of 8.1%, down 140 basis points year-on-year. This anticipated drop reflected (i) a decrease in gross margin due to unfavourable foreign exchange effects, temporarily higher promotional activity and, to a lesser extent, a higher share of furniture sales in the product mix, (ii) temporary pressure on logistics and marketing costs at Modani due to its rapid expansion, and (iii) continued increase in Maisons du Monde's advertising expenses and investments in growth initiatives, partly offset by (iv) positive operating leverage and effective cost management.

(1) Before IFRS 16 impact. For more information, please refer to note 2.2 "New standards, amendments and interpretations" in Chapter 2 "Condensed consolidated interim financial statements" of this Half-year financial report.

A. EBITDA in France

In France, EBITDA was €52.8 million in the first half of 2019, down 2.6% compared to the first half of 2018, notably reflecting (i) the Group's lower gross margin over the period and (ii) continued investment in initiatives aiming to support its growth, partially offset by (iii) the scope effect linked to the new store openings. As a percentage of sales in France, the EBITDA margin (excluding the Corporate segment) amounted to 17.2% in the first half of 2019, compared to 18.1% in the first half of 2018.

B. International EBITDA

Internationaly, EBITDA was €29.7 million in the first half of 2019, up 11.7% compared to the first half of 2018, notably reflecting (i) the strong like-for-like sales growth and (ii) the scope effect linked to the new store openings, partially offset by (iii) temporary pressure on Modani's logistics and marketing costs due to its rapid expansion. As a percentage of international sales, the EBITDA margin (excluding the Corporate segment) was 11.6% in the first half of 2019, compared to 12.8% in the first half of 2018.

1.1.4 INCOME STATEMENT ANALYSIS

SIMPLIFIED CONSOLIDATED INCOME STATEMENT [(1)]

	Six-month period ended 30 June	
(in € millions)	**2019**	**2018**
Sales	**564.0**	**507.0**
Sales to franchise and promotional sales	3.0	2.9
Other revenue from ordinary activities	14.2	12.0
Revenues	**581.2**	**522.0**
Cost of sales	(203.3)	(177.3)
Personnel expenses	(112.4)	(102.4)
External expenses	(225.9)	(200.8)
Depreciation, amortisation, and allowance for provisions	(18.9)	(17.4)
Change in fair value – derivative financial instruments	4.6	(0.8)
Other income from operations	1.2	0.9
Other expenses from operations	(3.9)	(2.9)
Current operating profit before operating income and expenses	**22.6**	**21.2**
Other operating income and expenses	(3.1)	(2.7)
Operating profit/(loss)	**19.5**	**18.5**
Financial profit/(loss)	(4.7)	(4.5)
Share of profit of equity-accounted subsidiaries	-	-
Profit/(loss) before income tax	**14.8**	**14.0**
Income tax	(7.6)	(5.9)
NET INCOME	**7.2**	**8.1**

(1) Before IFRS 16 impact. For more information, please refer to note 2.2 "New standards, amendments and interpretations" in Chapter 2 "Condensed consolidated interim financial statements" of this Half-year financial report.

A. Revenue

In the first half of 2019, the Group's **sales** reached €564.0 million, up 11.2% compared to the first half of 2018. This performance reflected (i) 4.4% like-for-like sales growth, (ii) a scope effect linked to the net opening of seven new stores during the period, (iii) the effect over the half-year of the store openings that occurred in 2018 and (iv) Modani's contribution to the Group's sales for the entire first half of 2019 (*versus* two months during the first half of 2018).

The contribution from other revenue reached €17.2 million in the first half of 2019, compared to €14.9 million in the first half of 2018, mainly due to a higher volume of transportation services sold to customers, reflecting the growth in sales.

In view of all these elements, the Group's **consolidated revenue** increased by €59.2 million to €581.2 million in the first half of 2019, a rise of 11.3% compared with the first half of 2018.

B. Gross margin

The **cost of sales** increased by €26.0 million, or 14.7%, to €203.3 million in the first half of 2019, compared to €177.3 million in the first half of 2018. As a percentage of sales, the cost of sales amounted to 36.0% in the first half of 2019 compared to 35.0% in the first half of 2018. This change was due to (i) unfavourable foreign exchange effets, (ii) temporarily higher promotional activity and (iii), to a lesser extent, a higher share of furniture sales in the product mix.

In the first half of 2019, the Group posted a **gross margin** of €360.7 million, or 64.0% of sales, compared to €329.7 million, or 65.0% of sales, in the first half of 2018.

C. Current operating profit

Personnel expenses increased by €10.0 million, or 9.7%, to €112.4 million in the first half of 2019, compared with €102.4 million in the first half of 2018, as the average number of full-time equivalent (FTE) employees increased from 6,212 employees at 30 June 2018 to 6,595 at 30 June 2019. This increase mainly reflected (i) the opening of new stores and (ii) the impact over the half-year of the additional resources for the central functions recruited in 2018 and in early 2019.

As a percentage of sales, personnel costs were 19.9% in the first half of 2019, compared to 20.2% in the first half of 2018. This was mainly due to (i) the relative stability in same-store personnel expenses in a context of sales growth and (ii) changes in the sales breakdown by distribution channel, with lower personnel costs for online sales (which posted higher growth than in-store sales for the period), offset by (iii) a €0.9 million increase in share-based payments (including social security costs).

External expenses rose by €25.1 million, or 12.5%, to €225.9 million in the first half of 2019, compared to €200.8 million in the first half of 2018. This was primarily due to (i) the 25.0% increase in transportation costs due to higher sales and a greater volume of transportation services provided by third parties following the disposal of Distri-Meubles during the first half of 2018, (ii) the increase in retail trading space related to net store openings, rising from approximately 371,100 square metres at 30 June 2018 to roughly 395,400 square metres at 30 June 2019, thus resulting in an increase in rents and related expenses and repair and maintenance expenses, (iii) the planned increase in advertising expenses and (iv) a rise in other external expenses, mainly reflecting the impact of Modani's logistics subcontracting expenses.

As a percentage of sales, external expenses amounted to 40.1% in the first half of 2019, compared to 39.6% in the first half of 2018. This change resulted (i) in the Group's continued investments to support its sales growth, particularly in marketing, IT and data, and (ii) temporary pressure on logistics and marketing costs at Modani associated with its rapid expansion, partially offset by (iii) the Group's good management of its in-store operating costs.

Depreciation, amortisation and provisions rose by €1.6 million, or 9.1%, to €18.9 million in the first half of 2019, compared to €17.4 million in the first half of 2018, primarily driven by the depreciation of fixed assets related to new store openings in 2018 and 2019.

As a percentage of sales, depreciation, amortisation, and provisions amounted to 3.4% in the first half of 2019, stable compared to the first half of 2018.

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 €4.6 million in the first half of 2019, compared to an expense of €0.8 million in the first half of 2018.

Other operating income and expenses amounted to a net expense of €2.7 million in the first half of 2019, compared to a net expense of €2.1 million in the first half of 2018. This change primarily reflected (i) an increase in the expenses for store relocations as part of the Group's active management of its store portfolio and (ii) commercial litigations, which by nature may be volatile.

The Group posted **current operating profit** of €22.6 million in the first half of 2019, compared to €21.2 million in the first half of 2018. Excluding the effect of the change in fair value of derivative financial instruments, current operating profit was €18.0 million in the first half of 2019, compared to €22.0 million in the first half of 2018.

D. Operating profit (loss)

Other operating income and expenses represented a net expense of €3.1 million in the first half of 2019, compared to a net expense of €2.7 million in the first half of 2018. This mainly included (i) costs associated with non-relocated store closures (€1.0 million), (ii) a provision for risk in the context of a trade dispute (€0.5 million) and (iii) restructuring expenses (€0.5 million).

In the first half of 2019, the Group posted an **operating profit** of €19.5 million, compared to €18.5 million in the first half of 2018.

E. Financial profit (loss)

Financial profit/(loss) represented a net expense of €4.7 million in the first half of 2019, compared to a net expense of €4.5 million in the first half of 2018. The cost of net debt rose by €0.2 million to €3.3 million in the first half of 2019, compared to €3.1 million in the first of half of 2018, including a non-cash IFRS charge of €2.2 million relating to the convertible bonds (OCEANE).

F. Income tax expense

Income tax represented a net expense of €7.6 million in the first half of 2019, compared to a net expense of €5.9 million in the first half of 2018, reflecting current tax due of €7.6 million (compared to €6.2 million in the first half of 2018), including trade taxes such as the French CVAE tax, the Italian IRAP tax and the German Gewerbesteuer tax of €3.4 million (compared to €2.9 million in the first half of 2018).

G. Net income

In the first half of 2019, the Group posted a **profit** of €7.2 million, compared to €8.1 million in the first half of 2018.

1.1.5 NON-IFRS FINANCIAL METRICS

The Group adopted IFRS 16 on 1 January 2019 and decided to apply the simplified retrospective method. Consequently, the data from prior financial years are presented in accordance with previous accounting policies, as presented in the Group's consolidated financial statements for the year ended 31 December 2018. In order to facilitate comparison with prior periods, the Group provides financial metrics before the impact of IFRS 16, including EBITDA, EBIT, net income, free cash flow and net debt.

