MAISONS DU MONDE

2017 Registration Document

INCLUDING THE ANNUAL FINANCIAL REPORT

Contents

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

MAISONS DU MONDE

Registration Document and Annual Report 2017

Maisons du Monde, creator of inspirational homeware universes, offers a number of original and affordable decoration and furniture collections, in a variety of themes and styles that allow its customers to express

their own styles and tastes.

This Registration Document was filed with the French financial markets authority (Autorité des marchés financiers – AMF) on 20/04/2018 under number R.18-021 in accordance with the AMF's General Regulations, in particular article 212-13. This document may only be used in support of a financial transaction if it is accompanied by an offering circular approved by the AMF.

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

Message from the Chairman of the Board of Directors

"Maisons du Monde is determined to continue to implement its medium-term plan, leveraging its strong fundamentals and its profitable growth model."

Dear Shareholders,

2017 saw a relatively stable economic environment in the European countries where Maisons du Monde is present. The furniture and decoration markets also stood in quite good stead over the fiscal year. The competitive environment has grown stronger, with Maisons du Monde increasingly enjoying the image of an iconic brand in these sectors.

In this context, sales and profits have been demonstrably there in 2017, showing the ability of Maisons du Monde to pursue its profitable growth momentum. Sales exceeded €1 billion, up 14.6% on 2016, and 7.4% like-for-like. The Group also sustained robust profitability. EBITDA reached €139 million, a 13% increase on 2016, representing a margin of 13.7%. The financial structure has also been strengthened and Maisons du Monde has continued to deleverage.

Resolutely omnichannel

Maisons du Monde is totally and resolutely omnichannel: in line with our expectations, online sales reached 21% of sales, positioning Maisons du Monde as one of the leading omnichannel players in its sector in Europe.

As anticipated, the CRM, social media and Data action plans were at the heart of online initiatives and allowed the company to position itself as a leader in these digital strategies. At the same time, 25 stores opened in 2017 bringing the portfolio to 313 stores in Europe. This omnichannel balance is a factor of excellence. It meets the requirements of our customers and is instrumental in creating value for the company.

A unique offering combined with flawless execution

Thanks to the constant renewal of our multi-style collections, designed mainly by our stylists and manufactured in our factories or by our partner suppliers, thanks also to the increased attention paid to customer relations, the Maisons du Monde brand is increasingly establishing itself as one of the market's leading brands. In 2017, the introduction of an NPS indicator at each stage of the customer experience, of a new native language call centre for each country and a chat service are all examples of this customer service strategy and of ever better delivery.

Resolutely international

Year after year, the concept of the Maisons du Monde stores confirms that its model can be replicated overseas. In 2017, Maisons du Monde opened 16 stores in Europe outside France and 9 stores in France. This proportion is in line with our objectives and, alongside the openings in previous years, contributed to increasing the proportion of sales achieved overseas from 36% in 2016 to 38% in 2017. This gradual France-International rebalancing is strengthening our plans for growth.

In conclusion, 2017 confirmed the effective delivery of the Maisons du Monde growth plan, in line with our expectations. I reiterate my confidence in the ability to deliver the plan and my full confidence in the management team so that Maisons du Monde continues to implement its medium-term plan, leveraging its strong fundamentals and its profitable growth model to serve its customers.

Message from the CEO

"Maisons du Monde is determined to continue to implement its medium-term plan, leveraging its strong fundamentals and its profitable growth model."

Gilles Petit

Dear Shareholders,

With a robust increase in sales and EBITDA, Maisons du Monde was had another year of profitable growth in 2017. Our growth continued to be underpinned by an increase in sales on a like-for-like basis and the expansion of the store network. Once again, the performance of Maisons du Monde well balanced with double-digit growth in each geography, distribution channel and product category. Moreover, **Maisons du Monde maintained robust profitability in 2017, whilst continuing to invest in growth initiatives.** Our financial structure has also been strengthened and we have continued to deleverage.

These performances illustrate first and foremost the success of our collections, supported by the twice-yearly renewal of our decoration collections and the launch of new product ranges in our indoor and outdoor furniture catalogues.

Moreover, the pace of our expansion has been strong, with **25 net store openings in 2017** (9 in France, 6 in Italy, 6 in Spain, 2 in Belgium, 1 in Germany and 1 Switzerland), mainly in the second half. The year was also marked by the introduction of commercial innovations in Paris, with the opening of a first shop-in-shop at Printemps Nation and a new showroom on Rue du Bac, focused on advising customers on decoration. At the same time, Maisons du Monde **opened two new franchises in Dubai (UAE) and Doha (Qatar),** continuing its expansion into countries outside Europe through strong partnerships with local stakeholders.

What is more, in 2017 the success of the Group's omnichannel strategy and initiatives was confirmed with the successful roll-out of new customer services and a new customer relationsship management platform ("CRM").

On behalf of the whole Executive Committee, I would like to thank everyone at Maisons du Monde for this good performance in 2017.

In 2018, Maisons du Monde will leverage its solid fundamentals to continue its profitable growth momentum around four pillars: provide an attractive offer for customers with the new 2018 catalogues and multi-style trends, as well as the development of the BtoB offer; continue to invest in store network expansion with 25 to 30 net store openings in France and abroad, whilst continuing to innovate commercially with the opening of new shops-in-shops and the extension of the franchise programme; enhance the omnichannel customer experience with new developments in e-commerce and customer service; accelerate the Group's CRM strategy and reinforce its social media engagement. Through these strategic initiatives, Maisons du Monde is showing itself to be resolutely focused on providing customer inspiration and satisfaction as well as value creation for all.

Group profile

Maisons du Monde creates original and inspirational homeware, and offers a distinctive and affordable range of decoration items and furniture in a wide variety of designs and styles. The Group's business is structured around an integrated omnichannel approach, leveraging its international network of stores, websites and catalogues. With €1,011 million in sales in 2017, Maisons du Monde is the leader in "original and affordable" homeware products in France and is one of the leading players in Europe.

Maisons du Monde was established in 1996 when founder and former Chief Executive Officer Xavier Marie officially opened the doors of the first four stores in Bordeaux, Lyons, Quimper and Vichy. The "Maisons du Monde" brand was originally focused on home decoration items within the "bazar du monde" theme, offering products infused with styles and designs from different parts of the world. The original concept gradually evolved towards the creation of inspirational homeware designs combining decoration items and furniture across a broad range of styles and themes. The Group also expanded its product offering, adding new product ranges, including textiles in 2007, and launching its dedicated outdoor furniture line and its junior collection in 2009 and 2011, respectively.

Maisons du Monde has developed a highly differentiated omnichannel business model, combining a unique ability to inspire customers with a fully developed industrial-scale design to-cost process and an integrated approach to sourcing. The Group focuses on emerging design trends and styles in the homeware market to translate them into original and affordable decoration and furniture products, showcased in stand-out themed environments in our stores and in our catalogues and websites. Maisons du Monde offers customers a singular, immersive shopping experience that caters to all desires, styles and budgets. Our combination of products and merchandising expertise delivers high customer satisfaction levels and strengthens brand awareness.

As at 31 December 2017, the Group operated 313 stores across Europe, including stores in Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013) and Switzerland (since 2014). The Group has also successfully integrated a comprehensive and complementary e-commerce platform to market our products in countries where we operate stores, as well as in Austria, the Netherlands, Portugal and the United Kingdom. Online sales grew at an average of 35% per year in the period 2010 to 2017 and accounted for 21% of total sales in 2017.

Key highlights

1996 Opening of the first four Maisons du Monde stores in **Bordeaux, Lyon, Quimper and Vichy.**

2003 First Maisons du Monde store opened in **Spain.**

2004 First Maisons du Monde store opened in **Belgium.**

2006 Launch of the Maisons du Monde **e-commerce** platform and general **catalogue.**

2007 First Maisons du Monde store opened in **Italy** and launch **of textiles collection.**

2009 Launch of the **outdoor furniture** line.

2010 First Maisons du Monde store opened in **Luxembourg.**

2011 Launch of **junior collection**.

2013 First Maisons du Monde store opened in **Germany.**

2014 First Maisons du Monde store opened in **Switzerland.**

2016 Maisons du Monde IPO, company floated on the **Euronext Paris** regulated market.

2017 Opening of two franchises in **Dubai** (UAE) and **Doha** (Qatar)

Strategy

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

1
To continue
to be a source of inspiration and delight for customers

2
To strengthen
our customer-centric and omnichannel strategy

3
To ensure
the dynamic management of our store network in France

4
To continue
our international expansion in a disciplined manner

1 CONTINUE TO BE A SOURCE OF INSPIRATION AND PLEASURE FOR OUR CUSTOMERS

Maisons du Monde offers a unique range of home decoration items and furniture in a wide variety of styles and themes at affordable prices, presented in the form of inspiring universes that are a source of pleasure for our customers. The Group intends to continue its efforts to reinforce its brand recognition and the attractiveness of its offer, thanks to: a unique design to cost approach, that allows its teams of stylists and buyers to continuously capture and adapt new market trends; specific attention paid to improving the customer experience in-store and online; and investments in services, particularly product delivery and planning options.

2 STRENGTHEN OUR OMNICHANNEL STRATEGY THROUGH ITS CUSTOMER-FOCUSSED CRM PROGRAMME

Building on its unique product range and efficient omnichannel strategy, Maisons du Monde has shown its ability to gain market share and post sales growth on a like-for-like basis that outperforms the overall market. In the future, the Group intends to continue this growth trend particularly by: pursuing its omnichannel initiatives, such as the digitalisation of the sales forces and free in-store delivery for online orders of decoration items; using its customer data base through its customer-focussed CRM programme to reinforce its marketing effectiveness; the strengthening of its investment and engagement on social media; and adapting retail points of sale to the tastes of the local clientele, thus enriching the in-store customer experience.

3 ENSURE THE DYNAMIC MANAGEMENT OF OUR STORE NETWORK IN FRANCE

Over more than 20 years, Maisons du Monde has shown its proven ability to identify attractive sites and open profitable stores in France. Between 2012 and 2017, the Group recorded 27 net store openings, representing over 65,000 square metres of additional retail trading space. As of 31 December 2017, Maisons du Monde operated 212 stores in France. By 2020, the Group intends to develop its network to reach a total of 240 stores in France, by concentrating mainly on new store openings in shopping centres and suburban commercial zones, including by repositioning certain stores located in city centres.

4 CONTINUE OUR SELECTIVE INTERNATIONAL DEVELOPMENT

Since 2003, Maisons du Monde has successfully developed internationally, both through new store openings and the increase in online sales. Between 2012 and 2017, the Group recorded 62 net store openings, representing around 111,000 square metres of additional retail trading space. As of 31 December 2017, Maisons du Monde operated 101 stores internationally, across six countries (Italy, Spain, Belgium, Luxembourg, Germany and Switzerland). The Group intends to continue its international expansion in a disciplined way, with the aim of opening 80 to 95 new stores in total by 2020 in its existing markets, whilst adapting its strategy to the specific features of each country in terms of e-commerce.

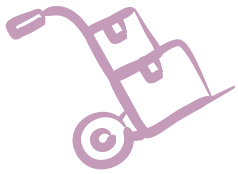
Key figures

313

stores

7,279

employees



444,000 sq.m.

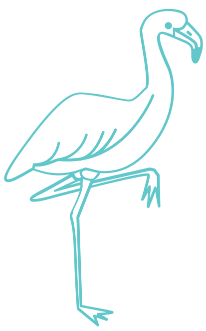
storage area

38% of 2017 sales

generated internationally

21% of 2017 sales

generated online



Decoration:

58%

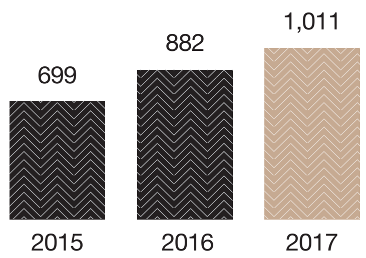
Furniture:

42%

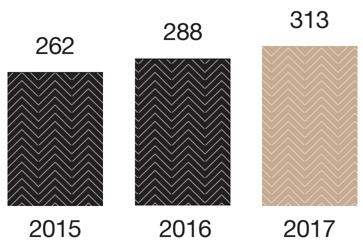
of 2017 sales

Maisons du Monde in 2017

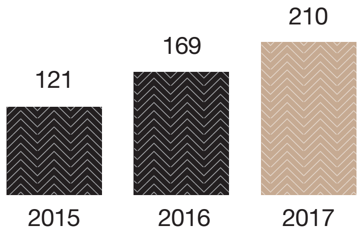
CHANGE IN SALES
In €m



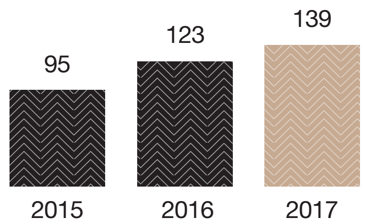
CHANGE IN NUMBER OF STORES
In units



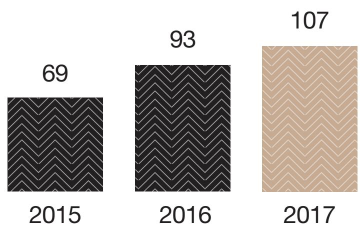
CHANGE IN ONLINE SALES
In €m



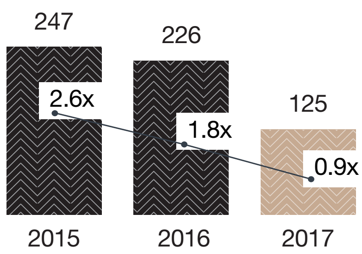
CHANGE IN EBITDA
In €m



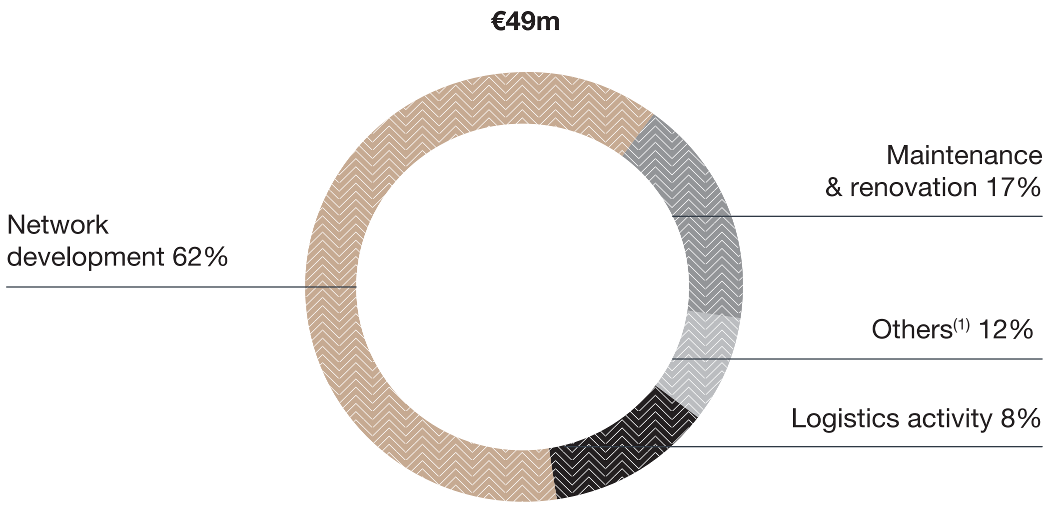
CHANGE IN EBIT
In €m



CHANGE IN NET DEBT AND IN LEVERAGE RATIO
In €m



BREAKDOWN OF 2017 INVESTMENTS



(1) Including e-commerce business and information technology capital expenditures.

Corporate Social Responsibility

Our vision:

"Commit all stakeholders to moving towards better production, distribution and consumption practices in our industry."

COMMITTED TOGETHER!

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

Our CSR approach, integrated into our corporate strategy, is structured around four pillars in order to respond to the full range of social responsibility challenges facing the Group. In setting our "Ambitions 2020" we have established a number of road maps to put in place the conditions for the transformation of our business lines.

Purchase like partners

Make transparency the cornerstone of our select on of responsible furniture and decoration products. Provide transparency on the origin of the raw materials used, working conditions of our suppliers and the quality of our products, minimising risks to health and the environment.

Performance in 2017:

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

39 social audits performed at our strategic suppliers.

442 suppliers have signed the Code of Conduct, representing **74%** of procurement.

Design like visionaries

Take design to the next level, gradually transforming our range through the inclusion of more sustainability criteria, focus on ecodesign and raising awareness amongst the stylists of tomorrow about ecodesign. Think about the re-use of our products by finding innovative and socially aware alternatives to traditional recycling processes.

Performance in 2017:

56% of our furniture SKUs meet sustainability criteria related to the sourcing of timber.

54 entries for eco-designed products were submitted by students for the Maison du Monde Sustainable Creation Trophies.

5 organisations and network partners in the social and solidarity economy and two event days with our customers to promote the re-use of our furniture.

€40.8 million in revenues for products contributing to **1%** for the Planet, raising **€408,809** for environmental-protection NGOs.

1% FOR THE PLANET

Trade like citizens

Trade like citizens to reduce our carbon footprint, cut energy consumption, sort and recycle our waste and choose the smartest and cleanest modes of travel.

Performance in 2017:

81% of the stores in the network sort their waste.

59% of waste produced by the retail network and the logistics warehouses is collected for recovery.

-8% energy intensity in kWh/m² in our stores and warehouses since 2016.

81% of stores within the network powered by electricity from a renewable source.

Since 2015 we labeled

PERFORMANCE LABEL ENSEIGNE RESPONSABLE
www.generation-responsable.fr

Commit like enthusiasts

Promote the personal and career development of our employees and reward talent as together we invent the sustainable trade of the future. Commit to the social and economic development of our host countries through the work of our Foundation, with a clear focus on issues related to our business, especially by involving our teams in protecting forests and encouraging re-use.

Performance in 2017:

60% of store managers or logistics managers in post as a result of internal promotion.

74% of employees within the network and at administrative headquarters trained in CSR through e-learning.

3.3 million micro donations collected for the projects selected by the Foundation by rounding up at check-out.

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

Overview of the Group and its activities

1

1.1 Key figures

SELECTED FINANCIAL INFORMATION

(in € millions)	2017	2016	2015
Sales	**1,010.6**	**881.8**	**699.4**
Change *(%)*	+14.6%	+26.1%	+5.7%
Like-for-like change (%)	+7.4%	+14.7%	+8.7%
Gross margin	**673.5**	**591.7**	**474.1**
As a % of sales	66.6%	67.1%	67.8%
EBITDA	**138.8**	**122.8**	**94.5**
As a % of sales	13.7%	13.9%	13.5%
EBIT	**106.8**	**93.2**	**69.1**
As a % of sales	10.6%	10.6%	9.9%
Net income	**63.0**	**(12.0)**	**(13.9)**
Dividend per share *(€)*	0.44	0.31	-
Net cash generated by/(used in) operating activities	**153.9**	**58.0**	**112.0**
Net capex	(54.0)	(66.1)	(43.4)
Free cash flow	**99.9**	**(8.0)**	**68.7**
Net debt	**125.5**	**225.7**	**246.8**
Leverage ratio *(x)*	0.9x	1.8x	2.6x
Shareholders' equity	**532.1**	**497.0**	**17.4**

BREAKDOWN OF SALES

By geography	2017	2014	2015
Sales *(in € millions)*	**1,010.6**	**881.8**	**699.4**
Of which France	624.8	563.7	460.2
Of which International	385.8	318.1	239.2
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which France	61.8%	63.9%	65.8%
Of which International	38.2%	36.1%	34.2%

By distribution channel	2017	2016	2015
Sales *(in € millions)*	**1,010.6**	**881.8**	**699.4**
Of which Stores	800.6	712.7	578.8
Of which Online	210.0	169.1	120.6
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which Stores	79.2%	80.8%	82.8%
Of which Online	20.8%	19.2%	17.2%

By product category	2017	2016	2015
Sales *(in € millions)*	**1,010.6**	**881.8**	**699.4**
Of which Decoration	583.9	499.8	394.5
Of which Furniture	426.6	382.1	304.9
Sales *(%)*	**100.0%**	**100.0%**	**100.0%**
Of which Decoration	57.8%	56.7%	56.4%
Of which Furniture	42.2%	43.3%	43.6%

SELECTED OPERATING INFORMATION

As of 31 December	2017	2016	2015
Number of stores	**313**	**288**	**262**
Of which France	212	203	193
Of which International	101	85	69
Sales area *(thousand sq. m.)*	**363**	**327**	**286**
Of which France	199	187	173
Of which International	164	140	113
Storage area *(thousand sq. m.)*	**444**	**430**	**400**
Number of employees	**7,279**	**6,754**	**5,986**
Of which France	4,498	4,329	4,057
Of which International	2,781	2,425	1,929

1.2 History of the Group

Maisons du Monde is an omnichannel distributor specialising in homeware. It has emerged as the leading player in the affordable inspirational segment in France, with sales of €1,011 million in 2017. It offers a unique range of home decoration items and furniture in a wide variety of styles and themes at affordable prices, thereby targeting a very large customer base.

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

Maisons du Monde subsequently continued to expand and enter new markets. As of 31 December 2017, the Group operated 313 stores across Europe, including stores in Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013) and Switzerland (since 2014). In 2006, as part of an omnichannel sales strategy and a broader marketing strategy, the Group launched its e-commerce platform and its catalogue, enabling it to effectively market its range of furniture. Since then, the Group has also sold its products on its e-commerce platform to customers in all the countries where it operates stores, as well as Austria, the Netherlands, Portugal and the United Kingdom, and through its three catalogues.

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

In 2017, the junior collection accounted for approximately 4.6% of the Group's sales, and outdoor furniture approximately 3.5%.

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

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

The Group's sales showed a CAGR (Compound Annual Growth Rate) of 21% between 2001 and 2017, reflecting its consistent ability to deliver sales growth. This positive trend in sales is further built on a sustainably high level of profitability: gross margin and EBITDA margin reached 66.6% and 13.7% respectively over the year ended 31 December 2017.

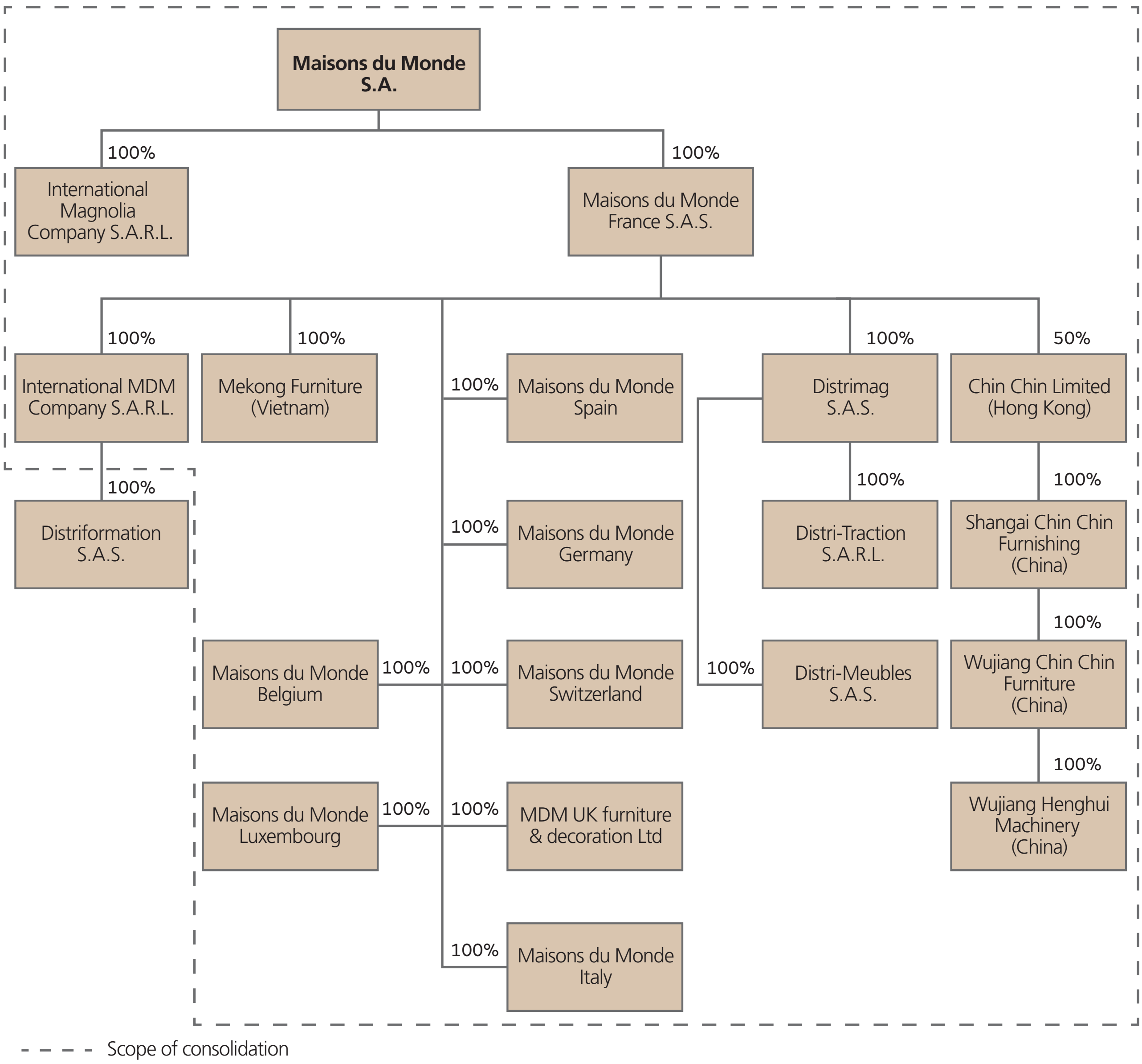
In 2005, Equistone (formerly Barclays Private Equity) and Nixen, in partnership with certain co-investors from the former Management, acquired the Group. Three years later, the Group moved into the hands of a consortium comprising Apax Partners, LBO France and Nixen, backed by certain co-investors belonging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

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

1.3 Group structure

1.3.1 SIMPLIFIED GROUP STRUCTURE

The organisational chart below shows the Group's simplified legal organisation as of 31 December 2017. The percentages correspond to percentages of share capital owned.



1.3.2 LIST OF MAIN SUBSIDIARIES AND SHAREHOLDINGS

Maisons du Monde S.A. is the holding Company of a consolidated Group comprising 17 companies. The Group's main subsidiaries as of 31 December 2017 are presented in the table below. The complete list of companies included in the Group's scope of consolidation is presented in note 38 of the consolidated financial statements presented in chapter 5 of the Registration Document.

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

1.4 Description of the Group's business and strategy

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

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

1.4.1 GROUP PROFILE

Overview

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

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

Founded in France in 1996, the Group has sought to expand across Europe since 2003. As of 31 December 2017, the Group operated 313 stores in seven countries (France, Italy, Spain, Belgium, Germany, Switzerland and Luxembourg), generating 38.2% of its sales outside France in the year ended 31 December 2017. The Group has quickly expanded internationally, building on an excellent operating performance through the uniform and centralised implementation of its merchandising processes within countries requiring little adaptation to local market practices.

The Group's product offering contains approximately 17,800 stock-keeping units ("SKUs") [2] available in a wide range of prices. The offer falls into two main categories: (i) decorative products, such as household textiles, tableware and kitchenware, mirrors and picture frames, with an average selling price (ASP) of approximately €11, and (ii) furniture, such as beds, tables, chairs, armchairs and sofas, cupboards, bookshelves, junior furniture and outdoor furniture, with an ASP of approximately €214.

The Group has successfully replicated its model across all the different channels, using its store network, online platform and catalogues, all complementary to each other. Its online platform recorded a CAGR of 35% between 2010 and 2017, and generated 20.8% of the Group's sales in the year ended 31 December 2017. This online platform, which is active in a total of 11 countries as of the date of this Registration Document, has also allowed the Group to expand into certain countries, such as the United Kingdom, without opening stores.

(1) Index of change in the furniture market in France published by the Institute for the Outlook and Studies on the Furniture Market (Institut de prospective et d'études de l'ameublement).

(2) Based on the number of SKUs that generated sales of at least €5,000 in the year ended 31 December 2017.

In the year ended 31 December 2017, the Group achieved sales of €1,010.6 million, an increase of 14.6% compared with the previous year, and posted EBITDA of €138.8 million, representing an EBITDA margin of 13.7%, with comparable margins in France and internationally, as well as through its stores and e-commerce platform. The Group's like-for-like sales growth in the year ended 31 December 2017 was 7.4%.

Creator of Universes

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

Maisons du Monde has developed a design process enabling it to capture and develop emerging trends in homeware and furnishing. To this end, the Group relies on its highly experienced in-house team, which includes professionals in the fields of design, collections and sourcing (22 designers and graphic artists, and about 90 members in total). The Group's collectioning process is focused on balancing its design ethos with commercial profitability by adapting past bestsellers in new product lines, and leveraging in-depth sales data to gradually refresh and create new collections and universes in tune with customer expectations. Products are constantly being renewed, both in-store and online, thereby fostering a dynamic shopping experience bolstered by the continuity of bestsellers and regular launches of new collections.

Attractive merchandising

Maisons du Monde's commercial strategy also relies on an engaging merchandising concept that uses scenic universes to display products in homelike settings, combining a variety of home decoration items and furniture coherently and harmoniously. Store universes and layouts are constantly recreated across all distribution channels, taking in new products almost every week, which helps attract customers to the Group's shops and websites. Additionally, although the Group's in-store displays are designed to inspire customers with home decoration ideas, most items are offered on a self-service basis. This resolutely dynamic merchandising combines a boutique feeling with mass merchandising techniques, encouraging impulse purchases and improving conversion rates. The Group applies this approach uniformly across all of its stores, whatever their format or channel, and in all the countries where it operates, using a centralised merchandising strategy. The Group's sales consultants offer timely and knowledgeable support to customers, particularly in furnishings. Lastly, this merchandising approach allows the Group to limit the use of promotions and markdowns, which accounted for 5% of sales in the year ended 31 December 2017, reintegrating less successful products in stores' bestseller universes.

Cutting-Edge Design and Sourcing

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

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

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

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

Omnichannel and multi-format international strategy

Maisons du Monde has been able to successfully replicate its business model across Western Europe. As of 31 December 2017, the Group operated 101 stores spread across six countries outside France, compared with 6 in 2005 and 32 in 2010. The Group also operates websites in four additional countries. The fast and efficient rollout of the Maisons du Monde concept outside France was made possible mainly thanks to the Group's scalable and centralised approach to network development and management. In the year ended 31 December 2017, international sales accounted for 38.2% of total sales, compared with 3% in 2005 and 20% in 2010.

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

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

For example, the Group launched two new concepts in 2017, with the opening of a corner at Printemps Nation and a showroom in Paris (for more information, see Section 1.4.5 "Description of the Group's business" in this Registration Document). Also at the end of 2017, the Group operated five franchises, including two in Réunion Island, one in Morocco and two in the Middle East (for more information, see Section 1.4.4 "Group strategy" in this Registration Document).

The Group also provides its customers with its catalogues, laid out as magazines, to encourage them to let their imaginations run free and to project themselves in a newly decorated or redesigned home. In 2017, the Group distributed approximately 12.5 million free catalogues across the countries in which it operates, including 7.1 million general catalogues, 2.8 million outdoor furniture catalogues and 2.6 million catalogues for the junior collection.

Lastly, the Group is also at the forefront of e-commerce among homeware retailers in France. In addition to offering a direct sales channel, the Group's online platform seeks to inspire customers and help them prepare for their next store visit. The Group actively engages with its customers using exclusive product launch videos, do-it-yourself decorating tips, personalised newsletters and social networks. For the year ended 31 December 2017, online sales reached €210 million, representing 20.8% of the Group's total sales, up 24.2% over the previous year. In the year ended 31 December 2017, the Group's e-commerce platform recorded a similar return profile to its store network [(1)].

1.4.2 PRESENTATION OF THE MARKET AND COMPETITIVE ENVIRONMENT

The European Decoration and Furniture Market

The Group is developing in the large European decoration and furniture market [(2)] and is the leader in the highly fragmented "affordable inspirational" segment of the decoration and furniture market.

The European decoration and furniture market is forecast to grow at a CAGR of 2.0 – 2.5% between 2017 and 2019, reaching an estimated €125 billion of revenues (including VAT) by 2019.

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

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

The Group believes it competes primarily in the "affordable inspirational" segment of the market, characterised by retailers who emphasize style and originality, at affordable prices. This segment of the market is highly fragmented.

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

(1) Before allocation of head office costs.

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

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

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

General European Market Drivers

Consumer trends

The evolution of the European decoration and furniture market is driven by recent consumer trends, in particular the convergence of customer tastes across countries, the increasing emphasis on well-being at home, as well as an increased desire of consumers to personalize their living spaces. The Group believes that retailers who identify and respond to these consumer megatrends will be better positioned to capture market share than those who do not.

In recent years, customer tastes have converged across different geographies as well as across the socio-economic spectrum. The rise of the Internet and of visually-rich sites such as Pinterest and Instagram and social networks, as well as the popularity of television programmes relating to home decoration and renovation, has democratised access to a variety of sources for inspiration, resulting in a common and shared set of visual references sought by customers. Standards for beautiful or stylishly decorated homes have proliferated in a variety of media, both online and offline. Today, customers across Europe are increasingly seeking to replicate the same rooms and home settings that they see in stores, online and in catalogues and magazines. As a result, interior styles have become more homogenized. However, at the same time, customers increasingly desire decoration and furniture that feel unique and personally selected. Customers also put increasing emphasis on their homes as a source of well-being. Home decoration items and furniture are increasingly purchased not just for their functional use, but also for their aesthetic appeal, which expresses personal needs and tastes.

E-commerce and mobile technologies

E-commerce is a rapidly growing channel in the European home decoration and furniture market. Today, online penetration for decoration and furniture is still lower than for many other consumer goods. For example, in France, online penetration of decoration and furniture is just 2%, while it reached 18% for electronics and appliances and 14% for apparel and footwear in 2014. Further increases in online penetration will provide an additional boost to growth among home decoration and furniture retailers owning e-commerce platforms. E-commerce is not only an important sales channel for the decoration and furniture market, but also plays a critical role in the decision-making process for customers who are increasingly omnichannel. The Group estimates that 30% of visitors to its e-commerce sites come to get new ideas for furnishing and decorating their homes, driving both online and in-store purchases. E-commerce sites, coupled with the proliferation of mobile devices, have created new ways for consumers to view and review products, interact with retailers and be inspired by what they see and share with each other. As such, e-commerce sites can now replicate and enhance the in-store shopping experience in many ways, thereby driving increased purchases. For example, videos and pictures allow customers to view products from all angles and product listings can include highly detailed product descriptions and specifications. E-commerce sites also allow customers to see and purchase a wide range of products, or multiple variations of a product (such as different colours, fabrics or finishes), which may not all be available in-store given limited selling space.

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

Maisons du Monde has an e-commerce presence in 11 countries in Europe (France, Austria, Belgium, Germany, Italy, Luxembourg, the Netherlands, Spain, Switzerland, Portugal and the United Kingdom) and is one of the top three online decoration and furniture retailers in France in terms of revenues. The Group leads the French market in terms of online adoption. In 2014, 15.1% of the Group's sales were made online, compared to approximately 6% for Conforama (which also offers brown goods, which typically have a higher online penetration), approximately 4% for BUT and approximately 3% for IKEA. In 2017, 20.8% of the Group's sales were made online, amounting to €210 million and representing a CAGR of 35% since 2010.

Macroeconomics

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

Demographics

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

Competitive environment

There are a number of different types of players in the European decoration and furniture market, including specialty retailers as well as general retailers, such as supermarkets, discounters, variety stores, department stores and home improvement and gardening stores. The market appears to be highly fragmented, with the majority of players being independent retailers. There are also a number of pure-play e-commerce retailers. Specialist retailers dominate the European market in terms of revenues.

Within the European market, the Group generally competes with players with a similar positioning. Decoration and furniture retailers can be divided into five main segments: generalists, functional, affordable inspirational, premium design and mono-category experts. Due to its unique product offering and merchandising concept, coupled with its broad range of price points, the Group generally does not compete with generalists, premium retailers or mono-category experts.

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

The Group's Geographic Markets

France

France is the third largest decoration and furniture market in Europe and is forecast to grow at a CAGR of 1.5 to 2.0% between 2017 and 2019 reaching an approximate estimated revenue of €18 billion (including VAT).

In France, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. However, specialty stores (including independent players) dominate the French market, accounting for approximately 75% of decoration and furniture revenues in France in 2014, followed by supermarkets and hypermarkets. The French decoration and furniture market appears to be fragmented but is experiencing some consolidation. The top five retailers overall (IKEA, Conforama, BUT, Alinéa and Maisons du Monde) account for approximately 37% of the French decoration and furniture market by revenue in 2014, with the remainder being primarily composed of independent retailers. The number of players in the French home decoration and furniture market has been decreasing since 2009, when there were approximately 17,000 companies active in the decoration and furniture market. This number had fallen to approximately 16,000 by 2011, an overall decline of 3%. This decline was largely driven by a decline in small independent retailers, given the increasingly competitive environment caused by the globalisation of the supply chain and competition from low-cost players and chain retailers. In France, the Group is the leader in the "affordable inspirational" segment. This segment is characterised by a small number of larger competitors and many small independent retailers. The Group's primary competitors in this segment include Casa, Habitat, Zara Home, AM.PM. and Zodio, as well as independent retailers. The Group's sales totalled €624.8 million in France in 2017, which made it a leader in the French affordable inspirational segment. The Group is followed by Casa and Habitat. The affordable inspirational segment appears to be more fragmented than the market as a whole. The functional segment appears to be less fragmented than the affordable inspirational segment and is dominated by major players, with the top five retailers (IKEA, Conforama, BUT, Alinéa and Fly) accounting for approximately 80% of the segment's revenues.

Italy

In Italy, as is generally the case in the European decoration and furniture market, the Group competes largely with independent retailers as well as larger decoration and furniture specialists. However, the Group believes that the Italian affordable inspirational segment is less developed than it is in France. The Italian decoration and furniture market appears to be highly fragmented. The top five furniture and homeware generalist retailers (IKEA, Mondo Convenienza, Mercatone Uno, Grancasa and Conforama) account for only approximately 22% of the market's revenues, while other decoration and furniture retailers, including independent retailers, accounting for the remainder of the market's revenues. The Italian market has presented difficult conditions for the Group's large competitors. Several large decoration and furniture retailers have curtailed their Italian expansion plans in recent years. Mercatone Uno, a local player, entered insolvency proceedings in 2015 and several of its stores were sold to other retailers in early 2016. Maisons du Monde competes primarily with homeware specialists, including Kasanova, Co Import, Zara Home and Casa as well as independent retailers. In the e-commerce segment, online penetration in the decoration and furniture market is currently lower in Italy than in other European markets. It was approximately 1% in 2014, but is projected to double to 2% by 2019. The increase in online penetration will help to boost the e-commerce market in Italy, which is expected to record a CAGR of 17% between 2017 and 2019.

Spain

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

In terms of e-commerce, online penetration in the decoration and furniture sector in Spain was approximately 2% in 2014 and is forecast to double, reaching 4% by 2019. The increase in online penetration will help to boost the e-commerce market in Spain, which is expected to record a CAGR of 16% between 2017 and 2019.

Belgium

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

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

Germany

In Germany, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. Decoration and furniture stores accounted for approximately 55% of decoration and furniture revenues in Germany in 2014, followed by home improvement and gardening stores and discounters. The German decoration and furniture market appears to be highly fragmented. The 13 largest retailers accounted for approximately 35% of the market in 2013, and included, in particular, IKEA, Höffner, XXX Lutz, Roller, Porta, Depot, Butlers, Nanu-Nana and Zara Home. Large players, in both the generalist category as well as the homeware specialist category, are currently winning market share in Germany through store expansion and market consolidation. In Germany, the Group is most closely positioned with homeware specialists such as Depot and Butlers, but is mostly competing with independent retailers. In terms of e-commerce, the German online decoration and furniture sector is the second largest in Europe, with revenues of approximately €2.1 billion (including VAT) in 2014. The decoration and furniture online penetration in Germany is the second highest in Europe at approximately 5% in 2014 and is further forecast to reach 8% by 2019. As such, the e-commerce market is expected to grow by 11% per annum in the years to 2019, reaching approximately €3.6 billion (including VAT) in 2019.

United Kingdom

In the United Kingdom, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including other online-only retailers and independent retailers. The main player in the UK market has an approximately 8% market share of the home furnishing market, while the second largest player has a market share of around 4%.

In terms of e-commerce, online penetration in the decoration and furniture sector in the United Kingdom is the highest in Europe at approximately 13% in 2014 and is forecast to reach 17% by 2019.

The United Kingdom online decoration and furniture market is the largest in Europe, with revenues of approximately €2.9 billion (including VAT) in 2014 and is forecast to grow at a 10% CAGR from 2014 to 2019, reaching approximately €4.6 billion (including VAT). The Group believes that since 2012, there has been a surge of online-only retailers offering consumers increased value and convenience. Established high-street retailers have since attempted to follow this trend by proposing a range of online offerings. A number of UK decoration and furniture retailers focus on offering unique products to their customers, such as Made.com and Loaf.com.

1.4.3 THE GROUP'S ASSETS AND COMPETITIVE STRENGTHS

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

Maisons du Monde has developed a unique concept based on a differentiated customer selection, offering a wide range of original, design-driven and affordable products, displayed through highly inspirational and visual merchandising. Through this unique combination of product offering and merchandising know-how, the Group offers its customers an immersive and inspirational shopping experience, maximising conversion and triggering impulse purchases.

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

Maisons du Monde differentiates itself from traditional players in the decoration and furniture market. Where many such players tend to be mono-style, with products that are "picked" from manufacturers that supply multiple retailers, Maisons du Monde offers products across multiple styles, which are largely designed in-house. In 2017, approximately 51% of the Group's decorative products were designed or adapted in-house (over 80% for certain key product lines, such as crockery and kitchen fabrics). This percentage was lower for furniture, as many product categories are more standardised (*e.g.* tables, sofas, etc.). The Group's entire collection is sold under its own brand, enhancing the uniqueness of the Maisons du Monde universes.

The Group's collectioning approach balances design and commercial efficiency by re-using and adapting historical bestsellers and leveraging in-depth historical sales data to gradually refresh and create new collections and universes matching emerging market trends. While traditional players tend to offer unique styles within a restricted price range, the Group, through its wide range of products, which has about 17,800 SKUs [(1)], is able to offer original articles inspired by different styles and themes at very different prices, which avoids any reliance on a particular theme or style.

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

A model focused on customer inspiration and satisfaction

Over the last twenty years, Maisons du Monde became a well-known brand with a strong customer base. According to a customer survey [(2)], in December 2017, the Group estimates that 20% of respondents made a purchase from Maisons du Monde in the last twelve months.

(1) Based on the number of SKUs that generated sales of at least €5,000 in the year ended 31 December 2017.

(2) Customer survey commissioned by the Group, based on a sample of 1,603 customers in France, conducted in December 2017.

According to the same study, among French respondents who know that there is a Maisons du Monde store near their home, Maisons du Monde boasts a high level of attractiveness (84%) and a very good conversion rate (59% of visitors who visited a store in the last 12 months made a purchase).

Moreover, the same survey puts the brand's "Net Promoter Score" [(1)] at 8% among French buyers, ranking second after IKEA as the most recommended brand in the French home decoration and furniture market.

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

In addition, Maisons du Monde appears in several rankings of French brands carried out by independent firms. The 2018 OC&C brand ranking reveals that Maisons du Monde is the second favourite French brand in the Furniture category, with a score of 79.2, just behind IKEA. Among the Top 30 French brands, all categories combined, Maisons du Monde is in 25th place. Maisons du Monde is also in 3rd place among French retailers, all categories combined, in store experience, with a score of 83.3, up by 3.8 points compared to the 2017 ranking. In addition, the 2018 Brand of the Year award given by the firm EY Parthenon in partnership with Editialis, revealed that Maisons du Monde was French people's favourite brand, tied with IKEA, in the Home category. The brand's perceived strengths are as follows: product quality, store merchandising and advice.

The Group believes that this strong recognition on the part of customers translates into consistent market outperformance, through superior like-for-like sales growth and new store openings. As a result, the Group's like-for-like sales have increased by approximately 8% per annum over the last ten years, compared with average furniture market growth in France of about 1% per annum over the same period (source: IPEA), outperforming the market every single year since 2007.

Additionally, the Group opened 140 new stores on a net basis in France between 2007 and 2017, more than any other large player in the decoration and furniture market. Driven by both store roll-out and a robust performance on a like-for-like basis, the Group has increased its market share in France in the affordable inspirational segment, to the detriment of independent retailers in particular.

A scalable business model geared towards value

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

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

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

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

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

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

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

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

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

The Group's store concept has demonstrated its effectiveness across all catchment types and store formats. As of 31 December 2017, the Group operated a total of 313 stores spread across 7 European countries. Most of the stores operated by the Group cover selling space of between 300 and 3,000 square metres. They are located in city centres, suburban commercial zones and shopping malls. Through a standardised approach, the Group has been able to roll out its concept effectively and coherently in both commercial and financial terms, and has managed to build a balanced and harmonious store network, with a single business model across store formats.

The Group has also been at the forefront of e-commerce in the homeware industry, using its online platform not only as a distribution channel, but also as a source of inspiration for its customers, a way to discover the Group's collections and universes and prepare a store visit. In the year ended 31 December 2017, Maisons du Monde generated online sales of €210 million across 11 European countries, growing 24.2% compared with 2016, with profitability similar to that of the store network. The Group has today emerged as a leader in e-commerce in the French home decoration and furniture market, with 20.8% of its sales in the year ended 31 December 2017 generated online, compared with only 7% in 2010. This compares favourably with the relatively low e-commerce penetration of the decoration and furniture market in France, with most large bricks-and-mortar competitors generating online sales below 10% of their total sales.

The Group seeks to further fuel the success of its omnichannel model with web-to-store and store-to-web applications and the creation of options such as free in-store delivery [1] or click-in-store sales [2], which represented €245 million in the year ended 31 December 2017. Additionally, the Group has started to leverage the significant customer insight data that it has generated across its various channels through its new customer relationship management platform in order to improve the effectiveness of its marketing and drive growth further.

The Group also provides its customers with its catalogues, laid out as magazines, to encourage them to dream and project themselves into a newly decorated or redesigned home, or invite them to rethink their home at will, inspired by the scenes proposed in different stores internationally. These catalogues are available in several languages, and come in three different versions (general, junior and outdoor furniture). They cover the Group's entire range of furniture items and help attract customers to the Maisons du Monde websites and stores. The brand's general 2017 catalogue presented roughly 2,350 furnishing SKUs and approximately 2,200 SKUs in home decoration items. The 2017 outdoor furniture catalogue had roughly 480 furnishing SKUs and approximately 100 SKUs in home decoration items. Lastly, the 2017 junior catalogue contained roughly 270 furnishing SKUs and 560 SKUs in home decoration items. In 2017, the Group distributed more than 12 million free catalogues across the countries in which it operates.

This omnichannel approach, combined with the Group's lifestyle universes, is in contrast to the methods adopted by traditional players, which often only display their products in stores, in comparatively unattractive product aisle formats. The combination of these complementary distribution channels and formats allows the Group to sell a wide range of products relative to its average store size and the number of products displayed in stores. On average, about 8% of furniture SKUs are displayed in-store, but, using its catalogues and websites, the Group is able to make its entire collection available to its customers. This is illustrated by the fact that around 55% of in-store sales in furniture were generated by products that were not displayed in-store in the year ended 31 December 2017.

A proven track record replicated internationally

Maisons du Monde has replicated its business model across Western Europe. As of 31 December 2017, the Group operated 101 stores spread across six countries outside France, and also had an exclusively online presence in four additional countries. In the year ended 31 December 2017, international sales accounted for more than 38% of total sales, compared with 3% in 2005 and 20% in 2010. For the same financial year, five of the ten largest stores in terms of sales were located outside France (three in Italy, one in Spain and one in Germany), and about 47% of the Group's online sales were made internationally.

The Group has historically been able to scale its international expansion and achieve a high standard of operating performance swiftly, through consistent and centralised implementation and execution of its marketing process across countries as well as a standardised and structured store rollout process. The Group adapts its strategy to local retail environments. For example, the Group has noted that larger suburban stores deliver better commercial and financial performance than other formats in Italy. The Group has also benefited from converging consumer tastes across European countries, allowing it to succeed in each country with the same collections. This is illustrated by the fact that most of the Group's bestsellers are the same across all countries.

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

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

The success of the Group's international growth strategy is further demonstrated by the similarity of ramp-up [1] and the payback [2] inherent in new stores, as well as the comparable nature of EBITDA margins [3] between the French stores and the international stores, in each case in the countries where the store network and brand have already been established (such as Italy, Spain and Belgium).

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

The Group's business model has delivered outstanding financial returns since its creation, based on strong double-digit topline growth and consistent profitability. Between 2014 and 2017, the Group's sales grew from €604.7 million in the year ended 31 December 2014 to €1,010.6 million in the year ended 31 December 2017, representing a CAGR of approximately 19%, with a positive contribution from all channels, all formats and all countries, which represents a stellar performance compared with other European players in the homeware industry. In addition, the Group's EBITDA recorded an average CAGR of about 24% between 2014 and 2017, rising from €72.9 million in the year ended 31 December 2014 to €138.8 million in the year ended 31 December 2017. The EBITDA margin also improved from 12.0% to 13.7% during the same period.

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

1.4.4 GROUP STRATEGY

Continue to be a source of inspiration and delight for customers

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

Optimise further growth in like-for-like sales

Maisons du Monde has a good track record in delivering like-for-like sales growth, outperforming the decoration and furniture market. Between 2007 and 2017, the Group's like-for-like sales grew at an annual average pace of 8%, compared with a growth of approximately 1% for the French home decoration and furniture market, according to IPEA. The Group aims to continue to outpace the European home decoration and furniture market, with estimated positive growth for the next two years. The Group also leverages the growth dynamic of its online channel to strong e-commerce activity. This business already accounted for 20.8% of total sales in the year ended 31 December 2017. This can be compared with an average online penetration of approximately 2% for the overall French home decoration and furniture market. The European on-line distribution market is expected to grow at a rate of approximately 10% over the next two years, which should enable the Group to achieve further growth. The Group believes that its steady market share gains on its main competitors in the affordable inspirational segment since 2003 have come at the expense of independent retailers. The Group believes that this positive trend will continue in the future, especially because of the superior value offered by Maisons du Monde and the establishment of a highly effective omnichannel business model.

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

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

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

To further support its sales growth, the Group will leverage its solid fundamentals in order to continue its profitable growth momentum based on four pillars:

- Provide an attractive offering to customers with the new 2018 catalogues and multi-style trends, as well as the development of the Group BtoB offering.
- Continue capital expenditures in network development with 25-30 net store openings in France and abroad, and continue the expansion of the franchise programme. During the first half of 2018, Maisons du Monde will also open points of sale in the United Kingdom, under optimal financial terms, in the form of three "shops-in-shops" under a partnership agreement signed with Debenhams, thereby completing Maisons du Monde's e-commerce offering.
- Improve the omnichannel customer experience with new developments in e-commerce and the launch of new customer services. In 2018, the Group will finalise its programme to digitise the tools available to its sales force via the use of tablets and in-store television screens showing the entire product offering. Furthermore, the Group will continue to invest in its websites and mobile platforms to remain at the forefront of technological development. In particular, the Group will focus on adding new features and functionalities to enhance the user-friendliness of its modules and the satisfaction of its customers, including improved search and browsing, ordering and payment functionalities.
- Accelerate Group's CRM strategy and strengthen its presence on social networks. The Group has an online and offline customer database containing some fourteen million contacts. Maisons du Monde aims to leverage this information to better and more fully understand its customers and their behaviours across channels to improve its marketing efficiency and further improve the customer experience, for example through personalised emails, website customisation based on order history, presence on social networks and geo-localisation.

Furthermore, the Group also wishes to continue to enhance the retail experience of its customers. In this regard, the Group intends to fine-tune the allocation of spaces dedicated to its collections on the basis of local customer tastes so as to further optimise its marketing approach, to use marketing flyers to boost footfall in stores and to improve its consumer financing offering. At the same time, Maisons du Monde will rely on the "Net Promoter Score" results collected during all phases of the customer experience to monitor its services with the objective of continuous improvement in customer satisfaction. Lastly, Maisons du Monde has a long track record in adding new product categories, such as the junior and outdoor collections (representing respectively 4.6% and 3.5% of sales in the year ended 31 December 2017). In addition, the Group is constantly working on its product development in any given category (e.g. in 2017, the Group launched a specific low-price product collection to be presented in new display cases that will serve to organise the checkout lines in stores). The Group believes there is room to further expand into new product segments such as kitchen and bathroom decoration and furniture, where it is under-represented today.

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

Maisons du Monde has a twenty year track-record of profitable store openings in France, with a proven ability to identify attractive locations and develop successful stores that are extremely successful commercially. Between 31 December 2012 and 31 December 2017, the Group added 27 new stores on a net basis to its network in France, opening 63 and closing 36 (most of which were relocations), over the period. These openings represented more than 64,000 square metres of additional sales floor. The total floor space grew at a faster pace than the number of stores, as a significant number of openings were larger suburban stores that replaced smaller existing city centre stores in order to better display the Group's expanded offering. The Group had 212 stores at 31 December 2017. Based on a detailed analysis of catchment areas, the Group believes that its full potential in France is about 250 stores without undermining its existing stores, changing its model or its return on investment criteria. In particular, the Group has identified a number of opportunities in the greater Paris area, as well as in specific tourist areas outside Paris. To determine the potential for new stores, the Group commissioned an external study to identify possible new store locations based on historical Group store sales data, information related to the catchment area (such as household income, age and number of holiday houses), proximity to existing Maisons du Monde stores.

The Group's objective by 2020 is to increase the size of its store network in France to approximately 240 stores in total, with all 2018 store openings secured. The Group intends to focus on opening stores in shopping malls and suburban commercial zones, including through the relocation of city centre stores. The Group also intends to continue investing in its current stores to improve the retail experience of its customers. Lastly, the Group may seize opportunities to accelerate its store openings through the acquisition of all or part of an existing network. In the case of the Vivarte agreement signed in late 2015, for example, the Group successfully took over nine former Vivarte stores in strategic locations and converted them into Maisons du Monde stores (five of which opened in 2015 and four in the first quarter of 2016).

Continue its international expansion in a disciplined manner

The Group plans to continue its international expansion in a disciplined manner, both through the development of stores in selected markets and by penetration of the online segment. Between 31 December 2012 and 31 December 2017, the Group added 62 stores on a net basis to its international network, thus enabling it to increase its selling space by around 112,000 square metres. The Group had a total network of 101 international stores in six countries outside France as of 31 December 2017. Backed up by an external study it commissioned, the Group believes that the full potential of the store footprint in the international markets where it currently operates its store network represents a total of nearly 500 stores, including 120 stores in Italy, 85 in Spain, 50 in Belgium and Luxembourg, 200 in Germany and 35 in Switzerland. Given this potential, the Group intends to accelerate the pace of its international expansion, with an objective of 80 to 95 net store openings in total by 2020, focusing primarily on its existing markets. This would result in networks of 60 to 70 stores in Italy, 35 to 40 stores in Spain, 20 to 30 stores in Belgium and Luxembourg, 20 to 25 stores in Germany and 5 to 10 stores in Switzerland. Maisons du Monde will continue to adjust its development strategy in accordance with the specific nature of each country, adapting its development objectives between the store networks and online channels. In France, Italy, Spain and Belgium, where e-commerce activity is low, the Group intends to focus on balanced store development, densifying its network while also growing its online sales. In contrast, in Germany and Switzerland, where e-commerce activity is higher, the Group intends to adopt a more gradual store development, backed by its online platforms, with selected and highly complementary physical stores. The Group will implement this strategy internationally while maintaining strict financial discipline, focusing notably on improving operating leverage and preserving profitability and cash generation.

Develop its franchise and BtoB offering

Maisons du Monde continually explores new opportunities to attract new customers. The Group believes that franchising and BtoB sales represent attractive platforms to drive long-term growth. The Group’s franchising strategy is focused on regions outside Europe, which represent an attractive business potential for the Group, in a context of acceptable economic and political risks. With a low capital intensity for Maisons du Monde, this strategy is based on building strong partnerships with experienced local master franchisees that can roll out Maisons du Monde’s concept successfully in their local markets. The Group intends to develop franchises in regions where it does not intend to build its own network. In 2017, Maisons du Monde opened two stores in Dubai (UAE) and Doha (Qatar) respectively under the terms of a master franchising agreement signed with Majid Al Futtaim, an experienced master franchisee in the Middle East. As of the date of this Registration Document, the Group has five stores under franchise: two franchises in Réunion Island, one franchise in Casablanca in Morocco and two franchises in the Middle East. The Group intends to accelerate the rollout of its BtoB offering which generated €14.4 million in sales in the year ended 31 December 2017. Through its BtoB activities, the Group makes its unique know-how in the creation of decorative articles in the creation of decorative articles and home furnishings available to the business world, including hotels, architects, businesses and the entertainment business. Moreover, the Group has recently started to focus on this market, which it believes represents approximately €1.6 billion of sales in France alone. To better serve this market, the Group has created a dedicated team, launched a dedicated catalogue, opened specific web pages on websites, and is aiming at further increasing its marketing efforts towards BtoB customers.

1.4.5 DESCRIPTION OF THE GROUP'S BUSINESS

Products

Overview

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

Through this unique broad product range, Maisons du Monde is able to satisfy a wide variety of consumer tastes. Each style is typically available for each room or function of the home and spans a large number of product categories. The range of the Group's products includes more than 13,800 decoration items (57.8% of sales in 2016) and more than 3,900 furniture items (42.2% of sales) [(1)]. Thanks to its approach to the styles and multiple price ranges, it is designed to appeal to a broad customer base. The Group constantly innovates to respond to changing tastes and the preferences of successive age groups by adding new themes, styles and universes. Approximately half of the Group's current furniture styles were launched in the last ten years.

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

Decoration Items

Decoration items generally consist of products that customers can use to accent and accessorise their homes and add colour and personal style to their living spaces. The Group offers more than 13,800 SKUs in the decoration items category [(1)] Its range in this product category includes bedding, rugs and mats, candles, pillows and cushions, clocks, tableware, lamps, kitchenware, mirrors and frames, vases, storage articles, window treatments and bath products. The Group's Average Selling Price (ASP) is approximately €11 including VAT for decoration items. For the year ended 31 December 2017, 57.8% of sales were generated by decoration items. Occasionally, new categories of decoration items are introduced in order to broaden the Group's customer base and provide its customers with even more home decoration choices. For example, the Group launched its junior collection, featuring decoration items for babies, children and teenagers in 2011. This range currently consists of more than 1,000 SKUs, including baby crib mobiles, lamps, wall art for children and storage containers [(1)].

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

The Group launches decoration item collections two times per year: for Spring/Summer and Autumn/Winter. Additionally, each October, the Group unveils a highly anticipated thematic decoration item collection for holiday decorative products. Examples of thematic collections from the Spring/Summer 2017 season included Urban Garden, Mint & Lemon, White Island, Elegance, Caliente and Escale. Examples of thematic collections from the Autumn/Winter 2017 season included Green Addict, So Blush, 5th Avenue, Nordik Ethnik and Néo Cottage.

Furniture

The Group offers more than 3,900 SKUs in the furniture category, across a wide range of styles [(1)]. The Group's furniture range includes sofas, chairs, beds, mattresses and bedframes, floor lamps, tables, outdoor furniture, junior furniture, tables and storage units such as bookshelves, wardrobes and cupboards. The Group's ASP for furniture is approximately €214 including VAT. The Group presents one new furniture collection per year. Substantially all of the Group's furniture is assembled and delivered to the customer's home. Furniture has been a fast-growing category for the Group. For the year ended 31 December 2017, 42.2% of sales were generated by furniture. The Group has also expanded this range over the last few years. For example, it introduced a dedicated outdoor furniture collection in 2009 and a junior collection in 2011.

Product display and merchandising

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

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

(1) Based on the number of references that generated sales of at least €5,000 in the year ended 31 December 2017.

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

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

Design, Sourcing and Pricing Strategy

Overview

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

Product Design

The Group's team of 22 in-house designers and graphic artists, who are part of and work closely with the design and purchasing team of approximately 90 staff members overall, work to define the collections and manage product design according to a well-established collection creation process. For decoration items, the Group presents two major collections per year, in Autumn/Winter and Spring/Summer, each of which generally consists of six themes. For furniture, the Group presents one new collection per year, which includes multiple styles.

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

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

The Group's in-house design capabilities enhance the originality of its products and position its brand among consumers as a unique source of homeware inspiration. In 2017, approximately 51% of the Group's decoration items were designed or adapted in-house (up to more than 80% for certain product lines, such as dishes or kitchen textiles), with the remainder selected from external suppliers, to align with the season's collection.

Pricing Strategy

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

The Group aims to offer items across a wide range of price points in every product category, in order to address to a broad range of customers and budgets. For example, the Group offers two-seater sofas from an entry-level price of €199 for an upholstered model to €1,450 for a leather model. The majority of the Group's price points are clustered in the affordable category as demonstrated by average selling prices (ASPs) of approximately €11 for decorative products and approximately €214 for furniture for the year ended 31 December 2017 (including VAT).

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

Furthermore, in order to preserve its margins and brand image, the Group maintains a policy of engaging in limited promotions and markdowns, which accounted for only 5% of sales in 2017, a proportion that is low compared to a number of other decoration and furniture retailers. The Group has developed a system of private sales, routine end-of-season sales and promotions for display products as tools to manage inventory. However, the volume of such sales has historically been low due to the Group's ability to correctly anticipate demand and recycling of end-of-life products in its stores and websites.

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

Sourcing

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

Based on the total value of purchases for the year ended 31 December 2017, approximately 91% of the Group's products were manufactured in Asia (primarily China, Vietnam, Indonesia and India), providing it with access to a low-cost supply base. The Group's remaining products were manufactured in Europe, with France accounting for approximately 3% of the Group's manufacturing (primarily sofas) and the rest of Europe accounting for approximately 6% of the Group's manufacturing (primarily glassware).

A. INTERNAL MANUFACTURING

In the year ended 31 December 2017, the Group manufactured approximately 19% of its furniture (in terms of furniture purchases) at its in-house manufacturing facilities in China (through the Group's joint-venture Chin Chin) and Vietnam (through its subsidiary, Mekong Furniture). The Group focuses its in-house manufacturing capabilities on the production of the more design-intensive furniture items. The utilisation rate of the Group's two manufacturing facilities has historically been close to 90%. Moreover, the Group is able to gain useful information with respect to the costs and dynamics of the supply chain, which it uses to its advantage as a benchmark in negotiations with external manufacturers. Accordingly, it believes that the flexible nature of its external supply base means that the Group is able to optimise its supply chain across the geographic locations in which its suppliers are based, particularly in the face of changing market conditions. Furthermore, the Group's significant sales volumes generate strong buying power and enable it to achieve economies of scale and efficiencies across its supply chain.

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

B. EXTERNAL SUPPLIERS

The Group regularly works with more than 500 third-party suppliers. The Group's top 15 suppliers (including Chin Chin and Mekong Furniture) represented 31% of its purchases for the year ended 31 December 2017 and no single external supplier represented more than 5% of purchases for the same period.

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

Partners

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

Other External Suppliers

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

C. RAW MATERIALS

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

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

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

Quality Control, Inventory Management and Logistics

Quality Control

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

Inventory Management

The Group uses a data-intensive process for inventory management in order to optimise product allocation among its stores, which carry relatively low levels of inventory, as most of its inventory is kept in the warehouses. As of 31 December 2017, approximately 6.2% of the Group's decoration inventory and approximately 2.5% of the Group's furniture inventory was aged more than one year and the Group had 173 average days of inventory outstanding.

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

Logistics

A. SHIPPING FROM POINT OF PRODUCTION

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

B. WAREHOUSING

Distrimag centralises the Group's warehousing and core inventory management activities. The Group's central warehouses service all of the Group's operations, which helps it harness efficiencies in quality control and reduce inventory at individual stores, maximising selling space. The Group stores its products in 11 warehouse facilities, each of which serves all of the Group's sales channels, in preparation for distribution to stores and end-customers. As of 31 December 2017, the Group managed approximately 444,000 square metres of leased warehousing and distribution space in and around Marseille.

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

C. DISTRIBUTION TO STORES AND END-CUSTOMERS

The Group distributes its products to its stores and end-customers in the South of France itself, through its subsidiary Distri-Meubles. For the delivery of the Group's products to its stores and customers in other regions and countries, the Group outsources the road transport to a number of third-party transportation and logistics providers. The Group's internal distribution capabilities allow it to understand the cost and quality dynamics associated with its distribution network and benchmark its external transportation and logistics providers to reduce costs and delivery times. For the year ended 31 December 2017, the average home delivery time within France for decorative products was two to five days, whereas for furniture, the average home delivery time was seven to ten days.

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

Distribution Channels

Overview

The Group distributes its products through a fully-integrated and complementary Omnichannel platform that includes stores, catalogues and websites. The complementarity of the Group's channels is illustrated by the range of SKUs offered through each channel. At any given point, the Group's stores typically display a wide range of decoration items (an average of approximately 7,000 SKUs as of 31 December 2017) but a more limited range of furniture (an average of approximately 260 SKUs as of 31 December 2017). The Group's online channel showcases most of its product range, displaying an average of approximately 5,200 decorative products SKUs and approximately 3,100 furniture SKUs at any given point [1].

The Group's catalogues constitute an additional information channel allowing it to disseminate and promote it's products. The online channel has increasingly become a source of sales growth. In 2017, the Group's websites attracted an average of 6.8 million unique visitors per month. Sales attributable to its desktop websites increased by 32% between 2016 and 2017. During the same period, sales attributable to tablet and mobile websites increased by 15% and 119% respectively. For the year ended 31 December 2017, the Group's stores generated 79.2% of total sales, while its websites generated 21.8% of total sales.

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

(1) Average number of SKUs available on the Group's websites at a given point in time during the year ended 31 December 2017.

The Group also operates a business-to-business (BtoB) sales channel that accounted for €14.4 million in sales in the year ended 31 December 2017.

Store Network

The Group has developed a successful store concept based on its experience managing multiple store formats across multiple catchment areas and numerous countries. The Group benefits from a large and integrated store network that is built upon a disciplined and strict development strategy.

As of 31 December 2017, the Group directly operated a total of 313 stores throughout France, Italy, Belgium, Spain, Germany, Luxembourg and Switzerland with approximately 363,000 square metres of retail trading space in total. The Group's square metres of retail trading space have grown by approximately 21,000 net square metres *per annum* since 2001, accelerating to growth of approximately 35,400 square metres *per annum* net since 2012. Since 2012, the Group has opened 14 to 36 new stores gross *per annum*.

All of the Group's store locations are leased pursuant to commercial agreements with the relevant landlord. The Group's network in France is the most extensive, with 212 stores.

The following table sets forth the number of stores, average retail trading space per store and store openings in each country where the Group operates, as of 31 December 2017:

Country	Number of stores	Average trading space per retail store *(sq. m.)*	Number of stores opened in 2017 *(gross)*	Number of stores opened in 2017 *(net)*
France	212	940	14	9
Italy	42	1,870	6	6
Belgium and Luxembourg	24	1,130	3	2
Spain	20	1,600	6	6
Germany	9	1,635	1	1
Switzerland	6	1,940	1	1
TOTAL	**313**	**1160**	**31**	**25**

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

A. STORE FORMATS

The Group's stores are primarily located in high-traffic areas and the product offering in each of its stores has been adapted to the customer demographics of the area as well as the size of the store. The Group's stores can be characterised principally by location: city centres, suburban commercial zones and shopping malls. As of 31 December 2017, the majority of the Group's stores were located in suburban commercial zones (67% of stores) or in shopping malls (16% of stores) which are attractive due to lower rents and high conversion rates, and the remainder are in high traffic city centres (17% of stores). The Group believes that situating its stores in locations with strong catchment potential is critical to the success of its business.

City Centre Stores

City centre stores have approximately 300 to 800 square metres of retail trading space and primarily sell decoration items (on average, 75% of city centre store product mix by sales for the year ended 31 December 2017), with a limited offering of furniture (on average, 25% of city centre store product mix by sales for the year ended 31 December 2017). City centre stores tend to generate high footfall, and are important for generating future sales either in the Group's larger suburban commercial zone and shopping mall locations or online. For the year ended 31 December 2017 each city centre store generated average sales of approximately €1.4 million. For the year ended 31 December 2017, the Group's 52 city centre stores generated approximately 11% of the Group's in-store sales.

Shopping Malls

Shopping mall stores have approximately 300 to 1,000 square metres of retail trading space and primarily sell decoration items (on average, 77% of shopping mall store product mix by sales for the year ended 31 December 2017), with a limited offering of furniture (on average, 24% of shopping mall store product mix by sales for the year ended 31 December 2016). The shopping malls where the Group opens stores are both inside and outside city centres, though the majority are outside city centres. Shopping malls are selected based on, among other factors, the target demographics of the particular shopping mall, accessibility and the mix of the other retail and entertainment tenants. For the year ended 31 December 2017, each shopping mall store generated average sales of approximately €1.9 million. For the year ended 31 December 2017, the Group's 50 shopping mall stores generated approximately 15% of the Group's in-store sales.

Suburban Commercial Zone Stores

Suburban commercial zone stores have approximately 500 to 4,500 square metres of retail trading space (with most stores having 1,000 to 2,000 square metres of retail trading space) and generally offer a wider range of furniture (on average, 37% of suburban commercial zone store product mix by sales for the year ended 31 December 2017) as compared with the Group's shopping mall or city centre stores. Suburban commercial zone stores are typically located near key transportation arteries and connected to mass transportation, generally with on-site or adjacent parking facilities. For the year ended 31 December 2017, each suburban commercial zone store generated average sales of approximately €3.2 million. For the year ended 31 December 2017, the Group's 211 suburban commercial zone stores generated approximately 74% of the Group's in-store sales.

B. MANAGEMENT OF THE STORE NETWORK

The Group's store network is the result of an industrialised and data-driven process to centrally identify promising new locations. Additionally, the Group's centralised store management team receives weekly reports enabling it to respond proactively when an existing store's performance is not consistent with the Group's standards. As a result of this strong management of the store network, stores exhibit a fairly homogenous profitability level . International stores across the network display similar metrics to French stores, and in the year ended 31 December 2017, five of the top ten stores (as ranked by sales) in the network were located outside of France.

New Store Selection

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

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

The Group rigorously monitors store payback, which refers to store net fixed assets [1] divided by the related store [2] EBITDA, and store ramp-up, which refers to the amount of time it takes for a store to generate sales per square metre in line with the Group's average. Stores located in countries with high brand recognition, such as France, Italy, Spain and Belgium have shorter average payback and ramp-up periods.

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

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

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

In 2018, the Group plans to expand its store network with 25 to 30 net openings (one-third in France and two-thirds internationally), with retail trading space expected to reach approximately 400,000 square metres by 31 December 2018, compared with approximately 363,000 square metres as of 31 December 2017.

Store Refurbishment, Repositioning and Closure

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

E-commerce

The Group was one of the first to develop an online sales platform and innovate in this area, and was a leader in the development of this activity in the French decoration and furniture market. The Group ranks first in terms of the share of sales generated online in France in the homeware business. E-commerce represents a consistently growing sales channel for Maisons du Monde that is complementary to stores and exhibits profitability metrics similar to the Group's store network. The Group's e-commerce channel has bolstered its international penetration by providing an asset-light channel for Maisons du Monde to enter new markets. For example, Germany was the second largest online market for the year ended 31 December 2017 even though it has a comparatively small store network. Likewise, Maisons du Monde has entered the UK market with an e-commerce-only approach.

The Group offers its products online through its primary website, www.maisonsdumonde.com, which has been optimised for computer, smartphone and tablet navigation and is accessible in multiple languages. The Group launched its online platform in 2006. In 2017, the Group's websites attracted an average of 6.8 million unique visitors per month. Sales generated by its websites accounted for €201 million for the year ended 31 December 2017, or 20.8% of total sales, and increased by 24.2% over the year ended 31 December 2016.

In 2017, approximately 47% of total online sales for the Group were generated outside of France. Additionally, about 64% of the Group's online traffic was from mobile devices. Lastly, furniture accounted for 72% of online sales, and decoration items for 28%.

The Group's e-commerce platform allows customers to discover and experience the universes found in its catalogues and stores in a simple and easy-to-use format. The Group displays most of its products on its websites, an average of approximately 8,300 furniture and decoration item SKUs at any time [(1)]. Current online sales consist mainly of furniture, however, sales of decoration items have increased over the last two years. The Group has increased online decoration sales by investing in delivery options such as its Free in-store delivery programme. The Group's websites also offer universe-based and room-based navigation, which allows its customers to conceptualise their home's redesign and shop for items by product category, style, theme or universe, thereby improving their shopping experience. For example, customers can search the Group's websites for products by size or colour, browse through its extensive product categories and see detailed information about each product and collection, such as dimensions, materials used and care instructions. Customers can select colour swatches and view merchandise displayed with different colour and fabric options. The Group's websites have also introduced curated pairings of decoration items and furniture which assemble unique assortments of SKUs based on a current trend, allowing customers to redo a room in a new theme or style and add additional personalisation options assembled from the Group's universes and collections, in order to encourage a "shop the look" purchasing experience. Based on analysis of customer page views, the Group's online pages presenting "shop the look" by trend, style and other inspiration attract one out of five webpage visitors, who spend approximately double the time on such pages than they do viewing the other pages of the website. The Group regularly updates its websites to reflect product availability and new product launches and implements system improvements for its e-commerce platforms.

(1) Average number of SKUs available on the Group's websites at a given point in time during the year ended 31 December 2017.

In the last few years, the Group recorded a significant increase in the percentage of consumers accessing its websites from tablets and mobile phones, which enables the Group's product offering to be accessible on multiple devices that customers use to navigate and shop. For example, in the year ended 31 December 2017, approximately 64% of hits on the Group's websites were logged from mobile devices, up 48% from 2016.

The Group's websites are an important part of its omnichannel sales approach. They include a store inventory check feature, which directs consumers to the nearest store stocking the desired *item*. In 2015, the Group piloted a free in-store delivery initiative for decorative products in eight stores in two regions in France. According to data analysed from this pilot, more than 10% of customers made additional in-store purchases upon visiting a store to collect their online purchase. The free in-store delivery initiative was then expanded nationwide in France and Switzerland in February 2016, in Italy in September 2016, and in other European markets where the Group is present from February to April 2017, to provide additional convenience to the Group's customers and encourage additional purchases. Furthermore, the Group's focus on the management of its online inventory has also had a positive effect on in-store sales. Customers visiting a Maisons du Monde store increasingly make purchases of products that are not physically displayed in-store, but instead appear either in the catalogues distributed in-store or on tablets available in the store, or, alternatively are identified through discussions with sales associates. The Group identifies these transactions as in-store digital sales, or click-in-store sales, which together amounted to €245 million in the year ended 31 December 2017. To enhance its in-store digital sales, the Group started to install tablets in its stores in France at the beginning of 2016. At the end of December 2017, this programme was available in 80% of the Group's European stores. The Group plans to finalise the roll-out of this initiative throughout its network by the end of the first half of 2017.

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

The Group regards its stores, websites and catalogues as complementary sales and engagement channels. For instance, certain customers choose to buy items online that they have viewed in stores after having considered their options, while other customers prefer to visit one of the Group's websites before making a purchase at one of its stores.

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

Business-to-Business Sales (BtoB)

In recent years the Group has developed an ancillary business-to-business ("BtoB") sales activity. The Group's BtoB activity consists of sales of Group decoration items and furniture to a variety of end-users, namely hotels, architects/interior designers, offices, retailers and others. BtoB sales are managed by a small internal sales force and utilise the Group's existing distribution and delivery network. The Group's BtoB activity accounted for €14.4 million in sales in the year ended 31 December 2017, as compared with €1.6 million in the year ended 31 December 2010.

Marketing and Customer Services

Overview

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

Marketing Strategy

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

New initiatives in the marketing space have focused on digitisation of the retail experience and increasing cross-channel interaction. In January 2016, the Group installed tablets in 17 stores in order to evaluate whether such technology could assist sales personnel in cross-selling and providing better advice. With the results having been positive, the Group expanded this initiative, as of 31 December 2017, to 80% of its stores equipped with tablets. This initiative will be finalised in the first half of 2018. Additionally, the Group has begun to install video screens in its stores to present Maisons du Monde original content in-store and prompt customers to navigate fully through the Group's product offering.

Moreover, during 2017, the Group launched an internal Net Promoter Score (NPS) system, allowing customers to give their opinion during all phases of the shopping experience. This system was first launched in stores in March 2017, and was then expanded to the Group's websites in June 2017, and finally to home deliveries in September 2017.

Marketing Functions and Expenses

Marketing is a key component of the Group’s ability to implement its business strategy, attract footfall and engage with customers. The Group’s advertising and marketing expenditures for the year ended 31 December 2017 were €36.6 million and represented 3.7% of sales.

The Group’s primary marketing expense is the production of its catalogues. In 2017, the Group distributed more than 12 million free catalogues across the countries in which it operates. Additionally, the Group invests in online marketing, both to acquire new customers as well as to build its brand.

Catalogues

The Group’s catalogues are a powerful marketing tool to inspire customers and illustrate the Group’s unique offer by presenting the breadth of its universes and its various styles and themes. The Group’s catalogues look and feel like a design magazine, displaying high quality photos shot in real home settings in compelling locations. With over 500 pages in the 2017 edition, the Group’s standard catalogue showcases its full furniture product range complemented with a selected range of decoration items. The Group additionally produces two specialised catalogues that focus on outdoor furniture and junior decoration items and furniture. The Group distributed approximately 12.5 million free catalogues to its customers in 2017. They are a key marketing tool for the Group and increase in-store and online sales by encouraging customers to explore the various distribution channels.

Customer Engagement and Social Media

In January 2013, the Group also began creating and maintaining a CRM database of its customers who buy its products in its stores, in order to better understand their shopping habits and preferences. At the end of 2015, the Group created a unified database of customers combining its online and offline customer bases. This database includes detailed purchasing information, demographic data, geographic locations and postal and email addresses. The Group has substantially increased its database of customers and, as of 31 December 2017, it had a base of approximately 14 million contacts. The Group launched its Customer Relationship Management (CRM) system during 2017. The Group’s CRM system provides it with the information necessary to develop new products and categories that respond to current trends and evolving consumer preferences, as well as to more effectively promote the current product offering thanks to a targeted marketing approach that involves, among other things, sending personalised newsletters to customers.

