Maisons du Monde

Limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*)[1]
with a share capital of €75,540,060.54

Registered Office:

Le Portereau
44120 Vertou
793 906 728 Nantes Trade and Companies Register

REGISTRATION DOCUMENT

In accordance with its General Regulations (*Règlement Général*) and, in particular Article 212-23 thereof, the *Autorité des marchés financiers* (the "AMF") registered this Registration Document on April 18, 2016 under number I. 16-022. This document may not be used in the context of any securities offering unless completed by a Securities Note in respect of which the AMF has granted a *visa*. The Registration Document has been prepared by the issuer, and its signatories therefore assume responsibility for its contents.

This registration was granted after the AMF had verified that the document is complete and comprehensible and that the information it contains is coherent, in accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code. It does not imply that the AMF has verified the accounting and financial information presented herein.

Copies of this Registration Document may be obtained free of charge at Maisons du Monde's registered office at Le Portereau, 44120 Vertou, France, as well as on the dedicated website of Maisons du Monde, (www.maisonsdumonde.com) and on the website of the AMF (www.amf-france.org).

[1] As of the date of this Registration Document, the Company is a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*). Effective as of date of the settlement and delivery of the sale of the Company's shares (the "IPO Settlement Date") as part of the proposed admission to listing on the regulated market of Euronext Paris of the Company's shares (the "Proposed Admission"), the Company will adopt the form of a limited liability company with a board of directors (*société anonyme à conseil d'administration*). The description of the corporate form and corporate bodies of the Company contained in this Registration Document is that of the corporate form and bodies of the Company as they will exist as of the IPO Settlement Date. See Chapter 5, "Group Information", Chapter 7, "Organizational Chart", Chapter 10, "Liquidity and Capital Resources" and Chapter 14, "Administrative, Management and Supervisory Bodies and Senior Management" of this Registration Document.

NOTE

In this Registration Document:

- the terms “Company” and “Maisons du Monde” refer to Maisons du Monde SA;
- the term “Group” refers to Maisons du Monde and its consolidated subsidiaries, collectively;
- the term “Proposed Admission” refers to the proposed admission to listing on the regulated market of Euronext Paris of the Company’s shares;
- the term “IPO Settlement” refers to settlement and delivery of the sale of the Company’s shares as part of the Proposed Admission;
- the term “IPO Settlement Date” refers to date of the IPO Settlement;
- the term “Bain Capital” refers to the several funds controlled by Bain Capital Private Equity (Europe), LLP;
- the term "Bain Luxco" refers to Magnolia (BC) Holdco S.à r.l., a company incorporated under the laws of Luxembourg for purposes of the acquisition by Bain Capital of the Company in 2013; Bain Luxco is fully-owned by Bain Capital and is, as of the date of this Registration Document, an indirect parent company of the Company; Bain Luxco will become, following the Reorganization to occur on the IPO Settlement Date (as described in Section 7.1.3, "Description of the Reorganization" of this Registration Document), a direct shareholder of the Company;
- the term "Luxco 2" refers to Magnolia (BC) Luxco S.C.A., a company incorporated under the laws of Luxembourg, which is, as of the date of this Registration Document, the direct holding company of Luxco 3 (as defined below) and an indirect parent company of the Company; Luxco 2 will be merged, through a series of transactions, with the Company on the IPO Settlement Date;
- the term "Luxco 3" refers to Magnolia (BC) Midco S.à r.l., a company incorporated under the laws of Luxembourg, which is, as of the date of this Registration Document, the direct subsidiary of Luxco 2 and an indirect parent company of the Company; Luxco 3 will be merged, through a series of transactions, with the Company on the IPO Settlement Date; and
- the term "Luxco 4" refers to Magnolia (BC) SA, a company incorporated under the laws of Luxembourg, which is, as of the date of this Registration Document, the direct subsidiary of Luxco 3 and the direct parent company of the Company; Luxco 4 will be merged, through a series of transactions, with the Company on the IPO Settlement Date.

Forward-looking Statements

This Registration Document contains “forward-looking statements” regarding the prospects and growth strategies of the Group. Forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group’s control and all of which are based on the Group’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “will”, “aims”, “intends”, “should”, “could”, “anticipates”, “estimates”, “plans”, “assumes” and “might”, or, if applicable, the negative form thereof, other variations thereon or comparable expressions or formulations. Forward-looking statements are not guarantees of future performance and the Group's actual financial condition, results of operations and cash flows and the developments in the industry where the Group operates may differ materially from those made in or suggested by the forward-looking statements contained in this Registration Document. The forward-looking statements contained in this Registration Document are based on data, assumptions, and estimates that the Group considers reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments. Forward-looking statements appear in a number of chapters of this Registration Document and include statements relating to the Group's intentions, estimates and targets with respect to its markets, strategies, growth, results of operations, financial situation and liquidity. The Group's forward-looking statements speak only as of the date of this Registration Document. Absent any applicable legal or regulatory requirements, the Group expressly disclaims any obligation to update any forward-looking statements contained in this Registration Document to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward-looking statement contained in this Registration Document is based. For a discussion of risks that may affect the occurrence or achievement of such forward-looking statements, see Chapter 4, "Risk Factors" of this Registration Document. In addition, new risks, uncertainties and other factors may emerge that may cause actual results to differ materially from those contained in any forward-looking statements.

Information on the Market and Competitive Environment

This Registration Document contains information about the Group's markets and its competitive position, including information about the size of such markets. In addition to estimates made by the Group, the facts on which the Group bases its statements are taken primarily from a study performed by an internationally recognized expert at the Company's request (see Chapter 23, "Third-Party Information and Statement by Experts and Declarations of Any Interest" of this Registration Document), as well as from studies, estimates, research, information and statistics of independent third parties and professional organizations and figures published by the Group's competitors, suppliers and customers, as well as the Company's own experience and knowledge of conditions and trends in the markets in which the Group operates.

These various studies, estimates, statistics research and information, which the Company considers reliable, have not been independently verified by the Company or any other person. The Group believes that the market information included herein is useful in explaining the major trends in the Group's industry. However, the Group has not independently verified any third-party information and cannot guarantee that a third party using other methods to collect, analyze or compile the market data would obtain the same results. The Group's competitors may also define their markets and product categories differently than the Group does. In addition, given the demand dynamics of homeware products, the market or the Group's competitive position may evolve differently from the projections included in this Registration Document. Investors should not place undue reliance on the industry and market data included herein. The Company undertakes no obligation to publish any updates to the market information contained herein unless required by law or stock exchange regulation.

Non-IFRS Financial Measures

This Registration Document includes certain unaudited measures of the Group's performance that are not required by or presented in accordance with IFRS, including: (i) Customer Sales; (ii) EBIT and EBITDA; (iii) like-for-like Customer Sales growth; (iv) gross margin; (v) cash flow conversion and (vi) free cash flow. The Group presents these measures because it believes them to be important supplemental measures of performance and cash flow that are commonly used by securities analysts, investors and other interested parties in the evaluation of companies in the Group's industry and that such measures can prove helpful in enhancing the visibility of underlying trends in the Group's operating performance. However, these measures have limitations as analytical tools and they should not be treated as substitute measures for those stated under IFRS and they may not be comparable to similarly titled measures used by other companies. See Chapter 9, "Operating and Financial Review" and Chapter 10, “Liquidity and Capital Resources” of this Registration Document for a discussion of these financial measures and certain reconciliations to comparable IFRS measures.

Risk Factors

Investors should carefully consider the risk factors in Chapter 4, “Risk Factors” of this Registration Document. The occurrence of any such risks, separately or in combination, could have a material adverse effect on the Group’s business, reputation, financial condition, results of operations or prospects. Furthermore, additional risks that have not yet been identified or that are not considered material by the Group as of the date of this Registration Document could produce adverse effects.

Trademarks and Trade Names

The Group owns or has rights to certain trademarks or trade names that it uses in conjunction with the operation of its business. Each trademark, trade name or service mark of any other company appearing in this Registration Document belongs to its respective holder.

Rounding

Certain data contained in this Registration Document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform to the total percentage given.

Websites and Hyperlinks

References to any website or the content of any hyperlink contained in this Registration Document do not form a part of this Registration Document.

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CHAPTER 1. PERSONS RESPONSIBLE

1.1 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Mr. Gilles Petit, Chief of the Management Board of the Company and Managing Director (*gérant*) of Luxco 3.

1.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby certify, having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained from the statutory auditors a letter of completion of their work (*lettre de fin de travaux*) in which they state that they have verified the information relating to the financial position and the consolidated financial statements presented in this Registration Document, and have read this Registration Document in its entirety.

The statutory auditors have issued reports in respect of the consolidated financial statements of Magnolia (BC) Midco S.à r.l. and the profit forecasts of the Group presented in this Registration Document.

The statutory auditors' report on the consolidated financial statements of Magnolia (BC) Midco S.à r.l. as of and for the fiscal years ended December 31, 2015, 2014 and for the period from June 10, 2013 to December 31, 2013 is included in Section 20.1.2, "Statutory Auditor's Report on the Group Consolidated Annual Financial Statements" of this Registration Document and contains the following observation:

"*Without qualifying our opinion, we draw your attention to Note 6 "Change in accounting policies, reclassifications and restatements" to the consolidated financial statements setting out the impact of the retrospective application of IFRIC 21 "Levies" and prior misstatements and reclassifications as of December 31, 2013 and 2014 and for the period from June 10, 2013 to December 31, 2013 and the year ended December 31, 2014.*"

Mr. Gilles Petit

April 18, 2016

Chief of the Management Board (*Président du Directoire*) of Maisons du Monde S.A.

Managing Director (*gérant*) of Magnolia (BC) Midco S.à r.l.

1.3 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Mr. Arnaud Louet
Group Chief Financial Officer, Maisons du Monde S.A.
Le Portereau, 44120 Vertou
Tel: +33 (0)2 51 71 52 05

CHAPTER 2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 STATUTORY AUDITORS

KPMG SA

Represented by Vincent Broyé.

Tour Eqho, 2 avenue Gambetta, C.S. 60055, 92066 Paris La Défense Cedex KPMG is a member of the *Compagnie Régionale des Commissaires aux Comptes* (the Regional Association of Auditors) of Versailles.

Statutory auditor as acknowledged by decision of the sole shareholder of the Company on June 30, 2015 for a term which will end at the close of the shareholders' meeting called to approve the consolidated financial statements for the fiscal year ending on December 31, 2019. Exco Bretagne ABO was appointed as statutory auditor pursuant to the bylaws at the time of incorporation of the Company on June 24, 2013, for a term that will end at the close of the shareholders' meeting called to approve the consolidated financial statements for the fiscal year ending on December 31, 2019. Exco Bretagne ABO merged with and into KPMG SA, which took over Exco Bretagne ABO's appointment as statutory auditors of the Company, as acknowledged by decision of the sole shareholder of the Company on June 30, 2015.

2.2 ALTERNATE STATUTORY AUDITORS

SALUSTRO REYDEL

Represented by Jean-Claude Reydel.

Tour Eqho, 2 avenue Gambetta, C.S. 60055, 92066 Paris La Défense Cedex Salustro Reydel is a member of the *Compagnie Régionale des Commissaires aux Comptes* (the Regional Association of Auditors) of Versailles.

Appointed as alternate statutory auditor by decision of the sole shareholder of the Company on June 30, 2015 for a term which will end at the close of the shareholders' meeting called to approve the consolidated financial statements for the fiscal year ending on December 31, 2019.

2.3 ADDITIONAL AUDITORS

In accordance with applicable regulations and in connection with the Proposed Admission, a second statutory auditor and a second alternative statutory auditor will be appointed by the Company before the date of approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

CHAPTER 3. SELECTED FINANCIAL INFORMATION AND OTHER DATA

3.1 PRESENTATION OF THE FINANCIAL INFORMATION IN THIS REGISTRATION DOCUMENT

The Company was established and registered with the Paris Trade and Companies Register on June 27, 2013[2] as an intermediate holding company vehicle in connection with the acquisition of the Group by its current shareholders. Following such acquisition, the consolidation of the Group's financial statements was performed at the level of Luxco 3 as parent holding company of the Company, which will be merged, as of the date of the Proposed Admission, into the Company. Consequently, unless otherwise indicated, the consolidated financial information presented in this Registration Document is the historical consolidated financial information of Luxco 3 and its subsidiaries.

The financial information presented below is derived from the audited consolidated financial statements of Luxco 3 for the years ended December 31, 2015 and 2014 and for the period from June 10, 2013 to December 31, 2013 included in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document. With respect to the year 2013, due to the fact that the fiscal year for Luxco 3 for that period was an abbreviated period from incorporation in June 2013 to the year-end, this information also comprises a *pro forma* consolidated income statement of Luxco 3 for the year ended December 31, 2013 prepared to reflect a full calendar year's trading using the consolidated financial information of Luxco 3's predecessor as well as the impact of the acquisition and refinancing of the Group as if they had been completed on January 1, 2013. In these consolidated financial statements, the historical consolidated financial information for the year ended December 31, 2014 and for the period from June 10, 2013 to December 31, 2013 has been restated to reflect the retrospective application of IFRIC 21 "Levies", which was applied by the Group from January 1, 2015, as well as the correction of certain misstatements and reclassifications, as explained in Note 6 ("Change in accounting policies, reclassifications and restatements") to such consolidated financial statements, which are presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document. These consolidated financial statements for the years ended December 31, 2015 and December 31, 2014 and for the period from June 10, 2013 to December 31, 2013 have been prepared in accordance with IFRS as adopted by the European Union and have been audited by KPMG (France). The *pro forma* income statement for the year ended December 31, 2013 has been prepared in accordance with the basis of preparation set out in Note 8 ("Business combination and comparative financial information for the year ended December 31, 2013") to these consolidated financial statements, is presented for illustrative purposes only and does not purport to represent what the actual results of operations would have been if the events for which the *pro forma* adjustments were made had occurred on the dates assumed. The statutory auditor's report on these consolidated financial statements is included in Section 20.1.2, "Statutory Auditor's Report on the Group Consolidated Annual Financial Statements" of this Registration Document.

The perimeter of consolidation reflected in the audited financial statements presented in this Registration Document includes Luxco 3 and its direct and indirect subsidiaries, including the Company and Luxco 4, the direct holding company of the Company, which had no operations other than the incurrence and service of the Group's third-party and shareholder debt and related tax impact and which will be merged, along with Luxco 3, with the Company, through a series of transactions, on the IPO Settlement Date. As a result, the principal differences between the Luxco 3 results of operations and financial position for the periods presented herein and a theoretical consolidation at the level of the Company for the same periods would be the interest expenses related to Luxco 4's High Yield Notes (as defined below)(which will be repaid and redeemed in connection with the Refinancing described in Chapter 10,

[2] The Company amended its registration to the Nantes Trade and Companies Register on August 9, 2013.

"Liquidity and Capital Resources" of this Registration Document), mirrored by the interest income on Luxco 4's proceed loans to the Company, as well as preferred equity certificates of Luxco 3 in Luxco 4, the overheads and equity of Luxco 3 and Luxco 4 and associated tax consequences.

The tables presented below in Section 3.3, "Selected Consolidated Income Statement Data", Section 3.4, "Selected Consolidated Statement of Financial Position Data" and Section 3.5, "Selected Consolidated Statement of Cash Flows Data" of this Registration Document present selected financial information and other data of the Group as of and for the periods ended on the dates indicated below.

The information in this section should be read together with: (i) the Group's audited consolidated financial statements contained in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document; (ii) the Group's analysis of its results of operations presented in Chapter 9, "Operating and Financial Review" of this Registration Document; and (iii) the Group's analysis of its liquidity and capital resources presented in Chapter 10, "Liquidity and Capital Resources" of this Registration Document.

3.2 FUTURE FINANCIAL REPORTING

Following the Proposed Admission, the Group will be required to publish consolidated financial statements prepared in accordance with IFRS as adopted by the European Union at the level of the Company. Though the Group expects to prepare consolidated condensed interim financial statements for the three months ending March 31, 2016 in accordance with IAS 34, the standard of IFRS as adopted by the European Union applicable to interim financial statements, such quarterly interim financial statements will be prepared for the purpose of the Proposed Admission, as well as to comply with the reporting covenant of the Group's high yield Euro-denominated bonds in an aggregate principal amount of €325.0 million issued in 2013 (the "High Yield Bonds", see Section 10.2, "Financial Resources" of this Registration Document). Following the IPO Settlement Date and the repayment in full of the High Yield Bonds, interim financial statements will be exclusively prepared for the first six months of the financial year. As a result, the consolidated interim financial statements of the Company for the six months ending June 30, 2016 are expected to be the first financial statements of the Company following the IPO Settlement Date.

3.3 SELECTED CONSOLIDATED INCOME STATEMENT DATA OF LUXCO 3

3.3.1 Summary consolidated income statement

(*in € millions*)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***(Restated)***	**Year ended December 31, 2013** ***(Pro forma)***	**From June 10, 2013 to December 31, 2013** ***(Restated)***
Retail revenue	701.4	607.2	547.5	307.0
Of which Customer Sales	*699.4*	*604.7*	*545.1*	*305.6*
Other revenue	22.0	18.8	15.8	8.6
Revenue	**723.4**	**626.0**	**563.3**	**315.5**
Cost of sales	(225.3)	(190.2)	(170.1)	(94.0)
Personnel expenses	(148.5)	(129.4)	(122.4)	(65.3)
External expenses	(256.3)	(231.8)	(204.9)	(106.5)
Depreciation, amortization and allowance for provisions	(25.4)	(22.0)	(20.2)	(12.0)
Change in fair value – Derivative financial instruments	2.7	27.9	(5.0)	(10.4)
Other income and expenses from operations	(5.2)	(6.8)	(4.7)	(2.6)
Current operating profit before other	**65.5**	**73.7**	**35.9**	**24.7**

(*in € millions*)	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	Year ended December 31, 2013 *(Pro forma)*	From June 10, 2013 to December 31, 2013 *(Restated)*
operating income and expenses				
Other operating income and expenses	(0.6)	(2.1)	(11.3)	(11.3)
Operating profit (loss)	**64.9**	**71.6**	**24.6**	**13.4**
Financial profit (loss) – net	**(70.7)**	**(68.0)**	**(65.1)**	**(31.3)**
Share of profit (loss) of equity-accounted investees	0.1	0.0	(1.2)	(1.2)
Profit (loss) before income tax	**(5.8)**	**3.7**	**(41.7)**	**(19.1)**
Income tax	(8.2)	(10.0)	7.6	2.7
PROFIT (LOSS) FOR THE PERIOD	**(13.9)**	**(6.3)**	**(34.1)**	**(16.4)**
Attributable to:				
Owners of the parent	(13.9)	(6.3)	(34.1)	(16.4)
Non-controlling interests	-	-	-	-

3.3.2 Reconciliation of EBITDA to current operating profit before other operating income and expenses

(*in € millions*)	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	Year ended December 31, 2013 *(Pro forma)*
Current operating profit before other operating income and expense	**65.5**	**73.7**	**35.9**
Depreciation, amortization and allowance for provisions	25.4	22.0	20.2
Change in fair value – Derivative financial instruments	(2.7)	(27.9)	5.0
Management fees	2.9	2.5	2.2
Pre-opening expenses	3.4	2.6	1.9
EBITDA[1]	**94.5**	**72.9**	**65.3**

[1] The Group defines EBITDA as its current operating profit before other operating income and expenses excluding (i) depreciation, amortization and allowance for provisions and (ii) the change in fair value of its derivative instruments, which are both non-cash items, as well as (iii) the management fees paid to the controlling shareholders to cover management and administrative expenses and (iv) pre-opening expenses which relate to expenses incurred prior to the opening of new stores and include leases and related charges, personnel expenses, energy and temporary staff costs including for the set-up of store merchandising). EBITDA is not a measure of performance or liquidity under IFRS. See the paragraph entitled “Non-IFRS Financial Measures” of this Registration Document.

3.3.3 Selected segmental data

(in € millions)	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	Year ended December 31, 2013 *(Pro forma)*	From June 10, 2013 to December 31, 2013 *(Restated)*
Customer Sales by segment:				
France	460.2	409.1	378.9	211.2
International	239.2	195.6	166.1	94.4
Total Customer Sales	**699.4**	**604.7**	**545.1**	**305.6**
Sales to franchise and promotional sales	2.0	2.5	2.4	1.3
Total Retail revenue	**701.4**	**607.2**	**547.5**	**307.0**
Other Revenue	22.0	18.8	15.8	8.6
Total Revenue	**723.4**	**626.0**	**563.3**	**315.5**
EBITDA by segment:				
France	100.0	79.3	72.2	
International	42.6	34.0	29.9	
Corporate[1]	(48.1)	(40.4)	(36.9)	
Total EBITDA	**94.5**	**72.9**	**65.3**	

[1] The corporate segment includes shared operating activities and headquarters costs of the Group not allocated to either geographical segment and CICE. "CICE" refers to the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) adopted in the French Third Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*). CICE is a subsidy, applicable since January 1, 2013, calculated as a percentage of wages paid to certain French employees. CICE is accounted for as a deduction from personnel costs. See Section 9.2.4, "Segment Information" of this Registration Document for further information.

3.3.4 Customer Sales breakdown

Customer Sales by product category (%)	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	Year ended December 31, 2013 *(Pro forma)*	From June 10, 2013 to December 31, 2013 *(Restated)*
Customer Sales				
Decoration	56.4%	57.4%	60.0%	63.7%
Furniture	43.6%	42.6%	40.0%	36.3%
Total Customer Sales	100.0%	100.0%	100.0%	100.0%

Customer Sales by distribution channel (in € millions)	Year ended December 31, 2015	%	Year ended December 31, 2014 *(Restated)*	%	Year ended December 31, 2013 *(Pro forma)*	%	From June 10, 2013 to December 31, 2013 *(Restated)*	%
Customer Sales								
Stores	578.8	82.8%	513.4	84.9%	472.2	86.6%	267.5	87.5%
Online	120.6	17.2%	91.3	15.1%	72.9	13.4%	38.2	12.5%
Total Customer Sales	**699.4**	**100.0%**	**604.7**	**100.0%**	**545.1**	**100.0%**	**305.6**	**100.0%**

3.3.5 Other financial data

	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	Year ended December 31, 2013 *(Pro forma)*
Like-for-like Customer Sales growth(1)	+8.7%	+2.8%	n/a
Gross Margin %(2)	67.8%	68.5%	68.8%
Store rents and related rental charges (in € millions)(3)	61.5	55.0	49.4
EBITDA Margin %(4)	13.5%	12.1%	12.0%
EBITDA (excluding Corporate) Margin % France(4)	21.7%	19.4%	19.1%
EBITDA (excluding Corporate) Margin % International(4)	17.8%	17.4%	18.0%
EBIT (in € millions)(5)	69.1	50.9	45.1

(1) Like-for-like Customer Sales growth represents the percentage change in Customer Sales from the Group's retail stores, online sales platforms and B2B activities, net of returns, between one financial period (n) and the comparable preceding financial period (n-1), excluding changes in Customer Sales attributable to stores that opened or were closed during any of the periods that are being compared. Customer Sales attributable to stores that closed temporarily for refurbishment during any of the period are included. See Section 9.2.3.1, "Like-for-like Customer Sales Growth" of this Registration Document.

(2) Gross margin is defined as Customer Sales minus cost of sales, expressed as a percentage of Customer Sales.

(3) Store rents and related rental charges is defined as rental expenses for stores only and is calculated as follows: retail/web leases and related expenses (see Sections 9.3.4 and 9.4.4, "External Expenses" of this Registration Document) minus web leases and related expenses of €(0.1) million, €(0.1) million and €(0.2) million for the years ended December 31, 2015, 2014 and 2013, respectively.

(4) EBITDA margin and EBITDA (excluding Corporate) margin is expressed as a percentage of Customer Sales. See Section 9.2.4, "Segment Information" of this Registration Document for further information. EBITDA is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures" of this Registration Document.

(5) The Group defines EBIT as EBITDA less depreciation, amortization and allowance for provisions. EBIT is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures" of this Registration Document. The following table provides a reconciliation of the Group's EBIT to its EBITDA for the years indicated:

	Year ended December 31,		
(in € millions)	2015	2014 *(Restated)*	2013 *(Pro forma)*
EBITDA	94.5	72.9	65.3
Depreciation / amortization expense and allowance for provisions	(25.4)	(22.0)	(20.2)
EBIT	**69.1**	**50.9**	**45.1**

3.3.6 Other data

	2015	2014	2013
Number of stores at year end	262	241	236
Of which France	*193*	*185*	*186*
Of which International	*69*	*56*	*50*
Store selling surface area at year end (in thousands of square meters)[3]	286	250	226
Of which France	*172*	*157*	*149*
Of which International	*113*	*93*	*77*

[3] Source: Maisons du Monde.

3.4 SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA OF LUXCO 3

3.4.1 Summary consolidated statement of financial position of Luxco 3

	As of December 31,		
(in € millions)	**2015**	**2014** ***(Restated)***	**2013** ***(Restated)***
Non-current assets	721.5	703.3	703.3
of which goodwill	*321.2*	*321.2*	*320.9*
of which other intangible assets	*242.0*	*236.8*	*237.3*
of which property, plant and equipment	*116.7*	*104.9*	*97.9*
Current assets	258.7	217.4	189.6
of which inventories	*102.3*	*107.4*	*84.9*
of which trade and other receivables	*45.9*	*41.7*	*32.5*
of which cash and cash equivalents (excluding bank overdrafts)	*76.4*	*38.8*	*64.8*
Total assets	**980.3**	**920.7**	**892.9**
Equity	17.4	31.0	37.6
of which equity attributable to owners of the parent	*17.4*	*31.0*	*37.6*
of which non-controlling interests	-	-	-
Non-current liabilities	783.7	744.2	708.1
of which non-current borrowings	*311.8*	*309.0*	*307.2*
of which other non-current financial debts	*380.5*	*345.8*	*314.2*
Current liabilities	179.2	145.5	147.2
of which current portion of borrowings	*11.4*	*11.5*	*20.0*
of which other current financial debts	*15.3*	*13.9*	*12.7*
of which trade and other payables	*151.8*	*119.6*	*107.1*
Total equity and liabilities	**980.3**	**920.7**	**892.9**

3.4.2 Net third-party financial debt reconciliation of Luxco 3

	As of December 31,		
(in € millions)	**2015**	**2014** ***(Restated)***	**2013** ***(Restated)***
Third-party financial debt (1) (2)	323.2	320.5	327.2
Cash and cash equivalents (excluding bank overdrafts)	(76.4)	(38.8)	(64.8)
Net third-party financial debt (3)	**246.8**	**281.7**	**262.4**

(1) "Third-party financial debt" of Luxco 3 corresponds to total borrowings and other financial debts of Luxco 3, less the amounts outstanding under the Luxco 3 Shareholder Loans (as defined in Section 7.1.3.1, "Reorganization Steps" of this Registration Document) issued by Luxco 3 to Luxco 2 in connection with the Bain Capital acquisition of the Group in 2013. As part of the Reorganization to be implemented on the IPO Settlement Date, the Luxco 3 Shareholder Loans (which amounted to €395.8 million of principal amount and accrued interest as of December 31, 2015) will disappear as a result of the mergers of the Company's holding companies into the Company. See Section 7.1.3, "Description of the Reorganization" and Section 10.2.2.1, "Overview of the Refinancing" of this Registration Document.

(2) "Third-party financial debt" of Luxco 3 does not reflect the Luxco 2 Shareholder Loans and the Luxco 2 Vendor Loans (as defined in Section 7.1.3.2, "Conversion of Luxco 2 Shareholder Loans" and Section 7.1.3.3, "Repayment of Luxco 2 Vendor Loans" of this Registration Document, respectively), which have been issued by Luxco 2 (the direct holding company of Luxco 3) to certain former and new shareholders of the Group in connection with the acquisition of the Group by Bain Capital in 2013 and as such do not appear on the consolidated balance sheet of Luxco 3 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document. As part of the Reorganization to be implemented on the IPO Settlement Date in connection with the Proposed Admission, the Luxco

2 Shareholder Loans (which amounted to €352.7 million of principal amount and accrued interest as of December 31, 2015) will be ultimately converted into ordinary shares of the Company and the Luxco 2 Vendor Loans (which amounted to €60.5 million of principal amount and accrued interest as of December 31, 2015) will be repaid in full with the net proceeds of the capital increase to be implemented in connection with the Proposed Admission and the proceeds of the New Senior Credit Facilities. See Section 7.1.3, "Description of the Reorganization" and Section 10.2.2.1, "Overview of the Refinancing" of this Registration Document.

(3) "Net third-party financial debt" of Luxco 3 corresponds to third-party financial of Luxco 3, net of cash and cash equivalents (excluding bank overdrafts).

3.4.3 Leverage ratio of Luxco 3

	As of December 31,		
	2015	**2014 *(Restated)***	**2013 *(Restated)***
(*ratio*)			
Leverage ratio[1] [2]	2.6x	3.9x	4.0x

(1) "Leverage ratio" presented in the table above corresponds to net third-party financial debt of Luxco 3 (as defined in Section 3.4.2, "Net third-party financial debt reconciliation of Luxco 3") divided by EBITDA.

3.5 SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS DATA OF LUXCO 3

3.5.1 Selected consolidated statement of cash flows

(*in € millions*)	**Year ended December 31, 2015**	**Year ended December 31, 2014 *(Restated)***	**From June 10, 2013 to December 31, 2013 *(Restated)***
Net cash flow from operating activities	112.0	45.3	38.9
Net cash flow used in investing activities	(43.4)	(30.4)	(190.6)
Net cash flow from/(used in) financing activities	(31.6)	(39.7)	214.2
Net increase/(decrease) in cash and cash equivalents	**37.1**	**(24.9)**	**62.5**
Cash and cash equivalents at beginning of period	37.7	62.5	-
Net increase/(decrease) in cash and cash equivalents	37.1	(24.9)	62.5
Exchange gains/(losses) on cash and cash equivalents	0.0	(0.0)	-
Cash and cash equivalents at end of period	**74.8**	**37.7**	**62.5**

3.5.2 Free Cash Flow Data

In addition to cash flow calculated in accordance with IFRS, the Group analyzes its cash flows based on the non-IFRS measures "Free Cash Flow from operating activities", "Free Cash Flow used in investing activities" and "Free Cash Flow" calculated as set forth in the table below. The Group believes that the presentation in the table below provides useful supplemental information regarding cash flow. These measures are not measures of cash flow under IFRS and should not be used as a substitute for IFRS cash flow measures. The Group's definition of free cash flow from operating activities, free cash flow used in investing activities and free cash flow may differ from the definitions of similar terms used by other companies.

The following table sets forth the Group's free cash flow from operating activities, free cash flow used in investing activities and free cash flow for the periods indicated.

	Year ended December 31, 2015	**Year ended December 31, 2014 *(Restated)***

(in € millions)		
EBITDA	**94.5**	**72.9**
Change in operating working capital requirement[1]	30.3	(18.4)
Income tax paid	(4.1)	(4.7)
Management fees	(2.9)	(2.5)
Pre-opening expenses	(3.4)	(2.6)
Change in other operating items	(2.4)	0.5
Free cash flow from operating activities[2]	**112.0**	**45.3**
Capital expenditure[3]	(43.9)	(33.1)
Debts on fixed assets	0.5	2.4
Proceeds from sale of fixed assets	0.0	0.9
Free cash flow used in investing activities[4]	**(43.4)**	**(29.8)**
Free Cash Flow	**68.7**	**15.4**
Cash conversion[5]	129%	72%

(1) See Section 10.4.1.1, "Change in operating working capital requirement" of this Registration Document for further information.

(2) Free cash flow from operating activities is defined as EBITDA net of change in operating working capital requirement and including other operating items with a cash effect. As a consequence, free cash flow from operating activities equals net cash flow from operating activities. Free cash flow from operating activities is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures" of this Registration Document.

(3) See Section 10.4, "Analysis of Consolidated Cash Flows" of this Registration Document for further information.

(4) Free cash flow used in investing activities is defined as net cash flow used in investing activities, excluding the acquisition of subsidiaries, net of cash acquired. Free cash flow used in investing activities is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures" of this Registration Document.

(5) Cash conversion is defined as EBITDA net of change in operating working capital requirement and maintenance capital expenditure (see Section 10.4, "Analysis of Consolidated Cash Flows" of this Registration Document for further information) divided by EBITDA. Cash conversion is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures" of this Registration Document.

CHAPTER 4. RISK FACTORS

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 not currently known to the Group or that it currently deems to be immaterial may also have a material adverse effect on the Group's business, reputation, financial condition, results of operations or prospects.

4.1 RISKS RELATED TO THE GROUP'S BUSINESS AND INDUSTRY

4.1.1 Risks related to economic developments, competition and general industry conditions

4.1.1.1 *Unfavorable 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 can negatively influence the Group's results of operations. The Group is active in the decoration and furniture market. Consumer purchases of furniture in particular 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 credit tied to housing. In an uncertain economic environment characterized 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 65.8% of its Customer Sales and 70.1% of its EBITDA (excluding corporate EBITDA) for the year ended December 31, 2015. According to INSEE, France's GDP remained flat in 2013 and grew by 0.2% in 2014 and by 1.1% in 2015. The Group's next largest markets by revenue are Italy, Belgium and Spain, respectively. According to Eurostat, Belgium and Spain recorded positive GDP growth in 2014 and 2015 following negative or stagnant growth in 2013, whereas Italy recorded negative GDP growth for 2013 and 2014 and returned to growth in 2015. The IMF forecasts GDP growth of 1.3% in France and 1.7% in the Euro Area as a whole in 2016. In most of the Group's principal markets, economic recovery has been slow and uneven. Accordingly, unfavorable 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.

4.1.1.2 *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 catalog 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 years ended December 31, 2014 and 2015, the proportion of Customer Sales generated in the fourth quarter was 33%, as opposed to an average of 21% to 23% 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 60% for the years ended December 31, 2014 and 2015. For further information, see Section 9.2.1.6, "Seasonality" of this Registration Document. As a result of these factors, the Group's working capital requirement is at its highest level in the three months ended September 30 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 an outsized effect on its results of operations. See also Section 4.1.2.6, "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".

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.

4.1.1.3 *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 decoration and furniture towards these value 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 emphasize 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 is present in France, Italy, Spain, Switzerland and Luxembourg and Habitat is present in France, Spain, Germany 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 optimization, 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 programs.

Pure-play online retailers focused on decoration and furniture include made.com, Westwing and Home24, which are accessible from multiple European jurisdictions. Additionally, e-commerce platforms such as Amazon that do not specifically focus on decoration and furniture also 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. For further information on conditions in the markets in which the Group operates, see Section 6.5, "Industry and Market Overview" of this Registration Document.

4.1.1.4 *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 characterized 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 Customer 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.

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

The occurrence of catastrophic events could adversely affect the Group's Customer Sales. The Group operated 262 store locations in seven countries as of December 31, 2015 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 patronizing 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.

4.1.2 Risks related to the Group's sourcing and logistics activities

4.1.2.1 *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 87.7% (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 in China, 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. Though the Group seeks to ensure the consistent quality of its suppliers' products by selectively inspecting pre-production samples, conducting periodic site visits to certain of its suppliers' production facilities and by selectively inspecting inbound shipments at its distribution facilities, there can be no assurance that such efforts will be effective. Any of these risks, in isolation or in combination, could adversely affect the Group's business, results of operations, financial condition and reputation. See also Section 6.1, "Cutting-Edge Design and Sourcing" of this Registration Document.

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 relationships, resulting in a decrease in Customer Sales and therefore may have a material adverse effect on its business, financial condition and results of operations.

4.1.2.2 *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 centers 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 78% (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.

4.1.2.3 ***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 labor 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.

4.1.2.4 ***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 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 Customer 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. See also Section 4.1.5.1, "The Group's business depends in part on its brand recognition and reputation".

4.1.2.5 ***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, the Group 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 costs of sales and adversely affect its profit margins.

4.1.2.6 ***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 December 31, 2015, the Group managed approximately 400,000 square meters 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, labor 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 labor 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.

4.1.2.7 ***The Group does not fully control its Chinese joint venture and 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 Chinese company. See Section 6.6.3.4, "Sourcing" and Section 22.1, "Shareholders' Agreement with SDH Limited" of this Registration Document. The Group may enter into additional joint ventures in the future.

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 fulfill 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.

4.1.2.8 *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 29 third-party transportation and logistics providers (in particular the most material ones), it could face logistical difficulties that could materially adversely affect its deliveries and could cause the Group to incur material costs and expend resources in connection with such change. Moreover, the Group may not be able to obtain terms as favorable 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. See also Section 4.1.2.6, "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".

4.1.2.9 *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 December 31, 2015, the Group incurred a loss of approximately 0.2% of Customer 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.

4.1.2.10 ***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.

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

4.1.3.1 ***The Group's ability to attract customers to its stores depends heavily on the success of retail destinations such as shopping malls, city centers 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 Customer Sales.***

The Group operates stores located in a variety of locations, mainly city centers, shopping malls and suburban commercial zone. The Group's Customer 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 centers have reduced occupancy rates which tends to reduce footfall to the entire shopping center.

The Group cannot control the availability or cost of appropriate locations, competition with other retailers for prominent locations or the success of individual shopping centers. 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.

4.1.3.2 ***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 2015, 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 turnover. The Group faces the risk that occupancy costs will offset or erode any increases in footfall or positive like-for-like Customer Sales growth which in the aggregate could have a material adverse effect on its business, financial condition and results of operations.

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

From 2013 to 2015, the Group's network of stores increased from 236 stores to 262 stores (as of December 31, 2015), as the Group expanded its presence in Europe. In recent years, the Group has developed a strategy of repositioning certain smaller city center stores in favor of larger suburban stores. The Group has also focused its expansion efforts on suburban commercial zone and shopping mall stores. 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. See also Section 4.1.3.1, "The Group's ability to attract customers to its stores depends heavily on the success of retail destinations such as shopping malls, city centers 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 Customer Sales" and Section 4.1.3.4, "If the Group is unable to renew or replace its store leases or enter into leases for new stores on favorable 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 success of this strategy will, however, depend in part upon the Group's ability to open and operate new stores and convert existing city center stores into suburban stores on a timely and cost-effective basis while continuing to increase Customer Sales at its existing stores. In France and the other markets in which the Group currently operates, new points of sale could cannibalize existing ones, resulting in lower like-for-like Customer Sales growth. For a discussion of the Group's risk management in respect of this risk, see Section 4.5.2, "Risk Management" of this Registration Document.

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. See also Section 4.1.3.6, "The Group's growth strategy will require it to adapt and improve its structure and could strain its existing resources".

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.

4.1.3.4 *If the Group is unable to renew or replace its store leases or enter into leases for new stores on favorable 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 6% of the Group's leases in Europe have expired or will expire in 2016 and, between 2017 and 2020, approximately 22% of the Group's leases in Europe will expire. The Group's ability to maintain its existing rental rates during renewals or to renew any expired lease on favorable terms will depend on many factors which are not within the Group's 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 favorable 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.

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

The Group leases its store locations from third-party landlords. Neighborhood or economic conditions where stores are located could decline in the future, resulting in potentially reduced sales in these locations. In order to optimize 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.

4.1.3.6 *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, organizational 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 minimize 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.

4.1.3.7 *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 December 31, 2013, 2014 and 2015, the Group opened a total of 38 stores (net of 24 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, catalog 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.

4.1.4 Risks related to the Group's e-commerce operations

4.1.4.1 *The Group faces operational and other risks in relation to e-commerce and online sales.*

E-commerce is an increasingly important part of the Group's omnichannel distribution network, representing 17.2% of Customer Sales in 2015. 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 December 31, 2015, approximately 60% of the Group's online Customer Sales were generated in France, with the remainder generated from other jurisdictions 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 fulfillment 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 the Group's 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 revenue 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 distribution channel 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 in Section 4.1.1.3, "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 optimize 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 cannibalize the Group's Customer Sales. The online channel presents a unique opportunity to directly engage with consumers from their homes but also poses an organizational 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 Customer 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. In 2015, approximately 30% of unique visitors accessed the Group's websites by clicking on a link contained in search engines' "natural" listings (*i.e.*, listings that are not dependent on advertising or other payments). 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 endeavors 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 optimization ("SEO"). Search engines frequently modify their algorithms and ranking criteria to increase the relevance of their natural listings. If the Group is unable to recognize 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 revenue.

4.1.5 Risks related to the Group's reputation

4.1.5.1 *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.

4.1.5.2 *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 labor 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 labor law or recognized 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 labor or other laws by the Group's third-party suppliers or the divergence of a third-party supplier's labor 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.

4.1.6 Risks related to information technology and customer data

4.1.6.1 *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 Customer 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 Section 6.10, "Information Technology" of this Registration Document.

4.1.6.2 *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 programs 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.

4.1.6.3 *Compliance 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. For further information about the Group's CRM system, see Section 6.9.5, "Customer Engagement and Social Media" of this Registration Document. 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 use of individually identifiable data by its business and its partners is regulated at the local, national and international levels. In France, the Group is subject to the law on information technology, data files and civil liberties dated January 6, 1978 (as modified by a law dated August 6, 2004) for the collection of personal data of its customers. 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 non-compliance with such laws, or relating to any inadvertent or unauthorized use or disclosure of data that the Group stores or handles as part of operating its business. See Section 6.11, “Regulation” of this Registration Document. Increasing costs associated with information security, such as increased investment in technology, the costs of compliance with consumer protection laws and costs resulting from consumer fraud, could cause the Group’s business and results of operations to suffer materially.

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 programs 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.

4.1.7 Risks related to management, employees and labor relations

4.1.7.1 *The Group depends upon key management and other personnel, and the departure of any of such management or personnel could adversely affect its business.*

The Group is currently managed by certain key senior management personnel, particularly Mr. Gilles Petit, the Group’s Chief Executive Officer, and Mr. 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 centers and aftermarket services teams while controlling its labor 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.

The Group's founder and current shareholder, Mr. Xavier Marie, who served as Chief Executive Officer of the Group from 1996 to September 2015, recently resigned his position and was replaced by Mr. Gilles Petit. As of the date of this Registration Document, Mr. Xavier Marie remains a special advisor to the Group and holds an approximate 5% stake in the Group. Mr. Xavier Marie has long been associated with the Group's brand and oversaw, among other things, the product design strategy of Maisons du Monde. While Mr. Xavier Marie will remain a special advisor to the Group following the Proposed Admission, there can be no assurance that the Group will be able to replicate its past success without his services.