RECONCILIATION OF EBITDA

	Six-month period ended 30 June	
(in € millions)	2019	2018
Current operating profit before IFRS 16 impact	**22.6**	**21.2**
Depreciation, amortisation, and allowance for provisions	18.9	17.4
Change in fair value – derivative financial instruments	(4.6)	0.8
Pre-opening expenses	0.8	0.9
Pro rata – catalogue-related expenses	7.0	6.9
Pro rata – taxes (IFRIC 21)	0.9	0.8
EBITDA	**45.6**	**48.0**
IFRS 16 impact	51.4	-
EBITDA AFTER IFRS 16 IMPACT	**97.1**	**48.0**

RECONCILIATION OF EBIT

	Six-month period ended 30 June	
(in € millions)	2019	2018
EBITDA before IFRS 16 impact	**45.6**	**48.0**
Depreciation, amortisation, and allowance for provisions	(18.9)	(17.4)
EBIT	**26.7**	**30.6**
IFRS 16 impact	3.5	-
EBIT AFTER IFRS 16 IMPACT	**30.2**	**30.6**

RECONCILIATION OF NET INCOME

(in € millions)	Six-month period ended 30 June 2019 Pre IFRS 16	Impact IFRS 16	2019 IFRS 16	2018 Pre IFRS 16
Current operating profit	**22.6**	**3.5**	**26.1**	**21.2**
Other operating income and expenses	(3.1)	-	(3.1)	(2.7)
Operating profit/(loss)	**19.5**	**3.5**	**23.0**	**18.5**
Cost of net debt	(3.3)	-	(3.3)	(3.1)
Cost of lease debt	-	(6.1)	(6.1)	-
Finance income	0.8	-	0.8	0.9
Finance expenses	(2.3)	0.1	(2.2)	(2.3)
Financial profit/(loss)	**(4.7)**	**(6.1)**	**(10.8)**	**(4.5)**
Share of profit/(loss) of equity-accounted investees	-	-	-	-
Profit/(loss) before income tax	**14.8**	**(2.6)**	**12.2**	**14.0**
Income tax	(7.6)	0.8	(6.8)	(5.9)
NET INCOME	**7.2**	**(1.8)**	**5.4**	**8.1**

RECONCILIATION OF FREE CASH FLOW

(in € millions)	Six-month period ended 30 June 2019 Pre IFRS 16	Impact IFRS 16	2019 IFRS 16	2018 Pre IFRS 16
EBITDA	**45.6**	**51.4**	**97.1**	**48.0**
Change in operating working capital requirements	0.3	-	0.3	(44.2)
Income tax paid	(18.2)	-	(18.2)	(3.2)
Pre-opening expenses	(0.8)	-	(0.8)	(0.9)
Pro rata – catalogue-related expenses	(7.0)	-	(7.0)	(6.9)
Pro rata – taxes (IFRIC 21)	(0.9)	-	(0.9)	(0.8)
Change in other operating items	1.0	-	1.0	(0.7)
NET CASH GENERATED BY/(USED IN) OPERATING ACTIVITIES (A)	**20.1**	**51.4**	**71.5**	**(8.7)**
Capital expenditure	(23.4)	-	(23.4)	(15.9)
Acquisition of financial assets	(4.2)	-	(4.2)	0.0
Acquisition of subsidiaries acquisition (net of cash acquired)	0.0	-	0.0	(36.3)
Change in debt on fixed assets	(8.0)	-	(8.0)	(1.1)
Proceeds from sale of non-current assets	0.4	-	0.4	0.0
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES (B)	**(35.2)**	**-**	**(35.2)**	**(53.3)**
FREE CASH FLOW (A)+(B)	**(15.1)**	**51.4**	**36.4**	**(62.0)**

RECONCILIATION OF NET DEBT

(in € millions)	Six-month period ended 30 June 2019	2018
Convertible bond	180.0	175.8
Term loan	49.7	49.5
Revolving credit facilities	(0.6)	19.1
Other borrowings	0.0	1.2
Finance leases	4.5	3.1
Deposits and guarantees	0.5	0.5
Banks overdrafts	0.8	3.1
Cash and cash equivalents	(30.7)	(39.1)
NET DEBT	**204.2**	**213.1**
IFRS 16 impact	625.2	-
NET DEBT AFTER IFRS 16 IMPACT	**829.5**	**213.1**

1.2 Liquidity and capital resources

1.2.1 ANALYSIS OF CASH FLOWS [1]

The table below shows the Group's consolidated cash flows for the six-month periods ended 30 June 2018 and 30 June 2019.

	Six-month period ended 30 June	
(in € millions)	**2019**	**2018**
Net cash flow from/(used in) operating activities	20.1	(8.7)
Net cash generated by/(used in) investment activities	(35.2)	(53.3)
Net cash flow from/(used in) financing activities	(11.6)	(2.4)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(26.6)**	**(64.4)**
Cash and cash equivalents at beginning of period	**56.6**	**100.1**
Net increase/(decrease) in cash and cash equivalents	(26.6)	(64.4)
Exchange gains/(losses) on cash and cash equivalents	0.0	0.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**29.9**	**36.0**

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 2018 and 30 June 2019.

	Six-month period ended 30 June	
(in € millions)	**2019**	**2018**
EBITDA	**45.6**	**48.0**
Change in operating working capital requirements	0.3	(44.2)
Income tax paid	(18.2)	(3.2)
Pre-opening expenses	(0.8)	(0.9)
Pro rata – catalogue-related expenses	(7.0)	(6.9)
Pro rata – taxes (IFRIC 21)	(0.9)	(0.8)
Change in other operating items	1.0	(0.7)
Net cash flow from/(used in) operating activities	**20.1**	**(8.7)**
Capital expenditure	(23.4)	(15.9)
Acquisition of financial assets	(4.2)	0.0
Acquisition of subsidiaries (net of cash acquired)	0.0	(36.3)
Change in debt on fixed assets	(8.0)	(1.1)
Proceeds from sale of non-current assets	0.4	0.0
Net cash generated by/(used in) investment activities	**(35.2)**	**(53.3)**
Proceeds from borrowings	-	20.1
Borrowings	(11.0)	(0.8)
Acquisitions (net) of treasury shares	0.2	(1.1)
Dividends paid	-	(19.9)
Interest paid	(0.8)	(0.7)
Net cash generated by/(used in) financing activities	**(11.6)**	**(2.4)**
Net cash flow before financing activities	**(15.1)**	**(62.0)**

(1) Before IFRS 16 impact. For more information, please refer to note 2.2 "New standards, amendments and interpretations" in Chapter 2 "Condensed consolidated interim financial statements" of this Half-year financial report.

The **Group's operating activities** generated a net cash inflow of €20.1 million in the first half of 2019 (compared to a net cash outflow of €8.7 million in the first half of 2018), primarily reflecting: (i) a gain of €37.9 million in pre-tax income for the period after restatement of the cost of net debt for €3.3 million and an expense of €19.8 million without impact on cash flow (including €21.5 million for depreciation, amortisation and allowance for provisions, share-based payments of €1.3 million, and a positive change of €4.6 million in the fair value of derivative financial instruments), (ii) a positive change of €0.3 million in working capital requirements and (iii) a €18.2 million cash outflow related to the payment of income tax.

The **change in working capital** had a positive impact on cash flow €0.3 million in the first half of 2019 (compared to a negative impact of €44.2 million in the first half of 2018), reflecting (i) a decrease in inventories of €25.5 million and (ii) an increase in trade and other payables of €5.6 million, partially offset by (iii) an increase of €30.8 million in trade receivables and other current receivables (notably due to the higher advances paid to suppliers compared to 31 December 2018).

The change in working capital is mainly due to the change in inventories, which fell given the Group's decision to reduce its store inventories in preparation for its new strategy of streamlined and more impactful collections.

In the first half of 2019, the **Group's investment activities** generated a net cash outflow of €35.2 million (compared to a net cash outflow of €53.3 million in the first half of 2018), mainly including capital expenditure of €23.4 million, of which approximately 52% related to development investments made for the opening of 13 new stores (on a gross basis).

The **Group's financing operations** generated a net cash outflow of €11.6 million in the first half of 2019 (compared to a net cash outflow of €2.4 million in the first half of 2018), mainly reflecting: (i) the repayment of the revolving credit facility for €10.0 million and (ii) the payment of €0.8 million in interest (primarily relating to the term loan and revolving credit facility). In addition, the Group paid dividends to shareholders for €19.9 million in the month of June in 2018, while it paid dividends to shareholders for €21.2 million in the month of July in 2019.

1.2.2 FINANCIAL RESOURCES [1]

The change in net debt over the period 31 December 2018 to 30 June 2019 was as follows:

		Cash impact		Without cash impact				
(in € millions)	31 December 2018	Increase	Decrease	Issuance fees	Finance leases	Interest	Change effect	30 June 2019
Convertible bond	177.8	-	-	0.2	-	2.1	-	180.0
Term loan	49.6	-	(0.3)	0.1	-	0.3	-	49.7
Revolving credit facilities	9.3	-	(10.3	0.2	-	0.3	-	(0.6)
Other borrowings	0.4	-	(0.5)	0.0	-	0.1	(0.0)	-
Finance leases	4.6	-	-	-	(0.0)	-	-	4.5
Deposits and guarantees	0.5	-	-	-	-	-	-	0.5
Banks overdrafts	0.6	0.2	-	-	-	-	-	0.8
Cash and cash equivalents	(57.2)	-	26.5	-	-	-	-	(30.7)
NET DEBT	**185.5**	**0.2**	**15.3**	**0.4**	**(0.0)**	**2.8**	**(0.0)**	**204.2**

(1) Before IFRS 16 impact. For more information, please refer to note 2.2 "New standards, amendments and interpretations "in Chapter 2 "Condensed consolidated interim financial statements" of this Half-year financial report.