Social media outreach is another key component of the Group’s marketing strategy. The Group is present on various online platforms such as YouTube, Facebook, Instagram and Pinterest. The Group’s YouTube account shows original video content presenting new collections and product launches as well as providing “do it yourself” instructional videos for home decorating and hosting. Its Facebook pages allow it to share new product launches, showcases newly opened stores and other news from the Group. Over 1.4 million users have “liked” the Group’s Facebook pages. It also maintains an Instagram account with over 1.1 million followers, putting the Group in second place on this platform, behind IKEA. Recently the Group began engaging customers on Pinterest which allows the Group to present a number of functionalities, such as by style or theme. In 2017, the Group successfully completed its first Pinterest campaign, "My perfect cosy bedroom", registering over 1.8 million views and more than 100,000 images created. The Group has more than 117,000 followers on Pinterest, making it number one on this network.

Customer Service and Returns

Part of maintaining the “Maisons du Monde” brand includes providing a high standard of customer service, which encompasses in-store service, online technical and sales support and after-sales service. The Group has a team of approximately 100 employees who handle after-sales services such as returns and respond to customer queries in relation to deliveries and product quality. The Group has historically recorded relatively few product returns. The return rate is in the low single-digits, which, for example, is significantly lower than retailers active in the apparel markets. The Group’s after-sales services do not directly generate any revenue. To support its e-commerce channel, the Group maintains a hotline dedicated solely to its online customers’ sales inquiries and handles certain over-the-phone sales. Over-the-phone sales accounted for €24 million of sales in 2017. Outside working hours, a service provider answers the calls or e-mails from customers. Additionally, e-commerce customers are encouraged to fill out satisfaction surveys, which are analysed in order to assess and improve the on-site experience, check-out process and post-purchase support. For example, as a result of customer feedback, more visuals and detailed product information were added, and delivery and payment options were expanded. The Group has partnered with the consumer financing firm Cetelem, a member of the BNP Paribas Group, to offer customers the possibility of paying for purchases from €150 up to €16,000 in 3, 10, 20 or 30 monthly instalments, depending on the purchase price. In the year ended 31 December 2017, approximately 11% of furniture sales were generated using consumer financing obtained by customers from Cetelem. Finally, the Group offers a “privileged customer card” *programme*, which provides customers with longer guarantees on certain of their purchases.

Information Technology

The Group's business depends on the ability of its employees to process transactions on secure information systems and its capacity to store, retrieve, process and manage information. The Group's IT systems are supervised by the Group's Chief Technology Officer and are managed in-house by a team of 50 IT professionals supported by third parties and who are led by a team of managers with in-depth e-commerce experience. Two fully redundant data centres support the continuity and connectivity of the Group's IT systems. The Group's IT systems provide a full range of business process support and information to its store, design, merchandising, sourcing and finance teams. The Group believes that the combination of its business processes and systems provides it with improved operational efficiencies, scalability, increased management control and timely reporting that allow it to identify and respond to trends in its business. The Group utilises a combination of customised and industry standard software systems to provide various functions related to:

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

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

Regulation

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

Regulation of Furniture Production and Products Liability

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

A. EUROPEAN UNION REGULATIONS

Since the furniture that the Group produces and sells incorporates timber, the Group must take into account the Forest law Enforcement Governance and Trade ("FLEGT") action plan that the EU adopted in 2003, which is aimed at reducing deforestation by regulating imports of timber and timber products into the EU. FLEGT regulates where the Group can source its timber and timber products. FLEGT includes a timber licensing system to certify the legality of imported wood products: in order to obtain a FLEGT licence, voluntary partnership agreements ("VPAs") must be signed between timber-producing countries and the EU. As of 31 December 2015, six countries have signed a VPA with the EU and are developing the systems needed to control, verify and license legal timber. Nine other countries are in negotiations with the EU and others have expressed interest in joining.

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

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

- directive 79/117/EEC (as amended), which prohibits the sales and use of pesticides that contain certain active substances that could harm human health or the environment;
- directive 1999/13/EC (as amended by Directive 2004/42/EC and known as the VOC Solvent Directive), which applies to the use of solvents for coating wooden surfaces and other coatings for textiles, metal, wood and plastic lamination, wood impregnation, finishing processes and degreasing processes. This Directive limits emissions values for compounds used for solvent purposes, requiring the Group to monitor the use of certain products in the manufacturing of its merchandise;
- directive 96/61/EC (known as the Integrated Pollution, Prevention and Control Directive), which applies to treatment of metal and plastics with solvents, requiring that the Group obtain certain environmental permits for some of its manufacturing processes;

- directive 2002/45/EC, which provides specific provision for leather production and prohibits the marketing of substances and preparations for the fat liquoring of leather containing C10-C13 chloro-alkanes in concentrations above 1%;
- directive 2001/95/EC (known as the General Product Safety Directive), which requires manufacturers to put only safe products into the market place, requiring the Group to provide consumers with information that enables them to evaluate the potential risk of a product if the risk is not easily apparent;
- directive 1999/44/EC which regulates certain aspects of the sale of consumer goods and associated guarantees. This Directive regulates fitness for purpose of consumer goods and the liability of the seller by providing basic protection to consumers against inferior products. Under the Directive, consumers are entitled to a guarantee period of half a year. Consumers may also hold the seller liable in cases where the lack of conformity has become apparent within two years of the delivery of the goods;
- directive 94/62/EC, which regulates the packaging requirements for shipments made to end-consumers. This Directive is designed to reduce waste through and provides for recycling of packaging materials to help achieve this goal.

B. MANDATORY REGULATIONS IN INDIVIDUAL MEMBER STATES

France

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

United Kingdom

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

Regulation of the Group's Retail Activities in France

A. LAWS ON COMMERCIAL LEASES

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

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

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

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

B. EMPLOYMENT REGULATIONS

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

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

C. PROTECTION OF PRIVACY AND PERSONAL DATA

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

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

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

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

D. IMPORT-EXPORT RESTRICTIONS

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

1.5 Property, plant and equipment

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

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

As of 31 December 2017, the property portfolio formed by these sites was as follows:

- two offices housing the Group's registered office, one located at Le Portereau, 44120 Vertou, France and the other at ZAC de Bel Air, 44120 Vertou, France. The Group leases these premises from its founder, Xavier Marie, pursuant to commercial leases entered into on an arm's-length basis;
- premises housing offices leased from third parties and used for the Group's web and network services (144 rue de Rivoli, 75001 Paris, 565 avenue du Prado, 13008 Marseille France, and 81 Rivington Street, London, England), development teams (140, Rue Galliéni 92100 Boulogne-Billancourt, France), and B2B and import-logistics services (6 rue Anne de Bretagne (Immeuble Viséo), 44120 Vertou, France);
- eleven warehouses serving all of the Group's sales channels and five logistics platforms conveying products to end-customers located in the South of France;
- a showroom located at 30 avenue de la Vertonne, 44120 Vertou in France, and a warehouse used for photo shoots for the Group's catalogues, located in rue de la Voyette, 59810 Lesquin, France, leased from a third-party landlord;
- 313 stores located in France (including the corner opened in 2017 at the Printemps Nation), Germany, Belgium, Spain, Italy, Luxembourg and Switzerland;
- a showroom located at 100, Rue du Bac, 75007, Paris;
- a furniture manufacturing facility in China operated by the subsidiary Chin Chin Furnishing in Shanghai, the Group's joint-venture with SDH Limited;
- a furniture manufacturing facility in Vietnam operated by the Group's wholly owned subsidiary Mekong Furniture.

1.6 Investment policy

1.6.1 MAIN INVESTMENTS

Acquisitions of Intangible and Tangible Assets

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

The Group's capital expenditures totaled €49.4 million, or 4.9% of sales, for the year ended 31 December 2017, including:

- €30.7 million in expenditure on store development, reflecting a gross total of 31 stores opened by the Group during the year;
- €8.6 million in expenditure on maintaining and renovating the Group's existing stores;
- €10.1 million in other expenditure, primarily for the expenditures related to the Group's head offices, and capital expenditures on e-commerce, logistics and information systems expenses.

Financial Investments

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

1.6.2 MAIN FUTURE INVESTMENTS

The Group's objective is to gradually decrease future capital expenditure to within 4.0% to 4.5% of sales by the year 2020. Most capital expenditure is expected to be allocated to store development and structural investments to support continued like-for-like sales growth.

1.7 Research and development, patents and licences

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

The Group's Proprietary Rights

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

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

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

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

Third-Party Licences

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

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

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

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

Security inherent to the Group's intellectual property rights

Not applicable.

1.8 Risk factors, insurance and risk hedging

Investors should carefully consider the risks described below, as well as the other information contained in this Registration Document, before making an investment decision. Any of the following risks may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The risks described below are not the only risks the Group faces. Additional risks and uncertainties, of which the Group is currently unaware or that it currently deems immaterial, may also have a material adverse effect on the business, reputation, financial position, results of operations or prospects.

1.8.1 RISKS RELATED TO THE GROUP'S BUSINESS AND STRATEGY

Risks related to economic developments, competition and general industry conditions

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

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

The Group's largest market is France, which accounted for 61.8% of its sales and 69.6% of its EBITDA (excluding corporate EBITDA) in the year ended 31 December 2017. In most of the Group's principal markets, economic recovery has been slow and uneven. Accordingly, unfavourable economic conditions or an uncertain economic outlook in one or more of the principal markets in which the Group operates, particularly in France, could have an adverse effect on consumer spending in the decoration and furniture market, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

For the financial years ended 31 December 2016 and 2017, the proportion of sales generated in the fourth quarter was 33% and 31%, respectively, compared to 21% to 23% for 2016 and 23% to 24% for 2017 for each of the other three quarters of the year.

In addition, the Group has historically generated, and expects to continue to generate, higher results of operations and EBITDA in the fourth quarter of its financial year. The proportion of EBITDA generated in the fourth quarter averaged 50% for the years ended 31 December 2016 and 2017. As a result of these factors, the Group's working capital requirement is at its highest level in the three months ended 30 September as the Group ramps up for the holiday selling season. Due to the Group's significant fixed cost base represented by rent and employee wages and salaries, if the Group experiences lower sales during the fourth quarterly period, the Group may be unable to reduce its costs in the short term to offset the lower revenue which could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

The occurrence of catastrophic events could adversely affect the Group's sales. The Group operated 313 store locations in seven countries as of 31 December 2017 and its supply and logistics chain is global, spanning several countries for the manufacturing, sourcing and distribution of products. Catastrophic events such as severe weather, floods, fires, earthquakes, pandemics or epidemics, terrorist and war activities in the countries in which the Group operates or from which it sources its products may have a negative effect on consumer spending in the countries where the Group operates or disrupt the Group's supply and logistics chain.

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

Risks related to the Group's sourcing and logistics activities

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

The Group purchases approximately 90.1% (in terms of purchases of goods) of its products from more than 500 third-party suppliers, in addition to sourcing goods through its joint-venture with SDH Limited (Hong Kong), Chin Chin, and its fully-owned subsidiary in Vietnam, Mekong Furniture. The Group's performance therefore depends on its ability to source its products in sufficient quantities at competitive prices in the required time frame. The Group contracts for manufacture of products bearing the "Maisons du Monde" brand from numerous suppliers, particularly in China and Vietnam. Additionally, for certain high-value products, such as cloth sofas, the Group is dependent upon a limited number of suppliers in France. The use of third-party suppliers entails a number of additional risks, including the risk of termination of the relationship and comparatively less control over the quality of manufactured products. A number of the Group's suppliers, particularly its artisan suppliers, may have limited resources, production capacities and operating histories. As a result, the capacity of some of the Group's suppliers to meet its supply requirements has been, and may in the future be, constrained at various times and the Group's suppliers may be susceptible to production difficulties, financial difficulties, bankruptcy, errors in complying with product specifications, insufficient quality control, failures to comply with applicable regulations and ethical rules, failures to meet production deadlines or increases in manufacturing costs or other factors that negatively affect the quantity or quality of their production. Although the Group strives to ensure consistent product quality from its suppliers by selectively controlling pre-production samples, conducting periodic visits to manufacturing sites of some of its suppliers and randomly vetting shipments arriving at its logistics platforms, there is no guarantee that such efforts will be effective. Any of these risks, taken in isolation or in combination with other risks, may adversely affect the Group's business, results of operations, financial position and reputation.

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

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

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

Although the Group has long-standing relationships with certain of its suppliers, it generally does not enter into any formal contractual or volume arrangements with the external furniture manufacturers who produce approximately 81.1% (in terms of purchases of furniture) of the furniture products the Group's customers buy. Accordingly, the Group negotiates prices with manufacturers for each order it places and the Group is therefore subject to the risk that manufacturers will demand higher prices and it may not be able to successfully resist such demands, which could impact the Group's margins if it cannot incorporate such changes into its prices. Furthermore, the Group has no contractual remedy against these manufacturers if it suffers economic loss as a result of their actions.

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

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

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

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

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

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

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

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

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

The Group's products are collected at 11 Group-operated warehouse facilities. The Group's wholly-owned subsidiary Distrimag performs distribution functions for all of the Group's sales channels. As of 31 December 2017, the Group managed approximately 444,000 square metres of warehousing and distribution space, located mainly in the Marseille-Fos port area in the South of France.

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

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

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

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

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

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

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

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

In the ordinary course of its business, the Group is exposed to the risk of theft of products in its stores and warehouses. In the year ended 31 December 2017, it incurred a loss of approximately 0.2% of sales due to the theft of products in its stores and warehouses. Products may also be misappropriated during transportation. The Group carries no insurance for the theft of its products. Occasionally, the Group's stores may also be the targets of successful or unsuccessful robbery attempts by third parties. For example, an individual robbed the Group's store in Touques, France, in November 2014.

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

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

The Group is committed to operating its business in a manner that takes into account social and environmental considerations. Many of the Group's customers support the purchase of decoration and furniture that bear certifications by the Forest Stewardship Counsel (FSC) or Program for the Endorsement of Forest Certification (PEFC). Approximately 50% of the Group's wood furniture products are either FSC or PEFC-certified or manufactured from recycled wood. If suppliers fail to qualify for or maintain the applicable certifications, or if the requirements for such certifications become more stringent, the Group's business may be harmed because customers that value such certifications may stop purchasing its products or the Group may incur additional expenses to engage replacement suppliers, either of which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

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

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

The Group currently leases all of its store locations. Leases for the Group's stores provide for either: (i) fixed rent, with rent reviews every year or set rent increases at certain intervals during the subsequent years of the relevant leasehold term or (ii) rent that is set according to a fixed percentage of the turnover of the relevant store, with certain guaranteed minimums. In France, fixed rent commercial leases that the Group signs with its landlords typically provide for a rent adjustment in accordance with changes in certain national indices, in particular the commercial rent index (*indice trimestriel des loyers commerciaux*). In other countries where the Group operates, the Group's leases typically include adjustment mechanisms referencing national consumer price indices. In 2017, the majority of the Group's leases in France provided for fixed rent while the majority of its international leases provided for variable rent premised on a percentage of revenues. The Group faces the risk that occupancy costs will offset or erode any increases in footfall or positive like-for-like sales growth which in the aggregate could have a material adverse effect on its business, financial condition and results of operations.

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

From 2016 to 2017, the Group's network of stores increased from 288 stores to 313 stores (as of 31 December 2017), as the Group expanded its presence in Europe. In recent years, the Group has developed a strategy of repositioning certain smaller city centre stores in favour of larger suburban stores. The Group has also focused its expansion efforts on suburban commercial zones and shopping mall stores. Maisons du Monde's development strategy is based on an analysis of the potential of its network of stores by country, estimated at approximately 250 stores in France and approximately 500 around the world (for more information, see section 1.4.4 "Group Strategy" of this Registration Document). The Group believes that larger locations better showcase the Group's complete range of decoration and furniture and thereby provide customers with a fuller shopping experience. However, the Group's expansion strategy may not succeed if the Group is not able to identify appropriate locations for new stores or successfully execute its store concepts. The success of this strategy will, however, depend in part upon the Group's ability to open and operate new stores and convert existing city centre stores into suburban stores on a timely and cost-effective basis while continuing to increase sales at its existing stores. In France and the other markets in which the Group currently operates, new points of sale could take sales away from existing ones, resulting in lower like-for-like sales growth.

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

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

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

The Group's current leases expire at various dates ranging (with limited exceptions) from nine to twelve years. Approximately 1.5% of Group lease agreements in Europe expired in 2017; no fewer than 22% of leases will expire between 2018 and 2021. The Group's ability to maintain its existing rents during renewals or to renew any expired lease on favourable terms will depend on many factors which are not within its control, such as applicable real estate laws and regulations, conditions in the local real estate market, competition for desirable properties and the Group's relationships with current and prospective landlords. If the Group is unable to renew certain of its leases, the Group's ability to lease a suitable replacement location on favourable terms is subject to similar factors. If the Group's lease payments increase or the Group is unable to renew existing leases or lease suitable alternate locations, the Group's profitability may be significantly harmed. In addition, the Group may face challenges in identifying attractive locations to lease for new stores at reasonable prices, which could impair the Group's ability to implement its business strategy. The Group competes with other global and regional retailers for store locations and may be unable to secure attractive sites for new points of sale. There can be no guarantee that the Group will be able to secure or maintain leases for its stores in attractive areas or areas with high consumer traffic. If the Group is unable to obtain appropriate locations for its stores as well as maintain their quality, the Group's business, results of operations and financial condition may be materially and adversely affected.

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

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

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

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

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

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

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

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

The Group's management periodically evaluates the entry into new markets where the Group currently does not operate a store network against a number of commercial and financial criteria. Expansion into new markets may take the form of organic growth, acquisitions of existing networks or joint-ventures or other partnerships. Historically, the Group has entered new markets through organic expansion. For example, the Group opened stores in Italy in 2007, Luxembourg in 2010, Germany in 2013 and Switzerland in 2014. During the years ended 31 December 2016 and 2017, the Group opened a total of 51 stores (net of 16 closures) across Europe. Expansion into new markets is likely to carry greater risks than the Group faces in its existing core markets and such risks may be inherently higher if the expansion is made through acquisitions. New markets may have different competitive and market conditions, customer preferences and discretionary spending patterns than the Group's existing markets. The Group may also face a higher cost of entry, alternative customer preferences, reduced brand recognition, logistics difficulties and minimal operating experience in such territories. The Group's product offering may not be successful in new markets and its costs may increase due to cost overruns, unexpected delays or other unforeseen factors. Cultivating brand recognition in new markets may be difficult in markets where competitors are already deeply entrenched and may require the Group to make substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics, catalogue distribution and employee training, which could adversely affect its cash flow and which may ultimately not be successful. Additionally, the Group may not be successful in its efforts to integrate new stores (regardless of whether they are the product of organic growth or of acquisitions) into its network. Any of these challenges could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to the Group's e-commerce operations

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

E-commerce is an increasingly important part of the Group's omnichannel retail network, representing 20.8% of its sales for the year ended 31 December 2017. The Group sells its products over the Internet in the countries where it maintains physical stores (France, Belgium, Germany, Italy, Luxembourg, Spain and Switzerland), as well as in certain other countries where it has an online sales presence only (Austria, the Netherlands, Portugal and the United Kingdom), through its mobile and desktop websites. For the year ended 31 December 2017, approximately 53% of the Group's online sales were generated in France, with the remainder generated from other countries where the Group's online channel operates.

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

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

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

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

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

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

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

Risks related to the Group's reputation

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

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

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

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

Risks related to information technology and customer data

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

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

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

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

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

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

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

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

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

Risks related to Management, employees and labour relations

The Group depends on key members of Management and of the other personnel, and the departure of any of such members of Management or of the personnel could adversely affect its business.

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

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

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

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

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

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

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

The Group's employees in France are covered by national collective bargaining agreements. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of the Group's employees, such as maximum working hours, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and company-specific agreements also contain provisions that could affect the Group's ability to restructure its operations and facilities or terminate employees. The Group may not be able to extend existing company-specific agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favourable and timely manner or without work stoppages, strikes or similar industrial actions. The Group may also become subject to additional company-specific agreements or amendments to its existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase the Group's operating costs and have an adverse effect on its business, results of operations and financial condition.

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

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

The Group's operations are subject to a variety of labour and employment laws and regulations. For further information, see the section heading "Regulations" of this Registration Document. In particular, because of its workforce of 6,538 employees as of 31 December 2017 (excluding Mekong Furniture and Chin Chin), and its significant Group-wide personnel expenses and social security contributions, which represented 19.3% of the Group's sales in the year ended 31 December 2017, laws and regulations relating to labour and employment, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, may constrain the Group's ability to provide services to customers or may increase its operating costs and could have a material adverse effect on its business, financial condition and results of operations. In addition, any failure to comply with applicable regulations of the countries in which the Group operates, including, but not limited to, laws or regulations relating to labour and employment, could result in substantial fines, penalties or claims. The modification, suspension, repeal or expiration of favourable provisions in labour and employment laws and regulations or, conversely, any increases of mandatory minimum wages pursuant to laws, regulations or collective bargaining agreements, or of social security contributions, may negatively impact the Group's business and profitability.

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

Other risks

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

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

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

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

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

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

Historically, the Group has made limited investments in marketing. The Group's advertising and marketing expenditures for the years ended 31 December 2016 and 2017 were €31.3 million and €36.6 million, respectively, and consist primarily of online marketing and catalogue costs. The Group will continue to invest in its catalogue and online marketing initiatives. The results of these investments may be unsuccessful on a return on investment basis. The Group's failure to implement its marketing initiatives, or their failure to result in improved profitability, could have an adverse effect on the Group's liquidity, financial position and results of operations and on the implementation of the Group's growth strategy.

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

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

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

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

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1.8.2 LEGAL, REGULATORY AND TAX RISKS

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

Risks related to legal proceedings and changes in law

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

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

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

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

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

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

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

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

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

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

Risks related to compliance and internal controls

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

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

Risks related to tax laws or tax issues

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

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

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

As of 31 December 2017, the Group's products were subject to VAT in each of the countries where the Group operates with different applicable rates set by each such country. For example, VAT on homeware was 20% in France, 21% in Belgium, 19% in Germany, 22% in Italy and 21% in Spain. From 2010 to 2012, European governments increased VAT rates in order to bolster public finances, and there can be no assurance that VAT rates will not be further increased in the future. For example, Luxembourg increased its standard VAT rate from 15% to 17%, effective as of 1 January 2015. The Group's published retail prices are inclusive of VAT.

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

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

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

In accordance with the IFRS accounting rules applicable as of the date of this Registration Document, the Group is able to record the *CICE* credit for which it is eligible as a deduction from personnel costs. Consequently, the *CICE* credit had a positive impact of €5.5 million on its EBIT and EBITDA for the year ended 31 December 2017, as shown in its consolidated financial statements. Additionally, in France the Group benefits from reductions in employer social security contributions on certain wages pursuant to the Fillon law (law 2008-1258 of 3 December 2008).

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

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

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

The Group has significant tax loss carry-forwards (€13.5 million in total, of which €13.1 million in France as of 31 December 2017), which have given rise to deferred tax assets on its balance sheet. The ability to effectively use such tax loss carry-forwards will depend on a variety of factors, including: (i) the ability to generate taxable income and the adequacy between such income and tax losses; (ii) the general limitation applicable to French tax loss carry-forwards, under which the percentage of tax loss carry-forwards that may be used to offset the portion of taxable income exceeding €1 million is limited to 50% in respect of years ending on or after 31 December 2012, as well as certain specific restrictions relating to the use of certain categories of tax loss carry-forwards; (iii) limitations to the use of tax losses that may be imposed by foreign laws and regulations (*e.g.*, in case of a change in control); (iv) the outcome of present and future tax audits and litigation; and (v) potential changes in applicable laws and regulations.

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

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

This limitation deprived the Group of the ability to deduct approximately €1.6 million in 2017.

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

1.8.3 MARKET RISKS

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

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

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

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

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

Exchange Rate Risk

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

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

The fair value of foreign currency financial instruments was €(38.0) million as of 31 December 2017, compared with €22.7 million as of 31 December 2016. In the years ended 31 December 2015, 2014 and 2013, the Group did not apply hedge accounting according under IFRS. As a consequence, changes in fair value are directly recognised in profit or loss within "Change in fair value – derivative financial instruments" included in the recurring operating profit before other operating income and expense, as they relate to hedges of regular business transactions.

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

Interest Rate Risk

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

Liquidity Risk

The Group's financial liabilities mainly include borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity. To manage its liquidity risk, the Group draws on the funds it has available and also establishes revolving lines of credit or bank facilities based on a suitable amount and length of time to ensure that it has the necessary funds to meet its commitments in respect of a large pool of banks. The Group had cash and cash equivalents of €100.1 million as of 31 December 2017. The total amount of unused credit facilities as of 31 December 2017 was €150.0 million, compared with €40.0 million as of 31 December 2016. In connection with the IPO, the Group entered into the Senior Credit Facilities Agreement with a pool of banks in respect of the Senior Credit Facilities comprising a €250.0 million term loan and a €75.0 million revolving credit facility. During 2017, the Group issued a €200.0 million convertible bond that enabled it to extend the maturity of part of its financial debt and reduce the interest paid by partially repaying the long-term €200.0 million loan. In addition, the Group took out an additional revolving credit facility of €75.0 million on terms identical to those for the Senior Credit Facility. The ability of the Group to draw revolving credit under such facilities is subject to compliance with certain covenants and conditions precedent.

1.8.4 FINANCIAL RISKS

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

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

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

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

The Group's total assets as of 31 December 2017 include intangible assets with an indefinite life, such as goodwill and trademarks, and long-lived assets, such as property and equipment, which accounted for 63.8% of the Group's total assets. The Group makes certain estimates and projections in connection with impairment analyses for these intangible and long-lived assets. The Group also reviews the carrying value of these assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group will record an impairment loss when the carrying value of the underlying asset, asset Group or reporting unit exceeds its fair value. For further information, see the notes "Intangible assets", and "Impairment of non-financial assets" to the consolidated financial statements of Maisons du Monde S.A. for the years ended on 31 December 2017 and 2016 presented under the heading "Group Consolidated Annual Financial Statements" of this Registration Document.

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

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

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

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

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

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

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

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

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

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

1.8.5 FINANCIAL RISKS RELATED TO CLIMATE CHANGE

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

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

The following risks were identified:

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

In order to control these risks, an emission measurement and reduction programme was defined with an initial deadline of 2020: -30% carbon intensity of activities in kgCO2eq/m^2. In 2018, this programme will be enriched and supplemented to enable the Group to undertake a low-carbon strategy compatible with the objectives of the Paris Agreement defined at COP21: energy consumption reduction targets, development of renewable electricity supplies, development of eco-designed products, engagement with carriers, etc.

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

1.8.6 INSURANCE AND RISK MANAGEMENT

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

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

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

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

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

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

Corporate responsibility

2

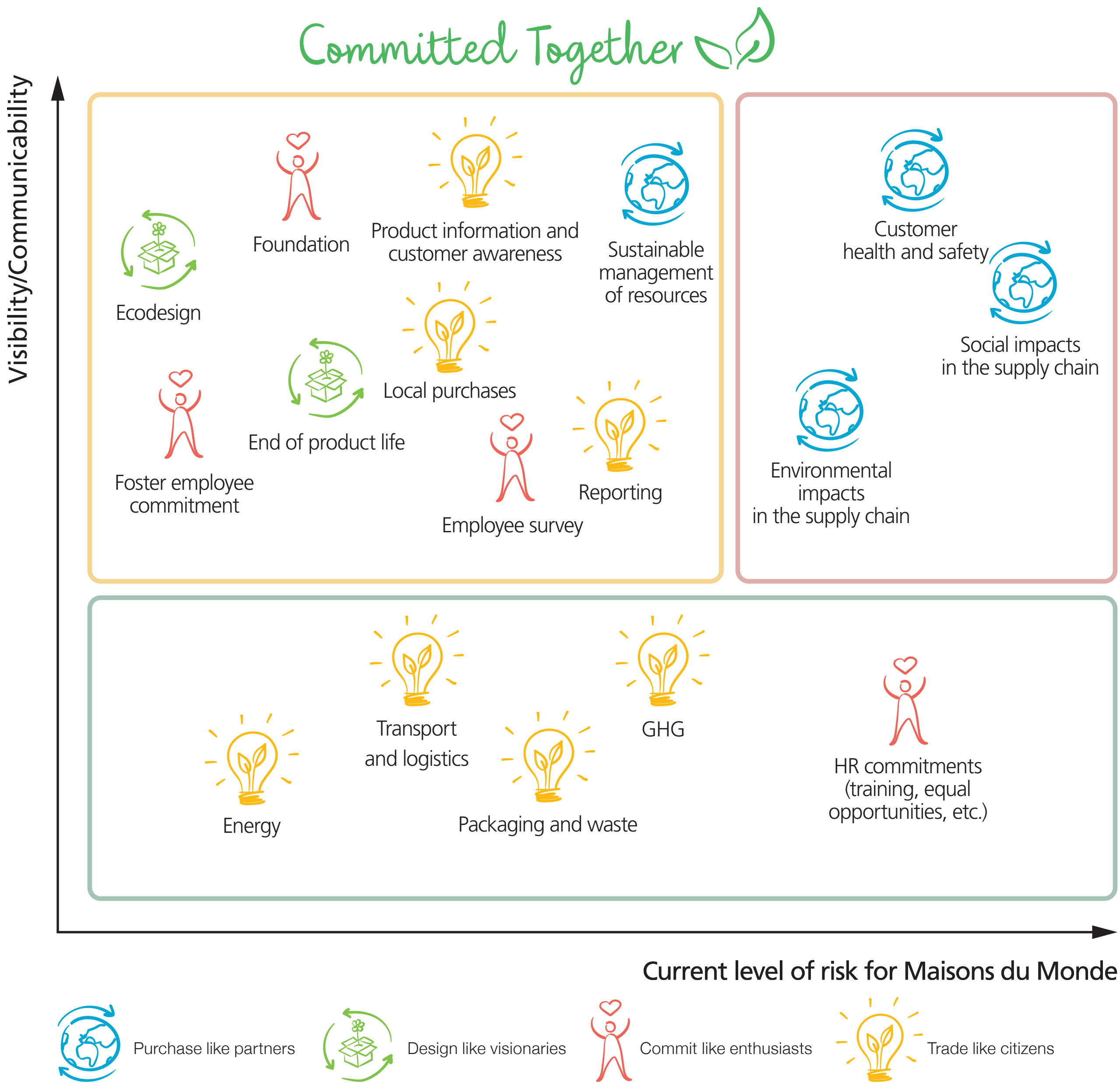
2.1 Committed together! Our CSR approach, integrated into our corporate strategy

2.1.1 OVERVIEW OF THE CSR STRATEGY

Materiality and CSR risks

When manufacturing and distributing such great products, it is only right to take responsibility for their impacts throughout their life cycle. This responsibility is at the heart of the Maisons du Monde Group's CSR commitment. Aware of its role as creator and distributor, the Group has structured its sustainable development policy to reconcile its business vision with the convictions of its teams. The "Committed Together" strategy is transforming the Group's business lines so that the full range of corporate social responsibility challenges are taken into consideration.

The Group's vision of these priority issues was formalised on the basis of a documentary review, a risk and opportunity analysis and interviews with fifteen or so of the Group's executives, with the help of a Company called Synergence.



The essence of the "Committed Together!" programme is to focus on collaborating with all stakeholders to jointly construct road maps and create favourable conditions for the business lines to be transformed: employees, suppliers, customers and NGOs are involved.

Group strategy is structured around four pillars that cover all the key issues and risks identified:

- **Purchase like partners:** sustainable management of resources, social and environmental impacts of the supply chain, health and safety of customers;
- **Design like visionaries:** ecodesign, product information and customer awareness, product end-of-life;
- **Trade like citizens:** energy, greenhouse gases (GHG), packaging and waste, transport and logistics, local procurement;
- **Commit like enthusiasts:** HR commitments, employee survey, corporate foundation, employee commitment.

In 2017, to pre-empt changes in non-financial reporting obligations with regard to non-financial performance reporting, Maisons du Monde Group took this vision a step further with a non-financial risk analysis. CSR challenges were incorporated into the existing risk map as a result of joint work carried out by the CSR and Internal Control Departments. Key risks were analysed in terms of their probability and the extent of their potential impacts (judicial/legal, image/reputation, financial/strategic).

Analysing these risks for each of the non-financial categories required by non-financial performance reporting (social and environmental consequences of the business activity in question, respect for human rights, anti-corruption) enables the Group to ensure that its "Committed Together!" strategy covers, by means of CSR-friendly policies and due diligence procedures, all the CSR challenges, risks and opportunities relevant to the Maisons du Monde business model.

The table below provides a simple overview of the main non-financial risks identified and refers back to the corresponding sections of this report providing details of the policies implemented, their results and key performance indicators.

Risk identified	Paragraph in question
Non-compliance of products with the REACH regulation or with Maisons du Monde voluntary requirements	2.2.3
Non-compliance with legal requirements for timber imports (EUTR)	2.2.1
Disclosure of the social or environmental impact of sourcing raw materials	2.2.1
Failure of suppliers to comply with social requirements, major non-compliance or serious incident	2.2.2

Our "Ambitions 2020" action plan

In 2017, the Group's CSR strategy was expanded to include quantified targets for 2020, shared by all the Group's business lines. These targets make progress part of our business organisation and make CSR a driver of growth and differentiation.

All contributors to the Group's different CSR strategy pillars worked on defining these targets and their accompanying roadmaps. These targets were disclosed for the first time in our voluntary "Committed Together!" report published in April 2017 and are reiterated in the table below and throughout the chapter to report on the impact of the initiatives put in place and their contribution to achieving the "Ambitions 2020" goals.

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

Contribution to the SDGs

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

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

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

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

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

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

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

2.1.2 CSR GOVERNANCE AND ORGANISATION

Maisons du Monde's CSR department reports directly to Chief Executive Officer Gilles Petit, demonstrating the Group's commitment. All guidelines are proposed and validated on a regular basis by a specific CSR Committee, bringing together seven members of the Executive Committee and the Communications Department (the Chief Executive Officer, the Head of Distrimag, the Brand Executive Director, the Store Sales and Network Operations Director, the HR Director, the Digital Executive Director and the Chief Financial Officer). This committee, which met three times in 2017, analyses all the issues, reports on progress and mobilises all the Group's functions, which all contribute to meeting the 2020 goals.

In addition to the Executive Committee, the Group's CSR commitment was incorporated into Board of Directors' discussions and an overview of the "Committed Together" strategy was presented to all the Directors in December 2017.

CSR COMMITTEE

Validates the key strategic thrusts and objectives

Allocates means and resources

Provides impetus for the process by sponsoring the project

CSR MANAGEMENT

Steers the CSR strategy

Mobilises internal and external resources

Coordinates the implementation of action plans

Manages reporting

Drives the sustainable development approach internally and externally

BUSINESS LINE MANAGEMENT

Lastly, the Group's CSR measures are currently managed across all the Group's different business lines that contribute to rolling out the approach.

- **Technical Departments, general purchasing and transport:** environmental performance, energy and waste from our transport activities and development of a responsible point of sale through the commitment of in-store teams.
- **Purchasing** department**:** supplier relations and integration of the supply chain's social and environmental impacts. In 2017, a responsible purchasing unit was set up, reporting to the Purchasing Department.
- **HR** department**:** health and safety of employees, employability and well-being at work, creation of the right conditions to foster employee commitment.
- **Network** department**:** roll-out of CSR strategy at points of sale and bringing the customer on Board. In 2017, network commitment, essential when it comes to rolling out Group strategy, was strengthened by experimenting with a network of in-store CSR contacts. This network brings Group customers on Board by promoting the brand's range of sustainable products and by constructing increasingly sustainable points of sale.
- **Logistics (Distrimag, Distri-Traction, Distri-Meubles) and production (Mekong furniture) subsidiaries:** adaptation and roll-out of CSR commitment locally according to their activity.

2.1.3 ENGAGEMENT WITH STAKEHOLDERS

Through its "Committed Together!" CSR programme, the Maisons du Monde Group wants to create the right conditions to enable everyone to get involved. Mobilisation of stakeholders and dialogue on these issues is vital for the success of the Group's engagement strategy.

The Group's main stakeholders are listed below.

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

To construct, disseminate and expand its CSR strategy, the Group talks with its stakeholders on a daily basis through the following channels:

Employees and trade unions

Disseminating CSR within the Group's different business lines, encouraging commitment across the Board and mobilising teams to contribute to the achievement of 2020 goals is a key component of the Group's strategy.

In addition to the business lines that are directly involved in rolling out the "Committed Together!" strategy (see section 2.1.2), the Group's commitment is disseminated among the teams by means of various tools put in place by Maisons du Monde:

- Two e-learning modules have been co-constructed by the Training and CSR Departments to raise awareness among team members and train them in corporate social responsibility. These modules provide an overview of sustainable development, highlight the value of stakeholder commitments and explain how everyone can play a role on a day-to-day basis, by creating a relationship with the customer by giving meaning to purchases in Maisons du Monde stores. Rolled out among all head office and network employees, 74% of network and administrative premise employees had attended these e-learning modules at 31 December 2017;
- An in-store CSR contacts programme to roll out Group policy on the ground and to customers. This network of CSR ambassadors also feeds back information and promotes dialogue between the CSR Department and employees so that action plans can be improved. Trialled in 2017 in 28 French stores and at the Group's head office, this programme will be rolled out across the entire network by 2020;
- The Group's internal communication tools, the Intranet and the internal newsletter, disseminated amongst all employees, provide CSR news throughout the year. The voluntary "Committed Together!" CSR report is distributed to all head office and store employees. Lastly, the Maisons du Monde Group corporate website (www.corporate.maisonsdumonde.com) also has a section on the Group's CSR commitment.

What's more, since 2011, the Maisons du Monde Group has chosen to foster employee commitment by rolling out a solidarity programme which gives everyone the chance to get involved. In 2017, this programme was enhanced by the creation of two new systems: individual solidarity leave, organised with the Planète Urgence association, and the solidarity day. These complementary mechanisms, which are part of the flagship collective solidarity leave programme, are discussed in greater detail in section 2.5.6 of this Registration Document.

Lastly, dialogue with the Group's employees took on another dimension in 2017 with the completion of the "Your voice" employee survey conducted with all network, administrative premise and logistics employees. 77% of employees completed the 2017 survey and action plans were rolled out to respond to employee expectations (see section 2.5.1 of this Registration Document).

Customers

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

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

Two customer satisfaction programmes are currently in place:

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

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

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

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

Maisons du Monde is also a very active brand on social networks (Facebook, Twitter, Instagram, Pinterest, Google+ and YouTube) where its community continues to grow. Through this presence, the brand has sought to get closer to its current and prospective customers to answer them and more broadly to stimulate the community that loves the brand and its products. On 31 December 2017, the Maisons du Monde brand had over 1.3 million followers on Facebook and more than a million Instagram subscribers. The Maisons du Monde blog and partnerships with deco/lifestyle bloggers also reinforce this presence.

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

- The range of sustainable products developed by the Group is promoted in the same way across the e-commerce website, the stores and the catalogues by creating and communicating visual logos describing the different sustainability criteria, enhanced by the presence of in-store CSR contacts.
- The brand's global CSR commitment, news and events are communicated according to the public targeted on the e-commerce website, on the Company website, on social networks or in customer newsletters and are incorporated into Maison du Monde brand messaging.
- The roll-out of "Rounding Up" at check-out, in all French stores since 2017, finally completes this "invitation to customers to get on Board with CSR" and offers customers the chance to get involved in, and commit to, supporting the non-profits and charities selected by the Maisons du Monde Foundation. In 2016, over 3,300,000 donations were made by the brand's in-store customers (see section 2.5.5 of this Registration Document).

Professional clients

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

Suppliers

All Maisons du Monde Group suppliers are on Board with the Group's sustainability approach and were invited by Purchasing Department teams to commit to making progress in respect of the CSR issues identified (social conditions, raw materials, chemicals). Details of this ongoing dialogue are given in section 2.2. "Purchase like partners" in this Registration Document.

Shareholders and investors

The Maisons du Monde Group's CSR commitment is an integral part of its communication with investors and analysts. The Group's ESG (environmental, social and governance) performance is jointly assessed, on a regular basis, by the CSR Department and the Finance Department so that it can be reported to analysts transparently.

In 2017, this dialogue and transparent communication with analysts and investors enabled the Maisons du Monde Group to be included in the Gaïa Index, devised by Ethifinance and comprising 70 companies listed in Paris.

In addition, the Maisons du Monde Group was awarded a B rating for its first-time response to the CDP questionnaire.

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

Professional bodies and NGOs

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

Maisons du Monde works with partner NGOs on different issues.

- The timber traceability programme (see section 2.2.1 of this Registration Document) in India was developed, and has been operated, with TFT since 2010 and Maisons du Monde is also a member of FSC France;
- As regards issues relating to social conditions in our supply chain, the Group also supports the international NGO *Ressources Humaines Sans Frontières* (RHSF –Human Resources Without Borders). With a presence in China, India and the United States, this NGO, created in 2006, works to promote human rights at work throughout the subcontracting chain while respecting the environment and local communities;
- As regards the challenge of giving products a second lease of life, the Group works closely with social and solidarity economy operators such as the Emmaüs France network and some recycling centres to encourage customers to give their old products a 2nd lease of life by repairing them, donating them or giving them a makeover (see section 2.3.2 of this Registration Document);
- In 2017, Maisons du Monde also joined the Climate Solidarity Ambassadors' Club. This movement, started by the GERES association, aims to unite public and private operators to reduce greenhouse gas emissions in industrialised countries whilst supporting low-carbon socio-economic development in the least developed countries;

- Lastly, Maisons du Monde supports NGOs through its philanthropic policy, *via* the brand or the Maisons du Monde Foundation (see section 2.5.5 of this Registration Document). The Group is also a member of the 1% for the Planet club which brings together philanthropic companies who elect to donate 1% of their profits to environmental NGOs. A member since 2013, Maisons du Monde focuses its donation on the revenue generated by traced, recycled and ecodesigned timber, identifiable by the “1% for the planet” logo.

The Group also talks to other retail brands to improve industry practices. The Group is an active member of *Club Génération Responsable*, which promotes networking between retail companies. In 2015, Maisons du Monde signed the voluntary commitment agreement for organised retailers, and has since maintained its Level 2 score in the Responsible Brand label, following an evaluation carried out by SGS, a certifying body. In 2017, the Group was also awarded two R-Awards by the Club Génération Responsable for the first “Maisons du Monde Sustainable Creation” trophies and for the success of the "Rounding Up" at check-out initiative rolled out across all French stores.

Lastly, in 2017, the Group joined the *Initiative Clause Sociale* (ICS), which has 37 brand members. The ICS promotes responsible trade by working on the corporate social responsibility of suppliers of retail and distribution brands importing products from at-risk countries.

2.1.4 NON-FINANCIAL PERFORMANCE AND REPORTING SCOPE

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

- **Network and administrative premises**: impact of the Group’s stores (non-franchised) in France and internationally and of all the administrative premises of the Maisons du Monde head office in France;
- **Logistics**: impact of the activities of the Distrimag, Distri-Meubles and Distri-Traction subsidiaries, including logistics warehouses and the fleet of vehicles used to convey goods between the port of *Fos-sur-Mer* and the warehouses, or the impact of any own-distribution activities;
- **Production**: impact of the activities of the Mekong Furniture factories in Vietnam, which brings together three production units on two sites.

Further information on how reporting is organised is provided in section 2.6 “Non-financial reporting methodology” of this Registration Document.

2.2 Purchase like partners

2.2.1 PRODUCT INFORMATION AND CUSTOMER AWARENESS

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

Managing environmental risks in the supply chain is key for Maisons du Monde. The Group is continually expanding its responsible purchasing approach to meet a number of different requirements: starting with the regulatory framework, then turning to differentiating challenges enabling it to reduce risks and create value for customers.

That is why a roadmap entitled "Responsible management of natural resources" was formalised in 2017. In addition to minimum standards, Maisons du Monde has set 2020 targets for the traceability programme and for systematically using timber from sustainably managed forests, in accordance with FSC® and PEFC™ standards.

Maisons du Monde has formalised an action plan for non-timber materials that will enable it to set concrete targets. This action plan foresees mapping all of the Group's supply chains, assessing their impact on natural resources, defining minimum requirements for all raw materials and incorporating them into the brand's purchasing policy, in line with the introduction of a vigilance plan.

Our sustainable timber commitment

Timber is widely used in Maisons du Monde collections and, since its trade is fiercely regulated, timber resources are a priority of the Group's responsible purchasing approach. The choice of species and upstream checking of provenance are, therefore, key and are incorporated into new product development.

Monitoring regulatory compliance

No species listed as being under threat by the IUCN (International Union for the Conservation of Nature) is sourced by Maisons du Monde. It is likewise for species listed in Appendix I of the Washington Convention (CITES). Species listed in Appendices II and III of the Convention are sourced in accordance with the import rules defined by said Convention.

Once a product is included in the Maisons du Monde distribution channel, it is subject to the European Union Timber Regulation (EUTR). In 2013, Maisons du Monde formalised a Due Diligence procedure enabling it to ensure the legality of the timber used and to comply with the requirements of this regulation. This procedure is based on following three steps very closely:

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

Range of products made from sustainable timber

Outside the regulatory framework and within the context of its "Responsible management of natural resources", Maisons du Monde is constantly seeking to expand its range of environmentally-friendly products. For this reason, the Group has defined several product ranges that currently comprise the sustainable timber product offering in Maisons du Monde catalogues:

- **Products made from recycled timber:** Recycled timber from dismantled parquet floors or from old houses can be used to create new and unique products without consuming any additional forestry resources. In 2017, 140 SKUs were products made from recycled wood, or 6% of the wooden furniture sold by the brand;
- **Products made from certified timber:** Maisons du Monde is constantly seeking to expand the number of FSC® and PEFC™ SKUs. These two labels are the best way of guaranteeing the sustainable management of timber resources. Timber from certified forests meets responsible management standards based on protecting biodiversity, renewing resources and complying with social criteria for dependent communities. In 2017, the number of FSC® certified SKUs rose from 620 to 657, a 6% increase. The drop in the number of PEFC™ certified SKUs in 2017 was due to the fall in the number of sofas in the range, most of which are made from French pine which is PEFC™ certified;

- **Products made from traced timber**: As it is unable to source FSC® or PEFC™ certified timber in India where these certifications do not exist, Maisons du Monde has introduced its own traceability system in partnership with a non-governmental organisation, TFT (The Forest Trust). Operated by the Group's main Indian suppliers, this system makes it possible to trace the timber back to its origins and to ensure that it has been legally felled. Once the entire supply chain has been audited by TFT, products are marked with a QR Code that tells the brand's customers its history, from its forest of origin to its place of sale, including the audit date. In 2017, three new suppliers were included in the programme which now total 13 Indian suppliers, accounting for 84% of the purchase volume of wooden furniture manufactured in India. 92% of strategic Indian suppliers are now involved in this programme. These suppliers are committed to making their supply chains more transparent and to gradually increasing the number of products traced. Thus, 32,700 pieces of furniture bearing QR Codes were shipped in 2017 compared with 28,507 in 2016, a 14% increase.

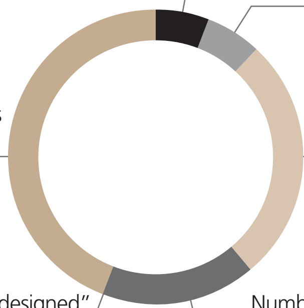
In 2017, Maisons du Monde also included its minimum requirements for responsible timber management in the terms and conditions sent out to all furniture suppliers.

NUMBER OF FURNITURE SKUS MEETING ONE SUSTAINABILITY CRITERION

	2017	2016
Traced timber	135	134
Recycled timber	140	151
FSC® certified timber	657	620
PEFC™ certified timber	424 (1)	679
"Ecodesigned" products	6	-
Percentage of wooden furniture SKUs	**56%**	**56%**

At the end of 2017, 56% of the wooden furniture offering met one sustainability criterion – recycled timber, certified timber, traced timber – *i.e.* 1,362 SKUs accounting for 49% of sales in this category [2], up from 45% at the end of 2016.

PERCENTAGE OF FURNITURE SKUS MEETING ONE SUSTAINABILITY CRITERIA



Percentage of furniture skus meeting one sustainability criteria

In the context of its roadmap and of the mapping of related risks, Maisons du Monde identified leather as being the second priority material, after timber. Leather is, in fact, a material that comes from a complex animal supply network with multiple by-products that poses challenges that go beyond environmental issues. These challenges include issues of animal welfare, rearing-related deforestation, the environmental impact of tanning skins, the use of chemicals and even the social conditions at each stage of the production process. In order to deal with these challenges as best it can, Maisons du Monde has joined the Leather Working Group. The task force brings stakeholders together with the aim of devising a common standard to reduce environmental impacts and ensure the chemical safety of leather products.

In September 2017, Maisons du Monde launched a project aimed at mapping and analysing its leather procurement-related CSR risks with a firm of consultants specialising in the responsible sourcing of raw materials. Six suppliers, accounting for 85% of the volume of leather product purchases, were selected for inclusion in the project. This programme will enable Maisons du Monde to question its direct suppliers, and their tanneries, so that supply chains can be traced back to the regions where the animals were slaughtered. Once the risk mapping is complete, Maisons du Monde will define the next actions to be taken to reduce the risks identified.

(1) The number of PEFC SKUs does not include the six ecodesigned SKUs, also made from PEFC-certified timber.
(2) Purchasing revenue from furniture SKUs containing timber appearing in the 2017 catalogues.

2.2.2 SOCIAL AND ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN & VIGILANCE PLAN

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

Risk management in relation to working conditions at the Group's suppliers is one of the main issues being worked on. At Maisons du Monde, this work has been adapted for different types of suppliers and is divided into three separate levels of commitment relating to:

- **Directly-owned factories**: Mekong Furniture production plant in Vietnam or factories operated as joint ventures (China) with SA 8000 certification targets;
- **Strategic suppliers:** These suppliers, appearing on a list that is updated annually, cover 2/3 of purchasing volumes per activity (furniture and decoration) in Asian and Eastern European countries. The Group has defined various control and monitoring mechanisms to support the progress of these suppliers. 100% of these suppliers will have to be audited on social criteria every two years, by 2020;
- **All of the Group's suppliers** who commit to complying with Maisons du Monde requirements sign a Code of Conduct.

Suppliers' Code of Conduct

Reiterating all the requirements in relation to the social conditions expected from its suppliers, in particular compliance with fundamental ILO Conventions, the Maisons du Monde Code of Conduct is sent directly by purchasers.

In 2017, 442 suppliers signed the Code, which accounts for around 34% of the Group's suppliers, and 74% of purchase volumes.

PERCENTAGE OF SUPPLIERS WHO HAVE SIGNED THE CODE OF CONDUCT

	2017	2016
Furniture suppliers	86%	86%
Decoration suppliers	26%	9%
GROUP TOTAL	34%	22%

Wishing to adapt its Code of Conduct to support the progress made by suppliers, in 2017 Maisons du Monde formalised a new version. This latest version includes social performance control procedures to monitor its suppliers as well as a list of critical questions for which the Group has decided to initiate a more stringent procedure. A new email address for whistleblowers was also added. This new version of the Code of Conduct has now been sent to "furniture" suppliers involved in new developments, as an attachment to the product specifications. In 2017, this new version had 82 signatories.

TOPICS ADDRESSED IN THE CODE OF CONDUCT

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

Support for strategic suppliers

To ensure that strategic suppliers have all the tools required to achieve the expected level of social performance, the Group has put in place several support and control mechanisms, in particular, various audit methods.

Social audits

- **Guidance audits:** Maisons du Monde has been working in partnership with the consulting firm MindUp since 2016 to conduct guidance audits. Mixing assessment and advice, these audits enable suppliers to understand the logic behind this type of approach, to benefit from pragmatic solutions and to obtain a fully customised action plan containing progressive measures designed to fit to their situation. Audited suppliers are selected by buyers according to their maturity and their performance in other areas such as quality. In addition, these guidance audits are also conducted internally using the same methods, by a member of the responsible purchasing team with level 1 SA8000 training. In 2017, 19 guidance audits were conducted in China and India, including on 13 furniture suppliers.

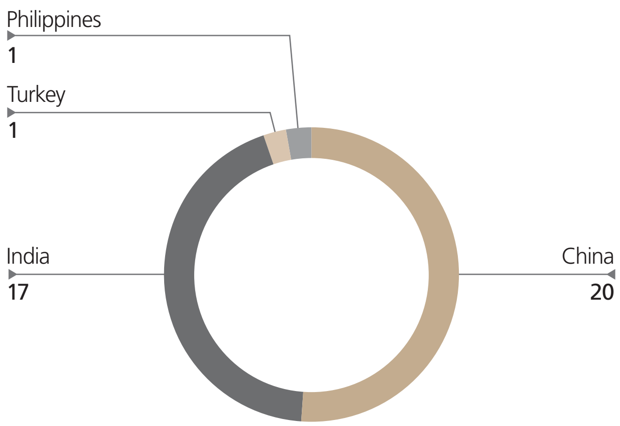
- **Initiative Clause Sociale audits:** To achieve the target of 100% of strategic suppliers audited for social criteria every two years by 2020, in June 2017, Maisons Du Monde joined the Initiative Clause Sociale (ICS). This initiative brings together 37 distribution brands to promote a recognized Code of Conduct, joint monitoring rules and a shared audit methodology. Maisons du Monde wanted to test this initiative on 16 strategic suppliers, prioritising suppliers who had already been audited in the last two years using a recognised standard (BSCI, SMETA, ICS or MDM audit) so as to evaluate their performance against the ICS Code of Conduct.
- **Code of Conduct audits**: Lastly, for certain suppliers who have never been audited by Maisons du Monde, audits based on the Code of Conduct and referred to as "scoring" audits, continued in 2017. Four strategic suppliers were audited using this methodology.

At the end of 2017, 59 strategic suppliers had been the subject of a social audit in the last two years, accounting for 39% of purchasing revenue with the Group's strategic suppliers.

STRATEGIC SUPPLIERS AUDITED OVER THE YEAR

	2017	2016
Number of strategic suppliers audited over the year	39	28
Percentage of strategic suppliers audited in the last two years	37%	-

BREAKDOWN OF SOCIAL AUDITS BY COUNTRY



Diagnostics and training

Trust between Maisons du Monde and its suppliers is essential to maintaining sustainable business relations and that is why the Group wants to go beyond the simple audit logic and include other progress support tools.

- **Health and safety diagnostics:** In addition to audits, in 2017, eight suppliers who were being monitored for the traceability of their timber use had a diagnostic carried out on their health and safety practices by TFT India auditors. These quarterly diagnostics aim to provide suppliers with an accurate record of their compliance across 20 indicators as well as with a schedule for the introduction of any corrective measures. On the one hand, this approach raises the awareness of Group supplier factories and helps them make progress and, on the other, it develops the skills of the teams working for the Indian NGO TFT in terms of health and safety challenges.
- **Inter-supplier training:** On 16 November 2017, Maisons du Monde and TFT Inde co-facilitated a training session for strategic Indian suppliers. The aim of this initiative is to present Maisons du Monde's social responsibility requirements and the resources available to help suppliers improve their practices on an ongoing basis. On this training day, 33 Indian suppliers were able to catch up with the latest news about Maisons du Monde, its CSR purchasing strategy and the new version of the Suppliers' Code of Conduct. Then, two workshops on the most persistent social problems – health and safety and working hours – were held in small groups and, to conclude, four historic suppliers gave feedback on their experiences, best practices and challenges. In addition, the presence of the Head of Furniture purchasing, a decoration product manager and "furniture quality expatriates" lent additional weight to this training, reminding attendees of the importance of Social Responsibility in business relations. A similar day will be held in China in 2018.
- **Training buyers:** Training in the field is of paramount importance when it comes to enabling Maisons du Monde purchasing teams to understand the challenges faced. This training consists of taking part in a guidance audit, by participating in the Introductory Meeting, the factory inspection and Private Meetings with some of the workers. Product managers then report back to their buyers and send them a plan of corrective measures where necessary. At 31 December 2017, 86% of furniture product managers were trained in social audits, and 43% of decoration product managers.

Lastly, Maisons du Monde has been a signatory of the Global Compact since 2011 and a partner in the RHSF endowment fund for the prevention of risks relating to forced labour since 2014.

2.2.3 CUSTOMER HEALTH AND SAFETY – CHEMICALS

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

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

"Substances" specifications that are more stringent than those required by regulations

By 2020, all suppliers will have signed the Maisons du Monde substances specifications, this being a requirement of order confirmation. The substances specifications list all the requirements to be met by the products. Updated annually, they incorporate requirements specific to Maisons du Monde in addition to the regulations applicable in each country of destination. At the end of 2017, 96% of suppliers had signed these specifications.

Following the same logic of improving its chemical footprint, the Group is working towards eliminating and replacing certain substances within its products that are deemed to be problematic and is vigilant when it comes to unregulated volatile organic compound (VOC) emissions. A detailed roadmap lists all the substances in question (Alkylphenol Ethoxylates (APEO), lead, reprotoxic phthalates, problematic fluorides) and priority product categories (junior furniture range, candles and fragrances range).

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

The REACH regulation

In 2006, the European Parliament and the Council of the European Union adopted the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals). This regulation covers the manufacture, import and use of substances in Europe. The most problematic uses are restricted and the substances of the greatest concern have to be traced in products. Maisons du Monde products comply with these restrictions and the Company goes further than the regulation by also prohibiting those substances that are of the greatest concern ("candidate list" of substances of very high concern).

The "product compliance" unit also monitors other regulations and publications relating to the chemical safety of the products, whether issued by regulatory authorities or NGOs, so as to cover all existing chemical risks and maintain an exacting list of specifications.

An ambitious control policy

To verify compliance with specifications, test campaigns are conducted on new collections. Whenever new catalogues are developed, Maisons du Monde reviews the collection to determine which items and suppliers are most at risk, drawing up a test programme on the basis of its findings. The tests are carried out on production areas during the manufacture of the articles, by third-party laboratories mandated by Maisons du Monde. The laboratory is responsible for taking the test *item* from the production line and analysing it, in accordance with the test schedule laid down by the Group based on product risks. In 2017, over 1,200 tests were conducted, compared with 1,000 in 2016.

It should be noted that ahead of these tests and to help raise furniture suppliers' risk awareness, over 300 targeted recommendations were sent out in 2017. Lastly, in 2018, a specific piece of work was carried out on fluorinated substances and volatile organic compounds (VOC), in junior range furniture.

2.3 Design like visionaries

In addition to actions aimed at transforming the timber product offering through FSC® or PEFC™ certification and the traceability of the materials used, Maisons du Monde is committed to reducing the environmental impact of its products over their entire life cycle. The Group accordingly works on best ecodesign practices and is involved in disseminating practices to future talent. Lastly, Maisons du Monde sets up programmes and partnerships aimed at giving products a second life or directing them towards the appropriate treatment channels.

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

2.3.1 ECODESIGN

The ecodesign programme

Launched in 2010, the Group's ecodesign programme is a driver of transformation for a more sustainable offering. Internally, the programme aims to raise the awareness of the style and purchasing teams of the environmental challenges faced throughout a product's life cycle so that these challenges can be incorporated into product design.

Two models of sofa, Roma and Milano, or 6 SKUs, are currently labelled and listed in our catalogues as "ecodesigned" products. These sofas, developed by our teams in partnership with a French supplier, incorporate different criteria enabling the product's environmental impact to be reduced right the way through its life cycle. These "ecodesigned" SKUs supplement the brands' responsible offering.

In 2017, a new ecodesigned sofa was developed by Maisons du Monde teams. This sofa, "Life", will be included in the 2018 catalogue and the fact that environmental issues were addressed from the design stage means that its environmental impact has been significantly reduced:

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

Maisons du Monde Sustainable Creation trophies

Maisons du Monde also wishes to disseminate best ecodesign practices among students and, in 2017, launched the first Sustainable Creation trophies. These trophies, set up in partnership with Eco-mobilier, the FSC® France association, the EVEA consulting firm, Ademe and the *Fondation pour la Nature et l'Homme*, are open to design school students or young graduates who are invited to design a piece of furniture or an ecodesigned decoration *item*.

In 2017, 54 entries were brought before the jury, made up of ecodesign experts and the Maisons du Monde purchasing and style teams that designed the awards. The winners of the "furniture" and "decoration" categories were then developed by our teams in collaboration with the students to develop prototypes complying with Maisons du Monde quality requirements and all current standards. These two products will be sold on the brand's e-commerce website from March 2018 onwards. These trophies will show that it is possible to reconcile style with ecodesign and will encourage a change in behaviour by raising awareness amongst the designers of the future.

The second contest was launched in November 2017 and the jury will meet in the first quarter of 2018 to decide on the winners.

As a result of team efforts, three new products were developed in 2017 which will be sold from March 2018.

2.3.2 END-OF-LIFE PRODUCT MANAGEMENT

Reducing the environmental impact of products throughout their life cycle means that the Maisons du Monde Group has to be responsible for their end-of-life. In addition to directing furnishing waste to recycling networks, the Group is seeking to encourage customers to extend the life of their products as long as possible.

Substandard product management

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

The Saint Martin de Crau warehouses (13) are, therefore, equipped with a furniture workshop where products can be refurbished. These repairs mean that products can be returned to stock. The furniture workshop employs around 30 people in our logistics warehouses and handles an average of around 125 products a day for repair.

Products that cannot be repaired in our furniture workshop are handled by means of partnerships with charities so that the furniture can be given a second lease of life. These charities can then renovate or repair donated products or give them a new look, thereby benefiting their communities by mixing the circular economy with their social mission. The Group works in partnership with two Croix Rouge Insertion establishments that are donation beneficiaries. Some substandard products are also donated to the Emmaüs Défi charity, in Paris, where donations of substandard products are used to supply social bric-a-brac shops or the "Banque Solidaire de l'Equipement" programme which enables people in precarious situations who are being given their first permanent home to furnish their accommodation very cheaply.

PARTNER ASSOCIATIONS

Emmaüs Arles
Emmaüs Défi, Paris
Croix Rouge Insertion
Ressourcerie Declic 13
Réseau Emmaüs

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

Inviting customers to give products a second lease of life

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

To engage customers in a circular and solidarity economy by strengthening its partnerships with SSE structures, in 2017, Maisons du Monde launched the "Donner, Relooker!" programme to give products a second lease of life *via*:

- customer information regarding their nearest community product reuse or recycling solutions in stores or on our website's product information pages;
- experiments in collecting old furniture in partnership with the Ressourcerie de l'île, in Nantes, have enabled customers of stores in Nantes to have their old furniture collected directly by the charity when their new furniture is delivered;
- two event days were held in September 2017, one in Nantes and one in Paris, in partnership with Ressourcerie de l'île and Emmaüs Défi, combining decoration with the circular economy and solidarity. The programme included: "substandard" furniture makeover workshops and developing partner organisation and customer skills in creative reuse solutions, all of which are at the heart of the Maison du Monde brand's "Let's Create!" programme. These events largely mobilise and raise awareness amongst the brand's customers by being relayed on social networks: in 2017 an Instagram story about the event was viewed over 2 million times.

2.3.3 PROMOTING THE OFFERING, CONSUMER INFORMATION

Raising the profile of the responsible offering

Promoting an increasingly responsible product offering among customers is a brand commitment. Every year the purchasing teams do their utmost to increase the percentage of products in the Group's catalogues that meet sustainability criteria in two main areas:

- the design and distribution of ecodesigned products (see section 2.3.1 of this Registration Document);
- the systematic use of timber from sustainable sources (FSC® or PEFC™ certification, traceability programme with TFT, recycled timber).

Products meeting at least one of these criteria are included in the responsible product offering that currently covers 56% of the Maisons du Monde wooden furniture range (by number of SKUs). The aim is to increase this offering every year by incorporating new materials and new issues. Ongoing work on leather traceability or on Oeko-Tex labelling for textiles means that, in 2018, the range of products that meet the sustainability criteria presented to the brand's customers can be expanded.

Maisons du Monde has also been a member of 1% For the Planet since 2013 and pays 1% of revenue from traced, recycled or ecodesigned timber to environmental associations *via* the Maisons du Monde Foundation. For the year ended 31 December 2017, these products generated sales of €40.8 million.

In 2017, Maisons du Monde developed new communication tools for its responsible product offering so as to raise its profile among the brand's customers. This change included:

- removal of the "Une Envie d'Eco" logo, to be replaced by pictograms representing the different elements of the responsible offering: recycled timber, traced timber, ecodesigned product, certifying body logos. These simpler pictograms are easy to read and are in line with the graphics charter used for Group communications;

- in-store and online visibility of the products in question due the direct use of the new pictograms in point-of-sale advertising and online product pages;
- online brand commitment information on the Maisons du Monde Group Company website, accessible to all customers *via* a link on the home page of the e-commerce website;
- promotion of this offering in specific customer newsletters on a regular basis.

2.4 Trade like citizens

Group environmental policy

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

In 2017, to help meet these targets, a network of CSR contacts across 28 pilot stores in France was trialled. The aim of this network was to roll out in-store measures to reduce the environmental impact of the business, not just by providing action plans but also by raising awareness, both internally and externally, of sustainable development challenges. A web platform enables environmental indicators to be monitored by point of sale and promotes dialogue and best practice feedback.

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

At 31 December 2017, Maisons du Monde operated the following sites:

Germany	Stores	9
Belgium	Stores	22
Spain	Stores	20
	Stores	212
France	Distrimag platforms	13
	Distri-Meubles distribution agencies	6
Italy	Stores	42
Luxembourg	Stores	2
Switzerland	Stores	6
Vietnam	Production plant	1

2.4.1 WASTE MANAGEMENT AND THE CIRCULAR ECONOMY

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

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

Introducing sorting into the Group's factories, warehouses and stores to ensure waste is recycled, is a key commitment and these targets are listed in our Ambitions 2020 programme. To achieve these goals, the general purchasing teams are, in particular, tasked with optimising in-store sorting, continuously identifying new recycling channels and forging innovative partnerships. The logistics and production teams are, on the other hand, in charge of optimising sorting across the different sites and work on our procurement to reduce waste at source.

VOLUME OF WASTE PRODUCED – GROUP (NOT INCLUDING MEKONG)

tonnes of waste	2017	2016
Network	9,416	8,732
Administrative premises	46	30
Logistics – Distrimag	6,741	5,747
GROUP TOTAL (NOT INCLUDING MEKONG)	16,203	14,509
Percentage of waste sorted for recycling (%)	**59%**	**55%**

The Group's activities generated more than 16,203 tonnes of waste in 2017 across its various activities. It should be noted that the amounts of waste generated by production have not been monitored comprehensively and are not included in the table below or in the 2020 target. The amounts generated for the main categories of waste in the Mekong Furniture factory are, however, shown below.

Network

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

It should be noted that waste management in Maisons du Monde stores and administrative premises is centralised by the General Purchasing team and the Technical department at head office for 72% of stores. Waste management at other stores is carried out directly by shopping mall operators, meaning that information on the tonnage of waste produced is not always available. However, the Maisons du Monde General Purchasing teams work with teams from all the stores, and with landlords in the case of shopping centres, to ensure that the waste produced is properly sorted on site.

In 2017, the stores and administrative premises generated 9,462 tonnes of waste, including:

- 3,918 tonnes of cardboard or plastic sent to recycling companies;
- 5,544 tonnes of ordinary industrial waste (polystyrene, mixed household waste, etc.).

VOLUME OF WASTE PRODUCED – NETWORK

tonnes of waste	Other waste	Cardboard/plastic waste sorted for recycling	Total 2017	Total 2016	Total 2015
Stores	5,527	3,889	9,416	8,732	7,491
Administrative premises	17	29	46	30	34
TOTAL STORES AND ADMINISTRATIVE PREMISES	**5,544**	**3,918**	**9,462**	**8,762**	**7,525**
Percentage of waste sorted for recycling (%)			**41%**	**38%**	

The 8% increase in volumes between 2016 and 2017 corresponds to network growth in 2017.

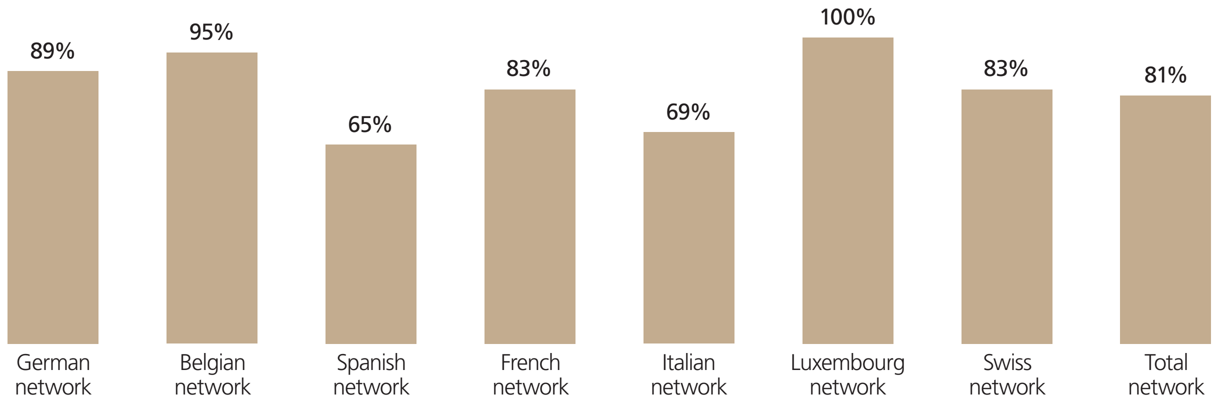
Maisons du Monde focuses its efforts to reduce the environmental impact of its activities and waste flows in stores on waste sorting as a means of ensuring their recycling. The Group uses the following levers to optimise waste management in stores:

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

In 2017, Maisons du Monde focused its waste management efforts on Company-wide cardboard sorting. By the end of 2017, 81% of stores were sorting waste compared to 77% in 2016. This increase has notably been supported by the introduction of waste sorting solutions when stores are opened: 88% of stores opened in 2017 sort cardboard. In-store plastics sorting solutions are currently being rolled out and, by the end of 2017, 90 stores in the network were sorting plastic as well as cardboard.

This increase in the number of stores sorting waste, combined with the teams' efforts with regard to in-store sorting means that 41% of product waste in stores or on administrative premises is now recycled.

PERCENTAGE OF STORES SORTING CARDBOARD AND/OR PLASTICS:



The waste recycling target involves having intricate knowledge of the types of waste produced by the Group's stores. Thus, an exercise to characterise the waste generated by the brand's stores was carried out in 2017. This analysis, carried out on a sample of five stores, supported the priority given to sorting cardboard and plastics, which are the main types of waste generated. This characterisation study also made it possible to categorise the different types of plastic waste and to identify their recycling potential as well as any "troublemakers" that cannot be recycled. According to this analysis, nearly 90% of the waste generated by the Group's stores is recyclable. From early 2018, Maisons du Monde will accelerate its roll-out of plastic waste sorting in French stores to ensure that plastics are directed to recycling networks. New sorting instructions for in-store teams will also be rolled out to ensure the quality of the sorting. Support from the Technical Department and the network of CSR contacts will reinforce awareness-raising among the teams.

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

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

Logistics

Waste management in three of the Group's logistics business entities (Distrimag, Distri-Meubles and Distri-Traction) also involves the systematic use of selective sorting in all buildings to guarantee the recycling of re-usable or recyclable waste. The logistics business generates three main sources of waste: cardboard and plastics from product packaging, home furnishing waste (HFW), timber – mainly from broken pallets – and non-hazardous industrial waste (NHIW).

In 2017, the logistics subsidiary's warehouse and offices generated 6,741 tonnes of waste, which breaks down as follows:

VOLUMES OF DISTRIMAG WASTE GENERATED

tonnes of waste	Cardboard/plastic waste sorted for recycling	HFW collected by Eco mobilier	Timber waste - pallets	Non-hazardous industrial waste (NHIW)	Scrap metal	Hazardous waste	Total 2017	Total 2016	Total 2015
Warehouses and offices	2,284	2,398	797	1,064	192	6	6,741	5,747	4,125

It should be noted that the increase in the total tonnage of waste in 2017 (+17%) was due to increased logistics activity in 2017 associated with the growth of the store network and e-commerce business.

In 2017, waste sorting in logistics entities' warehouses and offices enabled 84% of the waste generated by Distrimag to be sent to recovery or recycling networks, compared with 80% in 2016.

To optimise waste sorting and potential recycling, containers were assessed by service providers in 2017 and sorting anomalies were reported on a regular basis. On this basis, action plans were drawn up with operational managers to improve sorting, particularly by increasing teams' awareness of the issues and by identifying non-recyclable items in sorting chains. A monitoring tool is used, on a monthly basis, to track sorting performance indicators for each building and teams are regularly challenged to improve their score. In 2017, the waste collection service provider also trained employees working in warehouses in waste sorting. The target for 2018 is to roll out Company-wide visual displays on the various bins, waste baskets, compactors and containers to increase all the teams' awareness of the importance of sorting.

Sorting is in place in warehouses, but also for office waste, where a system of specifically coloured sorting bins was introduced in 2016.

Lastly, waste deemed hazardous requires specific treatment because of the risk it poses to the environment. Hazardous waste generated by the logistics subsidiary is mainly from furniture repairs: empty packaging for paints and varnishes, used oil and solvents. This waste is sorted and collected by Chimirec, an environmental organisation that provides waste tracking documents. A remote management system was introduced to prevent rotating compactors from making empty passes.

Production

The Mekong furniture factory generates different types of waste:

- Wood offcuts and veneer from the processing of raw materials or semi-finished product, waste of this nature is collected by an external Company for reuse as industrial heating products.
- Packaging waste (cardboard, polystyrene, paper), these types of waste are not monitored by Mekong, they are donated, fee-free, for recovery or recycling.
- Domestic waste generated by employees, waste of this nature is sent to the public processing centre.
- Hazardous waste, this waste is processed separately in the local authority processing centre.

VOLUMES OF WASTE GENERATED BY MEKONG

tonnes of waste	Cardboard/plastic waste sorted for recycling	Timber waste	Non-hazardous industrial waste (NHIW)	Hazardous waste	Total 2017	Total 2016
Production plants	Not available	238.5	4.8	67.6	311	Not available

It should be noted that the volumes of waste generated by the Mekong factory were not subject to consolidated quantitative monitoring in 2016. The information shown above is an estimate for the MK1, MK2 and MK3 production units in 2017. Tonnages of hazardous waste generated are calculated by weight.

2.4.2 ENERGY CONSUMPTION AND USE OF RENEWABLE ENERGIES

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

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

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

Energy consumption of buildings

ENERGY CONSUMPTION OF BUILDINGS – GROUP (KWH)

Energy *in kWh*	2017	2016	2015
Network	62,956,872	59,678,684	54,263,851
Logistics	9,577,905	10,474,018	8,350,864
Production	3,140,280	3,296,050	2,016,624
GROUP TOTAL	75,675,057	73,448,752	64,631,339

Network

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

ENERGY CONSUMPTION OF BUILDINGS – NETWORK (KWH)

Energy *in kWh*	**Electricity**	**Heat network**	**Natural gas**	**Domestic fuel oil**	**Total energy 2017**	**2016**	**2015**
Stores	61,396,434	363,086	123,767	64,805	61,948,092	58,318,760	53,681,651
Administrative premises	814,264	0	119,741	74,775	1,255,436	1,369,924	582,200
TOTAL STORES AND ADMINISTRATIVE PREMISES	**62,210,698**	**363,086**	**243,508**	**139,580**	**62,956,872**	**59,678,684**	**54,263,851**
Energy intensity *(kWh/m²)*					143	156	-

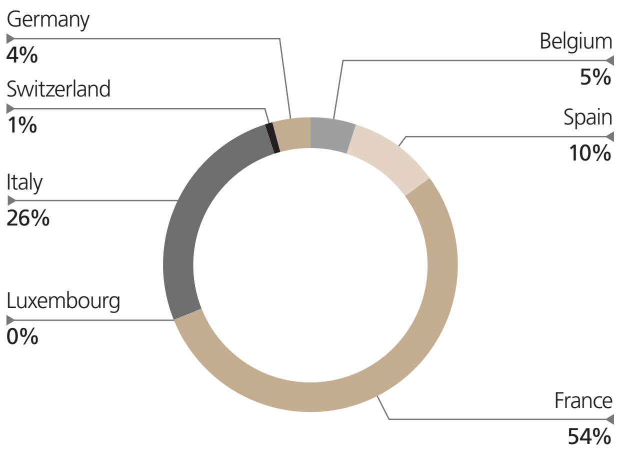
In 2017, the energy consumption of administrative buildings and the Maisons du Monde store network totalled 62,956,872 kWh, up 5% on 2016. This rise was mainly due to the expansion of the network and new stores opened in France and in Europe.

Keen to reduce its energy consumption, the Group has taken a series of measures to improve the energy efficiency of its administrative premises and stores. The optimisation of energy consumption is an integral part of the work performed by technical teams, particularly during store maintenance, renovation, opening or relocation. To this end, the main measures taken in 2017 were as follows:

- improvement of lighting equipment through the use of low-energy technologies; 40 stores were fitted with LED lighting (32 openings and 8 renovations);
- improvement of control and automation systems (automation, detectors of presence and brightness) and the installation of key touch systems;
- modernisation of heating, air conditioning and ventilation systems as well as improved management or the installation of thermodynamic hot-air curtains in some stores in France and Belgium.

These different measures make a direct contribution to optimising the Group's sites. In 2017, the Group's stores and administrative premises consumed an average of 143 kWh/m², down 8% on the previous year.

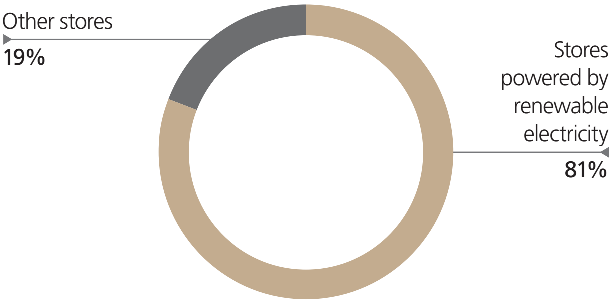
ENERGY CONSUMPTION OF BUILDINGS BY COUNTRY



Lastly, control over the environmental impact of energy consumption also involves renegotiating supply contracts and the use of renewable energy. The Group has decided to prioritise the use of renewable electricity in France. All French administrative premises and stores have been powered by electricity from renewable sources since 1 January 2017. Likewise, the 37 Italian stores have been powered by renewable energy since 1 November 2017. This approach makes a significant difference in terms of reducing the Group's greenhouse gas emissions.