4.1.7.2 *Increased labor costs could adversely affect the Group's business.*

The Group's ability to meet its labor needs, while controlling labor 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 labor laws or other workplace regulation. The supply of such employees is limited and competition to hire and retain them results in higher labor costs, which could adversely affect the Group's business, financial condition and results of operations. In recent years, the Group has benefited from government programs in certain European countries designed to favor employment, including with respect to recent labor reforms that effectively reduce the costs associated with hiring new employees. There can be no assurance that such programs will continue and that labor costs will not increase. A rise in labor costs could adversely affect the Group's business, financial condition and results of operations. See also Section 4.2.3.3, "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".

4.1.7.3 *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 favorable terms could have an adverse impact on the Group's business.*

The Group's business is labor 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. See Section 17.1, "Human Resource Management" of this Registration Document.

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 favorable 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 labor 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.

4.1.7.4 *Changes in labor 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 labor and employment laws and regulations. See Section 6.11, "Regulation" of this Registration Document. In particular, because of its workforce of 5,448 employees as of December 31, 2015 (excluding Mekong Furniture and Chin Chin), and its significant Group-wide personnel expenses and social charges, which represented 21.2% of the Group's Customer Sales in the year ended December 31, 2015, laws and regulations relating to labor 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 labor and employment, could result in substantial fines, penalties or claims. The modification, suspension, repeal or expiration of favorable provisions in labor 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.

Labor 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.

4.1.8 Other risks

4.1.8.1 *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 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.

4.1.8.2 *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 Customer 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.

4.1.8.3 *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 2014 and 2015 were €28.0 million and €24.1 million, respectively, and consist primarily of online marketing and catalog costs. The Group will continue to invest in its catalog 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.

4.1.8.4 *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.

4.1.8.5 *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.

4.2 RISKS RELATED TO LEGAL AND REGULATORY MATTERS

4.2.1 Risks related to legal proceedings and changes in law

4.2.1.1 *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. See Section 6.11, "Regulation" 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, labor 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. See Section 20.5, "Legal and Arbitration Proceedings" of this Registration Document.

4.2.1.2 *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 in-store displays. While such occurrences are rare, any liability resulting from such injuries, including reputational damage, could adversely affect the Group's business.

4.2.1.3 *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 defense 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. For further information, see Chapter 11, "Research and Development, Patents and Licenses" of this Registration Document. 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.

4.2.1.4 *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. See Section 6.11, "Regulation" 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. However, from time to time the Group may face regulatory enforcement based on its alleged noncompliance with such laws and regulations. See also Section 6.11, "Regulation" of this Registration Document.

4.2.2 Risks related to compliance and internal controls

4.2.2.1 *The requirements of being a public company may strain the Group's resources and its management's attention.*

The Group has historically operated as a private company and after the Proposed Admission will be required to comply with the reporting requirements of French securities law and the listing rules of the Euronext Paris. As a public company, the Group may incur significant legal, accounting, and other expenses that it did not incur as a private company. French securities laws and other applicable securities rules and regulations impose various requirements on public 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 fulfill its public company obligations.

4.2.3 Risks related to tax laws or tax issues

4.2.3.1 *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.

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

As of December 31, 2015, 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 January 1, 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 reorganizations.

4.2.3.3 *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 equals 6% for financial years beginning on or after January 1, 2014.

In accordance with the IFRS accounting rules applicable as of the date of this Registration Document, the Group is able to record the CICE credit for which it is eligible as a deduction from personnel costs. Consequently, the CICE credit had a positive impact of €4.0 million on its EBIT and EBITDA for the year ended December 31, 2015, 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 December 3, 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 recognized. 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 be able 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.

4.2.3.4 *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 (€40.9 million in total, of which €38.7 million in France as of December 31, 2015), 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 December 31, 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.

4.2.3.5 *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 fiscal years beginning on or after January 1, 2014.

This limitation deprived the Group of the ability to deduct approximately €14 million in 2015.

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.

4.3 RISKS RELATED TO THE GROUP'S FINANCIAL PROFILE AND STRUCTURE

4.3.1 *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 Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Crédit Agricole Corporate and Investment Bank, Natixis and Société Générale, 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.

4.3.2 *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 December 31, 2015 include intangible assets with an indefinite life, such as goodwill and trademarks, and long-lived assets, such as property and equipment, which accounted for 69.4% 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 notes 7.9 ("Intangible assets"), 7.12 ("Impairment of non-financial assets") and 20 ("Other intangible assets") to the consolidated financial statements of Luxco 3 for the fiscal years ended on December 31, 2015, 2014 and for the period from June 10, 2013 to December 31, 2013 presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

These calculations require the Group to make a number of estimates and projections of future results. If these estimates or projections change, the Group may be required to record additional impairment charges on certain of these assets, which could adversely affect its results of operations. See Note 19 ("Goodwill") to the consolidated financial statements of Luxco 3 for the fiscal years ended on December 31, 2015, 2014 and for the period from June 10, 2013 to December 31, 2013 presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

4.3.3 *The Group's financing arrangements following the Proposed Admission are expected to impose restrictive covenants that will limit its operating, strategic and financial flexibility.*

The Group's financing agreements following the Proposed Admission are expected to contain covenants that impose significant restrictions on the way the Group can operate. See Chapter 10, "Liquidity and Capital Resources" of this Registration Document. In particular, subject to certain exceptions, the Group's expected financing arrangements following the Proposed Admission are expected to 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 reorganizations; and
- change the general nature of the business of the Group.

In addition, the financing agreements following the Proposed Admission are expected to require the Group to comply with certain affirmative covenants and to avoid exceeding specified financial ratios. 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.

4.3.4 ***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. See Section 7.1, "Simplified Group Organizational 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 or the Company to repay their respective debts or meet their other obligations, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations as a whole.

4.3.5 ***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.

4.4 MARKET RISKS

4.4.1 *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 U.S. dollars. Substantially all of the Group's revenue is denominated in euro. Changes in the value of the euro or the U.S. 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 U.S. 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 favorable movements in such rates. See Section 4.4.3, "Exchange Rate Risk".

4.4.2 *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 prices for oil, lumber and cotton, changes in supply and demand, general economic conditions, regional conflict or unrest, labor costs, competition, import duties, tariffs, anti-dumping duties, currency exchange rates and government regulation. 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.

4.4.3 Exchange Rate Risk

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

A majority of the Group's purchases from suppliers and marine freight costs are denominated in U.S. dollars, and are therefore exposed to fluctuations in the translation into euros of its foreign currency liabilities. The Group hedges all of its U.S. 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 €24.1 million as of December 31, 2015, compared to €21.4 million as of December 31, 2014 and €(6.5) million as of December 31, 2013. In the years ended December 31, 2015, 2014 and 2013, the Group did not apply hedge accounting according under IFRS. As a consequence, changes in fair value are directly recognized 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. See Section 9.2.1.7, "Foreign exchange impact" of this Registration Document for further information.

4.4.4 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 the Group's indebtedness with the use of proceeds from the Proposed Admission, the Group will put in place a new syndicated €250.0 million term loan and €75.0 million revolving credit facility (the "New Senior Credit Facilities"), pursuant to a new senior credit facilities agreement (the "New Senior Credit Facilities Agreement") with a pool of banks. 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. As of December 31, 2015, the Group had no outstanding floating-rate debt and the Group's outstanding fixed-rate third-party debt was €325.0 million related to the Group's High Yield Bonds. As of the IPO Settlement Date, the Group expects to have €250.0 million in floating rate debt related to the term loan of the New Senior Credit Facilities. See Section 10.2, "Financial Resources" of this Registration Document.

4.4.5 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. In order to manage its liquidity risk, the Group relies on cash on hand and additionally contracts revolving credit or bank facilities for an appropriate amount and maturity to ensure that it has adequate available funds to meet its commitments with a large range of financial institutions. The Group had cash and cash equivalents of €76.4 million as of December 31, 2015. The total amount of credit facilities that were not used as of December 31, 2015 was €60.0 million, compared to €60.0 million as of December 31, 2014 and €53.0 million as of December 31, 2013. In connection with the Proposed Admission, the Group entered into the New Senior Credit Facilities Agreement with a pool of banks in respect of the New Senior Credit Facilities comprising €250.0 million of term loan and €75.0 million of revolving credit facility to be made available to the Group on the IPO Settlement Date. The ability of the Group to draw revolving credit under such facility is subject to compliance with certain covenants and conditions precedent as further described under Section 10.2.2.2, "New Senior Credit Facilities" of this Registration Document.

4.5 INSURANCE AND RISK MANAGEMENT

4.5.1 Insurance

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 programs 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 programs with the support of leading insurance brokers with international networks. The Group aims to ensure that it maintains sufficient coverage for all its activities and locations worldwide. The Group has established internal claims procedures for each of its insurance policies in the event the Group experiences a loss. 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 global insurance programs generally take the form of master policies, which apply to the Group's operations worldwide. The Group enters into local insurance policies generated from these master programs 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;
- professional and technology services liability, errors and omissions insurance, which covers technology based services, computer network security and privacy liability;
- property damage and business interruption insurance;
- director and officer liability insurance;
- environmental impairment 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 unfavorable 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. See also Section 4.1.8.4, "The Group may incur liabilities that are not covered by insurance and its insurance premiums may increase substantially".

4.5.2 Risk Management

Risk management refers to the measures that the Group implements to identify, analyze 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, behavior and actions intended and designed to ensure that the Group conducts its business in compliance with ethical rules and with applicable laws and regulation. Risk management and internal control are also intended to identify and mitigate the risks which could have a material impact on the Group's assets, results, operations or the Group's ability to implement its objectives and strategy, whether these risks are operational, commercial, legal, financial or related to compliance with applicable laws and regulation.

Risk management and internal control is managed by the Group's audit committee. This committee ensures the appropriateness, reliability and implementation of the internal control procedures, as well as the procedures designed to identify and manage risks related to its business and to its accounting and financial information.

In light of its growth objectives and in anticipation of the Proposed Admission, the Group intends to strengthen its internal control procedures and systems. In that context, the Group initiated a general review of its internal procedures and processes. This review, conducted pursuant to the best professional practices (in particular the Committee of Sponsoring Organizations of the Treadway Commission, or COSO), allowed the Group to:

- evaluate the Group's internal control systems, procedures and tools, in particular in light of the Group's objectives and expectations in term of quality and compliance; and

- define an action plan, tailored to the Group's business and designed to improve its systems through better efficiency and broader coverage; in particular, in the course of 2016, the Group intends to conduct a risk mapping exercise, which will allow the Group to better evaluate the management of each risk, to allow the identification of the risks that require specific short-term actions and to ensure that internal control is sufficient to identify and prevent risks.

By way of illustration, the action plans and internal policies that are in place to manage the risks identified by the Group include:

- *Risk associated with changes in consumer trends and preferences.* The Group presents one furniture collection per year which includes multiple styles, as well as two decoration collections per year which each typically include six different themes. The Group believes that this product diversification allows the Group to address potential changes in consumer trends and preferences.

- *Risks associated with new store openings and leaseholds of both new and existing stores.* The Group has instituted a number of internal procedures to follow prior to opening new stores and also regularly monitors certain key performance indicators for individual stores once opened as further described under Section 6.7.2, "Store Network" of this Registration Document. The Group pursues a policy of actively managing its relationships with its landlords and seeks to proactively negotiate its fixed rents and guaranteed minimum amounts, either at the time of contract renewal, or when the circumstances may otherwise warrant (*e.g.*, if the store is underperforming).

- *Risks related to supply chain and logistics*. The Group intends, in particular through its sourcing professionals, to implement procedures to monitor suppliers' compliance with the Group's production standards. The Group intends to vigorously monitor suppliers' adherence to the Group's policies and standards. To the extent non-compliance is identified, the Group will initiate discussions with the relevant supplier to attempt to improve compliance, and may discontinue relationships depending on the circumstances. Finally, the Group intends to continue to foster its relationships with multiple suppliers, in order to limit its dependence on any particular supplier and maintain alternate solutions should any supplier be unable to adhere to the Group's requirements. With respect to logistics, the Group ensures that the contracts entered into with its external logistics providers provide sufficient protection, in particular through contractual clauses related to monetary penalties in case of late delivery or failure to execute.

- *Risks associated with economic conditions.* In order to identify and appropriately react to markets trends, the Group continuously monitors, through its internal reporting and data analysis, the key performance indicators of its business. On a monthly basis, the Group conducts a financial review of each of its stores and distribution channels.

- *Risks associated with the Group's brand reputation, integrity and image.* The financial performance of the Group is closely correlated to the success and reputation of its brand. The Group places a particular focus on protecting it. In that context, the Group has filed for protection and restriction of the use of its brand in each of the countries it has deemed necessary. The Group actively pursues a policy of judicial remedy against copying of its items or more generally fraudulent use of its brand and trademarks. In addition, the Group intends to protect itself against risks related to its intellectual property rights by entering into confidentiality agreements and including such clauses in its contracts.

- *Risks related to the health and safety of consumers*. The Group intends to regularly test its products for compliance with regulations in all countries in which it sells its products. The Group's design team monitors and assesses the evolution of potential new regulations before designing new product specifications.

- *Risks related to compliance with applicable laws in all areas*. In order to comply with applicable laws and regulations governing all aspects of its business, the Group has developed compliance procedures with respect to fraud prevention. The Group is committed to conducting its business in compliance with the laws of all the countries in which it operates.

- *Risks related to security and fraud detection*. The Group has implemented security policies governing its IT, intellectual property, physical premises, personnel and assets. The Group also employs a range of physical and technical safeguards that are designed to provide security around the collection, storage and access of information that the Group has in its possession.

- *Risks related to IT, payments and innovation*. The Group believes its expected expenditures on IT systems (equipment and maintenance) are comparable with its competitors. The Group intends to maintain its technology infrastructure and systems in line with business needs, to promote good operational performance and to consider incorporating new technological innovations that could improve IT system efficiency as they may be introduced on the market. As a significant portion of the Group's revenue is derived from online sales, the Group intends to implement additional procedures to minimize security risks, such as fraudulent payments.

- *Risks related to foreign exchange risk*. The majority of the products that the Group purchases are denominated in U.S. dollars and therefore the Group is exposed to fluctuations in foreign currencies. The Group's risk management policies take into consideration the unpredictability of financial markets and attempt to limit any adverse effects that a fluctuation could have on the Group's financial performance. The Group's Chief Financial Officer and Treasury Department carefully manage the potential risks from foreign exchange rates using hedging policies approved by the

Group's board of directors, including forward sales of U.S. dollars. All such transactions are centrally-authorized and coordinated.

For further discussion of the Group's risk management processes, see Section 16.6, "Internal Control" of this Registration Document.

CHAPTER 5. GROUP INFORMATION

5.1 HISTORY AND DEVELOPMENT

5.1.1 Company Name

The corporate name of the Company is Maisons du Monde, formerly known as Magnolia (BC) S.A.S.

5.1.2 Place of Registration and Registration Number

The Company is registered with the Nantes Trade and Companies Register under number 793 906 728.

5.1.3 Date of Incorporation and Duration

5.1.3.1 *Date of Incorporation of the Company*

The Company was incorporated on June 27, 2013.

5.1.3.2 *Duration*

The Company's duration is 99 years from the date of its registration with the Trade and Companies Register subject to early dissolution or extension.

5.1.4 Registered Office, Legal Form and Applicable Legislation

5.1.4.1 *Registered Office*

The Company's registered office is located at Le Portereau, 44120 Vertou, France and its telephone number is +33 (0)2 51 71 17 17.

5.1.4.2 *Legal Form and Applicable Legislation*

As of the date of this Registration Document, the Company is a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*) governed by French law, including, in particular, Book II of the French Commercial Code and its bylaws.

Effective as of the "IPO Settlement Date as part of the Proposed Admission, the Company will adopt the form of a limited liability company with a board of directors (*société anonyme à conseil d'administration*). The description of the corporate form and corporate bodies of the Company contained in this Registration Document is that of the corporate form and bodies of the Company as they will exist as of the IPO Settlement Date. See Chapter 5, "Group Information", Chapter 7, "Organizational Chart", Chapter 10, "Liquidity and Capital Resources" and Chapter 14, "Administrative, Management and Supervisory Bodies and Senior Management" of this Registration Document.

5.1.4.3 *Fiscal Year*

The Company has a fiscal year of twelve months, beginning on January 1 and ending on December 31 of each year.

5.1.5 History and Development

The Group is an omnichannel homeware retailer and the largest player in the affordable inspirational segment in France, with Customer Sales of €699.4 million in 2015. The Group offers a comprehensive range of decoration and furniture reflecting a variety of themes and styles and across a wide range of price points in order to maintain a strong customer base.

The Group was founded in 1996 when Mr. Xavier Marie, the founder and former Chief Executive Officer, opened the first four Maisons du Monde stores in France (Bordeaux, Lyon, Quimper and Vichy). The Group has continued to expand and enter new markets. As of December 31, 2015, the Group operated 262 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). Since 2006, the Group has also sold its products on its e-commerce platforms to customers in all countries where it operates stores as well as in Austria, the Netherlands, Portugal and the United Kingdom, where it currently has an online sales presence only, and through its three catalogs.

The Group originally focused its store locations in city centers. During the middle of the 2000s, the Group shifted its approach to include a wider variety of store formats, opening comparatively larger stores in suburban commercial zones and shopping malls. The Group expanded its products offering, adding new product ranges, including textiles (2007), and launching its dedicated outdoor collection (2009) and dedicated junior collection (2011). In the same period, the Group also expanded its logistics capabilities, opening 11 warehouse facilities since 1999. Additionally, the Group has expanded its manufacturing capabilities, with the creation of its Chinese furniture manufacturing joint venture, Chin Chin, in 2006 and the opening of its manufacturing facility in Vietnam in 2013.

In 2005, Equistone (formerly Barclays Private Equity) and Nixen, in partnership with certain management co-investors, acquired the Group. A consortium of Apax Partners, LBO France and Nixen, in partnership with certain management co-investors, acquired the Group in 2008. In 2013, Bain Capital acquired the Group, in partnership with certain management co-investors.

For further information about the Group’s history and development, see Chapter 6, “Business” of this Registration Document.

5.2 INVESTMENTS

5.2.1 Historical Investments

5.2.1.1 *Acquisitions of Intangible and Tangible Assets*

The Group’s capital expenditures relate to: (i) store development; (ii) store refurbishment; (iii) maintenance; (iv) deposits and guarantees; and (v) other purposes, each of which include 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 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) expenses relating to the Group’s headquarters (such as office installations), (b) IT and web expenses in connection with the Group’s CRM system and business processes related to the Group’s e-commerce channel, including capitalized development expenses and licenses, (c) expenses relating to investments in the Group’s warehouses and manufacturing facilities and (d) fixed assets under construction. For further information, see Section 10.4.2, “Net cash flow used in investing activities” of this Registration Document.

The Group’s aggregate capital expenditures amounted to €97.0 million during the years ended December 31, 2015 and 2014 and the period from June 10, 2013 to December 31, 2013. Since 2013, the Group’s principal capital expenditures have included the following:

- *Store Development*. The Group consistently invests in opening new stores: for example, in 2015, the Group opened 27 new stores. Opening new stores requires the Group to make investments in property, plant and equipment as well as key money. Since June 2013, the Group has invested €70.4 million in store development capital expenditures.

- *Store refurbishment and maintenance*: The Group also consistently invests in improving and renovating its existing stores. Since June 2013, the Group has invested €9.8 million in store refurbishment capital expenditures.

- *Deposits and guarantees*: Since June 2013, deposits and guarantees related to the Group's lease contracts amounted to €2.9 million.

- *Other purposes*. Since June 2013, the Group invested €13.8 million in other purposes capital expenditure, which includes expenses related to the Group's headquarters, IT and web expenses, including expenses related to the development of the Group's CRM system, capitalized development expenses and licenses, as well as investments in its warehouses and manufacturing facilities.

5.2.1.2 *Financial Investments*

The Group's primary financial investment has been in its joint venture, Chin Chin. 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, Shanghai Chin Chin, the joint venture manufactures and sells furniture products which are sold under the "Maisons du Monde" brand. For further information on Chin Chin, see Section 6.6.3.4, "Sourcing", Section 7.2.4, "Joint Ventures" and Section 22.1, "Shareholders' Agreement with SDH Limited" of this Registration Document.

5.2.2 Ongoing Investments

The Group currently expects that its capital expenditures (defined primarily as acquisitions of property, plant and equipment and intangible assets) in 2016 will amount to approximately €45 million. See Section 13.1, "Assumptions" of this Registration Document. During the years ended December 31, 2015 and 2014 and the period from June 10, 2013 to December 31, 2013, the Group's aggregate capital expenditures amounted to €97.0 million. See Section 10.3.1, "Capital expenditure and financial investments" of this Registration Document. The Group expects that the types of investments that it makes and its investment objectives will be similar in nature to investments made during the 2013 to 2015 period. However, investment expenditures can be uneven and unpredictable, particularly when they are associated with external growth transactions. See also Section 13.2, "Group Forecast for the Year Ending December 31, 2016" of this Registration Document.

5.2.3 Future Investments

See Section 13.2, "Group Forecast for the Year Ending December 31, 2016" and Section 12.2, "Medium-Term Objectives" of this Registration Document.

CHAPTER 6. BUSINESS

6.1 OVERVIEW

Maisons du Monde is a creator of inspirational lifestyle universes, showcasing distinctive affordable decoration and furniture collections across multiple themes and styles. The Group's business is structured around an omnichannel approach, leveraging its international network of stores, websites and catalogs.

Maisons du Monde has developed a highly differentiated business model, combining a unique ability to inspire customers with an industrialized design-to-cost process and an integrated sourcing approach. Its design-to-cost process is focused on capturing emerging design trends from both the apparel and homeware markets and translating them into inspirational but affordable decoration and furniture. These products are then showcased in scenic environments in the Group's stores, websites and catalogs. The Group believes that this unique proposition results in superior customer satisfaction, which is supported by a recent customer survey[4] in which the Group ranks first in product design, product quality, purchasing experience, brand image, decoration novelty and quality of furniture advice and second in choice and furniture novelty, in each case within the French decoration and furniture market. This ability to create unique and immersive shopping experiences for customers of all tastes and income levels has allowed the Group to consistently deliver best-in-class financial performance, including uninterrupted double-digit top-line growth and superior like-for-like growth through business cycles.

The Group was founded in France in 1996 and has profitably expanded across Europe since 2003. As of December 31, 2015, the Group operated 262 stores in seven countries (France, Italy, Spain, Belgium, Germany, Switzerland and Luxembourg) and generated, during the year ended December 31, 2015, 34.2% of its Customer Sales outside France. The Group has been able to rapidly scale its international expansion with a high standard of operational performance, through consistent and centralized implementation of its merchandising processes across countries with very limited local variation.

The Group's product offering includes approximately 16,000 stock-keeping units ("SKUs"),[5] across a wide range of price points. The Group's product offering is divided into two main categories: (i) decorative products, such as household textiles, tableware and kitchenware, mirrors and picture frames, which average selling price (ASP) is approximately €11, and (ii) furniture, such as beds, tables, chairs, armchairs and sofas, cupboards, bookshelves, junior furniture and outdoor furniture, which average selling price (ASP) is approximately €200.

The Group has successfully replicated its model across channels, operating complementary store networks, online platforms and physical catalogs. Its online platform has grown at a CAGR of 36% from 2010 to 2015 and generated 17.2% of the Group's Customer Sales for the year ended December 31, 2015. This online platform, which is present 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 and Portugal, without opening stores.

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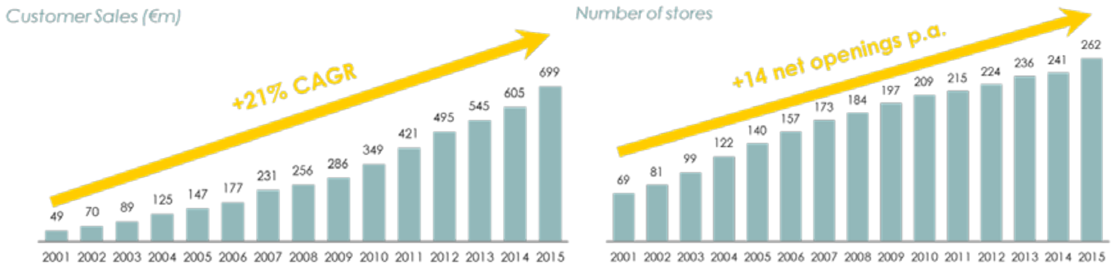
[4] Customer survey commissioned by the Group, based on a poll of 1,500 customers in France which was conducted in December 2015.

[5] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

The charts below illustrate the evolution of the Group's Customer Sales and number of stores since 2001.[6]



The Group generated €699.4 million of Customer Sales during the year ended December 31, 2015, a 15.7% increase compared to the prior year, and generated an EBITDA of €94.5 million for the year ended December 31, 2015, corresponding to an EBITDA margin of 13.5%, with similar profitability in France and internationally, as well as across its store and online channel. The Group's like-for-like Customer Sales growth for the year ended December 31, 2015 was 8.7%.

Creator of Universes

Maisons du Monde's lifestyle "universes" are developed for the entire home across a deliberately wide range of styles, tastes and price points, systematically combining decoration and furniture items. The Group's collectionning strategy is not meant to be a "top down" arbiter of taste, but rather to allow its customers to express their own style regardless of their budget. As a result, the Group's collections are multi-style and inspired by evolving trends adapted to the homeware market with a focus on affordability. Collections are renewed twice a year for decorative products and once a year for furniture, creating a sense of freshness and renewal in the Group's stores, websites and catalogs.

Maisons du Monde has developed an industrialized design process allowing it to capture and roll-out emerging design and homeware trends, leveraging its experienced in-house team of design, collectionning and sourcing professionals (which includes 17 designers and graphic artists and approximately 90 staff members overall). The Group's collectionning process is focused on balancing its design ethos with commercial efficiency by adapting past best-sellers in new collections, and leveraging in-depth sales data to gradually refresh and create new collections and universes in line with customer expectations. Products are actively rotated, both in-store and online, fostering a dynamic retailing experience bolstered by continuity of best-sellers and regular new collection launches.

Appealing Merchandizing

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 decoration and furniture coherently and harmoniously. The universes and store layouts are consistently re-created across distribution channels, refreshed with new products introduced almost every week, thereby driving traffic to the Group's stores and websites. Additionally, although the Group's in-store displays are designed to inspire customers with home decorating ideas, most of the Group's products are offered on a self-service basis. This dynamic merchandizing combines a boutique feeling with mass merchandising techniques,

[6] Prior to 2003, the Group's fiscal year ended on August 31. The Group's Customer Sales figures for 2001, 2002 and 2003 presented herein are for the twelve months ended August 31 of each of those years.

encouraging impulse purchases and improving conversion rates. This approach is consistently applied throughout the Group's store formats, channels and countries through a centralized merchandizing strategy. The Group's store staff offers timely and knowledgeable support to customers, particularly for furniture. Finally, this merchandizing approach allows the Group to use limited promotions and markdowns, which represented 4.5% of Customer Sales in the year ended December 31, 2015, by re-integrating less commercially successful products into best-selling in-store universes.

Cutting-Edge Design and Sourcing

Maisons du Monde's industrialized 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 is characterized by a close collaboration between the Group's experienced team of stylists and sourcing professionals during all phases of the design and sourcing process, to create inspirational and affordable collections while strictly maintaining target margin levels.

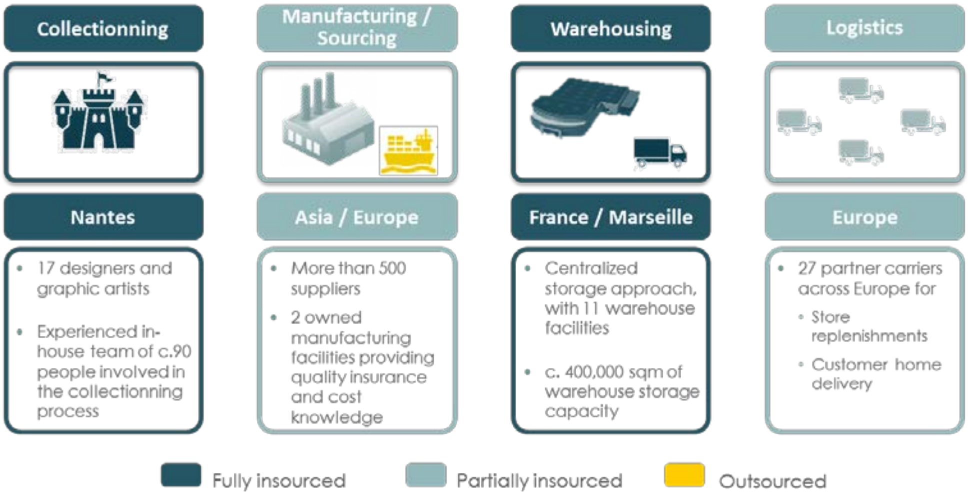
In order to deliver affordable high-quality products in a timely manner, the Group's business model relies on a significantly integrated and flexible sourcing strategy that leverages its long-standing relationships with its sourcing partners. Through its 20 years of direct sourcing in Asia, the Group believes it has developed a deep understanding of manufacturing processes and related cost drivers, allowing the Group to create and source distinctive, high-quality products while maintaining affordable price levels. In addition, the Group manufactures approximately 22% of its furniture products in-house (in terms of purchases of furniture), with two manufacturing facilities in China (through Chin Chin, the Group's joint venture with SDH Limited) and in Vietnam, which allows the Group to secure quality production of the most sophisticated products and develop an even better understanding of the production process. The Group also leverages historical sales data to determine optimal initial collection ordering levels, with re-ordering being undertaken based on the first two to three weeks of sales performance, optimizing inventory levels and reducing product obsolescence risk. Approximately one-third of the SKUs in a collection are re-ordered in season, with the percentage being higher for products re-adapted from previous collections.[7]

Finally, from a logistical standpoint, the Group operates 11 warehouse facilities located in the Marseille-Fos port area in the South of France, which hold most of the Group's inventory and which provide backend logistics support to all of the Group's distribution channels.

Overall, this integrated and flexible value chain provides Maisons du Monde with the ability to combine attractive gross margins, with a wide and unique product range.

[7] Based on the SKUs in the 2016 Spring and Summer decoration collection.

The graphic below shows the Group's integrated go-to-market model from design and collectionning through logistics.



International, Omnichannel and Multi-Format Strategy

Maisons du Monde has been able to successfully replicate its business model across Western Europe. As of December 31, 2015, the Group operated 69 stores in six countries outside France, compared to six and 32 in 2005 and 2010, respectively. In addition, the Group operates websites targeting four additional countries. The fast and efficient roll-out of the Maisons du Monde concept outside France was made possible mainly thanks to the Group's highly scalable and centralized approach to development and network management. For the year ended December 31, 2015, Customer Sales outside France represented 34.2% of the Group's total Customer Sales, compared to 3% and 20% in 2005 and 2010, respectively.

Consistent with the way consumers browse and purchase decoration and furniture today, Maisons du Monde operates an omnichannel business model which includes stores, websites and catalogs. The Group's channels are complementary to each other with customers often viewing products in-store and then purchasing them online, or vice-versa. The Group uses its different distribution channels to present its customers the entire range of its offer in a cost-effective manner.

The Group's multi-format store concept has demonstrated its adaptability to all catchment types and store formats. Most of the stores operated by the Group have between 300 and 3,000 square meters of retail trading space and its formats are adapted successfully to city centers, suburban commercial zones and shopping malls, with only one store with a negative store EBITDA[8] in the year ended December 31, 2015.[9]

The Group also engages customers with its catalogs, laid out as magazines, to encourage customers to dream and project themselves in a newly decorated or redesigned home. In 2015, the Group distributed approximately ten million free catalogs across the countries in which it operates, including 5.3 million general catalogs, 2.0 million outdoor catalogs and 2.5 million junior catalogs.

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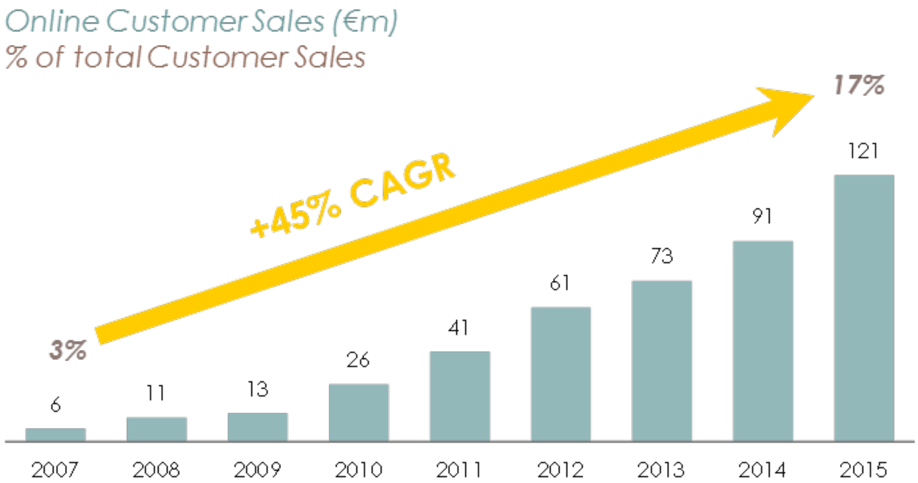
[8] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

[9] Based on management accounts for the year ended December 31, 2015 and only taking into account stores opened prior to December 31, 2013, *i.e.*, stores included in the definition of like-for-like.

Finally, the Group has also been at the forefront of e-commerce among homeware retailers in France. In the year ended December 31, 2015, the Group generated 17.2% of its Customer Sales online, compared to approximately 2% of online penetration for the decoration and furniture market segment in France as a whole. In addition to being a direct sales channel, the Group's online platform seeks to inspire customers and help them prepare for a store visit. The Group actively engages with its customers using exclusive product launch videos, do-it-yourself decorating tips, newsletters and social media. For the year ended December 31, 2015, Maisons du Monde generated €120.6 million in online Customer Sales across 11 countries, an increase of 32.2% compared to the prior year. For the year ended December 31, 2015, the online channel recorded a similar profitability profile to the Group's stores.[10]

The chart below illustrates the evolution of the Group's online Customer Sales since 2007.



6.2 COMPETITIVE STRENGTHS

6.2.1 An original and wide offering displayed through inspirational universes reaching a broad range of customer tastes

Maisons du Monde has developed a unique concept based on a differentiated customer proposition, offering a large and diversified 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, maximizing conversion and driving impulse purchases.

The hallmark of the "Maisons du Monde" brand is its ability to create "universes" across the entire home in a wide range of themes, styles and tastes, combining decoration and furniture, and providing customers with original and inspirational products that match their own style. The Group aims at being a smart adopter of emerging trends, which it captures and adapts through an industrialized design-to-cost process that leverages its experienced team of stylists and sourcing professionals. The Group's stylists have an average of seven years of experience in the fashion and luxury industries.

Maisons du Monde differentiates itself from traditional players in the decoration and furniture market. Where many traditional players tend to be mono-style, with products that are "picked" from manufacturers that supply multiple retailers, Maisons du Monde offers

[10] Before allocation of headquarters costs.

products across multiple styles, which are largely designed in-house. In 2015, approximately 55% of the Group's decorative products were designed or adapted in-house (up to 90% for certain key product lines, such as dishes or kitchen textiles). This percentage was lower for furniture, as many product categories are more standardized (e.g. tables, sofas). The Group's entire collection is sold under its own brand, enhancing the uniqueness of the Maisons du Monde universes.

The Group's collectionning approach balances design and commercial efficiency by re-using and adapting historical best-sellers and using in-depth historical sales data to gradually refresh and create new collections and universes, in line with emerging market trends. Where traditional players tend to offer single styles at a narrow range of price points, through its wide product range of approximately 16,000 SKUs,[11] the Group is able to offer original products across many styles and themes, at many different price points, which avoids the dependence on any single 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 decoration 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 decoration or furniture and display their products in standard product aisles. Additionally, the Group continuously renews it merchandising universes and product offering throughout the year, increasing the store's and online platform's appeal through a perceived scarcity effect, further driving footfall.

6.2.2 A model focused on customer inspiration and satisfaction

Over the last 20 years, Maisons du Monde has created a well-known brand with a strong fan base. According to a recent customer survey,[12] it is estimated that as of December 31, 2015 approximately 51% of the French population has made a purchase at Maisons du Monde. According to the same survey, it is estimated that more than 90% of the French population has heard of the Maisons du Monde brand based on "prompted awareness"[13]. In terms of "unprompted awareness",[14] this customer survey revealed that the Group is the best known retailer in the affordable inspirational segment of the French decoration and furniture market, which includes retailers who emphasize style and originality at affordable prices. The Group believes that this illustrates the broad appeal of the Group's varied product offering and unique merchandising concept.

In addition, according to the same customer survey, the Group has a 12% "Net Promoter Score"[15] with French shoppers, the highest compared with its main competitors in the affordable inspirational segment of the French decoration and furniture market, and was ranked third in the entire French decoration and furniture market, following IKEA and Roche Bobois, each of whom operates in different segments of the market. According to the same customer survey, customers ranked the Group first in product design, product quality,

[11] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

[12] Customer survey commissioned by the Group, based on a poll of 1,500 customers in France in December 2015.

[13] "prompted awareness" refers to brand recognition when presented with the brand name or logo.

[14] "unprompted awareness" refers to brand familiarity or recognition when asked to name brands in a given category.

[15] "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.

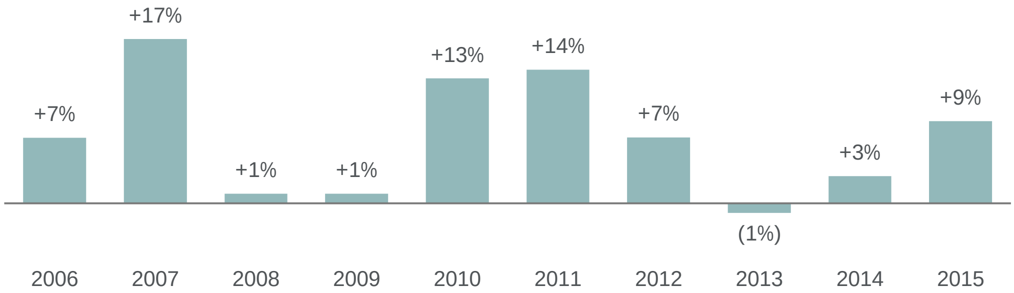
purchasing experience, brand image, decoration novelty and quality of furniture advice and second in choice and furniture novelty, in each case within the French decoration and furniture market.

Additionally, 75% of Maisons du Monde store visitors considered Maisons du Monde products to be "good value for money". Finally, according to the customer survey, customers also ranked Maisons du Monde highest on its in-store shopping experience.

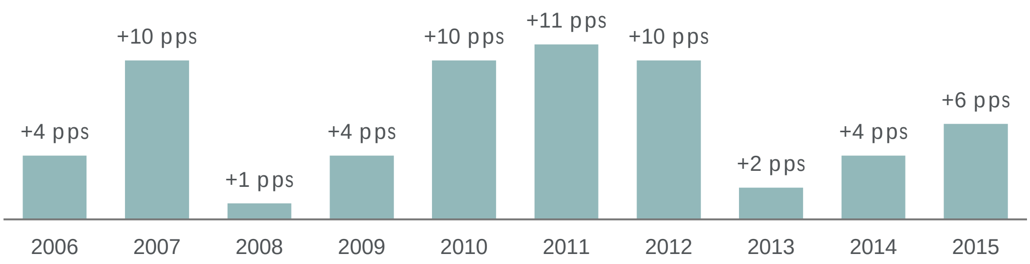
Similar surveys were commissioned by the Group in Italy, Spain, Belgium and Germany and confirmed the international appeal of the brand, with the Group scoring in the top two "Net Promoter Score" of established decoration and furniture retailers in each of the surveys.

The Group believes that this strong customer support has translated into consistent market outperformance, through superior like-for-like and a fast store roll-out pace. The Group has grown its like-for-like Customer Sales annually by approximately 7% per annum over the last ten years, compared to average furniture market growth in France of 0.7% per annum over the same period, according to IPEA, outperforming the market every single year since 2006.

The chart below shows the Group's like-for-like growth between 2006 and 2015.



The chart below shows the Group's like-for-like growth as compared with overall French decoration and furniture market growth, with outperformance of the Group presented as percentage points, between 2006 and 2015.[16]



Additionally, the Group added 87 new stores on a net basis in France between 2004 and 2014, more than Casa, Zara Home and Habitat combined and more than any other large player in the decoration and furniture market in France. Driven by both store roll-out and like-for-like performance, the Group has increased its market share in France in the affordable inspirational segment from approximately 3% in 2003 to approximately 16% in 2014 and is

[16] French market growth based on IPEA (*Institut de Prospective et d'Etudes de l'Ameublement*).

now nearly three times larger than the second player in the affordable inspirational segment. During that period, independent retailers have lost the most market share, with their share of the affordable inspirational segment declining from 80% to 68%.

6.2.3 A scalable business model geared towards value

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

The Group has implemented a design-to-cost model, which is aimed at capturing emerging trends in its new collections and universes and which relies on the close cooperation of the Group's experienced team of stylists and sourcing professionals from the very beginning of the design process. This industrialized design-to-cost model allows the Group to offer original and compelling products at attractive prices while maintaining its gross margins.

To manufacture its products, the Group works with more than 500 third-party suppliers, typically located in China, India or Vietnam. It has developed long-term and in-depth partnerships with a select group of 40 such suppliers, which support the Group in developing its unique products at an attractive cost. Additionally, the Group operates two furniture production facilities, one of which is a joint venture in China, which provides Maisons du Monde with a deep understanding of the production process and associated costs, as well as supply flexibility and quality assurance, in particular for its highest quality or most complex products.

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 low inventory level of approximately €120,000 per store on average, maximizing square footage at retail locations for product display and increasing sales densities.

Finally, at the end of the value chain, the Group is able to commercially execute and deliver its strategy in an efficient and cost-effective way. Using a data intensive approach that leverages more than 20 years of sales experience, the Group is able to determine optimal initial ordering levels, with re-ordering being done based on the first two to three weeks of sales performance, which optimizes stock level and minimizes inventory obsolescence. Leveraging its efficient and flexible supply chain and its logistic capabilities, the Group is then able to supply stores up to four times per week.

This industrialized, integrated and flexible value chain provides Maisons du Monde with the ability to create multi-style inspirational and affordable on-trend collections, while at the same time maintaining high gross margins and limiting stock write-offs and promotions.