1.3 Events after the reporting period

The Group has not identified any material events having occurred after the reporting date of 30 June 2019, other than the one described below:

1.3.1 ADJUSTMENT TO THE CONVERSION/EXCHANGE RATIO

Pursuant to the decision of the Shareholders' Meeting of Maisons du Monde of 3 June 2019, the Group paid a dividend of €0.47 per share on 4 July 2019. Following this dividend payment, in accordance with the terms and conditions of the OCEANEs, the Conversion/Exchange Ratio was ajusted from 1.004 to 1.012 Maisons du Monde share for 1 OCEANE, effective 4 July 2019.

1.4 Outlook

Maisons du Monde confirms its full-year 2019 guidance on the back of a stronger second half, in line with our expected phasing for the year. We expect continued positive sales momentum in H2 2019 and an improvement in profitability versus H1 2019.

We expect for full-year 2019 [(1)]:

- continued sales growth of around 10%;
- 35-40 gross store openings, of which two thirds outside France (including 5 for Modani), and around 10 store closures for relocation (mainly in France);
- EBITDA margin above 13% of sales.

The targets 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.

(1) Including Modani and before IFRS 16 impact.

First-half 2019 condensed consolidated interim financial statements

2

(Half-Year ended 30 June 2019)

2.1 Consolidated interim income statement

(in € thousands)	Notes	30 June 2019	30 June 2018
Retail revenue	6	566,994	509,957
Other revenue from ordinary activities	6	15,604	12,009
Revenue		**582,598**	**521,966**
Cost of sales		(203,322)	(177,271)
Personnel expenses	7	(112,401)	(102,416)
External expenses	8	(175,826)	(200,826)
Depreciation, amortization and allowance for provisions		(66,877)	(17,370)
Fair value – derivative financial instruments	22	4,608	(754)
Other income from operations	9	1,187	859
Other expenses from operations	9	(3,869)	(2,940)
Current operating profit before other operating income and expenses		**26,100**	**21,249**
Other operating income and expenses	10	(3,095)	(2,739)
Operating profit (loss)		**23,004**	**18,510**
Cost of net debt	11	(3,265)	(3,111)
Cost of lease liability	11	(6,149)	-
Other finance income	11	820	867
Other finance expenses	11	(2,201)	(2,291)
Financial profit (loss)		**(10,795)**	**(4,534)**
Share of profit (loss) of equity-accounted investees		-	-
Profit (loss) before income tax		**12,210**	**13,975**
Income tax expense	12	(6,813)	(5,911)
PROFIT (LOSS)		**5,397**	**8,064**
Attributable to:			
• owners of the Parent		6,222	7,978
• non-controlling interests		(825)	86
Earnings per share attribuable to the owners of the parent:			
Basic earnings per share	13	0.14	0.18
Diluted earnings per share	13	0.15	0.19

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

2.2 Consolidated interim statement of other comprehensive income

(in € thousands)	Notes	30 June 2019	30 June 2018
PROFIT (LOSS) FOR THE PERIOD		**5,397**	**8,064**
• Remeasurements of post employment benefit obligations	25	(1,300)	26
• Income tax related to items that will not be reclassified		363	(6)
Total items that will not be reclassified to profit or loss		**(937)**	**20**
• Cash-flow hedge	22	11,477	25,645
• Currency translation differences		289	145
• Income tax related to items that will be reclassified		(3,675)	(8,830)
Items that will be reclassified subsequently to profit or loss		**8,091**	**16,960**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**7,154**	**16,980**
TOTAL COMPREHENSIVE INCOME (LOSS)		**12,551**	**25,044**
Attributable to:			
• owners of the parent		13,305	24,958
• non-controlling interests		(754)	86

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

2.3 Consolidated interim statement of financial position

ASSETS

(in € thousands)	Notes	30 June 2019	31 December 2018
Goodwill	15	368,740	368,449
Other intangible assets	16	241,213	267,244
Property, plant and equipment	17	154,121	159,282
Rights of use	18	657,932	-
Equity-accounted investees		0	0
Other non-current financial assets	19	19,760	14,816
Deferred income tax assets	20	3,805	2,751
Derivative financial instruments	22	3,773	4,664
Other non-current assets	21	-	7,862
Non-current assets		**1,449,345**	**825,070**
Inventories		215,833	241,229
Trade receivables and other current receivables		102,065	83,547
Other current financial assets		933	27
Current income tax assets		15,129	4,310
Derivative financial instruments	22	14,623	-
Cash and cash equivalents		30,730	57,181
Current assets		**379,313**	**386,294**
TOTAL ASSETS		**1,828,659**	**1,211,364**

EQUITY AND LIABILITIES

(in € thousands)	Notes	30 June 2019	31 December 2018
Share capital	23	146,584	146,584
Share premiums	23	134,283	134,283
Retained earnings	23	291,729	248,946
Profit (loss) for the period		6,222	60,050
Equity attributable to owners of the Company		**578,819**	**589,863**
Non-controlling interests		(3)	752
TOTAL EQUITY		**578,816**	**590,614**
Borrowings	24	50,013	53,039
Convertible bond	24	180,222	178,092
Lease liability	18	534,857	-
Deferred income tax liabilities	20	61,792	58,180
Post-employment benefits	25	10,389	8,619
Provisions	26	14,216	14,409
Other non-current liabilities	28	24,683	34,994
Non-current liabilities		**876,172**	**347,332**
Current portion of borrowings and convertible bond	24	206	11,586
Current portion of lease liability	18	94,916	-
Trade payables and other current payables	27	275,180	250,940
Provisions	26	1,778	1,128
Corporate income tax liabilities		1,589	964
Derivative financial instruments	22	-	2,354
Other current liabilities	28	-	6,450
Current liabilities		**373,669**	**273,422**
TOTAL LIABILITIES		**1,249,841**	**620,754**
TOTAL EQUITY AND LIABILITIES		**1,828,659**	**1,211,364**

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

2.4 Consolidated income statement of cash flows

(in € thousands)	Notes	30 June 2019	30 June 2018
Profit (loss) for the period before income tax		12,210	13,975
Adjustments for:			
• Depreciation, amortization and allowance for provisions		69,451	18,794
• Net (gain) loss on disposals	9 & 10	1,571	740
• Share of profit (loss) of equity-accounted investees		0	0
• Change in fair value – derivative financial instruments	22	(4,608)	754
• Share-based payments		1,330	1,299
• Cost of net debt and lease liability	11	9,414	3,111
Change in operating working capital requirement:			
• (Increase) decrease in inventories		25,521	(28,517)
• (Increase) decrease in trade and other receivables		(30,818)	15,401
• Increase (decrease) in trade and other payables		5,639	(31,060)
Income tax paid		(18,166)	(3,207)
Net cash flow from/(used in) operating activities		**71,543**	**(8,708)**
Acquisitions of non-current assets:			
• Property, plant and equipment	17	(18,571)	(14,785)
• Intangible assets	16	(4,127)	(3,209)
• Financial assets [2]		(4,225)	-
• Subsidiaries acquisition, net of cash acquired [1]		-	(36,287)
• Other non-current assets		(717)	2,105
Change in debts on fixed assets	27	(7,971)	(1,097)
Proceeds from sale of non-current assets	9 & 10	447	1
Net cash flow from/(used in) investing activities		**(35,164)**	**(53,272)**
Proceeds from borrowings	24	-	20,126
Borrowings	24	(10,420)	(788)
Decrease in lease liability	18	(48,284)	-
Acquisitions (net) of treasury shares	23	197	(1,116)
Dividends paid	27	-	(19,890)
Interest paid	24	(753)	(733)
Lease liability interest paid	18	(3,749)	-
Net cash flow from/(used in) financing activities		**(63,009)**	**(2,401)**
Exchange gains/(losses) on cash and cash equivalents		19	316
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(26,630)**	**(64,382)**
Cash and cash equivalents at beginning of period		56,550	100,093
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**29,939**	**36,027**
Cash and cash equivalents (excluding bank overdrafts)		30,730	39,139
Bank overdrafts		(791)	(3,112)
CASH AND CASH EQUIVALENTS		**29,939**	**36,027**

(1) *In 2018, related to the acquisition of Modani (See 1.1 – Acquisition of Modani in the United Stated of the Consolidated Financial Statements for the year ended 31 December 2018).*

(2) *Acquisition of Rhinov (see note 1.2).*

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

2.5 Consolidated interim statement of changes in equity

(in € thousands)	Notes	Attributable to owners of the parent: Share capital	Share premiums	Retained earnings	Currency translation differences	Total	Non-controlling interests	Total equity
Balance as of 1 January 2018		**146,584**	**134,283**	**244,652**	**(481)**	**525,037**	**-**	**525,037**
Scope effect:								
Variation of non controlling interest (1)		-	-	-	-	-	*18,287*	-
Non-controlling interest put option (2)		-	-	-	-	-	*(18,287)*	-
Dividends		-	-	(19,890)	-	(19,890)	-	(19,890)
Share-based payments		-	-	1,299	-	1,299	-	1,299
Treasury shares		-	-	(1,109)	-	(1,109)	-	(1,109)
Profit (loss) for the period		-	-	7,978	-	7,978	86	8,064
Other comprehensive income for the period		-	-	16,835	145	16,980	-	16,980
BALANCE AS OF 30 JUNE 2018		**146,584**	**134,283**	**249,765**	**(336)**	**530,295**	**86**	**530,382**
Balance as of 1 January 2019		**146,584**	**134,283**	**308,641**	**354**	**589,862**	**752**	**590,613**
Non-controlling interest put option (3)	*28*	-	-	*(4,563)*	-	*(4,563)*	-	*(4,563)*
Dividends cash-settled		-	-	(21,264)	-	(21,264)	-	(21,264)
Share-based payments	23	-	-	1,330	-	1,330	-	1,330
Treasury shares	23	-	-	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**

(1) Related to the acquisition of Modani in the United States (see note 1.1 “Acquisition of Modani in the United States” of the Consolidated Financial Statements for the year ended 31 December 2018).