By the end of 2017, 81% of the Maisons du Monde store network was powered by renewable electricity.

PERCENTAGE OF STORES POWERED BY RENEWABLE ELECTRICITY



Logistics

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

In 2017, energy consumption at Distrimag logistics sites totalled 9,577,905 kWh, a drop of around 9% on 2016. The drop was mainly due to a reduction in the quantity of products stocked in 2017 which meant that all the warehouses did not have to open all year round.

ENERGY CONSUMPTION OF BUILDINGS – DISTRIMAG (KWH)

				Total energy		
Energy *in kWh*	**Electricity**	**Natural gas and propane**	**Domestic fuel oil**	**2017**	**2016**	**2015**
Warehouses and offices	8,492,027	859,938	225,940	**9,577,905**	10,474,018	8,350,864
Energy intensity *(kWh/m²)*				**20**	22	-

In 2017, the logistics activities warehouses and offices consumed an average of 20 kWh/m², a drop in energy intensity of around 9% compared with 2016.

Efforts to reduce this consumption are currently focused primarily on the energy performance of buildings, particularly the switch to LED lighting in buildings.

The new 96,000 square metre warehouse opened in 2016 is certified HQE (High Environmental Quality) and BREEAM, notably thanks to the establishment of presence detectors, improved insulation and tighter monitoring of consumption. Motion sensors can be used so that racks only light up when forklift trucks go by.

Production

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

In 2017, production plant consumption totalled 3,140,280 kWh down from 3,296,050 kWh in 2016. This drop of around 5% was mainly due to the drop in factory production over the year.

The significant increase in consumption between 2015 and 2016 was due to the growth in business in 2016 linked, in particular, with the ramping up of the MK2 unit.

ENERGY CONSUMPTION OF BUILDINGS – MEKONG (KWH)

			Total energy		
Energy *in kWh*	**Electricity**	**Domestic fuel oil**	**2017**	**2016**	**2015**
Mekong factories	2,982,200	158,080	**3,140,280**	3,296,050	2,016,624
Energy intensity *(kWh/hour worked)*			2.1	1.9	1.9

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

Managing electricity consumption is still a major challenge and efforts to reduce this consumption make the following measures a priority:

- Integration of energy efficiency criteria when making initial investment in machines and equipment: appropriate and automated equipment (auto-dumpers for instance) is installed on production lines to reduce energy consumption. This pursuit of optimisation continued when the new factory was opened in 2017.
- Deployment of innovative technologies to reduce energy consumption (kWh): traditional fluorescent lighting has been replaced by LEDs in production line lighting systems. Investment in this *item* began in 2016 and continued in 2017 to systematically replace existing production line lighting with LED lighting. Investments were also made to improve the brightness of production line lighting by lowering the height of the lighting network. This work is currently being conducted and will continue in 2018.

- In 2017, two drying units using infra-red light technology, which is more efficient and consumes less electricity than hot air blower drying systems, were introduced on the MK2 finishing line. This technology is also used on MK3. On a like-for-like basis, this technology offers energy savings of around 25 to 30%.
- Improved control of facilities to limit and detect unnecessary indirect losses such as potential air leaks in systems and equipment that can have an impact on the consumption of electricity compressors. Consumption is monitored on a weekly basis by maintenance teams.

Lastly, it should be noted that plans to install photovoltaic panels at the new MK3 production site to power the factory's offices with renewable electricity are currently being looked at for 2018.

Vehicule fuel consumption

VEHICULE FUEL CONSUMPTION BY ACTIVITY

litres of diesel or petrol	2017	2016
Company vehicles (network and logistics)	165,966	169,459
Short-term rental vehicles (network and logistics)	66,824	Not available
Logistics - Truck fleet	1,135,642	969,714
Production – Factory vehicles	4,645	3,465
GROUP TOTAL	**1,373,077**	**1,142,638**

Network and administrative premises

Maisons du Monde (not including Distrimag) has a fleet of around 90 Company vehicles in Europe, mainly used to meet the needs of network teams. Fuel consumption in 2017 is estimated at 135,491 litres of diesel compared with 141,098 in 2016.

To reduce its environmental footprint, the Group's goal is to optimise this fleet and to reduce its average level of CO2 emissions, whilst improving its accessibility through the incorporation of sustainable transport tools. Three electric car-sharing vehicles were incorporated into the fleet in 2017 for employees working at administrative premises in Nantes and car-sharing parking spaces have been made available for head office employees, with the aim of limiting the use of private cars. A mobility plan was also signed in 2015 with Nantes Métropole and events to promote car-sharing, the use of bicycles and public transport are held twice a year.

In addition to its Company vehicles, the Group also uses short-term hire cars for Maisons du Monde and Distrimag employee travel. In 2017, this type of travel accounted for the consumption of an estimated 66,824 litres of fuel. GHG emissions associated with this fuel consumption are recognised under “Scope 3” GHG emissions relating to employee business travel.

Logistics

The logistics activity of the Distri-Traction and Distri-Meubles entities contributes significantly to the Group's fuel consumption. The two entities directly operate a fleet of 63 trucks to move products from their port of delivery to warehouses and to make deliveries to some French stores or customers. Distrimag also monitors the consumption of Company vehicles.

In 2017, fuel consumption amounted to 1,135,642 litres of diesel for the truck fleet and 30,303 litres for Company vehicles.

To reduce this consumption and the activity's environmental impact, 100% of Distri-Traction and of Distri-Meubles drivers have completed mandatory continuing safety training (training and eco-driving module). Two drivers have been designated as eco-driving contacts and, by the end of 2017, 50% of the vehicle fleet had been fitted with driver monitoring systems with a view to optimising and streamlining driving practices. The tool will be rolled out to 90% of the fleet between now and March 2018.

Technology choices can also have a significant impact. The vehicle fleet is currently being replaced so that all traction vehicles comply with the Euro 6 emissions standard. As regards light vehicles, there are plans to replace around 50% of the light vehicles used for logistics purposes with hybrid or all-electric vehicles in 2018.

Production

Factory vehicles are the main source of fuel consumption in Mekong Furniture factory production activities (fuel consumption by factory forklifts is recognised as energy consumption for production activities). This consumption stood at 4,645 litres in 2017. The increase in fuel consumption in 2017, compared with 2016 (+34%), was due to the more regular use of Company vehicles to shuttle between the two production sites and the increase in sourcing and purchasing in 2017.

Refrigerants

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

In 2017, leaks were mainly associated with network equipment and were measured during maintenance operations.

REFRIGERANT EMISSIONS – GROUP

kg of refrigerant emitted	2017
Network – R407C	101
Network – R410 A	170
Logistics – R410 A	13

2.4.3 GREENHOUSE GAS EMISSIONS

Ambitions 2020
30% reduction in our carbon intensity

Our climate commitment

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

In 2017, the Group devised its first climate action plan which included, in particular:

- an assessment of the Group's Scope 1, 2 and 3 CO_2 emissions;
- mapping of the main risks and opportunities associated with climate change;
- an initial target for 2020 to reduce carbon intensity by 30% (in $kgCO_2eq$/sq.m.) in buildings used for distribution and logistics activities compared with 2016.

This first formative stage allowed the Group to respond to the CDP questionnaire for the first time in 2017 and obtain a B rating.

As discussed in section 1.8.5. of this Registration Document, the following climate change risks have been identified:

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

In 2017, the Group also trialled the ACT assessment methodology established by ADEME and the CDP, to see how companies' climate commitments match up to the 2°C scenarios. This initial assessment should enable the Maisons du Monde Group to supplement its current strategy with new, more long-term targets in 2018 so that a climate strategy can be formalised in line with the targets set by the Paris agreement to keep global warning below 2°C.

It was with this aim that, in November 2017, the Group's CSR Committee approved a new low-carbon strategy incorporating measures to reduce emissions and the introduction of a programme of emission insetting through reforestation programme within the Group's supply chain. In 2017, Maisons du Monde also joined the Climate Solidarity Ambassadors' Club, a movement launched by the GERES association, to contribute to the facilitation of the network on the challenges of combating climate change.

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

Scopes 1 & 2 related to energy consumption

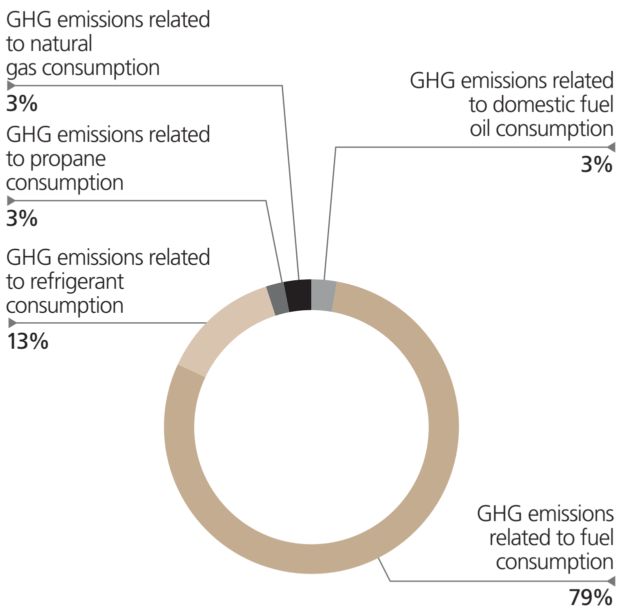
In terms of activities directly operated by the Maisons du Monde Group (scopes 1 and 2 associated with energy consumption) the main sources of greenhouse gas emissions (GHG) are linked to the electricity consumption of buildings, particularly across the store network.

2

SCOPE 1 & 2 GHG EMISSIONS – GROUP

Emissions *(in tonnes CO_2eq.)*	2017	2016
Scope 1 emissions	4,142	4,622
Scope 2 emissions	9,997	12,043

BREAKDOWN OF SCOPE 1 GHG EMISSIONS BY SOURCE



Scope 1 emissions are mainly associated with vehicle fuel consumption, particularly the Distri-Meubles and Distri-Traction truck fleet.

It should be noted that Scope 1 emissions also include emissions from company or service vehicles, on long-term lease, considered as under the management of the Maisons du Monde Group.

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

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

The Group's direct GHG emissions (Scope 1&2) fell by 15% in absolute terms between 2016 and 2017. This drop in emissions was mainly due to the supply of renewable electricity across all of the Group's sites in France since early 2017 as well as a similar contractual arrangement for the brand's Italian stores since November 2017.

In terms of direct emissions, the Group has set a target of reducing the carbon intensity of its network and logistics activities as regards the energy consumption of buildings, by 30% between now and 2020 (in kgCO2eq./sq.m.).

CARBON INTENSITY OF BUILDINGS – SCOPE 1 & 2

Carbon intensity *(in kgCO_2eq./sq.m.)*	2017	2016
Network (stores and administrative premises)	21	29.3
Logistics (buildings)	0.6	2.3
GROUP (NON-PRODUCTION)	**10**	**14**

The 27% reduction observed compared with 2016 is linked to the French and Italian sites' switch to renewable electricity over 2017.

Main Scope 3 emissions

Recognising that reducing "direct" Scope 1 and 2 greenhouse gas emissions will not be sufficient to achieve the objectives in the fight against climate change set at COP21 (keeping global warming to below 2°C), the Group has undertaken work on "indirect" emissions, so-called Scope 3 emissions.

In 2017, an assessment of the main emissions (on the basis of 2016 activity data) was conducted to identify the main areas where progress has been made and emissions have been reduced. A reduction target will be set for this scope in 2018 in the context of the "2°C" climate strategy.

MAIN INDIRECT EMISSIONS – SCOPE 3

Emissions – Group *(in tCO_2eq.)*	2017	2016
Products and services purchases	87,561	
Upstream transport of products	28,029	
Downstream transport of products	10,929	
Employee travel	1,917	
TOTAL MAIN SCOPE 3 ITEMS	**128,436**	

The assessment conducted in 2016 shows the share of the Group's GHG emissions from the supply chain. Indeed, taken together the various stages in the manufacture of products distributed by Maisons du Monde (products and services purchases) are the biggest indirect GHG emissions category (Scope 3) before product transportation.

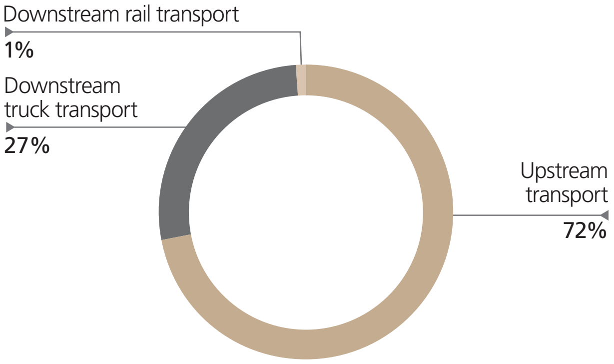
Logistics

Sourcing for the brand's stores and those of its clients is a key activity for the Maisons du Monde Group. All products, furniture and decoration items transit via the warehouses of the Distrimag subsidiary, in Fos-sur-mer and St-Martin-de-Crau (13). The upstream transportation of products from the production sites is almost 100% by boat and this stage accounts for a substantial proportion of the Group's indirect GHG emissions. In 2017 this upstream transportation accounted for 28,029 tonnes of CO2 equivalent compared with 34,785 tonnes of CO2 equivalent in 2016. This fall is mainly due to a reduction in the number of containers transported in 2017.

Then, products are delivered to the stores or end-customers by the Maisons du Monde's carriers, or in some cases by Distri-meubles, the transport arm of Distrimag. In 2017, emissions from the transportation by road of products to stores or customers accounted for 10,929 tonnes of CO2 equivalent, compared with 8,843 tonnes of CO2 equivalent in 2016. This increase is due to the greater volumes transported and the expansion of the international network.

Aware of the environmental impact of transporting products and of its responsibility towards carriers, the Maisons du Monde Group is working with its Partners to reduce CO2 emissions from transport. As such, wherever possible (accessibility, delivery times), the Group favours rail. Over 90% (by weight transported) of deliveries to the Paris region are carried out by rail. Lastly, the Group encourages its partners to enforce emissions standards in their fleet, replace used vehicles and train drivers in eco-driving.

BREAKDOWN OF GHG EMISSIONS FROM LOGISTICS (EXCLUDING DISTRIMAG ACTIVITIES)



Employee travel

Employee air travel accounts for a significant share of the Group's indirect greenhouse gas emissions. As such, in 2017, employee travel at Maisons du Monde and Distrimag generated around 1,749 tonnes of CO_2eq. compared with 1,473 tCO_2eq. in 2016. This increase was due to the increase in employee travel as a result of the Group's international expansion.

In 2017, the quantification of these types of emissions was made more accurate by the inclusion of emissions from short-term vehicle hire under employee business travel. These rentals contributed an additional 168 tonnes of CO2eq. in 2017.

Other significant items

In addition to emissions associated with logistics and employee travel, the Scope 3 emissions assessment (2016 data) suggests that product manufacturing is the main source of emissions generated indirectly by the Group's business. The emissions shown below were calculated for the Group's "furniture" and "large decoration" product offering. Small decoration products were not included in the calculation due to the difficulty of collecting information about the materials used in the products. The main sources of these types of emissions are associated with the use of metal in furniture production (timber, the main material used in "furniture" products only accounts for a very small percentage of total emissions) and textiles in decoration items.

In 2016, the item "Products and services purchases" accounted for 87,561 tonnes of CO2 equivalent.

2.4.4 GENERAL PURCHASING

Ambitions 2020
Optimise our packaging, from suppliers to customers

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

Packaging and paper consumed

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

PURCHASES OF PACKAGING USED AT CHECK-OUTS

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

In 2017, Maisons du Monde purchases of packaging used at check-outs and of paper (till rolls) for network, administrative and logistics premises activities amounted to 1.602 tonnes (compared with 1,491 tonnes in 2016), including 1.555 tonnes of packaging used at check-outs (compared with 1,446 tonnes in 2016).

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

In 2017, awareness of the environmental challenges posed by packaging products continued to be raised across our network and customers. Store teams (cashiers) are made aware of best practice, the brand's packaging processes and recommendations through a leaflet on packaging. Specific communications are regularly sent to stores at times of heavy consumption (Christmas, sales, etc.), and customers are kept informed of the process through the symbols printed on bags (sorting instructions, FSC or PEFC logos).

Market watch on approved and prospective suppliers continues to be key when it comes to our purchasing policy. The aim is to keep abreast of the latest technical and regulatory developments in relation to the products. In 2017, this practice made it possible to trial a reduction in the gram weight of our bags whilst retaining their intrinsic properties. This trial is due to be completed for the whole network in 2018.

PURCHASES OF OFFICE PAPER

tonnes of paper	2017	2016
Office paper purchased (network and logistics)	91	91

Moreover, 100% of paper reams purchased in 2017 were from recycled paper sources. In the context of our 2020 commitments, awareness raising will be extended to head office employees with the communication of clear indicators, and technical settings that contribute to reducing consumption.

Furthermore, commercial publications also account for the majority of the Group's paper purchases and therefore require specific vigilance. This is why 100% of Maisons du Monde brand commercial publications (catalogues, brochures) are printed on FSC or PEFC paper. These publications account for an annual weight totalling 7,825 tonnes (up from 7,677 tonnes in 2016), with catalogues accounting for 96% of this total tonnage.

COMMERCIAL PUBLICATIONS

tonnes of paper	2017	2016
Catalogues	7,521	7,530
Other publications	304	146
TOTAL PUBLICATIONS	**7,825**	**7,676**
Percentage of publications covered by environmental labelling	*100%*	*100%*

It should be noted that the drop in the weight of catalogues distributed in 2017 related to a change in the calculation method, which only takes into consideration the quantities delivered to stores for customers. The number of catalogues distributed increased in 2017 due to an increase in the print run of catalogues and brochures as well as the creation of a new BtoB catalogue. Efforts continue to be made to reduce the unit weight. The Indoor catalogue was 28 grams lighter than in 2016, and the Junior catalogue was 9 grams lighter, while the Outdoor catalogue remained the same.

New qualification tests conducted in late 2017 with "lighter" "bouffant" papers, will enable us to further reduce the unit weight of the brand's main catalogue in 2018.

Our logistics business' (Distrimag) repackaging and distribution activities also require purchases of raw materials, principally packaging items (plastic and cardboard) that generate waste in the Group's stores or its customers' homes.

The data in this report only includes quantities of cardboard and paper packaging.

In 2017, Distrimag's purchases of cardboard and paper for packaging amounted to 1,561 tonnes.

PURCHASES OF CARDBOARD AND PAPER FOR PACKAGING – LOGISTICS BUSINESS

Tonnes of paper and cardboard	2017	2016
Cardboard packaging for delivery	694	Not available
Kraft filling paper	167	Not available
Other cardboard	700	515
TOTAL DISTRIMAG CARDBOARD PURCHASES	**1,561**	**-**

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

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

Purchases from the protected sector

Use of the adapted and/or protected sector is another critical lever in the social action of the Group and the general purchasing team. Today focused on maintenance services for stores' green spaces, purchases from the protected sector accounted for 72% of the services purchased in this category in 2017.

In 2017, Maisons du Monde expanded its partnership by having printing work done by a protected sector Company.

2.4.5 OTHER ENVIRONMENTAL ISSUES

Water consumption

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

Water consumption is not monitored systematically and the consumptions shown below are estimates made on the bases of a sample of sites.

The visible increase in the network is related to the inclusion of administrative premises in the consumption presented.

WATER CONSUMPTION

m^3 of water	2017	2016
Network	22,951	19,604
Logistics	14,832	21,373

Facilities subject to environmental protection statutes, pollution and discharges

All warehouses of the Group's logistics subsidiary are classified as facilities subject to environmental protection statutes, and must accordingly obtain a permit. Distrimag's general services team ensures compliance with this regulation.

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

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

Protection of biodiversity

Mindful of the potential impacts of its activities on biodiversity, primarily related to its procurement of timber products, the Maisons du Monde Group has committed to reducing these impacts by implementing a series of measures. The Group has committed to preserving forests by various means, from working on timber traceability with our suppliers to the use of recycled materials, and including certification of its products in accordance with international labels (see section 2.2.1 of this Registration Document).

In addition, the implementation of Distrimag's logistics platforms in Saint Martin de Crau was subject to a preliminary impact assessment for sites likely to be affected. This study, carried out by NATURALIA, demonstrated the compatibility of the project with Natura 2000 standards, including the commune of La Crau, which supports species that are rare in France and Europe.

2.4.6 ACCESSIBILITY OF STORES

The accessibility of points of sale and accommodating people with disabilities in our stores is a major challenge that the Group has taken up through two main initiatives: training its team and fitting out its buildings.

Training action

Since 2016, Maisons du Monde has undertaken two major training programmes to raise the awareness of all employees about the reception of people with disabilities and regulations regarding establishments open to the public.

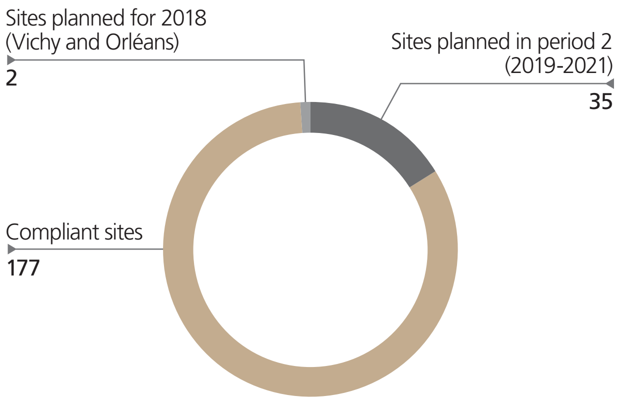
Within this framework, managers of merchandising, installation, maintenance, safety/security and technical design teams initially received a day's training devoted to the prevailing regulations on accessibility. At the same time, an e-learning course dedicated to accessibility has been devised by the Maisons du Monde Group's training service. This e-learning course, intended for all store managers and their employees, has been provided since 2017.

Accessibility work on stores

In 2015, Maisons du Monde undertook to achieve the full compliance of the French fleet of directly owned stores by the end of 2021, by officially adopting a government-sponsored action plan known as *Agenda d'Accessibilité Programmée* (Ad'Ap).

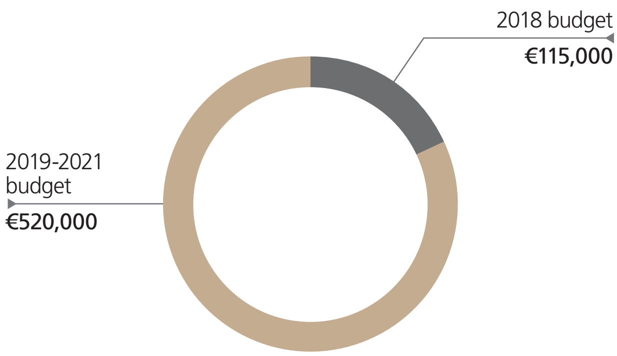
While all store openings and renovation programmes have ensured the compliance of stores since 1 January 2007, an inventory conducted between 2009 and 2012 has helped draw up a list of sites in need of upgrades. All of the work is set out in the Ad'Ap plan, staggered between 2016 and 2021 and updated each year. Upgrading work within the framework of this plan was accordingly carried out on 45 French stores at a cost of €323,000, before tax, in 2016 and 2017. At the end of 2017, 83% of the 214 French stores were compliant.

ACCESSIBILITY OF FRENCH STORES AT THE END OF 2017



To achieve the 2021 goal, Maisons du Monde has established a three-phase plan, namely the preparatory studies and compliance work on 2 sites in 2018, and a further 35 sites in the 2019-2021 period.

BUDGET FOR ACCESSIBILITY UPGRADES TO FRENCH STORES



2.4.7 BUSINESS ETHICS AND ANTI-CORRUPTION POLICY

The Maisons du Monde Group has been a member of the United Nations Global Compact since 2011, committing to disclose its actions on ten principles in favour of human rights, labour standards, the environment and the fight against corruption. All the information appearing in this document enables the Group's commitments to be reported on an annual basis.

More specifically, with regard to the challenges posed by corruption, in 2017, Maisons du Monde rolled out a series of procedures and practices to identify and manage the risks that are specific to the Group's business operations. These mechanisms fulfil the requirements of the "Sapin 2" law on anti-corruption and influence peddling. Thus, in 2017, the Group formalised:

- An anti-corruption risk map, compiled as a result of twenty or so interviews with the Group's key functions, conducted by an external firm of consultants. This map makes it possible to identify, analyse and prioritise the Company's risk of exposure to corruption and to scale internal procedures.
- The Maisons du Monde professional Code of Conduct aims to formalise the ethical and legal frame of reference within which Maisons du Monde and its employees perform their day-to-day professional activities.
- A whistleblowers' charter and an ethics hotline enable any situation that contravenes the Code of Conduct to be reported confidentially by telephone or email.

2.5 Commit like enthusiasts

2.5.1 MAISONS DU MONDE'S HR POLICY

Through its values and its actions, Maisons du Monde promotes a work environment founded on respect, dialogue, consideration and well-being at work. Respectful of diversity and privacy, the Group puts the skills of its employees first, and strives to foster their employability. Teamwork is highly valued. It is based on open and constructive dialogue designed to strengthen cohesion and intensify passion. Maisons du Monde strives to inform its employees about its objectives and challenges in order to encourage their involvement in the life of the Company. The high expectations and professional approach aspired to by the Group promotes the development of individuals, both professionally and personally. All employees contribute to the development of the Group, regardless of their function or service.

"Commit like enthusiasts", this is the watchword of the Group's human resources policy. Employees are supported in their day-to-day duties, they are encouraged to develop their skills and fulfilling career paths are put in place to ensure that they reach their true potential.

In 2016, with that in mind, Maisons du Monde formalised its human resources targets for 2020:

- to improve well-being in the workplace, in particular, by improving local management and the roll-out of a regular employee survey;
- to improve its employees' employability and development through training and internal mobility;
- to support corporate growth and digitalisation.

The aim of this approach is to offer our employees a well-thought-out and stimulating experience throughout their career at Maisons du Monde. In 2016-2017, the Group devised its "Ambitions 2020" roadmap, which forms part of the "Committed Together!" strategic plan, on the basis of these HR targets:

Ambitions 2020
100% of our managers trained in local management
100% of new managers participate in a personalised training programme
100% of our managers aware of, and sign, the Maisons du Monde management charter
65% of store managers and logistics managers in post as a result of internal promotion

Maisons du Monde encourages the geographical mobility of its managers to promote both their career development and advocacy of a shared vision of the Group's strategy and values.

"Maisons du Monde is an employer brand that offers its employees an experience to remember".

Employee survey

In 2017, a second employee survey was conducted with all network, administrative premises and logistics employees. This survey, which will be repeated every two years, aims to:

- give employees a voice and assess their level of satisfaction;
- analyse feedback and draw up action plans;
- listen to employees and measure the effectiveness of actions implemented.

In 2017, over 77% of employees responded to the survey. The survey confirms employees' firm commitment to the Company and their desire to see it flourish. A figure to remember: 88% of employees are proud to work for Maisons du Monde.

Some measures have already been taken in order to meet employees' training requirements, including career paths, a wider range of e-learning courses and an enhanced training catalogue.

Workforce management and job creation

Employees

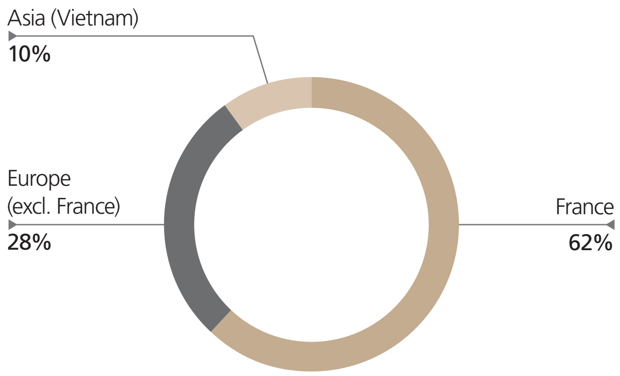
At 31 December 2017, the Group had 7,279 employees (6,234 full-time equivalents), up 8% on 2016.

GROUP WORKFORCE BY GEOGRAPHY

	31 December 2017	31 December 2016
France	4,498	4,329
Europe	2,040	1,730
Asia	741	695
WORLDWIDE	7,279	6,754

Most of the Group's employees work in France. There was a sharp increase of 18% in the workforce in Europe (Italy, Spain, Belgium, Germany, Switzerland, Luxembourg and Great Britain). The Mekong production plant in Vietnam accounts for 10% of the Group's employees.

BREAKDOWN OF WORKFORCE BY GEOGRAPHY



Three-quarters of employees have permanent contracts. The average seniority of employees on permanent contracts is 3.9 years.

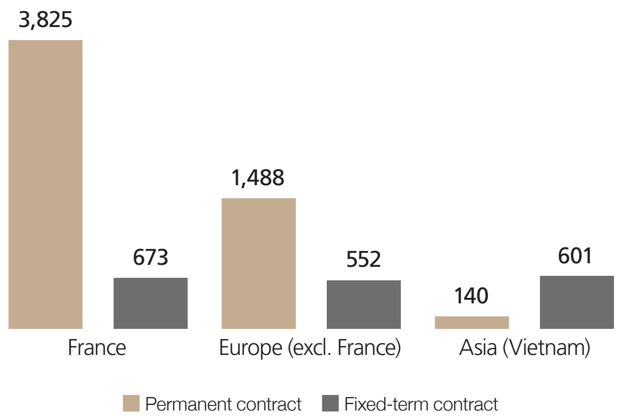
- Permanent contracts are prioritised in the network and the logistics business. Fixed-term contracts are primarily used to cover absence (32%) and spikes in activity associated with the Christmas holidays and the sales (68%).
- As regards production in Vietnam, the number of fixed-term contracts is due to the fact that workers are primarily taken on under fixed-term contracts, as is the local custom, but then their contracts are made permanent after three years.

The Group may use temporary staff to meet more specific demands identified, such as reinforcements when setting up new stores. As for logistics, the number of employees on temporary contracts may be higher, due to the specific nature of the activity.

BREAKDOWN OF WORKFORCE BY CONTRACT TYPE

	31 December 2017	31 December 2016
Permanent contract	5,453	4,855
Fixed-term contract	1,826	1,899
WORLDWIDE	**7,279**	**6,754**

BREAKDOWN OF WORKFORCE BY CONTRACT TYPE AND BY GEOGRAPHY



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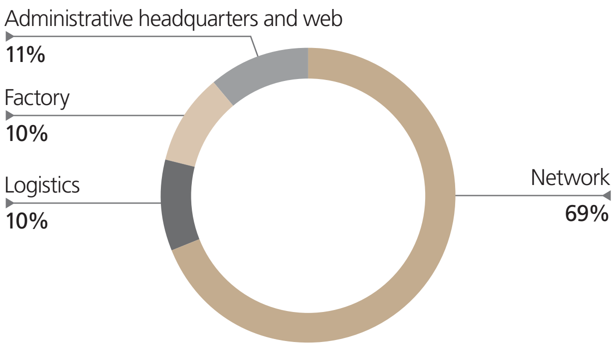
BREAKDOWN OF WORKFORCE BY ACTIVITY

	31 December 2017	31 December 2016
Network	5,021	4,679
Logistics	712	700
Production	741	695
Headquarter & Web	805	680
WORLDWIDE	7,279	6,754

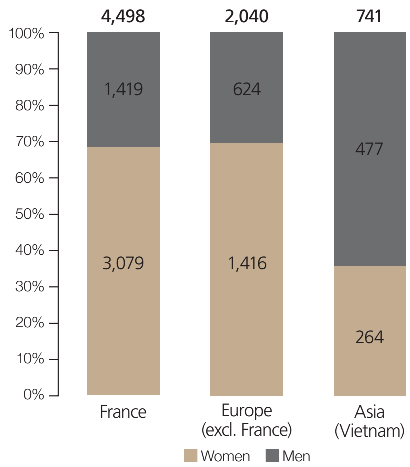
Two-thirds of employees work in stores (sales teams, cashiers, display teams and supervisors).



BREAKDOWN OF WORKFORCE BY GENDER

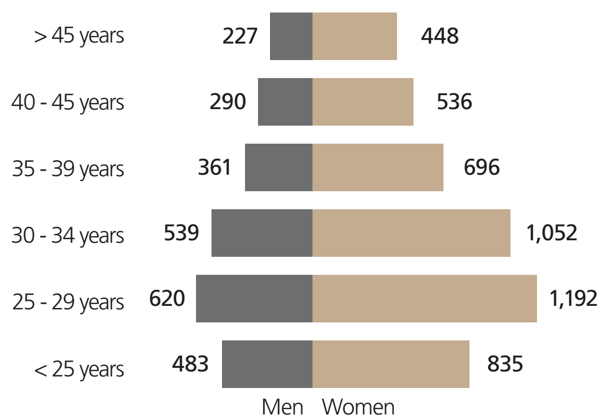
	31 December 2017	31 December 2016
Women	4,759	4,407
Men	2,520	2,347
WORLDWIDE	7,279	6,754

Just as in 2016, women make up 65% of the total workforce.



AGE PYRAMID

The average age of employees is 32.5 compared with 32 in 2016.



Hiring and departures

Maisons du Monde's recruitment philosophy emphasises life skills and the wealth of experience. The dynamism of the Group is closely intertwined with the personality of each of its members. A dedicated recruitment website was launched in April 2017 to showcase the Group's business lines, values, HR commitments and job offers.

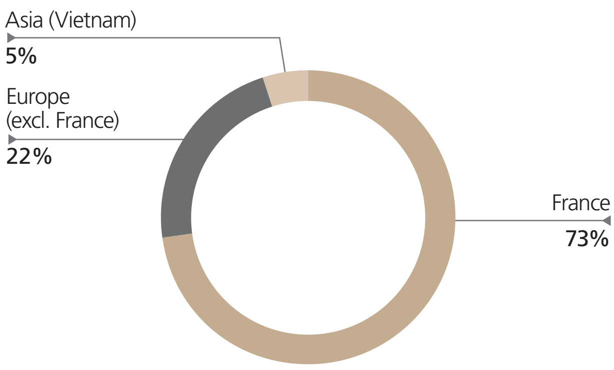
Growth in the Group's business is reflected in the creation of jobs in stores. Employees are from the host country at all stores. As at 31 December 2017, the new stores opened in Europe in 2017 employed 268 people on a permanent basis.

Manufacturing employees are hired under fixed-term contracts, as is the local custom, but then their contracts are made permanent after three years.

BREAKDOWN OF PERMANENT HIRES BY GEOGRAPHY

	31 December 2017	31 December 2016
France	850	793
Europe	253	194
Asia	64	86
WORLDWIDE	**1,167**	**1,073**

In 2017, 1,167 employees were hired on a permanent basis (1,073 in 2016). For each store opening, Maisons du Monde favours hiring on permanent contracts and internal mobility.



BREAKDOWN OF DEPARTURES OF STAFF EMPLOYED UNDER PERMANENT CONTRACTS BY GEOGRAPHY

	31 December 2017	31 December 2016
France	1,012	932
Europe	191	155
Asia	8	4
WORLDWIDE	**1,211**	**1,091**

There were 262 terminations in 2017 (239 in 2016). The average seniority of departing employees on permanent contracts is 2.25 years.

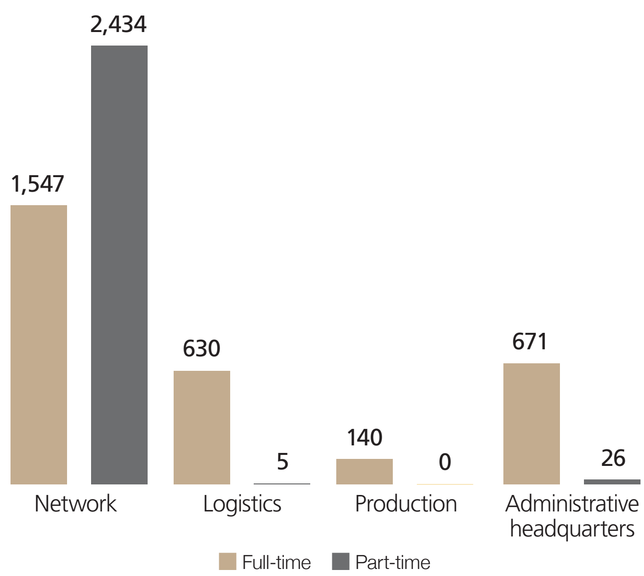
Working hours

Contractual working hours (permanent employees)

More than 98% of logistics, production plant and head office employees are full time.

In the store network, Maisons du Monde reconciles the constraints of store operations with the wishes of employees as far as possible. As such, nearly four-fifths of employees in the store network have a contractual work schedule representing at least 70% of statutory working hours under local law.

BREAKDOWN OF EMPLOYEES EMPLOYED UNDER FULL-TIME/PART-TIME PERMANENT CONTRACTS



Absenteeism

Maisons du Monde is attentive to absenteeism, monitoring trends and taking appropriate measures to reduce the number of staff off work.

By way of example, the logistics business' (Distrimag) Human Resources Department maintains contact with the absent employee to facilitate his or her return to work.

ABSENCE DUE TO ILLNESS

Rate of absenteeism due to illness	2017	2016
France*	3.93%	3.60%
Europe	3.00%	-
WORLDWIDE	3.35%	-

* *Number of calendar days of absence due to illness based on the total theoretical number of working days. "Europe" data does not include employee absences at German and Spanish stores and at the administrative premises in the United Kingdom.*

Compensation policy

Maisons du Monde is scrupulous about setting fair and equitable wages for all employees. For most employees, wages are above the agreed minimum (France and Europe). The change in personnel expenses follows the Maisons du Monde Group's growth, increasing from €174.2 million in 2016 to €195.5 million in 2017 (+12%).

Compensation

Maisons du Monde seeks to promote collective performance. 100% of employees (not including Mekong production workers) are eligible for variable compensation based on the collective achievement of qualitative and quantitative objectives, recognising the commitment and achievement of all employees in the performance of their duties. Compensation is consistent for all employees of the store network, logistics and the Mekong production plant.

In 2017, the Group introduced a two-part incentive plan to complement its compensation policy end enable employees to benefit collectively from a share in the profits made:

- annual plan: a new system of incentives was introduced for all Group employees (non-production) linked to hitting annual targets. Thus, employees will be able to receive an additional bonus, either in the form of an incentive payment (France & Italy), or in the form of a salary bonus (other countries);
- medium/long-term plan: a free share award plan was introduced for some employees. Acquisition will be dependent on performance, which will be measured every two financial years, and on working for the Group for a period of three years. The free shares should be granted at regular intervals, based on decisions by the Board of Directors (for further information see section 3.2.2 in this Registration Document).

Promotion and internal mobility

Maisons du Monde promotes internal mobility and offers real opportunities to all of its employees. In 2017, nearly 400 employees received an internal promotion, taking on a new role.

NUMBER OF PROMOTIONS

	2017	2016
Network	236	201
Logistics	87	97
Production	62	21
Administrative headquarters	12	71
TOTAL	397	390

The mobility programme makes a direct contribution to the 2020 target of having 65% of store and logistics managers in post as a result of internal promotion. In late 2017, this percentage was 60%. This type of mobility is facilitated by a policy that encourages internal skills development as well as geographical mobility.

PERCENTAGE OF STORE AND LOGISTICS MANAGERS IN POST AS A RESULT OF INTERNAL PROMOTION

	% promotion	Promoted	Worldwide
Store managers	54%	167	310
Logistics managers	84%	48	57
WORLDWIDE	59%	215	367

In the second half of 2017, an internal website dedicated to mobility was launched for employees of the store network and the head office. Since then, all employees have had access to all job vacancies, some of which are reserved exclusively for internal applicants. Employees can also make unsolicited requests for geographical mobility or to change job. Approximately 370 applications were made this year.

The Human Resources Department routinely contacts each employee who requests mobility so that they can receive support with their application and, more generally, with their career plans.

Social dialogue

Maisons du Monde strives to ensure a peaceful labour relations climate fostering exchange and dialogue with staff representatives and employees.

NUMBER OF MEETINGS WITH STAFF REPRESENTATIVES

	2017	2016
MDM France	26	31
Logistics	55	65
MDM Belgique	22	23
TOTAL	103	119

Stores and head office

In France, Maisons du Monde employees are represented by a representative trade union and many "independent" elected representatives.

Various commissions exist in addition to the Works Council, the Health, Safety and Working Conditions committee and the staff representatives. They deal with specific issues:

- Housing Commission;
- Economic Commission;
- Disability Commission;
- Training Commission;
- Parenthood Commission.

Other commissions may be established on an as-needed basis to deal with specific difficulties. In Spain, there are staff representatives in four stores (one permanent and one alternate). They do not hold monthly meetings. In Italy, three representatives are responsible for security (RLS). Their duties include holding meetings three times a year.

It should be noted that as all these bodies are already in place, no elections were held at stores in 2017 and the current representatives continued to serve.

Discussions with staff representatives were reflected in the following agreements in 2017:

- Agreement on collective bargaining methods (Maisons du Monde France);
- Agreement on the strategic repositioning of stores (Maisons du Monde France);
- Agreement on union rights (Maisons du Monde France);
- Profit-sharing agreement (Maisons du Monde France and Maisons du Monde Italy);
- Mandatory annual negotiations on wages, working time and professional equality (Maisons du Monde France).

Lastly, it should be noted that Maisons du Monde France took a unilateral decision to introduce a procedure whereby employees can donate days off to their colleagues.

Logistics

At Distrimag and its subsidiaries, social dialogue was enhanced not only by the introduction of working groups focusing on different issues but also by the introduction of regular times for discussion between managers and employees.

In 2017, working groups were set up to focus on different issues with participation from employees: operational communications, workstation and layout studies, store disputes, etc. As a result, discussions and proposals are employee-centred and employees can participate in decision-making.

Social dialogue takes the form of regular discussion times between managers and employees; in fact, we have chosen to create communication-based managerial rituals, such as exchanges.

For example, all operational managers hold quarterly meetings with a delegation of employees as well as with one staff representative. These meetings are an opportunity to discuss work, working conditions, difficulties, site operation, etc. Questions or ideas are noted during these meetings and responses are given.

The Group has also included weekly briefings in its basic managerial practices in order to guarantee the downward but also upward communication.

The Group has also included, in its basic HR practices the desire for all employees to have an individual slot with their managers to ensure that dialogue takes place. On this basis, once a quarter, all employees receiving variable compensation have a Meeting, and every employee has an annual appraisal.

Lastly, social dialogue takes the form of the regular dissemination of information/consultations with these bodies and the sharing of improvement plans and results. All information and consultations are previously approved.

Production

In Vietnam, social dialogue is organised in close collaboration with representatives of the national union. The union's 11 current members were elected within the Company for a period of 5 years. The union representatives are regularly consulted on all issues liable to contribute to improving employees' working conditions and environment. The union representatives are free to exercise their duties pursuant to rules laid down and set by local law. They meet at least every three months to discuss all subjects of interest to employees.

The Mekong Furniture Company signed an agreement with union representatives in 2016 on employee benefits granted by the Company. It covers bonuses, additional allowances and additional aid not set under Vietnamese law. This agreement continued in 2017.

In addition to dialogue with union representatives, the Human Resources department and the management team also communicate weekly on all topics liable to help employees better understand their rights and duties (in accordance with the labour law and the Company's internal regulations). This communication takes various forms, from weekly meetings to posters. Employees can also meet and interact with the Human Resources department at specific times set aside for this purpose.

Mekong Furniture is also looking to create the right industrial relations for its business by improving the managerial qualities of its executives through training focusing on communication skills to foster constructive social dialogue.

2.5.2 OCCUPATIONAL HEALTH AND SAFETY

Maisons du Monde is aware that its CSR challenges, particularly in terms of well-being at work, mean that professional risk management must play a role at all decision-making levels and on all sites. No agreement has been signed with the Trade Unions on occupational health and safety, but all departments are committed to gradually implementing an appropriate and realistic preventive approach in each of its activities. There has been a drop of around 6% in workplace accidents causing work stoppages in 2017 compared to 2016.

NUMBER OF WORKPLACE ACCIDENTS WITH STOPPAGES

Workplace accidents with stoppages*	2017	2016
Network	200	216
Administrative headquarters	6	9
Logistics	105	105
TOTAL	311	330

* *Workplace accidents with stoppages excluding Vietnam, Spain, Germany and the United Kingdom.*

Frequency rate	2017
Network	35
Administrative headquarters	4.7
Logistics	56.3
TOTAL	35.2

(No. of accidents with stoppages/hours worked) x 1,000,000

Severity rate	2017
Network	1.01
Administrative headquarters	0.05
Logistics	3.03
TOTAL	1.30

(No. of days lost in business days/hours worked) x 1,000

Lastly, two occupational illnesses were declared in France (the only country to monitor this indicator).

Networkand administrative premises

Maisons du Monde is committed to making every effort to ensure the health and safety of its employees. Created in 2016, the Prevention Service saw its workforce increase in 2017, enabling it to cover all countries and creating a more dynamic relationship with our network managers in dealing with risk prevention-related issues. The service's main aim is to implement a common Health and Safety policy across all countries. In 2017, this goal was notably put into practice by the following measures:

- prevention Inspections on 45 of our sites and consisting of a physical store inspection with the local Manager to identify possible areas for improvement and to raise awareness of occupational risks in the store in question;
- creation of a Safety committee that meets twice a month and brings together the Operational Manager, the prevention service and guests invited to attend depending on the issues to be discussed. The purpose of this Committee is to:
  - monitor Prevention Inspection reports to approve preventive measures and scheduling of said measures,
  - review Health and Safety in the Workplace indicators and, in particular, to monitor accident trends,
  - monitoring changes in Prevention Service action plans;
- preparation of an Annual Action Plan covering all the commitments made by Maisons du Monde in this area;
- implementation of the three year cash transport plan across 75% of these stores;
- the creation of two handling trolleys specifically designed for Maisons du Monde aiming to reduce constricted working positions and facilitate restocking operations;
- pre-deployment finalisation of a new, more ergonomically-designed, check-out that aims to reduce physical movement for our check-out staff;
- continuation of the training plan in relation to issues such as risk management (year 2) whilst continuing to develop relations with the Training department to expand the range of safety training on offer.

At the same time, the work on monitoring the accident rate, initiated in 2016, increased situational accident analysis and understanding and served as a basis for future work.

Logistics

At Distrimag and its subsidiaries, Maisons du Monde aims to achieve continuous improvement in working conditions.

To this end, a dedicated working Group on ergonomics has been established for various workstations:

- decoration range packaging workstation;
- deployment of film-wrapping machines, tools to help improve positioning.

In addition to the physical aspect, a roadmap was drawn up and shared with teams, elected representatives and managers. All operational managers have been trained in safety management tools.

Production

To prevent and reduce the risks in relation to occupational health and safety, human resources, Mekong Furniture management teams and members of management have worked together since 2016 on the risks associated with the different workstations in the factory: a diagnostic was carried out on potential machine-related risks, workstation risk prevention information sheets were drafted and displayed, and, lastly, employees received training on occupational risks. This was continued in 2017 for new workstations and extended to our new factory which was built in 2017.

In 2017, the Company also continued to develop initiatives to improve the workplace environment in factories:

- investment was made in improving the effectiveness of workstation lighting;
- light tunnels were also installed over quality control stations both to make quality controllers' work more effective and to make the work more ergonomic;
- new work tables were added, adapting dust extraction systems on sanding stations;
- a team of certified doctors also provides all employees with annual occupational hygiene and health awareness training. These training and prevention initiatives were stepped up in 2017, in particular *via* the following measures:
- introduction of information tables on workplace accidents by factory (number, severity, workstation, photos) and action plans,
- introduction of "5S" organisation tables in all production sections and weekly team assessments to maintain and guarantee a clean and orderly environment for employees.

2

2.5.3 TRAINING

In 2017, Maisons du Monde allocated a budget representing 2.22% of its payroll to training its employees based in Europe (1.95% in 2016).

TRAINING PROGRAMME

% of gross payroll	2017	2016
France	2.06%	1.66%
Europe	2.67%	2.88%
TOTAL	**2.22%**	**1.95%**

HOURS OF TRAINING

Number of hours	2017	2016
France	51,233	38,963
Europe	29,542	20,880
TOTAL	**80,775**	**59,843**

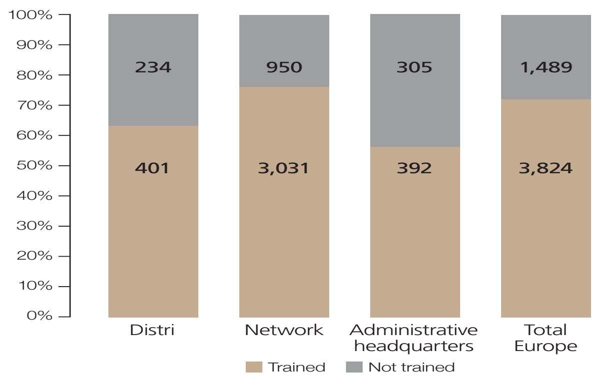
Accordingly, in 2017, 80,775 hours of training were delivered, up from 59,843 in 2016, *i.e.* a 35% increase. This was due to the development of e-learning across the network, as well as to a policy of more proactive classroom training this year.

PERMANENT WORKFORCE TRAINED (PRESENT AT 31/12)

	31 December 2017		31 December 2016	
Employees that received training	3,824	(72%)	3,626	(76%)
Percentage of women trained	70%		71%	
Average no. of hours of training per employee	11h45		11h30	

3,824 employees in post at 31 December 2017 benefited from at least one training session (including e-learning) or 72% of employees. The average number of hours of training per permanent employee in post at 31 December 2017 was more than 11 hours and 45 minutes compared with 11 hours and 30 minutes in 2016.

SHARE OF PERMANENT WORKFORCE TRAINED BY ACTIVITY



Permanent staff: permanent employees present at 31 December 2017.

The Group's top priority is to promote the development of its employees' skills and the number of employees trained illustrates this commitment.

Training is also central to the major challenges related to the Company's growth, such as accelerating the Group's digital transformation and its deployment in Europe. Several training solutions have been developed to meet business challenges. They include the creation of eLearning modules, classroom training and peer training. To make its training as realistic as possible in all areas of its business, it delivers all training modules jointly with industry experts. These modules are thus systematically tailored to the operational reality of the job and the need to develop employee skills. Employees' interest in this type of training is reflected in the rate of completion of e-learning courses, which stood at 58% in 2017.

To support the development of these skills, the training programme is based on a Group skills frame of reference defined in 2016. This frame of reference enables key skills to be addressed during annual appraisals which are an opportunity to look back over the past year and identify potential for development. The training plan is compiled every year by cross-referencing the training needs expressed during annual appraisals with the Company's strategic priorities.

The Group's Training department set four targets as part of its 2020 development plan:

- To consolidate and extend existing training;
- To capitalise on our human potential;
- To facilitate training access and management;
- To support the development strategy.

To fulfil these ambitions and hit the targets set by the CSR roadmap in terms of mobility and manager training in particular, various training programmes were organised in 2017.

- The store network career path was formalised and criteria were defined to encourage internal development within the Group. These career paths, which are key to our mobility and development programme, will be described in a careers booklet to be distributed to all employees in 2018.
- Aimed more specifically at store assistants, and with the aim of Meeting the 65% target for Store Managers in post as a result of internal promotion by 2020, the "grandir" training path was created in 2017. This career path allows assistants to "grow into" the role of Store Manager and encourages internal mobility by creating a pool of employees who have already been trained ahead of taking up their new post. Lastly, employability is key for the Group's Training Department, which is seeking to develop certified employee training. This "grandir" career path will enable trained employees to receive a Bac+2 MUM retail manager qualification. 12 employees started out on this career path in 2017.
- As regards manager training, 2017 was the year that Maisons du Monde drafted its management charter. This charter was compiled with input from managers and in conjunction with the brand platform. Roll-out is planned for 2018 and the charter will be disseminated to all managers in the context of the 2020 roadmap.
- To meet new manager career training targets and local management training targets, career paths were adapted in 2017 to be better suited to the specific nature of the brand. They will be rolled out in 2018 and will apply to all managers by 2020.
- Lastly, the Training Department supports the roll-out of the CSR strategy and its dissemination across the network. The Training Department played a key role in the in-store CSR contacts project by designing a specific training path for the store managers and contacts in question. Trialled in 2017 across 28 stores, the training programme was adapted in line with the conclusions of the experiment and will be rolled out to 12 more regions in 2018.

Logistics

For two years now, Distrimag has wanted to develop its managerial culture by promoting participatory management and ongoing improvement, ideals that are now part of the logistics Company's DNA.

Against this backdrop, 2017 was spent training the operational managers who are the focus of this development and supporting them was key to the success of the initiative. Managerial approaches were proposed by a working Group and then approved. Basic HR and safety practices were established and workstation information sheets were also revised.

All operational mangers received training to ensure that they were able to fulfil the Company's expectations.

Managerial training cycles were rolled out, the first in 2017 accounting for 35 hours of training per employee. The purpose of this training programme was to help and support managers in getting to grips with the processes and tools.

The Company has initiated an RPL (recognition of prior learning) approach and is providing support for additional training. On that basis, eight employees are currently benefiting from this opportunity. This approach is key because it enables the Company to add value to the teams, to make them more professional and to guarantee their employability.

2.5.4 A COMMITMENT TO DIVERSITY AND DISABILITY

Respecting diversity, Maisons du Monde puts the skills of its employees first. The Human Resources Department guarantees non-discrimination in hiring, employment and access to training.

Because Maisons du Monde is convinced that talent is to be found in each of us and that diversity is a strength, the Group is committed to the principle of non-discrimination in all its forms and practices an inclusive recruitment policy. This applies not only to equal pay and equal opportunities for men and women but also to a desire to hire across the generations so that knowledge can be passed on.

Because disability should not be an obstacle to a successful career, in 2013, Maisons du Monde set up a Disability Commission to monitor and support workers with disabilities within our Company.

Managers

Maisons du Monde managers endeavour to convey the values of the Group and the HR policy to their teams. The Maisons du Monde Group make every effort to ensure that diversity and gender equality is respected at every level of the Company.

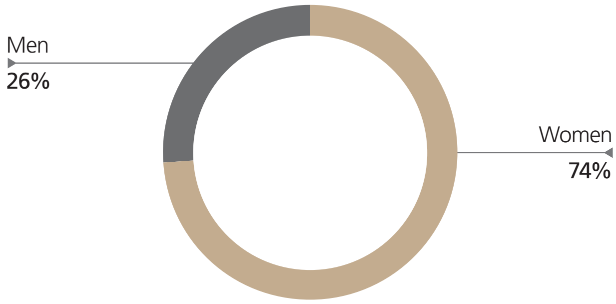
BREAKDOWN OF MANAGERS (EXECUTIVE COMMITTEE AND N-1)

	2017	2016
Women	43	27
Men	28	21
WORLDWIDE	71	48
Proportion of female employees	**61%**	**56%**

BREAKDOWN OF STORE MANAGERS BY GENDER

Breakdown of store managers	2017	2016
Women	240	217
Men	70	58
WORLDWIDE	310	275
Proportion of female employees	**77%**	**79%**

PROPORTION OF FEMALE STORE MANAGERS



People with disabilities

Since 2010, Maisons du Monde has paid particular attention to employees recognised as workers with disabilities. In 2013, the Group established a disability commission to define and monitor actions in favour of said workers. The Group supports employees with disabilities on an individual basis *via* adapted workstations, training, help with approaching external organisations (AGEFIPH, SAMETH) and even funding for medical equipment. Maisons du Monde also takes part in local events (recruitment fairs, network memberships, etc.).

In 2017, the number of employees with disabilities rose 12.5%. Actions carried out in France revolve primarily around four main axes:

- assistance for disabled workers by creating a dedicated fund providing financial assistance, through the establishment of individualised monitoring and the creation of a dedicated email address;
- communication *via* the creation of a disability charter, the establishment of regular communication targeting employees and a systematic mention of disability on employment offers displayed on our website;
- recruitment by the systematic posting of employment offers with Cap'emploi for each new store and participation in specialised recruitment fairs;
- partnership with the protected sector by including ESATs (support and work assistance organisations for disabled people) in our calls for tender.

Combined work-study programmes

In 2017, more than 100 young people benefited from combined work-study contracts in France (apprenticeship or professional qualification contracts). Maisons du Monde contributes to the employability of such people by enabling them to obtain a recognised diploma and a rewarding experience.

Combined work-study programmes give everyone a chance and integrate different skills that are not derived from traditional training courses.

Maisons du Monde has set up individualised support for young people on combined work-study programmes and their tutors. Personalised support of this nature (guidance, regular interviews, HR point of contact) helps ensure young people every chance of success in their studies. The tutor, meanwhile, is assisted in passing on his or her skills and developing relational and teaching skills.

After their training, young people can either continue their education or enter the job market. In 2017, 17% of them were hired by the Group in permanent positions or on fixed terms of more than six months.

2.5.5 MAISONS DU MONDE'S PHILANTHROPIC AMBITIONS

Ambitions 2020
€10 million in customer donations as a result of ROUNDING UP at check-outs to help charities supported by the Maisons du Monde Foundation

The Maisons du Monde Foundation

Officially active since 2016, the Maisons du Monde Foundation was placed under the aegis of the *Fondation pour la Nature et l'Homme* (FNH) created by Nicolas Hulot. FNH guarantees that funds are used wisely whilst the Maisons du Monde Foundation is responsible for operations, in accordance with the environmental and social values and commitments shared by the two organisations.

The Maisons du Monde Foundation only funds projects led by general-interest non-profits located in the European Union or South-East Asia (including India) with the purpose of:

- **Preserving forests** and/or protecting biodiversity in forests in countries in the southern hemisphere;
- **Reusing timber** in European Union countries (recycling, ecodesign, upcycling, etc.) to promote the circular economy, reuse and socio-professional integration;
- **Mobilising for the environment.** This last pillar, created in 2017, covers programmes and partnerships raising the awareness of the brand's employees (*via* the Solidarity Programme), customers (*via* the system of "Rounding Up" at check-out) and citizens in general (*via* “1% for the Planet” and the “I Act for Nature” programme coordinated by the FNH).

A website was launched in July 2017 to present the Foundation's goals as well as the charitable projects it supported: fondation.maisonsdumonde.com. The first activity report was also published in June 2017. It can be accessed in electronic format *via* the Foundation's website.

Governance of the Foundation

The Maisons du Monde Foundation is a separate structure from SAS Maisons du Monde France. It is legally dependent on the Fondation pour la Nature et l'Homme (FNH). It is run by a “Board of Directors” which has five members:

- Gilles Petit, CEO of Maisons du Monde;
- Catherine Filoche, Maisons du Monde Company Secretary;
- Cécile Ostria, CEO of the Fondation Nicolas Hulot pour la Nature et l'Homme;
- Stéphane Rivain, Associate Director of Oréade-Brèche, an environmental and development consultancy;
- Charles-Edouard Vincent, founder of *Emmaüs Défi* and *Lulu dans ma rue*.

The two annual Board meetings enable the Selection committees to be kept abreast of projects further to the Foundation's organisation of calls for projects and Pre-selection committees.

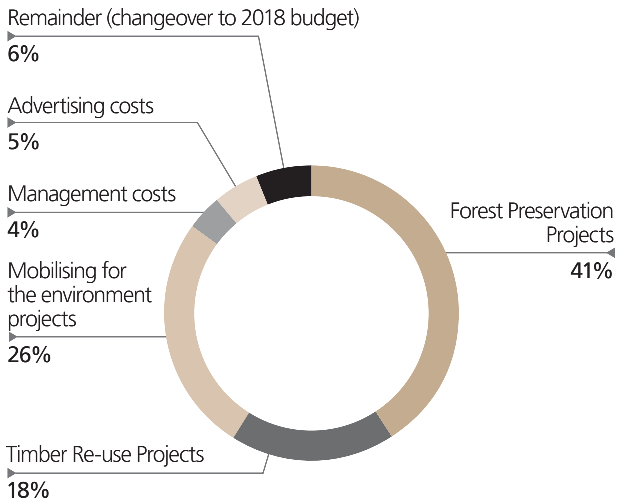
Breakdown of the Foundation's budget

The Maisons du Monde Foundation's operating budget represents 0.08% of the Group's sales, as reported in the consolidated financial statements for the previous year.

The Maisons du Monde Foundation's budget was €704,800 for 2017, in addition to €4,600 from a one-off sale organised on the occasion of the Company's 20th anniversary, for a total of €709,400.

The Maisons du Monde Foundation has made the defining choice of providing three years' funding for projects led by general-interest non-profits for the purposes of making a significant impact on society. Funding ranges between €20,000 and €30,000 annually and is *via* two complementary funding mechanisms - own funds and "Rounding Up" at the check-out.

BREAKDOWN OF THE MAISONS DU MONDE FOUNDATION'S BUDGET



In 2017, the Maisons du Monde Foundation funded 11 forestry preservation and biodiversity projects, including seven partnership projects approved by the Board of Directors in 2016 and repeated for a second year, and four projects selected by the Board of Directors in 2017.

The Maisons du Monde Foundation also funded 6 timber recycling and socio-professional reintegration projects. Of these six projects, all located in France, four were selected in 2016 and have, therefore, been funded for a second year of partnership, and two were selected following the 2017 call for projects.

Lastly, with regard to mobilisation programmes, 20% of the Foundation's operating budget is earmarked for projects led by the FNH. In 2017, these funds were allocated under the "I Act for Nature" programme launched in 2010. This platform puts citizens who wish to donate their time in contact with 608 bodies (associations, managers of natural spaces, local authorities) in need of specific support for their environmental protection initiatives. The remaining funds were used to roll out "Rounding Up" at check-out and to introduce Collective Solidarity Leave, both of which are part of the 2017 Solidarity Programme.

An overview of all the projects funded by the Maisons du Monde Foundation in 2017 appears on the www.fondation.maisonsdumonde.com website.

"Rounding Up" at check-out:

To mobilise the brand's customers, the Maisons du Monde Foundation rolled out the MicroDON solidarity donation solution: "Rounding Up" at check-out. Trialled in five pilot stores in the last quarter of 2016, the system was gradually rolled out across all the brand's French stores in 2017. This system offers customers who wish to do so the opportunity to help fund a project selected by the Foundation.

In 2017, this programme was a real success with 56.2% of customers taking part. 3,341,341 donations were made and €400,210 collected for projects selected by the Foundation, with donations averaging €0.12.

Four non-profits are made beneficiaries of "Rounding Up" every year, after being selected by the Board of Directors, for a three month period, with a collection target to be attained. This funding mechanism is in addition to funding *via* Maisons du Monde Foundation's own funds. 100% of donations are paid to the project selected, according to a timetable set in an agreement with the non-profit. If collection targets are exceeded, a rider can be added to the agreement to extend the partnership for an additional period. Should the collection fail to reach the required amount, the Foundation makes a compensatory payment of up to €10,000 to the non-profit.

In 2017, *Awely, Cœur de Forêt* and *Le Foyer Notre Dame des Sans Abris* were supported by the brand's customers *via* "Rounding Up" at check-out.

Other philanthropic programmes supported

In addition to Maisons du Monde Foundation programmes, the brand supports philanthropic commitments centred around the Group's business activities. This financial support or these product donations for non-profits are aimed at helping two main causes:

- **help for disadvantaged children and parents.** For several years now, the brand has supported this cause in association with the Maisons du Monde "Junior" activities, in particular by donating products. In 2017, this commitment was put into practice by lending support to the "Mamans en fête" initiative led by the *Apprentis d'Auteuil* Foundation, with a financial donation as well as with donations of new decoration products. For this initiative, *Apprentis d'Auteuil* organises Mother's Day clearance sales to fund local projects to support families. Maisons du Monde stores near these clearance sales are then asked to donate decoration products for the event. A partnership with the French Red Cross resulted in new furniture from the Group's warehouses being donated to five "Enfance-Famille" network centres as part of a refurbishment programme. This partnership meets a very real need on the part of these establishments and helps to create a warm and welcoming atmosphere for their beneficiaries;

- **donations of furnishings and decorations.** To reduce the number of substandard products being thrown away and to support reuse networks and the social and solidarity economy, Maisons du Monde has entered various partnerships so that products which are out of the sales circuit can be donated. These products are collected from the warehouse or from stores by the brand's partner to stock their charity shops or for their reuse activities. These donations enable these partner charities' beneficiaries to obtain Maisons du Monde products at a social price. The Group is part of the partnership framework of various organisations such as the Emmaüs network, Croix Rouge Insertion structures and also *Secours Populaire* for the donation of unsold products from stores or showrooms in Vertou (see section 2.3.2 of this Registration Document).

2.5.6 FOSTER EMPLOYEE COMMITMENT

Ambitions 2020
1,000 employees took part in solidarity activities

The Maisons du Monde solidarity programme

In line with the Maisons du Monde Foundation's goal of "mobilising for the environment", the aim of the solidarity programme is to involve Maisons du Monde employees in solidarity initiatives by offering them the resources needed for this type of commitment. Three complementary systems were introduced to offer all employees the chance to get involved according to their means and time: collective Solidarity Leave, an historic Maisons du Monde programme, individual Solidarity Leave (*Congé Solidaire*®) organised by Planète Urgence, and lastly, the Solidarity Day.

The Solidarity Day

The Solidarity Day, trialled for the first time in 2017, is the opportunity for 10 to 15 employees to find out about a charitable organisation's activities over the course of a day devoted to this purpose. These days enable non-profits to showcase their initiatives in a practical way and to receive help from volunteers. These days are also an opportunity for employees to bond or for bonds between employees taking part in these solidarity initiatives to be strengthened: these are veritable team-building experiences.

In 2017, 51 employees took part in five Solidarity Days held in the Paris, Lyon, Marseille and Nantes regions with Croix Rouge Insertion, Emmaüs Défi and Fondation pour la Nature et l'Homme.

Collective Solidarity Leave

Collective solidarity leave is Maisons du Monde's flagship solidarity programme. Set up in 2011, it is a programme to raise awareness of sustainable development challenges by enabling employees to find out about forestry preservation projects in the southern hemisphere led by NGOs and supported by the Maisons du Monde Foundation. Participants are drawn at random from volunteer employees and set off to find out about the work of the NGOs and the Foundation in the field, taking part in NGO's activities and immersing themselves in another social reality. Upon their return, participants become the Foundation's CSR ambassadors and sometimes NGO volunteers. Their involvement in other solidarity projects such as the Solidarity Day and Planète Urgence's Solidarity Leave (*Congé Solidaire*®) reflect their increased awareness and their desire to continue to be involved.

Since 2011, 144 employees have embarked upon this initiative. In 2017, two periods of solidarity leave were organised with 16 employees coming on Board: the first was in Colombia, to find out about an agro-forestry and woodland grazing project organised by the NGO Envol Vert, and the second was in Cameroon, to find out about Dja Biosphere Reserve preservation projects led by the NGOs TF-RD and Awely.

Individual Solidarity Leave (*Congé Solidaire*®) with Planète Urgence:

This system enables employees to do skills-based volunteer work for a local organisation in the southern hemisphere for a 15-day period. Employees choose and apply for volunteer work on the basis of the skills that they can donate to the host organisation (non-profit, cooperative, etc.) Leaving alone or in a group, these employees are supervised at every stage by Planète Urgence. Employees are offered three types of work: socio-educational support for young people and literacy skills; skills transfers in the context of adult training; protection and development of biodiversity.

In 2017, seven employees volunteered for biodiversity protection and development initiatives under this scheme.

EMPLOYEES THAT PARTICIPATED IN THE SOLIDARITY PROGRAMME

Solidarity programme participants (cumulative)	2017
Solidarity Day	51
Individual solidarity leave	7
Collective solidarity leave	144
TOTAL NUMBER OF EMPLOYEES HAVING PARTICIPATED IN THE SOLIDARITY PROGRAMME	**202**

2.6 Non-financial reporting methodology

The following themes required by the Grenelle II law were deemed not material in relation to Maisons du Monde's activity, and are not subject to specific disclosures in this report:

- land for Maisons du Monde's own business use. Maisons du Monde's own business does not use land to any great extent;
- fight against food waste. The Group's business does not generate food waste beyond employee meals;
- means devoted to the prevention of environmental risks and pollution. The prevention of environmental risks is currently not a part of the Group's overall policy and is adapted to the regulations to which our activities are subject;
- consideration of noise pollution and of any other form of pollution specific to an activity. The Group has not yet identified specific sources of pollution that generate particular risks.

In terms of the theme "importance of subcontracting and consideration of their social and environmental responsibility in relations with subcontractors and suppliers", it should be noted that most Maisons du Monde activities are in-house. Subcontractors are only used for site security and maintenance. The Group uses partners and suppliers for production activities or for transporting products (see respectively sections 2.2.2 and 2.4.3 of this Registration Document).

Lastly, in terms of the theme "Measures taken in favour of consumer health and safety", it should be noted that the Maisons du Monde Group has begun work to ensure compliance with the General Data Protection Regulation (GDPR) in force from 2018. In order to protect the personal data of customers and employees of the brand in particular, the project covers all of the functions affected (marketing, customer relations management, IS management, legal, internal control, HR, etc.).

Scope and reporting period

The CSR indicators are reported for the entire Group, *i.e.* the Maisons du Monde store network, administrative premises, the Distrimag logistics subsidiary and the Mekong Furniture factory. The Group's reporting scope does not include franchise operations, nor does it include Chin-Chin Limited – located in China and accounted for using the equity method in the financial scope. Any other eventual exclusions from the scope of consolidation is specified in the body of the text and is set out below.

The data is reported for the period 1 January to 31 December.

2.6.1 ENVIRONMENTAL INDICATORS

Reporting tool

The information contained in the report was collected from various contributors from different parts of the Group's activities using data collection files specifically adapted for each contributor. The files were consolidated at Group level by the CSR Department.

Key methodological specificities

As regards the store network's reporting of waste, it should be noted that data have been extrapolated for stores for which data from service providers are not available, in particular town centre stores for which data is not tracked by the service provider. In addition, data have also been extrapolated to stores, where waste management is not provided by Maisons du Monde (stores in out-of-town or shopping centres) in order to account for all of the Group's impacts. This data was extrapolated on the basis of a ratio of tonnes of waste per euro of revenue made. Moreover, the tonnage of waste generated at administrative premises is limited to amounts monitored by suppliers. No information is available for waste removed without being weighed. Flows of this nature are therefore not included in the reporting.

It should be noted that, for reasons of data availability, the quantities of waste reported for Mekong Furniture factory production activities are estimates. Tonnages of waste are estimated on the basis of the number of trucks emptied or bins filled and relate to standard weights.

Energy consumption (electricity, gas, domestic fuel oil and thermal networks for heating) are monitored on the basis of billing.

In terms of the store network, following difficulties collecting information from the supplier, electricity consumption data are estimated for 11% of consumption based on average intensity in kWh/m2 calculated by country.

In terms of logistics activities, the oil consumption for the Miramas building, which is sublet to another company, is accounted for in Distrimag's consumption as it is not charged back to the tenant. The natural gas consumption of warehouses is reported on the basis of the supplier's meter-readings throughout the year and do not necessarily reflect the exact consumption over the reporting period.

The fuel consumption of vehicles under long-term lease at Maisons du Monde is estimated on the basis of average consumption in litres per 100 kilometres (maker's data) for each of the vehicle types used and quarterly monitoring of kilometres travelled reported by users. Short-term vehicle hire consumption is estimated on the basis of km travelled with an average consumption of 6L/100km.

The CO_2 emissions related to energy and fuel consumption are calculated on the basis of the emission factors provided by the French environmental agency ADEME, but only for the "combustion" part. The CO_2 emissions related to the energy consumption of heat networks do not include emissions related to a Group store in Italy, as the emission factor was not available from the supplier.

In terms of accounting for CO2 emissions, emissions from vehicles on long-term lease are accounted for as direct emissions (Scope 1). Emissions from vehicles on short-term lease are accounted for as indirect Scope 3 emissions from employee travel. Moreover, the main Scope 3 indirect emissions items cannot be calculated for all items in 2017. The data provided under the "Products and services purchases" item are calculated based on 2016 activity data.

GHG emissions from the transportation of suppliers' products to the brand's stores or customers (Scope 3 - excluding Distri-meubles) are calculated based on the quantities transported in tonnes/km and ADEME's emissions factors.

As far as general purchasing data is concerned, the amounts of paper reported in the quantities of paper purchased by Maisons du Monde are limited to purchases of reams of paper and rolls for receipts.

Water consumption on administrative premises and in stores is confined to domestic uses, and does not represent a significant impact for Maisons du Monde. The consumption data provided in the report are estimated on the basis of a water use ratio in cubic metres per employee calculated on the basis of the actual data of a sample of fifteen stores.

2.6.2 HR INDICATORS

Scope

The social reporting scope includes all consolidated legal entities in accordance with the requirements of financial consolidation.

note that for reasons of information availability, the indicators collected do not cover the Group's entire scope. In a process of continuous improvement, the Group is working to expand the collection scope of HR data so as to disclose the most comprehensive information possible. Scope specificities are provided throughout the report.

Reporting tools

The indicators are derived from the payroll tool (Business Objects) and the ERP of the Mekong factory in Vietnam.

Social indicators were collected through a network of contributors identified at Maisons du Monde, Distrimag and Mekong on the basis of their business line expertise. The HR reporting managers run this network of contributors from France. The aim is to improve the quality of data and establish common definitions.

Key methodological specificities

Social data correspond exclusively to people with an employment contract with a Group entity. People on temporary contracts, external providers and franchises, as well as trainees and people on probation (Vietnam) are excluded from these data. However, people on combined work/study contracts (apprenticeship or professional qualification contracts) are included in the scope. A reporting protocol has been created, containing all the qualitative and quantitative indicators and the associated definitions.

The monitoring of hirings and dismissals presented in the report is limited, as of now, to permanent staff.

The monitoring of workplace injuries is limited to accidents with lost time in France, Belgium, Italy, Switzerland and Luxembourg. The number of days lost used to calculate the severity rate of workplace accidents is counted in working days.

Concerning training indicators, the training of employees undergoing induction into the store network is included in the calculation of training hours and costs. Training is monitored for the scope of France and Europe (excluding Mekong).

Finally, concerning the distribution of managers by gender, the members of the Group Executive Committee and their direct reports are considered as "managers".

2.7 Report by the Statutory Auditor, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended 31 December 2017

To the Shareholders,

In our capacity as Statutory Auditor of Maisons du Monde S.A., (hereinafter named the “Company”), appointed as independent third party and certified by COFRAC under number 3-1049, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company’s responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditor’s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not our responsibility to express an opinion on the compliance with the other relevant legal provisions applicable if necessary, in particular those envisaged by article L. 225-102-4 of the French Commercial Code (Duty of care) and by the law n° 2016-1691 of 9 December 2016 known as Sapin II (fight against corruption).

Our work involved five persons and was conducted between September 2017 and March 2018 during a three weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[1] concerning our conclusion on the fairness of CSR Information.

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the 6th section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted ten interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important(1):

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of sites selected by us(2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 100% of headcount considered as material data of social issues and between 91% and 100% of environmental data considered as material data(3) of environmental issues.

(1) ***Social indicators:*** *Breakdown of workforce by contract type and by gender, Total number of permanent contract hires, Totalnumber of permanent contract dismissals, Total number of training hours.*
Environmental indicators: *Energy consumption (electricity, heat network, natural gas and propane, domestic fuel oil), Vehicles fuel consumption, Greenhouse gas emissions (Scope 1 and 2), Volume of waste produced, Packaging - Purchases of paper and packaging used at check-outs, Packaging - Commercial publications, Packaging - Purchases of cardboard.*
Qualitative information: *The organization of social dialogue, notably procedures for informing and consulting staff and negotiating with employees, Occupational health and safety conditions, Consumption of raw materials and measures taken to improve efficiency in their use, Significant amounts of greenhouse gas emissions generated as a result of the Company's activity, particularly through the use of the goods and services it produces, Adaptation to the consequences of climate change, Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste, Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility.*

(2) *Administrative headquarters of Maisons du Monde (Vertou) and logistics entity Distrimag (Saint Martin de Crau).*

(3) *See list of environmental indicators in the footnote n°3 of this report.*

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense and Nantes, 23 March 2018

KPMG S.A.

Anne Garans	Gwenael Chedaleux
Partner *Sustainability Services*	Partner

Corporate governance

3

3.1 Report of the Chairman of the Board of Directors on corporate governance

Dear shareholders,

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, as amended by Order 2017-1162 of 12 July 2017, and as a supplement to the management report, the purpose of this report of the Chairman of the Board of Directors is to report to the shareholders on:

- the composition, work and powers of the Board;
- conditions for preparing and organising the work of the Board;
- the compensation of corporate officers;
- the agreements signed between an executive or significant shareholder and a subsidiary;
- elements liable to have an impact in the event of a public offering;
- the procedures for shareholder participation in the Shareholders' Meeting.

Please note that the information regarding the **elements liable to have an impact in the event of a public offering** as well as the description **of the procedures for participating in the Shareholders' Meeting** can be found in chapter 6 of this Registration Document.

This report was compiled with the assistance of the Company's Finance and Legal Departments and was approved by the Board of Directors of 20 March 2018, after being reviewed by the Nomination and Compensation Committee.

The Company uses the AFEP-MEDEF Corporate Governance Code as its reference since 2016. This Code can be consulted on the websites of the MEDEF (www.medef.fr) and the AFEP (www.afep.com).

The Company complies with this Code, subject to the reservations shown in this report, where applicable.

3.1.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

COMPOSITION OF THE BOARD

In accordance with its Bylaws, the Company is run by a Board of Directors with a minimum of three and a maximum of eighteen members, subject to derogations provided for by law.

Directors serve a four-year term of office. By way of exception, some directors may be appointed for a shorter term, to permit the reappointment of members of the Board of Directors to be staggered over two-year periods.

No more than one third of the directors in office shall be over seventy (70) years of age.

As of 31 December 2017, Maisons du Monde's Board of Directors was composed of the following seven members: Sir Ian Cheshire, Michel Plantevin, Gilles Petit, Sophie Guieysse, Marie-Christine Levet, Nicolas Woussen and Marie Schott.

Positions and offices of members of the Board of Directors are presented in section 3.1.2 "Positions and offices of members of the Board of Directors" of this Registration Document.