6.2.4 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 December 31, 2015, the Group operated 262 stores, with only one store with a negative store EBITDA[17] in the year ended December 31, 2015.[18] Most of the stores

[17] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

operated by the Group have between 300 and 3,000 square meters of retail trading space and are located in either city centers, shopping malls or suburban commercial zones. Through a standardized approach, the Group has been able to roll-out its concept with consistent commercial and financial efficiency and has managed to build a balanced and harmonious store network, with similar economics 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 collections and universes and prepare a store visit. In the year ended December 31, 2015, Maisons du Monde generated online Customer Sales of €120.6 million across 11 countries, an increase of 32.2% compared to 2014, with a similar profitability compared to the Group's store network. The Group believes it is today a leader in e-commerce in the French decoration and furniture market, with 17.2% of its Customer Sales for the year ended December 31, 2015 generated online, compared to 7% in 2010. This compares favorably to the relatively low e-commerce penetration in France in the decoration and furniture market generally, which was 2% in 2014, with most large brick-and-mortar competitors reporting online sales below 5% of their total sales.

The Group seeks to further improve the success of its omnichannel model through Web-to-Store and Store-to-Web applications and options, such as click-and-collect[19] or click-in-store[20], which accounted for €178.5 million of Customer Sales for the year ended December 31, 2015. Additionally, the Group has started to leverage the significant customer insight data that it has generated across channels, to improve its marketing returns and drive further growth.

The Group also engages its customers with magazine-like catalogs, showcasing the same universes that are found in stores, to encourage customers to dream and project themselves in a newly decorated or redesigned home and to reimagine their homes with inspirations from various international locations. These catalogs are presented in several languages and in three versions (general, junior and outdoor) and together display the full range of the Group's furniture offering, driving traffic to the Group's stores and websites. Maisons du Monde's 2016 general catalog displayed approximately 2,800 furniture SKUs and 2,000 decorative products SKUs, its 2015 outdoor catalog displayed approximately 450 furniture SKUs and 120 decorative products SKUs and its 2015 junior catalog displayed approximately 270 furniture SKUs and 370 decorative products SKUs. In 2015, the Group distributed approximately ten million free catalogs across the countries in which it operates.

This omnichannel approach, combined with the Group's lifestyle universes, is in contrast to traditional players, who often display their products in stores only, in comparatively unengaging product aisle format. 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, 7% of furniture SKUs are displayed in-store, but, using its catalogs and websites, the Group is able to make its entire collection available to its customers. This is illustrated by the fact that during the year ended

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[18] Based on management accounts for the year ended December 31, 2015 and only taking into account stores opened prior to December 31, 2013, *i.e.*, stores included in the definition of like-for-like.

[19] "Click-and-collect" refers to the Group's system by which decorative products can be ordered through the Group's online platforms and collected by the customer from a Group store.

[20] "Click-in-store" sales refers to Customer Sales booked 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 relevant store. Such purchases are generally identified by customers from the catalogs or tablets made available in-store or, alternatively, through discussions with sales associates.

December 31, 2015, 78.5% of in-store furniture Customer Sales was generated by products that were not displayed in-store.

6.2.5 A proven track record replicated internationally

Maisons du Monde has successfully replicated its business model across Western Europe and operated, as of December 31, 2015, 69 stores in six countries outside France and had an online-only presence in four additional countries. In the year ended December 31, 2015, 34% of the Group's Customer Sales were generated outside France, compared to 3% and 20% in 2005 and 2010, respectively. For the year ended December 31, 2015, six of the ten largest stores in terms of Customers Sales were located outside France, with three in Italy, two in Spain and one in Germany and about 40% of e-commerce sales were outside of France.

The Group has historically been able to rapidly scale its international expansion with a high standard of operational performance, through a consistent and centralized implementation and execution of its merchandising process across countries as well as standardized and structured store roll-out process. The Group adapts its strategy to local retail environments. For example, the Group has experienced that in Italy larger suburban stores deliver better commercial and financial performance than other formats. The Group has also benefitted from converging consumer tastes across European countries, allowing the Group to succeed in each country with the same collections. This is illustrated by the fact that most of the Group's best-sellers are the same across countries.

The Group's expansion into Italy is one example of the successful international roll-out of the Maisons du Monde model. The Group opened its first Italian store in Bologna in 2007. In the year ended December 31, 2009, total Customer Sales in Italy accounted for €14.4 million. By the year ended December 31, 2012, Customer Sales were €73.4 million and reached €113.7 million for the year ended December 31, 2015, which represents a CAGR of 41% between 2009 and 2015.

The success of the Group's international growth strategy is further highlighted by similar ramp-up and payback periods[21] for new stores, as well as comparable store EBITDA[22] margins between French stores and international stores, in each case across countries where the Group's brand and network have already been established (such as Italy, Spain and Belgium). Additionally, as of December 31, 2015, the Group has only closed two international stores in the history of the Group, excluding repositionings.

6.2.6 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 2013 and 2015, the Group's Customer Sales grew from €545.1 million for the year ended December 31, 2013 to €699.4 million for the year ended December 31, 2015, representing a CAGR of 13.3%, with positive contribution from all channels, all formats and all countries, which represents a strong performance compared to other European retailers in the homeware

[21] Ramp-up refers to the amount of time it takes a new store to record average Customer Sales per square meter in line with the Group's average. Payback is defined as store fixed assets (net of disposals) divided by store EBITDA. The Group's management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analyzing the performance of its stores.

[22] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs. Store EBITDA margin refers to store EBITDA as a percentage of Customer Sales.

industry and beyond. In addition, the Group's EBITDA grew between 2013 and 2015 at a CAGR of 20.4%, from €65.3 million in the year ended December 31, 2013 to €94.5 million in the year ended December 31, 2015, with the EBITDA margin also improving from 12.0% to 13.5% between 2013 and 2015 and normative cash conversion between 80% and 90% over the same period.[23]

This excellent financial performance is the result of a very healthy store network and a profitable e-commerce channel, with new stores being rolled out with attractive economics across all formats and geographies, with an average ramp-up of less than one year (in mature countries, such as Italy, Spain and Belgium) and an average payback[24] of two to three years for the majority of the Group's stores, with only one store with a negative store EBITDA[25] in the year ended December 31, 2015.[26] Its online channel also provides attractive returns, with very low capital requirements.

6.3 STRATEGY

6.3.1 Continued focus on inspiring & delighting its customers

Maisons du Monde has a track record of two decades of uninterrupted double-digit growth and has built a strong customer fan base as illustrated by its market leading Net Promoter Score. The Group believes that its focus on offering aspirational decoration and furniture at affordable prices, across styles, displayed in inspirational universes, differentiates it from its competitors and drives its historical track record. The Group remains committed to delighting and inspiring its customers by developing highly desirable and affordable collections. Leveraging its unique design-to-cost collectionning process, the Group's design teams will continue to work closely with suppliers to capture and adapt to emerging design trends. 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.

6.3.2 Continue to drive Like-for-Like growth

Maisons du Monde has a strong track record of like-for-like Customer Sales growth, outperforming the home decoration and furniture market. Between 2006 and 2015, the Group's like-for-like Customer Sales grew at an annual average growth of 7%, compared to 0.7% for the overall growth of the French decoration and furniture market, according to IPEA. The Group's objective is to continue to outpace the broader European decoration and furniture market, which is anticipated to grow at a CAGR of approximately 2.0% to 2.5% between 2014 and 2019. The Group also benefits from a larger exposure to the higher growth online channel, which already represents, for the year ended December 31, 2015, 17.2% of the Group's total Customer Sales. This can be compared to an average online penetration of approximately 2% for the overall French decoration and furniture market. The European

[23] Cash conversion is defined as EBITDA net of change in working capital requirement and maintenance capital expenditure (see Section 10.4.2, "Net cash flow used in investing activities" of this Registration Document), divided by EBITDA.

[24] Payback is defined as store fixed assets (net of disposals) divided by store EBITDA. The Group's management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analyzing the performance of its stores.

[25] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

[26] Based on management accounts for the year ended December 31, 2015 and only taking into account stores opened prior to December 31, 2013, *i.e.*, stores included in the definition of like-for-like.

online decoration and furniture market is expected to grow at a CAGR of 10.7% through 2019, providing the Group with additional market growth tailwinds.

The Group believes it has steadfastly gained market share in the affordable inspirational segment since 2003 over its main competitors, with its market share increasing from approximately 3% in 2003 to approximately 16% in 2014, gaining market share in particular from independent retailers, whose combined market share in the French affordable inspirational segment is estimated to have declined from 80% to 68% between 2003 and 2014. The Group believes that this positive trend should continue in the future, in particular given Maisons du Monde's superior value proposition and efficient omnichannel business model.

To further support its like-for-like Customer Sales growth, the Group has identified several key drivers and areas of focus.

First, the Group intends to continue to improve its customers' omnichannel experience by further integrating its distribution channels. In particular:

- In January 2016, the Group launched its click-and-collect initiative, which allows customers to make purchases online and collect their items for free in a nearby store of their choice. This enables the Group to sell its decoration range more efficiently online, given the reduced delivery costs for deliveries in-store. As of February 29, 2016, this initiative has been introduced in approximately 200 stores in France and in Switzerland, with the aim to be fully rolled-out internationally before the end of 2016. The preliminary results of the click-and-collect initiative have been very positive, attracting new customers and driving incremental in-store purchases, as it is estimated that more than 10% of customers buy additional items in store when they collect their online order.

- The Group has recently launched a program to digitalize its sales forces with tablets and in-store television screens displaying the Group's entire product offering which should support click-in-store sales,[27] in particular for furniture items not displayed in-store. This program is currently implemented in more than 100 Group stores, with planned full roll-out of this program to be completed within 18 months.

- The Group will continue to invest in its websites and mobile platforms to remain on the forefront of technological development. In particular, the Group will focus on adding new features and functionalities to enhance customer convenience and satisfaction, including improved search and browsing functionalities.

- Additionally, the Group intends to further leverage its Customer Relationship Management (CRM) tools. The Group has recently combined its offline and online customer databases, which includes approximately ten million contacts and which will enable the Group to better and more fully understand its customers and their behaviors across channels. Going forward, Maisons du Monde will leverage this information to improve its marketing efficiency and further improve customer experience, for example through personalized email, website customization based on order history, social network presence and geo-localization.

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[27] "Click-in-Store" sales refers to Customer Sales booked 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 relevant store. Such purchases are generally identified by customers from the catalogs or tablets made available in-store or, alternatively, through discussions with sales associates.

Furthermore, the Group also intends to continue to enhance the retail experience of its customers. For example, the Group intends to fine-tune the space allocation of collections according to local tastes to continue to optimize its merchandising, to use marketing flyers to drive traffic to stores and to improve its consumer credit offering.

Finally, Maisons du Monde has a proven track record in adding new product categories, such as the junior and outdoor collections (representing respectively 4.3% and 3.4% of Customer Sales for the year ended December 31, 2015). The Group also continuously works on expanding its products within any given category (for example, in 2016, the Group introduced water resistant pillows in its outdoor furniture collection). The Group believes there is room to further expand into new product areas, such as kitchen and bathroom decoration and furniture, where the Group is under-represented today.

6.3.3 Dynamically manage and continue to selectively densify the Group's French store network

Maisons du Monde benefits from a 20-year track-record of profitable store openings in France, with a proven ability to identify attractive locations and develop successful stores. Between December 31, 2012 and December 31, 2015, the Group added 8 new stores on a net basis in France (representing a 4% increase in number of stores), opening 31 stores and closing 23 stores (most of which were repositionings), adding approximately 39,000 additional square meters (representing a 29% increase in square meters, or 9% per annum on average over the period), leading to a total of 193 stores by December 31, 2015. The total selling surface area 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 center stores in order to better display the Group's expanded offering.

The Group, based on a detailed catchment analysis, believes that its full potential in France is up to 285 stores, without meaningfully cannibalizing its existing stores, changing its model or payback criteria. This potential could be higher if smaller store formats were included or payback levels adjusted. In particular, the Group has identified a number of opportunities in the greater Paris area, as well as in specific touristic areas outside of Paris. To determine the potential for new stores, the Group commissioned an external study which identified potential new store locations based on historical Group store sales data, catchment information (such as income level, age and number of secondary houses), nearby Maisons du Monde stores, minimal store revenue targets, together with the input from the Maisons du Monde development team.

The Group's objective by 2020 is to increase the size of its store network in France to approximately 230 to 240 stores in total, with all 2016 store openings secured and most 2017 store openings already identified. The Group intends to focus on opening stores in shopping malls and suburban commercial zones, including through the relocation of certain city centers stores.

The Group also intends to continue investing in its current stores to improve the retail experience of its customers. Finally, the Group may opportunistically acquire additional store space, similarly to the Vivarte agreement in 2015 whereby the Group successfully took over nine former Vivarte stores in key locations (of which five have been opened in 2015 and four in the first quarter of 2016).

6.3.4 Accelerate its disciplined international expansion

The Group will continue to pursue its disciplined international expansion, both through store development in selected markets and online penetration.

Between December 31, 2012 and December 31, 2015, the Group added 30 stores on a net basis to its international portfolio (representing a 77% increase in the number of stores), growing its selling space by 30% per annum on average over the same period. The creation of physical store networks in Germany and Switzerland led to a total international store network of 69 stores across six countries outside of France as of December 31, 2015.

The Group believes, supported by an external study commissioned by the Group, that the full potential of store footprint in the international markets where it currently operates its store network represents nearly 500 stores in the aggregate, including up to 120 stores in Italy, 85 stores in Spain, 50 stores in Belgium and Luxembourg, 200 stores in Germany and 35 stores in Switzerland.

Given this potential, the Group intends to accelerate the pace of its international expansion, with an objective of 80 to 95 store openings in total on a net basis by 2020, focusing primarily on its existing markets, leading to 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 adapt its expansion strategy to the specificities of each country, adjusting the focus of its development between store network and online. In France, Italy, Spain and Belgium, where online adoption is low, the Group intends to focus on a balanced store development, densifying its network while also growing its online sales. In Germany and Switzerland, where online adoption is higher, the Group intends to adopt a more gradual store development, leading with its online platforms, with selected and highly complementary physical stores.

Finally, the Group intends to remain opportunistic in countries where online penetration is high and where building a store network could be expensive, such as the United Kingdom, where the Group does not have any stores but successfully operates an e-commerce platform.

The Group will implement this strategy internationally while maintaining strict financial discipline, focusing on improving operating leverage and preserving profitability and cash generation.

6.3.5 Develop its franchise and B2B offering

The Group continually explores new opportunities to serve new customers. Maisons du Monde believes franchising and B2B sales represent attractive platforms to drive long term growth.

The Group's franchising strategy is focused on regions outside of Europe, which the Group believes represents a low risk, low capital intensity approach that will introduce its offering and concept on attractive economic terms. 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 the Group does not intend to develop its own network.

As of the date of this Registration Document, the Group has entered into a master franchising agreement covering the Middle East with Majid Al Futtaim, a leading master franchisee in the region. The agreement envisaged several store openings in the next few years. The Group is also engaged in discussions with potential partners in North Africa and has recently signed a franchise agreement with a franchisee for the opening of Maisons du Monde franchises in Morocco.

The Group also intends to accelerate the roll-out of its B2B offering which represented €9 million of Customer Sales for the year ended December 31, 2015. Through its B2B activities, the Group makes its unique decoration know-how and product offering available to the business world, including hotels, architects, corporates and the entertainment business. The Group has only recently started to focus on this market, which the Group believes represents in France alone approximately €1.6 billion of sales. To better serve this market, the Group has created a dedicated team and is aiming at further increasing its marketing efforts towards B2B customers.

6.4 HISTORY

In 1996, Xavier Marie, the Group's founder, former Chief Executive Officer and current special advisor to the Group, opened the first four Maisons du Monde stores in Bordeaux, Lyon, Quimper and Vichy. The "Maisons du Monde" brand initially focused on decorative products and embraced a "world bazaar" theme, with merchandise influenced by styles and motifs from regions around the globe. By the end of 2001, the Group had expanded its operations to 69 stores in France and as of December 31, 2015, it operated 262 stores across Europe. In parallel to its strong development in France, the Group gradually internationalized through organic growth by opening stores in Spain (2003), Belgium (2004), Italy (2007), Luxembourg (2010), Germany (2013) and Switzerland (2014).

The Group has gradually evolved from its historical "world bazaar" concept towards a large and diversified portfolio encompassing a variety of universes, themes and styles that appeals to a broad customer base. It also expanded its offering by adding new product ranges, including textiles (2007) and launching its dedicated outdoor collection (2009) and its dedicated junior collection (2011), each of which is an important component of the Group's complete homeware offering today. For example, the Group's junior collection accounted for approximately 1.5% of Customer Sales in 2011. By 2013, it accounted for approximately 2.4% of Customer Sales and in 2015 accounted for approximately 4.3% of Customer Sales.

In the middle of the 2000s, the Group began opening comparatively larger stores principally located in suburban commercial zones and shopping malls in order to better showcase its enlarged offering of decoration and furniture. In 2006, the Group launched its e-commerce platform and its catalog, as part of a broader marketing and omnichannel sales strategy, providing an effective way to sell its furniture range.

The Group's Customer Sales grew at a CAGR of 21% between 2001 and 2015, indicative of its consistent ability to deliver Customer Sales growth. This expansion of Customer Sales has been achieved while maintaining a high level of profitability: gross margin and EBITDA margin were 67.8% and 13.5%, respectively, in the year ended December 31, 2015.

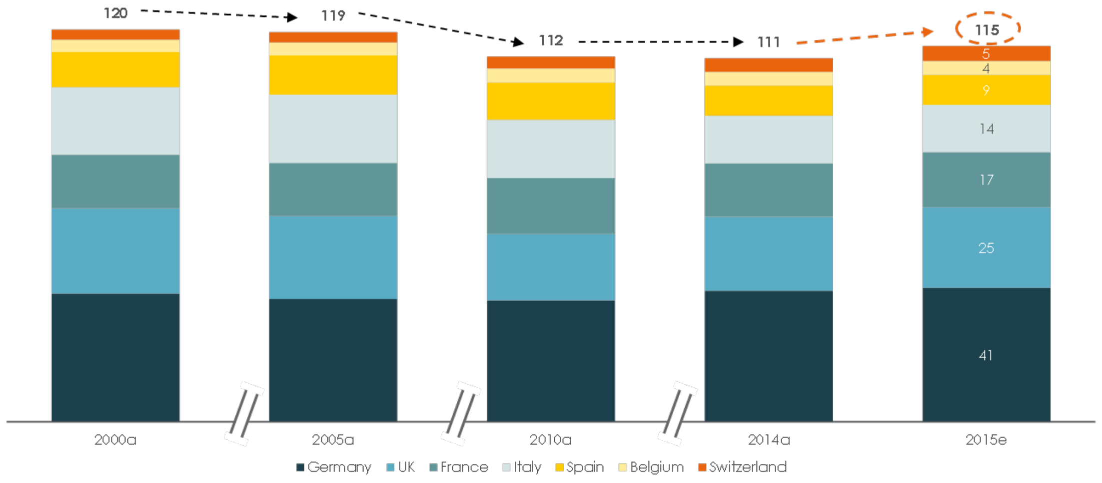
6.5 INDUSTRY AND MARKET OVERVIEW

6.5.1 The European Decoration and Furniture Market

The Group competes in the large European decoration and furniture market[28] and is the leader in the highly fragmented "affordable inspirational" segment of the French decoration and furniture market. The European decoration and furniture market had revenues of approximately €115 billion (including VAT) in 2015 and grew by 3.6% as compared with 2014, underpinned by growth in France, the United Kingdom and Germany.

[28] 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.

The chart below shows the stability and geographic evolution of the addressable European decoration and furniture market from 2000 through 2015, with totals in euro billions.



The European decoration and furniture market is forecasted to grow at a CAGR of 2.0 – 2.5% between 2014 and 2019, reaching an estimated €125 billion of revenues (including VAT) by 2019. This includes forecasted revenue growth of 1.5 – 2.0% per annum in France, 3 – 3.5% in the United Kingdom, 2.5 – 3.0% in Germany, 0.5 – 1.0% per annum in Italy, 1.5 – 2.0% per annum in Spain, 1.0 – 1.5% in Belgium and 2.0 – 2.5% in Switzerland, over the same period.

The Group believes it primarily competes in the affordable inspirational segment of the market, which includes retailers who emphasize style and originality at affordable prices. This segment of the market is highly fragmented. For example in France, where the Group believes it is a leading player, the largest retailers (including Maisons du Monde, Habitat, Casa, Zara Home and Zodio) hold approximately 32% of the affordable inspirational market, with the remainder being held by independent retailers.

6.5.2 General European Market Drivers

6.5.2.1 *Consumer trends*

The evolution of the European decoration and furniture market has been 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.

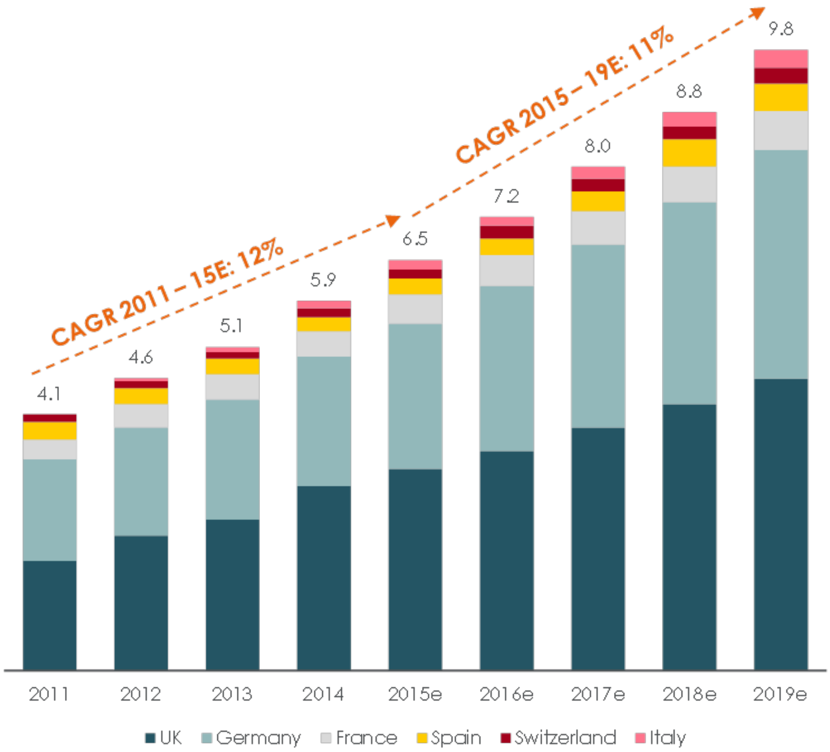
In recent years, customer tastes have converged across different geographies as well as across the socio-economic spectrum. The rise of the Internet and of visually-rich sites such as Pinterest and Instagram, as well as the popularity of television programs relating to home decoration and renovation, has democratized 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 across 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 catalogs 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 sources of well-being. Decoration and furniture are increasingly purchased not just for their functional use but also for their aesthetic appeal. Modern homes tend to be highly curated by their residents, leading to purchases of decoration and furniture that express personal tastes and needs.

6.5.2.2 *E-commerce and mobile technologies*

E-commerce is a rapidly growing channel in the European decoration and furniture market. Online decoration and furniture revenues in Europe reached €6.5 billion (including VAT) in 2015, following revenue growth at a CAGR of 20% between 2000 and 2014. Online decoration and furniture revenues in Europe are forecasted to grow at a CAGR of 10.7% from 2014 to 2019, reaching €9.8 billion (including VAT). Strong growth is forecasted for the same period in the Group's main markets, including France (+10% CAGR), Italy (+17% CAGR), Spain (+16% CAGR), Switzerland (+11% CAGR), Germany (+11% CAGR) and the United Kingdom (+10% CAGR).

The chart below shows the forecasted split of online decoration and furniture revenues (in euro billions) by country between 2011 and 2019.



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 growth in online penetration will provide decoration and furniture retailers with e-commerce platforms additional market tailwinds for growth.

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 websites 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 people 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, 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 colors, 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 purchasing. 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 website, where it may be available in a particular color or fabric. In this case, each channel complements the other and optimizes 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 website. The Group’s click-and-collect option, which was available in approximately 200 stores in France and Switzerland as of the end of February 2016, for decorative products purchased online also encourages customers to visit stores after making an online purchase. The Group estimates that more than 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 Customer Sales were online, compared to Conforama’s approximate 6% (which includes also brown goods which typically have a higher online penetration), BUT’s approximate 4% and IKEA’s approximate 3%. In 2015, 17.2% of the Group’s Customer Sales were online, amounting to €120.6 million and representing a CAGR of 31% since 2011.

6.5.2.3 *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 in particular benefits 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 spending on decoration and furniture generally increases alongside 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 decoration and furniture market proved relatively resilient. In 2009 in France, the decoration and furniture market declined by only 1.4%, while the consumer confidence index declined by 10%, residential construction declined by 7% and GDP declined by 3%.

Economic recovery in Europe is expected to continue, providing tailwinds for the European decoration and furniture market. According to the IMF, between 2009 and 2015 real GDP rebounded moderately in Europe, at a CAGR of 1.0% in France, the Group's primary market. As Europe continues to recover and key metrics, such as consumer confidence, improve, this trend is expected to accelerate. The IMF projects that between 2015 and 2019 GDP will grow in France (+1.9%), Italy (+1.1%), Spain (+1.9%), Belgium (+1.5%), Germany (+1.3%) and the United Kingdom (+2.2%).

6.5.2.4 *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 secondary housing. For example, areas that have a high share of secondary housing, with a high proportion of vacation homes and other non-primary residences, tend to have populations with higher than average purchasing power. These factors are expected to trend favorably 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.

6.5.3 Competitive Landscape

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. For example, decoration and furniture stores accounted for approximately 75% of decoration and furniture revenues in France in 2014, followed by supermarkets and hypermarkets and for approximately 55% of decoration and furniture revenues in Germany in 2014, followed by home improvement and gardening stores and discounters.

Within the European market, the Group generally competes with players that offer a similar value proposition. For example in France, 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 organized 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 results in France illustrate its strong performance in this segment, with its market share increasing from approximately 3% in 2003 to approximately 16% in 2014, with independent retailers losing the most market share, declining from 80% to 68%. The Group believes that the combination of its wide and deep offering of unique products, its high impact merchandising that combines decoration and furniture, its attractive price points and its omnichannel approach provide the Group with structural advantages over its competitors. Moreover, the Group's size, experience and centralized approach enables it to cost-effectively execute its strategy of in-house design-to-cost, with direct sourcing in Asia.

For further information regarding the Group's competitors, see Sections 6.5.4.1(c), "France—Competitors", 6.5.4.2(c), "Italy—Competitors", 6.5.4.3(c), "Spain—Competitors", 6.5.4.4(c), "Belgium—Competitors", 6.5.4.5(c), "Germany—Competitors" and 6.5.4.6(c), "United Kingdom—Competitors" of this Registration Document.

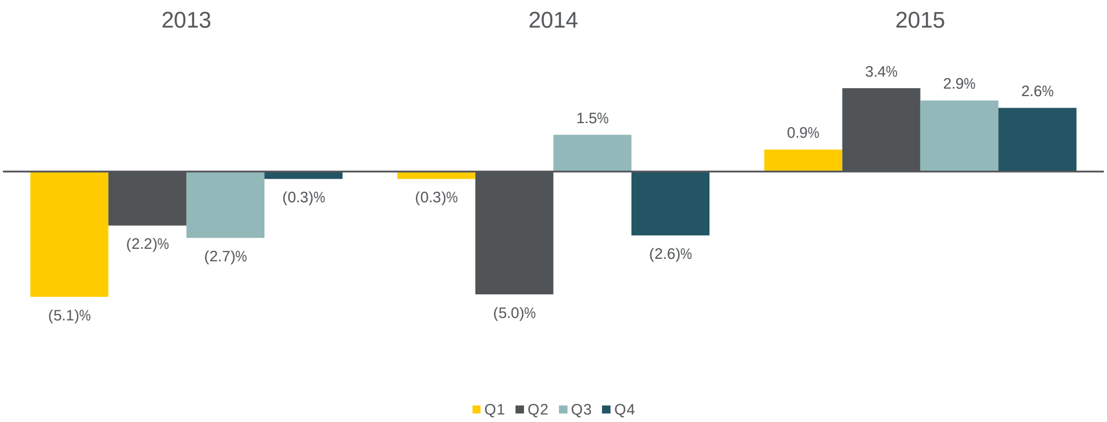
6.5.4 The Group's Geographic Markets

6.5.4.1 *France*

(a) Market Size and Growth Potential

France is the third largest decoration and furniture market in Europe, with revenues of €16.8 billion in 2015 (including VAT), representing 2.0% annual growth versus 2014. The French decoration and furniture market has enjoyed fairly stable returns for the past 15 years and is forecasted to realize moderate growth at a CAGR of 1.5 – 2.0% from 2014 to 2019, reaching estimated revenues of €17.9 billion (including VAT).

The French market has benefitted from a recent acceleration in growth, as shown by the quarterly growth between 2013 and 2015 demonstrated in the chart below, according to IPEA.



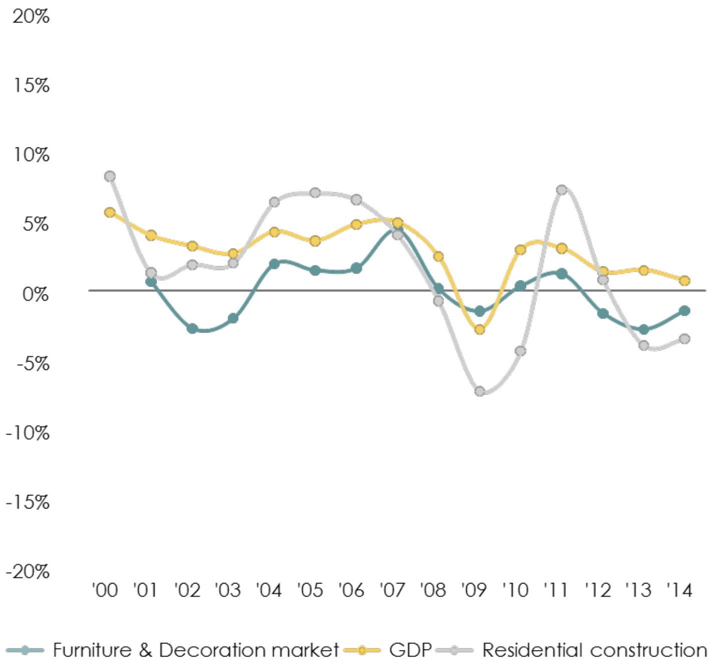
As mentioned above, decoration and furniture retailers can be divided into five main segments: generalists, functional, affordable inspirational, premium design and mono-category experts. The affordable inspirational segment includes retailers who emphasize style and originality at affordable prices, while the functional segment includes retailers that emphasize price and convenience. The Group is the leader in the affordable inspirational segment. The Group believes that its primary competitors in the affordable inspirational segment, which had revenues of approximately €2.5 billion in 2014, are Habitat, AM. PM., Casa, Zara Home and Zodio, as well as a large number of independent retailers. The affordable inspirational segment accounted for approximately 15% to 20% of the French decoration and furniture market in 2014 and appears to be highly fragmented, with a large number of independent retailers. Between 2003 and 2014, the market share held by independent retailers in the affordable inspirational segment declined from 80% to 68%.

(b) Market Trends

As is the case with the European decoration and furniture market as a whole, the French decoration and furniture market is bolstered by increasing penetration of e-commerce and evolving customer tastes, while being relatively resilient to negative macroeconomic indicators. Additionally, the French decoration and furniture market seems to be poised to benefit from a number of positive macroeconomic trends. Per capita spending in France on decoration and furniture was €248 per year in 2014.

In terms of macroeconomics, the French furniture market has been resilient following the 2008-2009 financial crisis. The French decoration and furniture market declined by only 1.4% in 2009, compared with a 3% decline in GDP, a 7% decline in residential construction, a 10% decline in consumer confidence and a 1.5% decline in consumer electronics spending. The affordable inspirational segment of the French market is also particularly resilient in periods of macroeconomic downturn as retailers in this segment offer products at affordable prices that appeal to customers across the socio-economic spectrum.

The chart below shows the stability, in terms of year-on-year growth, of the French decoration and furniture market as compared with GDP and residential construction.



Economic and demographic trends support opportunities for growth in the French decoration and furniture market. As previously mentioned, the French population is forecasted to grow at 0.3% per annum from 2020 to 2050. Over the same period, the size of the average French household is forecasted to shrink by 0.3% per annum. Thus, the growing French population and number of households provides a favorable dynamic for decoration and furniture retailers. Additionally, between 2015 and 2019, real GDP is expected to grow 1.5% per annum in France, according to the IMF. Such an increase could lead to favorable effects in gross disposable income, consumer confidence and residential construction, all of which tend to correlate with increased revenues in the decoration and furniture market.

Online penetration in decoration and furniture in France was approximately 2% in 2014 and is forecasted to double, reaching 4% by 2019. Additionally, French customers who are omnichannel, purchasing both online and in stores, tend to spend more and buy more frequently. Additionally, between 2000 and 2014, the French online decoration and furniture market grew at a CAGR of 10% and is expected to grow at the same rate from 2014 to 2019.

(c) Competitors

As is the case in the European decoration and furniture market generally, in France 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 decoration and furniture market has been decreasing since 2009, when there were approximately 17,000 companies active in the decoration and furniture market, as compared with approximately 16,000 in 2011, representing a 3% decline overall. This decline was largely driven by a decline in small independent retailers, given the increasingly competitive environment caused by the globalization of the supply chain and competition from low-cost players and chain retailers.

In France, the Group competes primarily with retailers in the affordable inspirational segment. The French affordable inspirational segment is characterized 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 and independent retailers. The Group’s Customer Sales in France were €409 million in 2014, which made it a leader in the French affordable inspirational segment, with an approximate 16% market share, followed by Casa with an approximate 7% market share and Habitat with an approximate 6% market share. The affordable inspirational segment appears to be more fragmented than the market as a whole, with the top six retailers (Maisons du Monde, Casa, Habitat and Zara Home, respectively) accounting for approximately 30% of the segment’s revenues. The functional segment appears to be less fragmented than the affordable inspirational segment and is dominated by large competitors. The functional segment is comparatively more consolidated, with the top five retailers (IKEA, Conforama, BUT, Alinéa and Fly) accounting for approximately 80% of the segment’s revenues.

Between 2003 and 2014, the Group increased its market share from approximately 3% to approximately 16% in the French affordable inspirational market, while the share held by independent retailers shrank from 80% to 68% whereas other large players maintained their share. As such, Maisons du Monde has been the key winner in this segment over the last decade. This is further illustrated by the Group’s like-for-like Customer Sales, which grew approximately 7% per annum over the last ten years, compared to average furniture market growth of 0.7% per annum over the same period, according to IPEA. Additionally the Group has opened more stores in France than Casa and Habitat combined over that same period (based on openings net of closures).

6.5.4.2 *Italy*

(a) Market Size and Growth Potential

The Italian decoration and furniture market had revenues of €14.6 billion (including VAT) in 2014, representing annual decrease of 3.3% versus 2013. The Italian decoration and furniture market is forecasted to grow at a CAGR of 0.5 – 1.0% from 2014 to 2019, reaching estimated revenues of €15.2 billion (including VAT).

(b) Market Trends

In terms of macroeconomics, the Italian decoration and furniture market may benefit from forecasted improvements in GDP, household consumption, consumer confidence and residential construction. In 2016, Italy is forecasted to record GDP growth of 2.2% as compared to 2015; household consumption is expected to grow at the same pace, while consumer confidence has increased over the course of 2014 and 2015. While residential construction in Italy has lagged in recent years due to a residential construction tax that was in effect from 2012 to 2015, a recently enacted tax cut should support growth in this sector. In 2014, decoration and furniture spending per capita in Italy was on par with France, at €241 per year.

In terms of e-commerce, decoration and furniture online penetration in Italy is currently lower than in other European markets; it was approximately 1% in 2014 but is forecasted to double, reaching 2% by 2019. The increase in online penetration will provide strong tailwinds for the e-commerce market in Italy, which is forecasted to grow at a 17% CAGR from 2014 to 2019.

(c) Competitors

As is the case in the European decoration and furniture market generally, in Italy 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 and Mercatone Uno, a local player, entered insolvency proceedings in 2015 and several of its stores were transferred 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.

6.5.4.3 *Spain*

(a) Market Size and Growth Potential

The Spanish decoration and furniture market reached €9.2 billion (including VAT) in revenues in 2014, representing an annual decrease of 2.3% versus 2013. The Spanish decoration and furniture market is forecasted to grow at a CAGR of 1.5 – 2.0% from 2014 to 2019, reaching estimated revenues of €10.1 billion (including VAT).

(b) Market Trends

The Spanish decoration and furniture market is positioned to benefit from forecasted improvements in the Spanish macroeconomic environment. Between 2015 and 2019, Spain is forecasted to record GDP growth of 2.5%. In 2014, decoration and furniture spending per capita in Spain was €199 per year.

In terms of e-commerce, decoration and furniture online penetration in Spain was approximately 2% in 2014 and is forecasted to double, reaching 4% by 2019. The increase in online penetration will provide strong tailwinds for the e-commerce market in Spain, which is forecasted to grow at a 16% CAGR from 2014 to 2019.

(c) Competitors

As is the case in the European decoration and furniture market generally, in Spain the Group competes with all retailers who sell decoration and furniture, in particular independent retailers. The Spanish market appears to be highly fragmented. The Group believes the Spanish market is highly fragmented with large international players such as IKEA and Zara Home representing 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.

6.5.4.4 *Belgium*

(a) Market Size and Growth Potential

The Belgian decoration and furniture market had revenues of €4.2 billion (including VAT) in 2014. The Belgian decoration and furniture market grew at a 0.7% CAGR between 2001 and 2014 and is forecasted to grow at a CAGR of 1.0 – 1.5% from 2014 to 2019, reaching estimated revenues of €4.4 billion (including VAT).

(b) Market Trends

In terms of macroeconomics, the Belgian decoration and furniture market may benefit from forecasted improvements in GDP, household consumption and residential construction. From 2014 to 2019, Belgium is forecasted to see GDP growth of 2.5 – 3.5%, household disposable income growth of approximately 1.9% per annum and residential construction growth of approximately 2.4% per annum. In 2014, decoration and furniture spending per capita in Belgium was among the highest in Europe, third only to Switzerland and Germany, at €357 per year.

(c) Competitors

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 in the Belgian market are Dutch retailers focused on the value or 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.

6.5.4.5 *Germany*

(a) Market Size and Growth Potential

Germany is the largest decoration and furniture market in Europe, with revenues of €40.1 billion (including VAT) in 2014, representing growth of 1.3% versus 2013. The German decoration and furniture market grew at a 1.8% CAGR between 2009 and 2014 and is forecasted to grow at a CAGR of 2.5 – 3.0% from 2014 to 2019, reaching estimated revenues of €46.2 billion (including VAT).

(b) Market Trends

In terms of macroeconomics, the German decoration and furniture market may benefit from forecasted improvements in GDP, household consumption and residential construction. In 2016, Germany is forecasted to record GDP growth of 2.7%, household consumption growth of 3.4% and residential construction growth of 6.4%, year-on-year as compared to 2015. In 2014, decoration and furniture spending per capita in Germany was among the highest in Europe, second only to Switzerland, at €495 per year.

In terms of e-commerce, the German online decoration and furniture market 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 forecasted to reach 8% by 2019. As such, the e-commerce market is expected to grow at 11% per annum by 2019, to reach approximately €3.6 billion (including VAT) in 2014.

(c) Competitors

As is the case in the European decoration and furniture market generally, in Germany 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 top 13 retailers accounted for approximately 35% of the market in 2013, and includes IKEA, Höffner, XXXLutz, 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.

6.5.4.6 *United Kingdom*

The Group is currently pursuing an online-only strategy in the United Kingdom, the market with the highest online decoration and furniture revenues in Europe.

(a) Market Size and Growth Potential

The United Kingdom is the second largest decoration and furniture market in Europe, with revenues of €22.6 billion (including VAT) in 2014. The UK decoration and furniture market grew at a 3% CAGR between 2009 and 2014 and is forecasted to grow at a CAGR of 3.0 – 3.5% from 2014 to 2019, reaching estimated revenues of €26.8 billion (including VAT).

(b) Market Trends

In 2014, decoration and furniture spending per capita was higher in the United Kingdom (€348 per year) than in France, Italy or Spain.

In terms of e-commerce, decoration and furniture online penetration in the United Kingdom is the highest in Europe at approximately 13% in 2014 and is forecasted to reach 17% by 2019. The UK online decoration and furniture market is the largest in Europe, with revenues of approximately €2.9 billion (including VAT) in 2014 and is forecasted to grow at a 10% CAGR from 2014 to 2019, reaching approximately €4.6 billion (including VAT).

A positive macroeconomic outlook for the UK in the coming years is expected to support continued growth of the decoration and furniture market. In 2016, the United Kingdom is forecasted to record GDP growth of 2.2%.

(c) Competitors

As is the case in the European decoration and furniture market generally, in the United Kingdom the Group competes with all retailers who sell decoration and furniture, including other online-only retailers and independent retailers. The largest player in the UK market has an approximate 8% market share of the home furnishing market and the second largest player has approximately half of this share.

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 suit with their online offer. A number of UK decoration and furniture retailers focus on offering unique products to their customers, such as Made.com and Loaf.com.

6.6 DESCRIPTION OF THE GROUP'S BUSINESS

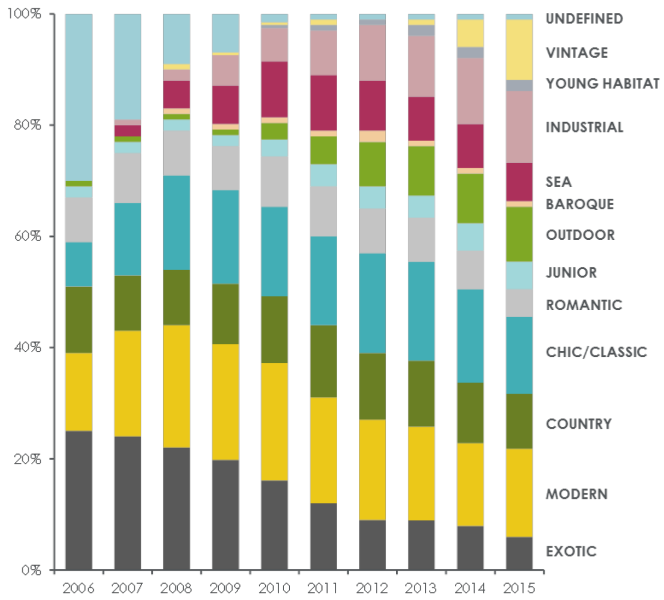
6.6.1 Products

6.6.1.1 *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 catalogs through lifestyle "universes". The Group uses the term "universes" to denote a complete vision of a room that the Group constructs through highly scenic and inspirational merchandising. In the universes, the Group combines decoration and furniture, arranging them in a homelike setting accompanied by appealing architectural features, wall colors, floor materials and natural light. Each universe seeks to inspire Maisons du Monde customers by capturing and reflecting moods, feelings and nostalgia, 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 product collections per year (each of which generally consists of six themes), continuously introducing new SKUs for customers to discover while redeploying historical best-sellers.