(2) Related to the acquisition of Modani in the United States (see note 1.1 and note 25 – Consolidated Financial Statements for the year ended 31 December 2018).

(3) Revaluation of non-controlling interest put option as of 30 June 2019 (see note 1.1).

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

Maisons du Monde S.A. is a limited liability company with a Board of Directors, governed by the laws of France. Its registered office is at Le Portereau – 44120, Vertou. Maisons du Monde's shares are listed on Euronext Paris.

The following consolidated financial statements, prepared in accordance with IFRS as adopted by the European Union, cover Maisons du Monde S.A. and its subsidiaries and equity interests in affiliated companies (hereafter referred collectively as "the Group" and individually as a "subsidiary" or "joint-venture").

The Group is a fast-growing omnichannel retailer of stylish, affordable furnishings and homeware products through its network of stores and its e-commerce platform. Its product range includes a wide variety of styles and categories of furnishings, both in terms of small decorative items, with products including household textiles, tableware and kitchenware, mirrors and picture frames, and large decorative products and furniture, such as large mirrors and lamps, tables, chairs, armchairs and sofas, cupboards, bookshelves and outdoor furniture.

The condensed interim consolidated financial statements have been authorized for issue by the Board of Directors held on 26 July 2019. All amounts are expressed in thousands of euro, unless otherwise specified.

Contents

Note 1 Significant events

1.1 Revaluation of minority put

As a reminder, on 3 May 2018, the Group purchased a 70% stake in Modani. This acquisition of a majority stake is combined with a put option granted to minority stockholders valid during the second half of 2022 as well as a call option granted to the Group during the first half of 2023. By mutual agreement, the 30% shares sale or redemption price has been set at fair market value at the option strike date.

As at 31 December 2018, the debt related to put option granted to minority stockholders has been measured at present value of the option strike price, based on enterprise value estimated during the purchase price allocation process. This debt has been recognized in balance sheet items as "Other non-current liabilities" for an amount of €19.4 million.

As at 30 June 2019, the debt related to the put option granted to minority stockholders has been revalued on the basis of the updated business plan and now stands at €23.9 million.

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

1.2 Savane Vision Acquisition (“Rhinov”)

In June 2019, the Group purchased a majority stake of 70.4% in Rhinov, a company specializing in decoration advice. Maisons du Monde’s stake has been financed entirely in cash, without recourse to additional indebtedness.

In 2018, Rhinov reported sales of €1.3 million.

As at 30 June 2019, the Group presented this investment as non-consolidated due to the acquisition close to the end of the period and the lack of significant impact on the Group's income statement and balance sheet as of 30 June 2019.

The analysis of the allocation of the purchase price will be made in the second half of 2019.

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 2019 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 2018.

The accounting policies used in the preparation of the condensed consolidated financial statements for the period from 1 January to 30 June 2019 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: http://ec.europa.eu/commission/index_fr.

The accounting policies applied as of 30 June 2019 are identical to those described in the notes to the published consolidated financial statements as of 31 December 2018, except for those related to the first application of IFRS 16 – Leases and IFRIC 23 – Accounting for uncertainties in income taxes (see note 2.2).

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. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

2.2 New standards, amendments and interpretations

a) New standards, amendments to existing standards and interpretations whose application is mandatory as of 1 January 2019

The new standards whose application has an impact for the Group are as follows:

IFRS 16 – LEASES

IFRS 16 “Leases”, applicable to financial years beginning from 1 January 2019, replaces IAS 17 and the associated IFRIC and SIC interpretations. The standard imposes a single method of accounting for contracts by lessees by recognizing an asset “Right of use” and a “lease liability”. The lease term is defined contract by contract and corresponds to the fixed period of the commitment taking into account the optional periods that are reasonably certain to be exercised.

On 1 January 2019, the Group elected to apply the simplified retrospective method of accounting for the cumulative effect of the initial application as an adjustment to opening equity. As a result, prior years’ data are presented in accordance with previous accounting policies, as presented in the consolidated financial statements as of 31 December 2018.

The Group’s leases mainly concern real estate assets, stores, but also warehouses and offices.

At the transition date, the Group retained the following practical expedients:

- the right of use is equal to the amount of the lease debt, adjusted if necessary, by the amount of the rend prepaid or accrued for the lease recognized in the balance sheet immediately before the date of application;
- a single discount rate is used for a set of contracts with similar characteristics;
- the initial directs costs are not taken into account to measure the right of use (commissions, legal fees, negotiation fees…).

At the transition date, the Group retained the following exemptions:

- leases of low value goods are excluded;
- contracts with a residual maturity of less that twelve months at the date transition are excluded.

No impact is recognized in equity as of 1 January 2019.

No deferred tax is recognized as of 1 January 2019.

LEASES CAPITALIZED AT THE DATE OF APPLICATION

Lease liability

On 1 January 2019, the Group recognized a lease liability for €639.3 million, corresponding to the discounted amount of the payments remaining to be made on the operating leases identified as of 31 December 2018.

The lease term used has been defined contract by contract and corresponds to the fixed period of the commitment, taking into account the optional periods that the direction believes to be reasonably certain to be exercised.

The discount rates applied at the transition date are based on the Group’s marginal borrowing rate plus a spread to take into account the specific economic environments of each country. The discount rate was determined taking into account the residual terms of the contracts from the date of first application, *i.e.* 1 January 2019, and their maturation.

The finance lease debt disclosed in the balance sheet of 31 December 2018 in financial debts is reclassified as of 1 January 2019 in a non-current and current lease liability lines for €4.6 million.

Right of use

As of 1 January 2019, the book value of the rights of use is €670.2 million is equal to the lease liability, adjusted for prepaid or accrued lease payments and for lease payments benefits received from lessors, recognized as of 31 December 2018.

The following items have been reclassified within the rights of use as of 1 January 2019:

- the leasehold for €28.2 million;
- the key money for €19.3 million;
- the free rent for €(16.5) million.

PRESENTATION IMPACT

The “right of use” and the “lease liability” are presented in the consolidated statement of financial position on separate lines.

Depreciation and related interest expenses are recognized respectively in current operating profit (loss) and in financial profit (loss).

During the first half of 2019, some subjects were instructed by the regulator to clarify some interpretations of the standard. All of the IASB's and IFRS IC's conclusions on these matters have not been disclosed to date and the Group continues to monitor ongoing discussions that may impact the approaches adopted by the Group.

The following tables present the impacts of the first application of IFRS 16 on the balance sheet:

ASSETS

(in € thousands)	31 December 2018	First time application IFRS 16	1 January 2019 IFRS 16
Goodwill	368,449	-	368,449
Other intangible assets	267,244	(28,163)	239,081
Property, plant and equipment	159,282	(4,416)	154,866
Rights of use	-	674,666	674,666
Equity-accounted investees	0	-	0
Other non-current financial assets	14,816	-	14,816
Deferred income tax assets	2,751	-	2,751
Derivative financial instruments	4,664	-	4,664
Other non-current assets	7,862	(7,841)	21
Non-current assets	**825,070**	**634,246**	**1,459,315**
Inventories	241,229	-	241,229
Trade receivables and other current receivables	83,547	(11,444)	72,103
Other current financial assets	27	-	27
Current income tax assets	4,310	-	4,310
Cash and cash equivalents	57,181	-	57,181
Current assets	**386,294**	**(11,444)**	**374,850**
TOTAL ASSETS	**1,211,364**	**622,802**	**1,834,167**

EQUITY AND LIABILITIES

(in € thousands)	31 December 2018	First time application IFRS 16	1 January 2019 IFRS 16
Share capital	146,584	-	146,584
Share premiums	134,283	-	134,283
Retained earnings	248,946	-	248,946
Profit (loss) for the period	60,050	-	60,050
Equity attributable to owners of the Company	**589,863**	**-**	**589,863**
Non-controlling interests	752		752
TOTAL EQUITY	**590,614**	**-**	**590,614**
Borrowings	53,039	(3,273)	49,766
Convertible bond	178,092	-	178,092
lease liability	-	551,837	551,837
Deferred income tax liabilities	58,180	-	58,180
Post-employment benefits	8,619	-	8,619
Provisions	14,409	-	14,409
Derivative financial instruments	-	-	0
Other non-current liabilities	34,994	(14,964)	20,030
Non-current liabilities	**347,332**	**533,600**	**880,932**
Current portion of borrowings and convertible bond	11,586	(1,286)	10,300
Current portion of lease liability	-	91,977	91,977
Trade payables and other current payables	250,940	(1,489)	249,450
Provisions	1,128	-	1,128
Corporate income tax liabilities	964	-	964
Derivative financial instruments	2,354	-	2,354
Other current liabilities	6,450	-	6,450
Current liabilities	**273,422**	**89,202**	**362,624**
TOTAL LIABILITIES	**620,754**	**622,802**	**1,243,556**
TOTAL EQUITY AND LIABILITIES	**1,211,364**	**622,802**	**1,834,167**

The table below presents the comparative income statement IFRS 16/IAS 17:

(in € thousands)	30 June 2019	IFRS 16 impact	30 June 2019 IAS 17
Retail revenue	566,994	-	566,994
Other revenue from ordinary activities	15,604	1,368	14,236
Revenue	**582,598**	**1,368**	**581,230**
Cost of sales	(203,322)	-	(203,322)
Personnel expenses	(112,401)	-	(112,401)
External expenses	(175,826)	50,071	(225,897)
Depreciation, amortization and allowance for provisions	(66,877)	(47,932)	(18,945)
Fair value – derivative financial instruments	4,608	-	4,608
Other income from operations	1,187	-	1,187
Other expenses from operations	(3,869)	-	(3,869)
Current operating profit before other operating income and expenses	**26,100**	**3,507**	**22,593**
Other operating income and expenses	(3,095)		(3,095)
Operating profit (loss)	**23,004**	**3,507**	**19,497**
Cost of net debt	(3,265)	-	(3,265)
Cost of lease liability	(6,149)	(6,149)	-
Other finance income	820	-	820
Other finance expenses	(2,201)	61	(2,262)
Financial profit (loss)	**(10,795)**	**(6,088)**	**(4,707)**
Share of profit (loss) of equity-accounted investees	-		-
Profit (loss) before income tax	**12,210**	**(2,581)**	**14,791**
Income tax expense	(6,813)	826	(7,639)
PROFIT (LOSS)	**5,397**	**(1,755)**	**7,151**

Reconciliation of lease liability at the date of transition with off-balance sheet operating lease commitments as of 31 December 2018:

(in € millions)		
Commitments given under operating leases as of 31 December 2018		**730.1**
Perimeter		**15.1**
Effects related to contracts that were not included in off-balance sheet commitments [(1)]	14.7	
Effects related to short-term contracts not recognized in lease liability as of 1 January 2019	(4.1)	
Financial lease included in the consolidated financial statements as of 31 December 2018	4.6	
Duration		**(40.8)**
Effects related to the optional periods taken into account in off-balance sheet commitments and not retained in the lease liability	(40.8)	
Lease liability before discounting		**704.4**
Discount		**(60.6)**
Discounting effect	(60.6)	
Lease liability after discounting		**(643.8)**

(1) Related to contracts that were not presented as off-balance sheet commitments given their insignificant nature and Mekong 's real estate contracts that had been omitted.

IFRIC 23 – ACCOUNTING FOR UNCERTAINTIES IN INCOME TAXES

As of 1 January 2019, the Group adopted IFRIC 23 interpretation "Accounting for uncertainties in income taxes".

IFRIC 23 clarifies the application of IAS 12 "Income taxes" on recognition and measurement, when there is uncertainty about the treatment of income taxes.

This application had no effect on the valuation of current and deferred taxes.

OTHER TEXTS WITH MANDATORY APPLICATION AS OF 30 JUNE 2019

- Amendments to IFRS 9 – Prepayment features with negative compensation.
- Amendments to IAS 28 – Long term interests in associates and joint-ventures.
- Amendments to IAS 19: plan amendment, curtailment or settlement.
- Annual improvements to the 2015-2017 IFRS cycle.

These amendments and interpretations have no significant impact on the half-year consolidated financial statements as of 30 June 2019.

Not yet adopted by the European Union: none.

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

Adopted by the European Union: none.

NOT YET ADOPTED BY THE EUROPEAN UNION

- IFRS 17 – Insurance contract.
- Changes to the references of the conceptual framework in IFRS.
- Amendment to IFRS 3 – Business combination.
- Amendments to IAS 1 and IAS 8 – Amendment to the definition of significant.

2.3 Consolidation method

2.3.1 Leases

The Group recognizes a lease when it obtains substantially all the economic benefits associated with the use of an identified asset and has the right to control that asset. The Group's leases mainly concern real estate assets, mainly stores, but also warehouses and offices. To a lesser extent, the Group also leases other assets, mainly logistical equipment.

Leases are recognized in the balance sheet at the inception of the contract for the present value of future payments. This results in:

- a non-current asset "Right of use relating to leases"; and
- a lease liability under the obligation to pay.

Leases corresponding to assets of low unit value or of a duration of less than or equal to 12 months are recognized directly as expenses.

RIGHT OF USE

At the date the property is made available, the assessed right of use includes: the initial amount of the liability plus, if applicable, the initial direct costs, the estimated costs of refurbishing the property; assets and prepayments made to the lessor, net, if any, of the benefits received from the lessor.

The right of use is amortized over the term of the contract, which generally corresponds to the firm period of the contract, taking into account the optional periods that are reasonably certain to be exercised. Amortization of the right of use are recognized in current operating income.

LEASE LIABILITY

At the date the property is made available, the lease liability is recognized at an amount equal to the discounted value of future payments that include fixed rents, variable rents that depend on an index or a rate defined in the contract, as well as payments related to the extension, purchase, termination or non-renewal options, if the Group is reasonably certain to exercise them.

With regard to real estate contracts, when the implicit rate of the contract is not easily determinable, the Group has chosen the marginal debt ratio to evaluate the right of use and the corresponding rent debt, which takes into account, in particular, the conditions of Group's financing and the economic environment in which the contract was taken out. For other contracts, the Group retained the implicit rate of the contract when it was easily determinable and, failing that, the Group's marginal debt ratio.

Subsequently, the lease liability is measured at amortized cost using the effective interest rate method.

The interest expense for the period is recognized in the financial result.

Note 3 Critical estimates and judgements

The preparation of consolidated financial statements in accordance with the rules of IFRS requires management to make a number of estimates and assumptions that affect the carrying amount of certain assets, liabilities, income, expenses as well as 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 were based change or as a result of new information becomes available. Actual results may differ 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): notes 15 and 16;
- valuation of the right of use and the lease liability: note 18;
- deferred taxes: notes 20;
- financial instruments and their classification: note 22;
- provision for litigation: note 26;
- uncertain tax positions.

Goodwill is not amortized but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired (see note 15).

To prepare the condensed interim consolidated 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 income for the period the estimated average annual effective rate for the current year;
- the cost of pension commitments calculation is based on the projected actuarial valuations carried out at the end of the previous financial year. These assessments are adjusted to take into account any amendment, reduction or winding up of the plan. In addition, in the event of a significant market fluctuations having an impact on the actuarial assumptions (discount rate and inflation rate), a new valuation of pension liabilities is performed 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 catalog 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 analytical data used to analyze the performance of activities and the allocation of resources by the Board of Directors, which is the Group's main operational decision making body.

Consequently, an operating segment is a separate component of the Group that engages in activities from which the Group is likely to acquire revenue, ordinary activities and incur expenses. Each operating segment is regularly reviewed by the Board of Directors in order to take decisions on the resources to be allocated and to evaluate their performance.

Sales, EBITDA and Goodwill, other intangible assets and property, plant and equipment are presented by geographical segment. The operating segments (geographical) are as follows:

- France;
- International.

In addition, the corporate segment includes the holding company's activities, including assets that cannot be allocated to any segments. 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.

In order to facilitate the comparison with previous periods, the Group presents an EBITDA excluding IFRS 16 impact.

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 2018 and 2019 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 2018 and 2019.

EBITDA by geographical segment includes:

- allocations of certain marketing expenses related to the network of stores as well as operating and marketing expenses for the e-commerce platform. The allocation of these expenses by geographical segment is based on Sales (stores and e-commerce) for each country;
- allocation of EBITDA of the logistical entities by geographical segment is based on their respective cost of sales.

A deeper analysis of "Corporate" activities allowed a different allocation of customer service costs and generated a change in data for the year ended 1 January 2018 to 30 June 2018, compared to the information disclosed in the 2018 condensed consolidated interim financial statements.

Since 1 January 2019, the CICE has been replaced by a decrease in social security costs. It is allocated therefore to the segments directly. Data for the period from 1 January 2018 to 30 June 2018 have been restated accordingly in relation to the information disclosed in the 2018 condensed consolidated interim financial statements.

Sales and EBITDA related to B2B activity (Maisons du Monde) has been fully allocated to the France segment.

This segment information is consistent with groups of CGU that have been identified for the impairment test (see note 15).

5.1 Segment income statement

(in € thousands)	30 June 2019	30 June 2018
Sales	564,022	507,018
France	*307,504*	*299,358*
International	*256,518*	*207,660*
Cost of sales	(203,322)	(177,271)
Gross margin	**360,700**	**329,747**
Gross margin *(in %)*	***64.0%***	***65.0%***
EBITDA	**45,620**	**47,983**
France	*52,768*	*54,178*
International	*29,722*	*26,606*
Corporate	*(36,871)*	*(32,801)*
Depreciation, amortization and allowance for provisions	(66,877)	(17,370)
IFRS 16 impact (1)	47,932	-
EBIT	**26,675**	**30,613**
Change in fair value – derivative financial instruments	4,608	(754)
Expenses prior to openings	(788)	(902)
Pro rata – catalogs related expenses	(7,030)	(6,905)
Pro rata – taxes (IFRIC 21)	(871)	(804)
IFRS 16 impact (1)	3,507	-
Current operating profit before operating income and expenses	**26,100**	**21,249**
Other operating income and expenses	(3,095)	(2,739)
Operating profit (loss)	**23,004**	**18,510**
Financial profit (loss)	(10,795)	(4,534)
Profit (loss) before income tax	**12,210**	**13,975**
Income tax expense	(6,813)	(5,911)
PROFIT (LOSS)	**5,397**	**8,064**

(1) See note 2.2 which presents the comparative income statement IFRS 16/IAS 17.

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 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	n/a	n/a	n/a	406,652
TOTAL ASSETS	**n/a**	**n/a**	**n/a**	**1,828,659**

(1) Goodwill, other intangible and tangible assets.