Chairman and Chief Executive Officer

In 2016, the Company's Board of Directors chose to separate the functions of Chairman and Chief Executive Officer.

This separation allows for a clear differentiation between the respective tasks of the Chairman and Chief Executive Officer: the Chairman of the Board of Directors organises and directs the work of the Board and reports on this work to the Shareholders' Meeting. The Chairman ensures that Company bodies are running smoothly and, in particular, that directors are able to perform their duties. The Chief Executive Officer is in charge of operational functions.

Independence of Board members

Under the terms of the AFEP-MEDEF Code, directors are independent when they have no relationship whatsoever with the Company, its Group or its Management that could compromise the exercise of free judgement. More specifically, the only directors to be classed as independent are those who:

- are not, and have not been during the last five years, employees, executives or corporate officers of a related company;

- are not, and have not been during the last five years, customers, suppliers or business or corporate bankers of the Company;
- do not have, and have not had within the last five years, any family ties with any of the Company's corporate officers;
- have not been statutory auditors of the Company auditors in the last five years;
- do not represent major shareholders or have a controlling interest in the Company.

In accordance with the Internal Regulations of the Board of Directors and the provisions of the AFEP-MEDEF Code, the Board performs an annual evaluation of the independence of each Board member on the basis of the Nomination and Compensation Committee's report.

The Board of Directors of 20 March 2018, having reviewed the situation of each director in relation to the independence criteria defined by the Internal Regulations and the AFEP-MEDEF Code, as well as the report of the Nomination and Compensation Committee, confirmed the independence of the following members: Sophie Guieysse, Marie-Christine Levet, Marie Schott, Sir Ian CHESHIRE and Nicolas Woussen.

Summary table of the independence criteria of each Board member

	Sir Ian Cheshire	Gilles Petit	Michel Plantevin	Sophie Guieysse	Marie Christine Levet	Nicolas Woussen	Marie Schott
Is not, and has not been during the last five years, an employee, executive or corporate officer of a related Company	X	no	no	X	X	X	X
Absence of overlapping positions	X	X	X	X	X	X	X
Is not, and has not been during the last five years, a customer, supplier or business or corporate banker of the Company	X	X	no	X	X	X	X
Does not have, and has not had within the last five years, any close family ties with any of the Company's corporate officers	X	X	X	X	X	X	X
Has not been a statutory auditor of the Company in the last five years;	X	X	X	X	X	X	X
Has not been a director of the Company for over 12 years	X	X	X	X	X	X	X
Does not represent a major shareholder or have a controlling interest in the Company.	X	X	X*	X	X	X	X

* *Michel Plantevin no longer represents Bain Capital since 19 May 2017.*

Composition and balanced representation of men and women on the Board of Directors

Three of the seven current members of the Company's Board of Directors are women, in accordance with the provisions of the law of 27 January 2011 and Article L. 225-18-1 of the French Commercial Code regarding balanced gender representation on Boards of Directors.

Representation of employee shareholders and employees

Director representing employee shareholders

If the Board of Directors' annual report shows that the employees of the Company and its associated companies represent over 3% of the Company's share capital, a director representing employee shareholders is appointed by the Ordinary Shareholders' Meeting, in accordance with the methods set by the regulations in force and by the Bylaws, where applicable, provided that the Board of Directors does not already include one or several directors appointed from among the members of the Supervisory Boards of the Company mutual funds representing the employees.

At 31 December 2017, Group employees represented less than 3% of the Company's share capital. Furthermore, the Company has not established any Company Savings Plans for Group employees.

Director representing the employees

In application of the provisions of Article L. 225-27-1 of the French Commercial Code, Maisons du Monde, as an employer with at least 1,000 employees at the Company and its subsidiaries at the end of the last two financial years and with a registered office located in France, must designate a director to represent the employees.

The Shareholders' Meeting of 18 May 2018 will be asked to amend the Bylaws in order to establish the terms and conditions for the appointment of a director representing the employees. The meeting of the Board of Directors of 20 March 2018, in application of the provisions of Article L. 225-27-1 III 3 of the French Commercial Code, and after having reviewed the opinion of the Works Council, determined the method for appointing the director representing employees and decided to propose to the General Meeting that the latter be selected by the trade union having obtained the largest number of votes in the first round of the professional elections of Maisons du Monde and its subsidiaries whose registered office is in France. The new director representing the employees will be appointed and take office no later than 31 December 2018.

OPERATION OF THE BOARD

Maisons du Monde adopted Internal Regulations in line with industry recommendations aiming to guarantee compliance with fundamental principles of corporate governance and, in particular, those referred to in the Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"). The Internal Regulations of the Board of Directors can be consulted on the Company's website: corporate.maisonsdumonde.com.

Duties and powers of the Board

The Board of Directors of Maisons du Monde is a collegiate body that collectively represents all the shareholders and whose duty is to act in the interest of the Company. It sets guidelines for the Company's business and oversees their implementation. It deals with any issues relating to the smooth operation of the Company and, through its deliberations, takes decisions on related issues.

The Company performs the duties and exercises the powers invested in it by law, by the Company's Bylaws and by the Board's Internal Regulations.

Duties of the Chairman of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board and reports on this to the Shareholders' Meeting.

The Chairman ensures that Company bodies are running smoothly and, in particular, that directors are able to perform their duties.

Information provided to the directors

The directors receive the agenda for each Board Meeting and any items for consideration in good time before the meeting, except under exceptional circumstances.

The Chairman updates the directors on a regular basis and, if necessary, between meetings, on any relevant information about the Company. In addition, each director may solicit any explanation or additional information that he/she may deem appropriate.

Directors receive any training that they may need in order to successfully perform their duties as a Board member, and if appropriate, as a committee member. Such training is provided, or approved, by the Company.

Limitations of the powers of the Chief Executive Officer

The Board gives its prior approval to strategic decisions that cannot be implemented by the Chief Executive Officer without the express prior approval of the Board.

This relates, in particular, to the approval or amendment of the annual budget, as well as the approval of any expenditure, the creation, purchase or sale of holdings, decisions relating to the appointment of managers or the settlement of disputes, where the amount exceeds the threshold set and which may not have been budgeted for. This list is not exhaustive.

Code of Conduct of Maisons du Monde directors

Holding of shares

In accordance with the Maisons du Monde Internal Regulations, each member of the Board must be a shareholder on a personal basis and must own a relatively significant number of Company shares. If they do not own shares when they take office, directors must use their directors' fees to acquire Company shares within six (6) months of taking office. It is desirable for each director to directly, or indirectly through a Group mutual fund, where this type of holding is permitted, hold at least one hundred (100) Company shares.

Confidentiality

Directors, as well as any person invited to attend meetings of the Board or of its committees, are bound by a duty of discretion with regard to the confidential information of which they are made aware.

In addition, since Company shares are traded on a regulated market, certain information shared with the Board may be inside information and holders of inside information are, in particular, prohibited:

- from carrying out transactions in relation to Company shares, or having such transactions carried out by third parties, whilst such information is not in the public domain;
- from disclosing such information to third parties outside the normal course of their profession or duties or for purposes other than those for which the information has been received.

With regard to directors who are physical persons, the ban on disclosing inside information also applies within the companies by which they are employed, even if they are shareholders therein.

Preventing conflicts of interest

To the Company's knowledge, there are no family ties between the members of the Company's Board of Directors and Senior Management.

Likewise, over the last five years, no member of the Board has incurred a fraud conviction, been involved in a bankruptcy, court-ordered receivership or liquidation, and no criminal offence and/or official public sanctions have been ordered against one of the aforementioned persons by the statutory or regulatory authorities (including the designated professional bodies), and no member of the Board has been prevented by a court from being a member of an administrative, management or supervisory body of an issuing company, or from taking part in the management or leadership of the business of an issuing company.

To the Company's knowledge, there is no potential conflict of interest between the duties of the members of the Board of Directors with regard to the Company and their private interests.

Organisation and work of the Board

The Board meets as often as the interest of the Company requires it.

The Chairman endeavours to ensure that there are at least five calendar days between Board Meetings being convened and held. He also endeavours to consider the constraints imposed by Board members' schedules so as to ensure that as many members as possible are able to attend each meeting.

During the year ended 31 December 2017, the Board of Directors met 12 times in order notably:

- to approve the final budget for the 2017 financial year (Board Meeting of 24 January 2017);
- to grant prior authorisations to the Chief Executive Officer in application of the Internal Regulations: authorisation to subscribe to an additional credit facility (Board Meeting of 24 January 2017) and authorisation for the ABACO merger-acquisition (Board Meeting of 5 October 2017);
- to approve the annual financial statements for the 2016 financial year (Board Meeting of 3 March 2017) and the half-year financial statements for the 2017 financial year (Board Meeting of 27 July 2017);
- to set the compensation of Executive Directors, to perform the annual evaluation of the operation of the Board, to review the independence of its members and to convene the Shareholders' Meeting (Board Meeting of 16 March 2017);
- to review the results of the first and third quarters of the 2017 financial year (during the Board Meetings of 2 May 2017 and 23 October 2017 respectively);
- to propose the appointment of a new director (Board Meeting of 21 April 2017);
- prior to the Annual Shareholders' Meeting, to grant the powers to a member of the Board of Directors to replace the Chairman during a meeting (Board Meeting of 19 May 2017), and at the end of the Shareholders' Meeting, to allocate free Company shares and distribute the directors' fees allocated to the Board of Directors (Board Meeting of 19 May 2017);
- to issue convertible bonds (OCEANE) based on the Shareholders' Meeting's delegation of authority (Board Meeting of 27 November 2017);
- to analyse the Company's business over the 2017 financial year and present a draft budget for the 2018 financial year (Board Meeting of 15 December 2017).

Attendance of the directors at the Board of Directors' Meetings during the 2017 financial year:

Director	Attendance at Board meetings	Attendance Rate
Sir Ian CHESHIRE	10/12	83%
Gilles PETIT	12/12	100%
Michel PLANTEVIN	9/12	75%
Sophie GUIEYSSE	11/12	92%
Marie-Christine LEVET	12/12	100%
Nicolas WOUSSEN	9/12	75%
Marie SCHOTT	5/5	100%

Meetings are organised as required by the Group's business. These meetings must enable the Board to receive a regular flow of relevant information, thus ensuring that conditions are in place for robust corporate governance.

Members of the Maisons du Monde Executive Committee or any other person with a particular skill of relevance to the Board's agenda, may attend all, or part, of a Board Meeting, at the Chairman's request. Likewise, the Company's statutory auditors may be invited to attend meetings other than those they are required to attend by law.

Directors' fees

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

Information about the payment of directors' fees appears in section 3.2.1 "Compensation of corporate officers" of this Registration Document.

Evaluation of the operation of the Board

At least once a year, one item on the agenda is devoted to the evaluation of the Board's operation, an account of which is given in the Company's annual report, such that shareholders are kept informed, on a yearly basis, of the evaluations performed and, if necessary, any follow-up given.

In accordance with the Internal Regulations of the Board of Directors and the provisions of the AFEP-MEDEF Code, the Board of Directors, during its 20 March 2018 meeting, decided to perform an evaluation of the operation of the Board and discussed its procedures.

SPECIALISED COMMITTEES OF THE BOARD

The Board of Directors is assisted by two specialised permanent committees: the Audit Committee and the Nomination and Compensation Committee.

Audit Committee

The Audit Committee consists of the following directors:

Chairman	Nicolas WOUSSEN – independent director
Members	Marie-Christine LEVET – independent director
	Sir Ian CHESHIRE – independent director

The Audit Committee assists the Board of Directors in its mission of approving the statutory and consolidated financial statements and in preparing the information to be delivered to the shareholders and to the market. The Audit Committee ensures that the internal control systems and the risk management procedures of the Group are effective and efficient. It also monitors questions relating to the preparation and control of the accounts and financial information, as well as the legal control of the accounts.

In this framework, the Audit Committee carries out the following duties:

- monitoring the process of preparing the financial information;
- monitoring the appropriateness and consistency of accounting methods;
- monitoring of the statutory auditor's independence;
- tracking of the amounts paid to the statutory auditors for their work on matters other than those related to the legal audit of the financial statements;
- monitoring and effectiveness of internal control and risk management systems relative to the procedures for the preparation and processing of accounting and financial information;

During the financial year, the work of the Audit Committee consisted of:

- examining the 2016 annual financial statements and the 2017 interim financial statements, and the control of these financial statements by the statutory auditors;
- assessing the impact of regulatory changes on the Company's internal control, focusing in particular on the anti-corruption provisions in the French Sapin II law;
- review of the control systems set up to strengthen Internal Control;
- review of the legal risks, potential litigation and important events that may have a significant impact on the financial position and assets of the Group;
- approving the system for granting power of attorney within the Group;
- review of the services other than the certification of the accounts provided by the statutory auditors during the financial year. In 2017, this work, which was submitted for the prior agreement of the Audit Committee, comprised:
  - the verification of the CSR information by a third party organisation;
  - certifications of the data from the accounts (certifications regarding the revenue per store, covenant certifications, ecofolio certification, etc.);

The committee met four times with an attendance rate of 100% of its members for each meeting.

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of the following directors:

Chairwoman	Sophie GUIEYSSE – independent director
Members	Sir Ian CHESHIRE – independent director
	Michel PLANTEVIN

The Nomination and Compensation Committee is a specialised committee whose principal duty is to help the Board of Directors in the composition of the management bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits granted to Group executives (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context, the Nomination and Compensation Committee's duties are to make proposals in relation to the appointment of members of the Board of Directors and of the members of the management of the Company, as well as the members and the Chairmen of each of the other committees and to perform an annual evaluation of the independence of the members of the Board of Directors.

The work of the Nomination and Compensation Committee in 2017 comprised:

- analyse the compensation of the executive directors;
- propose the determination of the amounts due to the Chief Executive Officer in variable compensation in respect of the prior fiscal year, and the analysis of the suitability of the criteria used for the coming fiscal year, with regard to the Group strategy.

  Prior to the Board of Directors meeting of 20 March 2018, the Committee reviewed the compensation policy for executives and decided that there was no need to amend it. It reviewed the fixed compensation of the Chief Executive Officer and decided that no events justified its modification;
- issue an opinion on the situation of all directors, particularly with regard to the independence criteria stipulated by the AFEP-MEDEF Code;
- propose the long-term incentive plan in the form of performance shares granted at the end of the 2017 Shareholders' Meeting, in line with the first grant made at the end of 2016;
- issue an opinion regarding the renewal/proposal of new directors;
- initiate a project to formalise the existence of the succession plan for executive directors and obtain information regarding the plans in place for the other main executives of the Group.

The committee met four times with an attendance rate of 100% of its members and the corporate officer was not present during discussions pertaining to him.

EXECUTIVE COMMITTEE OF MAISONS DU MONDE

- The Group has an experienced management team led by its Chief Executive Officer, Gilles PETIT, and the following individuals, who are actively involved in the Group's day-to-day operations:
- Guillaume APOSTOLY, Information Systems Director;
- Yohann CATHERINE, Operations Director;
- Philippe CHAUMAIS, European Development Director;
- Anne-Laure COUPLET, Brand Managing Director;
- Catherine FILOCHE, Company Secretary, Head of Franchising and Business-to-Business Sales (BtoB);
- Arnaud LOUET, Chief Financial Officer;

- Stéphane MORTELETTE, Human Resources Director;
- Julien VIGOUROUX, Logistics Director;
- Julie WALBAUM, Managing Director of E-Commerce and Customer Marketing.

3.1.2 POSITIONS AND OFFICES OF THE MEMBERS OF THE BOARD OF DIRECTORS

DESCRIPTION OF THE POSITIONS AND OFFICES AT 31 DECEMBER 2017

As of 31 December 2017, the Company's Board of Directors was composed of the following seven members whose positions and duties are indicated below.

During the financial year ended 31 December 2017, Roanne DANIELS resigned her position on 19 May 2017 and Xavier MARIE and Matthias BOYER-CHAMMARD resigned their positions on 23 October 2017.

Date of birth

6 August 1959

Nationality

British

Date of 1st appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

1,000

SIR IAN CHESHIRE

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Chairman of the Board of Directors

Biography

Sir Ian CHESHIRE spent 17 years with Kingfisher plc including 7 years as group Chief Executive Officer between 2008 and 2015. Since April 2016, he has served as the Chairman of the Board of Directors and of the Nomination Committee and as a member of the Remuneration Committee of Debenhams. Sir Ian currently holds positions as a senior independent director of Whitbread plc, Chairman of Menhaden Capital plc and lead non-executive director for the British government. Sir Ian Cheshire is also a non-executive member of the Cabinet Office Board (British Prime Minister's cabinet). In addition, he is President of the Business Disability Forum, Chairman of the Advisory Board of the Cambridge Institute for Sustainability Leadership and has been made a "Chevalier de l'Ordre National du Mérite" of France. Sir Ian formerly served as Chairman of the British Retail Consortium.

Sir Ian CHESHIRE graduated from Cambridge University.

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director and Chairman of the Board of Directors of Maisons du Monde S.A.

Foreign companies:
- Chairman of the Board of Directors of Barclays UK
- Chairman of the Board of Directors of Debenhams
- Director of Whitbread Plc
- Chairman of Menhaden Capital Plc

Lead non-executive director (Special advisor) for the British Government

Member of the Cabinet Office Board (Executive Committee) of the British Prime Minister's Cabinet

- President of the Business Disability Forum

Terms of office that have expired in the last five years:

French companies:
- None

Foreign companies:
- Director of Kingfisher Plc from 2000 to 2015, Chief Executive Officer from 2008 to 2015
- Director of Whitbread Plc
- Chairman of the Advisory Board of the Cambridge Institute for Sustainability

Date of birth

24 October 1956

Nationality

French

Date of appointment

29 April 2016

End of term of office as Director

31 December 2019

Maisons du Monde shares held

100

MICHEL PLANTEVIN

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Vice-Chairman of the Board of Directors

Biography

Michel PLANTEVIN has been a Managing Director at Bain Capital Private Equity (Europe) LLP since 2003, focusing on the industrial and chemical sector in Europe as well as on investments in France and Benelux. He served as a Managing Director at Goldman Sachs International, initially in the investment banking division and then in the merchant banking division. He previously served as a consultant of Bain & Company Inc. and headed its Paris office as a Managing Director.

Main offices held in the last five years

Current terms of office:

French companies:

- Director and Vice-Chairman of the Board of Directors of Maisons du Monde S.A.
- Member of the Supervisory Board of Autodistribution SA

Foreign companies:

- Managing Director of Bain Capital Equity (Europe) LLP
- Member of the Board of Global Private Equity Bain Capital Investors LLC

Terms of office that have expired in the last five years:

French companies:

- Member of the Supervisory Board of FCI SA.

Foreign companies:

- Director of Ibstock PLC
- Member of the Supervisory Board of NXP

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Date of birth

22 March 1956

Nationality

French

Date of appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

445,782

GILLES PETIT

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Chief Executive Officer

Biography

Gilles PETIT started his career in 1980 at Arthur Andersen before joining the Promodès group in 1989. At the time of the merger between Promodès and Carrefour in 1999, Gilles Petit was CEO of the hypermarkets division of Promodès in France. He was subsequently appointed CEO of Carrefour Belgium in 2000 and served as CEO of Carrefour Spain from 2005 to 2008, upon which time he served as CEO of Carrefour France from 2008 to 2010. He joined Elior in 2010 as CEO and Chairman of the Executive Committee and led the initial public offering of Elior on Euronext Paris in 2014.

Gilles PETIT graduated from the École Supérieure de Commerce de Reims, France.

Main offices held in the last five years

Current terms of office:

French companies:
- Director and Chief Executive Officer of Maisons du Monde S.A.

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Chairman of Elior
- Director and Chief Executive Officer of Elior concessions
- Director and Chief Executive Officer of Elior Restauration et Services
- Director and Chief Executive Officer of Elior Financement
- Director of Ansamble Investissements
- Director of Areas
- Director of Serunion

Foreign companies:
- Director of Elior UK Ltd
- Director of Elior Ristorazione
- Director of Gourmet Acquisition Holdings Inc
- Director of Trusthouse Services Holdings LLC

Date of birth

19 February 1963

Nationality

French

Date of appointment

29 April 2016

End of term of office as director

31 December 2017

Maisons du Monde shares held

1,000

SOPHIE GUIEYSSE

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Director

Biography

Sophie GUIEYSSE started her career in 1988 at the French Ministry of Equipment where she held different engineer positions in the field of urban development, housing, transportation and public infrastructures until 1997. Sophie Guieysse joined the LVMH Group in 1997 to source international high potential talents to serve the fast growth of all divisions and was successively promoted as human resources executive vice-president of LVMH Watches & Jewelry, Sephora Europe and of the global LVMH Group. From 2005 to 2015, she was human resources executive vice-president and a member of the Executive Committee of the CANAL+ Group. She was advisor to the Chairman of Dior from 2016 to 2017. She is the Human Resources Director of the Richemont Group since October 2017.

Sophie GUIEYSSE holds an MBA from the Collège des Ingénieurs and undergraduate and master's degrees in engineering from the École Polytechnique and the École Nationale des Ponts et Chaussées.

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director of Maisons du Monde S.A.
- Member of the Supervisory Board of Group Rallye

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Director of GO SPORT
- Member of the Executive Committee of the CANAL+ Group

Foreign companies:
- Director of the TVN Group in Poland

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MARIE-CHRISTINE LEVET

Business address: Le Portereau 44120 Vertou

Date of birth

28 March 1967

Nationality

French

Date of appointment

29 April 2016

End of term of office as director

31 December 2019

Maisons du Monde shares held

100

Main position held in the Company

Director

Biography

Marie-Christine LEVET was the CEO of several major French Internet companies between 1997 and 2009 (Lycos, Club-Internet/T-Online France and Groupe 01), prior to becoming a venture capitalist. She participated in the creation of Jaina Capital from 2010 to 2013, an investment fund specialising in early-stage start-ups, (notably Made.com, Sensee, La Ruche qui dit oui, Ouicar and Devialet, etc.).

In October 2017, Marie-Christine Levet launched the investment fund Educapital, the first European investment fund dedicated to the education and training sectors and their digital transformation.

Marie-Christine LEVET graduated from HEC and holds an MBA from INSEAD.

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director of Maisons du Monde S.A.
- Director of Iliad
- Director of Mercialiys
- Director of AFP
- Director of So Local Group

Foreign companies:
- Director of Econocom

Terms of office that have expired in the last five years:

French companies:
- Manager of Jaina Capital
- Director of FINP
- Director of Hi Pay

Foreign companies:
- None

NICOLAS WOUSSEN

Business address: Le Portereau 44120 Vertou

Date of birth

8 June 1976

Nationality

French

Date of appointment

29 April 2016

End of term of office as director

31 December 2017

Maisons du Monde shares held

100

Main position held in the Company

Directors

Biography

Nicolas WOUSSEN began his career in the M&A Department of Dresdner Kleinwort Wasserstein in 2000. In 2005, he joined Casino Guichard Perrachon as Deputy Director of M&A in Europe, Asia, Latin America and the United States. In 2010, he joined Cdiscount as Deputy CEO in charge of Finance and supported its development in France and seven other countries as well as its IPO on the Nasdaq in 2014. He joined Showroomprivé.com in 2015 as Chief Financial Officer, where he oversaw the company's IPO on Euronext in 2015, as well as the Group's first acquisitions in France and abroad. In 2017, he joined Camaïeu as Deputy Chief Executive Officer in charge of Finance.

Nicolas WOUSSEN graduated from HEC.

Main offices held in the last five years

Current terms of office:

French companies:
- Independent director of Maisons du Monde S.A.
- Deputy CEO in charge of Finance at Camaïeu

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- Deputy Chief Executive Officer in charge of finance at CDISCOUNT
- Corporate officer at Cnova
- Director of CDISCOUNT
- Director of MoncornerDeco
- Member of the Investment Committee of Parnech

Foreign companies:
- None

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Date of birth

3 August 1973

Nationality

French

Date of appointment

19 May 2017

End of term of office as director

31 December 2019

Maisons du Monde shares held

100

MARIE SCHOTT

Business address: Le Portereau 44120 Vertou

Main position held in the Company

Director

Biography

Marie Schott has over 20 years' experience in the retail and fashion industry. With the Etam Group since 2007, she successfully launched the Undiz lingerie brand, and was appointed Deputy Chief Executive Officer of the Etam brand in 2011. Prior to this, she spent four years with Vivarte as Head of Mission with the Group Chairman and then as Head of Purchasing for the Parti Prix with La Halle aux Vêtements.

Marie Schott began her professional career in consulting at Deloitte Consulting Group, then at Mercier Management Consulting. She is a graduate of HEC Paris.

Main offices held in the last five years

Current terms of office:

French companies:
- Director of Noyon Dentelle SAS Group

Foreign companies:
- None

Terms of office that have expired in the last five years:

French companies:
- None

Foreign companies:
- None

STATUS OF THE TERMS OF OFFICE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Renewal of directors' terms of office

The terms of office of Sophie Guieysse and Nicolas Woussen will expire at the end of the next Shareholders' Meeting. We propose that you renew them for a four-year period lasting until the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending in 2021.

3.2 Compensation and benefits

3.2.1 COMPENSATION OF CORPORATE OFFICERS

The Board of Directors of Maisons du Monde refers to the AFEP-MEDEF Code when setting the compensation and benefits awarded to its executive and non-executive directors.

COMPENSATION POLICY

Compensation is set by the Board of Directors on the recommendation of the Nomination and Compensation Committee and in accordance with the following principles:

- the overall amount of Executive Directors' compensation submitted to the Board for approval takes into consideration the general interest of the Company, industry practice and the Executive Directors' performance;
- clearly stated reasons, corresponding to the general interest of the Company, are given for each of the components of their compensation. The appropriateness of the compensation proposed must be assessed within the context of the Company's business and in reference to French and international industry practice;
- the compensation of Company Executive Directors must be set fairly and in line with that of other Group Executive Directors, in view of their responsibilities, skills and personal contributions to the Group's performances and development;
- the variable portion of their compensation must be consistent with their annual performance evaluation and with the Group strategy. The performance criteria used to calculate the variable portion of Executive Directors' compensation, whether this relates to a bonus or stock options or performance share grants, must be simple to establish and explain, must be a satisfactory reflection of the Group's performance and economic development objective, at least in the medium term, must allow for transparency with regard to shareholders in the annual report and during Shareholders' Meetings and must correspond to the Company's corporate objectives and standard practices in terms of the compensation of Executive Directors.

This methodology is applied when assessing the compensation and benefits of the Group's senior executives who are not Company officers and, more broadly, any policies put in place in this regard.

COMPENSATION AND BENEFITS PAID TO EXECUTIVE DIRECTORS DURING THE 2017 FINANCIAL YEAR

Compensation of Sir Ian CHESHIRE – Chairman of the Board of Directors

Sir Ian Cheshire does not receive any fixed or variable compensation or any benefits in kind in respect of his position as Chairman of the Company's Board of Directors. He does not receive any free performance shares. Sir Ian Cheshire receives directors' fees, the amount of which was set €100,000 by the meeting of the Board of Directors of 19 May 2017.

Compensation of Gilles PETIT – Chief Executive Officer

It should be noted that the Chief Executive Officer does not have an employment contract and does not receive directors' fees.

During 2017, he received the second part of his exceptional bonus totalling €400,000, awarded to him for the success of the 2016 IPO, of which €200,000 paid in 2016 and €200,000 in 2017.

During its meeting of 16 March 2017, the Board of Directors set Gilles Petit's annual compensation as follows:

- gross **fixed annual compensation** of €400,000, unchanged from 2016;
- gross **annual variable compensation** up to a maximum total amount of €340,000 representing 85% of Gilles Petit's gross base annual fixed compensation, subject to the achievement of the following quantitative and qualitative criteria: 60% of the total annual variable compensation is calculated using a target based on the Group's EBIT, and 40% relates to Gilles Petit's performance, based on specific, pre-defined qualitative targets. The definitions and levels of these targets and objectives have been precisely defined by the Company and Gilles Petit and are not made public for confidentiality reasons;

  Accordingly, the amount of Gilles Petit's variable compensation for 2016, based on quantitative criteria, totalled €204,000, i.e. the maximum specified for results based on the EBIT and exceeding the objective by more than 110%. The three qualitative objectives having been achieved, the amount of Gilles Petit's variable compensation based on qualitative criteria totalled €136,000, representing the full achievement of the objectives. The total variable compensation paid in 2017 was €340,000.

- For 2017, the Board of Directors, during its deliberations of 20 March 2018 regarding the recommendations of the Nomination and Compensation Committee, set variable compensation for Gilles Petit at the sum of €340,000. This amount is calculated based on the achievement of objectives set the preceding year on the basis of the EBIT for the quantitative portion and on qualitative objectives that were not disclosed, i.e. 85% of his fixed compensation and 100% of his maximum bonus. This amount will be definitively acquired subject to the approval of the Shareholders' Meeting of 18 May 2018.
- **Medium/long-term incentives**

  The Board of Directors, during its meeting of 19 May 2017, abiding by the recommendations of the Nomination and Compensation Committee, decided to include Gilles Petit in the medium/long-term incentives implemented in December 2016 for other key Group executives and managers, by awarding him 34,500 free performance shares

  The final number of performance shares that he may obtain at the end of the vesting period, on 19 December 2019, will be dependent on internal Group performance conditions measured according to Sales revenue (as defined in the consolidated financial statements) for 2018 (sales 2018) of the Maisons du Monde Group, the cumulative 2017 and 2018 EBITDA (17+18 EBITDA), and a third condition for the cumulative normative 2017 and 2018 earnings per share (17+18 EPS) of the Group.

  The Board of Directors meeting of 19 May 2017, on a proposal from the Nomination and Compensation Committee, reviewed the levels of the expected targets for each of the performance conditions that were set during its 16 December 2016 meeting (these levels were the ones selected for the shares granted to other members of the Group's Executive Committee):

  – 20% of the shares therefore have a sales 2018 condition;

  – 50% have a 17+18 EBITDA condition;

  – 30% have a 17+18 EPS condition.

  Regarding internal performance conditions involving sales 2018, the measurement of the performance set as a condition for the number of shares vested for this performance, and subject to continued presence, is established as follows:

  – the lower limit of the performance (at 95% of the sales 2018 objective) gives the right to 50% of the shares dependent on this condition;

  – the performance target (at 100% of the objective) gives the right to 100% of the shares dependent on this condition;

  – below this lower limit, no shares are acquired for this performance;

  – between the lower limit and the performance target, the shares for this condition are acquired on a proportional and straight-line basis.

Regarding the two internal performance conditions (17+18 EBITDA and 17+18 EPS), the performance measurement for each of the conditions, a measurement on which depends the number of shares vested for this performance, and which is subject to continued presence, is established as follows:

– the lower limit (at 90% of the objective) gives the right to 50% of the shares dependent on this condition;

– the performance target (at 100% of the objective) gives the right to 100% of the shares dependent on this condition;

– between the lower limit and the performance target, the shares for this condition are acquired on a proportional and straight-line basis.

In the event that the number of performance shares obtained following the application of the above performance conditions is not a whole number, it will be rounded down to the nearest unit.

In accordance with the provisions of the French Commercial Code, it was decided that the Chief Executive Officer is required to retain in registered form, until the end of his term of office, 40% of the shares granted until he holds a quantity of shares representing two years of base salary. Given this retention requirement, the availability of performance shares is not conditional on the purchase of additional shares of the Company.

- **benefits in kind** corresponding to the private use of a company vehicle, amounting to €5,776.

REVIEW OF THE COMPENSATION OF EXECUTIVE DIRECTORS FOR THE 2018 FINANCIAL YEAR

On 20 March 2018, the Board of Directors, upon the recommendation of the Nomination and Compensation Committee, set the following compensation for 2018:

Review of the compensation of Sir Ian CHESHIRE

As was the case in the previous year, Sir Ian Cheshire will not receive any fixed or variable compensation for his position. He will receive directors' fees, in the amount set by the Board of Directors Meeting after the Shareholders' Meeting. Sir Ian Cheshire will not receive any other type of compensation in any form whatsoever beyond the payment of directors' fees.

Review of the compensation of Gilles PETIT

Gilles Petit will continue to receive €400,000 in gross annual fixed compensation and gross annual variable compensation up to a maximum of €340,000, representing 85% of his gross basic annual fixed compensation, subject to achievement of the following quantitative and qualitative criteria: 60% of the total annual variable compensation is calculated using a target based on the Group's EBIT and 40% on Gilles Petit's performance, based on specific, pre-defined qualitative targets. The definitions and levels of these targets and objectives have been precisely defined between the Company and Gilles Petit and are not made public for confidentiality reasons.

It is stated that in 2018, as in the previous year, the Chief Executive Officer will be eligible for the allocation of free performance shares for up to a maximum of 150% of overall compensation (fixed plus maximum variable compensation). Moreover, he must comply with the requirement that 40% of such definitively acquired shares must be held in registered form throughout the duration of his term of office, up to an amount representing two years of basic salary.

Lastly, Gilles Petit will receive benefits in kind corresponding to the private use of a company vehicle.

Gilles Petit will not receive any other type of compensation in any form whatsoever beyond the aforementioned items of compensation.

COMMITMENTS MADE TO EXECUTIVE DIRECTORS

Sir Ian CHESHIRE – Chairman of the Board of Directors

No commitments were made to Sir Ian Cheshire by the Company in 2017.

Gilles PETIT – Chief Executive Officer

- **Pension commitments**: As per the legislation applicable to social security old age pensions, Gilles Petit is a beneficiary of the ARRCO and AGIRC supplementary schemes. He is not the beneficiary of a defined-benefit plan or a supplemental pension plan.
- **Commitment in the event of termination**: Should Gilles Petit be dismissed from his corporate office, except in the case of (i) gross misconduct; (ii) mismanagement punishable under applicable criminal law and regulations and as interpreted by the current case-law of the competent courts; or (iii) failure to comply with the procedure of prior approval by the Board of Directors of decisions listed in the Board's internal regulations, and assuming that he fails to remedy said breach within 20 working days, Gilles Petit will receive a severance payment, inclusive of any amount that he may receive in respect of his dismissal and of the non-renewal of his corporate office, including, in particular, any compensation and/or damages of any kind.

Please note that the payment of said severance payment is subject to the achievement of performance conditions based on annual growth of at least 5% in Maisons du Monde Group sales over the two (2) financial years prior to the effective date of termination of the corporate office.

In the event of termination of the corporate office prior to 1 January 2018, the severance payment (expressed as a gross figure) will amount to 50% of the sum corresponding to of 24 months of basic monthly average gross compensation (inclusive of fixed and variable compensation, not including the exceptional bonus received on the basis of the IPO), calculated as being equal to the sum of (A) the average of the fixed monthly compensation paid over the 24 months prior to the date of termination of the corporate office (or since Gilles Petit's appointment to the position of Chairman of the Company – in its form as a French simplified joint stock company – on 7 September 2015 in the event of his office being terminated prior to the 24 month deadline); and (B) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received on the basis of the IPO (or the last annual variable compensation payment if only one payment has been made as at the date of termination of Gilles Petit's duties).

- **Non-compete commitment**: Gilles Petit will not be subject to any non-compete obligation in the event of the termination of his duties within the Company.

DIRECTORS' FEES

Directors' fees and other compensation received by non-executive directors

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

The amount of the allocated directors' fees is set and paid according to the following terms: subject to being present at five Board Meetings with an agenda concerning the approval and/or review of the Company's periodic accounts, each director receives a sum of €40,000 for their office.

This sum is increased as follows to take into account participation in a specialised committee:

- €5,000 for participation in a specialised committee;
- €10,000 for chairing the Nomination and Compensation Committee;
- €15,000 for chairing of the Audit Committee.

To these amounts is added €5,000 for attendance at any Board Meeting held in addition to the five meetings mentioned above and having a significant agenda.

The directors' fees paid in respect of 2017, distributed by the Board of Directors during its meetings of 19 May 2017 and 15 December 2017, also included a payment made in March 2018. Sir Ian Cheshire, Chairman of the Board of Directors, received €110,000 in directors' fees, composed of a fixed amount of €100,000 plus €10,000 to account for his participation in additional Board meetings, in accordance with the principles stated above. During its meeting of 15 December 2017, the Board of Directors decided to allocate €42,000 in directors' fees to Michel Plantevin for his office as director, taking into account the fact that he no longer represents the shareholder Bain Capital since 19 May 2017.

The amounts of directors' fees allocated to the members of the Board are shown in table 3 of the AFEP-MEDEF Code below.

No other compensation was paid by the Company to non-executive directors for the financial year ended 31 December 2017.

Authorisation of the directors' fees for the 2018 financial year

The next Shareholders' Meeting will be asked to vote on the overall amount of €500,000 of directors' fees allocated to the Board of Directors for the current financial year.

SERVICE AGREEMENTS

As of the date of this report, no member of the Board of Directors is party to a service agreement signed with the Company or one of its subsidiaries that provides them a personal advantage.

AGREEMENTS SIGNED BETWEEN AN EXECUTIVE OR SIGNIFICANT SHAREHOLDER AND A SUBSIDIARY

In application of the provisions of Article L. 225-37-4 2° resulting from the Order of 12 July 2017, we declare that no agreements were signed between an executive or significant shareholder of Maisons du Monde and a Group subsidiary during the year ended 31 December 2017.

SUMMARY OF THE COMPENSATION OF EXECUTIVE DIRECTORS

In application of the provisions of the AFEP-MEDEF Code, we hereby present to you the summary of the compensation of Executive Directors:

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Summary table of the compensation paid and options and shares allocated to each Executive Director (table 1 of the AFEP-MEDEF Code)

Sir Ian CHESHIRE **Chairman of the Board of Directors** *(in euros)*	**2017**	**2016**
Compensation for the financial year (*as detailed in Table 2*)	0	0
Valuation of options granted during the year (*details of which are given in Table 4*)	0	0
Valuation of performance shares granted during the year (*details of which are given in Table 6*)	0	0
Valuation of other long-term compensation plans	0	0
TOTAL	**0**	**0**

Gilles PETIT **Chief Executive Officer** *(in euros)*	**2017**	**2016**
Compensation for the financial year (as *detailed in Table 2*)	745,776	1,147,585
Valuation of options granted during the year (*details of which are given in Table 4*)	0	0
Valuation of performance shares granted during the year (*details of which are given in Table 6*)	1,079,215	0
Valuation of other long-term compensation plans	0	0
TOTAL	**1,824,991**	**1,147,585**

Summary table of the compensation of each Executive Director (table 2 of the AFEP-MEDEF Code)

Sir Ian CHESHIRE **Chairman of the Board of Directors** *(in euros)*	2017		2016	
	Due	Paid	Due	Paid
Fixed compensation	0	0	0	0
Annual variable compensation	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	100,000	0	92,500	92,500
Benefits in kind	0	0	0	0
TOTAL	**100,000**	**0**	**92,500**	**92,500**

Gilles PETIT **Chief Executive Officer** *(in euros)*	2017		2016	
	Due	Paid	Due	Paid
Fixed compensation	400,000	400,000	400,000	400,000
Annual variable compensation	340,000	340,000	340,000	58,300
Exceptional compensation	0	200,000	400,000	200,000
Directors' fees	0	0	0	0
Benefits in kind (Company car)	5,776	5,776	7,585	7,585
TOTAL	**745,776**	**945,776**	**1,147,585**	**665,885**

Table on the directors' fees and other compensation received by non-executive directors (table 3 of the AFEP-MEDEF Code)

Michel PLANTEVIN – Vice-Chairman of the Board of Directors *(in euros)*	2017	2016
Directors' fees	42,000	0
Other compensation	0	0
TOTAL	**42,000**	**0**

Sophie GUIEYSSE – Director *(in euros)*	2017	2016
Directors' fees	65,000	50,000
Other compensation	0	0
TOTAL	**65,000**	**50,000**

Marie-Christine LEVET – Director *(in euros)*	2017	2016
Directors' fees	65,000	45,000
Other compensation	0	0
TOTAL	**65,000**	**45,000**

Nicolas WOUSSEN – Directors *(in euros)*	2017	2016
Directors' fees	65,000	55,000
Other compensation	0	0
TOTAL	**65,000**	**55,000**

Marie SCHOTT – Director *(in euros)*	2017	2016
Directors' fees	32,000	0
Other compensation	0	0
TOTAL	**32,000**	**0**

The directors' fees allocated for the 2017 financial year were paid in March 2018.

Roanne Daniels, Xavier Marie and Matthias Boyer-Chammard, members of the Board of Directors who resigned during 2017, did not receive any directors' fees or any other compensation for the 2016 and 2017 financial years.

Stock options allocated during the financial year to each Executive Director by the issuer or by any Group company (Table 4 of the AFEP-MEDEF Code)

No stock options were allocated to the Executive Directors during the course of 2017.

Stock options exercised during the financial year by each Executive Director (Table 5 of the AFEP-MEDEF Code)

No stock options were exercised during the 2017 financial year.

Performance shares allocated to each Executive Director during the financial year by the issuer or by any Group company (Table 6 of the AFEP-MEDEF Code)

Gilles PETIT – Chief Executive Officer *(in euros)*	**2017**
Number and date of plan	Plan No. 3 of 19/05/2017
Number of shares allocated during the financial year	34,500
Valuation of the shares according to the method used for the consolidated financial statements	1,079,215
Vesting date	15/12/2019
Availability date	15/12/2019
Performance conditions	20% of the shares involve a 2018 sales condition, 50% a 2017+18 EBITDA condition, 30% a 2017+18 EPS condition

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Performance shares that have become available during the financial year for each Executive Director (Table 7 of the AFEP-MEDEF Code)

No performance shares are currently available.

History of stock option allocations (Table 8 of the AFEP-MEDEF Code)

Not applicable.

History of performance share allocations (Table 9 of the AFEP-MEDEF Code)

Gilles PETIT Chief Executive Officer	**Plan No. 1**	**Plan No. 2**	**Plan No. 3**
Date of Shareholders' Meeting	29/04/2016	29/04/2016	19/05/2017
Date of Board of Directors Meeting	25/10/2016	16/12/2016	19/05/2017
Total number of shares allocated including the number allocated to:	14,441	153,250	54,350
Gilles PETIT	n/a	n/a	34,500
Vesting date of shares	n/a	n/a	15/12/2019
End-date of holding period	n/a	n/a	n/a
Performance conditions	n/a	n/a	20% of the shares involve a 2018 sales condition, 50% a 2017+18 EBITDA condition, 30% a 2017+18 EPS condition
Number of shares vested at 31/12/2017	n/a	n/a	0
Cumulative number of cancelled or lapsed shares	n/a	n/a	0
Remaining performance shares at the end of the financial year	n/a	n/a	34,500

Summary table of multi-year variable compensation paid to each Executive Director (Table 10 of the AFEP-MEDEF Code)

Not applicable.

Summary of the commitments made to Executive Directors (Table 11 of the AFEP-MEDEF Code)

Executive Directors	Employment agreements	Pension schemes supplemental	Severance payments and benefits due or likely to become due in the event of termination of office	Severance payment in relation to a non-compete clause
Sir Ian Cheshire	No	No	No	No
Gilles Petit	No	No	Yes	No

CONSULTATION OF THE SHAREHOLDERS REGARDING THE COMPONENTS OF THE COMPENSATION OF EXECUTIVE DIRECTORS (*EX POST* VOTE)

Overview of the compensation of Executive Directors (according to the AFEP-MEDEF Code)

Gilles PETIT
Chief Executive Officer

Components of compensation due or allocated for the 2017 financial year	Amount or accounting valuation submitted to the vote	Overview
Fixed compensation	€400,000	Gross fixed annual compensation set by the Board of Directors of 31 May 2016 for the 2016 financial year Fixed compensation did not change in 2017
Annual variable compensation	€340,000	Annual variable compensation up to a total maximum amount of €340,000 gross, representing 85% of gross annual fixed compensation (i) of which up to 60% paid (*i.e.* a maximum amount of €204,000) in return for the achievement of quantitative criteria and (ii) of which up to 40% paid (*i.e.* a maximum amount of €136,000) in return for the achievement of qualitative criteria. Quantitative criteria: the achievement of an EBIT (annual consolidated EBIT) amount in relation to the Budget EBIT. If the EBIT Budget achievement rate = 95% bonus = €0, if 100% bonus = €115,000 gross, if higher or equal to 110% bonus = €204,000 gross. Qualitative criteria are not made public for strategic reasons. The Board of Directors (meeting of 20/03/17) reviewed the achievement of the criteria, which amounted to 85% of his fixed compensation and 100% of his target bonus
Multi-year variable compensation in cash	N/A	There is no multi-year variable compensation.
Stock options, performance shares or other allocations of securities	Performance shares: 1,079,215 euros	Number of shares: 34,500 *i.e.* 0.07% of the Performance Conditions capital: 20% of the shares involve a 2018 sales condition, 50% a 2017+18 EBITDA condition, 30% a 2017+18 EPS condition. Authorisation of the Shareholders' Meeting of 05/19/2017 (13th resolution) and allocation decision of the Board of Directors of 19/05/17
Exceptional compensation	N/A	No exceptional compensation was paid for the 2017 financial year
Directors' fees	N/A	The Chief Executive Officer does not receive any directors' fees
Valuation of benefits in kind	5,776 euros	Company vehicle

Components of compensation due or allocated for the 2017 financial year that were submitted to the vote of the Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount submitted to a vote	Overview
Severance payment		Payment subject to achievement of performance conditions based on an annual progression of at least 5% of Group sales over the two financial years preceding the effective termination date of the term of office. In the event of termination of the corporate office after 01/01/2018, the amount of the payment will be equal to 50% of the sum corresponding to 24 months of the average gross monthly base compensation (fixed + variable, excluding exceptional bonus) calculated as being equal to (A) the average of the fixed monthly compensation paid over the course of the 24 months preceding the termination date of the term of office (or since the appointment of Gilles Petit as Chairman of the Company - in its form as a French simplified joint-stock company - on 7 September 2015 in the event of his office being terminated prior to the 24 month period following this date)
		and (B) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received on the basis of the IPO (or of the last annual variable compensation payment if only one payment has been made as of the termination date of Gilles Petit's duties). Should the corporate office be terminated after 1 January 2018, a sum equal to 50% of the amount calculated in accordance with the conditions described above.
Non-compete payment	N/A	There are no non-compete agreements
Supplemental pension plan	N/A	there is no defined-benefit supplemental pension plan for the Chief Executive Officer

Sir Ian CHESHIRE
Chairman of the Board of Directors

Components of compensation due or allocated for the 2017 financial year	Amount or accounting valuation submitted to the vote	Overview
Fixed compensation	N/A	No fixed compensation was paid for the 2017 financial year.
Annual variable compensation	N/A	No variable annual compensation was paid for the 2017 financial year
Multi-year variable compensation in cash	N/A	There is no multi-year variable compensation.
Stock options, performance shares or other allocations of securities	N/A	No allocations
Exceptional compensation	N/A	No exceptional compensation was paid for the 2017 financial year
Directors' fees	€110,000	Decisions of the Board of Directors of 19 May 2017 and 15 December 2017 on the distribution of directors' fees
Valuation of benefits in kind	N/A	The Chairman of the Board of Directors does not receive any benefits in kind
Components of compensation due or allocated for the 2017 financial year that were submitted to the vote of the Shareholders' Meeting under the procedure for regulated agreements and commitments	**Amount submitted to a vote**	**Overview**
Severance payment	N/A	No commitments have been made for the benefit of the Chairman of the Board of Directors
Non-compete payment	N/A	There are no non-compete agreements
Supplemental pension plan	N/A	There is no defined-benefit supplemental pension plan for the Chairman of the Board of Directors

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Draft resolutions regarding "Say on Pay" proposed to the Shareholders' Meeting

In application of the provisions of Article L. 225-37-2 al 2 and L. 225-82-2 of the French Commercial Code, as amended by Order 2017-1162 of 12 July 2017, we hereby present to you the draft resolutions prepared by the Board of Directors to be submitted to the approval of the Shareholders' Meeting of 18 May 2018, with a view to approving the components of compensation that were allocated and that may be allocated to the Executive Directors of the Company.

Fifth resolution

Approval of the components of compensation due or allocated for the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Corporate Governance Code, approves the components of compensation due or allocated for the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors, as presented in the Company's Registration Document and annual financial report.

Sixth resolution

Approval of the principles and criteria for the determination, distribution and allocation of the components of the total compensation and benefits in kind to be allocated to Sir Ian Cheshire, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and having taken note of the report of the Board of Directors on the compensation policy for Executive Directors, prepared in accordance with Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Sir Ian Cheshire, Chairman of the Board of Directors, as presented in the Company's Registration Document and annual financial report.

Seventh resolution

Approval of the components of compensation due or allocated for the 2017 financial year to Gilles Petit, Chief Executive Officer

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Corporate Governance Code, approves the components of compensation due or allocated for the 2017 financial year to Gilles Petit, Chief Executive Officer, as presented in the Company's Registration Document and annual financial report.

Eighth resolution

Approval of the principles and criteria for the determination, distribution and allocation of the components of the total compensation and benefits in kind to be allocated to Gilles Petit, Chief Executive Officer

The Shareholders' Meeting, deliberating under the quorum and majority conditions required for Ordinary Shareholders' Meetings, and having taken note of the report of the Board of Directors on the compensation policy for Executive Directors, prepared in accordance with Article L. 225-37-2 of the French Commercial Code, approves the components of the compensation policy applicable to Gilles Petit, Chief Executive Officer, as presented in the Company's Registration Document and annual financial report.

3.2.2 FREE SHARE ALLOCATION PROGRAMMES

In accordance with the provisions of Article L. 225-197-4 of the French Commercial Code, we hereby report to you on the transactions performed pursuant to the provisions of Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code and bring to your attention the additional information regarding the Company's allocations of free shares during the past financial year.

Maisons du Monde free performance share allocation plans

	2016 Plan No. 1	2016 Plan No. 2	2017 Plan No. 3
Date of Shareholders' Meeting	29/04/2016	29/04/2016	19/05/2017
Allocation date (Board of Directors)	25/10/2016	16/12/2016	19/05/2017
Total number of shares allocated	14,411	153,250	54,350
of which to corporate officers	0	0	34,500
Start of vesting period	25/10/2016	16/12/2016	19/05/2017
End of vesting period (final acquisition)	25/10/2017	16/12/2019	19/12/2019
End of holding period (sale possible)	25/10/2018	16/12/2020	n/a
Number of shares vested at 31/12/2017	14,411	0	0
Cumulative number of cancelled or lapsed shares	0	2,950	850
Remaining performance shares at the end of the financial year	0	150,300	53,500
Closing price on the allocation date	€25.58	€24.31	€32.70

2016 Plan No. 1

At its meeting of 25 October 2016, upon the recommendation of the Nomination and Compensation Committee, the Board of Directors granted an award dependent directly on the success of the IPO and the role of a number of key Company functions in making it a success. This type of allocation will not be renewed.

In this context, the Board allocated a total of 14,411 free shares to four non-corporate officer beneficiaries. These free shares were granted subject to the following conditions:

- Vesting period: 1 year;
- Holding period: 1 year;
- Performance based on annual growth of at least 5% in Group sales over the financial year preceding the expiry of the vesting period.

2016 Plan No. 2

On 16 December 2016, the Board of Directors carried out a new allocation as part of the Group's medium/long-term incentive plan, in consultation with Management, in order to:

- motivate and retain key staff for the Group's future growth and some middle management (including store managers);
- ensure buy-in by the main employees into clear goals communicated to shareholders during the IPO;
- be aligned with other listed companies in the market in establishing an ambitious long-term incentive plan, which is seen as an essential aspect of the Group's compensation policy.

Accordingly, the Board awarded 153,250 free shares to 294 recipients subject to the following conditions:

- Vesting period: 3 years;
- Holding period: 1 year;
- Period for the measurement of performance indicators: 2 financial years;
  - Performance measured according to cumulative 2017 and 2018 EBITDA (as defined in the consolidated financial statements) for 70% of shares, and based on Maisons du Monde Group 2018 Sales (as defined in the consolidated financial statements) for 30% of shares;
  - A third condition applies solely to members of the Executive Committee, and only to 30% of the shares, measured according to the cumulative normative earnings per share for 2017 and 2018 (for these members of the Executive Committee, the cumulative 2017/2018 EBITDA performance criterion now only accounts for 50% and the 2018 sales performance criterion now only accounts for 20%);
  - For each of these performance criteria, the Board has set the target level (in line with the Group's medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target sales and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis.

2017 Plan No. 3

On 19 May 2017, the Board of Directors carried out a third free allocation of 54,350 shares to 67 recipients, of which 34,500 shares were allocated to the Executive Director.

The conditions of Plan No. 3 are as follows:

- Vesting period: 19 December 2019 (or 31 months);
- Holding period: n/a;
- Period for the measurement of performance indicators: 2 financial years;
- – For all beneficiaries, excluding corporate officers: performance measured according to cumulative 2017 and 2018 EBITDA (as defined in the consolidated financial statements) for 70% of shares, and based on Maisons du Monde Group 2018 Sales (as defined in the consolidated financial statements) for 30% of shares;
- – A third condition applies to the executive director, on 30% of shares, measured according to cumulative normative 2017 and 2018 earnings per share. (cumulative 2017/2018 EBITDA performance therefore now only accounts for 50% and 2018 performance based on sales accounts for only 20%);
- – For each of these performance criteria, the Board has set the target level (in line with the Group's ambitious medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target sales and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis;

- Specific details of the allocation to the executive director:
  - the 34,500 shares proposed for the executive director represent - based on a share price of €32 and a fair value of the share of €30.7 - an amount lower than €1,060,000, (€1,110,000 being the maximum amount, i.e. 150% of the fixed and variable compensation of the executive director set by the Board);
  - the executive director is required to retain 40% of the allocated shares as registered shares until the end of his term of office, until he holds a quantity of shares representing two years of base salary.

3.2.3 IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

The Company uses the AFEP-MEDEF Corporate Governance Code as its reference, with the exception of the following recommendations:

Recommendations of the AFEP-MEDEF Code	Company practices
Board Meetings "It is recommended that a meeting not attended by the Executive Directors be organised each year." (Article 10.3)	The Chief Executive Officer attended all Board Meetings held during the past year. This practice is due to the nature of the agenda items for each meeting, which require the presence of the Chief Executive Officer. Nevertheless, he was not present during Board deliberations pertaining to him.

3.3 Specific verifications by the Statutory Auditors regarding corporate governance

In accordance with the provisions of Article L. 225-235 amended by Order 2017-1162, reference is made to the specific verifications performed by the Statutory Auditors on the report of the Board of Directors on corporate governance in their report on the annual financial statements, which is contained in section 5.4 of this Registration Document.

Notes to financial year 2017

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4.1 Key highlights

4.1.1 ADDITIONAL REVOLVING CREDIT FACILITY

On 1 March 2017, Maisons du Monde subscribed an additional €75 million revolving credit facility under the same conditions as those negotiated for the Group's debt refinancing operations in May 2016. This transaction allowed the Group to reinforce its financial flexibility so that it can respond to growth opportunities in its store network.

For more information, refer to note 1 of section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration Document.

4.1.2 CONVERTIBLE BONDS

On 29 November 2017, Maisons du Monde successfully completed the placement of bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") due 2023 by way of a private placement to institutional investors for a nominal amount of approximately €200 million. The net proceeds of the offering were used to partially refinance the existing €250 million term loan.

The bonds were issued at par on 6 December 2017 and bear a coupon of 0.125%, payable annually. The nominal value of the bonds was set at €48.78, corresponding to a premium of 42.5% above the Company's reference share price on the regulated market of Euronext Paris. Unless previously converted, exchanged, redeemed, or purchased and cancelled, the bonds will be redeemed at par on 6 December 2023.

For more information, refer to note 1 of section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration Document.

4.2 Results of operating activities

4.2.1 KEY OPERATING METRICS

KEY FINANCIAL INDICATORS FOR THE 2017 FINANCIAL YEAR

	Financial year ended 31 December		
(in € millions)	**2016**	**2017**	**% CHANGE**
Sales	**881.8**	**1,010.6**	**+14.6%**
% like-for-like change[(1)]	+17.7%	+7.4%	-
Gross margin	**591.7**	**673.5**	**+13.8%**
As a % of sales	67.1%	66.6%	(50) bps
EBITDA	**122.8**	**138.8**	**+13.0%**
As a % of sales	13.9%	13.7%	(20) bps
EBIT	**93.2**	**106.8**	**+14.7%**
As a % of sales	10.6%	10.6%	-
NET INCOME	**(12.0)**	**63.0**	**n/a**
Dividend per share *(€)*	0.31	0.44	+41.9%
FREE CASH FLOW	**(8.0)**	**99.9**	**n/a**
NET DEBT	**225.7**	**125.5**	**-44.4%**
Leverage ratio *(x)*	1.8 x	0.9 x	(0.9) x

4.2.2 ANALYSIS OF SALES

OVERVIEW OF 2017 SALES

	Financial year ended 31 December		
(in € millions)	**2016**	**2017**	**% Change**
SALES BY GEOGRAPHY			
France	563.7	624.8	+10.8%
International	318.1	385.8	+21.3%
TOTAL	**881.8**	**1,010.6**	**+14.6%**
France (%)	63.9%	61.8%	-
International (%)	36.1%	38.2%	-
TOTAL *(%)*	**100.0%**	**100.0%**	**-**
SALES BY PRODUCT CATEGORY			
Decoration	499.8	583.9	+16.8%
Furniture	382.1	426.6	+11.7%
TOTAL	**881.8**	**1,010.6**	**+14.6%**
Decoration *(%)*	56.7%	57.8%	-
Furniture *(%)*	43.3%	42.2%	-
TOTAL *(%)*	**100.0%**	**100.0%**	**-**
SALES BY DISTRIBUTION CHANNEL			
Stores	712.7	800.6	+12.3%
Online	169.1	210.0	+24.2%
TOTAL	**881.8**	**1,010.6**	**+14.6%**
Stores *(%)*	80.8%	79.2%	-
Online *(%)*	19.2%	20.8%	-
TOTAL *(%)*	**100.0%**	**100.0%**	**-**

(1) For more information on the definition of this indicator, please see section 8.8 "Glossary" of this Registration Document.

In 2017, the Group's sales amounted to €1,011 million, up 14.6% compared to 2016, of which 7.4% on a like-for-like basis. This robust performance reflected balanced growth across product categories, distribution channels and geographies.

In 2017, the success of the Group's omnichannel strategy and initiatives was confirmed, with online sales up more than 24% on 2016, to around 21% of total sales. The group also launched new product offerings and successfully rolled out its customer services and its new Customer Relationship Management (CRM) platform.

Maisons du Monde also continued to implement the expansion of its store network, with net openings of 25 stores over the year, mostly made during the second half of the year, and an average retail trading space of around 1,400 sq. m. At 31 December 2017, the Group operated 313 stores, of which 212 in France and 101 outside France. In addition, in 2017, in Paris, Maisons du Monde opened its first corner in Printemps Nation and a new showroom on Rue du Bac, and also launched two new franchises in Dubai (United Arab Emirates) and Doha (Qatar).

A. Sales by geography

Sales in France amounted to €624.8 million in 2017, up 10.8% compared to 2016 and accounting for 61.8% of total sales. This performance was due to solid like-for-like sales growth, the opening of 9 new stores in the period, as well as the full-year effect of store openings in 2016.

In 2017, sales in the international market rose 21.3% year-on-year to €385.8 million, accounting for 38.2% of total sales, buoyed by strong online sales growth, especially in the United Kingdom and Germany, the opening of 16 new stores in the period, as well as the full-year effect of store openings in 2016.

B. Sales by product category

Sales of decorative items rose 16.8% to €583.9 million in 2017 compared to 2016, accounting for 57.8% of total sales, while furniture sales reached €426.6 million, representing 42.2% of total sales, up 11.7% compared to 2016. This performance reflected the success of the Group's new multi-style collections among its customers, as well as the benefits of rolling-out free in-store delivery in several European countries during the year.

C. Sales by distribution channel

Store sales amounted to €800.6 million in 2017, up 12.3% compared to 2016, and accounting for 79.2% of total sales. This performance was due to solid like-for-like sales growth, the opening of 25 new stores over the period, as well as the full-year effect of store openings in 2016.

Online sales totalled €210.0 million in 2017, an increase of more than 24% compared to 2016, reflecting strong Group performance in all of its markets, particularly in the United Kingdom and Germany. The contribution of online to total sales continued to expand in the period to 20.8% in 2017, from 19.2% in 2016, confirming the value of the Group's omnichannel strategy.

4.2.3 EBITDA ANALYSIS

BREAKDOWN OF EBITDA BY GEOGRAPHY

	Financial year ended 31 December		
(in € millions)	**2016**	**2017**	**% Change**
France	122.2	139.2	+13.9%
International	54.2	60.7	+11.9%
Corporate segment*	(53.6)	(61.1)	+14.1%
EBITDA	**122.8**	**138.8**	**+13.0%**

* *See note 4 "Segment information" in section 5.1 "Notes to the consolidated financial statements" in this Registration Document.*

In 2017, the Group's EBITDA amounted to €138.8 million, up 13% compared to 2016. The EBITDA margin was 13.7% in 2017, compared to 13.9% in 2016. This solid performance reflected strong sales growth over the period and positive operating leverage, which almost entirely offset an unfavourable foreign exchange impact of 120 basis points on the gross margin, the first-time inclusion of the long-term incentive plan (LTIP) and profit sharing, as well as continued investment in growth initiatives supporting the Group's customer-centric and omnichannel and strategy.

A. EBITDA in France

In France, EBITDA rose 13.9% year-on-year to €139.2 million in 2017, showing solid like-for-like sales growth and the scope effect from new store openings during the year. As a percentage of sales, the EBITDA margin in France (excluding the corporate segment) edged up from 21.7% in 2016 to 22.3% in 2017.

B. International EBITDA

Internationally, EBITDA reached €60.7 million in 2017, up 11.9% compared to 2016, reflecting good like-for-like sales growth and the scope effect from new store openings during the year. As a percentage of sales, the international EBITDA margin (excluding the corporate segment) reached 15.7% in 2017, compared to 17.0% in 2016, due to an increase in the Group's marketing expenses to support online traffic and brand awareness, particularly in the United Kingdom and Germany.

4.2.4 INCOME STATEMENT ANALYSIS

SIMPLIFIED CONSOLIDATED INCOME STATEMENT

	Financial year ended 31 December	
(in € millions)	**2016**	**2017**
Sales	**881.8**	**1,010.6**
Sales to franchises and promotional sales	3.3	5.2
Other operating income	24.6	26.1
Revenues	**909.7**	**1,041.9**
Cost of Sales	(290.1)	(337.1)
Personnel expenses	(174.2)	(195.5)
External charges	(319.0)	(369.6)
Depreciation, amortisation, and allowance for provisions	(29.7)	(32.0)
Fair value – derivative financial instruments	(20.6)	(2.3)
Other operating income and expense	(7.6)	(3.9)
Current operating profit	**68.5**	**101.5**
Other operating income and expense	(22.5)	(1.7)
Operating profit	**46.0**	**99.8**
Financial profit/(loss)	(71.8)	(10.4)
share of profit of equity-accounted subsidiaries	0.9	(1.0)
Pre-tax profit/(loss)	**(24.8)**	**88.3**
Income tax	12.8	(25.3)
Net income	**(12.0)**	**63.0**

A. Revenues

The Group's sales rose 14.6% year-on-year to €1,011 million in 2017, driven by a solid 7.4% growth in like-for-like sales and a scope effect related, on the one hand, to the opening of 25 new stores in the period and, on the other, to the full-year effect of store openings in 2016. The contribution from other revenue reached €31.3 million in 2017, up from €27.9 million in 2016, due to the increase in franchise revenue and a higher volume of transportation services sold to customers reflecting the growth in online sales.

In view of all these elements, the Group's **consolidated revenue** increased by €132.2 million, or 14.5% compared with 2016, to €1,041.9 million in 2017.

B. Gross margin

Cost of Sales increased by €47.0 million, or 16.2%, from €290.1 million in 2016 to €337.1 million in 2017. As a percentage of sales, cost of sales rose slightly from 32.9% in 2016 to 33.4% in 2017 due to a stronger US dollar against the Euro on the basis of the contracts through which the Group hedges all of its purchases of goods and sea freight denominated in US dollars.

In 2017, Maisons du Monde posted a **gross margin** of €673.5 million, representing 66.6% of sales, compared to €591.7 million, or 67.1% of sales, in 2016.

C. Current operating profit

Personnel expenses increased by 12.2%, or €21.3 million, to €195.5 million in 2017, from €174.2 million in 2016, as workforce increased from 5,432 average FTEs to 5,932 average FTEs across the period. This increase was mainly attributable to new store openings and the full-year impact of additional resources hired in 2016 for central functions.

Expressed as a percentage of sales, personnel expenses decreased from 19.8% in 2016 to 19.3% in 2017, mainly due to: (i) the relative stability of personnel expenses for comparable stores in a context of strong sales growth, and (ii) changes in the sales mix by channel, with lower payroll costs for online sales (with a sharper increase in online sales relative to in-store sales during the period), partially offset by (iii) an increase of €2.7 million in employee profit-sharing and incentives (including social security contributions) and (iv) the inclusion, for the first time over a full year, of the free shares plan for employees for €2.3 million (including social security contributions).

External charges rose by €50.5 million, or 15.8%, to €369.6 million in 2017, from €319.0 million in 2016. A number of factors contributed to this increase: (i) the 20.4% increase in transportation costs due to higher sales, particularly in the e-commerce business (ii) the continued increase in retail trading space as a result of net store openings, which expanded from approximately 327,000 sq. m. as at 31 December 2016 to approximately 363,000 sq. m. as at 31 December 2017, with a resulting increase in rents and related charges, energy expenses, and repair and maintenance costs, (iii) increased demand for temporary staff as part of the optimisation of the sales and logistics workforces, (iv) higher advertising and marketing expenses, due to targeted store openings and increased e-commerce marketing spending to support online traffic and brand awareness.

As a percentage of sales, external charges reached 36.6% in 2017 compared to 36.2% in 2016, mainly due to higher transport costs, higher advertising and marketing expenses, and higher use of temporary employees, which was partially offset by fixed-cost leverage effect and the increase in the share of online sales (with lower external charges) in sales.

Depreciation, amortisation, and allowance for provisions rose 7.7%, or €2.3 million, to €32 million in 2017 from €29.7 million in 2016, primarily driven by depreciation of fixed assets related to new store openings.

As a percentage of sales, depreciation, amortisation, and allowance for provisions fell from 3.4% in 2016 to 3.2% in 2017, reflecting the fact that online sales growth outpaced the depreciation of fixed assets.

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, was a €2.3 million expense in 2017, compared to an expense of 20.6 million in 2016.

Since 1 January 2016, the Group has applied hedge accounting, which reduces the charges in the consolidated income statement, as only the ineffective portion of the change in the fair value of the hedge is recognised. The impact on the income statement of the change in fair value of the Group's derivative financial instruments in 2017 stems mainly from the use of the residual derivative financial instruments held at the end of December 2015.

Other operating income and expenses represented a net expense of €3.9 million in 2017 compared to a net expense of €7.6 million in 2016, mainly due to a reduction in losses related to unauthorised credit card payments over the period following the deployment of a new online payment platform and the impact, in 2016, of a loss on vendor advances. In 2017, other operating income and expense mainly included expenses incurred before the opening of new stores in the amount of €3.0 million.

In 2017, the Group recognised **current operating profit** of €101.5 million, or 10.0% of sales, compared to €68.5 million, or 7.8% of sales, in 2016, up 48.1% over the period.

D. Operating profit

Other operating income and expense represented a net expense of €1.7 million in 2017 compared to a net expense of €22.5 million in 2016, which was impacted by IPO-related fees for an amount of €11.4 million and a provision for commercial litigation for an amount of €11.7 million.

In 2017, the Group recognised **operating profit** of €99.8 million, or 9.9% of sales, compared to €46.0 million, or 5.2% of sales, in 2016, up 116.8% over the period.

E. Financial profit/(loss)

Net financial expense fell by €61.3 million in 2017 to €10.4 million, compared to €71.8 million in 2016. This change mainly reflected a reduction in the cost of net debt to €6.3 million in 2017 compared to €34.7 million in 2016, following the refinancing of the Group's debt, and the impact in 2016 of IPO-related costs of €36.4 million, including (i) the early repayment charges on the €19.7 million high-yield bond issue and (ii) the residual issue costs from the former high-yield bond issue and the revolving credit facility for €16.7 million, with no impact on cash.

F. Income tax

Income tax was an income of €12.8 million in 2016, compared to a charge of €25.3 million in 2017.

In 2017, income tax comprised the following: (i) €19.6 million in current tax due (€7.3 million in 2016), including trade taxes such as the French *CVAE* tax, the Italian *IRAP* tax and the German *Gewerbesteuermessbetrag* tax, of €4.0 million (€3.6 million in 2016), and (ii) a deferred tax expense of €5.8 million (compared with a €20.1 million in deferred tax income in 2016). The change in deferred taxes is mainly due to (i) the change in the fair value of derivative financial instruments (decrease of €6.3 million in income), (ii) the use of tax loss carry-forwards for the year (€12.8 million expense) and (iii) the effect of taking into account the change in the tax rate in France starting in 2022, from 34.43% today to 25.83% ultimately, generating a profit of €6.9 million mainly due to the brand, which had already been partially integrated in 2016.

G. Net income

The Group posted a net income of €63.0 million in 2017 compared to a loss of €12.0 million in 2016.

4.2.5 NON-IFRS FINANCIAL METRICS

RECONCILIATION OF EBITDA

(in € millions)	Financial year ended 31 December 2016	2017
Current operating profit	**68.5**	**101.5**
Depreciation, amortisation, and allowance for provisions	29.7	32.0
Fair value – derivative financial instruments	20.6	2.3
Management fees	0.8	-
EBITDA before pre-opening expenses	**119.6**	**135.8**
Pre-opening expenses	3.2	3.0
EBITDA	**122.8**	**138.8**

RECONCILIATION OF EBIT

(in € millions)	Financial year ended 31 December 2016	2017
EBITDA	**122.8**	**138.8**
Depreciation, amortisation, and allowance for provisions	(29.7)	(32.0)
EBIT	**93.2**	**106.8**

RECONCILIATION OF ADJUSTED NET INCOME

(in € millions)		Year ended 31 December 2017
PROFIT/(LOSS) BEFORE INCOME TAX		**88.3**
Income tax (normative rate of 36%)		(31.8)
ADJUSTED PROFIT/(LOSS) FOR THE PERIOD		**56.5**
Dividend	Payout ratio *(%)*	*35%*
	Distributed amount	19.9
DIVIDEND PER SHARE (€)		**0.44**

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4.3 Liquidity and capital resources

4.3.1 ANALYSIS OF CASH FLOWS

The table below shows the Group's consolidated cash flows for the financial years ended on 31 December 2016 and 2017.

	Financial year ended 31 December	
(in € millions)	**2016**	**2017**
Net cash generated by/(used in) operating activities	58.0	153.9
Net cash generated by/(used in) investment activities	(66.1)	(54.0)
Net cash generated by/(used in) financing activities	(7.1)	(59.7)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(15.1)**	**40.2**
Cash and cash equivalents at the beginning of the period	74.8	59.7
Net increase/(decrease) in cash and cash equivalents	(15.1)	40.2
Foreign exchange gains/(losses)	0.1	0.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**59.7**	**100.1**

The table below shows the statement of cash flows related to operating activities, investment activities and cash flows before financing activities for the financial years ended on 31 December 2016 and 2017.

	Financial year ended 31 December	
(in € millions)	**2016**	**2017**
EBITDA	122.8	138.8
Change in operating working capital requirements	(41.5)	27.1
Income tax paid	(7.5)	(9.8)
Management fees	(0.8)	-
Pre-opening expenses	(3.2)	(3.0)
IPO-related expenses	(11.4)	-
Change in other operating items	(0.3)	0.8
Net cash generated by/(used in) operating activities	**58.0**	**153.9**
Capital expenditure	(72.8)	(49.4)
Including the buyback of Luxco 2 shares and CPECs	*(20.6)*	-
Change in debt on assets	3.5	(5.4)
Proceeds from disposals of non-current assets	3.2	0.8
Net cash generated by/(used in) investment activities	**(66.1)**	**(54.0)**
Cash flows before financing activities	**(8.0)**	**99.9**

Operating activities generated a €153.9 million net cash inflow in 2017 (*versus* a net cash inflow of €58.0 million in 2016), mainly reflecting: (i) a gain of €136.6 million in pre-tax profit/(loss) for the period after restatement for the cost of net debt in the amount of €6.3 million and a non-cash expense of €42.0 million (corresponding mainly to a €33.8 million expense for depreciation, amortisation, and allowance for provisions, a €2.3 million negative change in the fair value of derivative financial instruments, €1.7 million in share-based payments, and the share of issue premiums that is not yet amortised related to the partial repayment of the term loan in the amount of €2.5 million), (ii) a €27.1 million positive change in operating working capital requirements, and (iii) a €9.8 million cash outflow attributable to the payment of income tax.

The **change in operational working capital** had a positive impact on cash of €27.1 million in 2017 (compared to a negative impact of €41.5 million in 2016), due to a €10.9 million decrease in inventories and a €46.5 million increase in trade and other payables, which more than offset a €30.3 million increase in accounts receivable and other receivables. At 31 December 2017, inventories were below their normative level mainly due to the later occurrence of the Chinese New Year in 2018 (February) compared to 2017 (January).

In 2017, the **Group's investment activities** resulted in a net cash outflow of €54.0 million (compared with a net cash outflow of €66.1 million in the prior year), mainly due to capital expenditure totalling €49.4 million, compared to €52.2 million in 2016, of which approximately 62% was related to investments for the opening of 31 new stores (on a gross basis).

The Group recorded a €59.7 million **net cash outflow for financing activities** in 2017 (versus a net cash outflow of €7.1 million in 2016), primarily composed of: (i) the proceeds from the convertible bonds for €197.7 million, (ii) the partial repayment of the term loan for €200.0 million, and the repayment of the RCF for €35.0 million, (iii) the payment of dividends for €14.0 million, and (iv) the payment of interest for €6.5 million.

4.3.2 FINANCIAL RESOURCES

The change in the Group's net indebtedness in the period from 31 December 2016 to 31 December 2017 was as follows:

		Cash impact		No cash impact				
(in € millions)	31 December 2016	Increase	Decrease	Equity component of the bond issue	Issue costs	Lease financing	Interest	31 December 2017
Convertible bonds	-	200,000	(2,342)	(24,346)	21	-	282	173,615
Term loan	247,338	-	(204,765)	-	2,462	-	4,411	49,446
Revolving credit facilities	34,174	-	(36,742)	-	306	-	1,217	(1,045)
Lease financing	3,431	-	(1,292)	-	-	1,041	-	3,180
Deposits and guarantees	383	8	(1)	-	-	-	-	390
Bank overdrafts	642	-	(597)	-	-	-	-	45
Cash and cash equivalents	(60,317)	(39,821)	-	-	-	-	-	(100,138)
TOTAL NET DEBT	**225,651**	**160,187**	**(245,738)**	**(24,346)**	**2,789**	**1,041**	**5,910**	**125,493**

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4.4 Events after the reporting date

The Group has not identified any significant event that occurred after the reporting date that should be mentioned in this Registration Document.

4.5 Outlook

In 2018, Maisons du Monde will leverage its solid fundamentals to continue its profitable growth momentum around four pillars:

- propose an attractive offer for customers with the new 2018 catalogues and multi-style trends and the development of the BtoB offer;
- continue to invest in store network expansion with between 25 and 30 net store openings in France and abroad, and further the extension of the franchise programme;
- Enhance the omnichannel customer experience with new e-commerce developments and the launch of a new customer service;
- accelerate the Group's CRM strategy and reinforce its social media engagement.

Taking into account a more challenging comparable base and the phasing of new store openings, heavily weighted towards the end of the year, the Group details its objectives for full-year 2018:

- sales growth of around 10%;
- 25-30 net store openings;
- EBITDA margin above 13% of sales.

The objectives presented above are based on data, assumptions and estimates that the Group considers to be reasonable as of the date of this Registration Document in light of its expectations for future economic prospects.

The objectives result from, and depend upon, the success of the Group's strategy, as described in section 1.4.4, "Group Strategy" of this Registration Document. They may change or be adjusted, particularly as a result of changes and uncertainties in the economic, financial, competitive, regulatory or tax environment or as a result of other factors not under the Group's control, or of which the Group was not aware on the date this Registration Document.

In addition, the occurrence of one or more of the risks described in section 1.8, "Risk Factors" of this Registration Document could have a material adverse effect on the Group's business, results of operations, financial position or outlook, and could therefore jeopardize its ability to achieve these objectives. The Group does not guarantee and gives no assurance that the objectives described in this section will be achieved.