The following chart shows the breakdown of the Group's furniture styles for the period 2006 to 2015.[29]

[29] Presentation of all furniture SKUs sold in the year ended December 31, 2015 and the relative volumes of those same SKUs for previous years. Presentation of SKUs for 2006 through 2014 does not include all furniture SKUs sold in such years.



Source: Company information

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 Group's product range includes approximately 12,000 decoration SKUs (56.4% of Customers Sales) and 4,000 furniture SKUs (43.6% of Customers Sales)[30] and through its multi-style, multi-price point approach is designed to resonate with a wide 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. The images below show how Maisons du Monde's main styles present multiple visions for the same room, designed to appeal to different customers.

[30] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

Contemporary

Vintage

Exotic

Country House

Classic/Chic

Industrial

Seaside

Romantic

Young Habitat

6.6.1.2 *Decorative Products*

Decorative products generally consist of products that customers can use to accent and accessorize their homes and add color and personal style to their living spaces. The Group offers approximately 12,000 SKUs in the decorative products category.[31] The Group's 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 decorative products. For the year ended December 31, 2015, 56.4% of Customer Sales were generated by decorative products. Occasionally, new categories of decorative products 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 decorative products for babies, children and teenagers in 2011. This range currently consists of approximately 700 SKUs, including baby crib mobiles, lamps, wall art for children and storage containers.[32]

[31] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

[32] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

In addition to its furniture styles, the Group also curates and presents a variety of "themes" for decorative products, which are presented alongside furniture in Maisons du Monde's universes. These decorative products 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 approximately 40% of small decorative products in a given collection in subsequent collections, which are items the Group considers to be "best-sellers".

The Group launches decorative products collections two times per year: for Spring/Summer and Autumn/Winter. Additionally, each October, the Group unveils a highly anticipated thematic decorative products collection for holiday decorative products. Examples of thematic collections from the Spring/Summer 2016 season included Graphic Pastel, Garden Factory, Urban Jungle, Yellow Summer, Capri and Eleonore. Examples of decorative products offered as part of the Group's Spring/Summer 2016 collection included a floor lamp from the Capri theme, tableware from the Urban Jungle theme, a wall mirror from the Graphic Pastel theme, a cushion from the Yellow Summer theme and votive candles from the Garden Factory theme, as pictured below.

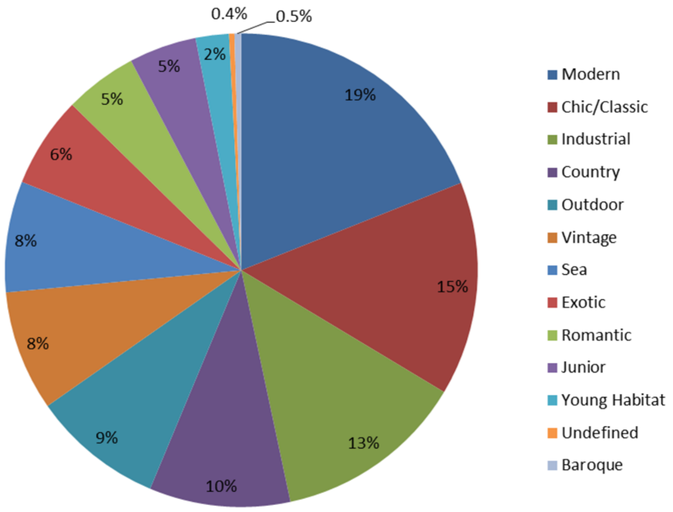
6.6.1.3 *Furniture*

The Group offers approximately 4,000 SKUs in the furniture category, across a wide range of styles.[33] The Group's furniture range includes sofas, chairs, beds, 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 €200, 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 December 31, 2015, 43.6% of Customer Sales were

[33] Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended December 31, 2015.

generated by furniture, as compared with 40.0% of Customer Sales generated by furniture in the year ended December 31, 2013. The Group has also expanded this range over the last few years, for example it introduced a dedicated outdoor collection in 2009 and a junior collection in 2011.

The following chart shows the breakdown by style of the Group's furniture SKUs sold in 2015.



6.6.2 Product Display and Merchandising

Product display and merchandising is core to consistently recreating the Group's lifestyle universes across its stores, websites and catalogs. The Group displays its products in a unique and inspirational way by creating scenic universes in homelike settings that systematically combine decoration 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 emphasize the range of themes, styles and customization options for each universe in order to help customers self-curate their homes.

The merchandising in Maisons du Monde stores, catalogs and websites is the result of rigorous testing and refinement at the Group's test store in Nantes, France, where merchandising specialists prepare in-store displays and conceptualize product pairings before deploying them throughout the Group's distribution channels. Merchandising execution is centrally managed to promote harmonious roll-out and brand consistency across store formats and geographies. Every week, a new retailing manual is sent to each store within the network that sets forth optimal composition and presentation of the Group's products. This approach instills retail best practices and consistency and allows store managers to benefit from the analysis gleaned from across the Group's full Customer 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.

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 and inspire customers' home design and decoration plans. For example, the Group's websites present items by product type (*e.g.*, mirrors), room, theme, style and universe, as well as by other features such as "as seen on TV" (for products featured in the weekly France 5 home decorating show) and "eco-selection" (products made from recycled wood and sustainable-sourced timber). Moreover, the Group's online platform expands on the approach taken by its catalogs, by integrating product videos and including photos from a variety of angles to allow better conceptualization of the products. Additionally, the Group's websites offers a gift selection tool to help generate ideas.

The Group's catalogs also serve as an important component of the product display and merchandizing 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. See also Section 6.9.4, "Catalogs" for further information.

6.6.3 Design, Sourcing and Pricing Strategy

6.6.3.1 *Overview*

The Group's approach to product design and pricing is integrated within a fully-industrialized 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.

6.6.3.2 *Product Design*

The Group's team of 17 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 to define the collections and manage product design according to a well-established collection creation process. For decorative products, 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, colors, prints and finishings, to optimize 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 commoditized 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 2015, approximately 55% of the Group's decorative products were designed or adapted in-house (up to 90% for certain key product lines, such as dishes or kitchen textiles), with the remainder selected from external suppliers, to align with the season's collection.

6.6.3.3 *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 appeal to a broad range of customers and budgets. For example, the Group offers two-seater sofas from an entry-level price of €199 for a contemporary upholstered model to €1,499 for a vintage 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 €200 for furniture for the year ended December 31, 2015, in both cases including VAT. According to a recent customer survey commissioned by the Group,[34] a majority of customers agreed that Maisons du Monde offers prices for all budgets and 75% considered its products to be a good value for money.

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 optimize 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 4.5% of Customer Sales in 2015, 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.

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[34] Customer survey commissioned by the Group, based on a poll of 1,500 customers in France in December 2015.

6.6.3.4 *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 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 December 31 2015, 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 5% of the Group's manufacturing (primarily sofas) and the rest of Europe accounting for approximately 3% of the Group's manufacturing (primarily glassware).

(i) Internal Manufacturing

In the year ended December 31, 2015, the Group manufactured approximately 22% of its furniture (in terms of furniture purchases) at its in-house manufacturing facilities in China (through the Group's joint venture with SDH Limited, 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 utilization 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 optimize 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.

The 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. In 2012, the Group and its joint venture partner financed the acquisition of additional land and production capacity for Chin Chin. The Group's subsidiary in Vietnam, Mekong Furniture, was established in 2013 and focuses primarily on the Group's junior furniture collection as well as other high-quality furniture. For further description of Mekong Furniture's and Chin Chin's manufacturing plants, see Section 8.1, "Significant Existing or Planned Property, Plant and Equipment".

(ii) External Suppliers

The Group regularly works with more than 500 third-party suppliers. The Group's top 15 suppliers (including Chin Chin Limited and Mekong Furniture) represented 35% of its purchases for the year ended December 31, 2015 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 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 "Maisons du Monde" stores and 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 catalog maintained by the partner according to colors, materials and other customizable 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 customization or value-added design. For example, the Group may purchase decorative non-scented candles in a variety of colors from an external supplier in order to complement a particular style, theme or universe.

(iii) Raw Materials

The primary raw materials for the Group's decoration 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 U.S. dollars or, if priced in other currencies, exhibit fluctuations in line with the U.S. dollar to the applicable currency rate, the price of raw material purchases is generally made in U.S. dollars. For further discussion of the impact of exchange rates on the Group's results of operations, see Section 9.2.1.7, "Foreign exchange impact" of this Registration Document.

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 applicable prototype, relevant 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 Section 8.2.2.1, "Environmental Management" of this Registration Document for further discussion of the Group's procurement of sustainable wood.

6.6.3.5 *Corporate Social Responsibility*

The Group actively engages itself in social as well as environmental causes. The Group is committed to socially and environmentally responsible sourcing of its materials, recycling and managing the environmental impact of its products throughout their lifecycles, financially supporting social and environmental projects through small NGOs and helping to reduce greenhouse gases. For example, as of February 2016, 10% of the Group's drivers are trained in "eco-drive" and a number of Group employees have taken "solidarity holidays" to visit NGOs.

6.7 DISTRIBUTION CHANNELS

6.7.1 Overview

The Group distributes its products through a fully-integrated and complementary omnichannel platform that includes stores, catalogs and websites. The complementarity of the Group's channels is illustrated by the range of SKUs offered through each channel. At a given point, the Group's stores typically display a wide range of decoration items (an average of approximately 5,700 SKUs as of December 31, 2015) but a more limited range of furniture items (an average of approximately 250 SKUs as of December 31, 2015). The Group's online channel showcases most of its product range, displaying an average of approximately 5,100 decorative products SKUs and approximately 3,600 furniture SKUs at any given point.[35]

The Group's catalogs constitute an additional information channel to disseminate and promote the Group's products. The online channel has increasingly become a source of Customer Sales growth. In 2015, the Group's websites attracted an average of 4.1 million unique visitors per month. The percentage of sales attributable to its desktop websites increased by 38% between 2013 and 2015. During the same period, sales attributable to tablet and mobile websites increased by approximately four and ten times, respectively. For the year ended December 31, 2015, Customer Sales in the Group's stores generated 82.8% of Customer Sales, while Customer Sales via its websites generated 17.2% of Customer Sales.

The Group's websites are not only independent sales channels but also attract footfall to its 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 websites. Similarly, a customer may view a product on the Group's websites or catalog and then visit one of the Group's stores before making a final decision. This constitutes the core of Maisons du Monde's omnichannel approach, which was further enhanced by the click-and-collect initiative for decorative products launched for the Group's French and Swiss stores in February 2016.

The Group also operates a business-to-business sales channel that accounted for €9.0 million in Customer Sales in the year ended December 31, 2015. For a description of this activity, see Section 6.7.4, "Business-to-Business Sales".

6.7.2 Store Network

The Group has developed a successful store concept based on its experience managing multiple store formats across multiple catchment areas in numerous countries. The Group benefits from a large and integrated store network that is built upon a disciplined and strict development strategy. The chart below illustrates the evolution in the Group's gross store openings since 2006.

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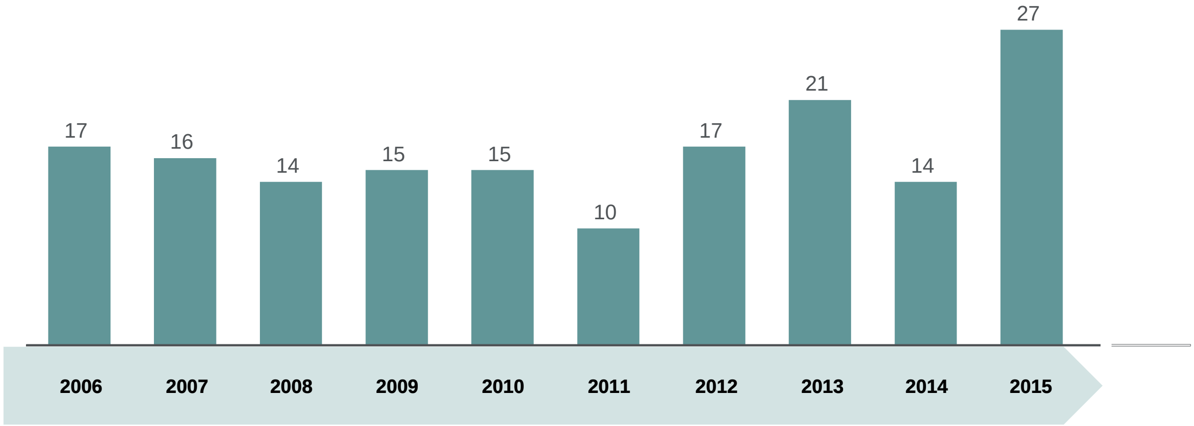
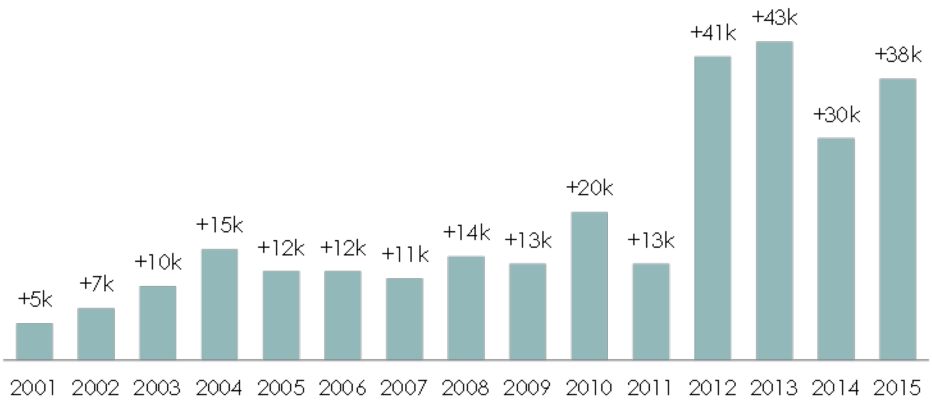
[35] Average number of SKUs available on the Group's website at a given point in time during the year ended December 31, 2015



As of December 31, 2015, the Group directly operated a total of 262 stores throughout France, Italy, Belgium, Spain, Germany, Luxembourg and Switzerland with approximately 286,000 square meters of retail trading space in total. The Group's square meters of retail trading space have grown by approximately 18,000 net square meters per annum since 2001, accelerating to growth of approximately 34,000 net square meters per annum net since 2012. Since 2012, the Group has opened 15 to 20 gross new stores per annum.

The chart below illustrates the Group's gross increase in sales area since 2000.



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 193 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 December 31, 2015:

Country	Number of stores	Average retail trading space per store (m2)	Number of stores opened in 2015 (gross)	Number of stores opened in 2015 (net)
France	193	900	14	8
Italy	30	2,000	2	2
Belgium and Luxembourg	16	1,000	1	1
Spain	12	1,600	3	3
Germany	8	1,700	5	5
Switzerland	3	1,800	2	2

The Group's store network is centrally managed from its headquarters 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 CRM 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 roll-out of the Group's merchandizing concepts across its network, country-level headquarters are modest and focused on human resources and payroll administration.

6.7.2.1 *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 principally characterized by location: city center, suburban commercial zone and shopping mall. As of December 31, 2015, the majority of the Group's stores were located in suburban commercial zones (62% of stores) or in shopping malls (18% of stores) which are attractive due to lower rents and high conversion rates, and the remainder are in high traffic city centers (20% of stores). The Group believes that situating its stores in locations with strong catchment potential is critical to the success of its business. See Section 6.7.2.2, "New Store Selection" of this Registration Document for further information.

The following presents a brief description of each of the Group's store formats by type of location.

City Center Stores

City center stores have approximately 300 to 800 square meters of retail trading space and primarily sell decorative products (on average, 73% of city center store product mix by

Customer Sales for the year ended December 31, 2015), with a limited offering of furniture (on average, 27% of city center store product mix by Customer Sales for the year ended December 31, 2015). City center stores tend to generate high footfall and are important for generating future Customer Sales either in the Group's larger suburban commercial zone and shopping mall locations or online. The Group's city center store in Nantes displays approximately 6,000 decoration SKUs at any given time (representing most of the Group's range) but less than 150 furniture SKUs (representing less than 5% of furniture SKUs). For the year ended December 31, 2015, each city center store generated average Customer Sales of approximately €1.2 million. For the year ended December 31, 2015, the Group's 53 city center stores generated approximately 11% of the Group's in-store Customer Sales.

Shopping Malls

Shopping mall stores have approximately 300 to 1,000 square meters of retail trading space and primarily sell decorative products (on average, 74% of shopping mall store product mix by Customer Sales for the year ended December 31, 2015), with a limited offering of furniture (on average, 26% of shopping mall store product mix by Customer Sales for the year ended December 31, 2015). The shopping malls where the Group opens stores are both inside and outside city centers, though the majority are outside city centers. 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. The Group's shopping mall store at Paris Beaugrenelle displays approximately 6,800 decoration SKUs at any given time (representing most of the Group's range) and approximately 180 furniture SKUs (representing less than 5% of furniture SKUs). For the year ended December 31, 2015, each shopping mall store generated average Customer Sales of approximately €1.7 million. For the year ended December 31, 2015, the Group's 48 shopping mall stores generated approximately 14% of the Group's in-store Customer Sales.

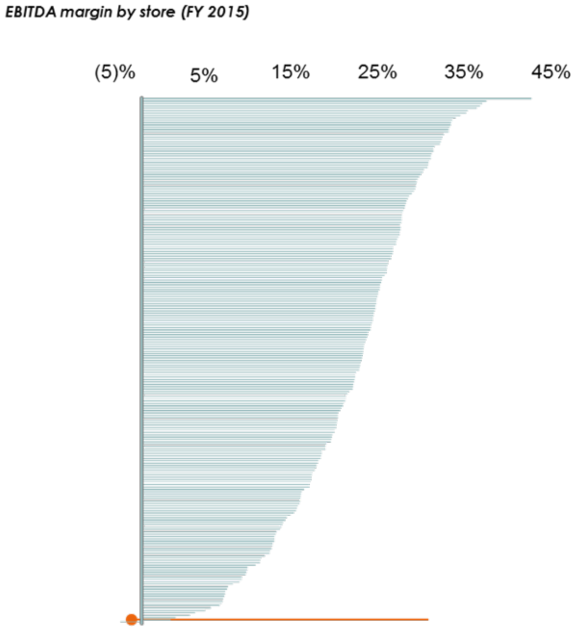
Suburban Commercial Zone Stores

Suburban commercial zone stores have approximately 500 to 4,500 square meters of retail trading space (with most stores having 1,000 to 2,000 square meters of retail trading space) and generally offer a wider range of furniture products (on average, 39% of suburban commercial zone store product mix by Customer Sales for the year ended December 31, 2015) as compared with the Group's shopping mall or city center stores. Suburban commercial zones stores are typically located near key transportation arteries and connected to mass transportation, generally with on-site or adjacent parking facilities. The Group's suburban commercial zone store at Milan Segrate displays approximately 7,200 decoration SKUs at any given time (representing most of the Group's range) and approximately 685 furniture SKUs (representing less than 10% of furniture SKUs). For the year ended December 31, 2015, each suburban commercial zone store generated average Customer Sales of approximately €2.7 million. For the year ended December 31, 2015, the Group's 161 suburban commercial zone stores generated approximately 75% of the Group's in-store Customer Sales.

6.7.2.2 *Management of Store Network*

The Group's store network is the result of an industrialized and data-driven process to centrally identify promising new locations. Additionally, the Group's centralized 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 and only one store had a negative store EBITDA[36] in the year ended December 31, 2015.[37] International stores across the network exhibit similar metrics as French stores, and for the year ended December 31, 2015, six of the top ten stores (as ranked by Customer Sales) in the network were located outside of France.

The chart below shows an estimate of the profitability of the Group's store network for stores opened before 2014, as measured by store EBITDA margin,[38] as of December 31, 2015.[39]



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 with respect to 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 Customer Sales that are typically higher than the average Customer 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 cannibalization. Should the site appear promising, a business case is prepared and presented to the Group's central development committee. Following approval by

[36] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

[37] Based on management accounts for the year ended December 31, 2015 and only taking into account stores opened prior to December 31, 2013, *i.e.*, stores included in the definition of like-for-like.

[38] Store EBITDA margin refers to store EBITDA as a percentage of Customer Sales.

[39] Based on management accounts for the year ended December 31, 2015.

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 has historically taken approximately ten weeks.

The Group rigorously monitors store payback, which refers to store net fixed assets[40] divided by the related store EBITDA[41] and store ramp-up, which refers to the amount of time it takes for a store to generate Customer Sales per square meter in line with the Group's average. According to analysis of the 14 store openings across five countries during the year ended December 31, 2014, store payback averaged two years, whereas ramp-up is typically approximately one year. Stores located in countries with higher brand recognition such as France, Italy, Spain and Belgium had shorter average payback and ramp-up periods. The majority of the Group's stores (80%) had a payback period of less than three years and half of the Group's stores had a payback period of less than two years.

The Group's development strategy has adopted 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 highly 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 2016, the Group plans to expand its store network with 20 net openings, with one third of openings in France and two thirds internationally, and retail selling space expected to reach approximately 310,000 square meters by December 31, 2016, compared to approximately 286,000 square meters at December 31, 2015 (as of March 31, 2016, 100% of the 2016 openings have already been secured).

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 analyzes 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 centers. In recent years, the Group has also selectively engaged in store repositioning, particularly in favor of stores that have larger selling space and therefore provide a better venue to present the Group's extensive range of products. Due to the Group's established new store selection procedures, only two international stores have been closed in the history of the Group, excluding repositionings.

6.7.3 E-Commerce

The Group was an early adopter and innovator in online sales, leading the development of this activity in the French decoration and furniture market. The Group ranks first in terms of

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[40] The Group's management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analyzing the performance of its stores.

[41] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

online adoption 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 December 31, 2015 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 optimized for computer, smartphone and tablet navigation and is accessible in multiple languages. The Group began online sales in 2006. In 2015, the Group's websites attracted an average of 4.1 million unique visitors per month. Customer Sales generated by its websites accounted for €120.6 million for the year ended December 31, 2015, or 17.2% of Customer Sales and increased by 32.2% over the year ended December 31, 2014.

Approximately 40% of total online Customer Sales were generated outside of France. Additionally, approximately 50% of the Group's online traffic was from mobile devices and mobile sales, which represented approximately 25% of the Group's online Customer Sales for the year ended December 31, 2015. Furniture accounted for 78% of the Group's online Customer Sales and decoration accounted for 22% of the Group's online customer sales in 2015.

The Group's e-commerce platform allows customers to discover and experience the universes found in its catalogs and stores in a simple and easy-to-use format. The Group showcases most of its product range on its websites, displaying an average of approximately 8,700 decoration and furniture SKUs at any given point.[42] Currently, online Customer Sales consist mainly of furniture. The Group intends to increase online decoration Customer Sales by investing in delivery options such as its click-and-collect program. The Group's websites also offer universe-based and room-based navigation, which allows its customers to conceptualize 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 color, browse through its extensive product categories and see detailed information about each product and collection, such as dimensions, materials and care instructions. Customers can select color swatches and view merchandise displayed with different color and fabric options. The Group's websites have also introduced curated pairings of decoration 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 personalization 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.

In 2012, the Group adapted its websites for mobile devices. The Group has recorded increases in the percentage of consumers that access its websites from mobile phones and tablets in recent years, 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 December 31, 2015, approximately 48% of hits on the Group's websites were logged from mobile and tablet devices, up from 26% in 2013.

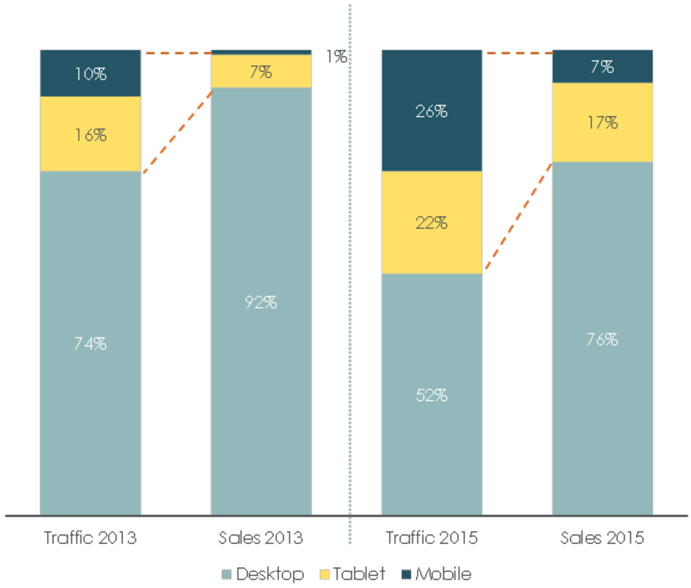
[42] Average number of SKUs available on the Group's websites at a given point in time during the year ended December 31, 2015

The Group's websites are an important part of its omnichannel sales approach. The Group's websites include a store inventory check feature, which directs consumers to the nearest store stocking the desired item. In 2015, the Group piloted a click-and-collect initiative for decorative products in eight stores in two regions of France. According to data analyzed from this pilot, more than 10% of customers made additional in-store purchases upon visiting a store to collect their online purchase. This click-and-collect initiative was then expanded nationwide in France and Switzerland in early 2016 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 Customer 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 catalogs 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 Customer Sales, or click-in-store sales, which accounted for €178.5 million of Customer Sales for the year ended December 31, 2015. To enhance its in-store digital Customer Sales, the Group has recently started to install tablets in its stores in France. As of January 2016, this program was available in 17 stores, with an average of six tablets available per store and the Group hopes to expand this initiative to more than 100 of its stores by the end of the first half of 2016.

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 stores.

The Group regards its stores, websites and catalogs 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 chart below shows the online traffic and sales splits by device for the Group for the years ended December 31, 2013 and 2015.



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

6.7.4 Business-to-Business Sales

In recent years the Group has developed an ancillary business-to-business ("B2B") sales activity. The Group's B2B activity consists of sales of Group decoration and furniture to a variety of end-users, namely hotels, architects/interior designers, offices, retailers and others. B2B sales are managed by a small internal sales force and utilize the Group's existing distribution and delivery network. The Group estimates that the size of the French B2B decoration and furniture market in 2015 was €1.6 billion. The Group's B2B activity accounted for €9.0 million in Customer Sales in the year ended December 31, 2015, as compared with €1.6 million in the year ended December 31, 2010.

6.8 QUALITY CONTROL, INVENTORY MANAGEMENT AND LOGISTICS

6.8.1 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 recognized 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 inbound shipments at its warehouses in Marseille-Fos. The Group has a quality control team, consisting of 19 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.

6.8.2 Inventory Management

The Group uses a data-intensive process for inventory management in order to optimize product allocation among its stores, which carry relatively low levels of inventory, as most of its inventory is kept in warehouses. As of December 31, 2015, approximately 8% of the Group's decoration inventory and approximately 5% of the Group's furniture inventory was aged more than one year and the Group had 185 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 optimizing products' lifecycles, avoiding product markdowns and provisions on inventory.

6.8.3 Logistics

6.8.3.1 *Shipping from Point of Production*

The majority of the Group's products are manufactured in Asia, primarily in China, India 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 one-year maritime contracts are renewed annually, negotiated one year in advance and paid in U.S. dollars. The Group hedges its U.S. dollar exposure by buying U.S. 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 9.2.1.7, "Foreign exchange impact" 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).

6.8.3.2 *Warehousing*

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, maximizing 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. Distrimag centralizes the Group's warehousing and core inventory management activities. As of December 31, 2015, the Group managed approximately 400,000 square meters of leased warehousing and distribution space in and around Marseille. In March 2016, the Group took possession of one half of an additional warehouse in Saint-Martin-de-Crau outside Marseille, with the second half expected to be outfitted by October 2016. In total, this new facility is expected to provide an additional 70,000 square meters of warehousing and distribution space to support the Group's logistics chain by the end of 2016. For further description of the Group's warehouses, see Section 8.1, "Significant Existing or Planned Property, Plant and Equipment" of this Registration Document.

The Group continuously improves its supply chain and distribution operations by expanding and upgrading its warehousing and logistics operations. The Group often sublets any free storage capacity in its warehouses. However, this capacity varies significantly based on the seasonality of its business. 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 optimization. The Group believes that its enhanced supply chain and fulfillment 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 fulfillment and delivery logistics performance and achieve greater efficiencies in the management of its inventories.

6.8.3.3 *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 subsidiaries Distrimag and Distri-meubles. Distrimag handles the delivery of products other than assembled furniture to retail and B2B customers and the distribution of inventory to the Group's stores. Distri-meubles handles delivery of assembled furniture to customers. 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 December 31, 2015, 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.

Distribution to stores is a key component supporting the Group's inventory-light model. 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.

6.9 MARKETING AND CUSTOMER SERVICES

6.9.1 Overview

The Group's track record of consistent Customer Sales growth and positive like-for-like Customer Sales growth is in large part attributable to its loyal customers. In recent years, the Group has increased its focus and investment in getting to know, and engaging with, its customers through in-store customer service, social media on various platforms as well as deploying data analytics in order to foster the broad appeal of its product offering and tailor initiatives to promote footfall and online traffic.

According to a recent customer survey commissioned by the Group,[43] the Group's clientele in France typifies a cross-section of the larger homeware shopper demographic. Customers hail from Paris, large and small provincial cities and rural areas in essentially the same proportion as the overall shopper demographic. The average demographic of the Group's customers is 59% female and 41% male, spread across age groups, which is also similar to the demographic of the average homeware shopper. Additionally, customers reported all nature of income levels, although the Group had a higher concentration of customers reporting incomes above the national per capita average income.

6.9.2 Marketing Strategy

The Group's stores, websites and catalogs 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 catalogs further reinforce the "Maisons du Monde" brand and help drive Customer 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 catalogs and DIY tutorial videos.

New initiatives in the marketing space have focused on digitization of the retail experience and increasing cross-channel interaction. As of January 2016, the Group has installed tablet devices at 17 store locations in order to evaluate whether such technology can assist sales personnel in cross-selling and providing better advice. The results have been encouraging and the Group hopes to expand this initiative to more than 100 of its stores by the end of the first half of 2016. 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.

6.9.3 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 expenses for the year ended December 31, 2015 were €24.1 million and represented 3.4% of Customer Sales.

The Group's primary marketing expense is the production of its catalogs. In 2015, the Group distributed approximately ten million free catalogs across the countries in which it operates.

[43] Customer survey commissioned by the Group, based on a poll of 1,500 customers in France in December 2015.

Additionally, the Group invests in online marketing, both to acquire new customers as well as to build its brand.

6.9.4 Catalogs

The Group’s catalogs 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 catalog has the look and feel of a design magazine, displaying high quality photos shot in real home settings in compelling locations such as Thailand and Brazil. The Group believes that its catalogs, which serve as a key marketing tool, generate Customer Sales through the Group’s stores and websites. With over 500 pages in the 2015 edition, the Group’s standard catalog showcases its full furniture product range complemented with a selected range of decorative products. The Group additionally produces two specialized catalogs that focus on outdoor furniture and junior decoration and furniture. The Group distributed approximately ten million free catalogs to its customers in 2015, which are an essential marketing tool for the Group and increase Customer Sales in stores and on the Group's websites by encouraging customers to explore various sales channels of the Group.

The image below show the Group’s general catalog covers from 2013, 2014, 2015 and 2016.

6.9.5 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 the shopping habits and preferences of its customers. The Group has substantially increased its database of customers and, as of December 31, 2015, it had a database of approximately ten million contacts. This database includes detailed purchasing information, demographic data, geographic locations and postal and email addresses. 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 Group’s current product offering. At the end of 2015, the Group created a unified database across its online and offline customer bases.

Social media outreach is another key component of the Group’s marketing strategy. The Group is present on various online platforms such as Facebook, Pinterest, YouTube and Instagram. Its Facebook pages share new product launches, showcases newly opened stores and other news from the Group. Approximately half a million users have “liked” the Group’s Facebook pages and, on average, the Group’s Facebook posts receive approximately 4,500 interactions. Additionally, the Group has an active Instagram account with over 140,000 followers. 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. Recently the Group began engaging customers on Pinterest which allows the Group to present a number of functionalities, such as by style or theme.

6.9.6 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-sale service. The Group has an after-sales team of approximately 100 employees who handle after-sales services such as returns and responding to customer queries in relation to deliveries and product quality. The Group has historically experienced relatively few product returns, with a return rate in the low single-digits, which is significantly lower than for example 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 €9.8 million of Customer Sales in 2015. 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, approximately 90,000 of which were received in 2015 and analyzed 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 the Group's customers a means of paying for purchases from €150 up to €16,000 in three, ten, 20 or 30 monthly installments, depending on the purchase price. For the year ended December 31, 2015, approximately 11% of furniture Customer Sales were generated using consumer financing obtained by customers from Cetelem. Finally, the Group offers a "privileged customer card" program, which provides customers with longer guarantees on certain of their purchases.

6.10 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 60 IT professionals who are supported by third parties and who are led by a team of managers with deep e-commerce experience. Two fully redundant data centers 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 utilizes a combination of customized and industry standard software systems to provide various functions related to:

- inventory management;
- e-commerce fulfillment;
- 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 at two sites near its head offices and all of its stores are linked to the head offices as well as to backup sites. The Group's data is 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.

6.11 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.

6.11.1 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 summarize the EU and Member State regulations that are most material to the Group's activities.

6.11.1.1 *EU Regulations*

The furniture that the Group produces and sells incorporates timber and thus the Group must consider 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 license, voluntary partnership agreements ("VPAs") must be signed between timber-producing countries and the EU. As of December 31, 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, Authorization and Restriction of Chemicals Directive or "REACH"). REACH, which entered into force on June 1, 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 June 1, 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/CE (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 a 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.

6.11.1.2*Mandatory Regulations in Individual Member States*

France

Decree No. 86-583 of March 14, 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 1988 (as amended in 1989 and 1993) require manufacturers, importers and retailers of furniture and its components to comply with six main elements when selling products: filling materials must satisfy specified ignition requirements, 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.

6.11.2 Regulation of the Group's Retail Activities in France

6.11.2.1 *Commercial Lease Law*

Commercial leases for the Group's operations in France are regulated by Decree No. 53-960 of September 30, 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 lease agreements subject to Articles L. 145-1 *et seq.*, R. 145-1 *et seq.* of the French Commercial Code and the non-codified sections of Decree 53-960, which grant the lessee certain rights.

French commercial leases have a minimum initial duration of nine years, but rarely exceed twelve 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 lessor 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 lessor 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 tertiaries*), 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 l 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.

6.11.2.2 *Regulation of Employment*

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 French Labor 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 Labor 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 labor unions or employee representative bodies. French employment law requires that additional remuneration be paid to employees for Sunday work.

6.11.2.3 *Privacy and Data Protection*

In France, the Group is subject to Law No. 78 17, dated January 6, 1978 (as modified on August 6, 2004) when it collects and processes customer data. This law reinforces individuals' rights to their personal information and gives the National Commission on Information Technology and Liberty (*Commission Nationale de l'Informatique et des Libertés* or "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 authorization. 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 penalized. 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 June 21, 2004 on Trust in the Digital Economy, or the LCEN, implementing in France the European Union Directive 2000/31/EC of June 8, 2000 on certain legal aspects of information services and electronic 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.

6.11.2.4 *Import-Export Restrictions*

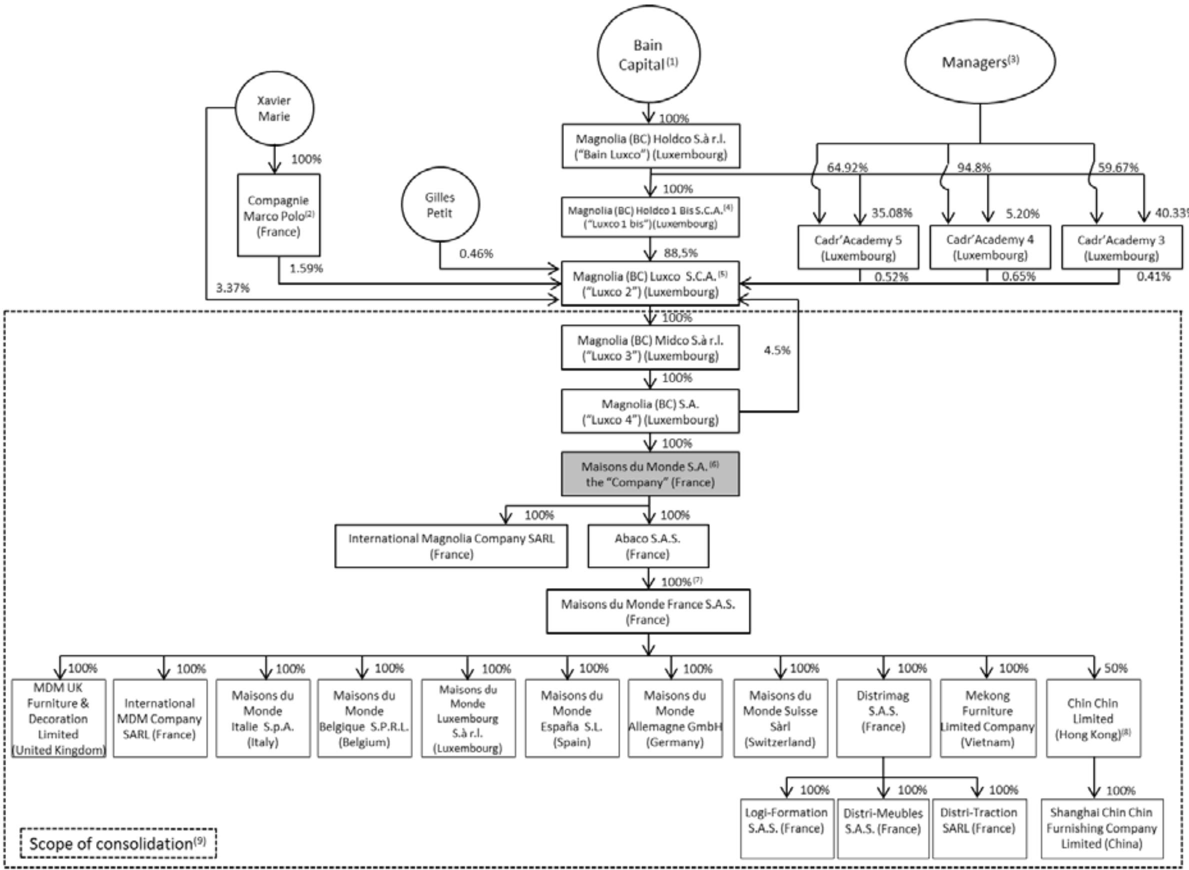
The Group sources many of its products from Asia, mainly China, Vietnam and India. Within the European market, the principle of free movement of goods applies. With respect to the import and export of goods from countries which are not members of the EU, the Group must comply with national and EU foreign trade and customs regulations. At the EU level, the Group's relevant regulatory framework is based on the Modernized Customs Code (Regulation (EC) No 450/2008). Whereas imports and exports within the 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 industry (*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.

CHAPTER 7. ORGANIZATIONAL CHART

7.1 SIMPLIFIED GROUP ORGANIZATIONAL CHART

7.1.1 Organizational chart as of the date of the registration of this Registration Document

The organizational chart below sets forth the legal organization of the Group as of the date of this Registration Document, before taking into consideration the Proposed Admission and the different reorganization transactions that are intended to be implemented to simplify its shareholding structure as part of the Proposed Admission as described in Section 7.1.3, “Description of the Reorganization” of this Registration Document (collectively, the “Reorganization”). The percentages set forth below represent the percentages of share capital.



(1) As of the date of this Registration Document, Bain Capital holds indirectly (through Luxco 1 bis, Cadr’Academy 3, Cadr’Academy 4 and Cadr’Academy 5) 88.9% of the share capital of Luxco 2.

(2) As of the date of this Registration Document, Mr. Xavier Marie controls Compagnie Marco Polo, a French simplified stock company (*société par actions simplifiée*), registered with the Trade and Companies Register of Nantes under the number 483 223 905. As of the date of this Registration Document, Mr. Xavier Marie holds directly and indirectly, through Compagnie Marco Polo, 4.96% of the share capital of Luxco 2.

(3) As of the date of this Registration Document, certain managers, senior executives and current and former employees of the Group holds indirectly (through Cadr’Academy 3, Cadr’Academy 4 and Cadr’Academy 5) 1.20% of the share capital of Luxco 2 (the “ManCo Shareholders”).

(4) Luxco 1 *bis*, a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg, was established prior to the registration of this Registration Document by Bain Luxco to facilitate the Proposed Admission.

[(5)] As of the date of this Registration Document, 4.5% of the share capital of Luxco 2 is held by Luxco 4. This stake will disappear as a result of the Reorganization which will be completed on the IPO Settlement Date. See Section 7.1.3.1, "Reorganization steps" of this Registration Document.

[(6)] As of the date of this Registration Document, the Company is a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*). Effective as of the IPO Settlement Date, the Company will be organized as a limited liability company with a board of directors (*société anonyme à conseil d'administration*).

[(7)] Abaco S.A.S. holds 100% of the share capital and voting rights of Maisons du Monde France S.A.S. apart from two shares representing two voting rights held by the Company. See Section 7.2, "Subsidiaries and Equity Interests" of this Registration Document.

[(8)] Chin Chin Limited is a Chinese joint venture that the Group established in July 2006 with SDH Limited. See Section 7.2, "Subsidiaries and Equity Interests" of this Registration Document.

[(9)] See table under note 40 ("Scope of consolidation") to the consolidated financial statements of Luxco 3 for the fiscal years ended on December 31, 2015, 2014 and 2013 presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

7.1.2 Description of the Conversion

As part of the Proposed Admission, the Company was converted from a simplified stock company (*société par actions simplifiée*) into a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*) prior to the date of this Registration Document (the "Conversion").

Effective as of the IPO Settlement Date, the Company will be organized as a limited liability company with a board of directors (*société anonyme à conseil d'administration*). The description of the corporate form and corporate bodies of the Company contained in this Registration Document is that of the corporate form and bodies of the Company as they will exist as of the IPO Settlement Date (for further information about the corporate form and corporate bodies of the Company, see Section 14.1, "Composition of Management and Supervisory Bodies" of this Registration Document).