	30 June 2018			
(in € thousands)	France	International	Corporate	Total
Segment assets (1)	344,907	203,117	233,467	781,491
Non-segment assets	n/a	n/a	n/a	343,742
TOTAL ASSETS	**n/a**	**n/a**	**n/a**	**1,125,233**

(1) Goodwill, other intangible and tangible assets.

Note 6 Revenue

6.1 Revenue breakdown

(in € thousands)	30 June 2019	30 June 2018
Sales	564,022	507,018
Sales to franchise and promotional sales	2,972	2,939
Retail revenue	**566,994**	**509,957**
Transportation to customers	12,642	10,482
Supply chain services	608	499
Other services	2,308	1,025
Sundry revenue	47	3
Other Revenue from ordinary activities	**15,604**	**12,009**
TOTAL REVENUE	**582,598**	**521,966**

6.2 Revenue by channel

	30 June 2019			30 June 2018		
(in € thousands)	Maisons du Monde	Modani	Total	Maisons du Monde	Modani	Total
Stores	396,970	18,142	415,112	380,975	5,264	386,239
Web	146,796	2,114	148,910	120,194	585	120,779
TOTAL SALES	**543,766**	**20,256**	**564,022**	**501,169**	**5,849**	**507,018**

6.3 Revenue by product

	30 June 2019			30 June 2018		
(in € thousands)	Maisons du Monde	Modani	Total	Maisons du Monde	Modani	Total
Decoration	285,572	203	285,775	264,325	-	264,325
Furniture	258,193	20,054	278,247	236,844	5,849	242,693
TOTAL SALES	**543,766**	**20,256**	**564,022**	**501,169**	**5,849**	**507,018**

Note 7 Personnel expenses

Personnel expenses are broken down as follows:

(in € thousands)	30 June 2019	30 June 2018
Wages and salaries	(80,715)	(73,610)
Social security costs	(24,106)	(22,458)
Share-based payment (including social security costs) [1]	(1,812)	(960)
Employee profit-sharing (including social security costs)	(4,954)	(4,560)
Post-employment benefits – Defined benefit plans	(813)	(827)
TOTAL PERSONNEL EXPENSES	**(112,401)**	**(102,416)**

(1) *The social security costs related to share-based payments amounts to €0.3 million on the first-half 2019 against €0.1 million on the first half of 2018.*

The average number of full-time employees (FTE) is 6,595 for the first-half 2019 and 6,212 for the first-half year 2018.

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Note 8 External expenses

External expenses are broken down as follows:

(in € thousands)	30 June 2019	30 June 2018
Energy and consumables used	(11,076)	(11,377)
Leases and related expenses	(13,005)	(57,957)
Rentals	(3,885)	(4,282)
Repairs and maintenance	(9,786)	(8,549)
Insurance	(901)	(901)
Temporary staff	(10,832)	(11,142)
Advertising & marketing	(29,065)	(25,932)
Fees	(5,446)	(5,942)
Transportation	(69,621)	(55,680)
Post & Telecom	(2,837)	(2,602)
Travel & meeting expenses	(4,972)	(4,149)
Bank services	(4,051)	(3,263)
Taxes other than on income	(7,153)	(7,545)
Other external expenses	(3,197)	(1,505)
TOTAL EXTERNAL EXPENSES	**(175,826)**	**(200,826)**

The change in leases and related expenses and rentals is mainly related to IFRS 16 (€50.1 million). The remaining leases and related expenses correspond to variable leases, leases for non-restated lease contracts (short-term) and related expenses. The residual rentals concern short-term rental 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.

In 2019, other external expenses are made up of Modani's logistic outsourcing expenses for €1.9 million and of other items that are individually not significant. In 2018, they were made up of items that were individually not significant.

Note 9 Other income and expenses from operations

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

(in € thousands)	30 June 2019	30 June 2018
Pre-opening expenses	(788)	(902)
Gains and losses on disposals [1]	(1,075)	(551)
Commercial disputes & losses	(444)	(168)
Leases & related expenses [1]	(24)	(71)
Other income and expenses from operations	(350)	(389)
TOTAL OTHER OPERATING INCOME/EXPENSES FROM OPERATIONS	**(2,682)**	**(2,081)**

(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 2019	30 June 2018
Gains and losses on disposals [(1)]	(141)	(198)
Provision for closure of store [(1)]	(1,028)	(230)
Restructuring costs	(460)	(203)
Acquisition costs (Modani)	-	(794)
Other [(2)]	(1,465)	(1,314)
TOTAL OTHER OPERATING INCOME/(EXPENSES)	**(3,095)**	**(2,739)**

(1) Relate to stores not replaced by another MDM store in the same area (no relocation).

(2) Mainly related to:

- *costs related to the capital Markets Day (€0.8 million);*
- *acquisition expenses of Rhinov (€0.1 million);*
- *a risk provision related to a commercial dispute in France (€0.5 million).*

Note 11 Financial profit (loss)

Finance income and expenses are broken down as follows:

(in € thousands)	30 June 2019	30 June 2018
Interests on term loan	(397)	(349)
Interests on convertible bond	(2,244)	(2,192)
Interests on loans, including Revolving Credit Facilities	(628)	(577)
Proceeds from cash and cash equivalents	7	21
Interests on bank overdrafts	(2)	(13)
Cost of net debt	**(3,265)**	**(3,111)**
Financial leases	-	(37)
Cost of lease liability	(6,149)	-
Exchange gains and losses	(45)	(393)
Commission costs	(1,319)	(1,028)
Other finance income & costs	(21)	34
TOTAL FINANCIAL PROFIT (LOSS)	**(10,795)**	**(4,534)**

Note 12 Income tax

Income tax is broken down as follows:

(in € thousands)	30 June 2019	30 June 2018
Current income tax	(7,592)	(6,200)
Deferred tax	779	289
INCOME TAX EXPENSE	**(6,813)**	**(5,911)**

Note 13 Earnings per share

13.1 Basic earnings per share

(in € thousands, unless otherwise stated)	30 June 2019	30 June 2018
Profit (loss) for the period attributable to shareholders of the parent	6,222	7,978
Weighted average number of ordinary shares *(in thousands)*	44,985	45,213
BASIC EARNINGS PER SHARE *(in €)*	**0.14**	**0.18**

The number of ordinary shares remained the same during the first half of 2019. 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 23).

13.2. Diluted earnings per share

The share capital of the Group as of 30 June 2018 is only made up of ordinary shares of Maisons du Monde S.A.

Diluted earnings per share take into account the weighted average number of performance shares allocated to employees (see note 23) and the convertible bond (see note 24).

(in € thousands, unless otherwise stated)	30 June 2019	30 June 2018
Profit (loss) for the period attributable to shareholders of the parent [1]	7,641	9,317
Weighted average number of ordinary shares *(in thousands)*	**44,985**	**45,213**
Adjustment for dilutive impact of performance shares	371	243
Dilutive effect of convertible bonds [2]	4,116	4,101
Adjusted weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	**49,473**	**49,557**
DILUTED EARNINGS PER SHARE *(in €)*	**0.15**	**0.19**

(1) For the calculation of the diluted earning per share, the profit (loss) for the period has been restated of convertible bonds' interests.

(2) Shares that may be created in the event of conversion of all the convertible bonds issued by the Group.

Note 14 Dividend per share

For the financial year 2018, an ordinary dividend of €0.47 per share was allocated at the General Meeting of 3 June 2019 and paid on 4 July 2019 for €21,264 thousand. The dividend attributable to treasury shares has not been paid. The amount corresponding to the dividends not paid to the treasury shares will be allocated to reserves and the overall amount of the dividend will be adjusted accordingly.

2.7 Notes on consolidated balance sheet

Note 15 Goodwill

Management reviews the business performance based on geography. Therefore, management allocates the goodwill at the geographical area-level. For the Group, it has identified France and International geographical areas.

The following is a summary of goodwill allocation:

(in € thousands)	France	International	Total
Balance as of 1 January 2018	**240,949**	**80,234**	**321,183**
Acquisitions	-	44,805	44,805
Currency translation differences	-	2,461	2,461
Balance as of 31 December 2018	**240,949**	**127,500**	**368,449**
Balance as of 1 January 2019	**240,949**	**127,500**	**368,449**
Currency translation differences	-	291	291
BALANCE AS OF 30 JUNE 2019	**240,949**	**127,791**	**368,740**

The impairment test as at 31 December 2018 supported the Group's opinion that goodwill was not impaired. As at 30 June 2019 the Group considers that the assumptions used to assess the recoverable value of the goodwill as at 31 December 2018 are not substantially modified.

No impairment was recorded in the first half of 2019.

Note 16 Other intangible assets

As at 30 June 2019, the Group considers that the assumptions used to assess the recoverable value of the intangible assets (especially "Maisons du Monde" Brand) as at 31 December 2018 are not substantially modified and that no indication of impairment exists.