Financial statements

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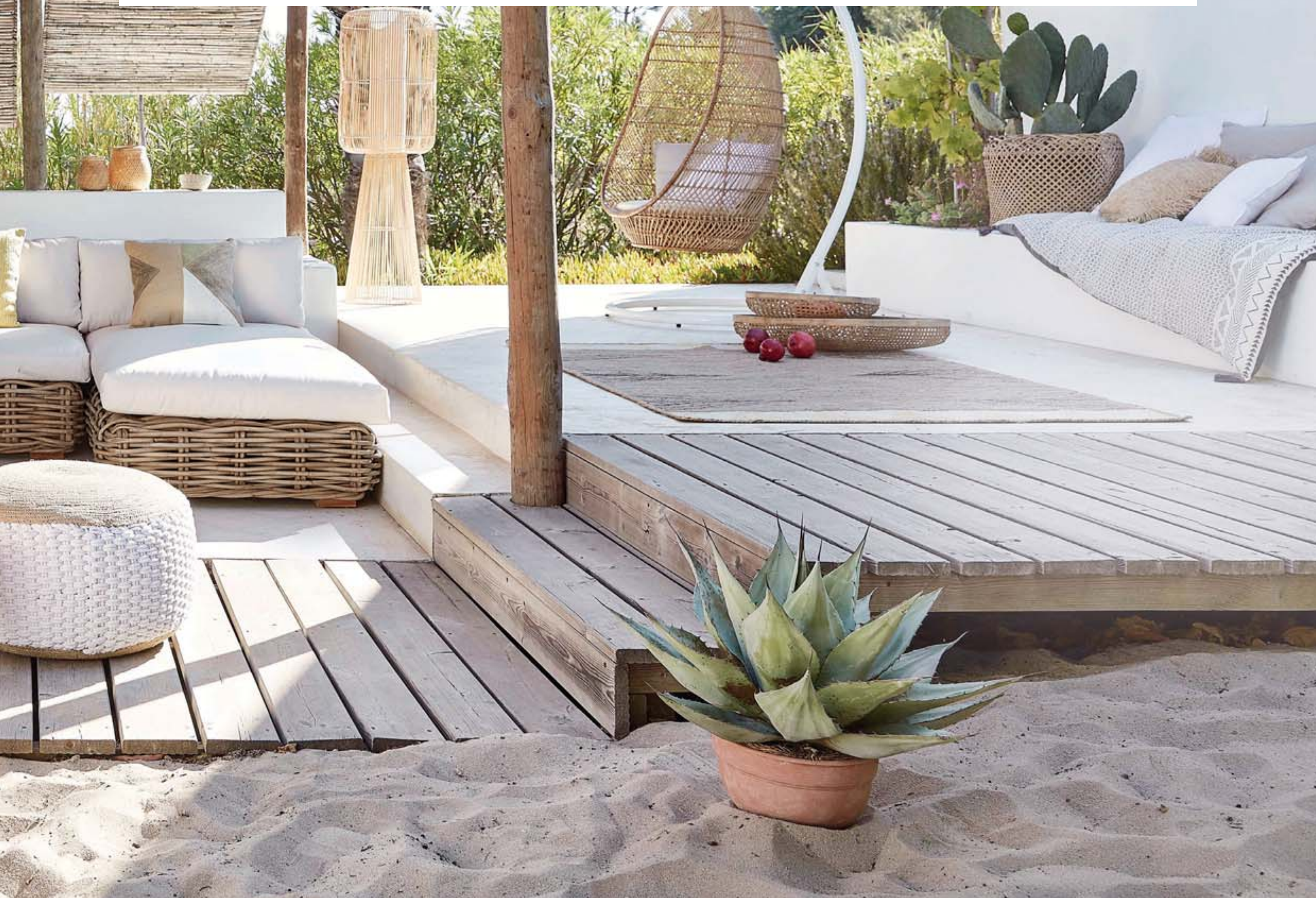

5.1 Consolidated financial statements

For the year ended 31 December 2017.

5.1.1 CONSOLIDATED INCOME STATEMENT

(in € thousands)	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Retail revenue	5	1,015,743	885,084
Other revenue from ordinary activities	5	26,149	24,623
Revenue		**1,041,892**	**909,707**
Cost of sales		(337,074)	(290,087)
Personnel expenses	7	(195,512)	(174,212)
External expenses	8	(369,554)	(319,012)
Depreciation, amortization and allowance for provisions		(31,964)	(29,671)
Fair value - derivative financial instruments	25	(2,346)	(20,592)
Other income from operations	9	3,145	3,977
Other expenses from operations	9	(7,095)	(11,574)
Current operating profit before other operating income and expenses		**101,493**	**68,537**
Other operating income and expenses	10	(1,705)	(22,505)
Operating profit (loss)		**99,788**	**46,032**
Cost of net debt	11	(6,252)	(34,709)
Finance income	11	1,788	1,598
Finance expenses	11	(5,961)	(38,646)
Financial profit (loss)		**(10,425)**	**(71,757)**
share of profit (loss) of equity-accounted investees		(1,034)	914
Profit (loss) before income tax		**88,330**	**(24,812)**
Income tax	12	(25,319)	12,843
PROFIT (LOSS) FOR THE PERIOD		**63,009**	**(11,969)**
Attributable to:			
• owners of the Parent		63,009	(11,969)
• non-controlling interests		-	-
Earnings per share attribuable to the owners of the parent:			
Basic earnings per share	13	1.39	(0.33)
Diluted earnings per share	13	1.38	(0.33)

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

5.1.2 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in € thousands)	Notes	Year ended 31 December 2017	Year ended 31 December 2016
PROFIT (LOSS) FOR THE PERIOD		**63,009**	**(11,969)**
• Remeasurements of post employment benefit obligations	29	(608)	(708)
• Income tax related to items that will not be reclassified	12	165	237
Total items that will not be reclassified to profit or loss		**(443)**	**(471)**
• Cash-flow hedge	25	(58,303)	19,137
• Currency translation differences		(910)	179
• Income tax related to items that will be reclassified	20 & 25	20,074	(6,589)
Items that will be reclassified subsequently to profit or loss		**(39,139)**	**12,727**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		(39,582)	12,256
TOTAL COMPREHENSIVE INCOME (LOSS)		**23,426**	**287**
Attributable to:			
• Owners of the parent		23,426	287
• Non-controlling interests		-	-

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

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5.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(in € thousands)	Notes	31 December 2017	31 December 2016
Goodwill	15	321,183	321,183
Other intangible assets	16	250,517	243,975
Property, plant and equipment	17	146,044	136,877
Equity-accounted investees	18	0	1,040
Other non-current financial assets	19	17,580	18,018
Deferred income tax assets	20	28,775	21,002
Other non-current assets	21	7,632	8,332
Non-current assets		**771,732**	**750,427**
Inventories	22	159,713	171,066
Trade receivables and other current receivables	23	80,523	50,103
Other current financial assets	24	2	419
Current income tax assets		12,020	15,789
Derivative financial instruments	25	-	22,658
Cash and cash equivalents	26	100,138	60,317
Current assets		**352,396**	**320,352**
TOTAL ASSETS		**1,124,129**	**1,070,779**

Equity and liabilities

(in € thousands)	Notes	31 December 2017	31 December 2016
Share capital	27	146,584	146,584
Share premiums	27	134,283	134,959
Retained earnings	27	188,226	227,396
Profit (loss) for the period		63,009	(11,969)
Equity attributable to owners of the Company		**532,102**	**496,970**
Non-controlling interests		-	-
TOTAL EQUITY		532,102	496,970
Borrowings	28	51,485	249,588
Convertible bond	28	173,635	-
Deferred income tax liabilities	20	56,132	62,823
Post-employment benefits	29	7,703	6,079
Provisions	30	13,668	13,989
Derivative financial instruments	25	19,154	-
Other non-current liabilities	32	11,986	10,879
Non-current liabilities		**333,762**	**343,358**
Current portion of borrowings and convertible bond	28	511	36,380
Trade payables and other current payables	31	238,111	192,891
Provisions	30	231	475
Corporate income tax liabilities		578	704
Derivative financial instruments	25	18,837	-
Current liabilities		**258,269**	**230,451**
TOTAL LIABILITIES		592,030	573,808
TOTAL EQUITY AND LIABILITIES		**1,124,129**	**1,070,779**

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

5.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in € thousands)	Notes	31 December 2017	31 December 2016
Profit (loss) for the period before income tax		88,330	(24,812)
Adjustments for :			
• Depreciation, amortization and allowance for provisions		33,825	42,937
• Net (gain) loss on disposals	9 & 10	608	(1,476)
• Share of profit (loss) of equity-accounted investees		1,034	(914)
• Change in fair value – derivative financial instruments	25	2,346	20,592
• Share-based payments		1,720	103
• Other [(1)]		2,470	35,965
• Cost of net debt	11	6,252	34,709
Change in operating working capital requirement:			
• (Increase) decrease in inventories		10,918	(68,731)
• (Increase) decrease in trade and other receivables		(30,326)	(3,861)
• Increase (decrease) in trade and other payables		46,494	31,060
Income tax paid		(9,795)	(7,528)
Net cash flow from/(used in) operating activities		**153,875**	**58,044**
Acquisitions of non-current assets :			
• Property, plant and equipment	17	(40,245)	(45,426)
• Intangible assets	16	(9,431)	(5,126)
• Financial assets		(25)	-
• Subsidiaries, net of cash acquired		-	33
• Other non-current assets [(2)]		300	(22,234)
Change in debts on fixed assets	31	(5,409)	3,524
Proceeds from sale of non-current assets		823	3,162
Net cash flow from/(used in) investing activities		**(53,986)**	**(66,067)**
Proceeds from increases in share capital [(3)]	27	-	150,424
Proceeds from borrowings [(4)]	28	-	280,519
Proceeds from convertible bond [(5)]	28	197,658	-
Repayment of borrowings [(4)]	28	(236,292)	(326,343)
Acquisitions (net) of treasury shares	27	(488)	(377)
Dividends paid	14	(14,016)	-
Interest paid	28	(6,523)	(28,876)
Vendor Loan [(6)]	28	-	(62,798)
High Yield early redemption fees [(1)]	28	-	(19,693)
Net cash flow from/(used in) financing activities		**(59,661)**	**(7,144)**
Exchange gains/(losses) on cash and cash equivalents		184	69
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		40,228	(15,098)
Cash and cash equivalents at beginning of period		59,675	74,773
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**100,093**	**59,675**

(in € thousands)	Notes	31 December 2017	31 December 2016
Cash and cash equivalents (excluding bank overdrafts)	26	100,138	60,317
Bank overdrafts	28	(45)	(642)
CASH AND CASH EQUIVALENTS		**100,093**	**59,675**

(1) In 2016, of which €19.7 million related to the High Yield redemption fees reclassified in financing operations and €16.7 million related to the issuance fees of the "previous" financing not yet amortized at the date of the termination of the RCF and at the date of the repayment of the High Yield Bond (see note 1.3 of the 2016 consolidated financial statements). In 2017, of which €2.5 million related to the partial repayment of the term loan (see note 1.1 of section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration Document).

(2) In 2016, of which €20.6 million of shares and other securities of Magnolia (BC) Luxco S.C.A. ("Luxco 2") following the repurchases completed in the first quarter of 2016 as part of the top management team transition arrangements agreed between Mr. Xavier Marie and Bain Capital in the summer of 2015.

(3) In 2016, as part of the IPO, the Group issued new shares for €160 million and the corresponding fees amounted to €9.6 million, resulting in a net cash-in of €150.4 million.

(4) In 2016, as part of its refinancing, the Group repaid the High Yield Bond and subscribed to a new Term Loan (see note 27 of the 2016 consolidated financial statements). In 2017, following the issuance of the Convertible Bond, the Term Loan has been partially repaid for €200 million (see note 1.1 of section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration Document).

(5) In 2017, the Group issued a Convertible Bond ("OCEANE") for a nominal amount of €200 million (see note 1.1 of section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration Document).

(6) In 2016, the vendor loan of €62.8 million resulting from the acquisition of the Group by Bain Capital in 2013 was fully repaid (see note 1.1 of the 2016 consolidated financial statements).

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

5.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attribuable to owners of the parent						
(in € thousands)	**Notes**	**share capital**	**share premiums**	**Retained earnings**	**Currency translation difference**	**Total**	**Non-controlling interest**	**Total equity**
Balance as of 1 January 2016		**5,545**	**49,905**	**(38,334)**	**250**	**17,368**		**17,368**
Impact of the corporate reorganization prior to the IPO (1)		110,545	(38,158)	253,496	-	325,883	-	325,883
Merger of Luxco 1 bis with and into Luxco 3		-	-	*325,883*	-	*325,883*	-	*325,883*
Merger of Luxco 3 with and into MDM SA		*40,550*	-	*(40,550)*	-	-	-	-
MDM SA as new parent of the Group		*75,540*	*11,747*	*(87,287)*	-	-	-	-
Cancellation of Luxco 3 share capital		*(5,545)*	*(49,905)*	*55,450*	-	-	-	-
Issue of ordinary shares (net of underwriting fees) (2)		30,494	123,212	-	-	153,706	-	153,706
Share-based payments	27	-	-	103	-	103	-	103
Treasury shares	27	-	-	(377)	-	(377)	-	(377)
Profit (loss) for the period		-	-	(11,969)	-	(11,969)	-	(11,969)
Other comprehensive income for the period		-	-	12,077	179	12,256	-	12,256
BALANCE AS OF 31 DECEMBER 2016		**146,584**	**134,959**	**214,996**	**429**	**496,970**	**-**	**496,970**
Balance as of 1 January 2017		**146,584**	**134,959**	**214,996**	**429**	**496,970**	**-**	**496,970**
Dividends cash-settled	14	-	(676)	(13,340)	-	(14,016)	-	(14,016)
Convertible bond	28	-	-	24,346	-	24,346	-	24,346
Share-based payments	27	-	-	1,720	-	1,720	-	1,720
Treasury shares	27	-	-	(343)	-	(343)	-	(343)
Profit (loss) for the period		-	-	63,009	-	63,009	-	63,009
Other comprehensive income for the period		-	-	(38,672)	(910)	(39,582)	-	(39,582)
BALANCE AS OF 31 DECEMBER 2017		**146,584**	**134,283**	**251,716**	**(481)**	**532,102**	**-**	**532,102**

(1) In 2016, in the context of the IPO, the following reorganization (see note 1.1 of the 2016 consolidated financial statements) impacted the change in stockholder's equity:

- *Luxco 1 Bis merged with and into Magnolia (BC) Midco S.à.r.l. ("Luxco 3"), the latter remaining the parent entity of the Group;*
- *Luxco 3 merged with and into Maisons du Monde S.A., its direct subsidiary, Maisons du Monde S.A. becoming the new parent entity of the Group.*

(2) In 2016, as part of the IPO, the Group issued new shares in the amount of €160 million. The corresponding fees amounted to a gross amount of €9.4 million so €6.1 million net of deferred tax (see note 1.1 of the 2016 consolidated financial statements).

The notes are an integral part of the consolidated 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 – 44,120 Vertou. Maisons du Monde's shares are listed on Euronext Paris.

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.

These 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 consolidated financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 20 March 2018 and will be submitted to the Annual Shareholders' Meeting for approval on 18 May 2018. All amounts are expressed in thousands of euro, unless otherwise specified.

5.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

Note 1 Significant events

1.1 Financing operations

a) Additional revolving credit facility

On 1 March 2017, the Group entered into an additional Revolving Credit Facility of €75 million as authorized by the Senior Facility Agreement dated 18 April 2016. This complementary Revolving Credit Facility was taken out under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016. Issuance fees amounted to € 0.5 million (see note 28 of this Section).

b) Convertible Bond

On 6 December 2017, the Group issued bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") due 6 December 2023 for a nominal amount of approx. €200 million. Issuance fees amounted to €2.3 million (see note 28 of this Section).

c) Partial repayment of term loan

On 6 December 2017, following the issuance of convertible bonds, the Company partly reimbursed the term loan for an amount of €200 million (see note 28 of this Section). Thus, as at 31 December 2017, the nominal amount of the term loan is €50 million. The portion of issuance costs not amortized at the time of the reimbursement was recorded in external expenses for €2.5 million.

1.2 Fees related to the refinancing

The fees linked to the refinancing (see note 1.1 of this Section) of the Group amounts to €5.3 million, broken down as follows as of 31 December 2017:

		P&L impact			Balance sheet impact	
(in € thousands)	**Total fees**	**Cost of net debt** (1)	**Other financial expenses and income** (1)	**Total P&L**	**Equity** (2)	**Borrowings** (2)
Issuance fees amortized over the lifetime of the Convertible Bond ("debt component")	(2,053)	(21)	-	(21)	-	(2,032)
Issuance fees related to the Convertible Bond ("equity component")	(288)	-	-	-	(288)	-
Portion of issuance fees not yet amortized at the repayment date of the Term Loan	(2,470)	-	(2,470)	(2,470)	-	-
Issuance fees amortized over the lifetime of the additionnal RCF	(506)	(100)	-	(100)	-	(406)
TOTAL FEES	**(5,317)**	**(121)**	**(2,470)**	**(2,591)**	**(288)**	**(2,438)**

(1) See note 11 of this Section.

(2) See note 28 of this Section.

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Note 2 Accounting policies and consolidation rules

2.1 General principles

The 2017 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The standards adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/finance/accounting/ias/index.fr.htm.

On the reporting date, there is no difference between the framework used and the standards adopted by the IASB, which are mandatory for the financial year presented.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value or at amortized cost as discussed in the accounting policies below. The main accounting principles applied are unchanged from the prior year, except for standards adopted and outlined in note 2.2 of this Section, effective as of 1 January 2017.

Financial data is presented in € thousands. Amounts are rounded to the nearest thousand, unless otherwise stated. Generally speaking, the amounts stated in the consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest unit. As a result, there may be immaterial differences between the sum of the rounded amounts and the total reported.

2.2 List of new standards, amendments and interpretations in force

a) New standards, amendments to existing standards and interpretations in force and whose application was mandatory from 1 January 2017

Adopted by the European Union:

- amendments to IAS 7 – Disclosure initiative;
- amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses.

Not yet adopted by the European Union: none

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

Adopted by the European Union:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from contracts with customers;
- clarification of IFRS 15 – Revenue from contracts with customers;
- amendments to IFRS 4 – Apply IFRS 9 Financial instruments with IFRS 4;
- IFRS 16 – leases.

Not yet adopted by the European Union:

- IFRS 17 – Insurance contract ;
- amendments to IFRS 2 – Clarification and measurement of share-based payment transactions;
- annual improvements to the 2014-2016 IFRS cycle;
- interpretation IFRIC 22 – Foreign currency transaction and advance consideration;
- amendments to IAS 40 – Transfers of investment properties;
- IFRIC 23 – Accounting for uncertainties in income taxes;
- amendments to IFRS 9 – Prepayment features with negative compensation;
- amendments to IAS 28 – Long term interests in associates and joint ventures;
- annual improvements to the 2015-2017 IFRS cycle.

IFRS 15 – Revenue from contracts with customers will come into force on 1 January 2018. The Group has completed the main work required to identify the standard's potential impact on each of its business families. Given the nature of the Group's activities, the analysis results confirm that IFRS 15 does not call into question the Group's current model for recognising revenue. As a result, the impact expected to arise from the first-time adoption of IFRS 15 is unlikely to be material.

IFRS 9 – Financial instruments will also come into force on 1 January 2018. It proposes new arrangements for classifying and measuring financial assets (based on the Company's management method and the contractual characteristics of the financial assets), the impairment of the Group's financial assets (a model now based on expected losses and no longer recognized losses), and provisions relating to hedge accounting (bring into line the accounting methods and risk management policy used by the Group). The Group does not expect any material impact on the classification or measurement of its financial assets. The Group currently estimates that existing effective hedge relationships are in line with IFRS 9's provisions. Initial analysis of historical losses on receivables does not show any material impact.

IFRS 16 – Leases is leading to major changes in the way that lessees recognise leases. IFRS 16 requires lessees to use a single method for recognising leases, affecting the balance sheet in a similar way to finance leases. It will come into force on 1 January 2019. Because of the specific features of some leases (particularly regarding renewal arrangements), the timeframes used to measure leases under IFRS 16 could, in some cases, differ from those used to measure off-balance sheet commitments in which only the firm commitment period was taken into account. The obligations mentioned in note 35.2 "Operating lease commitments" of this Section may therefore not be fully representative of the liabilities to be recognised when IFRS 16 is adopted. The potential impact on the Group's financial statements is still being assessed.

2.3 Consolidation method

a) Business combination

Business combinations are recognised according to the acquisition method. Identifiable assets acquired and assumed liabilities are measured at fair value on the date control was obtained.

On the acquisition date, goodwill is measured as the difference between:

- the fair value of the consideration transferred, plus the amount of any non-controlling interest, and where relevant, the acquisition-date fair value of the acquirer's previously held equity interest; and
- the fair value of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests are measured either at fair value, or at the non-controlling interest's proportionate share of net assets of the entity acquired. This option is available on a case-by-case basis for each acquisition.

Negative goodwill is immediately recognised in profit or (loss).

Acquisition expenses are immediately recognised in expenses as they are incurred, unless they relate to equity instruments.

b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when its relationship with the entity exposes it to or gives it rights to variable returns and it has the ability to affect those returns through its power it exercises over the entity. Power over the investee is assessed based on the actual rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intercompany transactions, balances and realised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, subsidiaries' accounting methods have been adjusted to conform with the Group's accounting policies.

c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint-ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint-ventures. Interests in joint-ventures are accounted for using the equity method.

Equity interests consolidated under the equity method are initially recognised at acquisition cost. Their carrying value is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses. Dividends received or receivable from an investee are recognised as a reduction of the carrying amount of the investment.

When the Group's share of losses in a joint-venture equals or exceeds its interests in the joint-venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint-ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint-venture.

Unrealised gains on transactions between the Group and its joint-ventures are eliminated to the extent of the Group's interest in the joint-ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of the joint-ventures have been changed to ensure consistency with the policies adopted by the Group.

The carrying amount of interests in joint ventures is tested for impairment in accordance with the policy described in note 2.15 of this Section.

2.4 Foreign currency translation method

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges, *via*:

- the operating profit for the transactions related to operating activities;
- the financial profit for the transactions related to financing activities.

c) Group companies

The results and financial position of all the Group's companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, including goodwill and fair value adjustments, for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2.5 Segment reporting

In accordance with IFRS 8 Operating Segments, segment information is reported on the basis of internal management reports used by the Board of Directors – the Group's main decision-making body – to analyse performance and decide on the allocation of resources.

As a result, an operating segment is a separate component that engages in business activities from which the Group may earn revenues and incur expenses. Each operating segment is monitored individually and the operating profit from each segment is reviewed by the Board with a view to assessing performance in making decisions on resource allocation.

Operating segment information is disclosed in note 4 of this Section.

2.6 Revenue

In accordance with IAS 18, revenues correspond to the sales of goods and services in the course of the activities of the fully consolidated companies.

Total revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other taxes and duties. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each agreement.

a) Sales of goods in stores

Sales of goods are recognised at the point of sale of a product to the customer or upon delivery to the customer, whichever is later. Retail sales are usually paid in cash or by card.

The Group does not offer any loyalty programs.

b) E-commerce revenue

Sales of goods on the e-commerce platform is recognised at the point that the risks and rewards of the goods have passed to the customer. Transactions are generally settled by credit card, cheque, payment card or e-payment means.

c) Sales of services

Sales of services are recognised in revenue in the accounting period in which the services are rendered.

The Group sells mainly transport of goods (delivery to customers) and logistics services. The revenue related to these services is recognised in the period in which the transaction takes place, depending on the stage of completion at the end of the reporting period.

2.7 Share-based payments

The Group's share-based payment policy consists of implementing regular performance share grant plans in favour of members of Senior Management and other senior and middle managers. The plans in progress at 31 December 2017 are equity-settled plans. The cost of performance share plans is recognized in personnel expenses over the vesting period and by increasing equity.

In accordance with IFRS 2, the plan cost is determined by reference to the fair value of the shares at the grant date, corresponding to the share price at the same date less the estimated present value of dividends not received during the vesting period.

The estimated probability of market performance conditions being met reduces the performance shares' fair value on the grant date.

Non-market performance conditions (such as condition of continued presence within the Group, or internal performance objectives) are not taken into account for the purpose of measuring grant-date fair value but adjust the final cost of the plan, depending on the actual number of equity instruments that vest.

The dilution effect of non-vested performance share allocations plans in progress is reflected in the calculation of diluted earnings per share.

Performance shares are measured at fair value, taking into account a discount to reflect their non-transferability. The cost of non-transferability is measured as the cost of a two-step strategy consisting in the forward sale of shares being non-transferable for one year and the purchase on the spot market of the same number of shares funded by an amortizable loan with an in fine capital repayment.

Valuation is based on the following main underlying assumptions:

- dividend growth rate, based on the forecast average annual growth rate;
- employee departure rate which is estimated for each position in the Group and based on the historical employee departure rate of the corresponding occupational category. This departure rate is used to estimate the shares that will not be allocated due to the departure of beneficiaries;
- the achievement of performance conditions.

2.8 Other operating income and expenses

Other operating income and expenses mainly includes reorganization costs (store closure without relocation), restructuring costs, acquisition costs, IPO-related fees and certain provisions. This income statement item includes cash as well as non-cash items.

Other operating income and expenses relates to other unusual, infrequent or non-recurring items. Such items are those that in management's opinion need to be disclosed in the financial statements by virtue of their size, nature or incidence. The accounting classification is consistent with the way that financial performance is measured by management and reported to the Board of Directors and assists in providing a meaningful analysis of the trading results of the Group.

2.9 Financial income and expenses

Interest income and expense are recognised according to the time elapsed, taking into account the actual return from the asset, which is the interest rate required to discount the future cash flows expected over the life of the asset to make it equal to the asset's initial value.

2.10 Dividends

Dividend income from equity interests is recognised when the shareholder's right to receive payment is established.

Dividends paid to the shareholders of the Company are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

2.11 Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the net profit for the period attributable to the Group;
- by the weighted average number of ordinary shares outstanding during the period, less the weighted average number of treasury shares held by the Group.

b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding used in the determination of basic earnings per share to take into account dilutive instruments.

Under certain circumstances, the dilutive effect may result from the subscription of options granted to employees, stock purchase warrant or bonds conversion according to the prevailing condition at the closing date.

Diluted earnings per share take into account:

- performance shares granted to employees;
- impact of all potentially dilutive ordinary shares, particularly those resulting from convertible bonds.

The number of shares retained is the one that would have been allocated if the performance criteria were evaluated at the end of the closing period or may be created if all bonds issued were converted.

2.12 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint-ventures and represents the difference between the consideration transferred, the amount of any non-controlling interest in the acquired entity, as well as the acquisition-date fair value of any previous equity interest in the acquired entity, and the fair value of the net identifiable assets acquired. When the difference is negative, this amount is recognised in profit or loss during the year of acquisition.

Where settlement is deferred, the amounts payable in the future are discounted to their present value as at the date of settlement. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financial establishment under comparable terms and conditions.

A potential price adjustment is estimated at its fair value on the acquisition date, and this initial value may not be adjusted subsequently as an offset to goodwill except in the case of new information obtained about facts and circumstances that were in existence at the acquisition date, and insofar as the measurement was presented as provisional (the measurement period is 12 months). Any subsequent adjustments that do not meet these criteria are recognised in debt or receivables, with an offsetting entry in income.

If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is included in intangible assets and is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or group of cash-generating units, that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the smallest level within the entity at which the goodwill is monitored at Group level. Goodwill is monitored at the geographical level: France and International.

The carrying value of goodwill is compared to the recoverable amount of the CGU or group of CGU to which the goodwill is allocated, which is the higher of value in use and the fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Any impairment is recognised immediately as an expense and is not subsequently reversed. Impairment is allocated first to the carrying amount of any goodwill allocated to the CGU or group of CGU, and then to the carrying amounts of the other assets on a pro rata basis.

b) "Maisons du Monde" brand

The "Maisons du Monde" brand has an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. It has been recognized in connection with the business acquisition of MDM Group in 2013. The valuation of this brand has been determined with the assistance of valuation specialists, taking into account various factors, including brand awareness. The "royalties" method was used to estimate the fair value of Maisons du Monde brand. This brand, which is legally protected, is not amortised but is individually tested for impairment annually or more frequently if signs of impairment exist at Group level. Advertising and promotional campaigns contribute to maintain the positioning of the "Maisons du Monde" brand.

c) Commercial leasehold rights ("Droits au bail" and "Pas de porte")

In France, the holder of the commercial leasehold rights ("Droits au bail") is entitled to renew the lease almost indefinitely. If the lessor wishes to cancel a commercial lease in France, the lessee has the right to receive eviction indemnity equal to the value of the leasehold rights at the date of cancellation. As a result, leasehold rights have an indefinite useful life as there is no foreseeable end to the period during which the leasehold right is expected to generate net cash inflows. Consequently, main leasehold rights (paid to the former lessee) are not amortised but are tested for impairment annually and whenever events or circumstances indicate that their recoverable amounts may be less than their book values.

In some cases, another legal term is used for commercial leasehold rights. They are referred to as "Pas de porte" when the amount is paid by the lessee to the lessor. In this case they are classified in "Prepaid expenses", within "Trade and other receivables" and "Other non-current assets" in the consolidated statement of financial position, and are recognised as rental expenses on a straight-line basis over the estimated term of the lease.

d) Trademarks and licenses

Acquired trademarks and licences are recorded at acquisition cost.

Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are subsequently carried at acquisition cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their useful lives, estimated at one to four years.

e) Internally generated software development costs

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software development so that it will be available for use;
- management intends to complete the software development and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated that the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

When these criteria are met, internal software development costs are capitalised during the application development stage. The costs capitalised correspond to external direct costs and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Amortisation is calculated from the point at which the asset is put into use, using the straight-line method to allocate the cost of software over their useful lives (estimated to three years in most of the cases).

2.13 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives and is recognised in profit and loss. The estimated useful lives of PPE for the period are as follows:

• Constructions:	20 to 25 years
• Fixtures and fittings to buildings:	7 to 15 years
• General installations:	7 to 10 years
• Equipment and machinery:	3 to 15 years
• Transportation equipment:	4 to 5 years
• Office and computer equipment:	3 to 5 years
• Furniture:	5 to 10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.14 Lease agreements

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as a lessee are classified as operating leases. Payments made under operating leases (net of any free rents received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases certain property, mainly the Group stores and warehouses, and these contracts are generally qualified as operating leases.

Lease contracts where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the debt repayment and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if it is not reasonably certain that the Group will obtain ownership by the end of the lease term.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or some intangible assets – are not amortised and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the difference between the asset's carrying amount and its recoverable amount, if the latter is less than the asset's carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.16 Financial assets

a) Classification

Financial assets are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

The classification depends on the purpose for which the financial assets were acquired and specific features of the instruments. Management determines the classification of its financial assets at initial recognition.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they have a maturity of less than 12 months after the reporting date; otherwise, they are classified as non-current.

Gains and losses from financial assets held for trading are recognised immediately in the income statement.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" and "Cash and cash equivalents" in the statement of financial position.

The breakdown by category of the Group's financial assets is presented in note 33 of this Section.

b) Recognition and measurement

Financial assets are initially recognised at fair value plus, for all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the income statement.

Loans and receivables are carried at amortised cost using the effective interest rate method. Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.17 Impairment of financial assets

The Group assesses at each reporting date whether there is an indication that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recorded only if there is an indication of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.18 Derivative financial instruments and hedging activities

The Group holds various derivative financial instruments, which are used to hedge currency risks arising in the normal course of business. The use of these instruments helps to hedge against foreign exchange exposures and to minimize the risks on business transactions.

They are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of currency derivatives is determined based on the forward exchange rate at the reporting date.

Since 1 January 2016, the Group applies hedging accounting in accordance with IAS 39.

Changes in fair value are recognised in profit or loss, except for instruments qualified as cash flow hedges (hedges of variable rate) for which changes in fair value are recognised in other comprehensive income for their effective portion and in profit or loss for their ineffective portion.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

2.19 Inventories

Inventories are recognised at the lower of historical cost and net realisable value.

Cost is determined using the weighted-average cost method. The valuation of warehouse inventory is equal to the cost of acquisition plus shipping, duty and transportation costs. The valuation of retail store inventory is composed of the warehouse cost price plus the warehouse-to-retail stores' transportation costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.20 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

An impairment loss is recognised in the income statement when there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is considered uncollectible, it is recognised as an expense.

2.21 Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents (excluding bank overdrafts) include cash and other short-term investments (marketable securities) with original maturities of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts. In the consolidated statement of financial position, bank overdrafts are presented within borrowings in current liabilities.

2.22 Share capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are presented as a deduction to equity, net of tax, with no impact on net income.

When the Group buys back its own shares, they are classified as treasury shares at the purchase price and recognised as a deduction from equity for the consideration paid. Gains and losses on disposals of treasury shares are recognised directly in equity, for their amount net of tax, without affecting profit.

No impairment losses are recognised on treasury shares.

2.23 Post-employment benefits

Group companies operate various pension schemes, which are all defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of leading corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in personnel expenses, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

Past-service costs, which are the change in the present value of the defined benefit obligation resulting from a plan amendments or curtailments, are recognised immediately in profit or loss.

The interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in other finance expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been delivered in the ordinary course of business from suppliers. These debts are classified as current liabilities if payment is due within 12 months after the reporting date (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.26 Other non-current liabilities

Other non-current liabilities relate only to non-current portion of free rents granted by lessors which is reversed on a straight-line basis over the expected lease term.

2.27 Borrowings and other financial debts

a) Borrowing from credit institutions

Borrowings, including issued bonds, and other financial debts are initially recognised at fair value, net of transaction costs incurred. Borrowings and other financial debts are subsequently carried at amortised cost. Any difference between the amounts (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is the rate used to discount the expected stream of future cash flows (transaction costs included) through the maturity of the financial liability, or a shorter period if appropriate, to the current net carrying amount of the liability on the date of initial recognition.

Fees are deducted from borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

b) Convertible bond

A convertible bond is a “compound financial instrument”, with a debt component and an equity component that are measured and accounted separately.

The debt component refers to the present value of the contractual future cash flows, discounted at the interest rate applied by the market at that date to instruments with identical characteristics, but without any conversion option. It is then measured using the amortized cost method over its estimated useful life.

The equity portion is equal to the difference between the issued nominal value and the debt component. The value recorded in equity corresponding to the valuation of the conversion option is not revalued during the life of the loan.

Issuance fees are deducted from debt and equity based on their respective value.

2.28 Current and deferred income tax

The income tax for the period comprises current and deferred tax. Current or deferred income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and their tax bases in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against on which they can be used.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In accordance with IAS 12, the Group recognises the CVAE tax (France), IRAP tax (Italy) and Gewerbesteuermessbetrag tax (Germany) as an income tax.

The Group recognised deferred tax assets on tax loss carryforwards. A budget forecast has been prepared to document the use of this deferred tax asset within a reasonable period of time.

2.29 Contingent assets and liabilities

Depending on the outcome of uncertain future events, contingent assets and liabilities may be recognised by an entity. Details of these are set out in the notes to the consolidated financial statements.

Note 3 Critical estimates and judgements

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates and judgments that may have an impact on the carrying amount of certain assets, liabilities, proceeds, expenses and on the information provided in the notes to the financial statements.

Estimates and assumptions are reviewed on a regular basis, and at least on each reporting date. They may vary if the circumstances on which they are based change or new information becomes available. Actual results may differ materially from these estimates.

The main estimates made by Management during the preparation of the consolidated financial statements relate to the assumptions used for:

- valuation of intangible assets (goodwill and brand): see notes 2.12 and 2.17 of this Section;
- deferred tax: see note 2.28 of this Section;
- financial instruments and their classification: see note 2.18 of this Section;
- provision for litigations: see note 2.24 of this Section.

Notes on consolidated income statement

Note 4 Geographical segment information

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

- France;
- International.

In addition, the corporate segment includes the holding company's activities, including assets that cannot be allocated to any segments and *CICE*. This segment, which does not include any revenues, mainly comprises overheads related to the legal, finance, human resources and IT departments, as well as expenses related to design, procurement, customer relationship management (CRM) and merchandising.

The Group defines its 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 derivative instruments, which are both non-cash items, as well as;
- iii) only in 2016, the management fees paid to the controlling shareholders (prior to the IPO) to cover their management and structural expenses (see note 35.1 of the 2016 consolidated financial statements);
- iv) store pre-opening expenses which relate to expenses prior to the opening of new stores.

EBITDA by geographical segment includes:

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

A deeper analysis of the EBITDA of the logistics entities allowed a different allocation and generated a slight modification of the 2016 data, compared to the elements disclosed in the 2016 consolidated financial statements.

Sales and EBITDA related to B to B activity have 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 of this Section).

(in € thousands)	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Sales	1,010,569	881,831
France	624,771	563,690
International	385,798	318,141
Sales to franchise and promotional sales	5,174	3,253
Retail revenue	**1,015,743**	**885,084**
Current operating profit before operating income and expenses	**101,493**	**68,537**
Depreciation, amortization and allowance for provisions	31,964	29,671
Change in fair value - derivative financial instruments	2,346	20,592
Management fees	-	789
Expenses prior to openings	2,976	3,244
EBITDA	**138,780**	**122,833**
France	139,207	122,183
International	60,676	54,226
Corporate	(61,103)	(53,575)
Goodwill, other intangible assets and property, plant and equipment	**717,744**	**702,036**
France	341,486	333,003
International	156,680	150,719
Corporate	219,579	218,314

Note 5 Revenue

Revenue is broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Sales	1,010,569	881,831
Sales to franchise and promotional sales	5,174	3,253
Retail revenue	**1,015,743**	**885,084**
Transportation to customers	18,870	16,843
Supply chain services	878	1,540
Other services	1,297	1,491
Eco-contribution	2,224	1,970
Capitalized production	2,880	2,499
Sundry revenue	0	280
Other Revenue from ordinary activities	**26,149**	**24,623**
TOTAL REVENUE	**1,041,892**	**909,707**

Sales are broken down by channel and product category as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Stores	800,591	712,701
Web	209,978	169,130
TOTAL SALES	**1,010,569**	**881,831**

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Decoration	583,924	499,776
Furniture	426,645	382,055
TOTAL SALES	**1,010,569**	**881,831**

Note 6 Gross margin

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Sales	1,010,569	881,831
Cost of sales	(337,074)	(290,087)
Gross margin	**673,495**	**591,744**
Gross margin (%)	***66.6%***	***67.1%***

Note 7 Personnel expenses

Personnel expenses are broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Wages and salaries	(138,880)	(125,751)
Social security costs	(41,951)	(38,964)
Share-based payment (including social security costs) (1)	(2,264)	(124)
Employee profit-sharing (including social security costs)	(11,156)	(8,438)
Post-employment benefits – Defined benefit plans	(1,260)	(935)
TOTAL PERSONNEL EXPENSES	**(195,512)**	**(174,212)**

(1) *Social security costs related to share-based payment amount to €0.6 million as of 31 December 2017.*

For the year ended 31 December 2017, the Group recorded accrued income of €5.5 million (2016: €4.4 million) related to *CICE* tax credit (introduced in France in 2013 to encourage competitiveness and employment). This income is accrued under personnel expenses items (social security costs).

The average number of full-time employees (FTE) is 5,932 for the year 2017 and 5,432 for the year 2016.

Note 8 External expenses

External expenses are broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Energy and consummables used	(21,755)	(17,219)
Eco-contribution	(2,220)	(2,086)
Leases and related expenses	(111,375)	(97,834)
Rental	(8,098)	(6,508)
Repairs and maintenance	(15,230)	(13,753)
Insurance	(1,650)	(1,671)
Temporary staff	(22,940)	(18,886)
Advertising & marketing	(36,617)	(31,335)
Fees	(11,679)	(12,689)
Transportation	(105,010)	(87,225)
Post & Telecom	(5,025)	(4,266)
Travel & Meeting expenses	(7,635)	(6,764)
Bank services	(6,541)	(5,540)
Taxes other than on income	(12,156)	(12,004)
Other external expenses	(1,624)	(1,232)
TOTAL EXTERNAL EXPENSES	**(369,554)**	**(319,012)**

Other external expenses are made up of insignificant amounts if taken individually.

Note 9 Other income and expenses from operations

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

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Pre-opening expenses	(2,976)	(3,244)
Gains and losses on disposals [(1)]	(608)	894
Commercial disputes & losses	(113)	(4,920)
Leases & related expenses [(1)]	(234)	7
Other income and expenses from operations	(19)	(334)
TOTAL OTHER OPERATING INCOME/EXPENSES FROM OPERATIONS	**(3,949)**	**(7,596)**

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

Other income and expenses are made up of insignificant amounts if taken individually.

Note 10 Other operating income and expenses

Other operating income and expenses are broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Gains and losses on disposals [(1)]	(1)	582
Provision for closure of store [(1)]	(173)	(23)
Restructuring costs	(197)	-
Commercial disputes & losses [(2)]	(808)	(11,697)
Other	(525)	-
Fees linked to the IPO	-	(11,367)
TOTAL OTHER OPERATING INCOME/ (EXPENSES)	**(1,705)**	**(22,505)**

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

(2) In 2016, related to a provision for commercial dispute (see note 29 of the 2016 consolidated financial statements).

Note 11 Financial profit (loss)

Finance income and expenses are broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Interest on High Yield bond loans	-	(13,273)
Interests on loans, including Revolving Credit Facility	-	(820)
Interests on PECS	-	(15,800)
Cost of "former" financing net debt	**-**	**(29,893)**
Interest on term loan	(4,402)	(3,723)
Interest on convertible bond	(303)	-
Interests on loans, including Revolving Credit Facilities	(1,524)	(1,082)
Cost of "new" financing net debt	**(6,230)**	**(4,805)**
Proceeds from cash and cash equivalents	1	41
Interests on bank overdrafts	(23)	(52)
Cost of net debt	**(6,252)**	**(34,709)**
Finance leases	(82)	(51)
Exchange gains and losses	135	640
Commission costs	(1,702)	(1,591)
Other finance income & costs (1)	(2,524)	(36,046)
TOTAL FINANCIAL PROFIT (LOSS)	**(10,425)**	**(71,757)**

(1) In 2016 of which:

- *€19.7million related to the High Yield early bond redemption fees (see note 1.3 of the 2016 consolidated financial statements).*
- *€16.7 million of issuance fees not yet amortized at the date of the termination of the RCF and at the date of the repayment of the High Yield Bond (see note 1.3 of the 2016 consolidated financial statements).*

In 2017 of which €2.5 million of issuance fees not yet amortized at the date of the partial repayment of the Term Loan (see note 1.1 of this Section).

Note 12 Income tax

Income tax is broken down as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Current income tax	(19,555)	(7,299)
Deferred tax	(5,764)	20,142
INCOME TAX EXPENSE	**(25,319)**	**12,843**

The Group's income tax differs from the theoretical tax which would apply according to the actual tax rate applicable to the results of consolidated companies for the following reasons:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Profit (loss) for the period	63,009	(11,969)
Less share of profit investments accounted for using the equity method	(1,034)	914
Less income tax expense	(25,319)	12,843
Profit (loss) of consolidated companies before tax	**89,361**	**(25,726)**
Theoretical tax rate	34%	34%
Theoretical income tax expense (+)/ product (-)	**30,767**	**(8,857)**
Difference in income tax rates in other countries	(1,369)	(839)
Utilisation of previously unrecognised tax loss	-	3,322
Tax losses for which no deferred income tax asset was recognized	-	1,598
Tax (1)	4,028	3,550
Impact of tax credits	(3,677)	(1,943)
Impact of permanent differences	1,931	1,045
Other (2)	(6,361)	(10,719)
Actual income tax expense	**25,319**	**(12,843)**

(1) Including CVAE (France), IRAP (Italy) and Gewerbesteuermessbetrag (Germany).

(2) Mainly the effect on deferred tax basis of the French tax rate gradual decrease from 34.43% to 25.9% for French entities (in particular Brand for €6.3 million - see note 20 of this Section).

The tax effects relating to other comprehensive income (loss) are as follows:

(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016
Cash-flow hedge	20,074	(6,589)
Income tax relating to items that may be subsequently reclassified to profit or loss	**20,074**	**(6,589)**
Tax on actuarial gains (losses) on post-employment benefits	165	237
Income tax relating to items that will not be subsequently reclassified to profit or loss	**165**	**237**
TOTAL INCOME TAX ON OTHER COMPREHENSIVE INCOME (LOSS)	**20,239**	**(6,352)**

Note 13 Earnings per share

13.1 Basic earnings per share

(in € thousands, unless otherwise stated)	Year ended 31 December 2017	Year ended 31 December 2016
Profit (loss) for the period attributable to sharehlders of the parent	63,009	(11,969)
Weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	45,229	36,133
BASIC EARNINGS PER SHARE (IN EUROS)	**1.39**	**(0.33)**

In compliance with "IAS 33 – Earnings per share", the weighted average number of ordinary shares for the year 2016 has been adjusted to take into account events that impacted the number of outstanding shares without having a corresponding impact on the entity's resources.

As a consequence of the 2016 corporate Group reorganization, Maisons du Monde S.A. became the new parent entity of the Group instead of Luxco 3 as of 31 May 2016. As part of this corporate Group reorganization and before the IPO, the initial number of ordinary shares of Maisons du Monde S.A. as of 1 January 2016 (139,889,001) has increased by 3 shares in order to proceed a reverse stock split that led to a decrease in the number of ordinary shares from 139,889,004 to 23,314,834 (see note 13.1 of the 2016 consolidated financial statements).

For comparison purposes, this new number of ordinary shares (23,314,834) has been used for the calculation of the weighted average number of outstanding ordinary shares for presented past period and has been considered as the number of shares as of 1 January 2016.

In addition, the share capital increases due to the merger with Luxco 3 and the IPO have been taken into account for the calculation of the weighted average number of outstanding ordinary shares for the twelve-month period ended 31 December 2016 and corresponds to a number of ordinary shares of 45,241,894 as of 31 December 2016.

The number of shares did not change over the year under review.

13.2 Diluted earnings per share

Diluted earnings per share take into account the weighted average number of performance shares granted to employees (see note 27.3 of this Section) and the convertible bonds (see note 28.1 of this Section).

(in € thousands, unless otherwise stated)	Year ended 31 December 2017	Year ended 31 December 2016
Profit (loss) for the period attributable to shareholders of the parent (1)	63,194	(11,969)
Weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	**45,229**	**36,133**
Adjustment for dilutive impact of performance shares	187	10
Adjustment for dilutive impact of convertible bonds (2)	292	-
Adjusted weighted average number of ordinary shares, excluding treasury shares *(in thousands)*	**45,708**	**36,143**
DLUTED EARNINGS PER SHARE (IN EUROS)	**1.38**	**(0.33)**

(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 of the convertible bonds issued by the Group.

Note 14 Dividend per share

For the financial year 2016, an ordinary dividend of €0.31 per share has been allocated at the General Meeting of 19 May 2017 and paid on 12 July 2017 for an aggregate amount of €14,016 thousand. The dividend attributable to treasury shares has not been paid. The amount corresponding to the dividends not paid to the treasury shares, €9 thousand, have been allocated to retained earnings and the total amount of the dividend has been adjusted accordingly.

Notes on consolidated balance sheet

Note 15 Goodwill

15.1 Goodwill by cash-generating units

Management reviews the business performance based on geography. Therefore, management allocates the goodwill at the geographical area-level. For the Group, it has identified France and International geographical areas. The following is a summary of goodwill allocation:

(in € thousands)	France	International	Total
Balance as of 1 January 2017	240,949	80,234	321,183
Balance as of 31 December 2017	240,949	80,234	321,183

15.2 Impairment tests for goodwill and other assets

a) Cash-generating unit (CGU) and group of CGU

Each geographical area represents a group of CGUs, each CGU representing a brick and mortar store or online store. Impairment tests are performed at the smallest level within the entity at which the goodwill is monitored at Group level, i.e. geographical areas: “France” and “International”.

b) Valuation by the discounted cash-flow method

The core assumptions used to determine the recoverable amount of an asset or a group of CGUs are consistent with those used to prepare the Group’s business plans and budgets approved by governance bodies. Assumptions are based on historical data and past experience and also take into account information from external sources such as sector growth forecasts and forecasts concerning geopolitical and macro-economic developments in the related group's of CGU.

Main drivers of the business plan are the Sales growth and the gross margin variance.

The Sales growth is made up of the followings:

- like-for-like growth that is the result of both the work done on the collections and the optimization of the two channels: the Group's store network and e-commerce platform;
- network expansion (stores) that illustrates the potential of opening identified by the expansion team in the existing countries.

Regarding the gross margin hypothesis, this is the result of an analysis of the expected evolution on foreign exchange rates combined with the pricing and commercial strategy.

The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost.

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS AS OF 31 DECEMBER 2017:

	Discount rate (WACC)	Average growth rate over the 5 year period	Terminal value growth rate
France	9.3%	6.2%	1.5%
International	9.6%	14.9%	1.5%
TOTAL	**9.4%**	**9.8%**	**1.5%**

Average growth rate used for the impairment test is on a like-for-like basis.

SENSITIVITY TO VARIATIONS OF THE DISCOUNT RATE (WACC)

The carrying value of the group of CGU France would get higher than the recoverable amount if the discount rate related to France increased by more than 1,350 basis points.

The carrying value of the group of CGU International would get higher than the recoverable amount if the discount rate related to International increased by more than 190 basis points.

SENSITIVITY TO VARIATIONS OF THE TERMINAL VALUE GROWTH RATE

The carrying value of the group of CGU France would get higher than the recoverable amount if the terminal value growth rate related to France decreased by more than 7,050 basis points.

The carrying value of the gorup of CGU International would get higher than the recoverable amount if the terminal value growth rate related to International decreased by more than 300 basis points.

SENSITIVITY TO VARIATIONS OF THE EXCHANGE RATE EUR/USD

The sensitivity analysis presented below is based on the assumption of an increasing purchase price in euros without any mechanism to balance this effect.

The carrying value of the group of CGU France would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 0.85.

The carrying value of the group of CGU International would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 1.04.

No impairment loss was recorded for 2016 and 2017.

Note 16 Other intangible assets

16.1 Detail of Other intangible assets

(in € thousands)	Brand, Trademarks, licenses, patents	Commercial leasehold rights	Development costs for software developed in-house	Other	Total
Net carrying amount as of 1 January 2016	**208,354**	**31,955**	**1,549**	**183**	**242,040**
Acquisitions	1,839	1,537	1,718	176	5,270
Disposals	(24)	(758)	-	(80)	(862)
Amortization charge	(1,345)	(420)	(764)	(64)	(2,593)
Impairment (charge/release)	-	120	-	-	120
Net carrying amount as of 31 December 2016	**208,824**	**32,434**	**2,503**	**214**	**243,975**

(in € thousands)	Brand, Trademarks, licenses, patents	Commercial leasehold rights	Development costs for software developed in-house	Other	Total
Net carrying amount as of 1 January 2017	**208,824**	**32,434**	**2,503**	**214**	**243,975**
Acquisitions	2,806	1,860	2,254	2,518	9,439
Disposals	(0)	(269)	-	(82)	(351)
Amortization charge	(1,470)	(297)	(1,095)	(15)	(2,878)
Impairment (charge/release)	-	342	-	-	342
Other	-	213	-	(223)	(10)
Net carrying amount as of 31 December 2017	**210,160**	**34,283**	**3,662**	**2,412**	**250,517**

16.2 Impairment of “Maisons du Monde” brand

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Assumptions used to determine the recoverable value of the brand are similar to those used to determine the recoverable amount of goodwill and other assets. This recoverable value is determined using the royalty method with a rate of 3%.

The carrying amount of the brand would get higher than its recoverable amount if the discount rate increased more than 720 basis points.

The carrying amount of the brand would get higher than its recoverable amount if the terminal value growth rate decreased by more than 1,690 basis points.

Note 17 Property, plant and equipment

(in € thousands)	Constructions	Technical installations, industrial equipement and machinery	Other property, plant and equipment	Fixed assets under construction	Total
Net carrying amount as of 1 January 2016	**78,916**	**7,076**	**27,795**	**2,952**	**116,740**
Acquisitions	25,412	3,771	15,682	3,096	47,961
Disposals	(914)	(29)	(409)	-	(1,352)
Amortization charge	(14,932)	(2,592)	(8,817)	-	(26,341)
Impairment (charge/release)	(272)	-	-	-	(272)
Other	2,265	63	414	(2,742)	-
Currency translation differences	80	39	20	3	142
Net carrying amount as of 31 December 2016	**90,555**	**8,328**	**34,685**	**3,309**	**136,877**

(in € thousands)	Constructions	Technical installations, industrial equipement and machinery	Other property, plant and equipment	Fixed assets under construction	Total
Net carrying amount as of 1 January 2017	**90,555**	**8,328**	**34,685**	**3,309**	**136,877**
Acquisitions	21,338	5,292	13,308	1,272	41,210
Disposals	(641)	(16)	(457)	-	(1,114)
Amortization charge	(16,989)	(3,327)	(10,241)	-	(30,556)
Impairment (charge/release)	558	-	-	-	558
Other	2,822	2	-	(2,825)	-
Currency translation differences	(539)	(241)	(172)	20	(931)
Net carrying amount as of 31 December 2017	**97,105**	**10,038**	**37,124**	**1,777**	**146,044**

The Group is a lessee under a finance lease primarily in respect of technical installations, industrial equipment and machinery but also, to a lesser extent, for other property, plant and equipment, for the following amounts:

(in € thousands)	31 December 2017	31 December 2016
Finance leases recorded under assets at acquisition cost	10,687	9,654
Accumulated depreciation	(7,492)	(6,229)
NET CARRYING AMOUNT	**3,195**	**3,425**

Note 18 Equity-accounted affiliates

Set out below are the joint-ventures of the Group as of 31 December 2017.

Name of the entity	Country	% ownership interest	Nature of relationship
Chin Chin Limited	Hong-Kong	50%	Holding company
Shanghai Chin Chin [(1)]	China	50%	Furniture manufacturing

(1) Shanghai Chin Chin is an intermediary consolidated Group which includes Shanghai Chin Chin Furnishing, Wujiang Chin Chin Furniture and Wujiang Henghui Machinery.

These entities are private companies and there is no quoted market price available for its shares. The Group has not made any commitment relating to its interests in these entities.

Set out below are the summarised financial information for these entities which are accounted for using the equity method.

a) Summarised statement of financial position

	Chin Chin Limited		Shanghai Chin Chin		TOTAL
(in € thousands)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Cash and cash equivalents	-	-	486	690	486
Other current assets (excluding cash)	356	401	2,647	6,872	3,003
Total current assets	**356**	**401**	**3,133**	**7,562**	**3,489**
Financial liabilities (excl. trade payables)	-	-	3,167	5,926	3,167
Other current liabilities (incl. trade payables)	1,307	1,485	5,239	6,198	6,546
Total current liabilities	**1,307**	**1,485**	**8,406**	**12,124**	**9,713**
Non-current assets	**-**	**-**	**7,457**	**7,752**	**7,457**
Financial liabilities	-	-	4,704	-	4,704
Other liabilities	-	-	-	-	-
Total non-current	**-**	**-**	**4,704**	**-**	**4,704**
LIABILITIES	**(951)**	**(1,084)**	**(2,520)**	**3,190**	**(3,471)**

b) Selected financial information on the statement of comprehensive income

The information below reflects the amounts presented in the financial statements of the joint-ventures adjusted for differences in accounting policies between the Group and the joint-venture (and not the joint-venture's shares of those amounts).

	Chin Chin Limited		Shanghai Chin Chin		TOTAL
(in € thousands)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Revenue	-	-	15,902	14,670	15,902
Depreciation, amortisation, provisions and impairment	-	-	(255)	(541)	(255)
Interest income	4	4	12	9	16
Interest expense	-	-	(199)	(303)	(199)
Income tax	-	-	(252)	(879)	(252)
Profit/(loss) for the period	**(2)**	**(4)**	**(2,067)**	**1,834**	**(2,069)**
Other comprehensive income	70	(19)	(83)	(1)	(12)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME	**68**	**(23)**	**(2,150)**	**1,833**	**(2,081)**
Dividends received from joint ventures	-	-	-	-	-

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c) Reconciliation of summarised financial information

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint-venture.

	Chin Chin Limited		Shanghai Chin Chin		TOTAL
(in € thousands)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Opening net assets 1st January	**(192)**	**(169)**	**2,274**	**441**	**2,082**
Profit/(loss) for the period	(2)	(4)	(2,067)	1,834	(2,069)
Other comprehensive income	70	(19)	(83)	(1)	(12)
Closing net assets	**(124)**	**(192)**	**124**	**2,274**	**1**
Interest in joint-venture at 50%	(62)	(96)	62	1,137	0
Goodwill	-	-	-	-	-
Carrying value	**(62)**	**(96)**	**62**	**1,137**	**0**

Note 19 Other non-current financial assets

(in € thousands)	31 December 2017	31 December 2016
Equity securities (1)	2,295	2,352
Other financial assets (2)	14,659	14,276
Advances and payments on property, plant and equipment	627	1,388
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**17,580**	**18,018**

(1) *Equity securities mainly correspond to investments in economic interest groups (groupements d'intérêt économique) acquired at opening of stores for €2.3 million.*

(2) *Other financial assets relate mainly to deposits and guarantees paid or granted to the lessor of the store, warehouses, headquarters and facilities for €11.1 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)	31 December 2017	31 December 2016
Deferred tax assets	28,775	21,002
Deferred tax liabilities	(56,132)	(62,823)
TOTAL DEFERRED TAX ASSETS / (LIABILITIES) - NET	**(27,357)**	**(41,821)**

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

Movements in deferred income tax assets and liabilities are shown in the table below:

(in € thousands)	Brand	Tax loss carryforwards	Temporary differences	Hedging instruments	Commercial leasehold rights	Step/Free rents	Others	Total
31 December 2015	**(71,088)**	**13,970**	**2,345**	**(8,303)**	**2,743**	**3,404**	**(1,956)**	**(58,884)**
Change in P & L	11,424	3,428	1,052	7,091	(238)	85	(2,700)	20,142
Change in equity	-	-	-	(6,589)	-	-	3,509	(3,080)
31 December 2016	**(59,664)**	**17,398**	**3,397**	**(7,801)**	**2,505**	**3,489**	**(1,147)**	**(41,821)**
Change in P & L	6,348	(12,829)	457	808	244	73	(865)	(5,764)
Change in equity	-	-	-	20,074	-	-	153	20,227
31 December 2017	**(53,316)**	**4,569**	**3,854**	**13,081**	**2,749**	**3,562**	**(1,859)**	**(27,357)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. According to the forecast budget, the Group has fully activated tax loss carry forwards which are mainly generated within the French tax Group. It amounts to €13.5 million as of 31 December 2017 compared to €52.1 million as of 31 December 2016. The change mainly results from the use of tax loss carry forwards over the period by the French tax Group.

Tax losses carried forward are detailed in the table below:

(in € thousands)	France (tax consolidation)	Germany	Total loss carryforwards
Loss carryforwards until			
2018	-	-	-
2019	-	-	-
2020	-	-	-
> 2021	-	-	-
Loss carryforwards undefinitely	13,094	379	13,473
TOTAL LOSS CARRYFORWARDS 2017	**13,094**	**379**	**13,473**
Of which not recognized	-	-	-
TOTAL LOSS CARRYFORWARDS 2016	**49,227**	**2,854**	**52,081**
Of which not recognized	-	-	-

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

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Note 21 Other non-current assets

The “Other non-current assets” correspond to the commercial leasehold rights (€7.6 million), referred to as key money (Pas-de-porte), which are recognized as rents on a straight-line basis over the estimated term of the lease (see note 2.12 c of this Section). The current part of the “Pas-de-porte” is recorded under “Trade receivables and other current receivables”.

Note 22 Inventories

The carrying amounts of inventories are broken down as follows:

(in € thousands)	31 December 2017	31 December 2016
Packaging and supplies	2,311	2,379
Semi-finished products	1,197	1,036
Merchandise	156,204	167,651
Gross value	**159,713**	**171,066**
Depreciation	-	-
Net carrying amount	**159,713**	**171,066**

The absence of provision is explained by the depletion of inventory at a price higher than cost.

Note 23 Trade receivables and other current receivables

Trade receivables and other current receivables are broken down as follows:

(in € thousands)	31 December 2017	31 December 2016
Trade receivables	10,793	9,973
Impairment of receivables	(1,699)	(1,138)
Trade receivables – Net	**9,094**	**8,835**
Advances paid to suppliers	30,591	11,008
Receivables from suppliers	3,876	1,179
Taxes and duties	16,018	12,910
Other receivables	1,935	1,719
Prepaid expenses	19,010	14,452
Other receivables	**71,429**	**41,268**
TOTAL TRADE AND OTHER RECEIVABLES	**80,523**	**50,103**

All receivables have a maturity date shorter than one year.

Prepaid expenses are mainly made up of key money (pas-de-porte) (€1.2 million as of 31 December 2017 and €1.1 million as of 31 December 2016), next quarter’s rents (€12.2 million as of 31 December 2017 and €8.1 million as of 31 December 2016) and next year's catalogue related expenses (€2.7 million as of 31 December 2017 and €2.2 million as of 31 December 2016).

Note 24 Other current financial assets

Other current financial assets are broken down as follows:

(in € thousands)	31 December 2017	31 December 2016
Receivables from related parties	418	419
Depreciation	(416)	-
TOTAL OTHER CURRENT FINANCIAL ASSETS	**2**	**419**

Note 25 Derivative financial instruments

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

	31 December 2017		31 December 2016	
(in € thousands)	Asset	Liability	Asset	Liability
Forward foreign exchange contracts	-	37,990	22,658	-
Accumulated Boost Forward Contracts	-	-	-	-
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	**-**	**37,990**	**22,658**	**-**

All contracts are intended to cover the purchase of goods and freight in US Dollars. These derivative financial instruments had a total nominal value of $575.5 million as of 31 December 2017 and $353.1 million as of 31 December 2016.

The amount recognized directly in equity at the end of December 2017 is €(58.3) million. This amount reprensents the value of the current contract at the closing date which are dedicated to cover the forecasted cash-flows.

The Group having applied hedge accounting since 1 January 2016, the amount recognized in the profit or loss, in current result, for €(2.3) million corresponds to the derivatives instruments existing at the end of December 2015 and reversed during 2017 (the Group having up to 24 months contracts) as well as the time value for the change in fair value of hedging instruments ("premium/discount" component).

Note 26 Cash and cash equivalents

Cash and cash equivalents (excluding bank overdrafts) are broken down as follows:

(in € thousands)	31 December 2017	31 December 2016
Cash at bank and in hand	100,123	60,317
Short term investments & cash equivalent	15	-
TOTAL CASH AND CASH EQUIVALENTS	**100,138**	**60,317**

Short term investments (such as investments in SICAVs and certificates of deposit) are short-term investments (less than 3 months) which are subject to an insignificant risk of changes in value.

Bank overdrafts are presented as borrowing under "Current liabilities".

Note 27 Equity

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to shareholders.

The Board of Directors has decided to ask shareholders to approve a cash dividend of €0.44 per share for the year ended 31 December 2017, representing a payout ratio of 35% based on Group adjusted net income.

27.1 Shares

The share capital as of 31 December 2017 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 31 December 2017.

27.2 Treasury shares

Treasury shares are Maisons du Monde S.A. shares held by the Group as part of a liquidity contract, in accordance with an Ethics Charter established by the French association of financial markets (AMAFI charter) and approved by the French financial markets authority (*Autorité des marchés financiers*). As of 31 December 2017, the Group held 12.100 treasury shares under this liquidity contract compared to 15.252 as of 31 December 2016.

27.3 Share-based payments

a) Performance share plans

On 25 October 2016 and 16 December 2016, the Board of Directors decided to grant 14,411 (4 beneficiaries of the *Plan d'actions gratuite n° 1*) and 153,250 (294 beneficiary of the *Plan d'actions gratuites n° 2*) performance shares to employees located in France (see note 26.3 of the 2016 consolidated financial statement).

The 13th resolution adopted by the Extraordinary shareholder's Meeting held on 19 April 2017 authorizes the Board of Directors to grant free shares to Group employees, up to a maximum of 2% of the Company's share over a 38-month period. Under this authority, the Board of Directors adopted a new plan on 19 May 2017 (*Plan d'actions gratuites n° 3*) which granted 19,850 performance shares to 66 beneficiaries located abroad and 34,500 performance shares to the Company's General Manager.

Performance shares are subject to:

- a continued service requirement during the vesting period: the shares granted to a beneficiary shall only finally vest if he or she has been an employee of a Group company during a vesting period, calculated as from the grant date, of 31 months. In the event of death, disability or retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;
- performance requirements based on Sales level and EBITDA for all beneficiaries, identical with those relevant for the beneficiaries of *Plan d'actions gratuites n° 2* (except for member of the Executive Committee);
- an additional performance requirement for the Company's General Manager, based on the earning per share level, identical with the one relevant for the members of the Executive Committee for *Plan d'actions gratuites n° 2;*
- a holding requirement, for the Company's General Manager, as from the grant date until the office term.

The granted shares shall be either shares issued through a share capital increase performed by the Company by no later than the definitive vesting date or shares bought back by the Company on the market prior to such date.

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

The performance conditions as defined were deemed to have been fully met at the valuation date.

	Plan n° 1	Plan n° 2	Plan n° 3
	25 October 2016	**16 December 2016**	**19 May 2017**
Duration of plan	1 year	3 years	2.59 years
Fair value of performance shares *(in €)*	24.52	22.51	31.28

As part of the performance share plans, an expense of €1.7 million (excluding social charges) was recognized under personnel expenses in the income statement in 2017 (€0.1 million in 2016), with a corresponding increase in equity.

The *Plan d'actions gratuites n° 1* expired on 25 October 2017 and was settled by the delivery of 14,411 treasury shares to the beneficiaries.

Note 28 Net debt

28.1 Net debt

The changes in net debt are broken down as follows:

		Cash impact		Without cash impact				
(in € thousands)	31 December 2016	Increase	Decrease	Equity portion of convertible bond	Issuance fees	Finance leases	Interests	31 December 2017
Convertible bonds	-	200,000	(2,342)	(24,346)	21	-	282	173,615
Term loan	247,338	-	(204,765)	-	2,462	-	4,411	49,446
Revolving credit facilities	34,174	-	(36,742)	-	306	-	1,217	(1,045)
Finance leases	3,431	-	(1,292)	-	-	1,041	-	3,180
Deposits and guarantees	383	8	(1)	-	-	-	-	390
Banks overdrafts	642	-	(597)	-	-	-	-	45
Cash and cash equivalents	(60,317)	(39,821)	-	-	-	-	-	(100,138)
TOTAL NET DEBT	**225,651**	**160,187**	**(245,738)**	**(24,346)**	**2,789**	**1,041**	**5,910**	**125,493**

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

	31 December 2017							
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	VND	Total
Convertible bonds	173,615	-	-	-	-	-	-	173,615
Term loan	49,446	-	-	-	-	-	-	49,446
Revolving credit facilities	(1,045)	-	-	-	-	-	-	(1,045)
Finance leases	3,180	-	-	-	-	-	-	3,180
Deposits and guarantees	390	-	-	-	-	-	-	390
Banks overdrafts	45	-	-	-	-	-	-	45
Cash and cash equivalents	(92,318)	(3,583)	(1,075)	(2,838)	(16)	(19)	(289)	(100,138)
TOTAL NET DEBT	**133,313**	**(3,583)**	**(1,075)**	**(2,838)**	**(16)**	**(19)**	**(289)**	**125,493**

	31 December 2016							
(in € thousands)	EUR	CHF	GBP	USD	IDR	INR	VND	Total
Convertible bonds	-	-	-	-	-	-	-	-
Term loan	247,338	-	-	-	-	-	-	247,338
Revolving credit facilities	34,174	-	-	-	-	-	-	34,174
Finance leases	3,431	-	-	-	-	-	-	3,431
Deposits and guarantees	383	-	-	-	-	-	-	383
Banks overdrafts	638	-	-	4	-	-	-	642
Cash and cash equivalents	(56,597)	(1,511)	(231)	(1,727)	(4)	(25)	(223)	(60,317)
TOTAL NET DEBT	**229,367**	**(1,511)**	**(231)**	**(1,723)**	**(4)**	**(25)**	**(223)**	**225,651**

a) Convertible Bonds

On 6 December 2017, Maisons du Monde issued bonds convertible into new or existing shares ("OCEANE") due December 2023 by way of a private placement to institutional investors, for a nominal amount of approx. €200 million (4,100,041 bonds with a nominal value of € 48.78). Existing shareholders of the Company shall have no preferential subscription rights (or priority subscription period) in connection with the bonds or the underlying shares of the Company.

Bonds have been issued at par value and bear interest at an annual rate of 0.125%, payable annually in arrears on 6 December of each year and for the first time on 6 December 2018. Issuance fees amounted to €2.3 million.

Unless previously converted, exchanged, redeemed, or purchased and canceled, bonds will be redeemed at par value on 6 December 2023. Bonds may be redeemed prior to maturity at the option of the Company, subject to certain conditions, and at the option of the holders in the event of a change of control of the Company.

From the Issue Date (*i.e.* 6 December 2017) and up to 5.00 p.m. (Paris time) on the 7th business day preceding the maturity date or the relevant early redemption date, bonds will entitle their holders to receive shares of the Company at a ratio of one share per Bond, subject to any potential subsequent adjustments.

Bonds are listed on the Euronext Access market of Euronext Paris since 12 December 2017.

During 2017, no bonds were converted or refunded.

	31 December 2017
1 - Number of convertible bonds	
Beginning of the period	-
Conversion of the period	-
At the end of the period	4,100,041
2 - Number of shares issued in respect of the convertible bond	
Beginning of the period	-
Transactions for conversions	-
End of the period	-
3 - Number of shares that may be issued by 6 December 2023	**4,100,041**
4 - Gross amount of initial issue *(in thousands euros)*	**200,000**
5 - Maximum amount repayable at maturity under the convertible bonds *(in thousands euros)*	**200,000**

The market rate used and the initial breakdown between the "Debt" portion and the "Equity" portion are as follows:

- market rate used for the calculation of the debt: 2.35%;
- fair value of financial debt at issuance: €173.3 million (net of €2.1 million of issuance fees);
- equity portion of the convertible bond: € 24.3 million (net of € 0.3 million of issuance fees).

As of 31 December 2017:

- the amount of the convertible bond, net of issuance fees, amounts to €173.6 million;
- the effective interest rate stands at 2.55% and the financial expense amounts to €282 thousand (debt accretion effect using the effective interest rate method).

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

On 18 April 2016, the Group entered into a Senior Credit Facility with a syndicate of international banks. This Senior Credit Facility comprises a €250 million term loan and a €75 million Revolving Credit Facility (undrawn as at 31 December 2017). The Revolving Credit Facility is repayable on 31 May 2021, while the Term Loan has been partially repaid for €200 million following the issuance of the convertible bond. Then, as at 31 December 2017, the residual nominal value of the Term Loan amounts to €50 million.

On 1 March 2017, the Group entered into an additional Revolving Credit Facility for an amount of €75 million (undrawn as at 31 December 2017), under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016.

Issuances fees amounted to €4,5 million for the Senior Credit Facilities (of which €3,5 million for the Term Loan and €1 million for the RCF) and to €0,5 million for the additional Revolving Credit Facility.

Issuances fees related to the Revolving Credit Facilities are amortized on a straight-line basis over their maturity. The issuance cost not yet amortized, related to the repaid portion of the Term Loan, were booked as an expense on the period.

The corresponding financial expenses are broken down as follows:

	Finance expenses			
	Interest rate	**Margin**	**Commitment Fees**	**User fees**
Term loan	Euribor 6 month	1.50%	n/a	n/a
Revolving Credit Facility (available amount)	n/a	n/a	0.53%	n/a
Revolving Credit Facility (undrawn amount)	Euribor 1, 3 or 6 months (1)	1.50%	n/a	
Less than €25 million				*0,1%*
From €25 million to €50 million				*0,2%*
More than €50 million				*0,4%*

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

(From 1 June 2018 (at the latest), the applicable margin for the next 12-months-period will be the percentage *per annum* set out below, depending on the Leverage ratio:

Leverage ratio	**Margin**
Greater than 3.50:1	2.50%
Equal to or less than 3.50:1 but greater than 3.00:1	2.25%
Equal to or less than 3.00:1 but greater than 2.50:1	2.00%
Equal to or less than 2.50:1 but greater than 2.00:1	1.75%
Equal to or less than 2.00:1 but greater than 1.50:1	1.50%
Equal to or less than 1.50:1 but greater than 1.00:1	1.25%
Equal to or less than 1.00:1	1.00%

The Senior Credit Facilities agreement includes a financial covenant under which the leverage ratio may not exceed the ratio set out in the table below for each period:

Relevant period	**Leverage ratio**
Expiring 31 December 2017	4.25:1
Expiring 30 June, 2018	4.00:1
Expiring 31 December 2018	3.75:1
Expiring 31 December 2019	3.75:1
Expiring 31 December 2020	3.75:1

The leverage ratio, which is the ratio of total net debt on the last day of the period, and the consolidated pro forma EBITDA of the Group for the same period is fulfilled as of 31 December 2017.

28.2 Maturity of borrowings and other financial debts

As of 31 December 2017, the maturity of borrowings and other financial debts breaks down as follows:

	Maturity as of 31 December 2017			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Convertible bonds	(20)	173,635	-	173,615
Term loan	(115)	49,561	-	49,446
Revolving credit facility	(258)	(787)	-	(1,045)
Finance leases	859	2,321	-	3,180
Deposits and guarantees	-	-	390	390
Bank overdraft	45	-	-	45
TOTAL BORROWINGS	**511**	**224,730**	**390**	**225,631**

28.3 Fixed and variable rate

(in € thousands)	31 December 2017	31 December 2016
Floating rate	52,738	282,425
Fixed rate	172,893	3,543
TOTAL BORROWINGS	**225,631**	**285,968**

Floating rate borrowings comprise the Term Loan, RCF, finance leases and bak overdrafts.

Note 29 Post-employment benefits

The employment benefits provision relates to defined benefit pension plans.

In addition to State plans, the Group's French subsidiaries are legally required to pay lump sums to employees when they retire from service, the "indemnités de fin de carrière" (IFC). The amounts are based on years of service in the Company and on the base salary according to the collective bargaining agreement in force. This scheme covers all employees under permanent contract within the Company.

For the Italian subsidiary, Trattamento di Fine Rapporto (TFR) is an employee benefit payable at the end of the working period or as soon as the employee leaves the Company. According to IAS 19, the TFR falls into "post-employment benefits" category.

For the Swiss subsidiary, the occupational benefit is a reserve funded by the employer's and employee's contribution. This capital is converted into a life annuity based on a "conversion rate" defined by the law, currently set at 6.8%.

The defined benefit obligations are broken down by country as follows:

(in € thousands)	31 December 2017	31 December 2016
France	2,841	2,411
Swiss	232	-
Italy	4,630	3,668
DEFINED BENEFIT OBLIGATION	**7,703**	**6,079**

The movements in the defined benefit obligation over the years presented are as follows:

(in € thousands)	Defined benefit obligation
Balance as of 31 December 2015	**4,655**
Current service cost	936
Interest expense / (income)	109
TOTAL EXPENSE / (INCOME)	1,045
Actuarial (gains) and losses - demographic assumptions	263
Actuarial (gains) and losses - financial assumptions	256
Experience (gains)/losses	189
TOTAL REMEASUREMENTS	708
Benefits paid	(329)
TOTAL PAYMENTS	(329)
Balance as of 31 December 2016	**6,079**
Current service cost	1,369
Interest expense / (income)	115
TOTAL EXPENSE / (INCOME)	1,484
Actuarial (gains) and losses - demographic assumptions	-
Actuarial (gains) and losses - financial assumptions	308
Experience (gains)/losses	300
TOTAL REMEASUREMENTS	608
Employer contributions	(116)
Benefits paid	(340)
Currency translation differences	(12)
TOTAL PAYMENTS	(468)
NET CARRYING AMOUNT AS OF 31 DECEMBER 2017	**7,703**

The significant actuarial assumptions were as follows:

	31 December 2017			31 December 2016		
	France	Italy	Suisse	France	Italy	Suisse
Discount rate	1.50%	1.60%	0.70%	1.70%	1.55%	0.65%
Turnover rate	0.00% to 11.60%	10%	10%	0,00% to 11,60%	10%	10%
Mortality rate	INSEE 2009-2011	IPS55	IPS55	INSEE 2009-2011	IPS55	IPS55
Estimated future salary increase	1.50% to 2,50%	1.5%	1.5%	1,50% to 2,50%	1,5%	1,5%
Probable retirement age	62-64	68	Variable - legal	62-64	68	Variable - legal

Turnover rates for France for the years ended 31 December 2017 and 2016 are based on internal statistics over the last 3 years per entity, age category and category of personnel.

The sensitivity of the commitment to a variation of 0.5% of some assumptions, all other things remaining unchanged, breaks down as follows at 31 December 2017:

	Impact on defined benefit obligation		
(in € thousands)	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(527)	592
Salary growth rate	0.50%	450	(412)

The estimated amount of payments to be paid out in 2018 is €689 thousand.

As of 31 December 2017, the average duration of the Group's benefit obligation was 17.4 years (17.6 years as of 31 December 2016).

Note 30 Provisions

(in € thousands)	**Provisions for commercial disputes**	**Provisions for labor disputes**	**Provision relating to stores (closures and lease disputes)**	**Tax Provisions**	**Total**
Balance as of 1 January 2016	**808**	**942**	**105**	**440**	**2,295**
Additionnal provisions	12,502	742	335	556	14,135
Unused amounts reversed	(188)	(471)	(134)	(597)	(1,390)
Amounts used during the year	(268)	(174)	(67)	(67)	(576)
Balance as of 31 December 2016	**12,854**	**1,039**	**239**	**332**	**14,464**
Of which non-current	*12,839*	*923*	*101*	*126*	*13,989*
Of which current	*15*	*116*	*138*	*206*	*475*
Balance as of 1 January 2017	**12,854**	**1,039**	**239**	**332**	**14,464**
Additionnal provisions	1,503	696	159	12	2,370
Unused amounts reversed	(421)	(498)	-	(8)	(927)
Amounts used during the year	(1,238)	(412)	(140)	(217)	(2,007)
Balance as of 31 December 2017	**12,699**	**824**	**257**	**119**	**13,899**
Of which non-current	*12,599*	*824*	*125*	*119*	*13,668*
Of which current	*100*	-	*132*	-	*231*

During the year 2017:

- there was no change in the main litigations identified as of 31 December 2016, that would change the Group's assessment of the risks;
- there was no new litigation whose risk assessment by the Group would imply to recognize a significant provision as of 31 December 2017.

Note 31 Trade and other payables

Trade and other payables are broken down as follows:

(in € thousands)	31 December 2017	31 December 2016
Trade payables	124,864	102,994
Advance payments received on orders in progress	30,399	23,974
Social and tax payables	70,711	50,290
Amounts payable on fixed assets	4,157	9,644
Deferred revenue	7,980	5,990
TOTAL TRADE PAYABLES AND PAYABLES	**238,111**	**192,891**

Deferred revenue mainly includes goods not delivered.

Note 32 Other non-current liabilities

The “Other non-current liabilities” correspond to the step/free rent negotiated at the initiation of a lease contract (€12 million), which are recognized on a straight-line basis over the estimated lease term. The current part of the step/free rent is registered in the “Trade payables and other current payables” item.