7.1.3 Description of the Reorganization

7.1.3.1 *Reorganization steps*

As part of the Reorganization, the following transactions will be submitted to the approval of the shareholders of the relevant entities prior to the date of determination of the price of the initial public offering to be conducted as part of the Proposed Admission (the "IPO Price") and will each become effective on the IPO Settlement Date: (i) the mergers of Cadr'Academy 3, Cadr'Academy 4 and Cadr'Academy 5 with and into Luxco 1 *bis*; (ii) the merger of Luxco 2 with and into Luxco 1 *bis*; (iii) the merger of Luxco 1 *bis* with and into Luxco 3; (iv) the merger of Luxco 4 with and into the surviving company, Luxco 3; and (v) the merger of Luxco 3 with and into the Company, implemented in accordance with Directive 2005/56/EC of the European Parliament and of the Council dated October 26, 2005 on cross-border mergers of limited liability companies (collectively, the "Mergers"). The exchange ratio for the proposed Mergers will be determined on the basis of the actual value of each company party to the relevant Merger, calculated by reference to the IPO Price.

As a result of the Reorganization and effective as of the IPO Settlement Date, the share capital of the Company will only be composed of ordinary shares and Bain Luxco, Compagnie Marco Polo, Mr. Xavier Marie, Mr. Gilles Petit and the ManCo Shareholders will become direct holders of ordinary shares of the Company.

In addition, as part of the Reorganization, the preferred equity instruments (PECs) issued by Luxco 3 to Luxco 2 in connection with the Bain Capital acquisition of the Group in 2013 (the

"Luxco 3 Shareholder Loans"), which amounted to €395.8 million of principal amount and accrued interest as of December 31, 2015, will disappear as a result of the mergers of the Company's holding companies into the Company. See Section 10.2.2.1, "Overview of the Refinancing" of this Registration Document.

Finally, the Company intends to reduce the number of its shares through a reverse stock-split which will be implemented before the determination of the IPO Price.

7.1.3.2 *Conversion of Luxco 2 Shareholder Loans*

In connection with the acquisition and the financing of the acquisition of the Group by Bain Capital in August 2013 (see Section 5.1.5, "History and Development" of this Registration Document), Luxco 2 issued convertible and non-convertible preferred equity instruments (PECs and CPECs) to its shareholders, including Bain Capital, Mr. Xavier Marie and Compagnie Marco Polo (collectively, the "Luxco 2 Shareholder Loans").

As the Luxco 2 Shareholder Loans were issued by Luxco 2, the direct holding company of Luxco 3, such Luxco 2 Shareholder Loans do not appear on the consolidated balance sheet of Luxco 3 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document.

As part of the Reorganization to be implemented on the IPO Settlement Date in connection with the Proposed Admission, the Luxco 2 Shareholder Loans (which amounted to €352.7 million of principal amount and accrued interest as of December 31, 2015) will be ultimately converted into ordinary shares of the Company on the IPO Settlement Date.

See Section 10.2.2.1, "Overview of the Refinancing" of this Registration Document.

7.1.3.3 *Repayment of Luxco 2 Vendor Loans*

In connection with the acquisition and the financing of the acquisition of the Group by Bain Capital in August 2013 (see Section 5.1.5, "History and Development" of this Registration Document), Luxco 2 issued convertible preferred equity instruments (CPECs) to certain former shareholders of the Group, including Mr. Xavier Marie and Compagnie Marco Polo (collectively, the "Luxco 2 Vendor Loans").

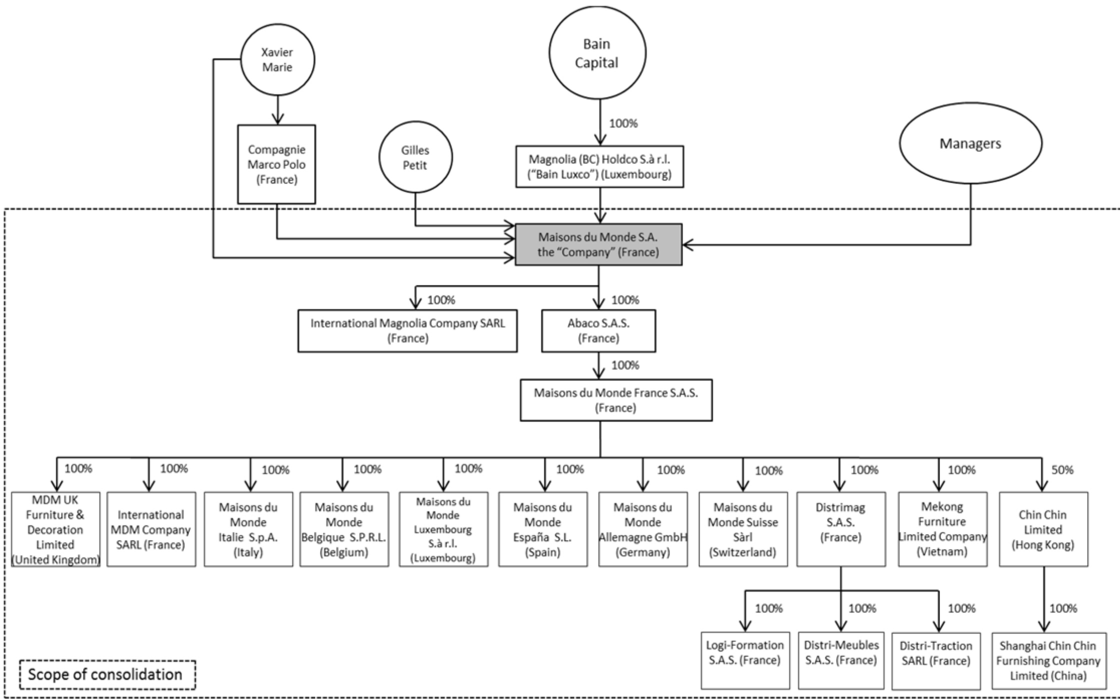
As the Luxco 2 Vendor Loans were issued by Luxco 2, the direct holding company of Luxco 3, such Luxco 2 Vendor Loans do not appear on the consolidated balance sheet of Luxco 3 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document.

As a part of the Proposed Admission, the Luxco 2 Vendor Loans (which amounted to €60.5 million of principal amount including capitalized interest and accrued interest as of December 31, 2015) will be made payable on the IPO Settlement Date by virtue of the Reorganization and will be repaid in full with the net proceeds of the capital increase to be implemented in connection with the Proposed Admission and the proceeds of the New Senior Credit Facilities.

See Section 10.2.2.1, "Overview of the Refinancing" of this Registration Document.

7.1.4 Simplified organizational chart of the Group after the Reorganization

The organizational chart below sets forth the legal organization of the Group immediately after the Reorganization but without taking into account the potential impact of the offering of the Company's shares or any capital increase. The percentages set forth below represent the percentages of share capital and voting rights.



7.2 SUBSIDIARIES AND EQUITY INTERESTS

7.2.1 Material subsidiaries

The main direct or indirect subsidiaries of the Company are described below.

- **Abaco S.A.S.**, is a simplified stock company (*société par actions simplifiée*) organized under the laws of France with its registered office located at Lieudit Le Portereau, 44120 Vertou, France and registered with the Nantes Trade and Companies Register under number 480 016 740. The Company directly holds 100% of the share capital and voting rights of Abaco S.A.S. Abaco S.A.S. is an intermediate holding company.

- **Distrimag S.A.S.**, is a simplified stock company (*société par actions simplifiée*) organized under the laws of France with its registered office located at Zone Industrielle Ecopôle du Mas Laurent, rue Gay Lussac, 13310 Saint-Martin-de-Crau, France and registered with the Tarascon Trade and Companies Register under number 432 547 206. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Distrimag S.A.S. Distrimag S.A.S.'s main business is to provide to the Group logistical management services of warehouses.

- **Distri-Meubles S.A.S.**, is a simplified stock company (*société par actions simplifiée*) organized under the laws of France with its registered office located at Lieudit

Boussard Nord, bâtiment B1, rue Gay de Lussac, zone industrielle Ecopôle, 13310 Saint-Martin-de-Crau, France and registered with the Tarascon Trade and Companies Register under number 799 991 732. Distrimag S.A.S. directly holds 100% of the share capital and voting rights of Distri-Meubles S.A.S. Distri-Meubles S.A.S.'s main business is to provide the Group with transportation services.

- **Distri-Traction SARL**, is a limited liability company (*société à responsabilité limitée*) organized under the laws of France with its registered office located at Lieudit Boussard Nord, bâtiment B1, rue Gay de Lussac, zone industrielle Ecopôle, 13310 Saint-Martin-de-Crau, France and registered with the Tarascon Trade and Companies Register under number 799 967 443. Distrimag S.A.S. directly holds 100% of the share capital and voting rights of Distri-Traction SARL. Distri-Traction SARL's main business is to provide the Group with transportation services.

- **Maisons du Monde Allemagne GmbH**, is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany with its registered office located at Schloßstraße 24, D-13507 Berlin, Germany, and registered with the district court of Berlin (Charlottenburg) (*Amtsgericht*) under number HRB 151556 B. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde Allemagne GmbH. Maisons du Monde Allemagne GmbH is the operating company of the Group in Germany.

- **Maisons du Monde Belgique S.P.R.L.**, is a limited liability company (*société privée à responsabilité limitée*) organized under the laws of Belgium with its registered office located at Route de Diekirch 307, 6700 Arlon, Belgium, and registered with the Belgian *Banque-Carrefour des entreprises* under number 0864.772.420. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde Belgique S.P.R.L. Maisons du Monde Belgique S.P.R.L. is the operating company of the Group in Belgium.

- **Maisons du Monde España SL**, is a limited liability company (*sociedad limitada*) organized under the laws of Spain with its registered office located at c/Zurbano 10 Madrid 28-Madrid, Spain and registered with the Madrid Commercial Registry under number B83645069. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde España S.L. Maisons du Monde España SL is the operating company of the Group in Spain.

- **Maisons du Monde France S.A.S.**, formerly known as Maisons du Monde S.A.S., is a simplified stock company (*société par actions simplifiée*) organized under the laws of France with its registered office located at Lieudit Le Portereau, 44120 Vertou, France and registered with the Nantes Trade and Companies Register under number 383 196 656. Abaco S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde France S.A.S., except for two shares of Maisons du Monde France S.A.S. which are held by the Company. Maisons du Monde France S.A.S. is the operating company of the Group in France.

- **Maisons du Monde Italie S.p.A.**, is a joint stock company (*società per azioni*) organized under the laws of Italy with its registered office located at Via G. Leopardi 3, 20123 Milan, Italy and registered with the Milan Trade and Companies Register under number 1785551. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde Italie S.p.A. Maisons du Monde Italie S.p.A. is the operating company of the Group in Italy.

- **Maisons du Monde Suisse Sàrl**, is a limited liability company (*société à responsabilité limitée*) organized under the laws of Switzerland with its registered office located at 3 rue Saint Pierre, 1700 Fribourg, Switzerland, and registered with the Fribourg register of commerce under number CHE-303.416.321. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Maisons du Monde Suisse Sàrl. Maisons du Monde Suisse Sàrl is the operating company of the Group in Switzerland.

- **MDM UK Furniture & Decoration Limited,** is a private limited company organized under the laws of England and Wales with its registered office located at 1 St James Court, Whitefriars, Norwich, Norfolk, United Kingdom, NR3 1RU and registered with the Companies Register of England and Wales under number 09948209. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of MDM UK Furniture & Decoration Limited. MDM UK Furniture & Decoration Limited is the operating company of the Group's online activities in the United Kingdom.

- **Mekong Furniture Limited Company**, is a limited liability company organized under the laws of Vietnam, with its registered office located at 2B Street, Area 2, Phu Tan Ward, Thu Dau mot Town, Binh Duong Province, Vietnam and registered with the Vietnamese authorities under number 0012328729. Maisons du Monde France S.A.S. directly holds 100% of the share capital and voting rights of Mekong Furniture Limited Company. Mekong Furniture Limited Company's main business is to produce furniture products that are sold by the Group in Europe.

For a description of the Group's consolidated subsidiaries, see Note 5 ("Scope of consolidation") to the consolidated financial statements of Magnolia (BC) Midco S.à r.l. for the fiscal years ended on December 31, 2015, 2014 and 2013 presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

7.2.2 Main acquisitions and recent disposals of subsidiaries

Not applicable.

7.2.3 Shareholdings

Not applicable.

7.2.4 Joint Ventures

The Company's joint venture, Chin Chin, established in 2006 with SDH Limited, is described below.

Chin Chin Limited, is a private limited company limited by shares organized under the laws of Hong Kong, China, with its registered office located at Suite 1209, 12/F, Citic Tower, Tim Mei Avenue, Central, Hong Kong, China and registered with the Hong Kong Trade and Companies Register under number 1062243. Chin Chin is a holding company, and a joint venture with SDH Limited. The Company indirectly holds 50% of the share capital and voting rights of Chin Chin Limited. Chin Chin Limited's main business is to manage and control Shanghai Chin Chin Furnishing Company Limited.

Shanghai Chin Chin Furnishing Company Limited, is a limited liability company organized under the laws of China, with its registered office located at No. 388, Jiangting Road, Jinhui Town, Fengxian District, Shanghai, China and registered with the State Administration for Industry and Commerce under number 37034591. Chin Chin Limited directly holds 100% of the share capital and voting rights of Shanghai Chin Chin Furnishing Company Limited. The Company indirectly holds 50% of the share capital and voting rights of Shanghai Chin Chin

Furnishing Company Limited. Shanghai Chin Chin Furnishing Company Limited's main business is to produce furnishing products sold by the Group in Europe.

For further information on Chin Chin, see Section 6.6.3.4, "Sourcing" and Section 22.1, "Shareholders' Agreement with SDH Limited" of this Registration Document.

CHAPTER 8. PROPERTY, PLANT AND EQUIPMENT

8.1 SIGNIFICANT EXISTING OR PLANNED PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2015, the Group leased the following property, plant and equipment:

- Two offices that serve as the Group's headquarters, one located at Le Portereau, 44120 Vertou, France and the other at ZAC de Bel Air, 44120 Vertou, France. The Group leases its two headquarters from the Group's founder, Mr. Xavier Marie, pursuant to commercial leases entered into on an arm's-length basis.

- Three additional offices for the Group's web service, customer service, development and network teams, located at 144 rue de Rivoli, 75001 Paris, France, 89 rue du Faubourg St. Antoine, 75011 Paris, France and 10 place Charles Beraudier, 69003 Lyon, France.

- 11 warehouse facilities. These warehouses serve all of the Group's sales channels and distribute products to end-customers located in the South of France. One of the Group's warehouses is leased to SCI Salins Logistique 1, a real estate company held by the Group's founder, Mr. Xavier Marie.

- One showroom located at 30 avenue de la Vertonne, 44120 Vertou, France.

- One warehouse used for shooting photographs for the Group's catalogs, located at Rue de la Voyette, 59810 Lesquin, France.

- 262 stores located in Belgium, France, Germany, Italy, Luxembourg, Spain and Switzerland. For further information about the Group's stores, see Section 6.7.2, "Store Network".

- A furniture manufacturing facility in China operated through Chin Chin, the Group's joint venture with SDH Limited.

- A furniture manufacturing facility in Vietnam operated through the Group's fully-owned subsidiary, Mekong Furniture.

8.2 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

8.2.1 Environmental Regulations

8.2.1.1 *General*

In connection with its operations, the Group is generally subject to environmental laws and regulations in each of the countries where it operates and manufactures its products, as well as in certain countries where it sells its products. The Group's products and the raw materials it uses in its production processes are subject to numerous environmental laws and regulations. These laws and regulations govern, among other things, emissions of pollutants into the air, chemical usage, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination and the health and safety of the Group's employees. The Group's environmental compliance team, together with its global environmental policy, helps it meet the requirements of environmental laws and regulations that affect its activities. For further information on the environmental laws and regulations that apply to the Group, see Section 4.2.1.4, "Changes in laws, regulations and related enforcement activities may adversely affect the Group's business" and Section 6.11, "Regulation" of this Registration Document.

8.2.1.2 *Environmental Laws and Regulations Affecting the Group's Manufacturing Activities*

The Group sources and manufactures the majority of its products in Asia, mainly in China, India, Vietnam and Indonesia, and may be subject to certain environmental laws and regulations in those countries. Effective as of January 1, 2015, China updated its Environmental Protection Law to increase accountability of polluters, increase public disclosure, allow for public interest lawsuits and provide protection for whistleblowers. The Group's Chinese manufacturing operations must closely monitor their production methods in order to avoid significant fines and penalties under this new regulation.

Changes in laws and regulations in the countries where the Group sources and manufactures its products could adversely affect the Group and its manufacturers and could require it to seek alternate suppliers in the region. For example, at the COP21 Climate Summit held in December 2015, 195 delegations agreed to a series of measures to combat the effects of global warming. While the impact of the COP21 Climate Summit on manufacturers is not yet known, the measures that signatory countries impose may require manufacturers to adhere to different or more stringent environmental practices.

8.2.2 Environmental and Sustainable Development Policy

8.2.2.1 *Environmental Management*

The Group aims to address the problems resulting from deforestation and has a business model that is committed to corporate social responsibility and environmental conservation. Since 2010, the Group has been developing its wood purchasing policy in the countries in which it manufactures its products. The Group favors artisanal craftsmanship over mass production to combat unsustainable production methods.

The Group is a member of the Forest Stewardship Council in France, which seeks to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. The Group also participates in the Program for the Endorsement of Forest Certification. Approximately 50% of the Group's wood furniture is either certified by the Forest Stewardship Council or the Program for the Endorsement of Forest Certification, or manufactured out of recycled wood.

The Group also has a partnership with The Forest Trust, a British non-governmental organization focused on products and supply chains in order to bring about sustainable development, through which the Group traces the origin of certain of its products using QR codes. Additionally, the Group participates in the UN Global Compact, which is an initiative that encourages businesses worldwide to adopt sustainable and socially responsible policies. The Group expects its suppliers to meet its environmental standards and to take corrective steps, if necessary, to not supply uncertified or illegal wood. Additionally, the Group has been a member of 1% for the Planet, an international organization of companies that donate at least 1% of their annual net revenues to environmental organizations worldwide, since 2012.

For further information on the Group's compliance with environmental management regimes, see Section 6.11.1, "Regulation of Furniture Production and Products Liability" of this Registration Document.

CHAPTER 9. OPERATING AND FINANCIAL REVIEW

The financial information related to the Group's results of operations for the periods under review in this Registration Document refer to the historical consolidated financial information of Luxco 3. This operating and financial review should be read together with Luxco 3's audited consolidated financial statements as of and for the years ended December 31, 2015 and 2014 and the period from June 10, 2013 to December 31, 2013, including the *pro forma* income statement for the year ended December 31, 2013 included in Note 8 ("Business combination and comparative financial information for the year ended December 31, 2013"), prepared in accordance with IFRS and included in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document, as well as the information included in Chapter 3, "Selected Financial Information and Other Data", Chapter 10, "Liquidity and Capital Resources", Chapter 12, "Trend Information" and Chapter 13, "Profit Forecasts or Estimates" of this Registration Document.

The historical consolidated financial information for the year ended December 31, 2014 and the period from June 10, 2013 to December 31, 2013 have been restated to reflect the retrospective application of IFRIC 21 "Levies", which was applied by the Group from January 1, 2015, as well as the correction of certain misstatements and reclassifications, as explained in Note 6 ("Change in accounting policies, reclassifications, and restatements") to the consolidated financial statements, which are presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document. In order to provide comparative information on the income statement on a full-year basis, a *pro forma* consolidated income statement for the financial year ended December 31, 2013 has also been prepared as if the acquisition by Bain Capital and the related refinancing had been completed as of January 1, 2013. See Section 3.1, "Presentation of the Financial Information in this Registration Document" of this Registration Document for further information. The operating and financial review below is based on 2014 restated consolidated financial information and 2013 *pro forma* consolidated income statement.

9.1 OVERVIEW

Maisons du Monde is a creator of inspirational lifestyle universes, showcasing distinctive affordable decoration and furniture collections across multiple themes and styles. The Group's business is structured around an omnichannel approach, leveraging its international network of stores and websites.

The Group was founded in France in 1996 and has profitably expanded across Europe since 2003. As of December 31, 2015, the Group operated 262 stores in seven countries (France, Italy, Spain, Belgium, Germany, Switzerland and Luxembourg), had an online presence in 11 countries (all the countries in which it operates stores, plus the United Kingdom, Austria, Netherlands and Portugal) and generated, during the year ended December 31, 2015, 34.2% of its Customer Sales outside France. The Group has been able to rapidly scale its international expansion with a high standard of operational performance, through consistent and centralized implementation of its merchandising processes across countries with very limited local variation.

The Group generated €699.4 million of Customer Sales during the year ended December 31, 2015, a 15.6% increase compared to the prior year, and generated an EBITDA of €94.5 million for the year ended December 31, 2015, corresponding to an EBITDA margin of 13.5%, with similar profitability in France and internationally, as well as across its store and online channels. The Group's like-for-like Customer Sales growth for the year ended December 31, 2015 was 8.7%.

The Group reports Customer Sales and EBITDA according to two geographical reporting segments under IFRS 8 ("Operating Segments"), France and International. The following presents a brief description of the Group's reporting segments.

- *France*: representing retail activity in France generated by its 193 stores in France as of December 31, 2015, B2B activities *plus* online Customer Sales generated in France. For the year ended December 31, 2015, 65.8% of Customer Sales were generated in France.

- *International*: representing all retail activity outside of France generated by its 69 stores outside of France as of December 31, 2015 (*i.e.*, Italy, Spain, Belgium, Germany, Switzerland and Luxembourg) *plus* the Group's online Customer Sales generated outside of France (*i.e.*, United Kingdom, Austria, Netherlands and Portugal). For the year ended December 31, 2015, 34.2% of Customer Sales were generated outside of France.

See also Section 9.2.4, "Segment Information" of this Registration Document for further information.

For the purposes of providing additional insight to understand and analyze the performance of the Group's business, the Group provides additional reporting of Customer Sales by distribution channel and product category.

The Group reports Customer Sales by its two distribution channels as briefly described below.

- *Stores*: representing all Customer Sales generated in-store (including click-in-store Customer Sales) by the Group's 262 stores as of December 31, 2015 as further described in Section 6.7.2, "Store Network" of this Registration Document *plus* B2B activities. For the year ended December 31, 2015, 82.8% of Customer Sales were generated by the Group's stores.

- *Online*: representing all Customer Sales generated online from its websites across all countries where the Group operates, including click-and-collect, as further described in Section 6.7.3, "E-commerce" of this Registration Document. For the year ended December 31, 2015, 17.2% of Customer Sales were generated by the Group's online distribution channel.

Additionally, the Group reports Customer Sales by its two product categories as briefly described below.

- *Decoration*: representing all Customer Sales generated by the sale of decorative products across all distribution channels as further described in Section 6.6.1.2, "Decorative Products" of this Registration Document. For the year ended December 31, 2015, 56.4% of Customer Sales were generated by decorative products.

- *Furniture*: representing all Customer Sales generated by the sale of furniture across all distribution channels as further described in Section 6.6.1.3, "Furniture" of this Registration Document. For the year ended December 31, 2015, 43.6% of Customer Sales were generated by furniture.

9.2 PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

9.2.1.1 *Expansion of the Group's Store Network*

The Group's results of operations during the periods under review have been bolstered by the expansion of its store network as the Group pursued its strategy of selectively opening stores in locations that meet the Group's commercial criteria. During the years ended December 31, 2013, 2014 and 2015, the Group opened a total of 38 stores (62 gross openings net of 24 closures) and increased its selling space by approximately 100,000 square meters. The stores opened had average retail trading space of approximately 1,800 square meters whereas the stores closed were smaller, with an average size of 500 square meters, as they were less suited to display a wide range of the Group's furniture products. During 2013, 2014 and 2015, 19 of the 24 store closures were related to repositionings. In several cases, the Group closed smaller city center stores and opened larger stores in shopping malls or suburban commercial zones located in the same area (such openings being recorded in the same period, before or after, depending on the termination provisions of the relevant leasehold). Revenue growth recorded during the periods under review is largely attributable to this expansion of the Group's store network.

A number of internal and external factors impact the revenue and cost and, therefore, the profitability of new stores (including repositioned stores), such as location (including demographics, population density, footfall, transportation access and proximity to other retail destinations), leasehold terms (including whether any key money is payable), outfit costs and cost of wages for new retail staff.

During the periods under review, certain fixed costs increased on an absolute basis due to the addition of new stores to the Group's network, including primarily store rents and personnel expenses for in-store personnel. In addition, the expansion of the Group's retail network growth has required additional capital expenditure, which has consequently increased the amortization and depreciation charges in its consolidated income statement during the periods under review, related to store property. The average depreciation and amortization period for the Group's stores is seven to eight years.

The Group's management of fixed costs in respect of its store network expansion has been mitigated through economies of scale and low overhead costs. The Group's retail model operates with a high degree of centralization and standardization across its different geographic markets and distribution channels, which limits the cost impact of adding new stores. The Group's headquarters and logistics are centralized and require marginal investment when adding new stores. For example, transportation costs decreased from 9.8% of Customer Sales for the year ended December 31, 2013 to 9.3% of Customer Sales for the year ended December 31, 2015, despite growth of the Group's network.

The table below sets forth the number of stores as of December 31, 2013, 2014 and 2015 for the countries presented, indicating the gross openings and closures during the years ended December 31, 2014 and 2015.

Store openings and Closures	**December 31, 2013**	**Gross Openings**	**Closures**	**December 31, 2014**	**Gross Openings**	**Closures**	**December 31, 2015**
				(number of stores)			
France	186	7	(8)[44]	185	14	(6)[44]	193
Italy	27	1	-	28	2	-	30
Belgium	14	-	-	14	1	-	15
Spain	7	3	(1)[45]	9	3	-	12
Germany	1	2	-	3	5	-	8
Switzerland	-	1	-	1	2	-	3
Luxembourg	1	-	-	1	-	-	1
Total	**236**	**14**	**(9)**	**241**	**27**	**(6)**	**262**

[44] Eight of the 14 stores closed in France during the years ended December 31, 2014 and 2015 were temporary closures related to repositionings.

[45] Store repositioning.

The ramp-up and payback periods of new stores may also affect the Group's results of operations. "Ramp-up" refers to the amount of time it takes a new store to record average Customer Sales per square meter in line with the Group's average. "Payback" refers to store net fixed assets[46] divided by the related store EBITDA[47] over the period. The Group actively monitors payback and ramp-up periods in order to assess the profitability of a store and further hone the criteria and data-intensive process that the Group employs in connection with new store openings. The Group benefits from short ramp-up and payback periods for new stores, due to the strong brand recognition and compelling value proposition which contribute to new stores quickly attaining profitability. For the years ended December 31, 2013, 2014 and 2015, the ramp-up period was less than one year for new stores in France and in certain core historic markets such as Italy, Spain and Belgium and between two to three years for new stores in international markets where the Group's presence is more recent, such as Germany and Switzerland. For the years ended December 31, 2013 and 2014, the payback periods was approximately two years in France and approximately three years in international markets. See Section 6.7.2.2, "Management of Store Network" of this Registration Document for discussion of the Group's store selection process and Section 5.2, "Investments" of this Registration Document for discussion of expenditures that were capitalized during the periods under review related to the expansion of the Group's store network.

9.2.1.2 *Product Mix*

The Group's results of operations are also affected by the mix of products that it sells as different products can carry different gross margins and logistics costs.

The Group's product mix reflects the interplay within the ranges of products that it sells, including by category (*i.e.*, furniture or decoration), type of product (*e.g.*, sofas or wardrobes) and other features (*e.g.*, products incorporating more plastics or wood materials). For example, margins on leather sofas made in France tend to be lower than margins on textile products made in Asia due to the relative costs of raw materials and labor (even after shipping costs are factored in). Historically, the Group has achieved relatively higher gross margin through sales of decorative products (70 to 80%) than through sales of furniture (50 to 60%). Similarly, logistics costs are generally higher for furniture, which is bulkier and often delivered to customers' homes, whereas most decorative products are picked up in-store.

Product mix can be actively managed by the Group's collectionning process pursuant to which designers and purchasers collaborate to design products taking into account cost of raw materials and other inputs in order to maintain target margins for the overall collection. Additionally, the Group's merchandising strategy leverages cross-category product margin analysis to determine the optimal display of items in stores. Furthermore, consumer preferences, shopping habits and demand also affect product mix for a particular period.

Product mix during the periods under review has also been influenced, to a degree, by changes in the Group's store network. The Group has closed or repositioned certain smaller city center stores and opened larger suburban commercial zone stores. Based on the product mix for the year ended December 31, 2015, such larger stores tend to have higher Customer Sales generated by furniture. However, the Group's different store formats exhibit similar profitability levels despite the impact of gross margin due to the fact that, for example, store rents per square meter are typically lower for larger suburban stores.

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[46] The Group's management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analyzing the performance of its stores.

[47] Store EBITDA is defined as store Customer Sales minus related store expenses (cost of sales, personnel expenses, rents and related rental charges and other direct stores charges) but excluding any allocation of general marketing and corporate costs.

The relative proportion of furniture sales has historically been higher in the Group's online channel because of the suitability of websites to showcase the Group's large product range. Although the Group sells a higher proportion of furniture through its websites, and a higher proportion of decorative products in its stores, the respective EBITDA margins generated by its stores on one hand, and websites on the other hand, tend to be largely similar (prior to corporate cost allocation) because the impact on EBITDA of lower gross margins, higher transportation costs for furniture tends to be offset by the lower fixed costs (rent and personnel expenses) associated with the online channel.

9.2.1.3 *Growth of the Group's online channel*

The Group was an early adopter of e-commerce distribution in the French decoration and furniture market and has generated a greater proportion of its Customers Sales from the online channel (17.2% for the year ended December 31, 2015) than the general online penetration rate of the decoration and furniture market in France (approximately 2% in 2014). Furthermore, as the Group's affordable inspirational segment consists largely of independent retailers as further discussed in Section 6.5.3, "Competitive Landscape" of this Registration Document, such players have little capacity to build scalable e-commerce sites or drive traffic to their websites which further strengthens the Group's online channel within this fragmented market. The Group's results of operations have been positively affected by such exposure to the online channel during the periods under review. The general increase in online sales has been driven by changing consumer shopping habits, greater penetration of smartphones and tablets and cheaper broadband access. The online retail market depends significantly on the inclination of customers to make purchases of decoration and furniture online, whether by shifting from traditional channels and/or embracing an omnichannel approach. Additional factors affecting online spending include the development of Internet infrastructure and secure payments systems. According to Eurostat, the official statistics institute of the European Union, an increasing proportion of consumers in the markets where the Group operates are utilizing the Internet for shopping. The table below sets forth the percentage of consumers in the countries/geographies listed that have reported to have made an Internet purchase in the last three months for the years indicated.

	Year ended December 31,		
E-commerce penetration	**2013**	**2014**	**2015**
		(percentage)	
France	44%	44%	49%
Italy	14%	15%	18%
Belgium	36%	41%	42%
Spain	23%	28%	32%
Germany	60%	61%	64%
Switzerland	N/A	62%	N/A
Luxembourg	59%	62%	63%
United Kingdom	71%	72%	75%
Netherlands	55%	59%	59%
Austria	46%	43%	46%
Portugal	15%	17%	23%
European Union	38%	41%	43%

The Group's online sales channel, launched in 2006, is now well-established. From 2013 to 2015, Customer Sales generated by the Group's online channel grew at a CAGR of 28.7%, increasing from €72.9 million for the year ended December 31, 2013 (or 13.4% of Customer Sales) to €120.6 million for the year ended December 31, 2015 (or 17.2% of Customer Sales). The Group's online channel performance has positively affected its results of operations and like-for-like Customer Sales growth for the periods under review. On the cost side, the main item affected by the growth of the Group's e-commerce activities is advertising and marketing expenses, which includes online marketing costs related to display advertising and search engine advertisements. The Group's total advertising and marketing expenses increased from €20.2 million for the year ended December 31, 2013 to €24.1 million for the year ended December 31, 2015.

Due to the Group's omnichannel approach, the Group believes that a significant portion of the sales of its online channel are complementary to its in-store sales and that the online channel can drive further store sales. For example, the Group has launched a new click-and-collect scheme for decorative products sold online that was launched in February 2016. The Group estimates that more than 10% of customers buy additional items when they come to collect their online order from the store.

The Group's online channel has supported the Group's EBITDA growth during the periods under review. Despite the fact that the online channel has lower gross margins and higher logistics costs given a higher mix of furniture sales and higher advertising and marketing costs than the Group's stores, the Group's online channel exhibits profitability levels similar to the Group's stores, given lower fixed costs (rent and personnel expenses). Moreover, as the Group's logistics functions are shared between its online channel and stores, the Group is able to exploit economies of scale and incur similar logistics costs for furniture items ordered in-store or online.

9.2.1.4 *Macroeconomic conditions*

The Group's results of operations are affected by macroeconomic conditions in the markets in which it operates. Relevant macroeconomic factors include, among others, levels of employment, inflation rates, state of the real estate market (including new housing starts, housing prices and availability of mortgages), growth in wages and discretionary spending, VAT rates and consumer confidence. See also Section 6.5.2.3, "Macroeconomics" of this Registration Document. The Group believes that due to its relatively affluent core customer base, the affordable inspirational segment of the decoration and furniture market is less sensitive to economic fluctuations than the functional segment. Moreover, a recent customer survey[48] indicates that consumers appreciate the value proposition offered by the Group's broad product range. Additionally, the Group's like-for-like Customer Sales growth during the periods under review has consistently outperformed the French market average according to data released by IPEA, evidencing the resiliency of the Group's business model to such macroeconomic conditions, with customers tending to "refresh" their interiors with smaller decorative items even during periods with adverse macroeconomic conditions.

The periods under review have generally been impacted by economic uncertainty in the markets in which the Group operates. However, the Group believes that performance of certain stores and regions has been negatively affected by macroeconomic conditions and overall growth could have been higher in a more favorable macroeconomic environment, in particular during the years ended December 31, 2013 and 2014. In the year ended December 31, 2015, consumer confidence rose across Europe and unemployment rates decreased, which led many consumers to spend more freely. According to Eurostat, the seasonally adjusted unemployment rate decreased in the Group's key countries of activity between December 2014 and December 2015. For example, the decrease amounted to 2.8% in Spain and 1.0%, 0.3%, 0.7% and 0.4% in each of Italy, France, Belgium and Germany, respectively.

9.2.1.5 *Customer preferences*

The Group's ability to maintain its appeal to existing customers and attract new customers depends on its ability to reflect prevailing trends and evolving consumer tastes. The Group's broad and varied portfolio of universes, styles and themes is designed to function as a natural

[48] Customer survey commissioned by the Group, based on a poll of 1,500 customers in France in December 2015.

hedge against diverse tastes by generating customer appeal across a large cross-section of the population. Moreover, the Group continuously reviews and updates or replaces its product ranges to adapt to the gradual evolution of customer tastes, thereby reducing the Group's exposure to risks inherent in changing customer preferences. Maisons du Monde produces two collections per year for decorative products and one collection per year for furniture.

9.2.1.6 *Seasonality*

The decoration and furniture market in which the Group operates is subject to seasonal fluctuations. Revenue generation is typically at its highest in the fourth quarter of the year, corresponding to the winter selling season. For the years ended December 31, 2014 and 2015, the proportion of Customer Sales generated in the fourth quarter was 33%, as opposed to an average of 21% to 23% for each of the other three quarters of the year. In addition, due to the high volume of decorative products sold in the winter selling season, on an EBITDA basis, the proportion of EBITDA generated in the fourth quarter averaged 60% for the years ended December 31, 2014 and 2015. Based on an analysis of decoration SKUs sold during the month of December 2015, approximately 10% of decoration Customer Sales generated during the winter selling season were holiday-related decorative products and 90% of decoration Customer Sales were non-holiday related. Seasonality also affects the Group's cash flow statements in terms of capital expenditure, as these expenses are typically concentrated in the first three quarters of the year as the Group seeks to open new stores prior to the winter selling season. As a result, working capital requirements typically are at their peak in September.

However, the Group's fixed costs, including personnel costs, leases, general and administrative expenses, are more evenly distributed over the course of the year. As a result of the foregoing, the seasonality effect of the Group's results of operations makes it difficult to annualize the results of any single quarter or compare the Group's results of operations from quarter to quarter. Similarly, the reported annual results of operations discussed in this Registration Document may obscure quarter-to-quarter trends driven by seasonality.

9.2.1.7 *Foreign exchange impact*

The Group's functional currency is the euro. The majority of the Group's retail, online and B2B Customer Sales are denominated in euro, with a limited amount of online Customer Sales denominated in pounds sterling and a small portion of both retail and online Customer Sales denominated in Swiss francs. The Group sources approximately 87.7% (in terms of purchases of goods) of its products from external suppliers. Excluding purchases of sofas made in France and certain other decorative products made in Italy and Eastern Europe, the majority of the Group's purchases are sourced in Asia and denominated in U.S. dollars. Additionally, maritime transportation services from Asia to Europe are billed in U.S. dollars. Consequently, the Group's results of operations have been, and will be in the future, subject to currency translation effects resulting from fluctuations in exchange rates, primarily the euro/U.S. dollar exchange rate. When the euro depreciates relative to the U.S. dollar, it has the effect of increasing the Group's costs relative to its Customers Sales and exerting downward pressure on its results, whereas the opposite is true if the euro appreciates relative to the U.S. dollar. The Group hedges its U.S. dollar exposure by buying U.S. dollars under forward and option contracts on a rolling basis, covering all purchases in U.S. dollars to be made in a 15 to 18 month time horizon. The maturity of the forward and option contracts varies. This hedging policy assists the Group in reducing the impact of the euro/U.S. dollar exchange rate fluctuation on the Group's results.

Hedging instruments are valued at fair value at the closing of each financial reporting period. The change in the fair value of the hedging instruments is recognized in the Group's consolidated income statement, under the line item "Change in fair value-derivative financial instruments" given that the Group does not meet the criteria for IFRS hedge accounting. For example, the Group recorded a positive change in fair value of €2.7 million for the year ended December 31, 2015 as compared to a €27.9 million gain for the year ended December 31, 2014 and a €5.0 million expense for the year ended December 31, 2013.

Hedge accounting is optional. It allows entities to override the normal accounting treatment for derivatives, which is fair value through profit or loss at the closing date of each accounting period. Under hedge accounting, the unrealized gains and losses on the hedging instruments are recorded as other comprehensive income at the closing date of each accounting period and the gains and losses on the hedging instrument are recognized in the income statement only when the transaction on the hedged item is realized, resulting in the losses and gains on the instrument offsetting losses and gains on the hedged item. This avoids much of the volatility that arises when the derivative gains and losses are recognized in the income statement at each closing date. In order to qualify for hedge accounting, hedge relationships must meet certain criteria: management must identify, formally document and test the effectiveness of those transactions for which it wishes to use hedge accounting. Going forward, the Group intends to implement systems and procedures to comply with these criteria.

See Section 4.4.3, “Exchange Rate Risk” for further information.

9.2.1.8 *Raw material and commodity prices*

The main raw materials used for the Group’s decoration and furniture are wood, glass, metal, cotton, wool, plastics and ceramics. The Group purchases its own raw materials for its joint venture and its wholly-owned manufacturing plant and is therefore susceptible to increases in the price of such materials, which would exert downward pressure on its gross margin. Additionally, finished goods purchased by the Group are affected by raw material and commodity prices. The Group does not engage in any hedging with respect to raw material and commodity prices. Its main strategy is to maintain relationships with a large number of third-party suppliers (more than 500) located in different countries. Based on the total value of purchases for the year ended December 31 2015, 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 5% of the Group’s manufacturing (primarily sofas) and the rest of Europe accounting for 3% of the Group’s manufacturing (primarily glassware). This diversity of suppliers allows the Group to arbitrage, to a degree, between products and suppliers in order to reduce the impact of fluctuations in raw material and commodity prices on its cost of purchases. The Group monitors the gross margin of all of its products and through its design-to-cost approach is able to re-design products in light of evolving raw material prices.

The cost of fuel is a significant component in transportation costs and increases in the price of petroleum products can adversely affect the Group’s gross margins. The Group’s transportation costs include downstream transportation of the Group’s products from Asia to its central warehouses in France and from its warehouses to stores, and the residual portion of the transportation costs from its warehouses to customers’ homes that is not passed on to them. Transportation costs may increase due to increasing fuel prices and larger distances that the Group’s transporters must cover as the Group’s store network expands. During the periods under review, transportation costs recorded generally limited fluctuations. Transportation costs represented 9.8%, 9.6% and 9.3% of Customer Sales for the years ended December 31, 2013, 2014 and 2015, respectively.

9.2.2 Factors Affecting the Comparability of the Group's Results of Operations

9.2.2.1 *Acquisition of the Group by Bain Capital*

The acquisition of the Group by Bain Capital in August 2013 impacted the Group's consolidated financial statements and, in particular, may affect the comparability of the Group's results of operations and financial condition over the periods under review. The acquisition of the Group by its current majority shareholder was financed by a combination of High Yield Bonds issued by Luxco 4 in principal aggregate amount of €325.0 million as well as the Luxco 3 Shareholder Loans in the form of certain preferred equity instruments in total amount of €314.2 million. See Section 10.2.1, "Principal Sources of Financing" of this Registration Document for further information. As a result of the acquisition, Luxco 3 became the new consolidating entity and the Group had a high level of debt service and other obligations during the periods under review, including interest on third-party debt and interest on the Luxco 3 Shareholder Loans that were capitalized. Financial losses were recorded at €65.1 million, €68.0 million and €70.7 million for the years ended December 31, 2013 (*pro forma*), 2014 and 2015, respectively. See Section 3.1, "Presentation of the Financial Information in this Registration Document" of this Registration Document for a discussion of the basis of preparation of the *pro forma* income statement for the year ended December 31, 2013 that is included in Note 8 "Business combination and comparative financial information for the year ended December 31, 2013" to the audited consolidated financial statements of Luxco 3 for the years ended December 31, 2015 and 2014 and for the period from June 10, 2013 to December 31, 2013, which are reproduced in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document. The acquisition financing consisting of the High Yield Bonds and the Luxco 3 Shareholder Loans will be redeemed and cancelled and contributed to equity and/or capitalized, respectively, at the IPO Settlement. Additionally, the Group's net cash flow used in financing activities discussed in Chapter 10, "Liquidity and Capital Resources" of this Registration Document may not be easily comparable with any prospective period following the refinancing to occur concurrently with the IPO Settlement. See Section 10.2.2, "Financing Structure following the Proposed Admission" of this Registration Document for further information.

9.2.3 Key Performance Indicators

In assessing the performance of the Group's business, the Group considers a variety of performance and financial measures. The key measures used for determining how the Group's business is performing are Customer Sales, like-for-like Customer Sales growth, gross margin, EBITDA and EBIT, as well as number of stores (number of openings and closures and new surface area in square meters).