Note 17 Property, plant and equipment

The change of tangible assets are broken down as follow:

(in € thousands)	30 June 2019	31 December 2018
Gross value of property, plant and equipment	358,013	361,103
Accumulated depreciation	(203,888)	(201,821)
NET CARRYING AMOUNT AS OF 30 JUNE 2019	**154,125**	**159,282**

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Note 18 Rights of use and lease debts

18.1 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 31 December 2018	**-**	**-**	**-**	**-**
Transfer related to IFRS 16	(62)	1,680	2,798	4,416
First time application	665,453	3,776	1,021	670,250
Net carrying amount as of 1 January 2019	**665,391**	**5,456**	**3,819**	**674,666**
Acquisitions	29,722	1,393	871	31,986
Disposals	-	-	-	-
Amortization charge	(46,999)	(984)	(662)	(48,645)
Impairment (charge/release)	-	-	-	-
Other	16	275	(277)	14
Currency translation differences	(88)	-	-	(88)
NET CARRYING AMOUNT AS OF 30 JUNE 2019	**648,041**	**6,140**	**3,751**	**657,932**

18.2 Lease liability

The changes in lease liability are broken down as follows:

		Cash impact	Without cash impact				
(in € thousands)	31 December 2018	Decrease	Leases	Interest	Change effect	Other	30 June 2019
Lease liability	-	(48,284)	676,894	1,231	(13)	(54)	629,773
TOTAL LEASE LIABILITY	**-**	**(48,284)**	**676,894**	**1,231**	**(13)**	**(54)**	**629,773**

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

	30 June 2019				
(in € thousands)	EUR	CHF	USD	VND	Total
Lease liability	579,229	13,215	27,723	9,606	629,773
TOTAL LEASE LIABILITY	**579,229**	**13,215**	**27,723**	**9,606**	**629,773**

As of 30 June 2019, the maturity ranges of lease liability are as follows:

	Maturity as of 30 June 2019		
(in € thousands)	Less than 1 year	From 1 to 5 years	Total
Lease liability	94,916	317,081	629,773
TOTAL LEASE LIABILITY	**94,916**	**317,081**	**629,773**

As of 30 June 2019, the lease liability bears interest at a fixed rate.

Note 19 Other non-current financial assets

(in € thousands)	30 June 2019	31 December 2018
Equity securities [(1)]	6,470	2,245
Other financial assets [(2)]	13,290	12,571
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**19,760**	**14,816**

(1) Equity securities mainly correspond to investments in economic interest groups (groupements d'intérêt économique) acquired at opening of stores for €2.2 million and Rhinov (see note 1.2).

(2) Other financial assets relate mainly to deposits and guarantees paid or granted to the lessor of the store, warehouses, headquarters and facilities for €11.6 million.

Note 20 Deferred income tax assets and liabilities

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

(in € thousands)	30 June 2019	31 December 2018
Deferred tax assets	3,805	2,751
Deferred tax liabilities	(61,792)	(58,180)
TOTAL DEFERRED TAX ASSETS/(LIABILITIES)	**(57,986)**	**(55,428)**

The deferred income tax assets and liabilities are offset when they are in the same tax jurisdiction.

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. Given the budget estimates, the Group has activated all tax loss carry-forwards. They amount to €0.5 million as of 30 June 2019 compared to €0.7 million as at 31 December 2018.

Note 21 Other non-current assets

The "Other non-current assets" corresponded to the commercial leasehold rights, referred to as key money (*Pas-de-porte*), which were recognized as rents on a straight-line basis over the estimated term of the lease. The *Pas-de-porte* as of 31 December 2018 has been reclassified in rights of use as of 1 January 2019.

Note 22 Derivative financial instruments

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

	30 June 2019		31 December 2018	
(in € thousands)	Asset	Liability	Asset	Liability
Forward foreign exchange contracts	18,396	-	4,664	2,354
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	**18,396**	**-**	**4,664**	**2,354**

All contracts are intended to cover the purchase of freight in US Dollars. These derivative financial instruments had a total nominal value of $417.9 million as of 30 June 2019, compared to $417.1 million as of 31 December 2018.

The amount recognized directly in equity at the end of June 2019 is €11.5 million and is dedicated to cover the forecasted cash-flows. The amount recognized in the profit or loss, in current operating profit (loss), for €4.6 million corresponds to the time value for the change in fair value of hedging instruments ("premium/discount" component).

Note 23 Equity

23.1 Shares

The share capital as of 30 June 2019 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 2019.

23.2 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 2019, the Group held 65,809 treasury shares under this liquidity contract compared to 73,022 as of 31 December 2018. As part of the shares buyback plans allocated to performance shares plans, the Group holds 191,193 treasury shares.

23.3 Share-based payments

a) New performance share plan n°5

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 (*Plan d'actions gratuites n° 5*) on 9 May 2019 (5a) and on 24 June 2019 (5b) which granted 265,344 performance shares to 398 beneficiaries located in France and abroad.

Performance shares are subject to:

- a requirement for continuous employment within the Group during the vesting period: the shares awarded will only be acquired if the latter has been employed in one of the Group's companies during the vesting period, calculated from the date of grant, fixed at 36 months, *i.e.* 9 May 2022 (5a) and 24 June 2022 (5b). In the event of death, disability or retirement, the beneficiary retains his rights, being no longer subject to the requirement of continuous employment;
- performance requirements based on Sales level and EBITDA for all beneficiaries;
- an additional performance requirement for the Executive Committee's members, based on the earning per share level.

The granted shares shall be either shares issued through a share capital increase performed by Maisons du Monde 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 performance shares

The performance conditions as defined were deemed to have been fully satisfied at the valuation date for plan no. 4 and no. 5. They are known and accordingly adjusted for the plan no .2 and no. 3.

	Plan no. 2	Plan no. 3	Plan no. 4	Plan no. 5a	Plan no. 5b
	16 December 2016	19 May 2017	18 May 2018	9 June 2019	24 June 2019
Duration of plan	3 years	2.59 years	2.58 years	3 years	3 years
Fair value of performance shares *(in €)*	22.51	31.28	33.61	15.49	18.35

As part of the performance share plans, an expense of €1.3 million (excluding social charges) was recognized in the income statement (compared to €1.3 million in June 2018), with a corresponding increase in equity, within:

- other operating expenses for the part allocated to certain executives who left the Group (see note 10);
- personal expenses for the part awarded to the other beneficiaries (see note 7).

c) Stock option plan

In accordance with the Modani's purchase terms, stock options were granted for a total amount of 1.35% of Modani Holding LLC's share capital as of 31 December 2018. This allocation was made for the benefit of 3 employees and will be settled in cash at the end of the vesting period.

Since 1 July 2018, stock options are acquired progressively and definitively over a period of 48 months. Stock options plan are only subject to continued service requirement.

In the first half of 2019, under the stock option plans, a charge of €0.2 million was recognized in the income statement as personnel expenses (see note 7) with a corresponding increase in social debt.

Note 24 Net debt

24.1 Net debt

The changes in net debt are broken down as follows:

		Cash impact		Whitout cash impact				
(in € thousands)	31 December 2018	Increase	Decrease	Issuance fees	Finance leases	Interest	Change effect	30 June 2019
Convertible bond	177,791	-	-	156	-	2,088	-	180,035
Term loan	49,633	-	(316)	82	-	314	-	49,714
Revolving Credit Facilities	9,275	-	(10,344)	162	-	336	-	(571)
Other borrowings	373	-	(506)	39	-	91	3	-
Finance leases	4,559	-	-	-	(4,559)	-	-	-
Deposits and guarantees	471	-	-	-	-	-	-	471
Banks overdrafts	615	176	-	-	-	-	-	791
Cash and cash equivalents	(57,181)	-	26,450	-	-	-	-	(30,730)
TOTAL NET DEBT	**185,536**	**176**	**15,285**	**440**	**(4,559)**	**2,829**	**3**	**199,710**

Finance lease debt of €4,559 thousand at 31 December 2018 has been reclassified as lease liability (see note 18).

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

	30 June 2019							
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	VND	Total
Convertible bond	180,035	-	-	-	-	-	-	180,035
Term loan	49,714	-	-	-	-	-	-	49,714
Revolving Credit Facilities	(571)	-	-	-	-	-	-	(571)
Other borrowings	-	-	-	-	-	-	-	-
Deposits and guarantees	471	-	-	-	-	-	-	471
Banks overdrafts	791	-	-	-	-	-	-	791
Cash and cash equivalents	(22,976)	(2,023)	(1,002)	(4,057)	(12)	(38)	(622)	(30,730)
TOTAL NET DEBT	**207,464**	**(2,023)**	**(1,002)**	**(4,057)**	**(12)**	**(38)**	**(622)**	**199,710**

	31 December 2018							
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	VND	Total
Convertible bond	177,791	-	-	-	-	-	-	177,791
Term loan	49,633	-	-	-	-	-	-	49,633
Revolving Credit Facilities	9,275	-	-	-	-	-	-	9,275
Other borrowings	-	-	-	373	-	-	-	373
Finance leases	4,559	-	-	-	-	-	-	4,559
Deposits and guarantees	471	-	-	-	-	-	-	471
Banks overdrafts	615	-	-		-	-	-	615
Cash and cash equivalents	(48,546)	(845)	(2,386)	(5,004)	(7)	(31)	(361)	(57,180)
TOTAL NET DEBT	**193,798**	**(845)**	**(2,386)**	**(4,631)**	**(7)**	**(31)**	**(361)**	**185,537**

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 2019:

- the amount of the convertible bond, net of issuance fees, amounts to €180 million;
- effective interest rate stands at 2,55% and the financial expenses amounts to €2,2 million (debt accretion effect using the effective interest rate method).

During 2019, no bond 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 (undrawn as of 30 June 2019).

The additional credit facility is €75 million (undrawn as of 30 June 2019).

The corresponding financial expenses are as follows:

	Finance expenses			
	Interest rate	**Margin**	**Commitment Fees**	**User fees**
Term loan	Euribor 6 month	1.25%	n/a	n/a
Revolving Credit Facility (available amount)	n/a	n/a	0.44%	n/a
Revolving Credit Facility (undrawn amount)				
Less than €25 million	*Euribor 1, 3 or 6 months (1)*	*1.25%*	*n/a*	*0.1%*
From €25 million to €50 million				*0.2%*
More than €50 million				*0.4%*

(1) The applicable Euribor period depends on the interest rate period applicable to the relevant drawdown.