Note 33 Financial instruments

33.1 Financial instruments by category

(in € thousands)	Loans and receivables	Fair value through P&L	Hedging derivatives	Total	Fair value
Assets – 31 December 2017					
Other non-current financial assets	17,580	-	-	17,580	17,580
Trade receivables	9,094	-	-	9,094	9,094
Other receivables (excl. Prepaid expenses and Corporate Income Tax Assets)	52,420	-	-	52,420	52,420
Other current financial assets	2	-	-	2	2
Derivative financial instruments	-	-	-	-	-
Cash and cash equivalents	100,138	-	-	100,138	100,138
TOTAL	**179,234**	**-**	**-**	**179,234**	**179,234**

(in € thousands)	Other financial liabilities at amortized costs	Fair value through P&L	Hedging derivatives	Total	Fair value
Liabilities – 31 December 2017					
Borrowings	51,485	-	-	51,485	51,485
Convertible bond	173,635	-	-	173,635	173,635
Derivative financial instruments	-	-	37,990	37,990	37,990
Trade payables and other payables (excl. Deferred revenue)	230,131	-	-	230,131	230,131
TOTAL	**455,251**	**-**	**37,990**	**493,241**	**493,241**

(in € thousands)	**Loans and receivables**	**Fair value through P&L**	**Hedging derivatives**	**Total**	**Fair value**
Assets – 31 December 2016					
Other non-current financial assets	18,018	-	-	18,018	18,018
Trade receivables	8,835	-	-	8,835	8,835
Other receivables (excl. Prepaid expenses and Corporate Income Tax Assets)	26,816	-	-	26,816	26,816
Other current financial assets	419	-	-	419	419
Derivative financial instruments	-	-	22,658	22,658	22,658
Cash and cash equivalents	60,317	-	-	60,317	60,317
TOTAL	**114,404**	**-**	**22,658**	**137,062**	**137,062**

(in € thousands)	**Other financial liabilities at amortized costs**	**Fair value through P&L**	**Hedging derivatives**	**Total**	**Fair value**
Liabilities – 31 December 2016					
Borrowings and other financial debts	285,968	-	-	285,968	285,968
Derivative financial instruments	-	-	-	-	-
Trade payables and other payables (excl. Deferred revenue)	186,901	-	-	186,901	186,901
TOTAL	**472,869**	**-**	**-**	**472,869**	**472,869**

33.2 Fair value estimation

The concept of fair value shall be understood to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a three-level fair value hierarchy under IFRS 13:

- level 1: fair value is measured by reference to quoted prices in active markets for identical assets or liabilities;
- level 2: fair value is measured by reference to inputs other than quoted market prices included within level 1, which are observable for the asset or liability, either directly (price) or indirectly (inputs derived from price);
- level 3: fair value is measured by reference to information on the asset or liability that are not observable (unobservable inputs) in the market.

The analysis of the financial instruments by level is as follows:

(in € thousands)	**Level 1**	**Level 2**	**Level 3**
Balance as of 31 December 2017			
Derivative financial instruments	-	(37,990)	-
Balance as of 31 December 2016			
Derivative financial instruments	-	22,658	-

Financial risk management

Note 34 Financial risk management

In the course of its activities, the Group is mainly exposed to foreign exchange risk, liquidity risk and credit risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge its foreign exchange risk exposures. In this case, the Group only enters into derivative transactions related to operating and/or financial assets and liabilities or forecast future transactions. The Group does not enter into any speculative transactions without underlying assets or liabilities.

Risk management is carried out by the Group's Treasury Department and the Chief Financial Officer, under policies approved by the Board of Directors.

34.1 Financial risks factor

a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's subsidiaries' functional currency which is the Euro, for most of them.

A majority of the Group's purchases from suppliers and sea freight costs are denominated in US dollars, and is therefore exposed to fluctuations on the translation into euros of its foreign currency liabilities. The Group hedges all of its US dollar transactions using forward contracts and Accumulated Boost Forward Contracts negotiated with leading banks. Hedging is part of the forecast/budget process.

The fair value of foreign currency financial instruments was (€38) million as of 31 December 2017 compared to €22.7 million as of 31 December 2016.

The Group adopts a centralized approach to foreign exchange risk management. Permission of Group CFO is required before a foreign exchange transaction may be undertaken, under policies approved by the Board of Directors.

In addition, the Group sales in UK and Switzerland are denominated in local currency but foreign exchange risk is limited given the volume of sales in these currencies.

b) Interest rate risk

The Group gross indebtedness exposed to interest rate fluctuations amounted to €52.7 million as of 31 December 2017, compared to €282.4 million as of 31 December 2016.

An increase in interest rates by 100 basis points (+1%) across all yield curves would have an effect of approximately +€0.5 million on the Group's annual financial expenses before tax, assuming outstanding debt remains constant. A decrease in won't have any effect as the applicable rates at the end of the year 2017 are nil.

If the interest rates rise, the Group will consider using hedging instruments.

c) Liquidity risk

Financial liabilities mainly comprise borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity.

In order to manage its liquidity risk, the Group contracts revolving credit contracts or bank facilities for an appropriate amount and maturity to ensure that it has adequate available funds to meet its commitments with various financial institutions. The total amount of credit facility that was not used as of 31 December 2017 is €150 million, compared to €40 million as of 31 December 2016.

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

(in € thousands)	Contractual cash flows as of 31 December 2017				
	Carrying amount	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Term Loan	50,000	50,000	-	50,000	-
Interests on Term Loan (1)	52	1,813	604	1,208	-
Issuance fees related to Term Loan	(606)	-	-	-	-
Convertible bond	175,366	200,000	-	200,000	-
Interests on convertible bond	282	1,500	250	1,000	250
Issuance fees related to convertible bond	(2,033)	-	-	-	-
RCF	-	-	-	-	-
Interests on RCF (1)	67	1,903	634	1,269	-
Issuance fees related to RCF	(1,112)	-	-	-	-
Finance leases	3,180	3,180	859	2,321	-
Deposits	390	390	-	-	390
Bank overdraft	45	45	45	-	-
TOTAL BORROWINGS	**225,630**	**258,831**	**2,393**	**255,798**	**640**
Other non current liabilities	11,986	11,986	-	4,282	7,704
Trade and other payables	238,111	238,111	238,111	-	-
TOTAL OTHER LIABILITIES	**250,097**	**250,097**	**238,111**	**4,282**	**7,704**

(1) The contractual cash-flows for interests on the Term Loan and the RCF are based on the following assumption: a rate of 1.5% until 31 May 2018 then 1% from 1 June 2018, which are the minimum contractual rate, for the presented periods according to the forecasted leverage (see note 28.1of this Section).

(in € thousands)	Contractual cash flows as of 31 December 2016				
	Carrying amount	Total	Less than 1 year	From 1 to 5 years	More than 5 years
Term Loan	250,000	250,000	-	250,000	-
Interests on Term Loan (1)	406	17,344	4,531	12,813	-
Issuance fees related to Term Loan	(3,068)	-	-	-	-
RCF	35,000	35,000	35,000	-	-
Interests on RCF (1)	87	1,427	476	952	-
Issuance fees related to RCF	(912)	-	-	-	-
Finance leases	3,431	3,431	1,115	2,316	-
Deposits	383	383	-	-	383
Bank overdraft	642	642	642	-	-
TOTAL BORROWINGS	**285,968**	**308,227**	**41,765**	**266,080**	**383**
Other non current liabilities	10,879	10,879	-	4,269	6,610
Trade and other payables	192,891	192,891	192,891	-	-
TOTAL OTHER LIABILITIES	**203,770**	**203,770**	**192,891**	**4,269**	**6,610**

(1) The contractual cash-flows for interests on the Term Loan and the RCF are based on the following assumption: a rate of 2.25% until 31 May 2017 then 1.50% from 1 June 2017, which are the minimum contractual rate, for the presented periods according to the forecasted leverage (see note 28.1 of this Section).

Borrowings are all in euros (Term Loan, RCF, Convertible Bond).

d) Credit risk

Credit risk relates to cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as customer credit, including outstanding receivables.

Customer Sales (store and online) are mostly settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual customers.

34.2 Fair value estimation

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2017:

	Notes	IAS 39 measurement principles	IFRS 7 Fair value hierarchy
FINANCIAL ASSETS:			
Derivatives financial instruments	25	Fair value	2
Trade and other receivables	23	Amortised cost	N/A
Cash and cash equivalents	26	Fair value	1
Other current/non current financial assets	19 & 24	Amortised cost	N/A
Financial liabilities:			
Borrowings and other financial debts (excl. Bank overdrafts)	28	Amortised cost	N/A
Derivatives financial instruments	25	Fair value	2
Bank overdrafts	28	Fair value	1
Trade and other payables	31	Amortised cost	N/A

Additional information

Note 35 Off-balance sheet commitments

35.1 Secured debt

The shares of Maisons du Monde S.A., Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain are pledged to guarantee the Term Loan of €50 million as well as the Revolving Credit Facilities of €150 million.

35.2 Operating lease commitments – Group as lessee

Most of our leased stores and warehouses in France are leased pursuant to commercial leases ("baux commerciaux") which grant significant rights under French law to lessees compared to leases in many other jurisdictions. A significant number of these commercial leases are for nine-year terms (the statutory minimum) and provide termination rights for the tenant at the end of each three-year period upon six months' prior notice. In France, less than five of our stores are also sublet to lessees through commercial subleases. Although some of our commercial subleases contain specific provisions on the right of renewal of the sublessee, sublease agreements are less protective for tenants than regular commercial leases.

Leases and related expenses amounted to €111.4 million for the year ended 31 December 2017 compared to €97.8 million for the year ended 31 December 2016.

1.49% of our leases expired in 2017. Between 2018 and 2021, 22.09% of our leases will expire.

The minimum commercial lease commitments are as follow:

	As of 31 December 2017			
(in € thousands)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Rents	87,136	319,469	356,143	762,748

35.3 Bilateral Lending Facilities

Maisons du Monde France has entered into various credit facilities (for an aggregate amount of €10 million) with Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Credit Agricole Corporate and Investment Bank, Natixis and Société Générale.

35.4 Letter of Credit Facilities

The Group is a party to certain letter of credit facilities (*crédit documentaire*) with Banque Tarneaud, Banque Populaire, CIC Ouest, Crédit Agricole Corporate and Investment Bank and Crédit Lyonnais issued in favour of certain of our suppliers in the ordinary course of business. As of 31 December 2017, the Group had $15.4 million aggregate amount of letters of credit issued, as compared to $14.9 million as of 31 December 2016.

35.5 Guarantee relating to lease agreements

As part of the Group's lease arrangements with landlords of certain of the premises it occupies, the Group enters into lease guarantees in the ordinary course of business. As of 31 December 2017, the Group had €22.8 million of outstanding lease guarantees compared to €20.4 million as of 31 December 2016.

Note 36 Transactions with related parties

36.1 Relations with the Group's main shareholders Bain Capital

Following the acquisition of the Group in 2013, the Group entered into a consulting services agreement with Bain Capital. Under the terms of the agreement, Bain Capital provides the Group with management, consulting, monitoring or advisory services. Until the IPO, the consulting services fees and related expenses amounted to €0.8 million in 2016. These fees are recorded in external expenses.

Following the IPO the consulting services agreement with Bain Capital as of 31 May 2016 has been cancelled. It lead to a termination fee of €3 million which is an IPO related fee recorded in other operating income and expenses (see note 1.3 of the 2016 consolidated financial statements).

Since then, Bain Capital did not render any consultancy service. As of 31 December 2017, Bain Capital is not a shareholder of the Group anymore.

36.2 Relations with the Group's other shareholders

a) Leases

Certain members of the Group have entered into lease or sublease agreements (the "Leases") in respect of four properties (warehouse and head offices) with entities owned and controlled by Xavier Marie, administrator of Maisons du Monde S.A. until 23 October 2017. The Group made arm's length rental payments to entities owned and controlled by Xavier Marie. For the year ended 31 December 2017, the annual rent of the properties leased under the Leases was €2.3 million (compared to €5.2 million in 2016). During the year ended 31 December 2017, one of the four properties had been sold to a third party.

b) Consulting services agreements

From 15 September 2015 following the appointment of Gilles Petit as CEO, the Group has entered into a new consulting services agreement with Compagnie Marco Polo, entity owned and controlled by Xavier Marie. Compagnie Marco Polo officiated as Senior Advisor and received €0.1 million for the year ended 31 December 2017 and €0.6 million for the year ended 31 December 2016.

The contract ended in March 2017.

c) Attendance fees

Until the IPO, achieved in June 2016, some members of the Executive Committee of the Group received attendance fees according to their Director status in the different entities of the Group. The total gross amount of attendance fees paid during the 2016 financial year by the Company and its subsidiaries to all of the Executive Committee members was €46 thousand.

Following the IPO, some members of the Board of Directors are paid by attendance fees. The total gross amount of attendance fees paid during the 2017 financial year by the Company and its subsidiaries to all of the Directors was €379 thousand compared to €243 thousand for the year 2016.

36.3 Compensation and benefits granted to key management personnel

Until the IPO, achieved in June 2016, the key management personnel were the members of the Board of Directors of Magnolia (BC) Midco S.à.r.l., the members of the Supervisory Board of the Group, and the President of Maisons du Monde S.A. (previously named Magnolia (BC) SAS).

Members of the Board of Directors of Magnolia (BC) Midco S.à.r.l. did not receive any compensation from the Group.

Members of the Supervisory Board of the Group did not receive any compensation from the Group.

Following the IPO, the key management personnel are the members of the Board of Directors of the Company, the General Manager of the Company, and the members of the Executive Committee of the Group.

Terms and conditions of the compensation and benefits granted to the Executive Director are approved by the Board of Directors, following the recommendation of the Appointments and Remunerations committee.

The following table presents the total gross amount of fixed compensation paid in respect of the 2017 financial year by the Company and its controlled entities to the persons who are at year end (or, have been during the period), members of the key management of the Group. These amounts were booked as expenses in 2017 and 2016 according the following detail :

(in € thousands)	31 December 2017	31 December 2016
Short-term employment benfits	3,002	2,566
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
share-base payments	959	81
TOTAL COMPENSATION AND BENEFITS	**3,961**	**2,646**

Members of the Board of Directors of the Company did not receive any compensation from the Group except attendance fees (see note 36.2 c of this Section).

36.4 Relations with the joint ventures of the Group

The joint-ventures of the Group are Chin Chin Limited and Shanghai Chin Chin. Chin Chin Limited is a holding entity and there is no significant relation with the Group. Shanghai Chin Chin is an intermediray consolidated Group which includes Shanghai Chin Chin Furnishing, Wujiang Chin Chin furniture and Wujiang Henghui Machinery. Shanghai Chin Chin manufactures furniture mainly for the Group.

(in € thousands)	31 December 2017	31 December 2016
Equity-accounted investees	0	1,040
Other current receivables	-	-
Other current financial assets	-	382

Note 37 Statutory Auditor's fees

The following table shows the amount of auditor's fees included in the Group's consolidated income statement for the year, broken down into audit and certification fees for the statutory and consolidated financial statements and fees for other services rendered. The fees shown apply to fully consolidated subsidiaries.

	KPMG				Deloitte			
	Amount		%		Amount		%	
(in € thousands)	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Audit								
Statutory audit fees, certification, auditing of the accounts	**293**	**314**	**87%**	**36%**	**206**	**180**	**87%**	**25%**
• Parent Company	113	91	39%	29%	113	91	55%	51%
• Subsidiaries	180	223	61%	71%	93	89	45%	49%
Other services rendered by auditors' networks to fully-consolidated subsidiaries	**44**	**557**	**13%**	**64%**	**31**	**527**	**13%**	**75%**
• IPO related fees	-	505	0%	91%	-	310	0%	59%
• Other	44	52	100%	9%	31	217	100%	41%
TOTAL FEES PAID TO THE STATUTORY AUDITOR	**336**	**872**	**100%**	**100%**	**237**	**708**	**100%**	**100%**

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Note 38 Scope of consolidation

The table set out below provides a list of the consolidated Group's subsidiaries and shows the ownership interest of Maisons du Monde S.A. in each entity as of 31 December 2017:

Subsidiary	Activity	Country of incorporation	Consolidation method	As of 31 December 2017		As of 31 December 2016	
				% control	% interest	% control	% interest
Maisons du Monde S.A.	Holding company - Parent entity	France	Full	100%	100%	100%	100%
Abaco [(1)]	Holding company	France	n/a	n/a	n/a	100%	100%
Maisons du Monde France	Retail stores selling home furnishings and decorations in France / Main buyer	France	Full	100%	100%	100%	100%
Maisons du Monde Belgium	Retail stores selling home furnishings and decorations in Belgium	Belgium	Full	100%	100%	100%	100%
Maisons du Monde Spain	Retail stores selling home furnishings and decorations in Spain	Spain	Full	100%	100%	100%	100%
Maisons du Monde Italy	Retail stores selling home furnishings and decorations in Italy	Italy	Full	100%	100%	100%	100%
Maisons du Monde Luxemburg	Retail stores selling home furnishings and decorations in Luxemburg	Luxemburg	Full	100%	100%	100%	100%
Maisons du Monde Germany	Retail stores selling home furnishings and decorations in Germany	Germany	Full	100%	100%	100%	100%
Maisons du Monde Switzerland	Retail stores selling home furnishings and decorations in Switzerland	Switzerland	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	Customer delivery	France	Full	100%	100%	100%	100%
Chin Chin Limited	Holding company	Hong Kong	Equity Method	50%	50%	50%	50%
Shanghai Chin Chin [(2)]	Furniture manufacturing	China	Equity Method	50%	50%	50%	50%
Mekong Furniture	Furniture manufacturing	Vietnam	Full	100%	100%	100%	100%
MDM Furniture & Decoration	Online business in United-Kingdom	United Kingdom	Full	100%	100%	100%	100%
International MDM Company	Dormant entity	France	Full	100%	100%	100%	100%
International Magnolia Company	Dormant entity	France	Full	100%	100%	100%	100%

(1) *In order to simplify the holding structure of the Group, Abaco S.A.S. has been merged into Maisons du Monde S.A. during the period, effective on 1 January 2017. As this transaction is considered as a transaction between companies under common control, the assets and liabilities transferred from this Company have been recognized at their carrying amount.*

(2) *Intermediray consolidated Group made up of Shanghai Chin Chin Furnishing, Wujiang Chin Chin Furniture and Wujiang Henghui Machinery.*

Note 39 Events subsequent to 31 December 2017

The Group did not identify any other significant event after the reporting period that should be mentioned in these consolidated financial statements.

5.2 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31st 2017

To the Annual General Meeting of Maisons du Monde,

Opinion

In compliance with the engagement entrusted to us by your bylaws and your annual general meeting, we have audited the accompanying consolidated financial statements of Maisons du Monde for the year ended December 31st 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31th 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- verification of the CSR information
- issuance of attestations bases on data extracted from the financial statements (turnover per shop, financial ratios, ecofolio)

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

RECOGNITION OF REVENUE FROM SALES OF GOODS

Risk identified	Our response
Revenue from sales of goods for M€ 1,016 was recorded in the income statement for the year ended 31 December 2017, compared to total revenue of M€ 1,042. Revenue is measured at the fair value of the consideration received or receivable, net of rebates, discounts and allowances, VAT and other taxes, as described in Note 2.6 to the consolidated financial statements. The sale of goods in stores is recorded when the product is sold or delivered to the customer, whichever is later. Revenue generated by the e-commerce platform is recorded when the risk and rewards inherent to the goods are transferred to the customer. We consider the recognition of revenue from the sale of goods to be a key audit matter due to the volume of individual transactions and the high number of sites concerned.	We analysed the compliance of the methodologies applied by the company with the accounting standards in force. We carried out a critical review of the internal control measures used by the Group to verify the effectiveness of the procedures implemented to record revenue from sales of goods. In order to corroborate the existence and accuracy of the revenue from sales of goods, we: • reconciled the data generated by the point of sale and web cash register systems with the bank receipts; • conducted detailed analytical procedures to corroborate the quantified data with the change in the store pool; • conducted substantive sample testing of undelivered sales to validate compliance with the cut-off principle. Lastly, we verified that Notes 2.6 and 5 to the consolidated financial statements provided an appropriate disclosure.

VALUATION OF THE " MAISONS DU MONDE " BRAND

Risk identified	Our response
Recorded in connection with the acquisition of the *Maisons du Monde* Group in 2013, the "Maisons du Monde" brand presented in intangible assets represents a net carrying amount M€ 250.5 as at 31 December 2017, compared to total assets of M€ 1,124. As described in Note 2.12 b) to the consolidated financial statements, the brand is not amortised but is individually tested for impairment annually or more frequently if indications of impairment exist at Group level. The methods used to test for impairment are described in Note 16.2 to the consolidated financial statements; they include a significant share of judgements and assumptions, in particular: • the royalty rate applied; • the cash flow forecasts to which the royalty rate applies; • the perpetual growth rate adopted for the flow forecasts; • the discount rate applied to the estimated royalty flows. A change in these assumptions would likely have a significant impact on the recoverable amount of the brand. We consider the valuation of the "Maisons du Monde" brand to be a key audit matter due to: • its material importance in the Group accounts; • the judgements and assumptions necessary to determine its recoverable amount, based on discounted royalty flow forecasts, whose conclusion is inherently uncertain.	We analysed the compliance of the methodology applied by the Group with the accounting standards in force. We familiarised ourselves with the key assumptions adopted and we: • reconciled the business forecasts underlying the determination of the royalty flows with the available information, including actual results and the most recent Management estimates, i.e. the 2018 budget approved by the Board of Directors, which updated the Business Plan's assumptions; • reconciled the 2017 business forecasts prepared by Management as part of the previous 31 December 2017 year-end closing for actual data, in order to assess the reliability of these forecasts; • compared the perpetual growth rate retained for the flow forecasts with the market analyses and the consensus of the main professionals concerned, with the help of our financial valuation specialists; • corroborated the discount rate and the royalty rate by comparing their parameters with external benchmarks, with the help of our financial valuation specialists; We obtained and reviewed the sensitivity analyses carried out by Management, which we compared with our own calculations to verify that the related disclosures in the Notes to the consolidated financial statements were appropriate. Lastly, we verified that Notes 2.12 b) and 16.2 to the consolidated financial statements provided an appropriate disclosure.

VALUATION OF GOODWILL

Risk identified	Our response
As at 31 December 2017, the net carrying amount of goodwill recorded on the balance sheet stood at M€ 321, compared to total assets of M€1,124. Goodwill is not amortised but is individually tested for impairment annually or more frequently if indications of impairment exist at Group level. Impairment tests are conducted at the most granular level at which the goodwill is monitored at Group level, i.e. the France and International geographical areas. The methods used to test for impairment implemented by Management are described in Note 15.2 to the consolidated financial statements; they include a significant share of judgements and assumptions, in particular for: • the future cash flow forecasts (particularly sales growth and the change in the gross margin); • the perpetual growth rate adopted for the flow forecasts; • the discount rate applied to the estimated cash flows; • the change in the euro-USD exchange rate. A change in these assumptions would likely have a significant impact on the recoverable amount of the goodwill. We consider the valuation of goodwill to be a key audit matter due to: • its material importance in the Group accounts; • the judgements and assumptions necessary to determine its recoverable amount, based on discounted cash flow forecasts, whose conclusion is inherently uncertain.	We analysed the compliance of the methodologies applied by the company with the accounting standards in force. We familiarised ourselves with the key assumptions adopted and we: • reconciled the business forecasts underlying the determination of the cash flows with the available information, including actual results and the most recent Management estimates, i.e. the 2018 budget approved by the Board of Directors, which updated the Business Plan's assumptions; • assessed the reasonableness of the cash flow forecasts in relation to the economic context surrounding the Group's operations; • reconciled the 2017 business forecasts prepared by Management as part of the previous 31 December 2017 year-end closing for actual data, in order to assess the reliability of these forecasts; • compared the perpetual growth rate retained for the flow forecasts with the market analyses and the consensus of the main professionals concerned, with the help of our financial valuation specialists; • corroborated the discount rate and the royalty rate by comparing their parameters with external benchmarks, with the help of our financial valuation specialists. We obtained and reviewed the sensitivity analyses carried out by Management, which we compared with our own calculations to verify that the related disclosures in the Notes to the consolidated financial statements were appropriate. We also compared the enterprise value resulting from the impairment test with the market capitalisation as at 31 December 2017. Lastly, we verified that Notes 2.12 a) and 15 to the consolidated financial statements provided an appropriate disclosure.

VALUATION AND ACCOUNTING TREATMENT OF THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Risk identified	Our response
The Group holds derivative financial instruments, which are used to hedge currency risks for currency purchases, mainly euro – USD, arising in the normal course of business. They are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date, based on the exchange rate at the reporting date. Changes in fair value are recognised in profit or loss, except for instruments qualified as cash flow hedges, for which changes in fair value are recognised in other comprehensive income for their effective portion and in profit or loss for their ineffective portion. Changes in fair value of derivative financial instruments for 2017 were deducted from equity for M€ 58 and expensed in the income statement for M€ 2.3. We consider the recognition of financial instruments financiers to be a key audit matter due to: • the importance of Management judgements and estimates in qualifying financial instruments as cash flow hedging instruments and determining the fair value of these instruments; • the importance of the changes in fair value of these instruments and the accounting impacts relating to their qualification as cash flow hedging instruments.	We analysed the compliance of the methodologies applied by the company with the accounting standards in force. We assessed the expertise of the specialists the company mandated to measure the fair value of financial instruments and held discussions with Management to understand the scope of their procedures. We: • obtained the components of the Group's financial instruments portfolio, which we compared with the fair value determined by the Group's external specialists. We also compared these statements with the bank confirmations; • reviewed the cash flow hedging documentation with the help of our experts; • reviewed the accounting treatment applied to financial instruments and the impacts on the income statement and other comprehensive income based on the qualification of these instruments. Lastly, we verified that Notes 2.18 and 25 to the consolidated financial statements provided an appropriate disclosure.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of the Board.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Maisons du Monde by your bylaws dated June 24th 2013 for KPMG Audit and by your Annual General Meeting of April 29th 2016 for Deloitte & Associés.

As of December 31st 2017, KPMG Audit was in the 4th year and 2nd year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market and Deloitte & Associés in the 2nd year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Commitee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed in Nantes et Neuilly-sur-Seine, 26 March 2018

The statutory auditors

KPMG AUDIT Département de KPMG S.A.	Deloitte & Associés
Gwénaël CHEDALEUX	Jean Paul SEGURET

5.3 Statutory financial statements

(Financial Year from 1 January 2017 to 31 December 2017)

5.3.1 INCOME STATEMENT

(in € thousands)	Notes	31 December 2017	31 December 2016
Revenues	13	4,619	4,777
Reversal of depreciation, amortisation and provisions, and transferred expenses		164	103
Other income		107	0
TOTAL OPERATING INCOME		4,890	4,880
Purchases of goods and related inventory changes		(1)	-
Purchases of raw materials, other supplies and related inventory changes		-	-
External expenses	15	(4,847)	(35,509)
Taxes and levies		(269)	(276)
Personnel expenses	14	(5,653)	(4,225)
Depreciation and amortisation		(676)	(1,859)
Other expenses	14	(350)	(288)
TOTAL OPERATING EXPENSES		(11,796)	(42,158)
OPERATING PROFIT (LOSS)		**(6,906)**	**(37,278)**
FINANCIAL PROFIT (LOSS)	**16**	**16,099**	**27,567**
EXCEPTIONNAL PROFIT (LOSS)	**17**	**1,989**	**(603)**
Profit (loss) before income tax		**11,182**	**(10,314)**
Income tax	18	15,467	24,366
NET PROFIT (LOSS)		**26,649**	**14,052**

5.3.2 BALANCE SHEET

Assets *(in € thousands)*	Notes	31 December 2017 Gross values	Depreciation and amortisation	Net values	31 December 2016 Net values
Intangible assets		**-**	**-**	**-**	**-**
Tangible assets		**-**	**-**	**-**	**-**
Equity interests	3-8	637,872	-	637,872	399,048
Receivables from equity interests	3	58,702	-	58,702	296,123
Other equity interests	3	0	-	0	2,000
Other financial assets	3-8	3,012	(13)	2,999	996
Financial assets	**3**	**699,585**	**(13)**	**699,573**	**698,167**
FIXED ASSETS		699,585	(13)	699,573	698,167
Trade receivables	4	1,052	-	1,052	2,346
Other receivables	4	34,406	-	34,406	16,079
Cash and cash equivalents		25	-	25	239
Prepaid expenses	4	45	-	45	102
CURRENT ASSETS		35,528	-	35,528	18,766
Issuance fees to be amortized	5	4,034	-	4,034	3,981
TOTAL ASSETS		739,148	(13)	739,135	720,914

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Equity and liabilities *(in € thousands)*	**Notes**	**31 December 2017**	**31 December 2016**
share capital	6-7	146,584	146,584
share premiums	7	301,975	302,651
Legal reserve	7	703	-
Retained earnings	7	(3,043)	-
Profit (Loss) for the period	7	26,649	14,052
Regulated provisions	7-8	3,052	1,617
EQUITY	7	475,920	464,903
Provisions for risks and charges	8	5,039	-
PROVISIONS	**8**	**5,039**	**-**
Convertible bonds (OCEANE)	9	200,017	-
Borrowings and debt from credit institutions	9	50,119	250,441
Financial liabilities	**9**	**250,136**	**250,441**
Trade payables	10	2,286	1,609
Social and tax payables	10	2,657	2,299
Other debt	10	3,097	1,662
Operating liabilities	**10**	**8,040**	**5,569**
LIABILITIES		258,176	256,011
TOTAL EQUITY AND LIABILITIES		739,135	720,914

5.3.3 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

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As of 31 December 2017, Maisons du Monde SA (formerly Magnolia (BC) SAS) is a *société anonyme* (limited liability company) with a Board of Directors, governed by the laws of France. Its registered office is located at Le Portereau – 44120 Vertou, France.

The financial statements are presented in € thousands and were approved by the Board of Directors on 20 March 2018.

Maisons du Monde's shares have been listed on Euronext Paris since May 2016.

Note 1. Significants events

1.1. Additional revolving credit facility

On 1 March 2017, the Company entered into an additional revolving credit facility of €75 million as authorised by the Senior Facility Agreement dated 18 April 2016. This complementary Revolving Credit Facility was taken out under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016. Issuance fees amounted to €0.5 million.

1.2. Convertible Bonds

On 6 December 2017, the Company issued bonds convertible into new shares and/or exchangeable for existing shares (“OCEANEs”) due 6 December 2023 by way of a private placement to institutional investors only, for a nominal amount of approx. €200 million, representing 4,100,041 underlying shares, bearing interest at 0.125% per year (see note 9). Issuance fees amounted to €2.3 million.

1.3. Partial reimbursment of term loan

On 6 December 2017, following the issuance of convertible bonds, the Company partly reimbursed the term loan for an amount of €200 million (see note 9). Thus as at 31 December 2017, the nominal amount of the term loan is €50 million. The portion of issuance costs not amortized at the time of the reimbursment was recorded in external expenses for €2.5 million.

1.4. Group reorganisation

In order to simplify the holding structure of the Group, Abaco SAS. has been merged into Maisons du Monde SA during the period, effective on 1 January 2017 and under the favorable tax regime. As this transaction is considered as a transaction between companies under common control, the assets and liabilities transferred from this company have been recognized at their carrying amount with the recognition of a goodwill from merger of €220 million. This goodwill from merger has been allocated to financial assets as related to Maisons du Monde France shares.

Note 2. Accounting policies and rules

The financial year lasts 12 months, covering the period from 1 January 2017 to 31 December 2017.

The annual financial statements have been prepared in accordance with accounting principles, standards and policies in accordance with Regulation 2016-07 of the Board of the French accounting standards authority (ANC).

General accounting conventions were applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- business continuity;
- consistency of accounting methods from one year to the next;
- independence of separate financial years.

And in accordance with the general rules for preparing and presenting financial statements.

The method used to value items recorded in the accounts is the historical cost method.

The main accounting rules and methods applied are as follows:

2.1. Financial assets

Impairment is recognised when the inventory value is lower than the gross value of the assets. The inventory value is determined taking into account the Group share held in net equity and the earnings outlook reviewed annually. The earnings outlook is based on information available when these are drawn up. When the share of the Company in equity holdings is negative, and if the situation warrants this, a provision for risk is established.

In accordance with the tax rules, acquisition expenses on equity interests are subject to a tax deduction over a period of five years from the date of acquisition, *via* a provision in regulated provisions.

As regards goodwill from mergers, they are subject to an impairment test to determine whether or not they should be depreciated.

Furthermore, treasury shares held *via* a liquidity agreement, and which are not destined for share plans are recorded in "Other financial assets". These shares are valued at their acquisition cost. If the probable market value at the close of the financial year (based on the average listed price for the last month of the period) falls below the purchase price, an impairment is recorded in the amount of the difference.

2.2. Receivables and payables

Receivables and payables are valued at their nominal value.

Receivables are depreciated, if necessary, by way of provision to take account of the recovery risks they generate.

Receivables and payables in foreign currencies are translated and recorded based on the official exchange rate at closing. Unrealized exchange gains are recognised as foreign exchange gains, while unrealized exchange losses are recognised as foreign exchange losses and are subject to a provision for risks and charges. Exchange gains and losses corresponding to current accounts are recognised directly in the income statement and are not subject to any unrealized exchange gains or losses.

2.3. Cash and cash equivalents

Cash and cash equivalents in bank and at hand was valued at nominal value.

2.4. Provisions for risks and charges

A provision is recognised when there is an obligation that is likely or certain to entail an outflow of resources without an at least equivalent offset transaction.

2.5. Tax consolidation

As of 31 December 2017, Maisons du Monde SA, the parent company benefits from a tax consolidation regime as defined by Article 223 A of the French General Tax Code with the following subsidiaries:

- Maisons du Monde France;
- Distrimag;
- Distri-Traction;
- Distri-Meubles;
- International Magnolia Company;
- International MDM Company.

Maisons du Monde SA owes the Treasury the tax calculated on the sum of taxable income for consolidated companies. The tax savings result from the difference between the tax expense for the tax Group and tax expense for the beneficiary companies is recognized as income in the financial year.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

These financial statements are expressed in € thousands, unless otherwise stated.

Note 3. Financial assets

(in € thousands)	31 December 2016	Acquisitions, contribution, increases	Merger with Abaco	Reclassification	Disposals, decreases	31 December 2017
Equity interests (1)	399,080	-	238,892	-	(100)	637,872
Receivables from equity interests (2)	296,123	1,173	(238,594)	-	-	58,702
Other equity interests (1)	2,000	-	(2,000)	-	-	-
Other financial assets (3)	999	2,073	7	-	(67)	3,012
• o/w deposits	-	-	7	-	(7)	-
• o/w treasury shares as per liquidity agreement	376	127	-	-	(60)	442
• o/w other long term receivables as per liquidity agreement	623	1,946	-	-	-	2,569
FINANCIAL ASSETS – GROSS VALUE	**698,202**	**3,246**	**(1,695)**	**-**	**(167)**	**699,585**

(1) Movements on equity interests and other equity interests correspond to:

- *the merger with Abaco, Maisons du Monde SA holds now 100% of Maisons du Monde France's shares for a total amount of €159.1 million, to which goodwill from merger of €478.8 million are related;*
- *the liquidation of Magnolia MEP Finco 1 Sàrl, a Company under Luxembourg law, whose shares' gross value amounted to €0.1 million.*

(2) Movements in receivables from equity interests mainly relate to the merger with Abaco.

(3) Other financial assets mainly relate to the liquidity agreement implemented 26 October 2016 and amended on 1 November 2017, with the following details:

Liquidity agreement	Number		Average purchase price	Average price December 2017	Value as of 31 December 2017	Amount *(in € thousand)*		
	31 December 2016	31 December 2017				Total	Provision	Depreciation
Treasury shares	15,252	12,100	36.56	35.57	n/a	442	-	(12)
Mutual funds - other long-term receivables	n/a	107	23,266	n/a	23,260	2,489	-	(1)
Cash - other long-term receivables	n/a	n/a	n/a	n/a	n/a	80	-	-

Note 4. Maturity of receivables

(in € thousands)	31 December 2016	31 December 2017	Maturing 31 December 2017 Less than 1 year	1 to 5 years	More than 5 years
Receivables from equity interests	296,123	58,702	603	58,099	-
Other financial assets	999	3,012	3,012	-	-
Trade receivables	2,346	1,052	1,052	-	-
Other receivables	16,079	34,406	30,835	3,571	-
• o/w social	-	16	16	-	-
• o/w tax and duties (1)	14,336	12,763	12,763	-	-
• o/w Group	1,743	18,056	18,056	-	-
• o/w sundry debtors (2)	-	3,571	-	3,571	-
Prepaid expenses	102	45	45	-	-
TOTAL RECEIVABLES	**315,649**	**97,217**	**35,547**	**61,670**	**-**

1) *includes €8.3 million in tax credits (Competitiveness and Employement Tax Credit CICE) and receivables related to 3% contribution on dividend distribution.*

(2) *only related to receivables towards Group entities due to the recharge of performance shares' cost.*

Note 5. Expenses amortized over several years

The expenses amortized over several years correspond to issuance fees of financing.

As of 31 December 2017, they consist of issuance fees related to:

- the residual value for the term loan spread over the term of the agreement on the basis of an effective interest rate;
- the initial as well as the additionnal revolving credit facility spread over the term of the agreement;
- the convertible bonds (OCEANE) issued on 6 December 2017 (see note 1.2) spread over the term of the agreement on the basis of an effective interest rate.

The portion of such costs not amortized at the time of the €200 million reimbursment was recorded in external expenses for €2.5 million (see note 1.3).

As of 31 December 2016, they consisted of issuance fees relating to the term loan and initial revolving credit facility.

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Note 6. Share capital

The share capital of the Company as at 31 December 2017 stood at €146,583,736.56, divided into 45,241,894 ordinary shares each of a nominal value of €3.24.

To the Company's knowledge, at 31 December 2017 those shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 60.66%, 90% or 95% of capital and/or voting rights in the Company were as follows:

	% in shares (approx.)	% in voting rights (approx.)
FMR LLC & Fidelity Canada Investors LLC	9,9%	9,9%
Sycomore Asset Management	5,5%	5,5%

At 31 December 2017, the Company owned 12,100 shares in Maisons du Monde SA classified under "Other financial assets" in respect of the liquidity agreement.

Note 7. Changes in equity

(in € thousands)	Share capital	Premiums	Reserves	Retained earnings	Result for the year	Regulated provisions	Total equity
Situation at 31 December 2015	**139,889**	**-**	**-**	**(35,981)**	**(16,620)**	**1,153**	**88,440**
Appropriation of result 2015	-	-	-	(16,620)	16,620	-	-
Capital decrease	(64,349)	11,747	-	52,602	-	-	-
Capital increase	0	-	-	-	-	-	-
Merger with Luxco 3	40,550	161,398	-	-	-	-	201,948
Compensation for contributions	116,090	161,398	-	-	-	-	277,488
Cancellation of share capital of MDM SA	(75,540)	-	-	-	-	-	(75,540)
Issuance of ordinary shares	30,494	129,506	-	-	-	-	160,000
Result for the year	-	-	-	-	14,052	-	14,052
Regulated provisions	-	-	-	-	-	464	464
Situation at 31 December 2016	**146,584**	**302,651**	**-**	**-**	**14,052**	**1,617**	**464,903**
Appropriation of result 2016 (1)	-	(676)	703	9	(14,052)	-	(14,016)
Merger with Abaco (note 1.4)	-	-	-	(3,052)	-	1,435	(1,617)
Reconstitution of regulated provisions of Abaco	-	-	-	(3,052)	-	3,052	-
Reversal of regulated provisions of MDM SA	-	-	-	-	-	(1,617)	(1,617)
Result for the year	-	-	-	-	26,649	-	26,649
Regulated provisions	-	-	-	-	-	-	-
Situation at 31 December 2017	**146,584**	**301,975**	**703**	**(3,043)**	**26,649**	**3,052**	**475,920**

(1) For the financial year 2016, an ordinary dividend of €0.31 per share was allocated at the Annual General Meeting of 19 May 2017 and paid on 12 July 2017 for a total amount of €14,016 thousand. The dividend on the shares that the Group holds on its own was not paid. Hence, the amount corresponding to the dividends related to the treasury shares, €9 thousand, have been allocated to the retained earnings and the total amount of the dividend has be adjusted accordingly.

Note 8. Provisions

(in € thousands)	31 December 2016	Merger with Abaco	Depreciation	Reclassification	Reversals used	Reversals unused	31 December 2017
Tax amortization	1,617	3,052	-	-	-	(1,617)	3,052
Regulated provisions	**1,617**	**3,052**	**-**	**-**	**-**	**(1,617)**	**3,052**
Performance shares – plan n° 1	-	-	658	-	(658)	-	-
Performance shares – plan n° 2	-	-	3,963	-	-	-	3,963
Performance shares – plan n° 3	-	-	1,076	-	-	-	1,076
Provisions for risks and charges	**-**	**-**	**5,697**	**-**	**(658)**	**-**	**5,039**
Equity interests	32	-	2	-	(34)	-	-
Other financial assets	3	-	27	-	-	(17)	13
Tax receivables	-	446	-	-		(446)	-
Depreciation	**35**	**446**	**29**	**-**	**(34)**	**(463)**	**13**
TOTAL PROVISIONS	**1,651**	**3,498**	**5,726**	**-**	**(692)**	**(2,079)**	**8,103**
Operating			*352*		*(110)*	*-*	
Financial			*29*		*(34)*	*(17)*	
Exceptionnal			*5,345*		*(548)*	*(2,063)*	

Note 9. Financial liability

9.1. Convertible bonds (OCEANE)

On 6 December 2017, the Company issued bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs") due 6 December 2023 for a nominal amount of €200 million. Issuance fees amounted to €2.3 million.

The nominal unit value of the bonds has been set at €48.78, corresponding to a premium of 42.5% above the Company's reference share price on the regulated market of Euronext Paris. The reference share is equal to the volume-weighted average price of Maisons du Monde shares recorded on the regulated market of Euronext Paris from the start of trading on 29 November 2017 until the determination of the final terms of the Bonds on the same day.

The bonds have been issued at par on 6 December 2017, the settlement and delivery date of the bonds and will bear a coupon of 0.125%, payable annually in arrears on 6 December of each year (or on the following business day if this date is not a business day) and for the first time on 6 December 2018 (or on the following business day if this date is not a business day).

Unless previously converted, exchanged, redeemed or purchased and cancelled, the bonds will be redeemed at par on 6 December 2023 (or on the following business day if this date is not a business day). The bonds may be redeemed prior to maturity at the option of the Company, subject to certain conditions, and at the option of bondholders in the event of a change of control of the Company (as defined in the terms and conditions of the Bonds).

Existing shareholders of the Company shall have no preferential subscription rights (or priority subscription period) in connection with the bonds or the underlying shares of the Company.

The Bonds are listed on the Euronext Access market of Euronext Paris since 12 December 2017.

From the Issue Date (*i.e.* 6 December 2017) and up to 5.00 p.m. (Paris time) on the 7th business day preceding the maturity date or the relevant early redemption date, the Bonds will entitle their holders to receive shares of the Company at a ratio of one share per Bond, subject to any potential subsequent adjustments.

Upon exercise of their conversion/exchange right, bondholders will receive, at the option of the Company, new and/or existing company shares. The Company new shares eventually delivered shall carry current rights to dividends paid following the date of delivery of the shares.

9.2. Term loan and revolving credit facilities

On 1 March 2017, the Company entered into an additional revolving credit facility of €75m as authorised by the Senior Facility Agreement dated 18 April 2016. This complementary Revolving Credit Facility was taken out under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016. Issuance fees amounted to €0.5 million.

Following the issuance of convertible bonds, the Company partly reimbursed the term loan for an amount of €200 million. Thus as at 31 December 2017, the nominal amount of the term loan is €50 million.

As of 18 April 2016, the Group obtained a senior credit facility with a syndicate of international banks. The senior credit facility includes a term loan for €250 million and a revolving credit facility (RCF) for €75 million. It is repayable on 31 May 2021. Issuance fees amounted to €4.5 million of which €3.5 million for the term loan and €1 million for the revolving credit facility.

The applicable interest rate is Euribor 1, 3 or 6 months plus a margin initially set at 2.25% for the first twelve months, and then set according to a margin ratchet based on the net debt leverage ratio for the period (with a margin cap of 2.50% maximum). The applicable Euribor depends on the interest rate period applicable to the relevant drawdown period. Since June 2017 the margin has been set to 1.5%.

The senior credit facility is subject to compliance with a leverage ratio which must remain lower than those set out in the table below for each period under consideration:

Period considered	Leverage ratio
Maturing 30 June 2017	4.50:1
Maturing 31 December 2017	4.25:1
Maturing 30 June 2018	4.00:1
Maturing 31 December 2018	3.75:1
Maturing 31 December 2019	3.75:1
Maturing 31 December 2020	3.75:1

The leverage ratio is the ratio of total net debt on the last day of the period, and the consolidated pro forma EBITDA of the Group for the same period.

Note 10. Maturity of liabilities

(in € thousands)	31 December 2016	31 December 2017	Maturing 31 December 2017 Less than 1 year	1 to 5 years	More than 5 years
Convertible bonds (OCEANE)	-	200,017	17	-	200,000
Borrowings and debt from credit institutions	250,441	50,119	119	50,000	-
Trade payables	1,609	2,286	2,286	-	-
Social payables	1,577	1,916	1,916	-	-
Tax payables	722	741	741	-	-
Other debt	1,662	3,097	3,097	-	-
• o/w Group	1,611	2,747	2,747	-	-
• o/w miscellaneous	50	350	350	-	-
TOTAL DEBT	256,011	258,176	8,176	50,000	200,000

Note 11. Related companies

Gross values *(in € thousands)*	31 December 2017
Assets	
Equity interests	637,872
Receivables from equity interests	58,702
Trade receivables	1,052
Other receivables	21,626
Liabilities	
Trade payables	16
Other debt	2,747
Operating income	
Revenues	4,619
Expenses transferred	54
Operating expenses	
Leases	56
Financial income	
Dividends received	19,967
Income from equity interests	1,173
Interests	135
Financial expenses	
Interests	20
Exceptionnal expenses	
Other exceptionnal expenses	34

The Company has not identified any transactions with related parties that were not concluded pursuant to normal market conditions.

Note 12. Accruals, prepayments and deferred income

(in € thousands)	31 December 2017	31 December 2016
Convertible bonds (OCEANE)	17	-
Borrowings and debt from credit institutions	119	439
Trade payables	1,676	1,189
Social and tax payables	1,977	1,793
Accrued expenses	**3,789**	**3,421**
Prepaid expenses	**45**	**102**
Receivables from equity interests	603	13,455
Trade receivables	853	1,504
Other receivables	3,991	-
Accrued income	**5,447**	**14,959**
Deferred income	**-**	**-**

Note 13. Revenues

The Company's revenues correspond to consulting services rendered to its subsidiaries.

Note 14. Compensation of management bodies

The average number of employees (full-time equivalent) for the 2017 fiscal year was eight employees, similar to 2016. The Company only employed managers for the 2017 and 2016 fiscal years.

In connection with the IPO, it was decided that from 1 June 2016, company employees will be exclusively members of the Executive Committee of the Maisons du Monde Group. Thus nine members of the Executive Committee out of a total of ten comprise the Company's workforce at 31 December 2017.

Compensation paid to members of Management is not disclosed. This information would allow individual elements of compensation to be identified.

The compensation granted to members of the governing bodies is as follows:

- for the fiscal year ended 31 December 2017, attendance fees allocated to members of the Board of Directors amounted to €379,000;
- for the fiscal year ended 31 December 2016, attendance fees allocated to members of the Board of Directors amounted to €242,500. Moreover, prior to the IPO, members of the Executive Committee of Magnolia (BC) SAS received attendance fees in the amount of €45,500.

These fees are recorded as other operating expenses.

Note 15. External expenses

(in € thousands)	31 December 2017	31 December 2016
Insurance	106	120
Temporary staff	171	587
Fees	1,791	21,687
Travel and meeting expenses	146	153
Bank services	2,545	12,895
Other external expenses	88	68
TOTAL EXTERNAL EXPENSES	**4,847**	**35,509**

In 2017, in connection with the €200 million reimbursment of term loan, the portion of issuance costs not amortized at the time of the reimbursment was recorded in external expenses for €2.5 million.

In 2016, in connection with the IPO, the Company incurred expenses directly related to the transaction, recognised in external expenses, which are as follows:

(in € thousands)	31 December 2016
Insurance	109
Fees	19,893
Bank services	12,893
TOTAL COSTS RELATED TO TRANSACTION	**32,894**

Note 16. Financial profit (loss)

(in € thousands)	31 December 2017	31 December 2016
Dividends received (1)	19,967	0
Reimbursment of share premium (2)	-	59,597
Income from equity interests (3)	1,173	14,932
Interest income on current account	135	70
Term loan interest (4)	(4,411)	(3,344)
Interest on convertible bonds (5)	(17)	-
Interest on loans, including revolving credit facilities (6)	(741)	(23,055)
Interest expense on current account	(20)	(925)
Allowance for provisions net of reversals	22	(35)
Net foreign exchange differences	0	26
Other (7)	(8)	(19,699)
FINANCIAL PROFIT (LOSS)	**16,099**	**27,567**

(1) In 2017, Maisons du Monde France SAS paid dividends for a total amount of €19,967 thousand to its sole shareholder Maisons du Monde SA.

(2) In 2016, Abaco, a fully owned subsidiary of Maisons du Monde SA, made the following reimbursment of share premium:

- *€33,802 thousand as of 26 May 2016;*
- *€25,795 thousand as of 16 December 2016.*

(3) Corresponds to income on receivables from equity interests.

(4) Corresponds to the interest on the term loan (see note 9).

(5) Corresponds to the interest on convertible bonds (see note 9).

(6) Corresponds to interest on the revolving credit facilities as well as existing inter-company debts until the IPO.

(7) In 2016, corresponds to the premium of €19.7 million due to early repayment in relation to the full repayment of the High Yield bond as part of the Group's refinancing.

Note 17. Exceptionnal profit (loss)

(in € thousands)	31 December 2017	31 December 2016
Gain or loss on treasury shares (1)	127	(1)
Taxes	-	(138)
Liquidation of Magnolia MEP Finco	(31)	-
Performance shares (2)	(169)	-
Reversal of provision on tax credit (3)	446	-
Reversal/allowance on regulated provisions (4)	1,617	(464)
EXCEPTIONNAL PROFIT (LOSS)	**1,989**	**(603)**

(1) As part of the liquidity agreement.

(2) Corresponds to the estimated costs of performance shares not recharged to subsidiaries.

(3) Reversal of provision on tax credit from Abaco, as a tax credit has been transferred to Maisons du Monde SA thanks to the merger.

(4) In 2017, reversal on regulated provisions related to acquisitions costs on Abaco's shares due to the merger (see note 1.4).

Note 18. Income tax

The Company recorded a tax consolidation profit of €15,467 thousand for the year ended 31 December 2017.

Note 19. Principal increases and reductions in the tax base for future income tax liability

None.

ADDITIONAL INFORMATION

Note 20. Guarantees

Shares in Maisons du Monde SA, Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain were pledged as collateral for the term loan of €50 million and the revolving credit facilities of €150 million.

Note 21. Pension commitments

Upon retirement, company employees will receive compensation in accordance with the law and with the provisions of the applicable Collective Agreements.

Pension commitments are not recognised, but rather recorded as off-balance sheet commitments. They are assessed using the retrospective projected unit credit method as per the revised IAS 19 standard.

The estimate of these commitments was undertaken by an independent actuary.

The main actuarial assumptions are as follows:

- discount rate: 1.5%;
- rate of salary increase: between 1.5% and 2.5% for executives;
- retirement age: 64 for executives;
- mortality table: INSEE 2009-2011.

At 31 December 2017, commitments stood at €200 thousand.

Note 22. Share price

At 31 December 2017, the share price of Maisons du Monde SA was €37.75.

Note 23. Transactions with related parties

For the financial year 2017:

- the Company holds a loan towards its subsidiary Maisons du Monde France SAS amounting to €58,702 thousand including interest accrued as of 31 December 2017;
- the Company reveiced dividends from its subsidiary Maisons du Monde France SAS amounting to €19,967 thousand.

Net financial income and expenses on these transactions are outlined in note 16.

For the financial year 2016:

- a consulting services contract signed with Bain Capital was effective until 31 May 2016. Under this provision, the Company recorded an expense of €789 thousand for the year ended 31 December 2016. The termination of this agreement led to the payment of compensation for termination of €3 million, included in the IPO related expenses;
- Maisons du Monde SA took out a loan from its parent company, which was cancelled as part of the mergers that occured in the context of the IPO;
- the Company also issued a loan to its subsidiary Abaco amounting to €296,123 thousand including interest accrued as of 31 December 2016.

Net financial income and expenses on these loans are outlined in note 16.

Note 24. Attribution of performance shares

	Plan n° 1	Plan n° 2	Plan n° 3
Grant date	25 October 2016	16 December 2016	19 May 2017
Status	delivered in 2017	in progress	in progress
Number of shares	14,411	153,250	54,350
Number of beneficiaries	4	294	67
Vesting period (years)	1	3	2.59
Holding period (years)	1	1	1

The attribution of performance shares is subject to the following conditions:

- a continued service requirement during the vesting period: the shares granted to a beneficiary shall only finally vest if he or she has been an employee of a Group Company during a vesting period, calculated as from the grant date, of one year for *Plan d'actions gratuites n° 1* beneficiaries, three years for *Plan d'actions gratuites n° 2* beneficiaries and two years and seven months for *Plan d'actions gratuites n° 3* beneficiaries. In the event of death, disability or retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;
- performance requirements based on Sales level for the *Plan d'actions gratuites n° 1* and Sales, EBITDA and earning per share level (depending on employees) for *Plan d'actions gratuites n° 2* and *Plan d'actions gratuites n° 3*;
- a holding requirement: as from the final grant date, the beneficiaries are required to hold their shares for one year at least for *Plan d'actions gratuites n° 1* and *Plan d'actions gratuites n° 2*, and the General Manager is required to hold part of its shares until the term of its office for *Plan d'actions gratuites n° 3*.

The granted shares shall be either shares issued through a share capital increase performed by the Company by no later than the definitive vesting date or shares bought by the Company on the market prior to such date.

In order to deliver performance shares of plan n° 1, the Company bought shares on the market in October 2017. It is likely that the Company would also buy shares on the market for plan n° 2 and plan n° 3. Therefore the Company accrued provisions related to performance shares' plan at year end:

- €3,963 thousand for plan n° 2;
- €1,076 thousand for plan n° 3.

The Group set up recharge agreements with its subsidiaries.

Note 25. List of subsidiaries and shareholdings

The table below provides a list of the Group's subsidiaries and the level of investment of Maisons du Monde SA.

	Currency	share capital	share of capital held (% of control)	Tax consoli-dation	Gross carrying amount of invest-ments	Net carrying amount of invest-ments	Loans and advances granted by the Company not yet repaid	Guarantees given by the Company	Dividendes received by the Company during the financial year
Subsidiaries of Maisons du Monde SA									
International Magnolia Company	€ th.	1	100%	yes	1	1	12	n/a	-
Maisons du Monde France	€ th.	57,376	100%	yes	159,054	159,054	76,746	n/a	19,967
Subsidiaries of Maisons du Monde France									
Maisons du Monde Allemagne	€ th.	25	100%	n/a	25	25	-	n/a	-
Maisons du Monde Belgique	€ th.	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Espagne	€ th.	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Italie	€ th.	120	100%	n/a	100	100	-	n/a	-
Maisons du Monde Luxembourg	€ th.	20	100%	n/a	20	20	-	n/a	-
Maisons du Monde Suisse	CHF th.	20	100%	n/a	17	17	-	n/a	-
MDM Furniture & Decoration	GBP th.	20	100%	n/a	27	27	-	n/a	-
Distrimag	€ th.	40	100%	yes	40	40	-	n/a	-
International MDM Company	€ th.	1	100%	yes	1	1	-	n/a	-
Mekong Furniture	VND m.	86,027	100%	n/a	3,189	3,189	-	n/a	-
Chin Chin	USD th.	1	50%	n/a	1	1	-	n/a	-
Subsidiaries of Distrimag									
Distri-Meubles	€ th.	100	100%	yes	100	100	-	n/a	-
Distri-Traction	€ th.	150	100%	yes	150	150	-	n/a	-
Subsidiary of International MDM Company									
Distriformation	€ th.	15	100%	no	25	25	-	n/a	-
Subsidiary of Chin Chin									
Shangai Chin Chin Furnishing	CNY th.	7,715	50%	n/a	1,000	1,000	-	n/a	-
Subsidiary of Shangai Chin Chin Furnishing									
Wujiang Chin Chin Furniture	CNY th.	20,000	50%	n/a	20,000	20,000	-	n/a	-
Subsidiary of Wujiang Chin Chin Furniture									
Wujiang Henghui Machinery	CNY th.	1,000	50%	n/a	12,400	12,400	-	n/a	-

Revenues, profits and capital other than share capital of subsidiaries are not disclosed for confidentiality reasons related to business and industrial strategy.

Note 26. Results for the last five years

The Company was incorporated on 27 June 2013 and ended its first fiscal year on 31 December 2014.

(in euros)	31 December 2014	31 December 2015	31 December 2016	31 December 2017
Financial position at year end				
Duration of the financial year	18 months	12 months	12 months	12 months
share capital	139,889,001	139,889,001	146,583,737	146,583,737
Number of ordinary shares	139,889,001	139,889,001	45,241,894	45,241,894
Number of preferred shares	-	-	-	-
Number of convertible bonds	-	-	-	4,100,041
Operations and income (loss) for the year				
Revenues	4,764,149	4,305,229	4,777,149	4,619,433
Income before tax, employee profit-sharing, depreciation and amortisation	(37,829,068)	(30,705,750)	(7,956,365)	14,460,595
Income tax	(7,056,381)	(17,710,167)	(24,366,165)	(15,466,996)
Employee profit-sharing	-	-	-	-
Depreciation and amortisation	5,167,877	3,624,899	2,357,922	3,278,228
Net profit (loss)	(35,940,564)	(16,620,482)	14,051,878	26,649,363
Profit distributed [(1)]	-	-	14,024,987	19,906,433
Earnings per share				
Income after tax and employee profit-sharing, but before depreciation and amortisation	(0.22)	(0.09)	0.36	0.66
Income after tax, employee profit-sharing, depreciation and amortisation	(0.26)	(0.12)	0.31	0.59
Dividend alloted [(1)]	-	-	0.31	0.44
Personnel				
Average number of employees (FTEs)	10	6	7	7
Wages and salaries	1,611,339	1,800,296	4,225,412	5,653,124
Amount paid to welfare bodies (social security, service projects, etc.)	472,693	518,175	1,188,817	2,751,080

(1) amount including treasury shares. For 2017, based on the proposal for the Annual General Meeting of 18 May 2018.

Note 27. Events subsequent to 31 December 2017

The Company has not identified any events subsequent to 31 December 2017 with a material impact on the Company's financial statements.

5.4 Statutory Auditors' report on the financial statements

For the year ended December 31th 2017

To the Annual General Meeting of Maisons du Monde,

Opinion

In compliance with the engagement entrusted to us by your bylaws and your annual general meeting, we have audited the accompanying financial statements of Maisons du Monde for the year ended December 31th 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31th 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Furthermore, the non-audit services that we provided to your Company and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- verification of the CRS information
- issuance of attestations bases on data extracted from the financial statements (turnover per shop, financial ratios, ecofolio)

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

VALUATION OF MAISONS DU MONDE FRANCE'S EQUITY INTERESTS AND RELATED RECEIVABLES

Risk identified	Our response
Maisons du Monde France's equity interests and related receivables, as described in Notes 3 and 25, are recorded in the balance sheet for respective net carrying amounts of M€ 637.9 and M€ 58.7 as at 31 December 2017, compared to total assets of M€ 739. The equity interests of Maisons du Monde France comprise shares for M€ 159.1 and associated technical merger losses for M€ 478.8. The company ensures that no year-end impairment loss need be recorded by comparing the fair value with the carrying amount recorded in the accounts. Fair value is determined by taking into account the share of net assets and the profitability outlooks reviewed on an annual basis. Profitability outlooks are based on the information available at the time of their preparation. We consider the valuation of Maisons du Monde France's equity interests and related receivables to be a key audit matter due to: • Their material importance in the company's accounts; • The judgements and assumptions necessary to determine their fair value, based on profitability outlooks in particular, whose conclusion is inherently uncertain.	To assess the reasonableness of the fair value measurement of the Maisons du Monde France's equity interests, based on the information we were provided, our work mainly consisted in: • Assessing whether the valuation method and figures used by Management to estimate the fair value are appropriately justified; • Obtaining the 2018 budget approved by the Board of Directors, which updated the Business Plan's assumptions; • Verifying the reasonableness of the forecasts in relation to the economic context surrounding the company's operations. In addition to assessing the fair value of the Maisons du Monde France's equity interests, our work also consisted in assessing the recoverability of the related receivables with respect to the equity interest analyses. Lastly, we verified that Notes 2.1 and 3 to the financial statements provided an appropriate disclosure.

Verification of the Management Report and of the Other Documents Provided to the Annual General Meeting

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the Other Documents Provided to the Annual General Meeting with respect to the financial position and the financial statements.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Information given with respect to the Governance

In accordance with French law, we have verified that the required information concerning the information given in accordance with the requirements of Articles L. 225-37-3 et L. 225-37-4 of the French Commercial Code (code de commerce) has been properly disclosed in the management report.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Concerning the information given that your entity has considered likely to have an impact in the event of a public purchase or exchange offer, in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (code de commerce), we have verified its consistency with the documents from which they are extracted and which were communicated to us. Based on this work, we have no matter to report.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Maisons du Monde by your bylaws dated June 24th 2013 for KPMG Audit and by your Annual General Meeting of April 29th 2016 for Deloitte & Associés.

As of December 31st 2017, KPMG Audit was in the 4th year and 2nd year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market and Deloitte & Associés in the 2nd year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

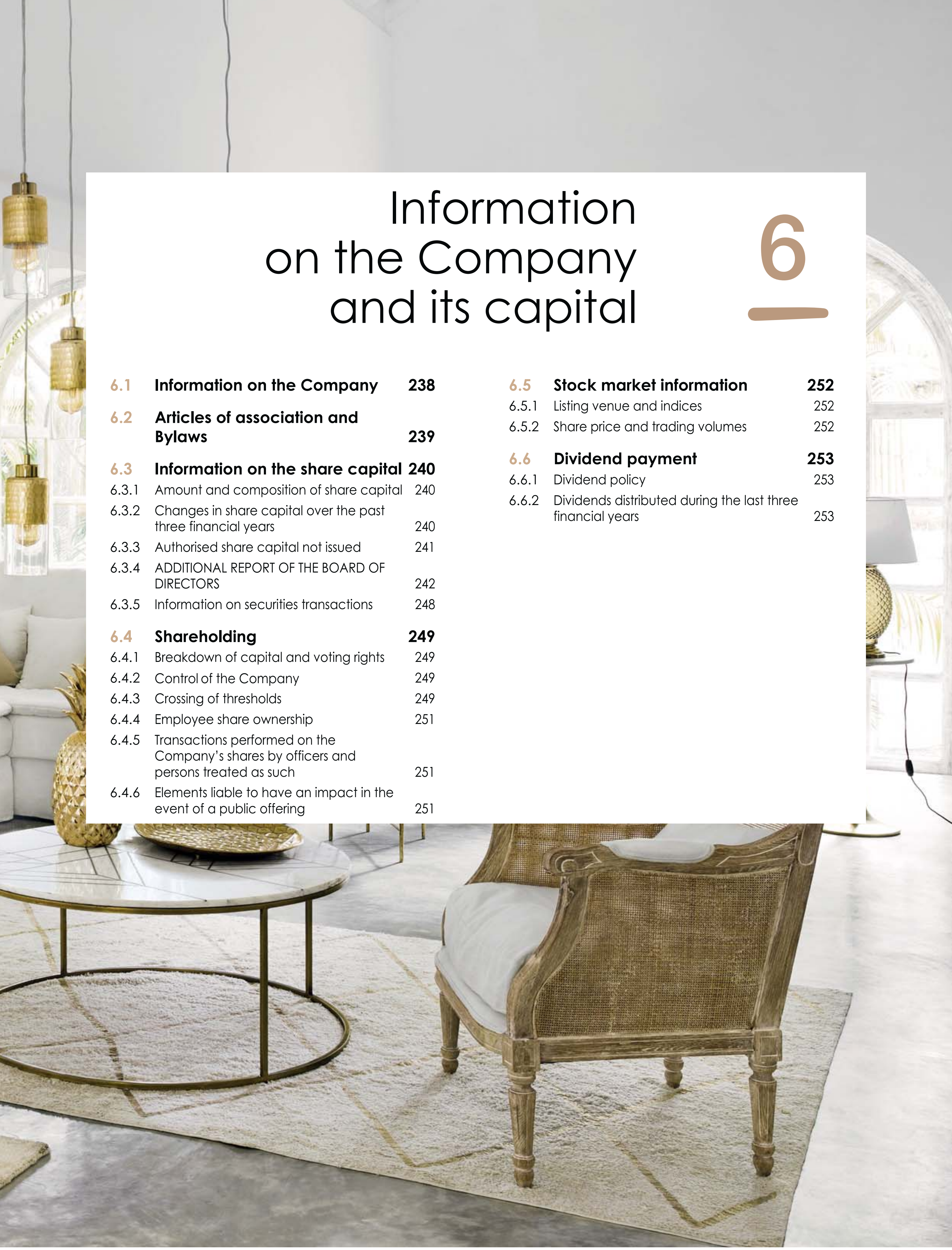
Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French original signed in Nantes et Neuilly-sur-Seine, 26 March 2018
The statutory auditors

KPMG AUDIT
Département de KPMG S.A.
Gwénaël CHEDALEUX

Deloitte & Associés
Jean Paul SEGURET



Information on the Company and its capital

6

6.1 Information on the Company

HISTORY AND DEVELOPMENT OF THE GROUP

Founded in Brest in 1996, Maisons du Monde is an omnichannel retailer and creator of original universes. It offers a unique range of decoration and furnishing items in a wide variety of styles and themes at affordable prices. The Group is the leading player in the original and accessible segment in France, with sales of €1,011 million in 2017. At end-2017, Maisons du Monde operated a network of 313 stores in seven countries – France, Italy, Spain, Belgium, Luxembourg, Germany, and Switzerland. It also operates a comprehensive and complementary e-commerce platform available in 11 countries (the 7 countries in which its stores are located, as well as Austria, the Netherlands, Portugal and the United Kingdom).

COMPANY NAME

The Company's corporate name is Maisons du Monde.

PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered with the Nantes Trade and Companies Register under number 793 906 728.

REGISTERED OFFICE

The Company's registered office is located in "Le Portereau", Route du Port aux Meules, 44120 Vertou, France.

The telephone number of the registered office is (+33) (0) 2 51 71 17 17.

LEGAL FORM AND APPLICABLE LEGISLATION

The Company Maisons du Monde is a *société anonyme* with a board of directors governed by French law, in particular the provisions of the French Commercial Code, and its Bylaws.

6.2 Articles of association and Bylaws

DATE OF INCORPORATION AND DURATION

The Company was incorporated on 24 June 2013 and registered with the Paris Trade and Companies Register on 27 June 2013. The Company will cease to exist on 27 June 2112, unless it is dissolved early or its duration is extended.

CORPORATE PURPOSE

As stated in Article 2 of the Bylaws, the Company's purpose, in France and abroad, is:

- the purchase, subscription, holding, management and transfer, in any form, of shares and securities in any companies or legal entities created or to be created, French or foreign;
- all administrative, financial, accounting, business, IT or management services for the benefit of the subsidiaries of the Company or any other company in which it holds an interest;

And more broadly:

- all securities and property, industrial, commercial or financial transactions relating directly or indirectly to this purpose or any similar or related purpose, or which may be beneficial for this purpose or of a nature to facilitate its achievement.

FINANCIAL YEAR

The Company has a financial year of 12 months, beginning on 1 January and ending on 31 December of each year.

CONSULTATION OF CORPORATE DOCUMENTS

Corporate documents and information relating to the Company may be consulted at the registered office.

SHAREHOLDERS' MEETINGS

Notice of Shareholders' Meetings

Shareholders' Meetings are called in accordance with to the conditions, forms and time limits provided for by the applicable regulations. They are held at the registered office or at any other place indicated in the notice of meeting.

The decisions of the shareholders are taken depending on their nature at Ordinary, Extraordinary or Combined Shareholders' Meetings.

Attendance at meetings

All shareholders have the right to attend Shareholders' Meetings and vote, either personally or by proxy.

All shareholders may take part in Shareholders' Meetings, personally or by proxy, pursuant to the conditions set by the regulations in force, after providing proof of their identity and ownership of the securities in the form of appropriate Registration under the conditions provided for by the laws and regulations in force.

Upon decision of the Board of Directors to use such means of telecommunications, as published in the notice of meeting or notice to attend, shareholders are deemed to be present for quorum and majority purposes if they attend via videoconference or any other means of telecommunication or remote transmission, including the internet, provided that their identity can be verified under the conditions provided for by the regulations in force.

All shareholders may vote by correspondence or give a proxy in accordance with the regulations in force, by means of a form drawn up by the Company and returned to it pursuant to the regulations in force, including by electronic mail or file transfer, upon decision of the Board of Directors. The form must be received by the Company in the prescribed conditions for it to be taken into account.

The legal representatives of legally incapacitated shareholders and physical persons representing shareholders that are corporate entities may attend meetings, whether or not they are shareholders personally.

Shareholder communication rights

All shareholders have the right to obtain disclosure of documents, the nature and conditions of which shall be determined by the applicable regulations.

Voting rights

Each share is entitled to one vote at Shareholders' Meetings, double voting rights as provided for by Article L. 225-123 of the French Commercial Code being expressly excluded.

Treasury shares do not have voting rights.

Form and disposal of shares

In accordance with Articles 9 and 12 of the Bylaws, shares may be held in registered or bearer form, at the shareholder's discretion, under the conditions provided for by the regulations in force.

Shares are freely tradable. Transfers of shares shall be effected by transfer from account to account, in accordance with the procedures laid down by law and regulations.

Identification of shareholders

In accordance with legal and statutory provisions, the Company may request at any time from the central depository in charge of its securities issue account, the name or, in the case of a corporate entity, the corporate name, nationality, year of birth or year of incorporation, postal address and, where applicable, electronic address of the holders of securities conferring immediately or in the future the right to vote at its Shareholders' Meetings, as well as the number of securities held by each of them and, where applicable, the restrictions attached to such securities.

6.3 Information on the share capital

6.3.1 AMOUNT AND COMPOSITION OF SHARE CAPITAL

At 31 December 2017, the Company's share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each, fully paid up and of the same class.

6.3.2 CHANGES IN SHARE CAPITAL OVER THE PAST THREE FINANCIAL YEARS

In 2016, the Company carried out the following capital transactions:

- on 24 March 2016, the share capital was first reduced through a €64,348,940.46 by reduction of par of €0.46, bringing it to €75,540,060.54, divided into 139,889,001 shares with a par value of €0.54 each;
- on 29 April 2016:
  - the Company first proceeded with a capital increase through the issue of three new shares with a par value of €0.54 each, although the share capital amounted to €75,540,062.16 divided into 139,889.004 shares with a par value of €0.54 subsequently;
  - the Company then consolidated its shares by allocating one share with a par value of €3.24 for six existing shares with a par value of €0.54. The share capital was accordingly constituted of 23,314,834 shares with a par value of €3.24 each;
  - the share capital was again increased by €116,089,621.20 through the issuance of 35,830,130 new shares in consideration for a contribution made in connection with a merger;
  - subsequently, it was reduced by the cancellation of 23,314,834 treasury shares contributed in connection with the aforementioned merger.

Within the framework of its initial public offering on 27 May 2016, the Company performed a further capital increase in cash by offer to the public, with the cancellation of preferential subscription rights, of a nominal amount of €30,494,115.36 through the issue of 9,411,764 new shares.

At 31 May 2016, the settlement date following the IPO, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each.

The share capital of Maisons du Monde has not been modified since this date.

6.3.3 AUTHORISED SHARE CAPITAL NOT ISSUED

In application of the provisions of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code, we hereby inform you, below, of the currently valid delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors with respect to capital increases, as well as their use during the 2016 and 2017 financial years.

Nature of the delegation and/or authorisation given to the Board of Directors	Maximum amount authorised	Duration of the authorisation	Expiry	Use in 2016	Use in 2017
CAPITAL INCREASE BY ISSUING SHARES AND/OR ANY OTHER SECURITIES CONVERTIBLE INTO SHARES OF THE COMPANY					
Capital increase by issuing shares through a public offering with the cancellation of preferential subscription rights (CSM 29/04/16 - 24th resolution)	€47 million	12 months	29/04/2017	26/05/2016	
Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with the cancellation of preferential subscription rights in favour of the public (CSM 29/04/16 - 28th resolution)	€36 million	26 months	29/06/2018		
Capital increase by issuing ordinary shares and/or securities convertible into shares of the Company and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with preferential subscription rights in favour of the public (CSM 29/04/16 - 29th resolution)	€72 million	26 months	29/06/2018		
Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities as part of an offering referred to in II of Article L. 411-2 of the French Financial and Monetary Code, with the cancellation of preferential subscription rights (CSM 29/04/16 - 30th resolution)	€36 million	26 months	29/06/2018		27/11/2017
Capital increase by issuing shares and/or securities convertible into shares of the Company with the cancellation of preferential subscription rights in consideration for contributions in kind made to the Company and consisting of shares or convertible into shares of the Company, outside public exchange offers (CSM 29/04/16 - 32nd resolution)	10% of share capital	26 months	29/06/2018		
Capital increase by incorporation of reserves, profits, premiums or other (33rd resolution)	€36 million	26 months	29/06/2018		
SHARE BUYBACK PROGRAMME					
Treasury share buyback programme (CSM 29/04/16 - 13th resolution)	10% of share capital and maximum purchase price set at €34 per share, i.e. a maximum of €154 million	18 months	29/10/2017	15,252 treasury shares held at 31/12/2016 under a liquidity contract	
Share buyback programme (19/05/17 Shareholders' Meeting - 9th resolution)	10% of share capital and maximum purchase price set at €50 per share, i.e. a maximum of €226.2 million	18 months	19/11/2018		12,100 treasury shares held at 31/12/2017 under the liquidity contract
Capital reduction by cancelling treasury shares (CGM 19/05/2017 - 12th resolution)	Capped at 10% of share capital per 24-month period		19/11/2018		
TRANSACTIONS RESERVED FOR EMPLOYEES AND EXECUTIVE DIRECTORS					
Free shares, existing or new, granted to employees and eligible corporate officers of the Company and companies related to it (CSM 29/04/16 - 38th resolution)	10% of share capital	18 months	29/10/2017	25/10/2016 and 16/12/2016	
Free shares, existing or new, granted to employees and eligible corporate officers of the Company and companies related to it (19/05/2017 Shareholders' Meeting - 13th resolution)	2% of share capital	38 months	17/07/2020		19/05/2017

During the year ended 31 December 2017, the Board of Directors, using delegations of authority granted by the Shareholders' Meeting, proceeded to:

- the allocation of 54,350 free shares of the Company to the employees of the Group and the corporate officer (Board of Directors meeting of 19 May 2017);
- the issue of bonds convertible into new shares and/or exchangeable for existing shares (OCEANEs) maturing in 2023 for a nominal amount of approximately 200 million (Board of Directors meeting of 27 November 2017);
- the repurchase, as part of the implementation of the Company's share buyback programme, of 14,411 treasury shares in order to cover a free share plan for Group employees, as well as the implementation of a liquidity contract (12,100 treasury shares as of the end of the year).

6.3.4 ADDITIONAL REPORT OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L.225-129-5 of the French Commercial Code, the Board of Directors prepared the following additional report in light of the use of one of the delegations granted by the Shareholders' Meeting of 29 April 2016.

Said additional report was made available to the shareholders within 15 days following the Board of Directors meeting of 27 November 2017, jointly with the Statutory Auditors' report.

BOARD OF DIRECTORS' ADDITIONAL REPORT ON THE ISSUE OF BONDS CONVERTIBLE INTO NEW SHARES AND/OR EXCHANGEABLE FOR EXISTING SHARES DECIDED ON 29 NOVEMBER 2017

To the Shareholders,

We have the honour of informing you that the Company's Board of Directors (the "Board of Directors") used the delegation of authority granted by the thirtieth resolution of the Combined Shareholders' Meeting of 29 April 2016 in order to allow the Company to issue bonds convertible into new shares and/or exchangeable for existing shares of the Company (the "OCEANEs"), without preferential subscription rights and by means of an offering as referred to in II of Article L. 411-2 of the French Monetary and Financial Code (the "Issue").

In accordance with Articles L. 225-129.5 and R. 225-116 of the French Commercial Code, we prepared an additional report to inform you of the terms and conditions for the implementation of the Issue.