Key performance indicators, including those of the Group discussed in this Registration Document, such as these are not recognized measurements under IFRS. Additionally, such non-IFRS measures are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of such companies. The Group believes that non-IFRS measures are useful in evaluating the Group's performance and results of operations because they are commonly used in the retail and homeware industries. Investors should exercise caution in comparing any of the non-IFRS measures mentioned in this Registration Document as reported by the Group to the non-IFRS measures of other companies. The information presented by each of the non-IFRS measures used herein is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. EBITDA, EBIT and similar non-IFRS measures are not measures of financial condition, liquidity or profitability under IFRS and should not be considered as an alternative to consolidated profit (loss) for the period, cash flows generated by operating activities or any other measure recognized by and determined in accordance with IFRS. Such non-IFRS measures have important limitations as analytical tools and investors should not consider them in isolation or as a substitute for analysis of the Group's results of operations. Because not all companies calculate such measures identically, the presentation of such measures in this Registration Document may not be comparable to other similarly titled measures of other companies.

9.2.3.1 *Like-for-like Customer Sales growth*

Like-for-like Customer Sales growth represents the percentage change in Customer Sales from the Group's stores, online sales platforms and all B2B activities, net of product returns, between one financial period (n) and the comparable preceding financial period (n-1), excluding changes in Customer Sales attributable to stores that were opened or closed during any of the periods that are being compared. Customer Sales attributable to stores that closed temporarily for refurbishment during any of the period are included.

Many factors influence like-for-like Customer Sales, including competition, economic conditions, consumer tastes, pricing, the timing of the release of new merchandise and promotional events, changes in the Group's product mix, and weather conditions. See Section 9.1.2, "Principal Factors Affecting the Group's Results of Operations" of this Registration Document for further discussion of certain of these factors. Footfall in the Group's stores, product mix, traffic on the Group's websites and seasonality also impact like-for-like Customer Sales.

The table below sets forth the Group's like-for-like Customer Sales for the periods indicated.

	Year ended December 31,	
	2015	**2014** *(Restated)*
	(% increase over prior period)	
Like-for-like Customer Sales	8.7%	2.8%

9.2.3.2 *Gross Margin*

Gross margin is defined as Customer Sales minus cost of sales. Gross margin is expressed as a percentage of Customer Sales.

	Year ended December 31,		
	2015	**2014** ***(Restated)***	**2013** ***(Pro forma)***
Customer Sales	**699.4**	**604.7**	**545.1**
Cost of sales	(225.3)	(190.2)	(170.1)
Gross Margin	**474.1**	**414.4**	**374.9**
Gross Margin %	*67.8%*	*68.5%*	*68.8%*

9.2.3.3 *EBITDA*

The Group defines EBITDA as current operating profit before other operating income and expenses before depreciation, amortization and allowance for provisions, change in fair value of derivative financial instruments, management fees and pre-opening expenses. The following table provides a reconciliation of the Group's EBITDA to its current operating profit before other operating income and expenses for the years indicated.

(in € millions)	**Year ended December 31,**		
	2015	**2014** *(Restated)*	**2013** *(Pro forma)*
Current operating profit before other operating income and expenses.......................	**65.5**	**73.7**	**35.9**
Depreciation / amortization expense and allowance for provisions..................................	25.4	22.0	20.2

(in € millions)	Year ended December 31, 2015	2014 *(Restated)*	2013 *(Pro forma)*
Change in fair value – derivative financial instruments	(2.7)	(27.9)	5.0
Management fees	2.9	2.5	2.2
Pre-opening expenses(1)	3.4	2.6	1.9
EBITDA	**94.5**	**72.9**	**65.3**

(1) Pre-opening expenses refers to expenses related to the opening of new stores that are incurred prior to the relevant opening during any of the periods under review and include leases and related charges, personnel expenses, energy and temporary staff costs including for the set-up of store merchandising.

9.2.3.4 *EBIT*

The Group defines EBIT as EBITDA less depreciation, amortization and allowance for provisions. The following table provides a reconciliation of the Group's EBIT to its EBITDA for the years indicated.

(in € millions)	Year ended December 31, 2015	2014 *(Restated)*	2013 *(Pro forma)*
EBITDA	94.5	72.9	65.3
Depreciation / amortization expense and allowance for provisions	(25.4)	(22.0)	(20.2)
EBIT	**69.1**	**50.9**	**45.1**

9.2.4 Segment Information

The Group's business is organized into two geographical reporting segments under IFRS, consisting of France (representing all retail activity in France, including French online sales channels and B2B activities) and International (representing all retail activity outside of France, including the Group's online sales channels outside of France). Financial information by geographical segment is reported in accordance with the Group's internal reporting system and shows internal segment information that is used to manage and measure the performance of the Group.

In addition, the Group reports a Corporate segment, which includes shared operating activities and headquarters costs of the Group not allocated to either geographical segment and CICE,[49] as explained in Note 9 ("Geographical segment information") to the consolidated financial statements of Luxco 3 for the fiscal years ended on December 31, 2015, 2014 and for the period from June 10, 2013 to December 31, 2013 presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

The Group reports segment information for Customer Sales and EBITDA. The table below sets forth the Group's segment reporting for the periods under review.

(in € millions)	Year ended December 31, **2015**	**2014 *(Restated)***	**2013 *(Pro forma)***
Customer Sales			
France	460.2	409.1	378.9
International	239.2	195.6	166.1

49 "CICE" refers to the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi*) adopted in the French Third Amended Finance Law for 2012 (*3ème loi de finances rectificative pour 2012*). CICE is a subsidy, applicable since January 1, 2013, calculated as a percentage of wages paid to certain French employees. CICE is accounted for as a deduction from personnel costs.

Customer Sales	**699.4**	**604.7**	**545.1**
Sales to franchise and promotional sales	2.0	2.5	2.4
Retail revenue	**701.4**	**607.2**	**547.5**
Other revenue	22.0	18.8	15.8
Revenue	**723.4**	**626.0**	**563.3**

EBITDA			
France	100.0	79.3	72.2
International	42.6	34.0	29.9
Corporate	(48.1)	(40.4)	(36.9)
Total EBITDA	**94.5**	**72.9**	**65.3**

9.2.5 Description of Key Income Statement Items

Revenue consists of Customer Sales, sales to franchise and promotional sales and other revenue.

Retail revenue consists of Customer Sales and sales to franchise and promotional sales.

Customer Sales represents total value of goods sold to customers, net of product returns and value added taxes, and comprises decoration and furniture Customer Sales generated through the Group's stores, online sales channels, including websites, and its B2B activities.

Sales to franchise and promotional sales represents the Group's sales to its franchisee in La Réunion Island and promotional sales such as direct sales from its warehouses and headquarters.

All of the products the Group sells in its stores are under its own brand. It does not sell its products through third parties except through its franchisee in La Réunion Island.

Other revenue consists of the sale of services, mainly transportation and supply chain services.

Sales of goods in stores are recognized at the point of sale of a product to the customer or upon delivery to the customer, whichever is later. Revenue from the sale of goods generated in the Group's online channel is recognized at the point that the risks and rewards of the inventory have passed to the customer (*i.e.*, at delivery). Sales of services are recognized in revenue in the accounting period in which the services are rendered depending on the stage of completion at the end of the reporting period.

Cost of sales consists of the cost of the products the Group purchases from suppliers, and other supplies, including the costs of transporting its products to its warehouses (mostly related to maritime shipping from Asia) and excise duties.

Personnel expenses primarily relate to salaries, social security charges and profit-sharing expenses for employees on permanent contracts (and foreign equivalents), including employees working in stores, headquarters and central functions, warehouses and production facilities. It also includes the impact of the CICE (*crédit d'impôt pour la compétitivité et l'emploi*) tax credit in France.

External expenses primarily includes the costs of occupying and operating the Group's stores, warehouses, headquarters and production facilities, including rent and service charges; repair and maintenance of such sites; advertising and marketing costs (including catalogs and web marketing); insurance; post and telecom; travel and meeting expenses; bank commissions; temporary staff costs; distribution costs such as costs involved in operating the Group's warehouses; cost of transporting its products from its warehouses to its stores, and the cost of delivering its products to its customers; fees such as consulting and lawyers' fees, management fees paid to the controlling shareholders to cover certain management and administrative expenses, auditors fees and translation fees, as well as gift card commission fees. It also includes taxes other than income tax such as social solidarity contribution tax (*contribution sociale de solidarité*), which is a tax based on a percentage of net sales, Tascom (*taxe sur les surfaces commerciales*) a French tax on retail space, and TLPE (*taxe locale sur la publicité extérieure*), a French local advertising tax.

Depreciation, amortization and allowance for provisions primarily include regular depreciation and amortization of non-current assets such as intangible assets, buildings, store fittings, computers and software. It also includes provisions for operational risks and disputes, and reversals thereof.

Change in fair value – derivative financial instruments relates to the change in fair value of the forward and option foreign exchange derivatives that cover the purchases of goods and freight in U.S. dollars. The Group does not meet the IFRS criteria for hedge accounting (identification, formal documentation and effectiveness testing of those transactions for which it wishes to use hedge accounting), which would allow it to record changes in the fair value of its derivative financial instruments within other comprehensive income and thus impact the Group's reserves rather than the income statement. As a consequence, changes in the fair value of derivative financial instruments are directly recognized in the income statement and impact the recurring operating profit before other operating income and expenses.

Other income and expenses from operations primarily include store pre-opening expenses, reorganization costs in respect of stores that are relocated in the same area, and commercial disputes and related losses.

Other operating income and expenses primarily include reorganization costs of closed stores (without relocation).

Financial profit (loss) primarily consists of interests paid on the Group's debt, including its High Yield Bonds, the Luxco 3 Shareholder Loans (which bear interest at a fixed rate (accruing capitalized fixed interest)), and the Existing Revolving Credit Facility (as defined in Chapter 10, "Liquidity and Capital Resources" of this Registration Document), as well as related issuance fees.

Share of profit (loss) of investments accounted for using the equity method consists of the share of net result of the Group's joint venture in China.

Income tax primarily consist of corporate income tax paid on income (in France, *impôt sur les bénéfices*), CVAE (*cotisation sur la valeur ajoutée des entreprises*), IRAP (in Italy, *imposta regionale sulla attività produttive*, the Italian regional tax on productive activities) and deferred taxes.

9.3 ANALYSIS OF THE RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

The following table sets forth selected information from the Group's income statement for the periods indicated.

	Year ended December 31,			
	2015	**2014 *(Restated)***	**Var. €**	**Var.(%)**
(in € millions, except percentages)				
Retail Revenue	701.4	607.2	94.2	15.5%
Of which Customer Sales	*699.4*	*604.7*	*94.7*	*15.7%*
Other Revenue	22.0	18.8	3.2	16.9%

(in € millions, except percentages)	2015	2014 (Restated)	Var. €	Var.(%)
	Year ended December 31,			
Revenue	**723.4**	**626.0**	**97.4**	**15.6%**
Cost of sales	(225.3)	(190.2)	(35.0)	18.4%
Personnel expenses	(148.5)	(129.4)	(19.2)	14.8%
External expenses	(256.3)	(231.8)	(24.5)	10.6%
Depreciation, amortization and allowance for provisions	(25.4)	(22.0)	(3.4)	15.5%
Change in fair value – derivative financial instruments	2.7	27.9	(25.2)	(90.2)%
Other income and expenses from operations	(5.2)	(6.8)	1.7	(24.4)%
Current operating profit before other operating income and expenses	**65.5**	**73.7**	**(8.2)**	**(11.1)%**
Other operating income and expenses	(0.6)	(2.1)	1.4	(69.9)%
Operating profit (loss)	**64.9**	**71.6**	**(6.8)**	**(9.4)%**
Financial profit (loss) – net	**(70.7)**	**(68.0)**	**(2.7)**	**4.0%**
Share of profit (loss) of investments accounted for using the equity method	0.1	0.0	0.1	n/a
Profit (loss) before income tax	**(5.8)**	**3.7**	**(9.4)**	**n/a**
Income tax	(8.2)	(10.0)	1.8	(18.3)%
Profit (loss) for the period	**(13.9)**	**(6.3)**	**(7.6)**	**120.2%**
Attributable to:				
– Owners of the parent	(13.9)	(6.3)	(7.6)	120.2%
– Non-controlling interests	-	-	-	-

9.3.1 Revenue

Customer Sales by geographical segment *(in € millions, except percentages)*	2015	%	2014 (Restated)	%	Var. €	Var. (%)
France	460.2	65.8%	409.1	67.7%	51.1	12.5%
International	239.2	34.2%	195.6	32.3%	43.6	22.3%
Total Customer Sales	**699.4**	**100.0%**	**604.7**	**100.0%**	**94.7**	**15.7%**

Customer Sales by distribution channel *(in € millions, except percentages)*	2015	%	2014 (Restated)	%	Var. €	Var. (%)
Stores	578.8	82.8%	513.4	84.9%	65.4	12.7%
Online	120.6	17.2%	91.3	15.1%	29.3	32.2%
Total Customer Sales	**699.4**	**100.0%**	**604.7**	**100.0%**	**94.7**	**15.7%**

Customer Sales by product category *(in € millions, except percentages)*	2015	%	2014 (Restated)	%	Var. €	Var. (%)
Decoration	394.5	56.4%	346.9	57.4%	47.6	13.7%
Furniture	304.9	43.6%	257.8	42.6%	47.2	18.3%
Total Customer Sales	**699.4**	**100.0%**	**604.7**	**100.0%**	**94.7**	**15.7%**

Customer Sales increased by €94.7 million, or 15.7%, from €604.7 million for the year ended December 31, 2014 to €699.4 million for the year ended December 31, 2015. This increase is attributable to an increase of €50.1 million in like-for-like Customer Sales and €44.6 million in net openings Customer Sales. The Group's like-for-like Customer Sales grew by 8.7%, attributable to the effects of a more favorable macroeconomic environment, the strength of the Maisons du Monde concept, and the continued increase in online sales, which increased by

€29.3 million, or 32.2%, from €91.3 million for the year ended December 31, 2014 to €120.6 million for the year ended December 31, 2015. The increase in Customer Sales was also due to the opening of 27 new stores in 2015 with an average retail trading space of approximately 1,400 square meters (of which 14 were in France and 13 were in international markets) and the full-period impact of the 14 stores opened in 2014. This increase was partly offset by the closure (permanently or temporarily for relocation) of six smaller stores (with an average retail trading space of approximately 500 square meters) and the refurbishment of two stores in 2015, and the closure (permanently or temporarily for relocation) of nine smaller stores in 2014 (with an average retail trading space of approximately 600 square meters).

Customer Sales generated in France increased by €51.1 million, or 12.5%, from €409.1 million for the year ended December 31, 2014 to €460.2 million for the year ended December 31, 2015. The increase was primarily driven by positive like-for-like Customer Sales growth which was supported by the improving macroeconomic conditions during the period. In addition, the Group outperformed the French furniture market according to data from IPEA, which the Group believes is due to the value proposition the Group offers as well as the Group's leadership in the online channel in France. The increase in Customer Sales was also attributable to the opening of 14 new stores in the year ended December 31, 2015 with an average retail trading space of approximately 1,300 square meters and the full-period impact of the seven stores opened in the year ended December 31, 2014 with an average retail trading space of approximately 1,800 square meters. The increase in Customer Sales was partially offset by the closure (permanently or temporarily for relocation) of six smaller stores in the year ended December 31, 2015 (with an average retail trading space of approximately 500 square meters) and the full-period effect of eight smaller stores closed (permanently or temporarily for relocation) in the year ended December 31, 2014 (with an average retail trading space of approximately 600 square meters).

International Customer Sales increased by €43.6 million, or 22.3%, from €195.6 million for the year ended December 31, 2014 to €239.2 million for the year ended December 31, 2015. This increase was primarily due to the opening of 13 new stores in the year ended December 31, 2015 and the full-period impact of the seven stores opened in the year ended December 31, 2014. This increase was partially offset by the closure of one store that was repositioned in the year ended December 31, 2014. In addition, the Group's International Customer Sales were supported by growth attributable to the increase in online sales.

In the year ended December 31, 2015, the proportion of decorative products in the Group's product mix decreased from 57.4% of Customer Sales for the year ended December 31, 2014 to 56.4% for the year ended December 31, 2015 while furniture products increased from 42.6% for the year ended December 31, 2014 to 43.6% for the year ended December 31, 2015. This change is mainly due to the larger growth of the Group's online channel during the period as well as the new larger stores having a greater share of Customers Sales generated from furniture.

Additionally, other revenue contributed €3.2 million to the increase in consolidated revenue. This increase of 16.9% as compared to 2014, larger than the increase in Customer Sales, was mainly due to higher volume of transportation services sold to customers as a result of the development of the Group's online channel and the higher proportion of furniture products in the Group's product mix which carry higher transportation fees. As a result of the above, the Group's consolidated revenue increased by €97.4 million, or 15.6%, from €626.0 million for the year ended December 31, 2014 to €723.4 million for the year ended December 31, 2015.

9.3.2 Cost of sales

Cost of sales increased by €35.0 million, or 18.4%, from €190.2 million for the year ended December 31, 2014 to €225.3 million for the year ended December 31, 2015. As a percentage of Customer Sales, cost of sales increased slightly from 31.5% for the year ended December 31, 2014 to 32.2% for the year ended December 31, 2015. This increase was primarily due to an increase in the proportion of furniture items in the Group's product mix, which generate lower gross margins than decorative products as well as increased rotation of furniture items displayed in-store. Increased rotation of displayed furniture products increased the markdown and as such lowers gross margin. The Group believes 2015 represents the right rotation of its displayed furniture products and as such this effect is likely one-off.

9.3.3 Personnel Expenses

Personnel expenses increased by €19.2 million, or 14.8%, from €129.4 million for the year ended December 31, 2014 to €148.5 million for the year ended December 31, 2015 as headcount increased from 3,899 average FTEs in 2014 to 4,134 average FTEs (excluding Mekong Furniture) in 2015. This increase is mainly linked to new store openings, as well as to significant investments in the Group's central functions. The table below sets forth a breakdown of personnel expenses for the periods indicated.

	2015	**2014 (*Restated*)**	**Var. €**	**Var. (%)**
(in € millions, except percentages)				
Retail/web personnel expenses	(97.4)	(87.8)	(9.6)	11.0%
Logistics personnel expenses	(22.7)	(18.9)	(3.7)	19.7%
Headquarters personnel expenses including Mekong Furniture	(28.5)	(22.6)	(5.8)	25.8%
Total personnel expenses	**(148.5)**	**(129.4)**	**(19.2)**	**14.8%**

As a percentage of Customer Sales, personnel expenses decreased from 21.4% for the year ended December 31, 2014 to 21.2% for the year ended December 31, 2015. This decrease was mainly due to (i) the change in the mix of Customer Sales by channel, with a lower personnel base required for online sales (which increased relative to store sales during the period); (ii) the increase in like-for-like Customer Sales for which the personnel base costs are fixed to a certain extent; and (iii) the optimization of store personnel management with planning adjusted to customer traffic, and recourse to temporary staff, whose costs are recorded in external expenses. This decrease was partially offset by (i) an increase in profit sharing of €3.7 million, mainly due to the higher taxable profit in France for the year ended December 31, 2015 and (ii) additional resources dedicated to logistics and central functions.

9.3.4 External Expenses

	2015	**2014 *(Restated)***	**Var. €**	**Var. (%)**
(in € millions, except percentages)				
Energy	(14.1)	(12.4)	(1.6)	13.2%
Leases and related expenses	(85.5)	(78.6)	(6.9)	8.7%
Of which retail/web leases and related expenses	*(61.7)*	*(55.1)*	*(6.6)*	*11.9%*
Of which logistics leases and related expenses	*(21.9)*	*(21.9)*	-	*0.2%*
Of which headquarter leases and related expenses (including Mekong Furniture facility)	*(1.9)*	*(1.6)*	*(0.3)*	*19.1%*
Repairs and maintenance	(10.3)	(9.4)	(0.8)	8.7%
Temporary staff	(10.8)	(5.9)	(4.9)	83.9%
Advertising & marketing	(24.1)	(28.0)	3.9	(13.9)%
Fees	(12.2)	(9.8)	(2.3)	23.5%
Transportation	(65.4)	(58.1)	(7.2)	12.4%
Taxes other than on income	(10.3)	(9.7)	(0.6)	6.2%
Other[1]	(23.8)	(19.7)	(4.1)	20.7%
Total external expenses	**(256.3)**	**(231.8)**	**(24.5)**	**10.6%**

[1] Other external expenses refers mainly to other rental expenses, post and telecom expenses and bank commissions.

External expenses increased by €24.5 million, or 10.6%, from €231.8 million for the year ended December 31, 2014 to €256.3 million for the year ended December 31, 2015. This increase was mainly due to (i) the increase in transportation costs by 12.4% as a result of a higher level of Customer Sales; (ii) the continued increase in store space related to net store openings from a store selling surface area of approximately 250,000 square meters as of December 31, 2014 to approximately 286,000 square meters as of December 31, 2015 which affected leases and related expenses, energy and repair and maintenance; (iii) the increase in recourse to temporary staff due to optimization of the Group's store workforce, particularly during busy selling seasons; and (iv) the increase in fees and bank commissions, mainly due to the increase in the volume of products sold through the Group's online channel. This increase in external expenses was partially offset by the decrease in marketing and advertising costs, mainly due to the expenses recorded in the year ended December 31, 2014 related to the Group's first TV advertising campaign that was not renewed in the year ended December 31, 2015.

As a percentage of Customer Sales, external expenses decreased from 38.3% for the year ended December 31, 2014 to 36.6% for the year ended December 31, 2015. The decrease in external expenses as a percentage of Customer Sales was driven primarily by fixed cost leverage, the lower level of investments in marketing and advertising, the lower level of rents and related rental charges per square meter as a result of a higher bargaining power on the rent of new stores, the renewal of leases and the development of the Group's online channel. This decrease was partially offset by a higher level of temporary staff as a percentage of Customer Sales from 1.0% in 2014 to 1.5% in 2015 due to optimization of store personnel management, as well as the higher level of fee costs as a percentage of Customer Sales from 1.6% in 2014 to 1.7% for the year ended December 31, 2015, mainly due to the launch of certain IT projects in the year ended December 31, 2015.

9.3.5 Depreciation, amortization and allowance for provisions

(*in € millions, except percentages*)	**2015**	**2014 *(Restated)***	**Var. €**	**Var. (%)**
Depreciation and amortization of fixed and current assets	(26.5)	(24.3)	(2.3)	9.3%
Allowance for provisions	1.1	2.3	(1.1)	(50.4)%
Total Depreciation, amortization and allowance for provisions	**(25.4)**	**(22.0)**	**(3.4)**	**15.5%**

Depreciation, amortization and allowance for provisions increased by €3.4 million, or 15.5%, from €22.0 million for the year ended December 31, 2014 to €25.4 million for the year ended December 31, 2015 primarily due to the depreciation and amortization of fixed assets. Depreciation and amortization of fixed and current assets increased by €2.3 million, or 9.3%, from €24.3 million for the year ended December 31, 2014 to €26.5 million for the year ended December 31, 2015 primarily attributable to an increase in fixed assets resulting from the opening, relocation and refurbishment of stores. Allowance for provisions, which mainly relates to net provisions for labor disputes, commercial disputes and provision for rent of relocated stores, decreased from a net income of €2.3 million for the year ended December 31, 2014 to a net income of €1.1 million for the year ended December 31, 2015.

As a percentage of Customer Sales, depreciation, amortization and allowance for provisions remained stable at 3.6% for the year ended December 31, 2014 and 2015.

9.3.6 Change in fair value – derivative financial instruments

The change in fair value of the Group's derivative financial instruments that partially cover the purchases of goods and maritime shipping in U.S. dollars represented a €2.7 million gain in the year ended December 31, 2015 as compared to a €27.9 million gain for the year ended December 31, 2014 as a result of the continuing depreciation of the euro compared to the U.S. dollar between December 31, 2015 and December 31, 2014.

9.3.7 Other income and expenses from operations

Other income and expenses from operations decreased by €1.7 million, or 24.4%, to a net expense of €5.2 million in the year ended December 31, 2015 from a net expense of €6.8 million in the year ended December 31, 2014. This decrease was mainly related to a lower level of charges recorded during the period connected to the closure of stores for the purpose of relocation in the same area. This decrease was partially offset by a higher level of store pre-opening expenses given the higher number of new store openings for the year ended December 31, 2015, which increased by €0.8 million compared to the year ended December 31, 2014.

9.3.8 Current operating profit before other operating income and expenses

As a result of the foregoing factors, current operating profit before other operating income and expenses decreased by €8.2 million, or 11.1%, from €73.7 million for the year ended December 31, 2014 to €65.5 million for the year ended December 31, 2015. When excluding the effect of the change in fair value of the derivative financial instruments, current operating profit before other operating income and expenses increased by €17.0 million, or 37.1%, from €45.7 million for the year ended December 31, 2014 to €62.7 million for the year ended December 31, 2015.

9.3.9 EBITDA

The table below sets forth the Group's EBITDA by segment for the years indicated.

EBITDA by geographical segment	**2015**	**2014 *(Restated)***	**Var. €**	**Var. (%)**
(in € millions, except percentages)				
France	100.0	79.3	20.7	26.1%
International	42.6	34.0	8.7	25.5%
Corporate	(48.1)	(40.4)	(7.8)	19.2%
Total EBITDA	**94.5**	**72.9**	**21.6**	**29.6%**

The Group's EBITDA increased by €21.6 million, or 29.6%, from €72.9 million for the year ended December 31, 2014 to €94.5 million for the year ended December 31, 2015. This increase was mainly driven by like-for-like Customer Sales growth, and the perimeter effect of new store openings. This increase was partially offset by expenses related to the increase in employee profit sharing, the strengthening of the management team structure and the launch of certain new IT projects.

As a percentage of Customer Sales, EBITDA margin increased from 12.1% in 2014 to 13.5% in 2015. This increase as a percentage of Customer Sales was mainly due to the strong like-for-like Customer Sales growth during the period, the lower level of rents and related rental charges per square meter as a result of a higher bargaining power on the rent of new stores and the development of the Group's online channel and lower levels of marketing and advertising costs.

EBITDA in France increased by €20.7 million, or 26.1%, from €79.3 million for the year ended December 31, 2014 to €100.0 million for the year ended December 31, 2015. This increase was mainly driven by strong like-for-like growth both through the stores and online channels and the perimeter effect of the new stores opened in 2014 and 2015. As a percentage of France Customer Sales, France EBITDA margin (excluding Corporate) increased from 19.4% in 2014 to 21.7% in 2015, driven by like-for-like Customer Sales growth.

International EBITDA increased by €8.7 million, or 25.5%, from €34.0 million for the year ended December 31, 2014 to €42.6 million for the year ended December 31, 2015. This increase was mainly driven by the perimeter effect of the new stores opened in 2014 and 2015 and strong like-for-like growth. As a percentage of International Customer Sales, International EBITDA margin (excluding Corporate) increased from 17.4% in 2014 to 17.8% in 2015. This increase was mainly driven by the shorter ramp-up periods for new stores in the previous years, especially in Italy and Belgium where the Group's years of presence has resulted in increased brand recognition which reduces the ramp-up period of new stores.

9.3.10 Other operating income and expenses

The Group's other operating income and expenses represented a net expense of €0.6 million for the year ended December 31, 2015 compared to a net expense of €2.1 million in the year ended December 31, 2014. The decrease in net expenses in 2015 is mainly due to reversal of provisions of €0.4 million related to store closures without relocation in the same area, compared to a provision of €2.0 million in 2014.

9.3.11 Financial profit (loss) – net

Financial loss increased by €2.7 million, or 4.0%, from €68.0 million for the year ended December 31, 2014 to €70.7 million for the year ended December 31, 2015. This increase was mainly attributable to an increase of €3.3 million of interest charges on PECs, which resulted from the capitalization of interest for the year ended December 31, 2014 that raised the principal basis for purposes of calculating interest due for the year ended December 31, 2015. This increase was partly offset by the return to a lower amount of amortized issuance fees on the Group's Existing Revolving Credit Facility in 2015 of €0.7 million, as compared to €1.4 million in 2014. The higher financial losses in 2014 were a result of an additional one-off fee of €0.6 million paid in 2014 related to the Existing Revolving Credit Facility.

9.3.12 Share of profit (loss) of investments accounted for using the equity method

Share of profit (loss) of investments accounted for using the equity method increased by €0.1 million from €0.0 for the year ended December 31, 2014 to €0.1 million for the year ended December 31, 2015. This was related to Chin Chin's positive results of operations.

9.3.13 Income tax

Income tax represented an expense of €8.2 million for the year ended December 31, 2015, compared to an expense of €10.0 million for the year ended December 31, 2014. In the year ended December 31, 2015, income tax comprised (i) current income tax expense for €6.9 million (€5.0 million current income tax expense in 2014), including CVAE and IRAP (Italian regional tax on productive activities) of €4.3 million (€3.8 million in 2014) in the aggregate and (ii) a deferred tax expense of €1.2 million (€5.0 million deferred tax expense in 2014).

As of December 31, 2015, unused tax losses carry forward amounted to €38.7 million in France, €2.0 million in Germany and €0.2 million in Spain.

9.3.14 Profit (loss) for the period

As a consequence of the above, the Group recorded a loss of €13.9 million for the year ended December 31, 2015, compared with a loss of €6.3 million for the year ended December 31, 2014.

9.4 ANALYSIS OF THE RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013 (*PRO FORMA*)

In order to provide comparative information on the income statement on a full-year basis, a *pro forma* consolidated income statement for the financial year ended December 31, 2013 has been prepared as if the acquisition of the Group by Bain Capital and the related refinancing had been completed as of January 1, 2013. See Section 3.1, "Presentation of the Financial Information in this Registration Document" of this Registration Document for further information.

The following table sets forth selected information from the Group's income statement and related information for the periods indicated.

	Year ended December 31,			
(*in € millions, except percentages*)	**2014** *(Restated)*	**2013** *(Pro forma)*	**Var. €**	**Var. (%)**
Retail Revenue	607.2	547.5	59.7	10.9%
Of which Customer Sales	*604.7*	*545.1*	*59.6*	*10.9%*
Other Revenue	18.8	15.8	3.0	18.9%
Revenue	**626.0**	**563.3**	**62.7**	**11.1%**
Cost of sales	(190.2)	(170.1)	(20.1)	11.8%
Personnel expenses	(129.4)	(122.4)	(6.9)	5.7%
External expenses	(231.8)	(204.9)	(26.9)	13.1%
Depreciation, amortization and allowance for provisions	(22.0)	(20.2)	(1.8)	8.8%
Change in fair value – derivative financial instruments	27.9	(5.0)	32.9	n/a
Other income and expenses from operations	(6.8)	(4.7)	(2.1)	45.3%
Current operating profit before other operating income and expenses	**73.7**	**35.9**	**37.8**	**105.1%**
Other operating income and expenses	(2.1)	(11.3)	9.3	(81.9)
Operating profit (loss)	**71.6**	**24.6**	**47.0**	**191.3%**
Financial profit (loss) – net	**(68.0)**	**(65.1)**	**(2.9)**	**4.4%**
Share of profit (loss) of investments accounted for using the equity method	0.0	(1.2)	1.3	n/a
Profit (loss) before income tax	**3.7**	**(41.7)**	**45.4**	n/a
Income tax	(10.0)	7.6	(17.6)	n/a
Profit (loss) for the period	**(6.3)**	**(34.1)**	**27.8**	**(81.5)%**
Attributable to:				
– Owners of the parent	(6.3)	(34.1)	27.8	(81.5)%
– Non-controlling interests	-	-	-	-

9.4.1 Revenue

Customer Sales by geographical segment (*in € millions, except percentages*)	**2014** *(Restated)*	**%**	**2013** *(Pro forma)*	**%**	**Var. €**	**Var. (%)**
France	409.1	67.7%	378.9	69.5%	30.1	8.0%
International	195.6	32.3%	166.1	30.5%	29.5	17.7%
Total Customer Sales	**604.7**	**100.0%**	**545.1**	**100.0%**	**59.6**	**10.9%**

Customer Sales by distribution channel (*in € millions, except percentages*)	**2014** *(Restated)*	**%**	**2013** *(Pro forma)*	**%**	**Var. €**	**Var. (%)**
Stores	513.4	84.9%	472.2	86.6%	41.2	8.7%
Online	91.3	15.1%	72.9	13.4%	18.4	25.3%

Total Customer Sales...........	**604.7**	**100.0%**	**545.1**	**100.0%**	**59.6**	**10.9%**

Customer Sales by product category *(in € millions, except percentages)*	**2014 *(Restated)***	**%**	**2013 *(Pro forma)***	**%**	**Var. €**	**Var. (%)**
Decoration..........................	346.9	57.4%	326.9	60.0%	20.0	6.1%
Furniture............................	257.8	42.6%	218.2	40.0%	39.6	18.1%
Total Customer Sales...........	**604.7**	**100.0%**	**545.1**	**100.0%**	**59.6**	**10.9%**

Customer Sales increased by €59.6 million, or 10.9%, from €545.1 million for the year ended December 31, 2013 to €604.7 million for the year ended December 31, 2014. This increase is attributable to an increase of €13.9 million in like-for-like Customer Sales and €45.7 million in net openings Customer Sales. The main drivers included (i) the opening of 14 new stores in 2014 (with an average retail trading space of approximately 2,100 square meters) and the full-period impact of the 21 stores opened in 2013 (with an average retail trading space of approximately 2,100 square meters), partly offset by the closures (permanently or temporarily for relocation) of nine smaller stores in 2014 (with an average retail trading space of approximately 600 square meters) and the full-period effect of nine smaller stores closed (permanently or temporarily for relocation) in 2013 (with an average retail trading space of approximately 500 square meters), as well as the refurbishment of one store in 2014 and (ii) the Group's like-for-like Customer Sales growth of 2.8% despite a challenging market environment, supported in particular by the Group's online channel, which increased by €18.4 million, or 25.3%, from €72.9 million for the year ended December 31, 2013 to €91.3 million for the year ended December 31, 2014.

Customer Sales in France increased by €30.1 million, or 8.0%, from €378.9 million for the year ended December 31, 2013 to €409.1 million for the year ended December 31, 2014. The increase was primarily driven by the opening of seven new stores in 2014 and the full-period impact of the ten stores opened in 2013. This increase was partly offset by the closure (permanently or temporarily for relocation) of eight stores and the refurbishment of one store in 2014 and the full-period effect of nine stores closed (permanently or temporarily for relocation) in 2013. The net positive impact of the changes to the store network is due to the fact that in France, the ramp-up period for new stores is generally achieved during the first year; furthermore, the new stores opened were typically larger than the stores that were closed. New stores had an average retail trading space of approximately 1,800 and 1,900 square meters in 2014 and 2013, respectively, whereas closed stores had an average retail trading space of 600 and 500 square meters in 2014 and 2013, respectively. A number of the closures and openings corresponded to relocations of certain stores to larger locations nearby at more attractive locations. The increase in French Customer Sales was also due to positive like-for-like Customer Sales growth in France, outperforming the French furniture market, according to data from IPEA, related in particular to the increase in online Customer Sales.

International Customer Sales increased by €29.5 million, or 17.7%, from €166.1 million for the year ended December 31, 2013 to €195.6 million for the year ended December 31, 2014. The increase was driven primarily by the opening of seven new stores in 2014 and the full-period impact of the 11 stores opened in 2013, which was partly offset by the closure of one store for repositioning in 2014. In addition to the change of perimeter, this increase was due to a positive like-for-like Customer Sales growth.

The proportion of decorative products in the Group's product mix decreased from 60.0% of Customer Sales for the year ended December 31, 2013 to 57.4% for the year ended December 31, 2014, while furniture products increased from 40.0% to 42.6%. This change is mainly due to the higher mix of furniture in online sales and the increase of the online channel generally observed during the period as well as the larger relative proportion of the online channel in terms of Customer Sales as a proportion of total Customer Sales.

Additionally, other revenue contributed €3.0 million to the increase in the Group's consolidated revenue, an increase of 18.9% as compared to the prior year. This increase was mainly due to a higher volume of transportation services sold to customers through the online channel and the higher proportion of furniture products in the Group's product mix, which carry higher transportation fees. Reflecting the above factors, the Group's consolidated revenue increased by €62.7 million, or 11.1%, from €563.3 million for the year ended December 31, 2013 to €626.0 million for the year ended December 31, 2014.

9.4.2 Cost of sales

Cost of sales increased by €20.1 million, or 11.8%, from €170.1 million for the year ended December 31, 2013 to €190.2 million for the year ended December 31, 2014. As a percentage of Customer Sales, cost of sales increased slightly from 31.2% for the year ended December 31, 2013 to 31.5% for the year ended December 31, 2014. This increase was primarily due to an increase in the proportion of furniture items in the Group's product mix, which generate lower gross margins than decorative products.

9.4.3 Personnel Expenses

Personnel expenses increased by €6.9 million, or 5.7%, from €122.4 million for the year ended December 31, 2013 to €129.4 million for the year ended December 31, 2014, as headcount increased from 3,620 average FTEs to 3,899 average FTEs (excluding Mekong Furniture). This increase was mainly driven by new store openings and investments in the Group's central functions. The table below sets forth a breakdown of personnel expenses for the periods indicated.

(in € millions, except percentages)	**2014 (*Restated*)**	**2013 (*Pro forma*)**	**Var. €**	**Var. (%)**
Retail/web personnel expenses	(87.8)	(83.0)	(4.8)	5.8%
Logistics personnel expenses	(18.9)	(18.7)	(0.2)	1.2%
Headquarters personnel expenses (including Mekong Furniture)	(22.6)	(20.7)	(1.9)	9.2%
Total personnel expenses	**(129.4)**	**(122.4)**	**(6.9)**	**5.7%**

As a percentage of Customer Sales, personnel expenses decreased from 22.5% for the year ended December 31, 2013 to 21.4% for the year ended December 31, 2014. This decrease was mainly due to (i) changes in the mix of the Customer Sales by distribution channel, with a lower personnel cost base required for online sales (which increased relative to store sales during the period), (ii) a decrease in profit sharing of €2.1 million, mainly due to the lower taxable profit in France for the year ended December 31, 2014 and (iii) the positive impact of €1.8 million related to the CICE rate increase (rate set at 6% in 2014 as compared to 4% for the year ended December 31, 2013), which amounted to €4.1 million for the year ended December 31, 2014 as compared to €2.4 million for the year ended December 31, 2013. The decrease was partly offset by the strengthening of the management team structure with new hires.

9.4.4 External Expenses

(in € millions, except percentages)	**2014** ***(Restated)***	**2013** ***(Pro forma)***	**Var. €**	**Var. (%)**
Energy	(12.4)	(11.8)	(0.7)	5.7%
Leases and related expenses	(78.6)	(70.3)	(8.3)	11.9%
Of which retail/web leases and related expenses	*(55.1)*	*(49.6)*	*(5.5)*	*11.2%*
Of which logistics leases and related expenses	*(21.9)*	*(19.5)*	*(2.3)*	*11.9%*
Of which headquarter leases and related expenses (including Mekong Furniture facility)	*(1.6)*	*(1.1)*	*(0.4)*	*38.0%*
Repairs and maintenance	(9.4)	(8.6)	(0.8)	9.6%
Temporary staff	(5.9)	(6.8)	1.0	(14.1)%
Advertising & marketing	(28.0)	(20.2)	(7.7)	38.3%
Fees	(9.8)	(7.0)	(2.9)	40.8%
Transportation	(58.1)	(53.3)	(4.8)	9.0%
Taxes other than on income	(9.7)	(8.1)	(1.7)	20.7%
Other[1]	(19.7)	(18.8)	(0.9)	4.9%
Total External expenses	**(231.8)**	**(204.9)**	**(26.9)**	**13.1%**

[1] Other external expenses refers mainly to other rental expenses, post and telecom expenses and bank commissions.

External expenses increased by €26.9 million, or 13.1%, from €204.9 million for the year ended December 31, 2013 to €231.8 million for the year ended December 31, 2014. This increase was mainly due to (i) the continued increase in store space from a store selling surface area of approximately 225,000 square meters as of December 31, 2013 to approximately 250,000 square meters as of December 31, 2014 which affected leases and related expenses, energy and repair and maintenance and (ii) the increase in advertising and marketing. As a percentage of Customer Sales, external expenses increased from 37.6% for the year ended December 31, 2013 to 38.3% for the year ended December 31, 2014. The increase in external expenses as a percentage of Customer Sales was driven primarily by a higher level of marketing and advertising expenses, mainly in connection with the Group's first TV advertising campaign. In addition, this increase was due to the full-year impact of fees due to the new legal structure of the Group following the Group's acquisition by Bain Capital and the related refinancing. This increase in external expenses was also due to an increase in taxes other than on income; as certain taxes paid grew as a function of the increase in full time employees during the period. This increase was partially offset by the lower level of rents and related rental charges per square meter as a result of a higher bargaining power on the lease of new stores and renewal of leases and the development of the Group's online channel.

9.4.5 Depreciation, amortization and allowance for provisions

(in € millions, except percentages)	**2014** ***(Restated)***	**2013** ***(Pro forma)***	**Var. €**	**Var. (%)**
Depreciation and amortization of fixed assets	(24.3)	(20.0)	(4.3)	21.5%
Allowance for provisions	2.3	(0.2)	2.5	n/a
Total Depreciation, amortization and allowance for provisions	**(22.0)**	**(20.2)**	**(1.8)**	**8.8%**

Depreciation, amortization and allowance for provisions increased by €1.8 million, or 8.8%, from €20.2 million for the year ended December 31, 2013 to €22.0 million for the year ended December 31, 2014 due to depreciation and amortization of fixed assets. Depreciation and amortization of fixed and current assets increased by €4.3 million, or 21.5%, from €20.0

million for the year ended December 31, 2013 to €24.3 million for the year ended December 31, 2014. This increase was primarily due to an increase in fixed assets resulting from the net opening of new stores. Allowance for provisions, which mainly related to net provisions for labor disputes, commercial disputes and provision for rent of relocated stores, was a net loss of €0.2 million for the year ended December 31, 2013, and a net income of €2.3 million for the year ended December 31, 2014.

As a percentage of Customer Sales, depreciation, amortization and allowance for provisions slightly decreased from 3.7% for the year ended December 31, 2013 to 3.6% for the year ended December 31, 2014.

9.4.6 Change in fair value – derivative financial instruments

The change in fair value of the Group's derivative financial instruments that partially cover the purchases of goods and maritime shipping in U.S. dollars represented a €27.9 million gain in the year ended December 31, 2014 as compared to a €5.0 million loss for the year ended December 31, 2013 as a result of the depreciation of the euro compared to the U.S. dollar between December 31, 2013 and December 31, 2014.