The margin has been revised to 1.0% as of 6 April 2018, then to 1.25% as of 26 September 2018.

The revolving credit facilities include 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* consolidated EBITDA for the same period. No breach of financial covenant as at 30 June 2019.

24.2 Maturity of borrowings and other financial debts

As of 30 June 2019, the maturity ranges of borrowings are as follows:

	Maturity as of 30 June 2019			
(in € thousands)	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Convertible bond	(187)	180,222	-	180,035
Term loan	(126)	49,841	-	49,714
Revolving Credit Facilities	(273)	(299)	-	(571)
Deposits and guarantees	-	-	471	471
Bank overdraft	791	-	-	791
TOTAL BORROWINGS	**206**	**229,764**	**471**	**230,441**

24.3. Fixed and variable rate

(in € thousands)	30 June 2019	31 December 2018
Floating rate	50,561	64,868
Fixed rate	179,879	177,848
TOTAL BORROWINGS	230,441	242,717

Floating rate borrowings includes the Term Loan, Credit revolving facilities, financial leases (as of 31 December 2018 only) and bank overdrafts.

Note 25 Post-employment benefits

The employment benefits provision relates to defined benefit pension plans.

(in € thousands)	30 June 2019	31 December 2018
France	3,529	2,796
Swiss	516	364
Italy	6,344	5,459
DEFINED BENEFIT OBLIGATION	10,389	8,619

The increase over the period is mainly due to lower discount rates in Europe.

Note 26 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 2018	**12,699**	**824**	**257**	**119**		**13,899**
Additionnal provisions	730	721	48	26	1,000	2,524
Unused amounts reversed	(278)	(119)	(93)	-	-	(491)
Amounts used during the year	(137)	(126)	(134)	-	-	(396)
Balance as of 31 December 2018	**13,014**	**1,300**	**78**	**145**	**1,000**	**15,537**
Of which non-current	*13,014*	*1,201*	*49*	*145*	*-*	*14,409*
Of which current	*-*	*99*	*29*	*-*	*1,000*	*1,128*
Balance as of 1 January 2019	**13,014**	**1,300**	**78**	**145**	**1,000**	**15,537**
Additionnal provisions	590	426	171	-	-	1,186
Unused amounts reversed	(52)	(382)	(1)	(72)	-	(508)
Amounts used during the year	-	(199)	(22)	-	-	(221)
BALANCE AS OF 30 JUNE 2019	13,552	1,144	225	73	1,000	15,994
Of which non-current	*13,052*	*1,043*	*50*	*73*	*-*	*14,216*
Of which current	*500*	*100*	*178*	*-*	*1,000*	*1,778*

Note 27 Trade and other payables

Trade and other payables are broken down as follows:

(in € thousands)	30 June 2019	31 December 2018
Trade payables	148,097	123,776
Dividends payables	21,264	-
Advance payments received on orders in progress	34,570	37,490
Social and tax payables	56,402	71,756
Amounts payable on fixed assets	3,540	11,511
Deferred revenue	11,310	6,407
TOTAL TRADE PAYABLES AND PAYABLES	**275,180**	**250,940**

Deferred revenue mainly includes goods not delivered.

Note 28 Other current and non current liabilities

As of 31 December 2018, the other current liabilities corresponded to the earn-out related to Modani acquisition, which was fully paid in the first half of 2019.

Other non-current liabilities mainly correspond to the debt related to the put option held by minority interests (€23.9 million as of 30 June 2019 compared to €19.4 million as of 31 December 2018). This debt is measured at fair value (see note 1.1). Following the implementation of IFRS 16, the balance of the free rent granted by lessors has been reclassified as a reduction of the right of use (the non-current portion amounted €15.2 million at 31 December 2018).

Note 29 Financial instruments

As at 30 June 2019, the financial assets and liabilities net carrying value are equal to the fair value, except for Term loan and Revolving credit facilities that are booked at amortized cost.

The derivative financial instruments (see note 22) are carried at fair value using a valuation method that relies on inputs based on observable market data.

2.8 Financial risk management

Note 30 Off-balance sheet commitments

The off-balance sheet commitments are disclosed in note 36 of the consolidated financial statements for the year ended 31 December 2018.

Following the implementation of IFRS 16, the off-balance sheet commitments presented in note 36.2 of the Consolidated Financial Statements for the year ended 31 December 2018 are amended. A reconciliation is presented in note 2.2.

There were no significant changes in other off-balance sheet commitments between 31 December 2018 and 30 June 2019.

Note 31 Transactions with related parties

Related party transactions are presented in note 37 of the Consolidated Financial Statements for the year ended 31 December 2018.

There was no significant change in related party transactions between 31 December 2018 and 30 June 2019.

Note 32 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 2019.

As of 30 June 2019, 41 companies were consolidated in the consolidated financial statements (40 in 2018) and 4 accounted for under the equity method (4 also in 2018).

Subsidiary	Activity	Country of incorporation	Consolidation method	30 June 2019		31 December 2018	
				% control	% interest	% control	% interest
Maisons du Monde S.A.	Holding company – Parent entity	France	Full	100%	100%	100%	100%
Maisons du Monde France	Retail stores selling home furnishings and decorations/Main buyer	France	Full	100%	100%	100%	100%
Maisons du Monde Belgium	Retail stores selling home furnishings and decorations	Belgium	Full	100%	100%	100%	100%
Maisons du Monde Spain	Retail stores selling home furnishings and decorations	Spain	Full	100%	100%	100%	100%
Maisons du Monde Italy	Retail stores selling home furnishings and decorations	Italy	Full	100%	100%	100%	100%
Maisons du Monde Luxemburg	Retail stores selling home furnishings and decorations	Luxemburg	Full	100%	100%	100%	100%
Maisons du Monde Allemagne	Retail stores selling home furnishings and decorations	Germany	Full	100%	100%	100%	100%
Maisons du Monde Suisse	Retail stores selling home furnishings and decorations	Switzerland	Full	100%	100%	100%	100%
Maisons du Monde Portugal (1)	Retail stores selling home furnishings and decorations	Portugal	Full	100%	100%	n.a	n.a
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%
Distri-Meubles (2)	Customer delivery	France	Full	0%	0%	100%	100%
Chin Chin Limited	Holding company	Hong Kong	Equity Method	50%	50%	50%	50%
Shanghai Chin Chin Furnishing (3)	Furniture manufacturing	China	Equity Method	50%	50%	50%	50%
Mekong Furniture	Furniture manufacturing	Vietnam	Full	100%	100%	100%	100%
International MDM	Dormant entity	France	Full	100%	100%	100%	100%
International MGL	Dormant entity	France	Full	100%	100%	100%	100%
Maisons du Monde USA	Holding company	United-States	Full	100%	100%	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%
Modani Fort Lauderdale LLC	Retail stores selling home furnishings and decorations	United-States	Full	100%	70%	100%	70%

Subsidiary	Activity	Country of incorporation	Conso-lidation method	30 June 2019		31 December 2018	
				% control	% interest	% control	% interest
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 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-Francisco 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%	n.a	n.a
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%
SNS Imports LLC	Warehouse logistics and order preparation	United-States	Full	100%	70%	100%	70%
Maisons du Monde Holdings LLC	Warehouse logistics and order preparation	United-States	Full	100%	70%	100%	70%
Maisons du Monde Wynwood LLC	Warehouse logistics and order preparation	United-States	Full	100%	70%	100%	70%

(1) Company created in the first half of 2019.

(2) Company merged with Distrimag in the first half of 2019.

(3) Sub consolidated group Shanghai Chin Chin Furnishing, Wujiang Chin Chin Furnishing and Wujiang Henghui Machinery.

Note 33 Events subsequent after the reporting period

The Group did not identify any significant subsequent event after the reporting period ended 30 June 2019 except as described below.

33.1 Adjustment to the conversion/exchange ratio

According to the Maisons du Monde S.A.'s General Meeting held on 3 June 2019, the Group paid €0.47 dividend per share on 4 July 2019.

Following this dividend payment, in accordance with paragraph 2.6.(B).10 of the terms and conditions of the OCEANES (the "Terms and Conditions"), the Conversion/Exchange Ratio (as defined in the Terms and Conditions) is adjusted from 1.004 to 1.012 Maisons du Monde S.A. share for 1 OCEANE (calculated to three decimal places by rounding to the nearest thousandth). The new Conversion/Exchange Ratio is effective on 4 July 2019.

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

Period from 1 January to 30 June 2019

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,

Under the terms of the assignment untrusted 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 1 January to 30 June 2019;
- the verification of the information presented in the half-yearly management report.

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

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.

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

We draw attention to the following matter described in the sub-note "New standards, amendments to existing standards and interpretations whose application is mandatory as of 1 January 2019" included in the note 2.2 "New standards, amendments and interpretations" to the consolidated financial statements and specifically to the change in accounting method detailed in the paragraph IFRS 16 "Leases" disclosing the options applied and the impacts of its first application as of 1 January 2019. Our opinion is not modified in respect of this matter.

II. Specific verification

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

Signed in Nantes and Paris – La Défense, 2 August 2019,

The statutory auditors, French original signed by

KPMG Audit Département de KPMG SA Gwénaël Chedaleux	Deloitte & Associés Jean Paul Seguret

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 2019 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."

2 August 2019

Julie Walbaum

Chief Executive Officer

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

MAISONS DU MONDE

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