Delegation of authority granted to the Board of Directors by the thirtieth resolution of the Company's Combined Shareholders' Meeting of 29 April 2016

We remind you that pursuant to the thirtieth resolution adopted by the shareholders of the Company during the Combined Shareholders' Meeting of 29 April 2016, the Shareholders' Meeting:

- delegated to the Board of Directors its authority to decide to undertake one or several capital increases, without preferential subscription rights for holders of shares, according to the proportions and time periods it deems appropriate, through the issue, both in France and abroad, within the context of an offering as referred to in Article L. 411-2 II of the French Monetary and Financial Code, of shares and/or securities giving access by any means, immediately and/or in the future, to shares of the Company having the same characteristics as those described in the 24th resolution, to be subscribed in cash or through the offsetting of receivables or, for a portion, through the capitalisation of reserves, profits or premiums or, under the same terms and conditions, to decide to issue securities giving access to the Company's existing share capital;
- set the validity period of this delegation at 26 months from the Company's Shareholders' Meeting of 29 April 2016;
- resolved:
  - that the total nominal amount of the share capital increases that may be carried out immediately and/or in the future pursuant to this delegation will not exceed €36,000,000 or the equivalent sum in any foreign currency or monetary unit set by reference to several currencies, it being specified that it will be applied to the nominal limit for share capital increases stipulated in the 36th resolution or, if applicable, to the amount of the limits that may be set by a future resolution of the same type that may replace said resolution during the validity period of this delegation; it being specified that it is set without taking into account the nominal value of the shares to be issued to preserve, in accordance with the applicable legal and regulatory provisions and, where applicable, the contractual stipulations providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, stock options or share purchases or rights to the allocation of free shares,
  - that the nominal amount of the debt securities to be issued by virtue of this delegation may not exceed €200,000,000 or the equivalent of this amount in foreign currency, it being specified that this amount will be increased if applicable by any redemption premium in excess of par;
- resolves to cancel the preferential right of shareholders to subscribe for the shares or securities issued pursuant to this resolution and to offer these securities as part of an offering as referred to in section II of Article L.411-2 of the French Monetary and Financial Code, under the terms and within the maximum legal limits provided by the laws and regulations, it being understood that the Board of Directors may grant shareholders irreducible or, if applicable, reducible priority subscription rights in respect of all or part of the issue for such period and on such terms as it may establish in accordance with applicable laws and regulations, which right must be exercised in proportion to the number of shares held by each shareholder and which cannot result in the creation of negotiable rights;

- resolves that if subscriptions do not absorb the entire issue of shares or securities giving access to the capital, the Board of Directors may make use, in such order as it sees fit, of any of the following options:
  - limiting the issue to the amount of the subscriptions, providing it reaches at least three quarters of the capital increase decided upon,
  - freely distributing all or part of the unsubscribed securities,
- taking due note of the fact that this resolution entails the renunciation by shareholders of their preferential subscription rights to the shares to which the securities issued by virtue of this delegation may give the right;
- taking due note of the fact that, in accordance with Article L. 225-136-1 of the French Commercial Code:
  - subject to what is stipulated in the thirty-first resolution of said Shareholders' Meeting, the issue price of the shares issued directly will be at least equal to the minimum stipulated in the applicable regulatory provisions on the date of issue (currently the weighted average of the prices of the past three trading sessions on the regulated market of Euronext Paris S.A. preceding the setting of the subscription price of the capital increase less a discount of no more than 5%), after any necessary correction of this average for any difference between the vesting dates,
  - the issue price of the securities giving access to the capital and the number of shares to which the conversion, redemption or more generally the transformation of each transferable security giving access to the capital may give the right, shall be such that the sum received immediately by the Company, plus any sum to be received by it subsequently, for each share issued as a result of the issue of these securities, is at least equal to the minimum subscription price defined in the preceding paragraph;
- grants, in particular but without this list being exhaustive, all powers to the Board of Directors in order for it:
  - to decide on the capital increase and/or determine the securities to be issued,
  - to determine the form, nature and characteristics of the securities to be created and to set the terms and conditions of issue, notably the dates, periods and methods of issue,
  - to set the issue prices, the amounts to be issued and the date, which may even be retroactive, on which the securities will vest,
  - to determine the method of payment for the shares and/or securities,
  - to set the terms, if applicable, under which the Company will have, at any time or during specified periods, the right to purchase or exchange, on the stock exchange or otherwise, the shares or securities giving access to shares issued or to be issued,
  - to determine and make all such adjustments as may be necessary in order to take account of the impact of transactions on the Company’s capital or equity, in particular in the event of a change in the nominal value of the share, of a capital increase through the capitalisation of reserves, of the free allotment of shares, of a stock split or reverse stock split, of the distribution of dividends, reserves or premiums or any other assets, of redemption of capital, or of any other transaction affecting equity or the share capital (including in the event of a public offering and/or change of control), and to take, as a result of the issue of shares and/or securities giving access to the capital, all necessary measures to protect the rights of holders of securities giving access to the Company's share capital, of options conferring the right to subscribe new shares or buy existing shares, or of rights to the free allotment of shares (including through cash adjustments), in accordance with the legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, and to suspend, if applicable, the exercise of the rights attaching to these securities, in accordance with legal and regulatory provisions;
  - at its sole discretion and if it sees fit, to charge the costs, expenses and fees relating to the issues to the amount of the associated premiums and to deduct from said amount the sums necessary to fund the legal reserve so that it reaches 10% of the new amount of capital resulting from the capital increase;
  - to arrange, if applicable, the admission to trading on a regulated market of the shares or securities to be issued;
  - generally, to take all such measures, enter into all such agreements and perform all such formalities as may be necessary to ensure the successful completion of the contemplated issuances, to properly record the capital increases and to amend the bylaws accordingly; and
  - in the event of the issue of debt securities, to decide in particular whether they are to be subordinated or not, to set their interest rate, their term, the redemption price (fixed or variable, with or without premium), the methods of amortisation and the conditions under which these securities will give a right to Company shares; to amend the above-mentioned elements throughout the life of the securities concerned, in accordance with applicable formalities.

Decisions of the Board of Directors of 27 November 2017

The Board of Directors meeting held on 27 November 2017 decided, pursuant to the delegation of authority granted by the thirtieth resolution approved by the shareholders of the Company during the Shareholders' Meeting of 29 April 2016:

- to (i) issue, without preferential subscription rights or a priority subscription period and exclusively by means of an offering as referred to in Article L. 411-2-II of the French Monetary and Financial Code, OCEANEs of a maximum nominal amount of €200 million and (ii) to increase the share capital subsequently to the potential conversion of the OCEANEs into new ordinary Company shares, within the limit of a maximum nominal amount of €36 million, an amount to which it may be appropriate, if applicable, to add the nominal amount of the additional shares to be issued to preserve the rights of the holders of securities giving access to the capital in accordance with the legal, regulatory or contractual provisions;
- to consequently grant to the Chief Executive Officer all the necessary powers to complete said Issue, in accordance with the conditions and limits established by the term sheet and the thirtieth resolution of the Combined Shareholders' Meeting of 29 April 2016, as well as this decision of the Board of Directors, and notably:
  - to determine the preliminary and definitive terms and conditions of the Issue, particularly the schedule and the terms and conditions of the offering, the issue price, the number and the nominal amount of the OCEANEs to be issued as well as the total nominal amount of the capital increases that may be carried out in the event of the exercise of the option to convert or exchange the OCEANEs, in accordance with the distribution of the existing and new shares that it will decide, the annual interest and the gross annual rate of return, as well as the maturity of the bond issue and its amortisation method, within the aforementioned conditions and limits,
  - to set, under the aforementioned conditions and limits, the conversion premium and the vesting date, even if retroactive, of the shares to be issued,
  - to determine, at its sole discretion, in the event of the exercise of the conversion or exchange option by any holder of OCEANEs, if it is appropriate to issue new shares or to deliver existing shares held by the Company, to acquire Company shares within the limits set by the applicable resolutions of the Shareholders' Meeting, and to do this in compliance with the law and the regulations, and to determine, at his sole discretion, the origin of the existing shares to be delivered,
  - to set the conditions and procedures for ensuring, if necessary, the preservation of the rights of the holders of OCEANEs,
  - to establish all other features of the OCEANEs,
  - to offset, if applicable, issue costs against the issue premium(s),
  - to finalise the contents of the report foreseen by Articles L. 225-129-5 and R. 225-116 of the French Commercial Code,
  - to make any decision with a view to the admission to trading and listing on the Euronext Access market of Euronext Paris of the OCEANEs issued as well as the new Company shares to be issued in the event of the conversion of the OCEANEs, and
  - to grant all powers to its Chief Executive Officer, for a two-month period, with the option to sub-delegate under the applicable legal and regulatory conditions, to sign, in the name and on behalf of the Company, any certificate, agreement or document that is necessary or useful for the definitive completion of the aforementioned Issue (including the signature of any guarantee contract with the bank syndicate pertaining to said issue, as well as the signature of a financial service agreement regarding the OCEANEs), to prepare and sign all related disclosures, complete all required formalities and filings, notably with the stock market authorities, and more generally, to take all relevant measures, undertake all actions and complete all formalities required for the completion of the aforementioned Issue.

Decisions of the Chief Executive Officer of 29 November 2017 (preliminary terms and conditions)

The Chief Executive Officer of the Company, Gilles Petit (the "Chief Executive Officer"), pursuant to the delegation of authority granted to him by the Board of Directors' meeting of 27 November 2017, has notably:

- decided to launch the issue, without preferential subscription rights or a priority subscription period and exclusively by means of an offering as referred to in Article L. 411-2-II of the French Monetary and Financial Code, of OCEANEs, for a maximum nominal amount of €200 million;
- decided to approve the preliminary terms and conditions of the Issue as reflected in the launch term sheet;
- decided to establish all other preliminary features of the OCEANEs as reflected in the terms and conditions of the OCEANEs; and
- decided to authorise the distribution of the press release regarding the launch of the Issue.

Decisions of the Chief Executive Officer of 29 November 2017 (final terms and conditions)

The Chief Executive Officer, pursuant to the delegation of authority granted to him by the Board of Directors' meeting of 27 November 2017, has notably:

- decided to approve the final terms and conditions of the Issue as reflected in the launch term sheet;
- decided to establish all other final features of the OCEANEs as reflected in the terms and conditions of the OCEANEs;
- decided to authorise the distribution of the press release regarding pricing;
- approved the final terms of the guarantee contract;
- decided to sign the guarantee contract, in the name and on behalf of the Company;

- decided that the definitive completion of the Issue will take place on 6 December 2018, subject to the lifting or waiver of the conditions precedent stipulated in the guarantee contract;
- decided to proceed with a share capital increase subsequently to the potential conversion of the OCEANEs into new ordinary shares of the Company, for a maximum nominal amount of €36 million, an amount to which it may be appropriate, if applicable, to add the nominal amount of the additional shares to be issued to preserve the rights of the holders of securities giving access to the capital in accordance with the legal, regulatory or contractual provisions; and
- decided to proceed with the admission to trading and listing on the Euronext Access™ market of Euronext Paris of the OCEANEs issued as well as the new Company shares to be issued in the event of the conversion of the OCEANEs.

Methods used to determine the issue price and justification

The issue price of the OCEANEs and the basis for conversion were determined taking into account all relevant factors such as, notably, general stock market trends and in particular that of the Maisons du Monde share, the interest rate differential in relation to the bond market used as a reference, the various options available to the Company (early redemption, the possibility of delivering existing shares), and the financial conditions observed on the Euronext Paris market for comparable securities.

The nominal value of the OCEANEs, set at €48.78, reveals an issue premium of 42.5% when compared to the reference price of the Company shares on the Euronext Paris regulated market used for this issue (weighted average by price volumes of the Maisons du Monde share on the Euronext Paris regulated market from the opening of the trading day on 29 November 2017 until the time the final terms and conditions of the Issue were set on the same day).

Description of the impact of the Issue and the conversion into new shares or exchange for existing shares of the entirety of OCEANEs

- Impact of the Issue on the position of holders of equity securities
  - Impact of the Issue on the share of shareholders' equity

    The impact of the issue and the conversion into new shares or exchange for existing shares of the entirety of OCEANEs on the share of consolidated shareholders' equity,

    Group share per share, would be as follows:

    Calculations based on consolidated shareholders' equity, Group share, at 30 June 2017 as shown in the consolidated financial statements at 30 June 2017 and on the number of shares making up the Company's share capital as of this date after deduction of shares held directly and treasury shares

	Share of shareholders' equity per share *(in euros)*
Prior to the issue of the OCEANEs	10.29
After the issue and conversion into new shares of the 4,100,041 OCEANEs	13.49

  - Impact of the Issue on individual shareholder positions

    The impact of the issue of the OCEANEs and of the conversion into new shares of the entirety of the OCEANEs on the stake of a shareholder holding 1% of the Company's share capital prior to the issue of the OCEANEs and who has not subscribed to this issue would be as follows:

    Calculations based on the number of shares making up the share capital of the Company at 30 November 2017.

	Shareholding *(as a %)*
Prior to the issue of the OCEANEs	1%
After the issue and conversion into new shares of the 4,100,041 OCEANEs	0.92%

- Impact of the Issue on the stock market value of the Maisons du Monde share

The theoretical impact on the market value of the Maisons du Monde share, i.e. approximately €35.33525 (arithmetic average of Maisons du Monde's opening share prices during the 20 trading sessions preceding 29 November 2017), of the issue of the OCEANEs and the conversion into new shares of the entirety of the OCEANEs (in the absence of adjustments) would be as follows:

	Stock market value of the Maisons du Monde share *(in euros)*
Prior to the issue of the OCEANEs	35.33525
After the issue and conversion into new shares of the 4,100,041 OCEANEs	36.45293

The Statutory Auditors have verified the compliance of the Issue of the OCEANEs with respect to the delegation of authority granted by the thirtieth resolution of the Company's Combined Shareholders' Meeting of 29 April 2016, which they have certified in their additional report prepared in application of and according to the conditions stipulated in Article R. 225-116 of the French Commercial Code.

In accordance with the legal and regulatory provisions in effect, this additional report as well as the report of the Statutory Auditors are made available to shareholders at the Company's registered office, and shareholders will be directly informed of their contents during the Company's next Shareholders' Meeting.

The Board of Directors

Additional Statutory Auditors' Report on the Issuance of Bonds Convertible into New Shares and/or Exchangeable for Existing Shares (OCEANEs) while Cancelling Preferential Subscription Rights

Meeting of the Board of Directors of 27 November 2017

To the Shareholders,

As Statutory Auditors of your company and in compliance with the provisions of Article R.225-116 of the French Commercial Code (Code de commerce), we hereby present our additional report, further to our report of 28 April 2016, on the issuance of bonds convertible into new shares and/or exchangeable for existing shares (hereinafter "OCEANE bonds"), while cancelling preferential subscription rights, approved by the shareholders at their Extraordinary General Meeting of 29 April 2016 (Resolution 30).

At this Extraordinary General Meeting, the shareholders delegated authority to the Board of Directors to decide to undertake this transaction within 26 months for a maximum amount of €200 million (the amount of the share capital increase resulting from a conversion of OCEANE bonds into ordinary shares shall not exceed an aggregate €36 million). Exercising this delegated authority, your Board of Directors decided, at its meeting on 27 November 2017, to issue convertible OCEANE bonds for a par value of €48.78.

It is the responsibility of your Board of Directors to prepare an additional report in accordance with Articles R. 225-115 and following of the French Commercial Code (Code de commerce). Our responsibility is to express an opinion on the fair presentation of the figures derived from an interim financial report on the bond issue, and on other information relating to the bond issue presented in the report.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Our work entailed verifying:

- the fair presentation of the figures derived from interim financial reports, prepared under the responsibility of the Board of Directors at 30 June 2017, using the same methods and presentation as the prior year's parent company and consolidated financial statements. Our review of the interim financial reports consisted of interviewing the members of executive management responsible for financial and accounting matters, checking that the reports have been prepared in accordance with the same accounting principles and measurement and presentation methods as the prior year's parent company and consolidated financial statements, and applying analytical procedures;
- that the terms and conditions of the transaction were consistent with the authorisation granted by the shareholders at their General Meeting;
- the information disclosed in the Board of Directors' additional report on data used to calculate the issue price and the final amount.

We have no matters to report regarding:

- the fair presentation of the figures derived from the interim financial reports and data provided in the Board of Director's additional report;
- the consistency of the terms and conditions of the transaction with the authorisation granted by the shareholders at their Extraordinary General Meeting on 29 April 2016, and of information provided to the shareholders;
- the data used to calculate the issue price and the final amount;
- the presentation of the effect of the issuance on the shareholders' financial position, assessed in relation to shareholders' equity and the market value of the share;
- the cancellation of preferential subscription rights already submitted for your approval.

The Statutory Auditors

Nantes, 8 December 2017	Neuilly-sur-Seine, 8 December 2017
KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Gwénaël Chedaleux	Jean Paul Seguret
Partner	*Partner*

6.3.5 INFORMATION ON SECURITIES TRANSACTIONS

Results of the share buyback programme

Pursuant to Articles L. 225-209 et seq. of the French Commercial Code, the Shareholders' Meetings of 29 April 2016 and 19 May 2017 authorised the Board of Directors to trade, except during a public offer, in the Company's shares.

The purchases were set to take place according to a maximum price per share of €34 (programme authorised in 2016) and €50 (programme authorised in 2017), with the maximum number of shares to be acquired not exceeding 10% of the share capital.

During the 2017 financial year, the Company used these authorisations in the following manner:

- the Company purchased 14,411 shares under a free share plan;
- no securities were sold;
- no securities were cancelled.

On 31 October 2017, the Company terminated the liquidity contract with Natixis and entrusted Exane BNP Paribas with the implementation of a liquidity contract for its ordinary shares, in accordance with the Ethics Charter of the French Financial Markets Association (Association française des marchés financiers – AMAFI) of 21 March 2011, approved by the Autorité des marchés financiers (AMF) by decision of 21 March 2011.

The following resources were allocated to the liquidity account for the implementation of this new contract:

- 4,808 Maisons du Monde shares;
- €2,821,382.80.

During the period from 1 January to 31 October 2017, Natixis purchased 288,495 Company shares at an average price of €31.90 for a total amount of €9,203,701, and sold 298,939 shares at an average price of €31.82 for a total amount of €9,512,565.

During the period from 1 November to 31 December 2017, Exane BNP purchased 91,254 Company shares at an average price of €35.03 for a total amount of €3,196,628, and sold 83,962 shares at an average price of €35.13 for a total amount of €2,949,585.

At 31 December 2017, the Company held 12,100 treasury shares, representing 0.03% of the share capital, with a market value of €456,775 based on a closing price of €37.75.

The shares held under the share buyback programme were used for the following purposes:

- cancellation of treasury shares: 0 securities;
- holding of shares for exchange or payment in connection with acquisitions: 0 securities;
- distribution following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company: 0 securities;
- coverage of stock option or free share plans: 0 securities;
- coverage of employee shareholding transactions reserved for members of a company savings plan: 0 securities;
- performance of the liquidity contract of the Company's shares: 12,100 securities.

Description of the share buyback programme pursuant to Articles 241-1 et seq. of the General Regulation of the Autorité des marchés financiers

Pursuant to the provisions of Article 241-2 of the AMF General Regulation, this item constitutes the description of the share buyback programme to be submitted to the authorisation of the Shareholders' Meeting of 18 May 2018.

Objectives of the buyback programme

Purchases of shares within the framework of the share buyback programme will be made with the following purpose:

- cancelling them; or
- holding them for delivery by way of future exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company; or
- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company; or implementing stock option plans free share plans; or
- employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 et seq. of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount; or
- allocations of shares to employees and/or Executive Directors of the Company and of the companies related to it, in accordance with the applicable legal and regulatory provisions; or
- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the AMF; or
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the AMF.

The shares may, in whole or in part, be acquired, assigned, exchanged or transferred, on one or more occasions, by any means, in accordance with regulations that are applicable or that would become applicable, in any market, including trading systems (MTF) or via a systematic internaliser, or over-the-counter, including through the acquisition or disposal of blocks of shares (without limiting the share of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force.

Maximum share of capital, maximum number and characteristics of the securities that the Company proposes to acquire and maximum purchase price

Pursuant to the law, the maximum number of shares that Maisons du Monde will be able to hold under this programme, authorised by the Shareholders' Meeting of 18 May 2018, will be 4,524,189 shares of the Company corresponding to 10% of the share capital.

The maximum authorised purchase price would be €55 per share. Purchases may not exceed the cumulative net sum of €248.8 million.

Duration of the buyback programme

The duration of the programme is set at 18 months from the approval of the Shareholders' Meeting of 18 May 2018, i.e. until 18 November 2019 and replaces the approval granted by the eleventh resolution of the Shareholders' Meeting of 19 May 2017.

6.4 Shareholding

6.4.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

At 31 December 2017, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares.

At that date, the structure of the share capital was as follows:

Shareholders	Capital shares	% of capital	Theoretical voting rights	% of theoretical voting rights	Exercisable voting rights in the Company (1)	% of exercisable voting rights
FMR LLC & Fidelity Canada Investors LLC (2)	4,499,989	9.95%	4,499,989	9.95%	4,499,989	9.95%
Sycomore Asset Management (3)	2,468,050	5.46%	2,468,050	5.46%	2,468,050	5.46%
Treasury shares (4)	12,100	0.03%	12,100	0.03%	-	-
Free float	38,261,755	84.57%	38,261,755	84.57%	38,261,755	84.59%
TOTAL	**45,241,894**	**100%**	**45,241,894**	**100%**	**45,229,794**	**100 %**

(1) Exercisable voting rights take into account treasury shares held at 31 December 2017;

(2) Based on the threshold crossing statement issued by FMR LLC and Fidelity Canada Investors LLC on 27 October 2016;

(3) Based on the threshold crossing statement issued by Sycomore Asset Management on 27 October 2016;

(4) Treasury shares include shares held under the liquidity agreement, which totalled 12,100 shares at 31 December 2017.

BlackRock Inc, acting on behalf of clients and funds it manages, declared that it had exceeded the legal threshold of 5% of the capital and voting rights of Maisons du Monde on 22 February 2018 as a result of a purchase of shares on the market, and that on said date, it held 2,265,120 shares, i.e. 5.01% of the Group's capital and voting rights.

To the knowledge of the Company, FMR LLC, Sycomore Asset Management and BackRock Inc are the only shareholders holding, directly or indirectly, alone or in concert, more than 5% of share capital and voting rights.

6.4.2 CONTROL OF THE COMPANY

The Company is controlled in accordance with the description in the table in section 6.4.1 of this Registration Document.

As such, the prevention of possible misuse of control by a shareholder is guaranteed by the regular meetings of the Board of Directors and the presence of five independent directors, who also hold a majority in the specialised committees (Audit Committee and Nomination and Compensation Committee).

6.4.3 CROSSING OF THRESHOLDS

Provisions of the Bylaws

In accordance with Article 14 of the Bylaws, and in addition to the legal obligation to inform the Company of the holding of certain fractions of the capital or voting rights, any physical person or legal entity or any shareholder who holds, directly or indirectly, alone or in concert, a number of shares of the Company equal to or greater than 1% of the total number of shares or voting rights must, before the close of the fourth trading day following the crossing of that threshold, inform the Company by registered letter with acknowledgement of receipt. The same declaration must be made under the same conditions whenever a new threshold of a multiple of 1% of the total number of shares or voting rights is crossed. Any shareholder whose interest or voting rights falls below one of the aforementioned statutory thresholds is also obliged to inform the Company within the same period of four days and under the same terms.

Change in Maisons du Monde's shareholding structure

In 2017, Maisons du Monde received the following legal threshold crossing declarations pursuant to Article L. 233-7 of the French Commercial Code and the following declarations regarding thresholds contained in the Bylaws:

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
La Financière de l'Echiquier	03/01/2017	Bylaws upward	1%	462,086	1.02%
Fonds de Réserve pour les Retraites	12/01/2017	Bylaws upward	1%	502,572	1.11%
Alken Luxembourg	14/03/2017	Bylaws upward	1%	524,368	1.16%
GLG Partners	14/03/2017	Bylaws upward	1%	802,307	1.77%
Magnolia (BC) Holdco	16/03/2017	Legal downward	30%-25%-20%	7132,703	15.77%
La Banque Postale	16/03/2017	Bylaws upward	1%	609,249	1.35%
GLG Partners	10/04/2017	Bylaws downward	1%	342,114	0.76%
Franklin Resources Inc	13/04/2017	Bylaws upward	1%	565,817	1.25%
BMO Global Asset Management	14/04/2017	Bylaws upward	1%	533,437	1.18%
Legal & General Investment Management	05/05/2017	Bylaws downward	1%	418,868	0.92%
Franklin Resources Inc	09/05/2017	Bylaws upward	2%	980,814	2.17%
GLG Partners	17/05/2017	Bylaws upward	1%	467,438	1.03%
Legal & General Investment Management	17/05/2017	Bylaws upward	1%	459 015	1,02%
Magnolia (BC) Holdco	19/05/2017	Legal downward	15%-10%-5%	0	0.00%
GLG Partners	23/05/2017	Bylaws downward	1%	359,503	0.79%
BMO Global Asset Management	23/05/2017	Bylaws downward	1%	105,127	0.23%
American Century Investment Management	02/06/2017	Bylaws upward	1%	460,087	1.02%
Amundi Asset Management	14/06/2017	Bylaws upward	2%	905,645	2.00%
Tocqueville Finance	23/06/2017	Bylaws downward	1%	440,000	0.97%
Amundi Asset Management	05/07/2017	Bylaws downward	2%	903,002	1.99%
Franklin Resources Inc	25/08/2017	Bylaws downward	2%	830,151	1.83%
Amundi Asset Management	31/08/2017	Bylaws upward	2%	906,567	2.00%
Wellington Management Group	10/10/2017	Bylaws upward	1%	877,747	1.94%
UBS Investment Bank	16/10/2017	Bylaws upward	1%	454,435	1.00%
UBS Investment Bank	19/10/2017	Bylaws downward	1%	-	-
UBS Investment Bank	27/10/2017	Bylaws upward	1%	454,924	1.01%
UBS Investment Bank	30/10/2017	Bylaws downward	1%	-	-
La Banque Postale	25/11/2017	Bylaws downward	1%	421,530	0.93%
Amundi Asset Management	13/12/2017	Bylaws upward	3%	1401,566	3.09%

Since 1 January 2018, Maisons du Monde has received the following declarations relating to the crossing of legal thresholds and of thresholds contained in the Bylaws:

Shareholder	Date of crossing	Type of crossing	Threshold(s) crossed	Capital shares	% of capital and voting rights
American Century Investment Management	03/01/2018	Bylaws downward	1%	418,737	0.92%
Alken Luxembourg	15/01/2018	Bylaws downward	1%	0	0.00%
AFFM	15/01/2018	Bylaws upward	1%	702,825	1.55%
BNP Paribas Asset Management	23/01/2018	Bylaws upward	1%	623,034	1.38%
BNP Paribas Asset Management	31/01/2018	Bylaws downward	1%	210,238	0.46%
BlackRock Inc	12/02/2018	Legal upward	5%	2,272,438	5.02%
BlackRock Inc	14/02/2018	Legal downward	5%	2,231,100	4.93%
Axa Investment Managers	21/02/2018	Bylaws downward	1 %	447,304	0,99 %
BlackRock Inc	22/02/2018	Legal upward	5 %	2,265,120	5,01 %
Axa Investment Managers	07/03/2018	Bylaws upward	1 %	480,000	1,06 %

6.4.4 EMPLOYEE SHARE OWNERSHIP

Pursuant to Article L. 225-102 of the French Commercial Code, we inform you that the proportion of the capital represented by shares held by employees as of 31 December 2017 was less than 3%; the Company not having established mutual funds for the benefit of Group employees. We inform you that the last Extraordinary Shareholders' Meeting called to approve a capital increase reserved for employees was held on 29 April 2016.

The Board of Directors, using the authorisations granted by the Shareholders' Meetings of 29 April 2016 and 19 May 2017, allocated free shares to certain Maisons du Monde employees, with a view to directly involving them in the future of the Group and its performance through trends in share prices.

Information regarding the allocation of free shares can be found in chapter 3 of this Registration Document.

6.4.5 TRANSACTIONS PERFORMED ON THE COMPANY'S SHARES BY OFFICERS AND PERSONS TREATED AS SUCH

Pursuant to the provisions of Articles 223-22-A et seq. of the AMF General Regulation, the table below shows the transactions carried out by officers and persons treated as such, as declared to the AMF.

Date of the transaction	Declarant	Nature of the transaction	Number of shares	Unit price *(in euros)*	Transaction amount *(in euros)*
06/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	12,757	29.09	€371,101.13
07/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	10,974	29.06	€318,904.44
10/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	30,578	29.15	€891,348.70
11/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	105,872	29.09	€3,079,816.48
12/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	20,103	29.03	€583,590.09
13/04/2017	COMPAGNIE MARCO POLO Person closely associated to Xavier MARIE	Sale	18,440	29.00	€534,760.00
31/05/2017	Julie BRISSON Person closely associated to Xavier MARIE	Sale	75,962	33.53	€2,547,005.86

6.4.6 ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to the provisions of Articles L. 233-13 and L. 225-37-5 of the French Commercial Code, the Company informs the public of the following elements liable to have an influence in the event of a takeover bid:

Shareholders' agreement

At the time of writing, Maisons du Monde was not aware of any shareholders' agreement providing for preferential terms for the sale or acquisition of Maisons du Monde shares or an agreement whose implementation could result in a change of control.

Significant nominal holdings

To the Company's knowledge, as at the date of this Registration Document, there are no significant registered holdings within the share capital.

Control mechanisms

The Company has not established double voting rights. Nor does it have any securities with particular prerogatives.

6.5 Stock market information

6.5.1 LISTING VENUE AND INDICES

The Maisons du Monde share was floated on 27 May 2016 and is listed on Compartment A of the Euronext Paris regulated market (all-day trading). At 31 December 2017, the Maisons du Monde share was part, among others, of the SBF 120 and CAC Mid 60 indexes.

MAISONS DU MONDE SHARE DATA

Information	Characteristics
Listing	• Euronext Paris • Compartment A • Eligible for the SRD (1)
Codes	• ISIN: FR0013153541 • Ticker: MDM
ICB classification (2)	• Industry: Consumer goods (3700) • Sector: Furniture (3726)
Indices	• SBF 120 • CAC Mid 60 • CAC Mid & Small • CAC Consumer Goods • MSCI France Small Cap

(1) Deferred settlement service.

(2) Industry Classification Benchmark.

6.5.2 SHARE PRICE AND TRADING VOLUMES

At 31 December 2017, the Maisons du Monde share price was €37.75, up 50% from 31 December 2016. Market capitalisation was €1,708 million.

The table below details the changes in the share price and trading volumes for Maisons du Monde shares in 2017 and since the beginning of 2018.

Month	Highest price *(in euros)*	Lowest price *(in euros)*	Closing price *(in euros)*	Average closing price *(in euros)*	Number of shares traded	Capital traded *(in millions of euros)*
January 2017	28.03	25.12	26.13	26.77	886,916	23.81
February 2017	27.25	25.30	25.80	26.30	722,152	18.89
March 2017	29.69	25.76	29.50	27.29	4,547,064	123.43
April 2017	32.00	28.30	31.86	29.56	1,893,188	55.67
May 2017	34.25	31.23	33.61	32.52	1,922,587	62.51
June 2017	35.39	33.51	34.07	34.49	1,379,477	47.38
July 2017	34.34	29.70	31.32	32.41	1,325,566	42.39
August 2017	35.20	31.03	34.70	33.53	1,736,396	58.20
September 2017	38.50	34.03	37.20	36.60	1,491,407	54.70
October 2017	39.75	36.31	37.15	37.42	1,631,891	61.20
November 2017	37.30	33.76	34.72	35.12	1,742,646	61.13
December 2017	37.90	32.85	37.75	35.57	1,375,718	48.75
January 2018	38.58	34.44	34.60	37.53	1,400,901	52.18
February 2018	37.40	33.72	34.82	35.75	1,505,119	53.74
March 2018	35.08	29.46	29.66	31.37	3,255,997	102.49

6.6 Dividend payment

6.6.1 DIVIDEND POLICY

In 2017, in accordance with the objectives announced at the time of the Company's IPO, Maisons du Monde initiated a dividend policy involving an annual amount representing 30% to 40% of restated consolidated net income, incorporating the application of a normative corporate income tax rate of 36% for the previous financial year, subject to the approval of the Shareholders' Meeting. However, this dividend distribution objective is not a commitment of the Company. The actual amounts of future distributions will depend on a variety of factors, including the Company's results and financial position, strategic objectives, or such other factors as the Board of Directors may deem appropriate.

6.6.2 DIVIDENDS DISTRIBUTED DURING THE LAST THREE FINANCIAL YEARS

Maisons du Monde did not pay any dividends in respect of the years ended 31 December 2014 and 2015. The Company paid a cash dividend of €0.31 per share for the year ended 31 December 2016, representing a 35% payout ratio.

The Company's Board of Directors decided to submit to the approval of the Shareholders' Meeting of 18 May 2018, the payment of a cash dividend of €0.44 per share for the year ended 31 December 2017, representing a payout ratio of 35% of restated consolidated net income (for more information, please see section 4.2.5 "Non-IFRS financial metrics" of this Registration Document).

7 Shareholders' Meeting

The Board of Directors, at its meeting March 20, 2018 convened the Combined Annual Ordinary and Extraordinary Shareholders' Meeting on Friday May 18, 2018 at 2.00 pm, at the Hôtel Pullman Paris, Roissy CDG Airport, 3 bis Rue de la Haye, 93290 Tremblay-en-France, to deliberate the following agenda:

7.1 Agenda

7.1.1 AGENDA FOR THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

- Reading of the Board of Directors' management report and report on corporate governance, as well as the statutory auditors' report on the annual financial statements for the year ended December 31, 2017.
- Reading of the Board of Directors' report on the Group's management and the statutory auditors' report on the consolidated accounts for the financial year ended December 31, 2017.
- Approval of the annual financial statements for the year ended December 31, 2017, approval of the non-deductible expenses (1st resolution).
- Approval of the consolidated financial statements for the year ended December 31, 2017 (2nd resolution).
- Appropriation of income for the financial year and payment of a dividend (3rd resolution).
- Reading of the statutory auditors' special report on the regulated conventions and commitments pursuant to Article L. 225-38 of the French Commercial Code.
- Approval of the regulated conventions and commitments signed during the past financial year included in the statutory auditors' report (4th resolution).
- Approval of the elements of compensation due or allocated in respect of the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors (5th resolution).
- Approval of the principles and criteria for determining, apportioning and allocating the elements forming the total compensation and benefits of all kinds attributable to Sir Ian Cheshire, Chairman of the Board of Directors (6th resolution).
- Approval of the elements of compensation due or allocated in respect of the 2017 financial year to Mr. Gilles Petit, Chief Executive Officer (7th resolution).
- Approval of the principles and criteria for determining, apportioning and allocating the elements forming the total compensation and benefits of all kinds attributable to Mr. Gilles Petit, Chief Executive Officer (8th resolution).
- Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors (9th resolution).
- Renewal of the term of office of Ms. Sophie Guieysse as Director (10th resolution).
- Renewal of the term of office of Mr. Nicolas Woussen as Director (11th resolution).
- Authorisation to be granted to the Board of Directors to buy back shares of the Company (12th resolution).

7.1.2 AGENDA FOR THE EXTRAORDINARY SHAREHOLDERS' MEETING

- Reading of the report of the Board of Directors and special report of the statutory auditors.
- Approval of the procedure for appointing the director representing employees and corresponding amendment of the Company's Bylaws (13th resolution).
- Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being cancelled (14th resolution).
- Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being maintained (15th resolution).
- Delegation of powers to the Board of Directors for it to decide to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities in the context of an offering as referred to by Section II of Article L. 411-2 of the French Monetary and Financial Code, with preferential subscription rights being cancelled (16th resolution).

- Authorisation to be given to the Board of Directors to set the issue price of the ordinary shares and/or securities giving access to the capital in accordance with certain procedures, within a limit of 10% of the capital per year, in the context of capital increases by means of the issue of shares without preferential subscription rights (17th resolution).
- Delegation of powers to the Board of Directors for it to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights, in the framework of the provisions of Article L. 225-135-1 of the French Commercial Code (18th resolution).
- Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital, with preferential subscription rights being cancelled, with a view to remunerating contributions in kind made to the Company and consisting of equity instruments or securities giving access to capital other than by public exchange offer (19th resolution).
- Authorisation to be granted to the Board of Directors for it to increase the share capital by capitalising reserves, profits, premiums and other items (20th resolution).
- Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities giving access to the Company's capital, reserved to participants in company savings plans, with preferential subscription rights being cancelled (21st resolution).
- Overall limit of authorisations of issues maintaining or cancelling preferential subscription rights (22nd resolution).
- Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of share buybacks (23rd resolution).
- Authorisation to be granted to the Board of Directors to carry out the free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers in the Company and related companies.
- Miscellaneous questions.
- Powers to carry out the formalities (25th resolution).

7.2 Reports of the Board of Directors on the draft resolutions

7.2.1 REPORT OF THE BOARD TO THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

We have convened this Annual Ordinary Shareholders' Meeting to present our Company's situation and activity during the year ended December 31, 2017 and to submit the annual and consolidated accounts for the said financial year for your approval.

Pursuant to the provisions of Articles L. 225-100 *et seq.* of the French Commercial Code, we hereby present the Board of Directors' management report.

This report, compiled with the help of the Company's Finance Division and the Internal Control and Legal Departments, was approved by the Board of Directors on March 20, 2018, after having been reviewed by the Audit Committee.

The **information on the Company's situation and activity at the end of the financial year, as well as its future outlook** are indicated in Chapter 4 of this Registration Document. The **financial statements** (separate and consolidated, with the notes thereto) are set out in Chapter 5. All the **elements likely to have an impact in the event of a public offer** (in particular, the capital structure, statutory restrictions, capital holdings and the share buyback programme) are presented in Chapter 6. Lastly, the information on the Company's **Corporate and environmental** responsibility is presented in Chapter 2.

The Board's report on **Corporate Governance**, drawn up in accordance with the provisions of order 2017-1162 of July 12, 2017, is shown in Chapter 3 of this Registration Document.

The statutory auditors' reports are presented in Chapters 3 and 5.

We will supplement this financial, social, legal and environmental information with the elements indicated below.

Key highlights of the year

Additional revolving credit facility

On March 1, 2017, the Company took out an additional €75 million revolving credit facility allowed under the senior credit facility agreement dated April 18, 2016. It was taken out under the same terms and conditions as those of the senior credit facility agreement of April 18, 2016. Issuance fees amounted to €0.5 million.

Convertible bonds

On December 6, 2017, the Company issued a bond convertible into and/or exchangeable for new or existing shares ("OCEANE") maturing in 2023, by private investment with institutional investors only, for a nominal amount of approximately €200 million, representing 4,100,041 bonds, and which bears 0.125% interest per year. Issuance fees amounted to €2.3 million.

Partial repayment of existing term loan

Following the issue of OCEANE on December 6, 2017, the Company repaid part of the existing term loan of €200 million. At December 31, 2017, the nominal balance of the term loan was therefore €50 million. The share of issuance fees not yet amortised, for the repayment of the term loan, was recognised in profit or loss as €2.5 million.

Group reorganisation

In order to streamline the Group's legal organisation, Abaco S.A.S. was merged with Maisons du Monde S.A. during the year. The merger took place, with retroactive effect, on January 1, 2017, and was placed under a special tax regime. As the merger was considered an agreement between companies under common control, the assets and liabilities transferred by these companies were recognised at their carrying amounts with a merger deficit of €220 million being recorded. The deficit was allocated to the underlying assets, *i.e.* entirely to financial assets since it was linked to Maisons du Monde France S.A.S. equities.

Activity of the Company

In addition to the significant events mentioned in section 2.1 of the management report, the Company continued to conduct its business as the lead holding company for its subsidiaries during the year.

Revenue amounted to €4,619,000, down 3.31% as against the previous year, and was from services provided by its subsidiaries.

Operating expenses amounted to €11,796,000, which represented a sharp decline of 72% compared with 2016. These expenses were largely made up of "other purchases and external charges" of €4,847,000 and "personnel expenses" of €5,653.

At year-end, operating profit/(loss) amounted to €(6,906,000), which represented a sharp rise of 81%.

Financial profit/(loss) amounted to €16,099,000, against €27,567,000 the previous year.

Extraordinary profit/(loss) amounted to €1,989,000, against a loss of €(603,000) the previous year.

Income tax was a gain resulting from tax consolidation, which amounted to €15,467,000 against €24,366,000 the previous year.

Net profit amounted to €26,649,000, against €14,052,000 the previous year, which represents a 90% increase.

Outlook

The Company will continue its activity as the lead holding company of the Maisons du Monde Group.

Internal control and risk management procedures

In accordance with the provisions of Article L. 225-100-1 I paragraph 5, as amended by order 2017-1162, we report to you on all the procedures put in place by the Company in order to prevent and control the risks arising from its activities.

Objectives of the Group's internal control

Risk management refers to the measures that the Group implements to identify, analyse and manage the risks to which it is exposed in the ordinary course of its business. The Group considers risk management and internal control to be closely related and a priority.

The Group's internal risk management and control systems are based on a combination of appropriate resources, policies, procedures, behaviour and actions.

Therefore, under the impetus of the Board of Directors, the Audit Committee, the Executive Committee and the Internal Control Department, the Group's current internal risk and internal control procedures aim to provide reasonable assurance for realising the following objectives:

- to ensure that acts of management or execution of operations as well as the behaviour of individuals fall within the framework of the guidelines set by the corporate bodies and respect the laws and regulations in force as well as the values, standards, internal procedures and rules of the Company;
- to identify, assess and control risks that could have a material impact on the Group's assets, results, operations or its ability to implement its objectives and strategy, whether these risks are operational, commercial, legal, financial or related to compliance with applicable laws and regulations, or resulting from the risk of fraud or error;
- to ensure the reliability of the financial information and compliance with laws and regulations, particularly in the area of producing accounting and financial information.

Risk management and internal control are subject to limits arising from many factors, including uncertainties in the outside world, the exercise of judgment, or dysfunctions that may occur due to technical or human failure, or simple mistakes.

Risk management process

The internal control procedures form part of the ongoing process of identification, evaluation and control of the Company's risks. The risk management and internal control mechanism is based on the internal control reference framework laid down by the *AMF*. This mechanism covers the following components: control environment (integrity, ethics, skills, etc.), risk assessment (identification, analysis and management of risks), control activities (standards and procedures), information and communication (gathering and exchanging of information) and guidance (monitoring and any changes to the processes).

Over the course of the 2017 financial year, the process for identifying and managing risks made it possible to classify risks by means of mapping, ranking them by likelihood of occurrence and estimated impact on the Group.

A review of major risks at parent company level and in the store network is carried out by the Group's Internal Control Department in collaboration with the Group's various management bodies in order to identify major risks, the assessment of which includes:

- assessment of the inherent and residual risk;
- the principal causes and consequences of the risk;
- the processing of risk aimed at improving the internal control system (there are four possible ways of processing: conservation, reduction, outsourcing, abandonment);
- written action plans aimed at reducing the level of residual risk.

The aim of this is to define action plans, tailored to the Group's business and designed to improve its systems through better efficiency and broader coverage.

Risk management and internal control specific to financial and accounting information

In addition to the risk management approach described above, which applies to all other Group departments, the Finance Department is responsible for defining and implementing the internal control system specific to the preparation and publication of accounting and financial information.

The internal financial and accounting control system aims to ensure:

- compliance of published financial and accounting information with the applicable rules;
- the reliability of information disseminated and used internally for management or control purposes insofar as the information contributes to the preparation of published accounting and financial information;
- the reliability of the published accounts and other information communicated to the market;
- the safeguarding of assets;
- the prevention and detection, as far as possible, of fraud and accounting and financial irregularities.

The scope of the internal accounting and financial control system, described below, includes the parent company and the companies included in its consolidated financial statements.

Organisation of and responsibility for the production of accounting and financial information

The accounts of the Group's subsidiaries are drawn up under the supervision of the Group's Finance Department.

The consolidated half-yearly and annual results are prepared by the Accounts Department and validated by the Finance Department.

The preparation of the Group's consolidated financial statements is a process carried out by the Accounts Department (also responsible for accounting standards), based on the "restated" accounts of the Group's companies, prepared in accordance with the IFRS and its interpretations as adopted by the European Union. Through its centralised accounting and financial organisation, the Group has acquired the means to ensure that accounting and financial information is in compliance with current legislation and standards, with a view to giving shareholders and third parties the means to assess changes in the performance and asset value of the Company.

The Accounts Department draws up the Group's consolidated accounts, which meet the internal management requirements and the external publication requirements for the half-yearly and annual closing. It also draws up the restated financial statements of the subsidiaries. It takes into account the work of the statutory auditors, who, under the terms of their assignment, present recommendations to the Finance Department and the Audit Committee concerning internal control.

Asset control systems are based on annual inventories of stocks held by the Group (stores and warehouses). These inventories are carried out according to strict procedures in terms of separation of tasks and checking the counts, which guarantee their reliability. Group Management ensures that the assets are properly monitored and protected. The separation of tasks, the use of common tools and the centralisation of the processing of financial flows make it possible to limit the risk of errors or fraud.

The investment and financing guidelines and the assessment of counterparty risks to which the Group is exposed as a result of its operations on the financial markets are validated by the Finance Department.

The Head of Investor Relations, reporting to the Finance Department, is responsible for all communications with investors and financial market authorities. The Finance Department coordinates the drafting of the annual Registration Document and ensures compliance with the planning, preparation and dissemination of financial communication.

The Management Control Department is responsible for the preparation and presentation of summary financial data in terms of analyses of results or forecasts.

The Internal Control Department is committed to constantly updating internal management procedures in order to keep them in line with changing organisational structures. It monitors the effectiveness of control systems and manages risk management systems.

Lastly, the implementation of the Maisons du Monde Group's internal control system is part of a continuous improvement process aimed at ensuring the dissemination and formal adoption of best practices in risk management within the Group.

The objective of the Group is to pursue the optimisation and formal adoption of existing systems.

Research and Development activities

We inform you that the Company carried out no research and development activity during the financial year just ended.

Information on supplier payment terms

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code (as amended by decree 2017-350 of March 20, 2017), we present the information relating to supplier and customer payment terms:

	Article D. 441 I 1: Invoices received, unpaid and overdue at the reporting date						Article D. 441 I 2: Invoices issued, unpaid and overdue at the reporting date					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Late payment categories												
Number of invoices concerned	21					6						1
Total amount of invoices concerned, excl. tax	408,971	557			18,758	19,315					28,427	28,427
Percentage of the total amount of purchases for the year	17.72%	0.02%	0.00%	0.00%	0.81%	0.84%						
Percentage of revenue for the year							0%	0%	0%	0%	1%	1%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and claims												
Number of invoices excluded												
Total amount of invoices excluded, excl. tax												
(C) Reference payment terms used (contractual or legal term – Article L. 441-6 or Article L. 441-3 of the French Commercial Code)												
Payment terms used to calculate late payment						Contractual						legal term

Subsidiaries and holdings

Subsidiaries

As of December 31, 2017, the Company directly or indirectly controlled the following entities:

- Wholly-owned companies:
  - Maisons du Monde France S.A.S. registered with the Nantes Trade & Companies Registry under number 393,196,656;
  - Distrimag, SAS registered with the Tarascon Trade & Companies Registry under number 432,547,206;
  - Distri-Meubles, SAS registered with the Tarascon Trade & Companies Registry under number 799,991,732;
  - Distri-Traction, SARL registered with the Tarascon Trade & Companies Registry under number 799,967,443;
  - Distriformation, SAS registered with the Tarascon Trade & Companies Registry under number 753,638,402;
  - International Magnolia Company, SARL registered with the Nantes Trade & Companies Registry under number 808,794,176;
  - International MDM Company, SARL registered with the Nantes Trade & Companies Registry under number 809,032,279;
  - Maisons du Monde Allemagne GmbH, subsidiary incorporated under German law, based in Dortmund;
  - Maisons du Monde Belgique Sprl, subsidiary incorporated under Belgian law, based in Arlon;
  - Maisons du Monde España SL, subsidiary incorporated under Spanish law, based in Madrid;
  - Maisons du Monde Italie Spa, subsidiary incorporated under Italian law, based in Milan;
  - Maisons du Monde Luxembourg Sàrl, subsidiary incorporated under Luxembourg law, based in Luxembourg;
  - Maisons du Monde Suisse Sàrl, subsidiary incorporated under Swiss law, based in Fribourg;
  - MDM Furniture & Decoration Limited, subsidiary incorporated under English law, based in London;

- Mekong Furniture, subsidiary incorporated under Vietnamese law, based in Thu Dau Mot City; Binh Duong Province;
- Magnolia MEP Finco I Sàrl, subsidiary incorporated under Luxembourg law, based in Luxembourg;
- Companies between 50% and 100% owned:
  - Chin Chin Limited, a subsidiary based in Hong Kong;
  - Shanghai Chin Chin Furnishing Co. Ltd., a subsidiary based in China;
  - Wujang Chin Chin Furniture Ltd, subsidiary based in China;
  - Wujang Henghui Machinery Company Ltd, subsidiary based in China;
- Results of subsidiaries at the end of the 2017 financial year.

Revenues, profits and capital other than share capital of subsidiaries and holdings are not disclosed for reasons of confidentiality related to business and industrial strategy.

	Currency	share capital	share of capital held (% of control)	Tax consolidation	Gross carrying amount of securities held	Net carrying amount of securities held	Loans and advances granted by the Company and not yet repaid	Guarantees given by the Company	Dividends received by the consolidating company during the year
Subsidiaries of Maisons du Monde S.A.									
International Magnolia Company	€K	1	100%	yes	1	1	12	n/a	-
Maisons du Monde France	€K	57,376	100%	yes	159,054	159,054	76,746	n/a	19,967
Subsidiaries of Maisons du Monde France									
Maisons du Monde Germany	€K	25	100%	n/a	25	25	-	n/a	-
Maisons du Monde Belgium	€K	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Spain	€K	50	100%	n/a	50	50	-	n/a	-
Maisons du Monde Italy	€K	120	100%	n/a	100	100	-	n/a	-
Maisons du Monde Luxembourg	€K	20	100%	n/a	20	20	-	n/a	-
Maisons du Monde Switzerland	CHF K	20	100%	n/a	17	17	-	n/a	-
MDM Furniture & Decoration	GBP K	20	100%	n/a	27	27	-	n/a	-
Distrimag	€K	40	100%	yes	40	40	-	n/a	-
International MDM Company	€K	1	100%	yes	1	1	-	n/a	-
Mekong Furniture	VND million	86,027	100%	n/a	3,189	3,189	-	n/a	-
Chin Chin	USD K	1	50%	n/a	1	1	-	n/a	-
Subsidiaries of Distrimag									
Distri-Meubles	€K	100	100%	yes	100	-	-	n/a	-
Distri-Traction	€K	150	100%	yes	150	150	-	n/a	-
Subsidiary of International MDM Company									
Distriformation	€K	15	100%	no	25	25	-	n/a	-
Subsidiary of Chin Chin									
Shangai Chin Chin Furnishing	CNY K	7,715	50%	n/a	1,000	1,000	-	n/a	-
Subsidiary of Shangai Chin Chin Furnishing									
Wujiang Chin Chin Furniture	CNY K	20,000	50%	n/a	20,000	20,000	-	n/a	-
Subsidiary of Wujiang Chin Chin Furniture									
Wujiang Henghui Machinery	CNY K	1,000	50%	n/a	12,400	12,400	-	n/a	-

Holdings

In accordance with Article L. 233-6 of the French Commercial Code, we inform you of the direct and indirect investments made by the Company or any of its subsidiaries during the last financial year in companies with their registered offices in France:

On December 11, 2017, International MDM Company acquired 100% of the shares of DISTRIFORMATION (SAS with its registered office in Saint-Martin de Crau (13) and registered with the Tarascon Trade & Companies Registry under number 753,638,402).

Proposed appropriation of income

We propose that you approve the annual accounts (balance sheet, income statement and notes thereto) as they are presented and showing a profit of €.

We also propose to allocate the income for the financial year as follows:

Net profit for the financial year	€26,649,363
Balancing of negative retained earnings	€(3,042,705)
Allocation to the statutory reserve	€(1,180,333)
TOTAL DISTRIBUTABLE AMOUNT	€22,426,325
Dividend to the shareholders of €0.44 per share	€19,906,433.36 on the basis of 45,241,894 shares
Allocation to the "Retained earnings" account	€2,519,891.64
TOTAL ALLOCATED AMOUNT	€26,649,363

The proposed ex-dividend date is June 18, 2018, with payment on June 20, 2018.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, with the amounts corresponding to the unpaid dividends for treasury shares allocated to "Retained Earnings" and the total amount of dividends adjusted as a result.

We remind you that the proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2° of the French General Tax Code and applicable to natural persons with their tax residence in France. In addition, pursuant to Article 117 *quater* of the said Code, unless there is an exemption subject to conditions of revenue, dividends received will be subject to a mandatory non-definitive deduction at source of 21%.

Previous dividend distributions

In order to comply with the provisions of Article 243 *bis* of the French General Tax Code, we remind you that:

- in respect of the financial year ended December 31, 2016 the Company distributed a total dividend of €14,016,029.69, for 45,212,999 dividend-bearing shares at €0.31 per share, eligible in full for the 40% abatement; and
- the Company did not distribute any dividend in respect of the financial years ended December 31, 2014 and December 31, 2015.

Non-deductible tax expenses

In accordance with the provisions of Articles 223 *quater* and 223 *quinquies* of the French General Tax Code, we indicate that the non-deductible tax expenditures and income reached an overall amount of €5,640 at the end of the financial year.

This amount corresponds to the non-deductible portion of rents on passenger cars used by the Company, offset by the taxable loss for the same proportion.

Regulated agreements

Agreements entered into over the course of the past financial year

In accordance with Article L. 225-40 of the French Commercial Code, we inform you that no agreement as referred to in Article L. 225-38 of the French Commercial Code was entered into during the past financial year.

Agreements entered into previously which continued during the financial year ended December 31, 2017

We remind you of the agreements entered into and authorised in previous financial years, which continued during the 2017 financial year:

- convention for the provision of services between the Company and Bain Capital Private Equity (Supervisory Board Authorisation of May 26, 2016 – lapsed on May 19, 2017);
- convention for the provision of services between the Company and Compagnie Marco Polo (Supervisory Board Authorisation of May 26, 2016 – lapsed on March 15, 2017);
- commitment in favour of the Chief Executive Officer: termination benefit (Board of Directors authorisation of May 31, 2016);
- convention for the provision of services with Compagnie Marco Polo, (Supervisory Board authorisation of September 7, 2015 – lapsed on March 15, 2017).

In accordance with legal provisions, these agreements were re-examined by the Board of Directors at its meeting of March 20, 2018.

7.2.2 REPORT OF THE BOARD OF DIRECTORS TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Dear shareholders,

We have also convened this meeting to submit for your approval:

- the draft amendment to the Bylaws relating to the procedure for designating an employee director;
- the draft delegation of authority to be granted to the Board of Directors to increase the share capital.
- a plan to reduce the share capital by cancelling treasury shares;
- as well as a new project for the free allocation of shares for the benefit of employees and Executives in the Company and related companies.

1. Information on the progress of the Company's business since the beginning of the current year

We inform you that any significant events that occurred since the start of the present year as well as those that occurred the previous year have been presented in the management report, as part of the approval of the 2017 financial statements.

2. Procedure for appointing the director representing the employees and corresponding amendment of the Company's Bylaws (13th resolution)

In accordance with the provisions of Article L. 225-27-1 I, paragraph 1 of the French Commercial Code, the Company is required to amend its Bylaws in order to ensure that the Board of Directors includes directors representing the employees and to determine the conditions under which they must be designated.

In accordance with the terms of Article L. 225-27-1 III of the French Commercial Code, the Board of Directors, after consulting the Works Council, proposes that the director representing the employees be appointed by the trade union organisation that obtained the most votes during the first round of professional elections in the Company and its direct or indirect subsidiaries whose registered offices are located in France.

We propose amending Article 15 – "Board of Directors" of the Company by inserting a paragraph 7, which would read as follows:

7. Director representing the employees

Pursuant to Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall also include a director representing the employees of the Group.

If more than twelve directors are appointed at the Shareholders' Meeting, a second director representing the employees would be appointed in accordance with legal provisions, within six months.

In accordance with the provisions of Article L. 225-27-1 III 3 of the French Commercial Code, the director representing the employees is appointed by the trade union organisation that obtained the most votes during the first round of elections, in accordance with applicable law, in the Company and its direct or indirect subsidiaries whose registered offices are located in France.

Directors representing the employees serve for a four-year (4) term. This term is renewable.

If the Company is no longer required to appoint one or more employee representatives to the Board of Directors, the term of office of the employee representative or representatives will automatically end at the close of the meeting during which it was noted that the Company is no longer subject to this requirement.

The rest of Article 15 would remain unchanged.

3. Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares and/or securities giving access to the capital of the Company, and/or securities entitling holders to the allocation of debt securities through a public offering with the cancellation of preferential subscription rights (14th resolution)

The 14th resolution grants the Board of Directors the authority to decide to increase the share capital of the Company in one or more transactions, in the proportion and at the times it deems appropriate, in France or abroad, through a public offering, through the issue (i) of shares (excluding preference shares) or (ii) securities giving access to the Company's share capital (whether new or existing shares), whether or not in return for payment, in euros or in another currency or monetary unit established by reference to several currencies, governed by Articles L. 228-91 *et seq.* of the French Commercial Code.

The subscription of such shares or other securities may be in cash or by offsetting debts, or in part through the incorporation of reserves, profits or premiums, or, under the same conditions, to decide to issue securities giving access to the Company's existing capital or entitling holders to the allocation of debt securities governed by Articles L. 228-91 of the French Commercial Code.

The Board of Directors may decide on (i) the issue of shares or securities giving access to the Company's capital to be issued following the issue, by companies of which the Company directly or indirectly owns more than half of the share capital, of securities giving access to the Company's capital and (ii) the issue of securities giving access to the capital of companies of which the Company directly or indirectly owns more than half of the capital.

We propose to set the maximum nominal amount of capital increases that may be carried out immediately or in the future under this delegation of authority at €14,650,000 (or the equivalent in any other currency or monetary unit established by reference to several currencies), *i.e.*, for reference, approximately 10% of the authorised share capital at December 31, 2017. This amount shall count towards the overall ceiling for capital increases of €73,000,000 stipulated in the 22nd resolution. To these ceilings shall be added, if applicable, the nominal amount of shares that might be issued in the event of further financial transactions, in order to protect, in accordance with the applicable legal and regulatory provisions and any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares.

It is also proposed that the maximum nominal amount of issues of debt securities that may be carried out immediately and/or in the future under this delegation of authority be set at €220,000,000.

We propose the cancellation of the preferential subscription rights of shareholders to shares or other securities that may be issued pursuant to this delegation of authority. If the Board of Directors uses this delegation of authority, the cancellation of the preferential subscription right would be justified by the need to shorten the time frame for completing issues to facilitate the investment of securities issued.

The Board of Directors of the Company would also have the option, provided that the shares of the Company are admitted for trading on a regulated market, to assess whether the issue of shares or other securities under this delegation of authority will include a priority subscription period for shareholders, in accordance with the conditions that the Board of Directors will determine in compliance with the provisions of Article L. 225-135, paragraph 5 of the French Commercial Code.

The issue price would be set as follows:

- the issue price of shares issued directly will be at least equal to the minimum stipulated by the applicable regulatory provisions on the date of the issue (currently the weighted average price over the last three trading days on the Euronext Paris SA regulated market preceding the date on which the subscription price for the capital increase is set, minus a maximum discount of 5%), after making any adjustment, where appropriate, to this average in the event of a difference in the dates of dividend payment;
- the issue price of securities giving access to the capital and the number of shares to which conversion, redemption or more generally transformation of each security giving access to the capital could give entitlement, will be such that the amount received immediately by the Company, plus any amount to be received subsequently by the Company will, for each share issued as a consequence of the issue of these securities, be at least equal to the minimum subscription price stipulated in the previous paragraph.

The Board will have all powers, in accordance with the law and within the limits set by this delegation, to implement this delegation of authority, and in particular, to set the terms and conditions of each issue of shares or other securities and the characteristics of the securities as well as, if applicable, to suspend them, record completion thereof, amend the Bylaws accordingly, and to proceed with all other useful or necessary formalities.

In the event of the issue of debt securities giving access, immediately or in the future, to a portion of the Company's capital, the Board of Directors would have all powers to decide, in particular, whether or not to issue subordinated debt, and to set the interest rate, currency, maturity, fixed or variable redemption price, with or without a premium, and the repayment procedures in accordance with market conditions and the conditions under which the securities give rights to the shares of the Company.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation will be granted for a period of twenty-six (26) months from May 18, 2018 and will therefore expire on July 18, 2020.

4. Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares and/or securities giving access to the capital of the Company, and/or securities entitling holders to the allocation of debt securities through a public offering with preferential subscription rights (15th resolution)

In accordance with the provisions of Articles L. 225-129-2, L. 225-132, L. 225-134, L. 228-91 and L. 228-92 of the French Commercial Code, we propose to delegate your authority to the Board of Directors to decide on and carry out one or more capital increases with preferential subscription rights for shareholders by issuing the Company's shares and/or securities giving access by any means, immediately and/or in the future, to the Company's shares, whether or not in return for payment, in euros or in another currency or monetary unit established by reference to several currencies, for subscription in cash or by offsetting debts, or in part through the incorporation of reserves, profits or premiums, or, under the same conditions, to decide to issue securities giving access to the Company's existing capital. These issues may be carried out in France or abroad.

We propose that you decide that the total nominal amount of share capital increases that may be carried out immediately and/or in the future under this delegation of authority be €73,000,000 (or the equivalent in any other currency or monetary unit established by reference to several currencies), *i.e.* approximately 50% of the authorised share capital at December 31, 2017. This amount would count towards the overall ceiling for capital increases of €73,000,000 set in the 22nd resolution. It would not take into account the nominal value of shares to be issued to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares.

We propose that you decide that the securities giving access to the Company's capital that may be issued under this resolution could notably consist of debt securities or be linked to the issue of such securities, or even enable them to be issued as intermediary securities. They may or may not take the form of fixed or perpetual subordinated securities, and be issued in euros, or in any other currency or monetary unit established by reference to more than one currency. We propose that the nominal amount of the debt securities thus issued be €750,000,000 (or the equivalent in any other currency). Where appropriate, any redemption premiums above par would be added to this amount.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

5. Delegation of authority to be granted to the Board of Directors to decide to increase the share capital by issuing shares and/or securities giving access to the Company's capital and/or securities entitling holders to the allocation of debt securities as part of an offering referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code, with the cancellation of preferential subscription rights (16th resolution)

The 16th resolution would authorise the Board of Directors to decide to issue shares and/or securities giving access by any means, immediately and/or in the future, to the Company's shares, with cancellation of preferential subscription rights, through a public offering as referred to in Article L. 411-2, II of the French Monetary and Financial Code. Subscription may be in cash or by offsetting debts, or in part through the incorporation of reserves, profits or premiums, or, under the same conditions, to decide to issue securities giving access to the Company's existing capital.

Capital increases that may be carried out under this delegation of authority would be carried out by "private investment", *i.e.* through an offering reserved exclusively for (i) persons providing portfolio management investment services for third parties, (ii) qualified investors or a restricted group of investors, provided that these investors are acting on their own behalf.

They are defined in paragraph II of Article L. 411-2 of the French Monetary and Financial Code as follows:

- a qualified investor is an individual or an entity possessing the expertise and resources required to apprehend the risks inherent in transactions in financial instruments;
- a restricted group of investors is made up of fewer than 150 people, other than qualified investors.

The issue price would be set as follows:

- the issue price of shares issued directly will be at least equal to the minimum stipulated by the applicable regulatory provisions on the date of the issue (currently the weighted average price over the last three trading days on the Euronext Paris SA regulated market preceding the date on which the subscription price for the capital increase is set, minus a maximum discount of 5%), after making any adjustment, where appropriate, to this average in the event of a difference in the dates of dividend payment;
- the issue price of securities giving access to the capital and the number of shares to which conversion, redemption or more generally transformation of each security giving access to the capital could give entitlement, will be such that the amount received immediately by the Company, plus any amount to be received subsequently by the Company will, for each share issued as a consequence of the issue of these securities, be at least equal to the minimum subscription price stipulated in the previous paragraph.

We propose that you to decide that the total nominal amount of share capital increases that may be carried out immediately and/or in the future under this delegation of authority be €14,650,000 (or the equivalent in any other currency or monetary unit established by reference to several currencies). This amount would count towards the overall ceiling for capital increases of €73,000,000 stipulated in the 22nd resolution. This ceiling would not take into account the nominal value of shares to be issued to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares. Moreover, we propose that you decide that the nominal amount of debt securities that may be issued be €220,000,000 (or the equivalent in any other currency). Where appropriate, any redemption premiums above par would be added to this amount.

The use of this delegation implies that you have cancelled shareholders' preferential subscription rights to shares or securities to be issued. It should be specified that we are also asking you to give the Board of Directors the authority to establish a priority subscription period for shareholders.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

6. Authorisation to be granted to the Board of Directors to set the issue price of ordinary shares and/or securities giving access to the capital, under certain terms and conditions, within the limit of 10% of the capital per year, as part of capital increases through the issue of shares without preferential subscription rights (17th resolution)

To promote equity financing and meet investors' needs, we propose that you authorise the Board of Directors, for the issues set out in the 14th and 16th resolutions, and within the limit of 10% of the share capital per year as assessed on the date of issue, to waive the conditions for setting the share issue price defined in the resolutions by applying a discount, of up to 5%, to the weighted average of the past three trading sessions on Euronext Paris before the capital increase subscription price was set.

7. Delegation of authority to be granted to the Board of Directors to increase the number of securities to be issued for capital increases with or without preferential subscription rights, in accordance with the provisions of Article L. 225-135-1 of the French Commercial Code (18th resolution)

In accordance with the provisions of Articles L. 225-135-1 and R. 225-118 of the French Commercial Code, the 18th resolution would authorise the Board of Directors, with the aim of meeting excess demand or coping with market volatility, to decide, as part of capital increases with or without preferential subscription rights decided in previous resolutions, to increase the number of securities to be issued at the same price as that set for the initial issue, within the deadlines and limits provided by applicable regulations on the date of issue.

It should be noted that the nominal amount of capital increases decided in accordance with this resolution would count towards the amount of ceilings stipulated in the 14th, 15th and 16th resolutions, respectively, under which the initial issue is decided, and towards the amount of the overall ceiling provided in the 22nd resolution or, as appropriate, the amount of ceilings provided for by similar resolutions which may follow on from said resolutions during the term of validity of this delegation.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

8. Delegation of authority to the Board of Directors to increase the capital by issuing shares and/or securities giving access to the Company's share capital, with the cancellation of preferential subscription rights in consideration for contributions in kind made to the Company and consisting of shares or securities giving access to the capital, outside public exchange offers (19th resolution)

We propose that you grant the Board of Directors a delegation of authority to decide to increase the Company's capital, within the limit of 10% of its share capital, by issuing shares and/or securities giving access by any means, immediately and/or in the future, to the Company's shares, in consideration for contributions in kind made to the Company and consisting of shares or securities giving access to the capital.

It should be noted that shareholders would not benefit from any preferential subscription rights to shares or securities issued and this delegation of authority would entail the waiver by the shareholders of their preferential subscription right to Company shares to which the securities that may be issued under this delegation could give access.

We propose to grant all powers to the Board of Directors to implement this resolution and to approve, on the basis of the contribution auditor's report, the valuation of contributions, to determine the amount and conditions of issue, the nature and characteristics of the securities to be issued, and where necessary the amount of the monetary compensation to be paid, to approve the granting of specific benefits, to lower, if authorised by the holders, the valuation of contributions or the remuneration of special benefits, and to set dividend payment dates, which may be retroactive, of securities to be issued.

The total nominal amount of capital increases that may be carried out under this delegation may not exceed 10% of the share capital. This amount would count towards the overall ceiling for capital increases stipulated in the 22nd resolution. This amount would not take into account the nominal value of shares to be issued to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

9. Authorisation to be given to the Board of Directors to increase the share capital through the incorporation of reserves, profits, premiums or other items (20th resolution)

The purpose of 20th resolution is to authorise the Board of Directors to increase the share capital in one or more transactions, through the incorporation of premiums, reserves, profits or other items that are eligible to be capitalised in respect of current regulations and the Bylaws. This transaction, which does not necessarily mean the issue of new shares, must be carried out by the Extraordinary Shareholders' Meeting, under the *quorum* and majority conditions for Ordinary Meetings.

The nominal amount of capital increases that may be carried out under this delegation, plus the amount needed to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares, may not exceed the amount of the sums that may be incorporated into the capital on the date of the decision of the Board of Directors using the delegation, within the limit of 10% of the share capital, (or the equivalent in any other currency or monetary unit established by reference to several currencies).

This amount would not count towards the amount of the overall ceiling provided for in the 22nd resolution, which is justified by the fact that this delegation would be implemented without dilution for the shareholders and without changing the volume of the Company's equity.

We propose that you grant all powers to the Board of Directors to set the amount and nature of the sums to be incorporated into the capital, to set the number of new shares to be issued or the amount by which the nominal amount of existing shares comprising the share capital would be increased, to establish the date, from which dividends relating to the new shares start to accrue, which may be retroactive, and the date from which the increase in the nominal amount shall take effect.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

10. Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares and/or securities giving access to the capital of the Company, reserved for members of a company savings plan with the cancellation of preferential subscription rights (21st resolution)

In this regard, Article L. 225-129-6 of the French Commercial Code states that in the event of any decision to increase the capital through a contribution in cash, unless it results from the prior issue of securities giving access to the capital, the Extraordinary Shareholders' Meeting must express its opinion on a proposed resolution to approve a capital increase under the conditions stipulated by Article L. 3332-18 *et seq.* of the French Labour Code. The Extraordinary Shareholders' Meeting expresses its opinion on this proposed resolution when it delegates the authority to carry out the capital increase in accordance with Article L. 225-129-2 of the French Commercial Code.

Under the terms of the 14th and 15th resolutions, and in accordance with the provisions of Article L. 225-129-6 of the French Commercial Code, you are therefore invited to grant the Board of Directors the authority to increase the share capital of the Company in one or more transactions, to issue ordinary shares of the Company or any other security giving access, immediately or in the future, to the ordinary shares of the Company or any other company of which more than half the share capital is held, directly or indirectly, by the Company, reserved for members of the Company's company savings plan and, as the case may be, French or foreign companies, which are associated with it under the conditions set out in Articles L. 225-80 of the French Commercial Code and L.3344-1 of the French Labour Code.

The total nominal amount of the capital increases that may be carried out by virtue of this delegation of authority, immediately or in the future, cannot exceed 2% of the share capital of the Company on the date this delegation is used, and is limited to 1% per sliding 12-month period, it being specified that this amount will count towards the overall ceiling set in the twenty-second resolution and that this total nominal amount does not take into account adjustments that may be made in accordance with the applicable legal and regulatory provisions, and, if applicable, contractual clauses providing for other adjustments, to protect the rights of holders of securities giving access to the capital.

The issue price of the new shares or securities giving access to the capital would be determined in accordance with the conditions provided in Articles L. 3332-18 *et seq.* of the French Labour Code and would therefore be at least equal to 80% of the weighted average price of the Company's share on the Euronext Paris regulated market over twenty trading sessions preceding the date on which the Board of Directors sets the opening date of subscription for members of a company saving plan, or 70% of this average when the lock-up period provided for by the plan in accordance with Articles L. 3332-25 and L.3332-26 of the French Labour Code is greater than or equal to ten years.

We propose that you authorise the Board of Directors to allocate, free of charge, to the beneficiaries mentioned above, in addition to the shares or securities giving access to the capital for subscription in cash, shares or securities giving access the capital to be issued or already issued, as an alternative to all or part of the discount to the Reference Price and/or subscription price, on the understanding that the profit of this allocation may not exceed the legal or regulatory limits applicable under the terms of Articles L. 3332-10 *et seq.* of the French Labour Code.

In accordance with the law, shareholders' preferential subscription right to new shares or other securities giving access to the capital would be cancelled in favour of the beneficiaries mentioned above. This decision would also entail the waiver by shareholders of their rights to free shares or securities giving access to the capital allocated under this resolution.

Nonetheless, the Board of Directors cannot, without the prior authorisation of the Shareholders' Meeting, use this delegation of authority throughout the entire offer period if a third party makes a takeover bid for the Company's securities.

This delegation would be granted for a period of twenty-six (26) months from May 18, 2018 and would therefore expire on July 18, 2020.

11. Overall limit for issue authorisations with and without the preferential subscription right (22nd resolution)

The 22nd resolution would limit the maximum nominal amount of the delegations referred to in 14th, 15th, 16th, 18th, 19th and 21st resolutions to €73,000,000. It is an overall ceiling common to the said resolutions, to which the nominal amount of shares that might also be issued in the case of further financial transactions is added, in order to protect, in accordance with the laws and regulations and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or new purchase plans, or of rights to the allocation of free shares.

12. Authorisation to be granted to the Board of Directors to reduce the share capital by cancellation of shares held by the Company following the purchase of its own securities (23rd resolution)

We propose, under the terms of the 23rd resolution, to authorise and grant all powers to the Board of Directors for an 18 month period, to:

- carry out the cancellation, of up to 10% of the share capital per 24 month period, of all or part of the treasury shares held as part of the share buyback programme authorised by the 12th resolution;
- deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves;
- carry out and record the capital reduction transactions, accomplish all acts and formalities for this purpose, modify the Bylaws as a consequence.

13. Authorisation to be granted to the Board of Directors to carry out the free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers in the Company and related companies (24th resolution)

Pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code, stock companies may carry out the free allocation of existing or newly issued shares in favour of eligible employees and corporate officers.

Consequently, we propose that you authorise the Board of Directors to carry out, on one or more occasions, the free allocation of existing or newly issued company shares in favour of employees, certain employees, or certain categories of employees, belonging to the Company or Group Companies in France or abroad, and/or eligible corporate officers under the conditions indicated hereafter.

The free share grants are designed to build loyalty and incentivise the key people the Group needs to fulfil its growth ambitions.

In line with market practice, these awards will bring the interests of the beneficiaries into line with the shareholders' interests, while at the same time creating common cause around shared medium term goals that reflect Maisons du Monde's medium and long term ambitions to drive growth.

The share grants are also part of the Board's compensation policy and the Group's intention to give senior managers and key people a share in the Group's profits, by incentivising them to take a long-term view.

The Board of Directors will determine the beneficiaries of the share grants, as well as the conditions and criteria for the award.

The total number of free shares allocated may not represent more than 2% of the Company's share capital.

Free shares awarded to their beneficiaries only vest under the following conditions:

- continued employment in the Company: barring exceptions provided by the plan rules and current law, beneficiaries must be in the employment of the Company at the end of the second financial year following the year in which the shares are awarded. Free shares awarded to their beneficiaries only vest at the end of the vesting period set by the Board, which may not be less than 30 months;
- performance conditions: all share awards will be subject to meeting performance criteria over more than one year. At least one of the conditions will be assessed over two full consecutive financial years.

- Fulfilment of these conditions will be measured relative to the targets in the most recent business plan approved by the Board before the start of the current financial year.

  A lower limit of 85% of the target for each condition may grant entitlement to 50% maximum of the portion of the award linked to this condition.

  A target of 100% of the objective will grant entitlement to 100% of the portion of the award linked to the condition.

  Between the lower limit and the target, the number of shares awarded will be calculated on a straight-line basis.

  In accordance with the Internal Regulations of the Board of Directors, when shares are awarded to Executive Directors, a percentage of the award must be held in registered form until the expiry of their term of office. The Board will decide the percentage subject to this holding requirement.

  We therefore propose that you delegate to the Board of Directors all such powers as may be necessary to: (i) determine, when the Company issues free shares, the number of shares that may be issued to a beneficiary, (ii) determine, when these shares are issued, the amount of reserves, profits or premiums to be incorporated into the capital, (iii) define the terms of the associated free share allocation plans, which will mainly have the aim of defining the allocation conditions of the free shares, as well as the lock-up obligations for these free shares, (iv) record the capital increase(s) carried out and amend the Company's Bylaws accordingly, (v) proceed, if required, during the vesting period, with the adjustments of the number of shares to be allocated, made necessary by any transactions on the Company's capital, in order to preserve the beneficiaries' rights, (vi) proceed if required with the buyback of company shares in order to allocate them free of charge, particularly as part of the share buyback programme authorised under the 12th resolution, and (vii) carry out all acts and formalities that may be required by the implementation of the free share allocation plan, and more generally do everything that is necessary for this purpose.

This authorisation will be granted for a period of thirty-eight (38) months from May 18, 2018 and will therefore expire on July 18, 2021. It will replace the authorisation granted by the Shareholders' Meeting of May 19, 2017.

Vertou

March 20, 2018

The Board of Directors

7.3 Presentation of the draft resolutions

1st RESOLUTION	Approval of the annual financial statements for the year ended December 31, 2017
2nd RESOLUTION	Approval of the consolidated financial statements for the year ended December 31, 2017
3rd RESOLUTION	Appropriation of profit for the financial year and payment of a dividend
4th RESOLUTION	Approval of the regulated conventions and commitments
5th RESOLUTION	Approval of the elements of compensation due or allocated in respect of the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors
6th RESOLUTION	Approval of the principles and criteria for determining, apportioning and allocating the elements forming the total compensation and benefits of all kinds attributable to Sir Ian Cheshire, Chairman of the Board of Directors
7th RESOLUTION	Approval of the elements of compensation due or granted in respect of the 2017 financial year to Gilles Petit, Chief Executive Officer.
8th RESOLUTION	Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits of any kind attributable to Gilles Petit, Chief Executive Officer.
9th RESOLUTION	Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors.
10th RESOLUTION	Renewal of the term of office of Ms. Sophie Guieysse as director
11th RESOLUTION	Renewal of the term of office of Mr. Nicolas Woussen as director
12th RESOLUTION	Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company
13th RESOLUTION	Approval of the procedure for appointing the director representing employees and corresponding amendment of the Company's Bylaws
14th RESOLUTION	Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being cancelled
15th RESOLUTION	Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being maintained
16th RESOLUTION	Delegation of powers to the Board of Directors for it to decide to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities in the context of an offering as referred to by Section II of Article L. 411-2 of the French Monetary and Financial Code, with preferential subscription rights being cancelled
17th RESOLUTION	Authorisation to be given to the Board of Directors to set the issue price of the ordinary shares and/or securities giving access to the capital in accordance with certain procedures, within a limit of 10% of the capital per year, in the context of capital increases by means of the issue of shares without preferential subscription rights
18th RESOLUTION	Delegation of powers to the Board of Directors for it to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights, in the framework of the provisions of Article L. 225-135-1 of the French Commercial Code
19th RESOLUTION	Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital, with preferential subscription rights being cancelled, with a view to remunerating contributions in kind made to the Company and consisting of equity instruments or securities giving access to capital other than by public exchange offer
20th RESOLUTION	Authorisation to be granted to the Board of Directors for it to increase the share capital by capitalising reserves, profits, premiums and other items
21st RESOLUTION	Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities giving access to the Company's capital, reserved to participants in company savings plans, with preferential subscription rights being cancelled
22nd RESOLUTION	Overall limit of authorisations of issues maintaining or cancelling preferential subscription rights
23rd RESOLUTION	Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks
24th RESOLUTION	Authorisation to be granted to the Board of Directors to carry out the free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers in the Company and related companies,
25th RESOLUTION	Powers to carry out the formalities

7.3.1 RESOLUTIONS WITHIN THE POWERS OF THE ORDINARY SHAREHOLDERS' MEETING

1st RESOLUTION Approval of the annual financial statements for the year ended December 31, 2017

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, having taken note of the Board of Directors' management report, the Board's report on Corporate Governance and the statutory auditors' report, approves the annual financial statements of the Company for the financial year ended December 31, 2017, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports, showing a profit of €26,649,363.

In application of Article 223 *quater* of the French General Tax Code, the Shareholders' Meeting approves the amount of expenditures and costs referred to in Article 39-4 of the French General Tax Code amounting to €5,640 for the past financial year.