9.4.7 Other income and expenses from operations

Other income and expenses from operations represented a net expense of €6.8 million in the year ended December 31, 2014, which increased by €2.1 million, or 45.3% from a net expense of €4.7 million in the year ended December 31, 2013. This increase is mainly related to losses on disposals, which increased by €1.4 million, recorded primarily in respect of stores that were closed and relocated in the same area. This increase was also due to pre-opening expenses of stores, which increased by €0.7 million compared to 2013.

9.4.8 Current operating profit before other operating income and expense

As a result of the foregoing factors, current operating profit before other operating income and expense increased by €37.8 million, or 105.1%, from €35.9 million for the year ended December 31, 2013 to €73.7 million for the year ended December 31, 2014. When excluding the effect of the change in fair value of the derivative financial instruments, current operating profit before other operating income and expense increased by €4.8 million, or 11.8%, from €40.9 million for the year ended December 31, 2013 to €45.7 million for the year ended December 31, 2014.

9.4.9 EBITDA

The table below sets forth the Group's EBITDA by segment for the years indicated.

EBITDA by geographical segment	**2014 *(Restated)***	**2013 *(Pro forma)***	**Var. €**	**Var. (%)**
(in € millions, except percentages)				
France	79.3	72.2	7.0	9.8%
International	34.0	29.9	4.0	13.5%
Corporate	(40.4)	(36.9)	(3.4)	9.2%
Total EBITDA	**72.9**	**65.3**	**7.7**	**11.7%**

The Group's EBITDA increased by €7.7 million, or 11.7%, from €65.3 million for the year ended December 31, 2013 to €72.9 million for the year ended December 31, 2014. This increase was mainly driven by like-for-like Customer Sales growth and the new store openings. This increase was partly offset by the increase in advertising and marketing expenses and by the higher level of headquarters costs.

As a percentage of Customer Sales, EBITDA margin increased slightly from 12.0% in 2013 to 12.1% in 2014. This increase as a percentage of Customer Sales was mainly due to lower level of personnel expenses, mainly due to the optimization of store personnel management and growth of the online channel. This increase of EBITDA as a percentage of Customer Sales was partly offset by the slightly higher level of cost of sales, due to an increase in the proportion of furniture in the product mix, as well as an increase in advertising and marketing expenses.

EBITDA in France increased by €7.0 million, or 9.8%, from €72.2 million for the year ended December 31, 2013 to €79.3 million for the year ended December 31, 2014. This increase was mainly driven by the growth of the online channel, the perimeter effect of the new stores opened in 2013 and 2014. As a percentage of France Customer Sales, France EBITDA margin (excluding Corporate) increased from 19.1% in 2013 to 19.4% in 2014, driven by the growth of the online channel.

International EBITDA increased by €4.0 million, or 13.5%, from €29.9 million for the year ended December 31, 2013 to €34.0 million for the year ended December 31, 2014. This increase was mainly driven by the perimeter effect of the new stores opened in 2014 and 2013 and the growth of the online channel. As a percentage of International Customer Sales, International EBITDA margin (excluding Corporate) decreased from 18.0% in 2013 to 17.4% in 2014, mainly due to the lower profitability of new stores during their ramp-up period, as the Group opened its first store in Switzerland and two new stores in Germany towards the end of 2014.

9.4.10 Other operating income and expenses

The Group’s other operating income and expenses represented a net expense of €2.1 million for the year ended December 31, 2014 compared to a net expense of €11.3 million for the year ended December 31, 2013. The net expense for the year ended December 31, 2013 was primarily attributable to business acquisition costs of €10.7 million and transaction related costs of €1.3 million. When excluding the effect of these costs, other operating income and expenses represented net income of €0.7 million for the year ended December 31, 2013. The net expense for the year ended December 31, 2014 was mainly due to provisions of €2.0 million related to store closures without relocation in the same area, compared to reversal of a provision of €1.1 million for the year ended December 31, 2013.

9.4.11 Financial profit (loss) – net

Financial loss increased by €2.9 million, or 4.4%, from €65.1 million for the year ended December 31, 2013 to €68.0 million for the year ended December 31, 2014. This increase was mainly attributable to an increase of €1.3 million of interest charges on PECs, which resulted from the capitalization of interest for the year ended December 31, 2013 that raised the principal basis for purposes of calculating interest due for the year ended December 31, 2014. In addition, issuance fees on the Group’s Existing Revolving Credit Facility, which are mainly related to the amortization of the Existing Revolving Credit Facility issuance costs, increased by €0.8 million, mainly as a result of additional one-off costs of €0.6 million related to the Existing Revolving Credit Facility paid for the year ended December, 31 2014.

9.4.12 Share of profit (loss) of investments accounted for using the equity method

Share of profit (loss) of investments accounted for using the equity method was €0.0 for the year ended December 31, 2014, compared to a net loss of €1.2 million in the year ended December 31, 2013. This is only related to the Group’s joint venture in China, which benefited from price increases of products sold to the Group for the year ended December 31, 2014 and the resolution of certain supply chain issues that had negatively impacted results for the year ended December 31, 2013.

9.4.13 Income tax

Income tax represented an expense of €10.0 million for the year ended December 31, 2014, compared to a credit of €7.6 million for the year ended December 31, 2013. In the year ended December 31, 2014, income tax comprised (i) a current income tax expense for €5.0 million, including CVAE (*cotisation sur la valeur ajoutée des entreprises*) and IRAP (Italian regional tax on productive activities) of €3.8 million, and (ii) a deferred tax expense of €5.0 million.

As of December 31, 2014, unused tax losses carry forward amounted to €44.3 million in France, €1.8 million in Germany and €0.9 million in Spain.

9.4.14 Profit (loss) for the period

As a result of the above, the Group recorded a loss of €6.3 million for the year ended December 31, 2014, compared with a loss of €34.1 million for the year ended December 31, 2013.

CHAPTER 10. LIQUIDITY AND CAPITAL RESOURCES

This discussion of liquidity and capital resources should be read together with Luxco 3's audited consolidated financial statements for the years ended December 31, 2015 and 2014 and for the period from June 10, 2013 to December 31, 2013, prepared in accordance with IFRS and included in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document, as well as the information included in Chapter 3, "Selected Financial Information and Other Data", Chapter 9, "Operating and Financial Review", Chapter 12, "Trend Information" and Chapter 13, "Profit Forecasts or Estimates".

The financial information related to the Group's liquidity and capital resources as of and for the periods under review in this Registration Document refer to the historical consolidated financial information of Luxco 3. Due to the Group's new capital structure post-acquisition by Bain Capital, 2013 cash flows are discussed below for the period from the date of such acquisition on June 10, 2013 to December 31, 2013.

The historical consolidated financial information for the year ended December 31, 2014 and for the period from June 10, 2013 to December 31, 2013 have been restated to reflect the retrospective application of IFRIC 21 "Levies", which was applied by the Group from January 1, 2015, as well as the correction of certain misstatements and reclassifications, as explained in Note 6 ("Change in accounting policies, reclassifications and restatements") to the consolidated financial statements, which are presented in Section 20.1.1, "Group Consolidated Annual Financial Statements" of this Registration Document. The discussion of liquidity and capital resources below is based on restated consolidated financial information for the year ended December 31, 2014 and restated consolidated financial information for the period from June 10, 2013 to December 31, 2013. For further information, see Section 3.1, "Presentation of the Financial Information in this Registration Document" of this Registration Document.

10.1 OVERVIEW

The Group's principal financing needs arise from its capital expenditure (both development and maintenance), working capital requirements, payments of principal and interest on borrowings and taxes paid. Historically, the Group has met these requirements principally through cash flow from operating activities and short-term and long-term debt.

In 2013, in connection with the change of its shareholding structure, the Group restructured its borrowings and extended the maturity of part of its debt (for further information about the Group's financial liabilities and their maturities, see Section 10.2.1, "Principal Sources of Financing" below).

In 2016, the Group expects its principal financing needs to include the financing of its working capital requirements, and the making of approximately €45 million of capital expenditures for 2016 referred to in Chapter 13, "Profit Forecasts or Estimates". See Section 5.2.1.1, "Acquisition of Intangible and Tangible Assets" for a discussion of historical capital expenditures. As described in Section 10.2.2, "Financing Structure following the Proposed Admission" below, as of the IPO Settlement Date, the Group plans to redeem its outstanding High Yield Bonds (as defined below) and repay and replace its Existing Revolving Credit Facility (as defined below). The Group also expects, as part of the Reorganization described in Section 7.1.3, "Description of the Reorganization" of this Registration Document, to capitalize certain hybrid equity instruments as common equity of its immediate parent and/or repay certain other hybrid equity instruments and warrants issued and outstanding by the parent holding companies of Luxco 3. In addition, as part of the refinancing of the Group's indebtedness in connection with the Proposed Admission (the "Refinancing"), the Group plans to repay in full and cancel its outstanding High Yields Bonds and Existing Revolving

Credit Facility and put in place the New Senior Credit Facilities as further described in Section 10.2.2.2, “New Senior Credit Facilities” below.

10.2 FINANCIAL RESOURCES

10.2.1 Principal sources of Financing

The Group has historically relied on the sources of financing described below.

- *Cash on hand*. Cash and cash equivalents (excluding bank overdrafts) as of December 31, 2015, December 31, 2014 and December 31, 2013 amounted to €76.4 million, €38.8 million and €64.8 million, respectively.

- *Net cash flow from operating activities*. Net cash flow from operating activities amounted to €112.0 million and €45.3 million for the years ended December 31, 2015 and 2014, respectively, and €38.9 million for the period from June 10, 2013 to December 31, 2013.

- *Borrowings and other financial debts*. The Group had total third-party financial debt of €323.2 million, €320.5 million and €327.2 million outstanding as of December 31, 2015, 2014 and 2013, respectively. Including the Luxco 3 Shareholder Loans (but excluding the Luxco 2 Shareholder Loans and the Luxco 2 Vendor Loans which are not part of the Luxco 3 consolidation, see Section 7.1.3.2, “Conversion of Luxco 2 Shareholder Loans” and Section 7.1.3.3, “Repayment of Luxco 2 Vendor Loans”), the Group had total borrowings and other financial debts of €719.1 million, €680.3 million and €654.1 million outstanding as of December 31, 2015, 2014 and 2013, respectively.

The following table summarizes the composition of the borrowings and other financial debts of Luxco 3 at the dates indicated.

	As of December 31,		
(in € millions)	**2015**	**2014 *(Restated)***	**2013 *(Restated)***
Non-current borrowings and other financial debts			
High Yield Bonds	325.0	325.0	325.0
Issuance fees related to High Yield Bonds	(12.6)	(15.5)	(17.9)
Issuance fees related to Existing Revolving Credit Facility	(1.9)	(2.6)	(3.3)
Loans and debt contracted with credit institutions:			
Finance leases	0.8	1.8	2.9
Deposits	0.4	0.3	0.5
Luxco 3 Shareholder Loans	380.5	345.8	314.2
Total non-current borrowings and other financial debts	**692.3**	**654.8**	**621.4**
Current borrowings and other financial debts			
Accrued interest on High Yield Bonds	12.1	12.1	12.2
Issuance fees related to High Yield Bonds	(2.9)	(2.5)	(2.3)
Existing Revolving Credit Facility	0.1	0.1	7.2
Issuance fees related to Existing Revolving Credit Facility	(0.7)	(0.7)	(0.7)

	As of December 31,		
	2015	2014 *(Restated)*	2013 *(Restated)*
(in € millions)			
Loans and debt contracted with credit institutions:			
Finance leases......................................	1.2	1.3	1.3
Bank overdrafts	1.6	1.2	2.3
Accrued interest on Luxco 3 Shareholder Loans	15.3	13.9	12.7
Total current borrowings and other financial debts..	**26.8**	**25.5**	**32.7**
Total borrowings and other financial debts...	**719.1**	**680.3**	**654.1**

(*) See Section 10.2.2, "Financing Structure following the Proposed Admission" below for further information on the Group's planned refinancing.

The following table presents the calculation of the net third-party financial debt of Luxco 3.

	As of December 31,		
	2015	2014 *(Restated)*	2013 *(Restated)*
(in € millions)			
Total borrowings and other financial debts...	**719.1**	**680.3**	**654.1**
Luxco 3 Shareholder Loans........................	(380.5)	(345.8)	(314.2)
Accrued interest on Luxco 3 Shareholder Loans	(15.3)	(13.9)	(12.7)
Third-party financial debt.......................	**323.2**	**320.5**	**327.2**
Cash and cash equivalents..........................	(76.4)	(38.8)	(64.8)
Net third-party financial debt	**246.8**	**281.7**	**262.4**

The main categories of borrowings and other financial debts of Luxco 3 include:

- *High Yield Bonds*. In July 2013, Magnolia (BC) S.A., a wholly-owned subsidiary of Luxco 3, issued High Yield Bonds in an aggregate principal amount of €325.0 million. The High Yield Bonds are listed on the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market thereof. The bonds bear interest at a rate of 9.00%, paid semi-annually in February and August of each year. The stated maturity of the High Yield Bonds is August 1, 2020. The High Yield Bonds will be repaid in full in connection with the Refinancing.

- *Existing Revolving Credit Facility*. The Group has a revolving line of credit that during the periods under review could have been drawn for general corporate purposes to a maximum amount of €60.0 million (the "Existing Revolving Credit Facility"), subject to compliance with certain financial covenants and conditions precedent. The Existing Revolving Credit Facility was undrawn as of December 31, 2015. The line expires on July 9, 2019 and drawings bear interest at a rate equal to EURIBOR (for borrowings in euros) or LIBOR (for borrowings in any other currency), plus a margin that may range from 3.25% to 4.00% per annum, but will be cancelled in connection with the Refinancing. During the periods under review, the Group has incurred commitment fees on undrawn amounts equaling 40% of the applicable margin of the undrawn amounts.

- *Luxco 3 Shareholder Loans*

  In connection with the acquisition and the financing of the acquisition of the Group by Bain Capital in August 2013 (see Section 5.1.5, "History and Development" of this Registration Document), Luxco 3 issued the Luxco 3 Shareholder Loans (as defined in Section 7.1.3.1, "Reorganization steps" of this Registration Document) to Luxco 2.

  As part of the Reorganization to be implemented on the IPO Settlement Date, the Luxco 3 Shareholder Loans (which amounted to €395.8 million of principal amount and accrued interest as of December 31, 2015) will disappear as a result of the mergers of the Company's holding companies into the Company.

10.2.2 Financing Structure following the Proposed Admission

10.2.2.1 *Overview of the Refinancing*

In connection the Refinancing and the Reorganization to be implemented as part of the Proposed Admission, the Group intends to refinance and repay on the IPO Settlement Date certain of its outstanding indebtedness and the Vendor Loan. The Refinancing is designed in particular to improve the Group's leverage ratio and reduce its interest expense.

The following table summarizes the indebtedness expected to be repaid and the new lines expected to be put in place, in each case on the IPO Settlement Date.

(*in € millions*)	**Luxco 3[1] As of December 31, 2015 (Prior to Refinancing)**	**Increase**	**Decrease**	**Company[2] As of December 31, 2015 (Post Refinancing)**
Non-current borrowings and other financial debt				
High Yield Bonds	325.0	19.4[3]	(344.4)	0.0
Luxco 3 Shareholder Loans[4]	380.5		(380.5)	0.0
Luxco 2 Shareholder Loans[5]	--	339.1	(339.1)	0.0
Luxco 2 Vendor Loans[6]	--	58.1	(58.1)	0.0
New Senior Credit Facilities[7]		250.0		250.0
Issuance fees related to High Yield Bonds	(12.6)		12.6	0.0
Issuance fees related to Existing Revolving Credit Facility	(1.9)		1.9	0.0
Issuance fees related to New Senior Credit Facilities		(4.1)		(4.1)
Finance leases	0.8			0.8
Deposits	0.4			0.4
Total non-current	**692.2**	**662.5**	**(1,107.6)**	**247.1**
Current borrowings and other financial debt				
Accrued interest on High Yield Bonds	12.1		(12.1)	0.0
Accrued interest on Luxco 3 Shareholder Loans[4]	15.3		(15.3)	0.0
Accrued interest on the Luxco 2 Shareholder Loans[5]	--	13.6	(13.6)	0.0
Accrued interest on Luxco 2 Vendor Loans[6]	--	2.3	(2.3)	0.0

Issuance fees related to High Yield Bonds	(2.9)		2.9	0.0
Existing Revolving Credit Facility	0.1		(0.1)	0.0
Issuance fees related to Existing Revolving Credit Facility	(0.7)		0.7	0.0
Finance leases	1.2			1.2
Bank overdrafts	1.6			1.6
Total current	**26.7**	**15.9**	**(39.8)**	**2.8**
Total borrowings and other financial debts	**718.9**	**678.4**	**(1,147.4)**	**249.9**

(1) Indebtedness as of December 31, 2015 prior to the Refinancing is derived from the historical consolidated balance sheet of Luxco 3 as of December 31, 2015 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document and as a consequence excludes the Luxco 2 Shareholder Loans and the Luxco 2 Vendor Loans issued by Luxco 2.

(2) Indebtedness as of December 31, 2015 post Refinancing reflects the expected consolidated indebtedness of the Company after the Proposed Admission, the related Refinancing and the related Reorganization as described in Section 7.1.3, "Description of the Reorganization" of this Registration Document.

(3) Includes an estimated €19.4 million make-whole redemption premium in respect of the repayment in full on the IPO Settlement Date of the High Yield Bonds.

(4) The Luxco 3 Shareholder Loans (as defined in Section 7.1.3.1, "Reorganization steps" of this Registration Document) were issued by Luxco 3 to Luxco 2 (the direct holding company of Luxco 3) in connection with the Bain Capital acquisition of the Group in 2013. As part of the Reorganization to be implemented on the IPO Settlement Date, the Luxco 3 Shareholder Loans (which amounted to €395.8 million of principal amount and accrued interest as of December 31, 2015) will disappear as a result of the mergers of the Company's holding companies into the Company. See Section 7.1.3, "Description of the Reorganization".

(5) The Luxco 2 Shareholder Loans (as defined in Section 7.1.3.2, "Conversion of Luxco 2 Shareholder Loans" of this Registration Document) were issued by Luxco 2 (the direct holding company of Luxco 3) to certain former shareholders of the Group in connection with the acquisition of the Group by Bain Capital in 2013 and as such do not appear on the consolidated balance sheet of Luxco 3 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document. As part of the Reorganization to be implemented on the IPO Settlement Date in connection with the Proposed Admission, the Luxco 2 Shareholder Loans (which amounted to €352.7 million of principal amount and accrued interest as of December 31, 2015) will be ultimately converted into ordinary shares of the Company. See Section 7.1.3, "Description of the Reorganization" of this Registration Document.

(6) The Luxco 2 Vendor Loans (as defined in Section 7.1.3.3, "Repayment of Luxco 2 Vendor Loans" of this Registration Document) were issued by Luxco 2 (the direct holding company of Luxco 3) to certain shareholders of the Group in connection with the acquisition of the Group by Bain Capital in 2013 and as such do not appear on the consolidated balance sheet of Luxco 3 as presented in the consolidated financial statements included in Section 20.1, "Financial Information" of this Registration Document. As part of the Reorganization to be implemented on the IPO Settlement Date, the Luxco 2 Vendor Loans (which amounted to €60.5 million of principal amount and accrued interest as of December 31, 2015) will be transferred to the Company as a result of the mergers of the Company's holding companies into the Company. As part of the Proposed Admission, the Luxco 2 Vendor Loans will be repaid in full with the net proceeds of the capital increase to be implemented in connection with the Proposed Admission and the proceeds of the New Senior Credit Facilities. See Section 7.1.3, "Description of the Reorganization" of this Registration Document.

(7) See Section 10.2.2, "New Senior Credit Facilities" of this Registration Document.

10.2.2.2 *New Senior Credit Facilities*

In connection with the Proposed Offering, the Group intends, on the IPO Settlement Date, to repay the High Yield Bonds and cancel the Existing Revolving Credit Facility and put in place the New Senior Credit Facilities pursuant to the New Senior Credit Facilities Agreement, entered into with a syndicate of international banks (the "Lenders"), including, *inter alios*, Citibank International Limited, Goldman Sachs International Bank, Société Générale, Crédit Agricole CIB and JP Morgan Limited as arrangers and Société Générale as facility agent.

The New Senior Credit Facilities comprises a €250.0 million term loan (the "New Term Loan") and a €75.0 million revolving facility (the "New Revolving Credit Facility").

Moreover, subject to certain conditions provided for in the New Senior Credit Facilities Agreement and without the need for any waiver or consent of the then existing Lenders, the Group may increase the amount available under the New Term loan and/or New Revolving Credit Facility available under the New Senior Credit Facilities Agreement and/or incur additional facilities *pari passu* with the New Senior Credit Facilities (an "Incremental Facility"), *provided* that on the date that such Incremental Facility is committed such Incremental Facility would not cause the *pro forma* Net Leverage Ratio (as defined below) to exceed the covenanted Net Leverage Ratio for the most recent test date *less* 15% and subject to certain customary conditions.

The New Senior Credit Facilities Agreement is governed by English law.

The following presents a brief description of the material terms of the New Senior Credit Facilities Agreement.

Borrower(s): The borrower under the New Term Loan will be the Company; the borrowers under the New Revolving Credit Facility will be the Company and certain subsidiaries of the Company.

Maturity date(s): The maturity date of the New Term Loan and New Revolving Credit Facility is five years from the date on which the New Term Loan is incurred (expected to be the IPO Settlement Date).

Interest: The interest rate applicable to the New Senior Credit Facilities is the Euro Interbank Offer Rate ("EURIBOR"), plus a certain margin which is initially set at 2.25% for the first twelve months and following that is set in accordance with a margin ratchet linked to the Net Leverage Ratio (as defined below) for the relevant period (under which the margin may increase to a maximum of 2.50%). The applicable EURIBOR period depends on the interest rate period applicable to the relevant drawdown.

Purpose: The purpose of the New Term Loan is to refinance existing indebtedness of the Group (including the Group's High Yield Bonds) and to pay fees, costs and expenses arising in connection with the Proposed Admission; the purpose of the New Revolving Credit Facility is to support the working capital requirements of the Group (including by way of letters of credit, loans, bank guarantees and performance bonds) and/or for general corporate purposes of the Group.

Currency: The currency of the New Term Loan is euro; the currencies of the New Revolving Credit Facility is a combination of euro, pounds sterling, U.S. dollars and certain other currencies to be agreed between the Company and the Lenders.

Guarantees: The New Senior Credit Facilities is expected to benefit from corporate guarantees from certain Group companies.

Security: The New Senior Credit Facilities will be unsecured.

Financial Covenants: The New Senior Credit Facilities Agreement will require compliance with the following financial covenant:

- Net Leverage Ratio (defined as Total Net Debt divided by Consolidated Pro Forma EBITDA, each as defined in the New Senior Credit Facilities Agreement), to be tested semi-annually with the first test date falling on the financial year-end or financial half-year end no earlier than 12 months from the IPO Settlement Date and not to exceed the ratios indicated below on the relevant test dates:

    - June 30, 2017: 4.50x

- December 31, 2017: 4.25x

- June 30, 2018: 4.00x

- December 31, 2018 and thereafter: 3.75x

Maintenance Covenant: The New Senior Credit Facilities Agreement will require compliance with the following maintenance covenant:

- Guarantor Coverage Test of 80% set as the percentage of the contribution to both Consolidated EBITDA (as defined in the New Senior Credit Facilities Agreement) and the Group's aggregate gross assets of the Company and the subsidiaries of the Company that guarantee the New Senior Credit Facilities, to be tested 90 days after (and excluding) the IPO Settlement Date and subsequently on each date on which the annual financial statements of the Company are required to be delivered in accordance with the terms of the New Senior Credit Facilities Agreement (starting with the annual financial statements for the financial year ended on December 31, 2017). In the event that the Guarantor Coverage Test is not satisfied on the relevant test date, the Company must ensure that the Guarantor Coverage Test is satisfied within 90 days of the date on which the relevant annual financial statements are delivered in accordance with the terms of the New Senior Credit Facilities Agreement.

Material Subsidiaries: The Company shall ensure that all Material Subsidiaries (as defined in the New Senior Credit Facilities Agreement and being any entity that represents more than 5% of the Consolidated EBITDA or gross assets of the Group) accede to the New Senior Credit Facilities Agreement as guarantors within 90 days of the IPO Settlement Date and, thereafter, within 90 days (or in some instances, 120 days) of the date on which the annual financial statements of the Company are required to be delivered in accordance with the terms of the New Senior Credit Facilities Agreement (starting with the annual financial statements for the financial year ended on December 31, 2017).

Undertakings: The New Senior Credit Facilities Agreement will contain certain negative covenants, including the requirement to refrain from:

- mergers (with the exception of mergers that or reorganizations permitted by the New Senior Credit Facilities Agreement);

- incurring indebtedness at the level of subsidiaries of the Company that are not guarantors of the New Senior Credit Facilities;

- disposing of assets;

- granting security over Group assets (subject to a negative pledge); and

- changing the nature of the Group's business,

in each case subject to usual exceptions and baskets for this type of financing.

Prepayments and Cancellation: The terms of the New Senior Credit Facilities require mandatory prepayment in the event of a change of control or illegality event. The New Senior Credit Facilities Agreement allows the Company to prepay all or a portion of, and to cancel, the New Term Loan at any time, subject to a customary notice period. Amounts borrowed under the New Revolving Credit Facility can be repaid and subsequently re-borrowed. The

New Revolving Credit Facility can be cancelled at any time by the Company, subject to a customary notice period.

Events of Default: The New Senior Credit Facilities Agreement contains standard events of default provisions for facilities of this kind.

10.3 PRINCIPAL USES OF CASH

10.3.1 Capital expenditure and financial investments

From June 10, 2013 through 2015, the Group made total capital expenditure (acquisitions of property, plant and equipment, intangible assets and other non-current assets) of €97.0 million, of which €70.4 million was related to new store development, €3.2 million to store refurbishment, €6.6 million to maintenance, €2.9 million to deposits and guarantees in respect of the Group's leases and €13.8 million for other purposes (including website and headquarters investments). During the same period, it made cumulative financial investments (amounts paid to acquire subsidiaries), net of cash acquired, of €168.2 million (essentially the acquisition of the Group from its previous shareholders). For a more detailed description of the Group's capital expenditures and financial investments, see Section 10.4.2, "Net cash flow used in investing activities" of this Registration Document.

10.3.2 Financing of operating working capital requirements

The Group primarily finances its operating working capital requirements with cash flow from operating activities. The Group also makes recourse to its revolving line of credit, of which €60.0 million was available for borrowings as of December 31, 2015, to meet a portion of its working capital requirements.

10.3.3 Payment of interest and financing fees and repayment of borrowings

A large portion of the Group's cash flow is used for servicing and repaying its debt. The Group paid aggregate cash interest and financing fees amounting to €30.3 million and €31.3 million for the years ended December 31, 2015 and 2014, respectively, and €3.5 million for the period from June 10, 2013 to December 31, 2013.

10.3.4 Income tax paid

A portion of the Group's cash flow is applied to the payment of income tax. Income tax paid totaled €4.1 million and €4.7 million for the years ended December 31, 2015 and 2014, respectively, and €3.9 million for the period from June 10, 2013 to December 31, 2013.

10.4 ANALYSIS OF CONSOLIDATED CASH FLOWS

The following table summarizes the Group's cash flows for the periods indicated.

Consolidated Cash Flows	**Year ended December 31, 2015**	**Year ended December 31, 2014 *(Restated)***	**From June 10, 2013 to December 31, 2013 *(Restated)***
(in € millions)			
Net cash flow from operating activities	112.0	45.3	38.9
Net cash flow used in investing activities	(43.4)	(30.4)	(190.6)
Net cash flow from/(used in) financing activities	(31.6)	(39.7)	214.2
Net change in cash and cash equivalents	**37.1**	**(24.9)**	**62.5**

The following table provides a reconciliation of EBITDA to free cash flow.

Free Cash Flow	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***(Restated)***
(in € millions, except percentages)		
EBITDA	**94.5**	**72.9**
Change in operating working capital requirement	30.3	(18.4)
Income tax paid	(4.1)	(4.7)
Management fees	(2.9)	(2.5)
Pre-opening expenses	(3.4)	(2.6)
Change in other operating items	(2.4)	0.5
Free cash flow from operating activities[(1)]	**112.0**	**45.3**
Capital expenditure[(2)]	(43.9)	(33.1)
Debts on fixed assets	0.5	2.4
Proceeds from sale of fixed assets	0.0	0.9
Free cash flow used in investing activities[(3)]	**(43.4)**	**(29.8)**
Free cash flow	**68.7**	**15.4**
Cash conversion[(4)]	129%	72%

[(1)] Free cash flow from operating activities is defined as EBITDA net of Change in operating working capital requirement and including other operating items with a cash effect. As a consequence, free cash flow from operating activities equals Net cash flow from operating activities. Free cash flow from operating activities is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures".

[(2)] Capital expenditure consists of:

	Year ended December 31, 2015	**Year ended December 31, 2014** ***(Restated)***
(*in € millions, except percentages*)		
Acquisition of non-current assets:		
- Property, plant and equipment	(35.4)	(29.3)
- Intangible assets	(5.4)	(3.0)
- Other non-current assets	(3.1)	(0.7)

[(3)] Free cash flow used in investing activities is defined as Net cash flow used in investing activities, excluding the acquisition of subsidiaries, net of cash acquired. Free cash flow used in investing activities is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures".

[(4)] Cash conversion is defined as EBITDA net of Change in operating working capital requirement and maintenance capital expenditure (see Section 10.4.2, "Net cash flow used in investing activities" of this Registration Document) divided by EBITDA. Cash conversion is not a measure of performance or liquidity under IFRS. See "Non-IFRS Financial Measures".

10.4.1 Net cash flow from operating activities

The following table sets forth the components of the Group's net cash flow from operating activities for the periods indicated.

Net cash flow from operating activities	**Year ended December 31, 2015**	**Year ended December 31, 2014** *(Restated)*	**From June 10, 2013 to December 31, 2013** *(Restated)*
(in € millions)			
Profit (loss) before income tax	(5.8)	3.7	(19.1)
Adjustment for non-cash items	21.9	(2.1)	23.6
Adjustment for cost of net debt	69.7	66.9	30.9
Change in operating working capital requirement	30.3	(18.4)	7.4
Income tax paid	(4.1)	(4.7)	(3.9)
Net cash flow from operating activities	**112.0**	**45.3**	**38.9**

Net cash flow from the Group's operating activities is mainly impacted by the profit (loss) before income tax adjusted for non-cash income and expenses and for the cost of net debt, in addition to change in operating working capital requirement and income tax paid.

For the year ended December 31, 2015, the Group's operating activities generated a €112.0 million net cash inflow, mainly due to (i) the positive impact of the profit (loss) before income tax after adjustment for the €69.7 million cost of net debt and for a net non-cash expense of €21.9 million (mainly corresponding to a €24.2 million expense for depreciation and amortization net of a €2.7 million positive change in fair value of hedging derivative instruments) and (ii) the favorable change in operating working capital requirement that gave rise to a net cash inflow of €30.3 million. These positive impacts were partially offset by a €4.1 million cash outflow related to income tax paid.

For the year ended December 31, 2014, the Group's operating activities generated a €45.3 million net cash inflow, primarily due to the positive impact of the profit (loss) before income tax after adjustment for the €66.9 million cost of net debt. It was partly offset by a net non-cash income of €2.1 million, which was mainly the result of €27.9 million of positive change in fair value of hedging derivative instruments net of €23.7 million of depreciation and amortization. The unfavorable change in operating working capital requirement and the payment of income tax resulted in net cash outflows of €18.4 million and €4.7 million, respectively.

For the period from June 10, 2013 to December 31, 2013, the Group's operating activities generated a €38.9 million net cash inflow, primarily due to the combination of (i) the positive impact of profit (loss) before income tax after adjustment for the €30.9 million cost of net debt and for a net non-cash expense of €23.6 million (mainly composed of €11.5 million of depreciation and amortization and €10.4 million of negative change in fair value of hedging derivative instruments) and (ii) a €7.4 million decrease in operating working capital requirement. These cash inflows were partly offset by a €3.9 million cash outflow related to income tax paid.

10.4.1.1 *Change in operating working capital requirement*

The following table sets forth the Group's change in operating working capital requirement for the periods indicated.

Change in operating working capital requirement	**Year ended December 31, 2015**	**Year ended December 31, 2014 *(Restated)***	**From June 10, 2013 to December 31, 2013 *(Restated)***
(in € millions)			
(Increase)/decrease in inventories	5.2	(22.5)	8.4
(Increase)/decrease in trade and other receivables	(3.2)	(7.3)	3.8
Increase/(decrease) in trade and other payables	28.4	11.4	(4.8)
Change in operating working capital requirement	**30.3**	**(18.4)**	**7.4**

Operating working capital requirement comprises inventories and trade and other receivables, net of trade and other payables. Consistent with the retail market in which the Group operates, inventories are historically the main driver of its working capital requirement.

For the year ended December 31, 2015, the change in operating working capital requirement had a positive cash flow impact of €30.3 million, resulting from a €28.4 million increase in trade and other payables and a €5.2 million decrease in inventories, partly offset by a €3.2 million increase in trade and other receivables. The decrease in inventories and increase in trade and other payables, which are explained below, have impacted the change in operating working capital requirement to a particularly large extent for the year ended December 31, 2015 and are not necessarily illustrative of year-on-year movements in operating working capital requirement.

The increase in trade and other payables was mainly due to the combined effect of (i) the intensification of the Group's activities, in line with Customer Sales like-for-like growth over the year and the gross opening of 27 new stores and (ii) the increase in social security payables as a result of higher profit sharing and headcount compared to the previous year.

The decrease in inventories was mainly due to delays in the reception of a portion of the 2016 collection, which was expected at the end of 2015 and was received at the beginning of 2016, and the non-recurring impact of inventory build-up in anticipation of the benefits of the TV advertising campaign at the end of 2014, which was not replicated in 2015. In addition, the Group concluded an arrangement with certain of its suppliers pursuant to which the 2016 outdoor collection was ordered earlier than in previous years and delivered during the course of the first months of 2016 (in 2015, most of the 2015 outdoor collection was instead received at the end of 2014). Following the aggregate impact of the decrease in inventories and increase in cost of sales, the consolidated "days inventory outstanding" (DIO) represented 166 days of cost of sales as of December 31, 2015 compared to 206 days as of December 31, 2014. These positive impacts were partially offset by an increase in trade and other receivables mainly due to higher advances paid to suppliers.

For the year ended December 31, 2014, the change in operating working capital requirement had a negative cash flow impact of €18.4 million, attributable to a €22.5 million increase in inventories and a €7.3 million increase in trade and other receivables, partly offset by a €11.4 million increase in trade and other payables. The increase in inventories was mainly due to the following:

(a) the Group's focus on the implementation of the 2015 collection during the last quarter of 2014, to ensure that the collection in its entirety would be delivered throughout the whole European store network on time. As a consequence, inventories related to the 2015 collection were built up in the fourth quarter of 2014 whereas, in previous years, new collections inventories were gradually built up during the respective years of launch;

(b) the build-up of higher inventories to anticipate boosted demand following the launch of the first TV advertising campaign at the end of 2014; and

(c) the order and delivery of the 2015 outdoor collection earlier than in the previous year in order to prevent stores from suffering from delivery delays during spring 2015.

As a consequence, the consolidated DIO represented 206 days of cost of sales as of December 31, 2014, compared to 182 days as of December 31, 2013.

The increase in trade and other receivables include a €7.2 million increase in other receivables, primarily due to (i) the earlier invoicing of lease expenses for the first quarter of the following year, which resulted in a €5.5 million increase of prepaid expenses as of December 31, 2014 compared to December 31, 2013 and (ii) the build-up of the CICE receivables which amounted to €4.1 million as of December 31, 2014 as compared to €2.4 million as of December 31, 2013. These negative cash flow impacts were partly offset by a €11.4 million increase in trade and other payables, mainly due to like-for-like sales growth, in particular related to furniture and large decorative items, and new store openings over the period, as well as higher prepaid expenses as explained above.

For the period from June 10, 2013 to December 31, 2013, the change in operating working capital requirement had a positive cash flow impact of €7.4 million. The drivers of this improvement were a €8.4 million decrease in inventories and a €3.8 million decrease in trade and other receivables while trade and other payables decreased by €4.8 million. The decrease in inventories over the period resulted from (i) the seasonality effects of collections between June and December (due to the shortened financial period), as inventories in June were higher due to the build-up of the autumn/winter collection and (ii) an exceptional shortage on some furniture items related to temporary supply chain disruptions which occurred in the Group's Chinese joint venture at the end of 2013, with production returning to normalized levels in the course of the first quarter of 2014. In addition, the decrease in trade and other payables, in line with inventory levels, was offset by a higher use of gift certificates and vouchers by customers during the Christmas holiday selling season, resulting in an increase of the related amounts receivable.

10.4.1.2*Income tax paid*

For the year ended December 31, 2015, income tax paid by the Group was €4.1 million, mainly due to a €3.4 million payment for the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) contribution which is based on the added value generated by the Group's French entities.

For the year ended December 31, 2014, income tax paid by the Group amounted to €4.7 million and mainly included €3.7 million of CVAE contribution.

For the period from June 10, 2013 to December 31, 2013, income tax paid by the Group was €3.9 million, consisting mainly of corporate income tax for €2.6 million, due to advance tax payments based on income tax paid in the year ended December 31, 2012, and CVAE contribution for €1.6 million.

10.4.2 Net cash flow used in investing activities

The following table sets forth the components of the Group's net cash flow used in investing activities for the periods indicated.

Net cash flow used in investing activities	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	From June 10, 2013 to December 31, 2013 *(Restated)*
(*in € millions*)			
Acquisition of non-current assets:			
Capital expenditure	(43.9)	(33.1)	(20.0)
Acquisition of subsidiaries, net of cash acquired	(0.0)	(0.6)	(167.6)
Change in debts on fixed assets	0.5	2.4	(3.4)
Proceeds from sale of non-current assets	0.0	0.9	0.4
Net cash flow used in investing activities	**(43.4)**	**(30.4)**	**(190.6)**

Cash flow used in investing activities relates to (i) capital expenditure, which may take the form of acquisition of property, plant and equipment, intangible assets and other non-current assets, net of proceeds from the sale of non-current assets and change in debts on fixed assets, and (ii) the acquisition of subsidiaries, net of cash acquired.

The following table sets forth the allocation of the Group's capital expenditure among (i) store development; (ii) store refurbishment; (iii) maintenance; (iv) deposits and guarantees; and (v) other capital expenditure, including investments for its headquarters (such as office installations), its websites as well as in the Group's warehouses and logistics facilities and fixed assets under construction, for the periods indicated.

Capital expenditure	Year ended December 31, 2015	Year ended December 31, 2014 *(Restated)*	From June 10, 2013 to December 31, 2013 *(Restated)*
(*in € millions*)			
Store development	32.0	24.3	14.1
Store refurbishment	0.6	1.3	1.2
Maintenance	3.3	2.1	1.2
Deposits and guarantees	2.0	0.5	0.5
Other	6.0	4.9	2.9
Capital expenditure	**43.9**	**33.1**	**20.0**

For the year ended December 31, 2015, the Group's investing activities resulted in a net cash outflow of €43.4 million. The Group's capital expenditure amounted to €43.9 million, of which 72.9% related to store development capital expenditure incurred in connection with the gross opening of 27 new stores during the year, of which 14 were located in France and 13 in the rest of Europe. Average capital expenditure pertaining to stores opened in 2015 was €1.1 million. The Group also invested in a new building extension for its headquarters and a business showroom in France, in the development of its websites and in the maintenance of its stores, warehouses and facilities.

For the year ended December 31, 2014, the Group's investing activities resulted in a net cash outflow of €30.4 million, mainly due to capital expenditure of €33.1 million, of which 73.3% related to store development capital expenditure incurred in connection with the gross opening of 14 new stores during the period, of which half were located in France and half in the rest of Europe. Average capital expenditure pertaining to stores opened in 2014 was €1.5 million. Apart from store development capital expenditure, the Group's capital expenditures mainly related to the maintenance of its stores and to store refurbishment. It was partly offset by the €2.4 million positive impact of change in debts on fixed assets.

For the period from June 10, 2013 to December 31, 2013, the Group's investing activities resulted in a net cash outflow of €190.6 million, primarily attributable to the acquisition of the Group from its previous shareholders. This acquisition represented a €167.6 million cash outflow, composed of a €198.0 million consideration transferred in cash, net of €30.4 million of cash and cash equivalents (including overdrafts) held by the Group as of the acquisition date. In addition, capital expenditure amounted to €20.0 million, of which 70.7% related to store development capital expenditure incurred in connection with the gross opening of 13 new stores during the period (seven in France and six in the rest of Europe). Capital expenditure also included the implementation and equipment of the Group's headquarters in Vertou in France, the evolution of some in-house software, the development of its website, the maintenance of its stores and the store refurbishment. The change in debts on fixed assets generated a €3.4 million cash outflow.

See Section 5.2, "Investments" of this Registration Document for a description of the principal investments made by the Group for the periods presented.

10.4.3 Net cash flow from/(used in) financing activities

The following table sets forth the components of the Group's net cash flow from/(used in) financing activities for the periods indicated.

Net cash flow from/(used in) financing activities	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***(Restated)***	**From June 10, 2013 to December 31, 2013** ***(Restated)***
(*in € millions*)			
Proceeds from borrowings	0.1	0.3	626.0
Repayment of borrowings	(1.4)	(8.3)	(463.7)
Interest paid	(30.3)	(31.3)	(3.5)
Increase/(decrease) in capital	-	-	55.5
Other movements	-	(0.3)	-
Net cash flow from/(used in) financing activities	**(31.6)**	**(39.7)**	**214.2**

For the year ended December 31, 2015, the Group recorded a €31.6 million net cash outflow for financing activities, primarily composed of the interest paid on borrowings, which amounted to €30.3 million, mainly in connection with the High Yield Bonds for €29.2 million and the Existing Revolving Credit Facility for €1.1 million (including commitment fees). The €1.4 million repayment of borrowings for 2015 resulted from a decrease in finance lease liabilities over the period.

For the year ended December 31, 2014, the Group recorded a €39.7 million net cash outflow for financing activities, mainly due to the payment of interest for €31.3 million following the change in debt structure following the acquisition of the Group from its previous shareholders during the previous year, of which €29.3 million related to interest on the High Yield Bonds, €1.3 million to interest and commitment fees on the Existing Revolving Credit Facility and €0.6 million to additional one-off issuance costs on the Existing Revolving Credit Facility. In addition, in 2014, the Group repaid the €8.3 million drawn on its Existing Revolving Credit Facility as of December 31, 2013.