2nd RESOLUTION Approval of the consolidated financial statements for the year ended December 31, 2017

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, having taken note of the Board of Directors' management report, the Board of Directors report on Corporate Governance and the statutory auditors' report, approves the Company's consolidated financial statements for the financial year ended December 31, 2017, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports, showing a profit of €63,009 thousand.

3rd RESOLUTION Appropriation of profit for the financial year and payment of a dividend

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, decides to allocate the income for the financial year ended December 31, 2017 as follows:

Net profit for the financial year	€26,649,363
Balancing of negative retained earnings	€(3,042,705)
Allocation to the statutory reserve	€(1,180,333)
TOTAL DISTRIBUTABLE AMOUNT	**€22,426,325**
Dividend to the shareholders of €0.44 per share	€19,906,433.36 on the basis of 45,241,894 shares
Allocation to the "Retained earnings" account	€2,519,891.64
TOTAL AMOUNT ALLOCATED	**€26,649,363**

The Shareholders' Meeting decides that the ex-dividend date will be June 18, 2018 with payment on June 20, 2018.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, and the amounts corresponding to the unpaid dividends for treasury shares will be allocated to "Retained Earnings" and the total amount of dividends adjusted as a result.

The Shareholders' Meeting duly notes that the shareholders have been informed of the following terms and conditions:

- since January 1, 2018, the income distributed is subject upon payment to a flat tax of 30% (12.8% for income tax and 17.2% for social contributions),
- individuals belonging to a tax household whose reference income tax for the penultimate year is under €50,000 (single, divorced or widowed taxpayers) or €75,000 (taxpayers subject to joint taxation) may ask to be exempted from the 12.8% income tax charge; it is the responsibility of the shareholder to submit the exemption request no later than November 30 of the year preceding the payment of the dividend,
- progressive taxation of dividends remains an option and must be indicated on the tax return; in this case, the flat rate of 12.8% will be deducted from the tax payable. The 40% rebate will be maintained but social contributions will be based on the amount before the rebate.
- the proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2° of the French General Tax Code and applicable to natural persons with their tax residence in France.

The Shareholders' Meeting duly notes, in accordance with the provisions of Article 243 *bis* paragraph 1 of the French General Tax Code, that:

- in respect of the financial year ended December 31, 2016 the Company distributed a dividend amounting to €14,016,029.69, for 45,212,999 dividend-eligible shares, at €0.31 per share, eligible in full for the 40% abatement;
- the Company did not distribute any dividend in respect of the financial years ended December 31, 2014 and December 31, 2015.

4th RESOLUTION — Approval of the regulated conventions and commitments

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, having taken note of the statutory auditors' special report on conventions and commitments referred to in Article L. 225-38 of the French Commercial Code, takes due note of the fact that no new convention was entered into during the past financial year.

5th RESOLUTION — Approval of the elements of compensation due or allocated in respect of the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Code of Corporate Governance, approves the elements of compensation due or granted in respect of the 2017 financial year to Sir Ian Cheshire, Chairman of the Board of Directors, as presented in the Company's Registration Document and annual financial report.

6th RESOLUTION — Approval of the principles and criteria for determining, apportioning and allocating the elements forming the total compensation and benefits of all kinds attributable to Sir Ian Cheshire, Chairman of the Board of Directors

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report on the compensation policy for Executive Directors, prepared in application of Article L. 225-37-2 of the French Commercial Code, approves the elements of the compensation policy applicable to Sir Ian Cheshire, Chairman of the Board of Directors, as presented in the Registration Document and the annual financial report of the Company.

7th RESOLUTION — Approval of the elements of compensation due or granted in respect of the 2017 financial year to Gilles Petit, Chief Executive Officer

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Code of Corporate Governance, approves the elements of the compensation due or granted in respect of the 2017 financial year to Gilles Petit, Chief Executive Officer, as presented in the Registration Document and the annual financial report 2018 of the Company.

8th RESOLUTION — Approval of the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits of any kind attributable to Gilles Petit, Chief Executive Officer

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report on the compensation policy for Executive Directors, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the elements of the compensation policy applicable to Gilles Petit, Chief Executive Officer, as presented in the Registration Document and the annual financial report of the Company.

9th RESOLUTION — Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, having taken due note of the Board of Directors' report on corporate governance, sets, for the current financial year, the maximum amount of directors' fees to be divided among the members of the Board of Directors at €500,000.

10th RESOLUTION Renewal of the term of office of Ms. Sophie Guieysse as director

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to renew the term of office of Ms. Sophie Guieysse as director for a further four years. The term of office of Ms. Sophie Guieysse will expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending in 2021.

11th RESOLUTION Renewal of the term of office of Mr. Nicolas Woussen as director

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to renew the term of office of Mr. Nicolas Woussen as director for a further four years. The term of office of Mr. Nicolas Woussen will expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending in 2021.

12th RESOLUTION Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Ordinary Shareholders' Meetings, having taken due note of the Board of Directors' management report:

1. authorises the Board of Directors, with the power to sub-delegate under the terms provided by the law, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-5 of the General Regulation of the *Autorité des marchés financiers* (the *AMF*), Regulation (EC) No. 596/2014 of the European Commission of April 16, 2014, of delegated regulation 2016/1052 of March 8, 2016 and of the market practices allowed by the *AMF*, to acquire, through one of more transactions and at such times as it may decide, a number of company shares that may not exceed 10% of the total number of shares forming the Company's capital at any given time, *i.e.* 4,524,189 shares, with a view to:

- cancelling them, subject to the adoption of the twenty-third resolution by the Shareholders' Meeting, or
- holding them for future delivery by way of exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company, or
- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company, or
- implementing stock option plans, or free share allocation plans, or employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 *et seq.* of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount, or shares allocations for the benefit of employees and/or executive corporate officers of the Company and related companies, in accordance with the applicable legal and regulatory provisions, or
- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the *AMF*,
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the *AMF*;

2. resolves to set the maximum purchase price per share at €55 excluding costs (or the equivalent of this amount at the same date in any other currency). Given the number of shares forming the share capital at December 31, 2017, the cumulative amount of purchases net of costs may not exceed the sum of €248.8 million;

3. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

4. resolves that the shares may, in whole or in part, be acquired, assigned, exchanged or transferred, in one or more transactions, by any means authorised by the regulations in force now or in the future, in any market, including multilateral trading facilities (MTF) or *via* a systematic internaliser, or over the counter, including through the acquisition or disposal of blocks of shares (without limiting the portion of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force;

5. grants all such powers to the Board of Directors, with the power to sub-delegate under the terms provided by the law, as may be needed in order for it, in compliance with the relevant legal and regulatory provisions, to carry out permitted reallocations of shares bought back with a view to one of the objectives of the programme, to one or more of the its other objectives, or to sell them, in the market or otherwise, it being stipulated that such reallocations and sales may concern shares bought back under authorisations of previous programmes.

Consequently, all such powers as may be necessary are conferred on the Board of Directors, with the power to sub-delegate under the terms provided by the law, for it to decide on and implement this authorisation and establish the relevant procedures, subject to the law and to the terms of this resolution, and in particular to give all such stock exchange orders, enter into all such agreements, notably for the keeping of registers of purchases and sales of shares, make all such declarations to the *AMF* or any other authority, issue all such documents, particularly information documents, complete all such formalities, and in general perform all such actions as may be necessary.

The Board of Directors must inform the Ordinary Shareholders' Meeting of the transactions carried out by virtue of this authorisation, under the terms established by law.

This authorisation replaces that granted by the ninth resolution of the Shareholders' Meeting of May 19, 2017, and is granted for a duration of 18 months from today.

7.3.2 RESOLUTIONS WITHIN THE POWERS OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

13th RESOLUTION Approval of the procedure for appointing the director representing employees and corresponding amendment of the Company's Bylaws

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and noted the opinion of the Works Council, in application of the provisions of Article L. 225-27-1 of the French Commercial Code:

1. decides that the director representing the employees is appointed by the trade union organisation that obtained the most votes during the first round of elections, in accordance with applicable law, in the Company and its direct or indirect subsidiaries whose registered offices are located in France;

2. resolves to amend Article 15 – Board of Directors and to insert a seventh paragraph to read as follows:

7. Director representing the employees

Pursuant to Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall also include a director representing the employees of the Group.

If more than twelve directors are appointed at the Shareholders' Meeting, a second director representing the employees would be appointed in accordance with legal provisions, within six months.

In accordance with the provisions of Article L. 225-27-1 III 3 of the French Commercial Code, the director representing the employees is appointed by the trade union organisation that obtained the most votes during the first round of elections, in accordance with applicable law, in the Company and its direct or indirect subsidiaries whose registered offices are located in France.

Directors representing the employees serve for a four-year (4) term. This term is renewable.

If the Company is no longer required to appoint one or more employee representatives to the Board of Directors, the term of office of the employee representative or representatives will automatically end at the close of the meeting during which it was noted that the Company is no longer subject to this requirement.

The rest of Article 15 remains unchanged.

14th RESOLUTION Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being cancelled

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129 *et seq.* of the French Commercial Code, and in particular Articles L. 225-129-2, L. 225-135 and L. 225-136, and with the provisions of Articles L. 228-91 *et seq.* of the French Commercial Code, having established that the Company's share capital has been fully paid up,

1. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, in accordance with the provisions of Articles L. 225-129 *et seq.* and L. 228-91 *et seq.* of the French Commercial Code, its power to decide to carry out an increase in the Company's capital, in one or more transactions, in such proportions and at such times as it sees fit, in France or abroad, by means of a public offering, by issuing (i) shares (excluding preference shares) or (ii) securities giving access to the capital of the Company (whether new or existing shares, excluding preference shares), issued in return for payment or free of charge, whether in euros or in any other currency or monetary unit established by reference to a number of currencies, it being specified that the subscription of shares and other securities may be in cash, or by means of offsetting receivables, or in part by the capitalisation of reserves, profits or premiums or, under the same terms, to decide to issue securities giving access to the existing capital of the Company or conferring a right to the allocation of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code; public offerings decided on by virtue of this resolution may be associated, in the context of a single issue or a number of issues carried out simultaneously, with the offers referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code;

2. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

3. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its powers to decide to issue securities giving access to the capital of companies in which it holds more than half of the capital directly or indirectly;

4. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to issue shares or securities giving access to the capital of the Company to be issued following the issue, by companies in which the Company directly or indirectly holds more than half of the capital, of securities giving access to the capital of the Company; such decision shall ipso jure entail the renunciation of the Company's shareholders, in favour of the holders of such securities as may be issued by companies in the Company's Group, of their preferential subscription rights to the shares or securities giving access to the capital of the Company to which such securities give the right;

5. resolves to set the following maximum amounts of authorised capital increases if the Board of Directors makes use of this delegation of power:

- the maximum nominal amount of capital increases carried out immediately or in the future by virtue of this delegation of powers is set at €14,650,000 or the equivalent in any other currency or monetary unit established by reference to a number of currencies or, on an indicative basis, approximately 10% of the registered share capital as at December 31, 2017, it being stipulated that this amount shall be counted towards that of the overall ceiling set by the twenty-second resolution of this meeting or, if applicable, towards the amount of such overall ceiling as might be provided by a resolution providing for a new overall ceiling (within the meaning of Article L. 225-129-2 of the French Commercial Code) and superseding said resolution during the validity of this delegation of powers,
- to these ceilings shall be added, if applicable, the nominal amount of shares that might be issued in the event of further financial transactions, in order to protect, in accordance with the applicable legal and regulatory provisions and any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares;

6. resolves in the event of the issue of securities giving the right to the allocation of debt securities governed by Articles L. 228-91 *et seq.* of the French Commercial Code:

- to set the maximum nominal amount of such debt securities as may be issued immediately or in future by virtue of this delegation of powers at €220,000,000 or the equivalent in any other currency or monetary unit established by reference to a number of currencies as at the date of issue,
- that this amount will be increased if applicable by any redemption premium in excess of par;

7. resolves to cancel shareholders' preferential subscription right to the securities which are the object of this resolution, however leaving the Board of Directors, in application of Article L. 225-135, 5th paragraph of the French Commercial Code, with the power to grant shareholders, for such time and in such manner as it may establish in accordance with applicable legal and regulatory provisions and for all or part of the issue carried out, a temporary extension of the preferential subscription right not giving rise to the creation of negotiable rights and which must be exercised in proportion to the number of shares held by each shareholder and which may potentially be completed by a subscription to excess shares, it being specified that shares not thus subscribed will be offered to the public in France or abroad;

8. takes due note of the fact that if subscriptions have not absorbed the entire issue of shares and/or securities convertible into shares, the Board of Directors may, at its discretion, use, in the order that it shall determine, the options made available under the terms of Article L. 225-134 of the French Commercial Code, or only some of them;

9. takes due note of the fact that this delegation of powers entails ipso jure the express renunciation by the Company's shareholders, in favour of the holders of such securities as may be issued giving access to the Company's capital, of their preferential subscription rights to the shares to which such securities give the right;

10. takes due note of the fact that in accordance with Article L. 225-136 1, 1st paragraph of the French Commercial Code:

- the issue price of the shares issued directly will be at least equal to the minimum laid down in the applicable regulatory provisions on the date of issue (currently the weighted average of the prices of the past three trading sessions on the regulated market of Euronext Paris SA preceding the setting of the subscription price of the capital increase less a discount of no more than 5%), after any necessary correction of this average for any difference between the vesting dates,

- the issue price of the securities giving access to the capital and the number of shares to which the conversion, redemption or more generally transformation of each transferable security giving access to the capital may give the right, shall be such that the sum received immediately by the Company, plus any sum to be received by it subsequently, for each share issued as a result of the issue of these securities, is at least equal to the minimum subscription price defined in the previous paragraph;

11. sets at twenty-six (26) months from today the duration of the validity of the delegation of powers forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the twenty-eighth resolution of the Shareholders' Meeting of April 29, 2016;

12. resolves that the Board of Directors shall have all such powers as may be necessary to implement this delegation of authority, in order in particular:

- to decide on the capital increase and/or determine the securities to be issued,
- to decide on the amount of the issue and the issue price, as well as the amount of the premium, which may, as appropriate, be paid upon issue,
- to determine the dates and terms of issue, and the nature, the number and characteristics of the securities to be created,
- to decide, furthermore, in the case of bonds or other debt securities (including the securities giving the right to the allocation of debt securities referred to in Article L. 228-91 of the French Commercial Code), on whether or not they are to be subordinated (and if so, their subordination ranking, in accordance with the provisions of Article L. 228-97 of the French Commercial Code), to set their rate of interest (and in particular whether a fixed or variable rate, zero coupon or indexed) and to specify, if applicable, any circumstances of compulsory or optional suspension or non-payment of interest, stipulate their term (fixed or perpetual), and the possibility of a reduction or increase in their nominal value, and to set the other terms of issuance (including the granting of guarantees or security interests) and of amortisation (including the possibility of redemption by delivery of Company assets); if applicable such securities may be accompanied by warrants entitling their holders to the allotment, acquisition or subscription of bonds or other debt instruments, or provide the capacity for the Company to issue debt securities (fungible or not) in lieu of interest payment suspended by the Company, or take the form of complex debt instruments in the sense understood by the market authorities (for example, due to their redemption or compensation terms or other rights such as indexation or option rights); and to amend, during the life of the relevant securities, the above terms, in compliance with the applicable formalities,
- to determine the method of payment for the shares or securities to be issued immediately or in the future,
- to set, if necessary, the procedures for exercising rights (such as rights of conversion, exchange or redemption, including by delivery of assets of the Company such as treasury shares or securities already issued by the Company) attaching to the shares or securities to be issued and in particular to set the date (which may be retroactive) on which the new shares will vest, and all other conditions and means of carrying out the capital increase if applicable,
- to set, if applicable, the terms on which the Company will have, at any time or during specified periods, the right to purchase or exchange the securities issued or to be issued immediately or in the future with a view to cancelling them or not, in accordance with the law,
- to allow for the option of suspending the exercise of the rights attached to the issued securities as permitted by relevant laws and regulations,
- in the event of the issue of securities to remunerate securities contributed under a public exchange offer, to establish the list of securities contributed for exchange, to set the conditions of the issue, the exchange ratio and, if applicable, the amount of the balancing cash adjustment, without the means of determining the price provided in this resolution having to be applied, and to determine the issue terms and conditions within the scope of either a public exchange offer, or an alternative takeover bid or exchange offer, or of a single offer to purchase or exchange securities in consideration for payment in securities and cash, or of a principal takeover bid or public exchange offer, together with a secondary public exchange offer or takeover bid or any other form of public offer in accordance with the law and regulations applicable to said public offer,
- on its sole initiative, to charge the costs of capital increases to the amount of the associated premiums and deduct from said amount the sums necessary to fund the legal reserve,
- to make all such adjustments as may be appropriate in order to take account of the impact of transactions on the Company's capital or equity, in particular in the event of a change in the nominal value of the share, a capital increase through capitalisation of reserves, the free allotment of shares, a stock split or reverse stock split, the distribution of dividends, reserves or premiums or any other assets, the redemption of capital, or of any other transaction affecting the equity or the share capital (including in the event of a public offering and/or a change of control), and to set all other conditions under which, if necessary, the rights of holders of securities giving access to the share capital (including through cash adjustments) will be protected,
- to arrange if applicable the admission to trading on a regulated market of the ordinary shares to be issued, or on a regulated market or a trading system as provided for in Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse, of securities to be issued;
- to duly record completion of each issue and if applicable amend the Bylaws accordingly, and
- in general, to enter into any agreements, including the signing of any collateral arrangement, in order, notably, to ensure that the envisaged issue is successfully completed, take any measures and conduct any formalities required for the purposes of the issue, the listing and financial servicing of the shares issued under the terms of this delegation of authority, as well as the exercising of the rights associated therewith.

15th RESOLUTION Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital and/or securities conferring the right to the allocation of debt securities through a public offering, with preferential subscription rights being maintained

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129-2, L. 225-132, L. 225-134, L. 228-91 and L. 228-92, and with the provisions of Articles L. 228-91 *et seq.* of the French Commercial Code:

1. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to carry out, maintaining shareholders' preferential subscription rights, one or more capital increases by issuing, in France and/or abroad, in such proportions and at such times as it sees fit, shares in the Company and/or securities giving access by any means, immediately and/or in the future, to shares in the Company, issued in return for payment or free of charge, whether in euros, or any other currency or monetary unit established by reference to a number of currencies, the subscription to which may be in cash or by offsetting receivables, or in part by means of the capitalisation of reserves, profits or premiums or, under the same terms, to decide to issue securities giving access to the existing capital of the Company;

2. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

3. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its powers to decide to issue securities giving access to the capital of companies in which it holds more than half of the capital directly or indirectly;

4. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to issue shares or securities giving access to the capital of the Company to be issued following the issue, by companies in which the Company directly or indirectly holds more than half of the capital, of securities giving access to the capital of the Company; such decision shall ipso jure entail the renunciation of the Company's shareholders, in favour of the holders of such securities as may be issued by companies in the Company's Group, of their preferential subscription rights to the shares or securities giving access to the capital of the Company to which such securities give the right;

5. resolves that the total nominal amount of capital increases carried out immediately and/or in the future by virtue of this delegation may not exceed €73,000,000, or the equivalent in any other currency or monetary unit established by reference to a number of currencies *i.e.*, on an indicative basis, approximately 50% of the registered share capital as at December 31, 2017, without taking account of the nominal value of such shares as may have to be issued in order to protect, in accordance with the applicable legal and regulatory provisions and any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares; it being stipulated that this amount shall be counted towards that of the overall ceiling set by the twenty-second resolution of this Shareholders' Meeting;

6. resolves that the securities giving access to the capital of the Company issued by virtue of this resolution may consist of debt securities or be associated with the issue of such securities, or permit their issue as intermediate securities; in particular they may take the form of subordinated or non-subordinated securities, with fixed duration or not, and be issued in euros, foreign currency or any monetary units established by reference to a number of currencies, it being specified that the nominal amount of the debt securities so issued may not exceed €750,000,000 or the equivalent in foreign currency. This amount will be increased if applicable by any redemption premium in excess of par;

7. resolves that shareholders may exercise, under the terms provided by law, their irreducible preferential subscription rights to such shares and securities as may be issued by virtue of this resolution, and that the Board of Directors may further grant shareholders a reducible preferential subscription right, which they may exercise in proportion to their subscription rights and in any case within the limit of their requests. If irreducible and, if applicable, reducible subscriptions do not absorb the entire issue of shares or securities, the Board of Directors may, at its discretion, make use in such order as it sees fit of the options provided by Article L. 225-134 of the French Commercial Code, or only of some of them, and in particular of that of offering all or some of the unsubscribed securities to the public;

8. takes due note of the fact that this resolution entails the renunciation by shareholders of their preferential subscription rights to the shares to which the securities issued by virtue of this delegation may give the right;

9. resolves, in the event that the Board of Directors should make use of this delegation, that the Board shall be required to report on such use to the following Ordinary Shareholders' Meeting, in accordance with applicable legislative and regulatory provisions;

10. sets at twenty-six (26) months from the date of this Shareholders' Meeting the duration of the validity of the delegation of issuing powers forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the twenty-ninth resolution of the Shareholders' Meeting of April 29, 2016;

11. grants in particular, but without limitation, all such powers as may be necessary for the Board of Directors to:

- to decide on the capital increase and/or determine the securities to be issued,
- to decide on the amount of the issue and the issue price, as well as the amount of the premium, which may, as appropriate, be paid upon issue,
- to determine the dates and methods of the issue, and the nature, number and characteristics of the securities to be created; to decide, furthermore, in the case of bonds or other debt securities (including the securities giving the right to the allocation of debt securities referred to in Article L. 228-91 of the French Commercial Code), on whether or not they are to be subordinated (and if so, their subordination ranking, in accordance with the provisions of Article L. 228-97 of the French Commercial Code), to set their rate of interest (and in particular whether a fixed or variable rate, zero coupon or indexed) and to specify, if applicable, any circumstances of compulsory or optional suspension or non-payment of interest, stipulate their term (fixed or perpetual), and the possibility of a reduction or increase in their nominal value, and to set the other terms of issuance (including the granting of guarantees or security interests) and of amortisation (including the possibility of redemption by delivery of company assets); if applicable such securities may be accompanied by warrants entitling their holders to the allotment, acquisition or subscription of bonds or other debt instruments, or provide the capacity for the Company to issue debt securities (fungible or not) in lieu of interest payment suspended by the Company, or take the form of complex debt instruments in the sense understood by the market authorities (for example, due to their redemption or compensation terms or other rights such as indexation or option rights); and to amend, during the life of the relevant securities, the above terms, in compliance with the applicable formalities,
- to determine the method of payment for the shares or securities to be issued immediately or in the future,
- to set, if necessary, the procedures for exercising rights (such as rights of conversion, exchange or redemption, including by delivery of assets of the Company such as treasury shares or securities already issued by the Company) attaching to the shares or securities to be issued and in particular to set the date (which may be retroactive) on which the new shares will vest, and all other conditions and means of carrying out the capital increase if applicable,
- to set, if applicable, the terms on which the Company will have, at any time or during specified periods, the right to purchase or exchange the securities issued or to be issued immediately or in the future with a view to cancelling them or not, in accordance with the law,
- to allow for the option of suspending the exercise of the rights attached to the issued securities as permitted by relevant laws and regulations,
- on its sole initiative, to charge the costs of capital increases to the amount of the associated premiums and deduct from said amount the sums necessary to fund the legal reserve,
- to make all such adjustments as may be appropriate in order to take account of the impact of transactions on the Company's capital or equity, in particular in the event of a change in the nominal value of the share, a capital increase through capitalisation of reserves, the free allotment of shares, a stock split or reverse stock split, the distribution of dividends, reserves or premiums or any other assets, the redemption of capital, or of any other transaction affecting the equity or the share capital (including in the event of a public offering and/or a change of control), and to set all other conditions under which, if necessary, the rights of holders of securities giving access to the share capital (including through cash adjustments) will be protected,
- to arrange, if applicable, the admission to trading on a regulated market of the ordinary shares to be issued, or on a regulated market or a trading system as provided for in Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse, of securities to be issued;
- to duly record completion of each issue and if applicable amend the Bylaws accordingly, and
- in general, to enter into any agreements, including the signing of any collateral arrangement, in order, notably, to ensure that the envisaged issue is successfully completed, take any measures and conduct any formalities required for the purposes of the issue, the listing and financial servicing of the shares issued under the terms of this delegation of authority, as well as the exercising of the rights associated therewith.

16th RESOLUTION Delegation of powers to the Board of Directors for it to decide to increase the share capital by issuing shares and/or securities conferring access to the Company’s capital and/or securities conferring the right to the allocation of debt securities in the context of an offering as referred to by Section II of Article L. 411-2 of the French Monetary and Financial Code, with preferential subscription rights being cancelled

The Shareholders’ Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders’ Meetings, having taken note of the Board of Directors’ report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129-2, L. 225-136, L. 225-132, L. 225-134, L. 228-91 and L. 228-92, and with the provisions of Articles 228-91 *et seq.* of the French Commercial Code:

1. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to carry out one or more capital increases, cancelling shareholders’ preferential subscription rights, in such proportions and at such times as it sees fit, by issuing, in France and/or abroad, within the framework of the offers referred to in Article L. 411-2, II of the French Monetary and Financial Code, shares and/or securities giving access by any means, immediately and/or in the future, to shares in the Company with the same characteristics as those described in the fourteenth resolution, the subscription of which may be in cash or by offsetting receivables, or partly by the capitalisation of reserves, profits or premiums or, under the same terms, to decide to issue securities giving access to the existing capital of the Company; offers decided on by virtue of this resolution in accordance with Section II of Article L. 411-2 of the French Monetary and Financial Code may be associated, in the context of a single issue or of several issues carried out simultaneously, with offers to the public with cancellation of the preferential subscription right;

2. resolves that in the event of a public offer being made by a third party for the Company’s shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders’ Meeting;

3. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its powers to decide to issue securities giving access to the capital of companies in which it holds more than half of the capital directly or indirectly;

4. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to issue shares or securities giving access to the capital of the Company to be issued following the issue, by companies in which the Company directly or indirectly holds more than half of the capital, of securities giving access to the capital of the Company; such decision shall ipso jure entail the renunciation of the Company’s shareholders, in favour of the holders of such securities as may be issued by companies in the Company’s Group, of their preferential subscription rights to the shares or securities giving access to the capital of the Company to which such securities give the right;

5. resolves that:

- the total nominal amount of the capital increases to be carried out immediately and/or in the future by virtue of this delegation may not exceed €14,650,000 or the equivalent in any other currency or monetary unit established by reference to a number of currencies *i.e.*, on an indicative basis, approximately 10% of the registered share capital as at December 31, 2017, it being specified that this amount will be counted towards the nominal ceiling for capital increases provided in the twenty-second resolution or such other ceilings as may be provided by subsequent similar resolutions superseding said resolution during the validity of this delegation; it being specified that it is set without taking account the nominal value of such shares as may have to be issued in order to protect, in accordance with the applicable legal and regulatory provisions and any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company’s share capital, of stock option or purchase plans, or of rights to the allocation of free shares,
- the nominal amount of the debt securities to be issued by virtue of this delegation may not exceed €220,000,000 or the equivalent of this amount in foreign currency, it being specified that this amount will be increased if applicable by any redemption premium in excess of par;

6. resolves to cancel the preferential right of shareholders to subscribe for the shares or securities issued by virtue of this resolution and to offer these securities as part of an offer as referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code under the terms and within the maximum legal limits provided by the laws and regulations;

7. resolves that if subscriptions do not absorb the entire issue of shares or securities giving access to the capital, the Board of Directors may make use, in such order as it sees fit, of any of the following options:

- limit the issue to the amount of the subscriptions, providing it reaches at least three quarters of the capital increase decided upon, or
- freely distribute all or part of the unsubscribed securities;

8. takes due note of the fact that this resolution entails the renunciation by shareholders of their preferential subscription rights to the shares to which the securities issued by virtue of this delegation may give the right;

9. takes due note of the fact that, in accordance with Article L. 225-136 1, 1st paragraph of the French Commercial Code:

- the issue price of the shares issued directly will be at least equal to the minimum laid down in the applicable regulatory provisions on the date of issue (currently the weighted average of the prices of the past three trading sessions on the regulated market of Euronext Paris SA preceding the setting of the subscription price of the capital increase less a discount of no more than 5%), after any necessary correction of this average for any difference between the vesting dates,

- the issue price of the securities giving access to the capital and the number of shares to which the conversion, redemption or more generally transformation of each transferable security giving access to the capital may give the right, shall be such that the sum received immediately by the Company, plus any sum to be received by it subsequently, for each share issued as a result of the issue of these securities, is at least equal to the minimum subscription price defined in the previous paragraph;

10. resolves, in the event that the Board of Directors should make use of this delegation, that the Board shall be required to report on such use to the following Ordinary Shareholders' Meeting, in accordance with applicable legislative and regulatory provisions;

11. sets at twenty-six (26) months from the date of this Shareholders' Meeting the duration of the validity of the delegation of powers to issue forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the thirtieth resolution of the Shareholders' Meeting of April 29, 2016;

12. grants in particular but without limitation, all powers to the Board of Directors, for it:

- to decide on the capital increase and/or determine the securities to be issued,
- to determine the form, nature and characteristics of the securities to be created and to set the conditions of issue, notably the dates, periods and methods of issue,
- to set the issue prices, the amounts to be issued and the date, which may even be retroactive, on which the securities will vest,
- to determine the method of payment for the shares/or securities,
- to set the terms, if applicable, on which the Company will have, at any time or during specified periods, the right to purchase or exchange, on the stock exchange or otherwise, the shares or securities giving access to shares issued or to be issued,
- to determine and make all such adjustments as may be necessary in order to take account of the impact of transactions on the Company's capital or equity, in particular in the event of a change in the nominal value of the share, of a capital increase through the capitalisation of reserves, of the free allotment of shares, of a stock split or reverse stock split, of the distribution of dividends, reserves or premiums or any other assets, of redemption of capital, or of any other transaction affecting equity or the share capital (including in the event of a public offering and/or change of control), and to take, as a result of the issue of shares and/or securities giving access to the capital, all necessary measures to protect the rights of holders of securities giving access to Company's share capital, of options conferring the right to subscribe new shares or buy existing shares, or of rights to the free allotment of shares (including through cash adjustments), in accordance with the legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, and to suspend, if applicable, the exercise of the rights attaching to these securities, in accordance with legal and regulatory provisions,
- at its sole discretion and if it sees fit, to charge the costs, expenses and fees relating to the issues to the amount of the associated premiums and to deduct from said amount the sums necessary to fund the legal reserve so that it reaches 10% of the new amount of capital resulting from the capital increase,
- to arrange, if applicable, the admission to trading on a regulated market of the ordinary shares to be issued, or on a regulated market or a trading system as provided for in Regulation (EU) No. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse, of securities to be issued;
- generally, to take all such measures, enter into all such agreements and perform all such formalities as may be necessary to ensure the successful completion of the contemplated issuances, to properly record the capital increases and to amend the Bylaws accordingly,
- in the event of the issue of debt securities, to decide in particular whether they are to be subordinated or not, to set their interest rate, their term, the redemption price (fixed or variable, with or without premium), the methods of amortisation and the conditions under which these securities will give a right to Company shares; to amend the above-mentioned elements throughout the life of the securities concerned, in accordance with applicable formalities.

17th RESOLUTION Authorisation to be given to the Board of Directors to set the issue price of the ordinary shares and/or securities giving access to the capital in accordance with certain procedures, within a limit of 10% of the capital per year, in the context of capital increases by means of the issue of shares without preferential subscription rights

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors, in accordance with the provisions of Article L. 225-129-2 and the second paragraph of Article L. 225-136 1 of the French Commercial Code, authorises the Board of Directors, with the power to sub-delegate subject to statutory or legal conditions, for such issues as it decides upon in application of the fourteenth and sixteenth resolutions of this Shareholders' Meeting and within the limit of 10% of the share capital as at the issue date, for a period of one year, to derogate from the rules for setting the issue price of shares as defined in the aforementioned resolutions by applying [a discount of up to 5% of the weighted average of the prices listed in the last three trading sessions on the regulated Euronext Paris market preceding the date on which the subscription price of the capital increase is set.

The issue price of securities other than ordinary shares shall be such that, for every share issued as a result of the issue of these securities, the amount received immediately by the Company plus, where applicable, the amount likely to be received in the future, is equal to or greater than the amount referred to in the previous paragraph.

The Shareholders' Meeting takes due note of the fact that the Board of Directors must produce a supplementary report, certified by the statutory auditors, describing the definitive terms of the transaction and giving an assessment of its effective impact on the shareholders' position.

This authorisation is granted for a period of twenty-six [26] months from the date of this Shareholders' Meeting.

18th RESOLUTION Delegation of powers to the Board of Directors for it to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights, in the framework of the provisions of Article L. 225-135-1 of the French Commercial Code

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-135-1 and R. 225-118 of the French Commercial Code,

1. delegates authority to the Board of Directors, which may sub-delegate this authority in accordance with the law, to decide to increase the number of securities to be issued if the Company's capital is increased, with or without preferential subscription rights, by virtue of issues decided upon in the context of each of the fourteenth, fifteenth and sixteenth resolutions, at the same price as that used for the initial issue, within the time limits and other limits provided for by applicable regulations on the issue date (currently within thirty days of the end of the subscription period and within the limit of 15% of the original issue), in particular in order to grant an over-allotment option in accordance with market practice;

2. resolves that the nominal amount of capital increases decided pursuant to this resolution will be deducted from the amount of the ceilings stipulated in the fourteenth, fifteenth and sixteenth resolutions by virtue of which the initial issue was decided and from the amount of the overall ceiling provided for in the twenty-second resolution of this Shareholders' Meeting or, if applicable, from the amount of such ceilings as may be provided by similar resolutions that may supersede said resolutions during the term of validity of this delegation;

3. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

4. sets at twenty-six (26) months from the date of this meeting the duration of the validity of the delegation of powers to issue forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the thirty-fourth resolution of the Shareholders' Meeting of April 29, 2016;

5. resolves, in the event that the Board of Directors should make use of this delegation, that the Board shall be required to report on such use to the following Ordinary Shareholders' Meeting, in accordance with applicable legislative and regulatory provisions.

19th RESOLUTION **Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities conferring access to the Company's capital, with preferential subscription rights being cancelled, with a view to remunerating contributions in kind made to the Company and consisting of equity instruments or securities giving access to capital other than by public exchange offer**

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129-2 and L. 225-147 of the French Commercial Code,

1. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to issue, in one or more transactions, within the limit of 10% of the Company's share capital, shares and/or securities giving access by any means, immediately or in the future, to shares of the Company with a view to remunerating contributions in kind granted to the Company and consisting of equity instruments or securities giving access to the capital, when the provisions of Article L. 225-148 of the French Commercial Code are not applicable;

2. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

3. sets at twenty-six (26) months from the date of this Shareholders' Meeting the duration of the validity of the delegation of issuing powers forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the thirty-second resolution of the Shareholders' Meeting of April 29, 2016;

4. takes due note of the absence of preferential subscription rights of holders of ordinary shares to the shares or securities so issued, and takes due note of the fact that this delegation entails shareholders' renunciation of their preferential subscription rights to the shares of the Company to which such securities as may be issued on the basis of this delegation may give the right;

5. grants all necessary powers to the Board of Directors for it to implement this resolution, and in particular to approve, based on the report of the statutory auditors referred to in the first and second paragraphs of Article L. 225-147 of the French Commercial Code, the valuation of the contributions, to determine the amount and terms of the issues, the nature and characteristics of the securities to be issued, and if applicable the amount of any compensation to be paid, to approve the granting of particular benefits, to reduce the valuation of contributions, if the contributors consent to it, or to reduce compensation by way of particular benefits, set the dates (which may be retroactive) on which securities to be issued will vest, to make all such adjustments as may be appropriate in order to take account of the impact of transactions on the Company's capital or equity, in particular in the event of a change in the nominal value of the share, of a capital increase through the capitalisation of reserves, of the free allotment of shares, of a stock split or reverse stock split, of the distribution of dividends, reserves or premiums or any other assets, of redemption of capital, or of any other transaction affecting the equity or the share capital, and to set all other conditions under which, if necessary, the rights of holders of securities or other rights giving access to the share capital, of options conferring the right to subscribe or buy shares or of rights to the allotment of free shares will be protected in accordance with the legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, record the capital increase remunerating the contribution, arrange the listing of the securities to be issued, at its sole discretion and if it sees fit, to charge the costs, expenses and fees relating to the issues to the amount of the associated premiums and to deduct from said amount the sums necessary to fund the legal reserve so that it reaches 10% of the new amount of capital resulting from the capital increase and to amend the Bylaws accordingly; and

6. resolves that the total nominal amount of the capital increases carried out under this delegation, which may not exceed 10% of the share capital, will be counted towards the ceiling provided in the twenty-second resolution of this Meeting or, if applicable, the amount of such ceiling as may be provided by a similar subsequent resolution replacing said resolution during the period of validity of this delegation; it being specified that it is set without taking account of the nominal value of such shares as might be issued in order to protect, in accordance with applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of options to subscribe or purchase shares, or of rights to the allocation of free shares.

20th RESOLUTION Authorisation to be granted to the Board of Directors for it to increase the share capital by capitalising reserves, profits, premiums and other items

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code,

1. delegates authority to the Board of Directors, which may sub-delegate under the terms provided by the law, to decide to carry out capital increases in one or more stages and in such proportions and at such times as it sees fit, by capitalising premiums, reserves, profits or other items that can legally and statutorily be capitalised, or by allocating free new shares or by increasing the nominal value of the existing shares or a combination of both these procedures;

2. Resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

3. sets at twenty-six (26) months from the date of this Shareholders' Meeting the duration of the validity of the delegation of issuing powers forming the subject of this resolution, which cancels and replaces, for the unused portion, the delegation granted by the thirty-third resolution of the General Meeting of shareholders of April 29, 2016;

4. resolves that the nominal amount of the capital increases carried out by virtue of this delegation, plus the amount necessary to protect, in accordance with the applicable legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, the rights of holders of securities giving access to the capital of the Company, of options to subscribe or buy shares or of rights to the allotment of free shares, may not exceed 10% of the authorised share capital as set out in the Bylaws as at December 31, 2017, or the equivalent in any other currency or monetary unit established by reference to a number of currencies, and is independent and distinct from the ceilings for capital increases resulting from issues of shares or securities giving access to the capital authorised by the other resolutions of this Shareholders' Meeting;

5. grants the Board of Directors, in particular but without limitation, all such powers as may be necessary in the event that use is made of this delegation, under the terms established by the law:

- to set the amount and nature of the sums to be added to the capital, set the number of new shares to be issued or the amount by which the nominal value of the existing shares forming the share capital is to be increased, to set the date (which may be retroactive) on which the new shares will vest or on which the increased nominal value will take effect,
- to decide, in the event of allocation of free shares, that fractional lots will not be negotiable and that the corresponding shares will be sold; proceeds from the sale will be allocated to the holders of rights no later than 30 days after the date on which the whole number of shares allocated is entered in their account,
- to make all such adjustments as may be appropriate in order to take account of the impact of transactions on the Company's capital or equity, in particular in the event of a change in the nominal value of the share, of a capital increase through the capitalisation of reserves, of the free allotment of shares, of a stock split or reverse stock split, of the distribution of dividends, reserves or premiums or any other assets, of redemption of capital, or of any other transaction affecting the equity or the share capital, and to set all other conditions under which, if necessary, the rights of holders of securities or other rights giving access to the share capital (including by means of cash adjustments) will be protected in accordance with the legislative and regulatory texts and, if applicable, any contractual or statutory stipulations providing other cases of adjustment,
- to record the implementation of each capital increase and amend the Bylaws accordingly, and
- generally, to make all such arrangements and enter into all such agreements as may be conducive to ensuring the successful conclusion of the transactions envisaged, to take all such measures and perform all such formalities as may be useful for the listing and financial servicing of the securities issued, and to perform all such acts and formalities as may be necessary or useful to render definitive such capital increase(s) as may be carried out by virtue of this delegation.

21st RESOLUTION — Delegation of powers to the Board of Directors for it to increase the share capital by issuing shares and/or securities giving access to the Company's capital, reserved to participants in company savings plans, with preferential subscription rights being cancelled

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-129 *et seq.* of the French Commercial Code and in particularly Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1, and with the provisions of Articles L. 3332-18 to L. 3332-24 of the French Labour Code,

1. delegates to the Board of Directors, with the power to sub-delegate under the terms provided by the law, its power to decide to issue, in one or more transactions, ordinary shares of the Company or any other transferable security giving immediate or future access to the ordinary shares of the Company or of any other company in which the Company holds, directly or indirectly, more than half the share capital, reserved to members of a company savings plan of the Company and, if applicable, of the French or foreign companies related to it under the terms defined in Articles L. 225-80 of the French Commercial Code and L. 3344-1 of the French Labour Code;

2. resolves that in the event of a public offer being made by a third party for the Company's shares, the Board of Directors may not make use of this delegation of powers during the offer period without the prior authorisation of the Shareholders' Meeting;

3. resolves that the total nominal amount of the capital increases carried out immediately or in the future by virtue of this delegation may not exceed 2% of the Company's share capital on the day on which this delegation is used, nor may it exceed 1% per sliding 12-month period, it being specified that this amount will be counted towards the overall ceiling established by the twenty-second resolution, and that this total nominal amount does not take account of such adjustments as might be made in accordance with applicable legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, to safeguard the rights of holders of securities giving access to the capital;

4. sets at twenty-six (26) months from the date of this Shareholders' Meeting the duration of the validity of the delegation of powers of issuance forming the object of this delegation;

5. resolves that the issue price of such equity instruments as may be issued in application of this delegation shall be determined under the terms provided in Articles L. 3332-18 *et seq.* of the French Labour Code and shall be at least equal to 80% of the weighted average of the listed prices of the shares of the Company on the regulated Euronext market in Paris for the twenty trading sessions preceding the date of the resolution of the Board of Directors setting the subscription starting date for members of a company savings plan, or to 70% of this average if the lock-up period provided for by the plan in application of Articles L. 3332-25 and L. 3332-26 of the French Labour Code is equal to or greater than 10 years;

6. resolves, in application of Article L. 3332-21 of the French Labour Code, that the Board of Directors may allocate, free of charge, to the above-mentioned beneficiaries, shares to be issued or already issued or other securities giving access to the Company's capital to be issued or already issued, by way of Company contribution or, if applicable, by way of discount, subject to their financial exchange value, assessed at the subscription price, not having the effect of exceeding the limits provided by Articles L. **3332**-18 *et seq.* and L. 3332-11 of the French Labour Code;

7. resolves that the characteristics of the other securities giving access to the capital of the Company will be established by the Board of Directors, or its duly appointed delegate, under the terms set by the regulations;

8. resolves to cancel, in favour of the above-mentioned beneficiaries, shareholders' preferential subscription right to the shares and securities giving access to the capital the issue of which forms the subject of this delegation, said shareholders also renouncing, in the event of the free allocation to the above-mentioned beneficiaries of shares or securities giving access to the capital, all rights to said shares or securities giving access to the capital, including such portion of reserves, profits or premiums as may be capitalised by reason of the allocation of said free securities on the basis of this resolution;

9. resolves that the Board of Directors shall have all powers necessary to determine all the conditions and methods of the transactions, to defer the implementation of the capital increase, and in particular: (i) to decide whether subscriptions may be carried out directly or *via* the intermediary of company mutual funds or other structures or entities permitted by the provisions of the applicable laws or regulations, (ii) to establish the list of companies covered by the offer, (iii) to set the opening and closing dates for subscriptions, take all necessary measures to protect the rights of holders of securities or other rights giving access to the Company's capital, in accordance with the legal and regulatory provisions and, if applicable, any contractual stipulations providing other cases of adjustment, (iv) to record the completion of the capital increase in the amount of the equity instruments or securities giving access to the capital that will actually be subscribed, and to amend the Bylaws accordingly, (v) to deduct the fees, expenses and costs arising from the issues from the amount of corresponding premiums and to charge to this amount such sums as may be necessary in order to fund the legal reserve, (vi) to make arrangements, if applicable, for the admission to trading on a regulated market of the ordinary shares or securities to be issued or the shares issued as a result of the exercise of securities giving access to capital to be issued, (vii) to carry out all such formalities, make all such declarations and request all such authorisations as might prove necessary for the implementation of these issuances and (viii) more generally to perform all such acts as may be necessary to achieve the successful completion of the transactions.

22nd RESOLUTION Overall limit of authorisations of issues maintaining or cancelling preferential subscription rights

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the Board of Directors' report and the special report of the statutory auditors:

1. resolves, as a consequence of the adoption of the fourteenth, fifteenth, sixteenth, eighteenth, nineteenth, twentieth and twenty-first resolutions, to set as follows the limits of the amounts of the issues authorised in the event that the Company's Board of Directors makes use of these delegations of powers;

- the maximum nominal amount of the capital increases, immediate or future, that may be carried out by virtue of the fourteenth, fifteenth, sixteenth, eighteenth, nineteenth, twentieth and twenty-first resolutions is set at €73,000,000 or the equivalent in any other currency or monetary unit established by reference to a number of currencies,
- to this ceiling will be added, as appropriate, the nominal amount of shares that might be issued in the case of further financial transactions, in order to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of options to subscribe or buy new shares, or of rights to the allocation of free shares;

2. resolves, as a consequence of the adoption of the fourteenth, fifteenth, sixteenth, eighteenth, nineteenth, twentieth and twenty-first resolutions, to set as follows the limits of the amounts of the issues authorised in the event that the Company's Board of Directors makes use of these delegations of powers:

- the overall maximum nominal amount of the securities representing claims on the Company that can be issued by virtue of the fourteenth, fifteenth, sixteenth, eighteenth, nineteenth, twentieth and twenty-first resolutions is set at €730,000,000 or the equivalent in any other currency or monetary unit established by reference to a number of currencies.

23rd RESOLUTION Authorisation to be granted to the Board of Directors to reduce the share capital by cancelling shares held by the Company as a result of buybacks

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, having taken note of the special report of the statutory auditors,

In accordance with the provisions of Articles L. 225-209 of the French Commercial Code,

1. authorises the Board of Directors to cancel, through one or more transactions, within the limit of 10% of the total shares forming the share capital existing at the date of the transaction, per 24-month period, all or part of the shares that the Company holds or might hold, to reduce the share capital accordingly and to deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves, including the legal reserve for up to 10% of the cancelled share capital;

2. authorises the Board of Directors to reduce the share capital accordingly; and

3. resolves that the Board of Directors shall have all such powers, with the power to delegate them under the terms provided by the law, as may be necessary in order to implement this resolution, and in particular:

- to establish the definitive amount of this or these capital reduction(s), set its/their terms and record its/their execution,
- to amend the Bylaws accordingly, and
- to perform all such formalities, carry out all such procedures and make all such declarations as may be necessary with any entities or bodies, and in general to perform all such acts as may be necessary.

This authorisation replaces that granted by the Shareholders' Meeting of May 19, 2017, and is granted for a duration of 18 months from the date of this meeting.

24th RESOLUTION Authorisation to be granted to the Board of Directors to carry out the free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers in the Company and related companies,

The Shareholders' Meeting, deliberating with the *quorum* and majority required for Extraordinary Shareholders' Meetings, and having taken note of the Board of Directors' report and the statutory auditors' report, in accordance with the provisions of Articles L. 225-197-2 to L. 225-197-3 of the French Commercial Code:

1. authorises the Board of Directors to carry out, on one or more occasions, free allocations of existing or newly issued company shares, subject to performance conditions, in favour of employees, some of those among them, certain categories of employees and/or eligible corporate officers of the Company, and of companies linked to it under the conditions in Article L. 225-197-2 of the French Commercial Code;

2. decides that the total number of free shares allocated under the present resolution may not represent more than 2% of the Company's authorised share capital as set out in the Bylaws as at December 31, 2017, this amount not accounting for supplemental shares to be issued or allocated to preserve the rights of the beneficiaries in the event of transactions carried out on the capital of the Company;

3. decides that, subject to the above, the Board of Directors will determine the identity of beneficiaries of allocations, the number of free shares allocated to each of them, as well as the performance conditions associated with the vesting of the shares;

4. decides that said free shares allocated to their beneficiaries will vest at the end of the vesting period set by the Board of Directors, which may not be less than thirty (30) months;

5. authorises the Board of Directors to provide for the final allocation of shares before the end of the vesting period, and the free transferability of such shares in the event of disability of the beneficiary corresponding to the second or third category described in Article L. 341-4 of the French Social Security Code;

6. decides that the award of new free shares to be issued according to this decision will, at the end of the vesting period, increase the capital by incorporating reserves, profits or issue premiums in favour of the beneficiaries of said shares, excluding the allocation of existing free shares previously purchased by the Company as part of the share buyback programme approved in the twelfth resolution;

7. notes that, when the allocation concerns shares to be issued, this authorisation automatically entails waiver by the shareholders of their preferential right of subscription;

8. authorises the Board of Directors to carry out, as applicable, during the vesting period, adjustments to the number of shares to be allocated, as may be required following transactions on the capital of the Company, in order to preserve the rights of the beneficiaries;

9. decides to create a special reserve account not available for distribution, and to fund it during the vesting period in order to carry out this allocation of free shares;

10. moreover **grants** all powers to the Board of Directors, with the option of subdelegation in accordance with the law, to carry out this authorisation and the free share allocation plan, and, in particular:

- to determine, when the Company issues shares to be allocated free of charge, the number of these shares that are to be allocated to a beneficiary,
- to determine, when these shares are issued, the amount of reserves, profits or premiums to be incorporated into the capital,
- to define the terms of the related free share plans, which will mainly serve to define the methods for the allocation of free shares, as well as the performance conditions and the lock-up obligations for these free shares,
- to record the capital increase that is carried out and amend the Company's Bylaws accordingly,
- to authorise the Board of Directors to carry out, as applicable, during the vesting period, adjustments to the number of shares to be allocated, as may be required following transactions on the capital of the Company, in order to preserve the rights of the beneficiaries,
- to carry out as necessary the buyback of company shares in order to allocate free shares under the conditions presented in this resolution, in particular, as part of the share buyback programme authorised in the twelfth resolution,
- to accomplish all acts and formalities relating to the implementation of the free share allocation plan, and more broadly, to carry out all that is necessary to this effect;

11. sets at thirty-eight (38) months, from the present day, the validity of this authorisation which substitutes that agreed by the Shareholders' Meeting of May 19, 2017.

The Board of Directors will inform the Annual Shareholders' Meeting each year of the transactions carried out as part of this resolution.

25th RESOLUTION Powers to carry out the formalities

The Shareholders' Meeting grants all powers to the holder of an original, copy or certified extract of the minutes of this meeting, to accomplish all formalities of Registration, publication or all other required formalities.

7.4 Statutory Auditors' Report on Related Party Agreements and Commitments

Annual general meeting held to approve the financial statements for the year ended 31 December 2017

To the Shareholders,

As Statutory Auditors of your Company, we hereby present our report on related party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose and benefits to the Company of the agreements and commitments brought to our attention or which we encountered during our engagement. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements and commitments exist. It is your responsibility, under the terms of Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the merit of these agreements and commitments with a view to approving them.

In addition, it is our responsibility, where appropriate, to inform you, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), of the agreements and commitments approved at the Annual General Meeting in prior financial years.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Those standards require that we plan and perform our work to verify that the information provided to us is consistent with the documents from which it was derived.

Agreements and commitments submitted for approval at the Annual General Meeting

Agreements and commitments authorised during the financial year

In accordance with Article L.225-38 of the French Commercial Code (*Code de commerce*), we hereby inform you that we were not advised of any agreements or commitments authorised during the year that were submitted for approval at the Annual General Meeting.

Agreements and commitments previously approved at Annual General Meetings

Agreements and commitments approved in prior years, which continued to apply during the financial year

In accordance with Article R.225-30 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments, which were approved at Annual General Meetings in prior years and continued to apply in the financial year.

Service agreement between the Company and Bain Capital Private Equity

- Authorisation: Supervisory Board meeting on 26 May 2016

- Entity concerned: Magnolia BC Holdco, an American company holding a share of the voting rights representing more than 10% of the capital controlled by Bain Capital Private Equity, within the meaning of Article L.233-3 of the French Commercial Code (*Code de commerce*)

- Nature and purpose: Service agreement for the provision of free consultancy and support services for the Company's strategic initiatives

- Terms and conditions: Reinvoicing by Bain Capital of expenses incurred. No expenses invoiced for the period between 1 January 2017 and 19 May 2017

- Purpose and benefits to the Company: Draw on Bain Capital Private Equity's strategic expertise, and its knowledge of the Maisons du Monde Group

- The agreement expired when Bain Capital withdraw from the Company's shareholding structure

Service agreement between the Company and Compagnie Marco Polo

- Authorisation: Supervisory Board meetings on 7 September 2015 and 26 May 2016

- Person concerned: Xavier Marie, Chairman of Compagnie Marco Polo and member of the Company's Supervisory Board

- Nature and purpose: Service agreement for the provision of strategic consultancy services to the Chief Executive Officer (CEO), Gilles Petit, in the areas of household appliances, furnishings and decorations

- Terms and conditions: Invoicing the sum of €141,771 (excl. VAT) for services and related expenses for the period between 1 January 2017 and 15 March 2017

- Purpose and benefits to the Company: Draw on Compagnie Marco Polo's expertise and unique experience in the furniture industry to ensure growth and development

- The agreements expired on 15 March 2017.

Commitment with regard to the CEO: termination indemnity

- Authorisation: Supervisory Board meeting on 26 May 2016,

- Person concerned: Gilles Petit, Director and CEO

- Nature and purpose: Termination indemnity paid to the CEO in the event of termination of his term of office, except for gross misconduct or mismanagement resulting in criminal prosecution

- Terms and conditions:

- In the event his term of office is terminated prior to 31 December 2017, a sum equivalent to 24 months' of average gross monthly compensation (which includes variable and fixed compensation, excluding the exceptional bonus received in connection with the planned IPO), calculated as the sum of (A) the monthly average fixed compensation paid in the 24 months preceding termination of the term of office (or as of 7 September 2015, the date Mr Gilles Petit was appointed Chairman of the Company, as a Private Limited Liability Company, if his term of office is terminated before the expiry of a 24-month period from that date); and (B) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received in connection with the planned IPO (or the last annual variable compensation payment if only one payment was made at the date of termination of Mr Gilles Petit's term of office), and

- In the event the term of office is terminated after 1 January 2018, a sum equal to 50% of the amount calculated in accordance with the above paragraph.

- Purpose and benefits to the Company: Payment of the indemnity conditional upon the Group achieving revenue growth.

Nantes, 26 March 2018

KPMG Audit
Department of KPMG S.A.
Gwénaël Chedaleux
Partner

Neuilly-sur-Seine, 26 March 2018

Deloitte & Associés
Jean Paul Seguret
Partner

Additional information

8

8.1 Persons responsible

8.1.1 IDENTITY AND FUNCTION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Gilles Petit

Chief Executive Officer

8.1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT INCORPORATING THE ANNUAL FINANCIAL REPORT

"I hereby declare that, having taken all reasonable measures to this end, the information contained in this Registration Document is, to the best of my knowledge, correct and that it does not contain any omission liable to alter its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and that they give a true and fair view of the assets, financial position and results of the Company and of all the companies included in the consolidation, and that the management report, referenced in the cross-reference table on page 302 of the Registration Document gives a true picture of business developments, the results and financial position of the Company and of all companies included in the consolidation, as well as a description of the main risks and uncertainties facing them.

I have obtained from the statutory auditors a letter of completion in which they indicate that they have verified the information concerning the financial position and the financial statements given in this Registration Document, and that they have read the entire Registration Document."

20 April 2018,
Gilles Petit
Chief Executive Officer

8.1.3 PERSON RESPONSIBLE FOR FINANCIAL REPORTING

Arnaud Louet
Chief Financial Officer

MAISONS DU MONDE
Le Portereau
Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France

Tel.: +33 (0)2 51 71 17 17
Email: investor.relations@maisonsdumonde.com
Website: www.corporate.maisonsdumonde.com

8.2 Persons responsible for auditing the financial statements

8.2.1 INFORMATION ON THE STATUTORY AUDITORS

Statutory auditors

KPMG SA

Represented by Gwenael Chedaleux

Registered member of the Compagnie Régionale des comptes de Versailles.

3 Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Continuing in force since the financial year ended 31 December 2014, the authorisation granted to EXCO BRETAGNE ABO (in the Company's Bylaws), which was absorbed by KPMG SA, until KPMG SA's expiration date, or until the end of the Shareholders' Meeting convened to approve the financial statements for the financial year ended 31 December 2019.

Deloitte & & Associés

Represented by Jean Paul Séguret

Registered member of the Compagnie Régionale des comptes de Versailles.

185 avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

Alternate statutory auditors

Salustro Reydel

Registered member of the Compagnie Régionale des comptes de Versailles.

3 Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Appointed at the Shareholders' Meeting of 30 June 2015 for the remaining term of the resigning predecessor, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

CISANE

Registered member of the Compagnie Régionale des comptes de Versailles.

185 avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

8.2.2 FEES OF THE STATUTORY AUDITORS

For more information, see note 37 of section 5.1.6 "Notes to the consolidated financial statements" of this Registration Document.

8.3 Investor relations and documents on display

8.3.1 INVESTOR RELATIONS

The Investor Relations Department is responsible for the Group's financial communication. It also manages relations with financial analysts, institutional investors and shareholders of the Company, including individual shareholders. Throughout the year, The Investor Relations Department maintains regular contact with the financial community and ensures that the market has the most up-to-date and comprehensive information possible in order to correctly grasp the Company's business model, strategy and financial outlook. These exchanges and the disclosure of financial information are carried out in strict compliance with market regulations and the principle of equality of treatment and information for investors.

The Group organises conference calls for financial analysts and institutional investors as part of the release of its annual and interim results. Individual meetings between officers of the Company and institutional investors are also held several times a year at roadshows and conferences organised by financial intermediaries in France and internationally.

During 2017, meetings were organised in several countries in Europe (France, United Kingdom, Germany, Switzerland, Italy, Denmark, Sweden), and North America (United States, Canada).

Investor Relations contact
Laurent Sfaxi
Head of Investor Relations
MAISONS DU MONDE
Le Portereau
Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France
Tel.: +33 (0)2 51 71 17 17
Email: investor.relations@maisonsdumonde.com
Website: www.corporate.maisonsdumonde.com

8.3.2 FINANCIAL INTERMEDIARY FOR REGISTERED SHAREHOLDERS

Maisons du Monde has entrusted the management of registered shareholder accounts to Société Générale Securities Services.

SOCIÉTÉ GÉNÉRALE SECURITIES SERVICES
32, rue du Champ-de-Tir
BP 81236
44312 Nantes Cedex 3
France
Tel.: +33 (0)2 51 85 50 00
Website: www.securities-services.societegenerale.com

8.3.3 INDICATIVE FINANCIAL COMMUNICATION CALENDAR

Maisons du Monde's indicative financial communication calendar for 2018 is as follows:

Date	Event
06/03/2018	Full year 2017 results
20/04/2018	Filing of the 2017 Registration Document with the *AMF*
03/05/2018	First quarter 2018 sales
18/05/2018	Combined Shareholders' Meeting
18/06/2018	Ex-coupon date
19/06/2018	Release of positions for setting the dividend payment
20/06/2018	Payment of the dividend
30/07/2018	First half 2018 results
11/07/2018	Third quarter 2018 sales

8.3.4 2017 ANNUAL INFORMATION DOCUMENT

For 2017, the list of press releases and financial documents published by Maisons du Monde is as follows: (information available on the Company's website: www.corporate.maisonsdumonde.com):

Date	Topic
31/01/2017	Monthly information on treasury share buybacks for January 2017
31/01/2017	Monthly information on the voting rights and shares comprising the capital at 31 January 2017
28/02/2017	Monthly information on treasury share buybacks for February 2017
28/02/2017	Monthly information on the voting rights and shares comprising the capital at 28 February 2017
06/03/2017	Full year 2016 results
14/03/2017	Information on the sale of shares by Magnolia (BC)
05/04/2017	Monthly information on treasury share buybacks for March 2017
05/04/2017	Monthly information on the voting rights and shares comprising the capital at 31 March 2017
25/04/2017	Publication of 2016 Registration Document
28/04/2017	Publication of information on the Combined Shareholders' Meeting of 19 May 2017
30/04/2017	Monthly information on treasury share buybacks for April 2017
30/04/2017	Monthly information on the voting rights and shares comprising the capital at 30 April 2017
02/05/2017	First quarter 2017 sales
17/05/2017	Information on the sale of shares by Magnolia (BC)
24/05/2017	Information on the compensation of the Chief Executive Officer
31/05/2017	Monthly information on treasury share buybacks for May 2017
31/05/2017	Monthly information on the voting rights and shares comprising the capital at 31 May 2017
06/06/2017	Half-yearly summary of the liquidity contract
06/07/2017	Monthly information on treasury share buybacks for June 2017
06/07/2017	Monthly information on the voting rights and shares comprising the capital at 30 June 2017
27/07/2017	First half 2017 results
08/08/2017	Publication of 2017 Half-Year Financial report
29/08/2017	Monthly information on treasury share buybacks for July 2017
29/08/2017	Monthly information on the voting rights and shares comprising the capital at 31 July 2017
29/08/2017	Details of the 2017-2018 share buyback programme
05/09/2017	Monthly information on treasury share buybacks for August 2017
05/09/2017	Monthly information on the voting rights and shares comprising the capital at 31 August 2017
05/10/2017	Monthly information on treasury share buybacks for September 2017
05/10/2017	Monthly information on the voting rights and shares comprising the capital at 30 September 2017
05/10/2017	Half-yearly summary of the liquidity contract
09/10/2017	Weekly reporting on the share buyback programme - week of 2 to 6 October 2017
23/10/2017	Third quarter 2017 sales
08/11/2017	Monthly information on treasury share buybacks for October 2017
08/11/2017	Monthly information on the voting rights and shares comprising the capital at 31 October 2017
09/11/2017	Implementation of a liquidity agreement with Exane BNP Paribas
29/11/2017	First day of issue of an OCEANE bond maturing in 2023 for a maximum nominal amount of €200 million
29/11/2017	Successful issue of an OCEANE bond maturing in 2023 for a maximum nominal amount of about €200 million
04/12/2017	Monthly information on treasury share buybacks for November 2017
04/12/2017	Monthly information on the voting rights and shares comprising the capital at 30 November 2017

8.3.5 DOCUMENTS ON DISPLAY

The documents relating to the Company to be made available to the public, and in particular the Bylaws, minutes of General Meetings, statutory auditors' reports and other corporate documents, as well as historical financial information, may be consulted in accordance with the applicable law at the registered office of the Company (Maisons du Monde, Le Portereau 44120 Vertou). Regulated information within the meaning of the provisions of the General Regulation of the *AMF*, is also available on the website of the Company (www.corporate.maisonsdumonde.com).

8.4 Information incorporated by reference

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is incorporated by reference into this Registration Document:

- the consolidated financial statements of Magnolia (BC) Midco SARL for the financial years ended 31 December 2015 and 31 December 2014 and the associated statutory auditors' report, as presented in paragraphs 20.1.1 and 20.1.2 respectively of the Base Document registered with the *Autorité des marchés financiers* on 18 April 2016 under number I-16-022;
- the review of the financial position and earnings of the Company presented in Chapter 9 of the base document registered with the *AMF* on 18 April 2016 under number I-16-022.

The document is filed with the *AMF* on 18 April 2016 under number I. 16-022, which is available on the website of the Company (www.corporate.maisonsdumonde.com) and of the *Autorité des marchés financiers* (www.*amf*-france.org).

8.5 Information on the Group's business and markets, and third party information

This Registration Document contains statistics, data and information on the Group's businesses and markets, including information on the size, historical developments and outlook for these markets, the Group's market positions and the competitive environment, as well as other segment and macroeconomic information. Unless otherwise specifically indicated to the contrary, this information was obtained from third parties, including public sources, such as the Banque de France, INSEE (the French national institute of statistics and economic studies) and IPEA (the French institute for the outlook and studies on the Furniture market). To the best of the Group's knowledge, no facts have been omitted which would render the information provided inaccurate or misleading.

8.6 Material contracts

8.6.1 SHAREHOLDERS' AGREEMENT WITH SDH LIMITED

In 2006, the Group signed a shareholder's agreement with the Hong Kong-based company SDH Limited for the creation of Chin Chin Limited, a limited liability company governed by Hong Kong law, and thereby subscribed to 50% of the share capital. Through its wholly owned subsidiary, Chin Chin Furnishing Company Limited, a limited liability Company governed by Chinese law, Chin Chin Limited manufactures and sells products under the “Maison du Monde” brand.

For more information, refer to Section 1.4.5 “Description of the Group's business” of this Registration Document.

8.6.2 SENIOR CREDIT FACILITY AND ADDITIONAL CREDIT FACILITY

In connection with its initial public offering, on 18 April 2016, Maisons du Monde contracted a senior credit facility with a banking pool related to the establishment of new senior credit facilities, including a syndicated credit of €250 million and a revolving credit facility of €75 million that were made available to the Group on the settlement and delivery date of the offering.

On 1 March 2017, Maisons du Monde also subscribed an additional €75 million revolving credit facility under the same conditions as those negotiated for the Group's debt refinancing operations in 2016.

For more information, refer to note 1 of section 5.1.6 of the “Notes to the consolidated financial statements” of this Registration Document.

8.7 Cross-reference tables

8.7.1 CROSS-REFERENCE TABLE OF THE REGISTRATION DOCUMENT

The following cross-reference table identifies the main items mentioned in Annex 1 of Commission Regulation (EC) No. 809/2004 of 29 April 2004.

N°	Heading of the *item* as per the regulation	Section(s)	Page(s)
1.	Persons responsible		
1.1	Persons responsible for the information contained in the document	8.1.1	292
1.2	Declaration of the persons responsible for the document	8.1.2	292
2.	statutory auditors		
2.1	Name and address of the statutory auditors of the issuer's accounts	8.2.1	293
2.2	statutory auditors that have resigned, been removed or not reappointed during the period covered	8.2.1	293
3.	Selected financial information		
3.1	Selected historical financial information	1.1 4.2.1	14 147
3.2	Historical financial information for interim periods	N/A	N/A
4.	Risk factors	1.8	47
5.	Information about the issuer		
5.1	History and development of the Company	1.2	16
5.1.1	Legal and commercial name of the issuer	6.1	238
5.1.2	Place and registration number of the issuer's	6.1	238
5.1.3	Date of incorporation and duration of the issuer	6.2	239
5.1.4	Domicile and legal form of the issuer, legislation governing its activities, country of incorporation, address and telephone number of its registered office	6.1	238
5.1.5	Important events in the development of the issuer's business	1.2 4.1 6.3.2	16 146 240
5.2	Investments		
5.2.1	Principal investments made by the issuer	1.6.1	45
5.2.2	Current principal investments of the issuer	N/A	N/A
5.2.3	Principal investments to be made by the issuer in the future	1.6.2	45
6.	Overview of activities		
6.1	Principal activities		
6.1.1	Nature of the transactions carried out by the issuer and its principal activities	1.4.1 1.4.5	19 30
6.1.2	New products and/or major services launched on the market	1.4.4	28
6.2	Main markets	1.4.2	21
6.3	Exceptional events affecting the information provided in accordance with points 6.1 and 6.2	N/A	N/A
6.4	Degree of dependency of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	1.7	46
6.5	Basis on which the issuer declares its competitive position	1.4.3	25
7.	Organisational chart		
7.1	Description of the Group and the position occupied by the issuer	1.3.1	17
7.2	List of the issuer's significant subsidiaries	1.3.2	18
8.	Intellectual property, plant and equipment		
8.1	Existing or planned significant items of property, plant and equipment, including leased properties, and major encumbrances thereon	1.5 5.1.6 – note 17	44 188

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N°	Heading of the *item* as per the regulation	Section(s)	Page(s)
8.2	Environmental issues liable to affect the issuer's use of its property, plant and equipment	2.2 2.3 2.4	77 82 85
9.	**Review of financial position and earnings**		
9.1	Financial condition of the issuer, changes in the financial condition and the results of operations carried out during each financial year and interim period for which historical financial information	4.2	147
9.2	Operating results		
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	4.2.3 4.2.4	148 149
9.2.2	Reasons for material changes in net sales or net revenues	4.2.2	147
9.2.3	Policies or factors of a governmental, economic, fiscal, monetary or political nature that have materially affected or could materially affect, directly or indirectly, the issuer's operations	1.8	47
10.	**Capital resources**		
10.1	Information on the issuer's capital resources	4.3 5.1.6 – note 27	152 194
10.2	An explanation of the sources and amounts of cash flows of the issuer and description of said cash flows	4.3.1 4.3.2	152 153
10.3	Information on the issuer's borrowing requirements and funding structure	5.3.3 – Notes 9-10	225
10.4	Information on any restrictions on the use of capital that have materially affected or could materially affect, directly or indirectly, the issuer's operations	N/A	N/A
10.5	Information on the anticipated sources of funds required to meet the commitments referred to in points 5.2.3 and 8.1	4.3	152
11.	**Research and development, patents and licenses**	**1.7**	**46**
12.	**Trend information**		
12.1	The most significant trends in production, sales and inventory, costs and selling prices since the end of the last financial year up to the date of the Registration Document	4.4	153
12.2	Known trends, uncertainties, demands or commitments or events reasonably likely to have a material effect on the issuer's prospects, at least for the current financial year	4.5	154
13.	**Profit forecasts or estimates**	**N/A**	**N/A**
14.	**Administrative, Management and Supervisory Bodies and Senior Management**		
14.1	Information concerning the members of administrative, management or supervisory bodies	3.1.1 3.1.2	118 124
14.2	Conflicts of interest within administrative, management or supervisory bodies and the Senior Management	3.1.2	124
15.	**Remuneration and benefits**		
15.1	Amount of compensation paid and benefits in kind granted by the issuer and its subsidiaries	3.2.1 5.1.6 – note 36	132 208
15.2	Total amount of provisions set aside or otherwise recognised by the issuer or its subsidiaries to provide pension, retirement or similar benefits	N/A	N/A
16.	**Board practices**		
16.1	Date of expiration of the current term of office of the members of the administrative, management or supervisory bodies	3.1.2	124
16.2	Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or any of its subsidiaries and providing for the granting of benefits	3.2.1	132
16.3	Information on the Audit Committee and the Remuneration Committee	3.1.1	118
16.4	Statement as to whether the issuer complies with the applicable corporate governance regime	3.1.1	118
17.	**Employees**		
17.1	Number of employees at the end of the period covered by the historical financial information or average number during each financial year of this period and breakdown of employees by main type of activity and geographic location	2.5.1	98
17.2	Profit-sharing and stock options	6.4.4	250
17.3	Agreement providing for the investment by employees in the capital of the issuer	3.2.2	141
18.	**Major shareholders**		

N°	Heading of the *item* as per the regulation	Section(s)	Page(s)
18.1	**Name of any person other than a member of the administrative, management or supervisory bodies who directly or indirectly has an interest in the share capital or voting rights of the issuer which is notifiable under the issuer's national law, and the amount of each such person's interest**	**6.4.1**	**248**
18.2	**Existence of different voting rights**	**6.2**	**239**
18.3	**Holding or control of the issuer, directly or indirectly, and measures in place to ensure that such control is not abused**	**6.4.2**	**248**
18.4	**Description of arrangements, known to the issuer, whose implementation could, at a subsequent date, result in a change in control of the issuer**	**6.4.6**	**250**
19.	**Related party transactions**	**3.1.1** **5.3.3 – note 23** **7.4**	**118** **230** **288**
20.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
20.1	**Historical financial information**	**1.1** **5.3.3 – note 26**	**14** **232**
20.2	**Pro-forma financial information**	**N/A**	**N/A**
20.3	**Financial statements**	**5.1.1** **5.1.2** **5.1.3** **5.1.4** **5.1.5**	**158** **159** **160** **162** **164**
20.4	**Auditing of historical annual financial information**		
20.4.1	Statement declaring that the historical financial information has been audited	5.2 5.4	211 233
20.4.2	Other information contained in the Registration Document verified by the statutory auditors	N/A	N/A
20.4.3	Indication of the source and the absence of audit of the financial information not drawn from the issuer's audited financial statements contained in the document	N/A	N/A
20.5	**Age of latest financial information**	**8.3.4**	**295**
20.6	**Interim and other financial information**		
20.6.1	Quarterly or half-yearly financial information	N/A	N/A
20.6.2	Interim financial information	N/A	N/A
20.7	**Dividend policy**	**6.6.1**	**252**
20.7.1	Dividend per share	6.6.2	252
20.8	**Legal and arbitration proceedings**	**1.8.2** **5.1.6 – note 30**	**61** **201**
20.9	**Significant change in the issuer's financial or trading position since the end of the last financial year**	**4.4**	**153**
21.	**Additional information**		
21.1	**share capital**		
21.1.1	Amount of issued capital	6.3.1	240
21.1.2	shares not representing capital	N/A	N/A
21.1.3	shares held by the issuer itself or on its behalf, or by its subsidiaries	6.3.1 6.3.5	240 247
21.1.4	Convertible or exchangeable securities or securities with warrants	4.1.2 5.1.6 – note 28	146 195
21.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	N/A	N/A
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	N/A	N/A
21.1.7	History of the share capital for the period covered by the historical financial information	6.3.2	240
21.2	**Articles of association and Bylaws**		
21.2.1	Corporate purpose of the issuer	6.2	239
21.2.2	Provisions contained in the issuer's Articles of association, Bylaws, a charter or regulation with respect to the members of the administrative, management and supervisory bodies	3.1.1 6.2	118 239
21.2.3	Rights, preferences and restrictions attached to each class of existing shares	6.2	239
21.2.4	Actions needed to change shareholder rights	6.2	239
21.2.5	Conditions governing the manner in which the Annual and Extraordinary General Meetings of shareholders are called	6.2	239

N°	Heading of the *item* as per the regulation	Section(s)	Page(s)
21.2.6	Provisions of the issuer's Articles of association, Bylaws, a charter or regulation that would have an effect of delaying, deferring or preventing a change in control of the issuer	6.4.6	250
21.2.7	Provisions of the Articles of association, Bylaws, a charter or regulations setting the threshold above which any shareholding must be declared	6.4.3	248
21.2.8	Conditions imposed by the Articles of association, Bylaws, a charter or regulation governing changes in the capital where such conditions are more stringent than the law	N/A	N/A
22.	**Material contracts**	**8.6**	**296**
23.	**Third party information and statement by experts and declarations of any interest**	**8.5**	**296**
24.	**Documents on display**	**8.3.5**	**295**
25.	**Information on holdings**	**1.3.2** **5.1.6 – note 38**	**18** **210**

8.7.2 CROSS-REFERENCE TABLE TO THE ANNUAL FINANCIAL REPORT

The following table serves to identify in this Registration Document the elements of the annual financial report provided for in Article L. 451-1-2 of the French Commercial Code and Article 222-3 of the *AMF* General Regulation.

N°	Information	Section(s)	Page(s)
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2.	Consolidated financial statements	5.1	158
3.	Management report containing at least the information referred to in Articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code	8.7.3	302
4.	Statement of the natural persons responsible for the annual financial report	8.1.2	292
5.	Statutory auditors' report on the annual financial statements	5.4	233
6.	Statutory auditors' report on the consolidated financial statements	5.2	211
7.	Fees of the statutory auditors	5.1.6 – note 37	209
8.	Report of the Chairman of the Board of Directors on corporate governance and internal control	3.1 7.2.1	118 258
9.	Statutory auditors' report on the report of the Chairman of the Board of Directors	3.3	143

8.7.3 CROSS-REFERENCE TABLE TO THE MANAGEMENT REPORT

The following table serves to identify in this Registration Document the elements of the Management report provided for in Articles L. 225-100 *et seq.*, L. 232-1.II and R. 225-102 of the French Commercial Code.

8.7.4 CROSS-REFERENCE TABLE FOR SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

This Registration Document contains all the elements required by Article R. 225-105-1 of the French Commercial Code, as set out in the table below.

N°	Information	Section(s)	Page(s)
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1.1	Total number and breakdown of employees by gender, age and geographical area	2.5.1	98
1.2	Hiring and dismissals	2.5.1	101
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5.2	Total number of hours of training	2.5.3	105
6.	**Equal treatment**		
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7.1	Respect for freedom of association and the right to collective bargaining	2.2.2	79
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7.4	The effective abolition of child labour	2.2.2	79
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1.2	Training actions and information for employees on the protection of the environment	2.1.3	74
1.3	The means devoted to the prevention of environmental risks and pollution	-	N/A
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2.	**Pollution**		
2.1	Measures to prevent, reduce or repair discharges into the air, water and soil that seriously affect the environment	2.4.5	96
2.2	Consideration of noise pollution and, where appropriate, of any other form of pollution specific to an activity	-	N/A

N°	Information	Section(s)	Page(s)
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3.1.2	Actions to combat food waste	-	N/A
3.2	Sustainable use of resources		
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	Information on societal commitments for sustainable development		
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5.	**Other actions in favour of human rights**	**2.2.2 2.5.5**	**79 108**

8.8 Glossary

Glossary

Glossary
SALES
Represent the revenue from sales of decorative items and furniture through the Group's retail stores, websites and BtoB activities. They mainly exclude (i) customer contribution to delivery costs, (ii) revenue for logistics services provided to third parties, and (iii) franchise revenue. The Group uses the concept of "sales" rather than "total revenue" to calculate like-for-like growth, gross margin, EBITDA margin and EBIT margin.
LIKE-FOR-LIKE SALES GROWTH
Represents the percentage change in sales from the Group's retail stores, websites and BtoB activities, net of product returns between one financial period (n) and the comparable preceding financial period (n-1), excluding changes in sales attributable to stores that opened or were closed during either of the comparable periods. Sales attributable to stores that closed temporarily for refurbishment during any of the periods are included.
GROSS MARGIN
Is defined as sales minus cost of sales. Gross margin is also expressed as a percentage of sales.
EBITDA
Is defined as current operating profit, excluding (i) depreciation, amortization, and allowance for provisions, (ii) the change in the fair value of derivative financial instruments, (iii) store pre-opening expenses, and (iv), only for 2016, pre-IPO management fees paid to the controlling shareholders.
EBIT
Is defined as EBITDA after depreciation, amortization, and allowance for provisions.
NET DEBT
Is defined as the Group's convertible bonds ("OCEANE"), term loan, revolving credit facilities, finance lease debt, deposits and bank borrowings, net of cash and cash equivalents.
LEVERAGE RATIO
Is defined as net debt divided by EBITDA.

8.9 Index

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