For the period from June 10, 2013 to December 31, 2013, the Group's financing activities resulted in net cash inflow of €214.2 million. The €626.0 million proceeds from borrowings and other financial debts, contracted primarily for the purposes of acquiring the Group from its previous shareholders and refinancing its long-term indebtedness, relate to:

(a) High Yield Bonds issued in a principal aggregate amount of €325.0 million;

(b) Luxco 3 Shareholder Loans issued for an amount of €314.2 million (excluding accrued interest);

(c) the drawdown on the Existing Revolving Credit Facility for an amount of €7.0 million; and

(d) less €20.3 million of issuance costs paid for the period from June 10, 2013 to December 31, 2013.

These cash inflows, together with the €55.5 million capital increase carried out in August 2013, enabled the Group to repay the Group's previous senior credit facilities and accrued interest outstanding at the acquisition date, for a total amount of €463.7 million. In addition, the Group paid interest of €3.5 million, related only to interest and commitment fees on the Existing Revolving Credit Facility during the period. The payment of interest on the High Yield Bonds began in February 2014.

The Group's financing arrangements are described under "Borrowings and other financial debts" in Section 10.2.1, "Principal Sources of Financing" above.

CHAPTER 11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

The Group's ability to design and launch new products and improve existing products is an important aspect of its business. The Group seeks to promote a corporate culture in which employees can be creative, promoting the Group's further success. Designers regularly review and adjust the product range to meet sales criteria and changes in trends and designs.

11.1 PATENTS AND LICENSES

11.1.1 Intellectual Property, Licenses, Usage Rights and Other Intangible Assets

11.1.1.1 *The Group's Proprietary Rights*

The Group owns the majority of the intellectual property that it uses in connection with its business. The Group's intellectual property is primarily owned by the Company, although its subsidiaries own certain intellectual property as well. The Group's intellectual property comprises a combination of complementary rights, including the following:

- *Patents*. The Group maintains a policy of filing preliminary patent applications (*enveloppes Soleau*) with the French national patent authority for its product designs. The Group submits its drawings and designs to a bailiff (*huissier*), which identifies the Group as the inventor and is intended to prevent competitors from copying the Group's designs.

- *Database rights*. The Group owns certain rights with respect to its customer database, in compliance with European and French regulations, in particular with the regulations promulgated by the French *commission nationale de l'informatique et des libertés* (CNIL) relating to notification of use of "cookies".

- *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 with the European Community Trademark and International Trademark Registration and in Switzerland.

- *Domain names*. The Group owns a portfolio of "Maisons du Monde" domain names and has registered them with the relevant authorities.

For further information relating to the risks associated with the Group's intellectual property, see Section 4.2.1.3, "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.

11.1.1.2 *Third-Party Licenses*

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 license agreements*. The Group relies on licensed software for its back-office, finance, human resources and store management systems.

The Group uses proprietary designs for certain of its furniture products. In order to obtain the rights to use these designs, the Group has entered into the following arrangement:

- *Design license agreement with S.E.P.G*. The Group uses third-party designs for the production of certain items of furniture. These designs are available for the Group's use pursuant to an exclusive license agreement between the Group and Société des Editions Pierre Guariche (S.E.P.G.).

The Group uses certain trademarks belonging to The Coca-Cola Company and Nestlé S.A. in certain Group products. In order to obtain the rights to use these trademarks, the Group has entered into the following arrangements:

- *Trademark license agreements with The Coca-Cola Company and Nestlé S.A.* The Group has agreements with The Coca-Cola Company and Nestlé S.A. for use of certain of their trademarks in certain of the Group's products.

11.1.2 Security Over the Group's Intellectual Property

Not applicable.

CHAPTER 12. TREND INFORMATION

12.1 BUSINESS TRENDS

Detailed descriptions of the Group's results for the year ended December 31, 2015 and of the principal factors affecting the Group's results of operations are contained in Chapter 9, "Operating and Financial Review" of this Registration Document.

12.2 MEDIUM-TERM OBJECTIVES

The objectives presented below 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 up the success of, the Group's strategy, as described in Section 6.3, "Strategy" of this Registration Document, and do not constitute forecasts or estimates of the Group's earnings. The data and assumptions set out below 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 Chapter 4, "Risk Factors" of this Registration Document could have a material adverse effect on the Group's business, results of operations, financial situation or outlook, and could therefore jeopardize its ability to achieve the objectives presented below. The Group does not guarantee and gives no assurance that the objectives described in this section will be achieved.

2017-2020 objectives

The Group's objective is to grow its Customer Sales at a compound annual growth rate (CAGR) in the range of 12% to 14% from 2017 to 2020, with the first half of the period targeted to be in the upper-end of the range, leading to Customer Sales in 2020 between €1.3 billion and €1.4 billion.

This growth is expected to be driven by:

- a targeted expansion of the Group's store network at an average rate of 25 to 30 net openings per year, with one third of openings expected in France and two thirds internationally in the countries where the Group currently operates; this represents an objective to increase total retail selling space by approximately 10% on average per year over the period; approximately 80% of the 2017 openings have already been identified and are either secured contractually, under negotiation or under evaluation;

- continued outperformance of the market on a like-for-like basis, in a more supportive market environment, which is expected to grow in the main European markets in which the Group operates at a rate of 2.0% to 2.5% per year over the 2014-2019 period (see Section 6.5.1, "The European Decoration and Furniture Market" of this Registration Document); the Group's outperformance will be primarily driven by continuing to increase its market share, mainly at the expense of independent retailers, and is supported by specific drivers such as:

    - continuing to improve customers' omnichannel experience by further integrating its distribution channels, including by developing the click-and-collect and click-in-store initiatives;

- o further leveraging the Group's omnichannel CRM tools to further improve its marketing efficiency and customer experience;
- o enhancing customers' retail experience by further optimizing store merchandising, using marketing flyers to drive traffic to stores and improving the consumer credit offering; and
- o adding new product categories, as well as expanding the range of products within each category.

These strategic goals are expected to translate into the international segment representing approximately 50% of the Group's Customer Sales and e-commerce accounting for more than 25% of the Group's Customer Sales by the year 2020.

The Group is aiming to sustain an EBITDA margin above 13% of Customer Sales for the entire period. The Group anticipates that the evolution of the category mix of its Customer Sales towards furniture and the recent appreciation of the US dollar will counterbalance the favorable impact of the operating leverage in the early years of the plan.

In terms of capital expenditures, the Group's objective is to gradually decrease capital expenditures as a percentage of Customer Sales to 4.0% to 4.5% by the year 2020. Most capital expenditures are expected to be dedicated to store development and take into account structural investments to support continued growth. Similarly, the Group anticipates that depreciation and amortization will decline slightly as a percentage of Customer Sales, due to improved operating leverage driven primarily by like-for-like growth.

With respect to working capital, the Group expects that it will normalize over the period at approximately 3.5% of Customer Sales at year end (as compared with (0.5)% of Customer Sales as of December 31, 2015).

The Group assumes that its normative tax rate over the period will be approximately 36%, which may be further reduced in the years 2017 and 2018 through the use of existing tax loss carry-forwards (representing approximately €40 million in France as of December 31, 2015).

Finally, the Group intends, subject to the approval of the Company's annual shareholders' meeting, to pay dividends to its shareholders over the period equal to 30% to 40% of the consolidated net income[50] assuming all objectives described above have been achieved. The first dividend is planned to be paid in 2017 on the basis of results of the year ended December 31, 2016, subject to the approval of the Company's annual shareholders' meeting to be held in 2017.

[50] Percentage of dividend paid in 2017 on the basis of 2016 consolidated net income assumes the Proposed Admission, the Refinancing taking place on January 1, 2016 and excludes the impact of the non-recurring cash out recorded in 2016.

CHAPTER 13. PROFIT FORECASTS OR ESTIMATES

13.1 ASSUMPTIONS

The Group's forecasts are based on the policies applied by Luxco 3 for the preparation of its consolidated financial statements as of and for the year ended December 31, 2015.

These forecasts also rely principally on the following assumptions for the financial year 2016:

- the absence of material changes in the accounting principles or scope of consolidation as compared to Luxco 3's consolidated financial statements as of and for the year ended December 31, 2015 (except for the impact of the Reorganization as described in Section 7.1.3.1, "Reorganization steps" of this Registration Document);
- the absence of significant changes to regulatory and tax conditions compared to those in effect on December 31, 2015;
- a capital increase in the range of €150 million to €180 million, as part of the Proposed Admission;
- the redemption in full, with the net proceeds of the capital increase and of the New Senior Credit Facilities, of the outstanding High Yield Bonds, as well as the repayment in full and cancellation of the Existing Revolving Credit Facility;
- the repayment in full, with the net proceeds of the capital increase and of the New Senior Credit Facilities, of the Luxco 2 Vendor Loans (as defined in Section 7.1.3.3, "Repayment of Luxco 2 Vendor Loans" of this Registration Document), initially issued by Luxco 2 to certain former shareholders of the Group in connection with the acquisition of the Group by Bain Luxco in 2013, which will be transferred to the Company and made payable on the IPO Settlement Date by virtue of the Reorganization; as of December 31, 2015, such Luxco 2 Vendor Loans amounted to €60.5 million of principal amount and accrued interest;
- the incurrence, during the year ended December 31, 2016, of €65 million to €75 million of non-recurring cash out, primarily related to fees and expenses to be incurred in connection with the Proposed Admission and the Refinancing;[51]
- capital expenditures of approximately €45 million, two thirds of which will be allocated to fund store openings and one third to maintenance and other capital expenditures (including store refurbishment, store digitization and IT);
- the application of the exchange rate U.S. dollar/€ as contractually entered into by the Group in connection with its hedging policy for 2016;
- Customer Sales driven by:
  - mid-single-digit like-for-like Customer Sales growth; and
  - the full year effect in the year ended December 31, 2016 of stores opened in the year ended December 31, 2015;

[51] €65 million to €75 million of non-recurring cash out in 2016 include, in particular, approximately €20 million of prepayment make-whole incurred in connection with the full repayment of the High Yield Bonds, as well as approximately €20 million of shares and other securities repurchases completed in the first quarter of 2016 in connection with the top management transition agreed between Mr. Xavier Marie and Bain Capital in the summer of 2015.

  - a targeted expansion of the store network at a rate of 20 net openings in 2016, with one third of openings in France and two thirds internationally, and retail selling space expected to reach approximately 310,000 square meters by December 31, 2016, compared to approximately 286,000 square meters at December 31, 2015 (as of March 31, 2016, 100% of the 2016 openings have already been secured, with 13 net openings expected by June 30, 2016);

- the continued shift in the category mix towards a larger share of furniture in the total Customer Sales; and

- the favorable impact of the operating leverage generated by the anticipated growth of the Group's business.

13.2 GROUP FORECAST FOR THE YEAR ENDING DECEMBER 31, 2016

On the basis of the assumptions described above, the Group believes that it will achieve the following for the year ending December 31, 2016:

- consolidated Customer Sales in the range of €800 to €815 million;

- consolidated other revenues to grow in line with Customer Sales;

- a consolidated EBITDA margin above 13% as a percentage of consolidated Customer Sales;

- depreciation and amortization as a percentage of consolidated Customer Sales in line with recent years.

In addition, the Group expects that the completion of the Proposed Admission and the Refinancing will result in lower interest expenses (decreasing to approximately €6 million to €7 million per year on a full year basis).

The Group expects to pay less than €12 million of income taxes for the year ended December 31, 2016, in line with recent years, as the Group will incur higher interest costs until the Refinancing and will also incur transaction costs in connection with the Proposed Admission and the Refinancing.

Given the lower financing costs, combined with the operational cash generated in the second half of 2016, the Group expects to reach a net financial debt ratio equal to or below 2.25 times EBITDA by December 31, 2016.

These forecasts are based on information, assumptions and estimates that the Group considers to be reasonable as of the date of this Registration Document. These may evolve or change as a result of uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment or as a result of other factors that are not under the Group's control or are unforeseeable as of the date of this Registration Document. The occurrence of one or more of the risks described in Chapter 4, "Risk Factors" of this Registration Document could also affect the business, financial condition, results of operations and prospects of the Group and thus affect its ability to achieve these forecasts. Moreover, the achievement by the Group of the forecasts presented above implies the success of the Group's strategy. No assurance can be given that the Group's actual results will be in line with the forecasts described in this section.

13.3 REPORT BY THE STATUTORY AUDITORS

Maisons du Monde S.A.

Registered office: Le Portereau – 44120 Vertou

Share capital: €.75,540,061

Statutory auditor's report on the profit forecasts for the year ended 31 December 2016

To the Chairman of the Management Board,

In our capacity as Statutory Auditor of your company and in accordance with Commission Regulation (EC) n°809/2004, we hereby report to you on the profit forecasts (resulting from the combination of the consolidated customer sales, other revenues, EBITDA margin and depreciation and amortization as a percentage of consolidated Customer Sales) of Maisons du Monde S.A. set out in section 2 of Chapter 13 of its registration document dated 18 April 2016, It is your responsibility to compile the profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on profit forecasts.

It is our responsibility to express an opinion, based on our work, in accordance with Annex I, item 13.2 of Commission Regulation (EC) n°809/2004, as to the proper compilation of these forecasts.

We performed the work that we deemed necessary according to the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes – CNCC*) for this type of engagements. Our work included an assessment of the procedures undertaken by management to compile the profit forecasts as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by Magnolia (BC) Midco S.à r.l. for the preparation of the historical financial information. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

Since profit forecasts, by nature, are uncertain and may differ significantly from actual results, we do not express an opinion as to whether the actual results reported will correspond to those shown in the profit forecasts.

In our opinion:

1. the profit forecasts have been properly compiled on the basis stated; and

2. the basis of accounting used for the profit forecasts is consistent with the accounting policies applied by Magnolia (BC) Midco S.à.r.l. for the preparation of the historical financial information.

This report has been issued solely for the purpose of the admission to trading on a regulated market, and/or a public offer, of shares, or debt securities with a minimum denomination of €100,000, of Maisons du Monde S.A. in France and in other EU member states in which the prospectus approved by the AMF is notified and cannot be used for any other purpose.

This report shall be governed by, and constructed in accordance with French law and professional standards applicable in France. The courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Nantes, 18 April 2016

The statutory auditor

KPMG Audit

Département de KPMG S.A.

Vincent Broyé

Partner

CHAPTER 14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

As of the date of this Registration Document, the Company is a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*).

Effective as of the IPO Settlement Date, the Company will be organized as a limited liability company with a board of directors (*société anonyme à conseil d'administration*). The description of the corporate form and corporate bodies of the Company contained in this Registration Document is that of the corporate form and bodies of the Company as they will exist as of the IPO Settlement Date. For further information about the corporate form and corporate bodies of the Company, see Section 14.1, "Composition of Management and Supervisory Bodies" of this Registration Document.

A description of the main provisions of the bylaws that the Company will adopt subject to the IPO Settlement and effective as of the IPO Settlement Date (the "Bylaws"), relating to the functioning and powers of the board of directors of the Company (the "Board of Directors"), as well as a summary of the main provisions of the internal regulations of the Board of Directors and of the committees of the Board of Directors that the Company intends to create on the IPO Settlement Date are included in Chapter 16, "Rules Applicable to Corporate Bodies and Management Committees" and Chapter 21, "Additional Information" of this Registration Document.

14.1 COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES

14.1.1 Board of Directors

The table below sets forth the composition of the Board of Directors that is contemplated to be approved, subject to the IPO Settlement and effective as of the IPO Settlement Date, by the shareholders of the Company at an extraordinary shareholders' meeting to be held prior to the date of approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission. This table also sets forth the main board memberships and offices held by such persons outside of the Company during the last five years. It will be updated, as the case may be, in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

Name; business address; number of Company shares held[1]	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main board memberships and offices held outside the Company and Group during the last five years
Michel Plantevin Devonshire House, One Mayfair Place, W1J 8AJ London (United Kingdom) Number of Company shares held: 0	24/10/1956	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2019	Chairman	Positions and offices held as of the date of this Registration Document: - Managing director at Bain Capital Private Equity (Europe), LLP - Member of Global Private Equity Board of Bain Capital Investors, LLC - Member of the supervisory board of Autodistribution S.A.

Name; business address; number of Company shares held[(1)]	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main board memberships and offices held outside the Company and Group during the last five years
					- Member of the board of directors of Ibstock plc - Member of the supervisory board of IMCD - Director of Trinseo SA Positions and offices held during the last five years that are no longer held: - Member of the supervisory board of FCI S.A. - Member of the supervisory board of NXP
Gilles Petit Le Portereau, 44120 Vertou (France) Number of Company shares held: 0[(2)]	22/03/1956	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2019	Chief Executive Officer and Director	Positions and offices held as of the date of this Registration Document: – n/a Positions and offices held during the last five years that are no longer held: - Chairman of Elior[(4)] - Director and CEO of Elior Concessions - Director and CEO of Elior Restauration et Services - Director and CEO of Elior Financement - Director of Ansamble Investissements - Director of Areas - Direction of Serunion - Director of Elior UK Ltd - Director of Elior Ristorazione - Director of Gourmet Acquisition Holdings Inc. - Director of Trusthouse Services Holdings LLC

Name; business address; number of Company shares held[(1)]	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main board memberships and offices held outside the Company and Group during the last five years
Xavier Marie Le Portereau, 44120 Vertou (France) Number of Company shares held: 0[(3)]	06/04/1962	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Director	Positions and offices held as of the date of this Registration Document: - President of Compagnie Marco Polo SAS - Manager of Haras de Hus SARL Positions and offices held during the last five years that are no longer held: - President of Compagnie Magellan SAS - Manager of Atlantic Jet EURL - Manager of Aroma Forest France SARL
Roanne Daniels Devonshire House, One Mayfair Place, W1J 8AJ London (United Kingdom) Number of Company shares held: 0	26/06/1969	American	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Director	Positions and offices held as of the date of this Registration Document: - Member of the board of directors of Edcon - Operating Partner of Portfolio Company Advisors Europe, LLP (an affiliate of Bain Capital Private Equity (Europe), LLP) Positions and offices held during the last five years that are no longer held: – n/a
Matthias Boyer Chammard Devonshire House, One Mayfair Place, W1J 8AJ London (United Kingdom) Number of Company shares held: 0	17/07/1980	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Director	Positions and offices held as of the date of this Registration Document: – Member of the supervisory board of Ibstock, plc - Member of the board of directors at Brakes Ltd. - Principal at Bain Capital Private Equity (Europe), LLP Positions and offices held during the last five years that are no longer held: – n/a

Name; business address; number of Company shares held[(1)]	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main board memberships and offices held outside the Company and Group during the last five years
Sophie Guieysse 22 avenue des Mimosas, 92100 Boulogne (France) Number of Company shares held: 0	19/02/1963	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Independent Director	Positions and offices held as of the date of this Registration Document: - Member of the supervisory board of Group Rallye Positions and offices held during the last five years that are no longer held: - Member of the executive committee of Group CANAL + - Member of the board of directors of Group Go Sport - Member of the board of directors of Group TVN in Poland
Marie-Christine Levet 91 rue du Cherche-Midi, 75006 Paris (France) Number of Company shares held: 0	28/03/1967	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2019	Independent Director	Positions and offices held as of the date of this Registration Document: - Manager of *Les Entrepreneurs Réunis* (LER) - Member of the board of directors of Iliad (Free) - Member of the board of directors of Mercialys - Member of the board of directors of Hi Pay - Member of the board of directors of AFP - Member of the board of directors of FINP Positions and offices held during the last five years that are no longer held: - Manager of Jaina Capital

(1) To comply with (i) Article 3.8 of the Internal Regulations that the Company plans to adopt on the IPO Settlement Date, and (ii) article 14 of the AFEP-MEDEF Code, the members of the Board of Directors must hold at least 100 shares in the Company. Such shares must be purchased by the members of the Board of Directors within six months following the IPO Settlement Date.

(2) Mr. Gilles Petit does not hold any shares in the capital of the Company as of the date of this Registration Document. He currently holds a stake in Luxco 2 and will hold a stake in the share capital of the Company following the Reorganization that will depend on the IPO Price. See Section 7.1, "Simplified Group Organizational Chart" of this Registration Document.

(3) Mr. Xavier Marie does not hold any shares in the capital of the Company as of the date of this Registration Document. He currently holds a stake in Luxco 2 and will hold a stake in the share capital of the Company following the Reorganization that will depend on the IPO Price. See Section 7.1, "Simplified Group Organizational Chart" of this Registration Document.

(4) Company listed on Euronext Paris.

The members of the Board of Directors will be appointed for a term of either two or four years, to expire at the close of the annual shareholders' meeting called to approve the financial statements for the fiscal year ending in 2017 or in 2019, respectively.

The Board of Directors will be renewed every two years on a rolling basis. In order to allow for rolling renewal, the directors composing the initial Board of Directors will be divided into two groups, appointed for respective terms of two and four years.

14.1.1.1 *Biographical Information of the Members of the Board of Directors*

Michel Plantevin, 59, will be the Chairman of the Board of Directors as from the IPO Settlement Date and has been the Chairman of the supervisory board of the Company since 2013. Mr. 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. Mr. Plantevin has been a non-executive director at Ibstock plc since February 2015. He has been a director of Trinseo SA since June 2010. He has been a member of supervisory boards of IMCD since February 28, 2011 and Autodistribution S.A. since December 8, 2015. He served as a non-executive director of NXP from August 2010 to May 20, 2014, as a member of the supervisory board of FCI S.A. from September 2005 to January 2016 and as a Director of Brake Bros Limited from February 17, 2009 to March 1, 2010.

Mr. Plantevin holds an M.B.A. from Harvard Business School and an undergraduate and master's degree in engineering from the École Supérieure d'Électricité (Supélec) in France.

Gilles Petit, 60, will be the CEO of the Company and a member of the Board of Directors as from the IPO Settlement Date and has been the chairman of the Company since September 2015. Mr. 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, Mr. 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.

Mr. Petit graduated from the École Supérieure de Commerce de Reims, France.

Xavier Marie, 54, will be a member of the Board of Directors as from the IPO Settlement Date. Mr. Marie founded the Group in 1996, created the concept and specifically supervised product design and strategy. Mr. Marie has over 20 years of experience in the homeware industry He served as Chief Executive Officer of the Group from 1996 to September 2015 and is currently a special advisor to the Group. Before setting up the Group he founded several small and medium-sized enterprises, including Mediation, IPC Group, Infopresse, Worldlife and Terre et Plumes.

Roanne Daniels, 46, will be a member of the Board of Directors as from the IPO Settlement Date. Ms. Daniels joined Bain Capital in 2005 as an operating partner of Portfolio Company Advisors Europe, LLP, an affiliate of Bain Capital Private Equity (Europe), LLP. Previously, she was a consultant at McKinsey & Company where she led teams in the healthcare and consumer products industries. Prior to joining McKinsey & Company, Ms. Daniels worked in the investment banking division of Morgan Stanley and in the editorial division of Reuters. Ms. Daniels currently serves as a member of the board of directors of Edcon.

Ms. Daniels holds an M.B.A. from Harvard Business School and a B.A. in economics from the University of Virginia.

Matthias Boyer Chammard, 35, will be a member of the Board of Directors as of the IPO Settlement Date. Mr. Boyer Chammard joined Bain Capital in 2011 as senior associate and currently serves as a principal at Bain Capital Private Equity (Europe), LLP. Previously, he was a consultant at the Paris office of the Boston Consulting Group, where he was a core member of the energy and the industrial goods practices, in charge of growth strategies in nuclear and renewable energy. While at the Boston Consulting Group, Mr. Boyer Chammard was a lecturer in energy and environment studies at SciencesPo Paris. Mr. Boyer Chammard currently serves as a member of the board of directors of Ibstock, plc and as a member of the board of directors of Brakes, Ltd.

Mr. Boyer Chammard holds an MS from the École Polytechnique and an M.P.A. from Harvard University.

Sophie Guieysse, 53, will be a member of the Board of Directors as from the IPO Settlement Date. Ms. Guieysse started her career in 1988 in the French Ministry of Equipment where she held different engineer positions in the field of urban development, housing, transportation and public infrastructures until 1993. Ms. 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 Group CANAL +. Ms. Guieysse currently serves as a member of the supervisory board and of the nomination and compensation committee of Group Rallye. She served as a member of the board of directors and of the nomination and compensation committee of Group Go Sport from 2011 to 2014 and of Group TVN in Poland from 2012 to 2015.

Ms. Guieysse holds an M.B.A. from Le Collège des Ingénieurs and an undergraduate and master’s degree in engineering from the École Polytechnique and the École Nationale des Ponts et Chaussées.

Marie-Christine Levet, 49, will be a member of the Board of Directors as from the IPO Settlement Date. Ms. Levet was the CEO of major French internet companies from 1997 to 2009 (Lycos, Club-Internet/T-Online France and Groupe 01). She was subsequently a venture capitalist at Jaina Capital, the first investment fund in France to specialize in early stage start-ups, including made.com, Sensee, La Ruche qui dit oui, Ouicar and Devialet. Ms. Levet currently serves as a member of the board of directors of various companies, including Iliad (Free), AFP, Mercialys and Hi-Pay and is also a venture partner at the Google Fund for Innovation in the Press (*Fonds Google pour l’Innovation Numérique de la Presse*).

Ms. Levet graduated from HEC and holds an MBA from INSEAD.

14.1.1.2 *Balance in the Composition of the Board of Directors*

In connection with the Proposed Admission, the Company intends to appoint, subject to the IPO Settlement and effective as of the IPO Settlement Date, at an extraordinary shareholders’ meeting to be held prior to the date of approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission, one or two additional directors, who will be considered to be independent pursuant to the criteria set forth in the AFEP-MEDEF Code. It is intended that the Board of Directors that will be in place as of the IPO Settlement Date will include three directors considered to be independent pursuant to the criteria set forth in the AFEP-MEDEF Code and three female directors in compliance with applicable French legal and regulatory requirements.

Information about the additional directors not described in this Registration Document will appear in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission. The Board of Directors will ensure that the selection of the additional independent members, to be appointed subject to the IPO Settlement and effective as of the IPO Settlement Date, will complete the Board of Director's composition so that it will reflect a diversity of skills.

14.1.2 Senior Management

In accordance with Article 18 of the Bylaws that are contemplated to be adopted, subject to the IPO Settlement and effective as of the IPO Settlement Date, at an extraordinary shareholders' meeting to be held prior to the date of approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission, the Board of Directors will separate the offices of Chairman of the Board of Directors (the "Chairman") and Chief Executive Officer (the "CEO" and, together with the Chairman, "Senior Management").

Upon the IPO Settlement Date, it is contemplated that Mr. Michel Plantevin will become Chairman of the Board of Directors and that Mr. Gilles Petit will become CEO of the Company.

14.1.3 Other management positions

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:

- Arnaud Louet, Chief Financial Officer;
- Julie Walbaum, Head of E-Commerce and customer marketing;
- Yohann Catherine, Head of Store Sales and Store Network Operations.
- Julie Brisson, Head of Merchandising, Catalog and Public Relations; and
- Catherine Filoche, General Counsel, Head of Franchising and B2B.

The Group's management team also includes two heads of Collections, a head of Human Resources, a head of Logistics and a head of Store Development.

14.1.3.1 *Biographical Information of the other members of the Group's management*

Arnaud Louet, is the Chief Financial Officer of the Company. Prior to joining the Group in 2014, Mr. Louet served as Chief Financial Officer of Groupe Flo from 2008 to 2014 after spending six years at Conforama Group, where he served for three years as Chief Financial Officer and a board member of Conforama France. He started his career at KPMG as an auditor.

Julie Walbaum is the Group's head of E-commerce and Customer Marketing. Prior to joining the Group in 2014, she spent eight years working with global management consulting firm McKinsey & Company and also worked for two years at Rocket Internet as Managing Director of Westwing France, a pure-play online furniture company.

Yohann Catherine is the Group's Head of Store Sales and Store Network Operations. Since joining the Group in 2001, he has held various positions including: Director of Maisons du Monde International, Regional Director of Italy, Regional Director of Spain, Regional Director of Belgium and Regional Director of Île-de-France.

Julie Brisson is the Group's head of Merchandising, Catalog and Public Relations. Since joining the Group in 1997, she has held positions within various departments including: Store Network Development Manager, Head of Commercial Store Network and Head of Collection and Purchase.

Catherine Filoche is the Group's General Counsel and Head of Franchising and B2B. Since joining the Group in 1998, she has also worked as the Group's Chief Financial Officer. Before joining the Group, she served as Chief Financial Officer of MDH Real Estate and also worked at Arthur Andersen.

14.1.4 Statement Regarding the Board of Directors and Senior Management

As of the date of this Registration Document, to the Company's knowledge, there are no family relationships among the members of the Company's Board of Directors and Senior Management, with the exception of the civil partnership (*pacte civil de solidarité*) between Mr. Xavier Marie and Ms. Julie Brisson, which was entered into in 2008.

To the Company's knowledge, and except as indicated below, over the course of the past five years: (i) none of the above persons has been convicted of fraud; (ii) none of the above persons has been associated with any bankruptcy, receivership or judicial liquidation; (iii) no accusations or official public sanctions have been brought against any of the above persons by statutory or regulatory authorities (including designated professional bodies); and (iv) none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or performance of business of any company.

14.2 CONFLICTS OF INTEREST

To the Company's knowledge, and subject to the relationships described in Chapter 19, "Related-Party Transactions" of this Registration Document, as of the date of this Registration Document, there are no potential conflicts of interest between the duties of the members of the Board of Directors and Senior Management of the Company and their private interests.

As of the date of this Registration Document and subject to certain customary lockup agreements to be entered into with the underwriters of the initial public offering to be conducted in connection with the Proposed Admission (a description of which will be included in the prospectus relating to the Proposed Admission) and subject to the provisions of the shareholders' agreement and related documents referred to in Section 18.4, "Shareholders' Agreements" of this Registration Document (which will be terminated on the IPO Settlement Date), the members of the Company's Board of Directors and Senior Management have not agreed to any restrictions relating to the sale of their holdings in the Company's share capital, except for the rules relating to the prevention of insider trading.

CHAPTER 15. COMPENSATION AND BENEFITS OF DIRECTORS AND SENIOR MANAGEMENT

In connection with the Proposed Admission, the Company intends to comply with the AFEP-MEDEF Code.

The tables below summarize the compensation and benefits of any kind paid to the Chairman, the CEO of the Company and the directors by: (i) the Company; (ii) companies controlled by the Company; (iii) the companies controlled by companies that control the Company, within the meaning of Article L. 233-16 of the French Commercial Code; and (iv) companies that control the Company. Because the Company belongs to a group of companies as of the date of this Registration Document, the information below relates to the amounts owed by all companies in the chain of control in connection with offices held by Senior Management in the Company and the Board of Directors.

Effective as of the IPO Settlement Date, the Company will be organized as a limited liability company with a board of directors (*société anonyme à conseil d'administration*) and Mr. Michel Plantevin will become Chairman and Mr. Gilles Petit will become CEO of the Company. See Section 14.1.1, "Board of Directors" of this Registration Document.

15.1 DIRECTORS' COMPENSATION

The members of the Company's Board of Directors did not receive any directors' fees or other compensation from the Company during the years ended December 31, 2013, 2014 and 2015.

In addition, in connection with the Proposed Admission, the Company does not intend to pay any directors' fees to the Chairman or directors that are employees or partners of Bain Capital or its affiliates.

Bain Capital and its affiliates received fees for management and consulting services during the fiscal years ended December 31, 2013, 2014 and 2015 pursuant to a consulting services agreement entered into between the Company and Bain Capital and its affiliates in 2013. See Section 19.1.1, "Transaction with Bain Luxco and affiliated companies of Bain Capital" of this Registration Document for further information.

15.2 COMPENSATION OF SENIOR MANAGEMENT

15.2.1 Principles Governing the Compensation of Mr. Michel Plantevin, Chairman

It is contemplated that Mr. Michel Plantevin, as a partner at Bain Capital, will not receive any compensation in his capacity as Chairman of the Company's Board of Directors.

Mr. Michel Plantevin will not receive any severance or compensation under a non-compete clause in the event of termination from the Company.

15.2.2 Principles Governing the Compensation of Mr. Gilles Petit, Chief Executive Officer

With respect to the compensation of Mr. Gilles Petit, the Company intends to comply with the recommendations of the AFEP-MEDEF Code as of the IPO Settlement Date.

The compensation of Mr. Gilles Petit, in his capacity as CEO of the Company as of the IPO Settlement Date, is still under discussion as of the date of this Registration Document and is intended to be subject to a decision of the Board of Directors to be held on or shortly after the IPO Settlement Date, following a review and recommendation by the Company's Nomination and Compensation Committee which will be put in place on the IPO Settlement Date.

The remuneration of Mr. Gilles Petit as of the date of this Registration Document is summarized below and will be subject to further information, in particular regarding its compliance with the AFEP-MEDEF Code, in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

15.2.3 Summary Table of Compensation, Options and Performance Shares Granted to Senior Management and Directors for the fiscal years ended December 31, 2014 and 2015

Table 1 (AMF definition)

Michel Plantevin Chairman of the Board of Directors (in euros)	**2014**	**2015**
Compensation for the fiscal year (*as detailed in Section 15.2.4. of this Registration Document*)	0	0
Valuation of multi-year variable compensation granted in the course of the fiscal year	0	0
Valuation of options granted during the fiscal year	0	0
Valuation of performance shares granted during the fiscal year	0	0
TOTAL	0	0

Gilles Petit Chief Executive Officer (*in euros*)	**2014**	**2015**
Compensation for the fiscal year (*as detailed in Section 15.2.4. of this Registration Document*)	0	196,315
Valuation of multi-year variable compensation granted in the course of the fiscal year	0	0
Valuation of options granted during the fiscal year	0	0
Valuation of performance shares granted during the fiscal year	0	0
TOTAL	0	**196,315**

15.2.4 Compensation of Senior Management

Table 2 (AMF definition)

Michel Plantevin Chairman of the Board of Directors (*in euros*)	**2014**		**2015**	
	Due	**Paid**	**Due**	**Paid**
Fixed Compensation	0	0	0	0
Variable Compensation	0	0	0	0
Valuation of multi-year variable compensation granted in the course of the fiscal year	0	0	0	0
Exceptional Compensation	0	0	0	0
Directors' Fees	0	0	0	0
Benefits in Kind	0	0	0	0
TOTAL	0	0	0	0

Gilles Petit Chief Executive Officer (*in euros*)	2014		2015	
	Due	**Paid**	**Due**	**Paid**
Fixed Compensation	0	0	136,921	136,921
Variable Compensation	0	0	58,300	0[(1)]
Valuation of multi-year variable compensation granted in the course of the fiscal year	0	0	0	0
Exceptional Compensation	0	0	0	0
Directors' Fees	0	0	0	0
Benefits in Kind	0	0	1,094	1,094
TOTAL	0	0	196,315	138,015

(1) Mr. Gilles Petit's variable compensation for the fiscal year ended December 31, 2015 was paid in 2016.

Compensation of Mr. Gilles Petit, Chief of the Management Board (future Chief Executive Officer)

As of the date of this Registration Document, Mr. Gilles Petit is entitled to receive an annual fixed compensation for a gross amount of €400,000.

As of the date of this Registration Document, Mr. Petit is entitled to receive a variable compensation for a maximum gross amount of €175,000, depending on the EBIT amount met by the Group, as determined on an annual basis as part of the budget approval process. Mr. Petit was eligible to this variable compensation on pro rata basis for 2015.

Mr. Petit is entitled to a company car.

Management and consulting services

Bain Capital and its affiliates received fees for management and consulting services during the years ended December 31, 2013, 2014 and 2015 pursuant to a consulting services agreement entered into between the Company and Bain Capital and its affiliates in 2013. The consulting services fees and related expenses amounted to €0.9 million, €2.5 million and €2.9 million in the year ended December 31, 2013, 2014 and 2015, respectively. These fees are recorded in external expenses. See Section 19.1.1, "Transaction with Bain Luxco and affiliated companies of Bain Capital" of this Registration Document.

Following the acquisition of the Group by Bain Capital in 2013, the Group entered into a consulting services agreement with Compagnie Marco Polo, an entity beneficially owned and controlled by Mr. Xavier Marie. Compagnie Marco Polo received €0.1 million, €0.5 million and €0.4 million for the year ended December 31, 2013, 2014 and 2015, respectively. From September 15, 2015 following the appointment of Mr. Gilles Petit as new Chief of the Management Board of the Company, the Group entered into a new consulting services agreement with Compagnie Marco Polo, where Compagnie Marco Polo is acting as senior advisor and received as such €0.2 million for the year ended December 31, 2015.

15.2.5 Compensation of Directors

Bain Capital and its affiliates received fees for management and consulting services during the fiscal years ended December 31, 2013, 2014 and 2015 pursuant to a consulting services agreement entered into between the Company and Bain Capital and its affiliates in 2013. See Section 19.1.1, "Transaction with Bain Luxco and affiliated companies of Bain Capital" of this Registration Document.

15.3 STOCK SUBSCRIPTION, OPTION PLANS AND PERFORMANCE SHARE GRANT PLANS ALLOCATED DURING 2015 BY THE COMPANY OR BY ANY GROUP COMPANY

No stock subscription, option or performance shares were granted to Senior Management during the fiscal year ended December 31, 2015.

15.4 STOCK SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING 2015 BY SENIOR MANAGEMENT

Not applicable.

15.5 BONUS SHARES ALLOTTED TO EACH SENIOR MANAGEMENT FOR 2015

No bonus share has been allotted to Senior Management during the fiscal year ended December 31, 2015.

15.6 BONUS SHARES ALLOTTED AND AVAILABLE FOR EACH MEMBER OF SENIOR MANAGEMENT FOR 2015

No bonus share has been allotted and made available to Senior Management during the fiscal year ended December 31, 2015.

15.7 HISTORY OF ALLOCATION OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS

As of the date of this Registration Document, neither the Company nor any member of the Group has put in place a stock option plan.

15.8 STOCK SUBSCRIPTION OR PURCHASE OPTIONS OF THE COMPANY GRANTED TO THE COMPANY'S TOP TEN EMPLOYEES

Not applicable.

15.9 HISTORY OF ALLOCATION OF FREE SHARES

As of the date of this Registration Document, no free share allocation plan has been implemented.

It is contemplated that, in connection with and after the Proposed Admission, stock incentive plans will be implemented in the form of free shares. The vesting of free shares that may be granted pursuant to the stock incentive plan that will include senior officers (*mandataires sociaux dirigeants*) among its beneficiaries will be subject to performance conditions. Such stock incentive plans will comply with the relevant recommendations of the AFEP-MEDEF Code.

15.10 EMPLOYMENT AGREEMENTS, RETIREMENT PAYMENTS, AND DEPARTURE COMPENSATION OF SENIOR MANAGEMENT

Table 11 (AMF definition)

Senior Manager	Employment Agreement		Supplemental pension plan		Severance or other benefits due or likely to become due as a result of termination or change of office		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Michel Plantevin Chairman of the Board of Directors		X		X		X		X
Gilles Petit Chief Executive Officer		X	X(1)		X(2)		X(3)	

(1) The Company has purchased a supplemental insurance policy covering healthcare costs, a provident-type insurance contract that is standard in the furniture industry as well as purchasing supplemental directors' and officers' insurance for Mr. Petit.

(2) In the event of the termination of the mandate of Mr. Gilles Petit, except in the event of (i) gross misconduct (*faute lourde*), (ii) violation of certain of his duties resulting in a potential financial burden for the Group exceeding €100.000, not remedied within 20 days following the notification of the violation when such remedy is possible or (iii) the resignation of Mr. Petit (other than in certain specific circumstances), Mr. Petit is entitled to receive a severance indemnity for a gross amount equal to his average compensation for the twelve months preceding such termination date. The non-compete indemnity would not be deducted from the amount of this severance indemnity.

(3) As of the date of this Registration Document, in consideration of a two-year non-compete arrangement following termination of his functions, Mr. Gilles Petit is currently entitled to receive compensation equal to 50% of his then-current gross annual compensation (bonus included).

It is expected that the Chief Executive Officer will receive a bonus in connection with the Proposed Admission. The amount of such specific bonus is not yet set and will be disclosed in the update of this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

15.10.1 Pension Plan (in addition to legal regime)

The Board of Directors will decide at a meeting to be held on or after to the IPO Settlement Date, the other terms of the CEO's compensation applicable as of the IPO Settlement Date, which are intended to supersede any current benefits.

15.10.2 Severance or Other Benefits Due or Likely to Become Due as a Result of Termination or Change of Office

The Board of Directors will decide at a meeting to be held on or after to the IPO Settlement Date, the other terms of the CEO's compensation applicable as of the IPO Settlement Date, which are intended to supersede any current benefits.

15.10.3 Compensation Under a Non-Compete Clause

The Board of Directors will decide at a meeting to be held on or after to the IPO Settlement Date, the other terms of the CEO's compensation applicable as of the IPO Settlement Date, which are intended to supersede any current benefits.

15.10.4 Officer Unemployment Insurance

The Board of Directors will decide at a meeting to be held on or after to the IPO Settlement Date, the other terms of the CEO's compensation applicable as of the IPO Settlement Date, which are intended to supersede any current benefits.

15.11 COMPLIANCE OF TOTAL EXECUTIVE DIRECTOR COMPENSATION WITH THE RECOMMENDATIONS OF THE AFEP-MEDEF CODE

The Company intends to comply with all of the recommendations of the AFEP-MEDEF Code following the date of the Proposed Admission.

The remuneration of board members and senior executives is summarized above and will be subject to further information, in particular regarding its compliance with the AFEP-MEDEF Code, in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

The AFEP-MEDEF Code may be consulted on the Internet at http://www.afep.com/uploads/medias/documents/Code_de_gouvernement_entreprise_revise_novembre_2015.pdf. The Company keeps copies of such code available to the members of its governing bodies at all times.

15.12 AMOUNT OF PROVISIONS MADE OR RECORDED BY THE COMPANY OR BY ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS OR OTHER BENEFITS

The Company has not made provisions for any amounts for payment of pensions, retirement or other similar benefits for its directors.

CHAPTER 16. RULES APPLICABLE TO CORPORATE BODIES AND MANAGEMENT COMMITTEES

16.1 TERMS OF OFFICE OF MEMBERS OF THE CORPORATE BODIES AND MANAGEMENT BODIES

The terms of office of the members of the Company's Board of Directors and Senior Management can be found in Section 14.1, "Composition of Management and Supervisory Bodies" of this Registration Document.

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES AND THE COMPANY OR ANY ONE OF ITS SUBSIDIARIES

To the Company's knowledge, and other than as noted in Chapter 19, "Related-Party Transactions", there are no service contracts between members of the Company's Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

16.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

This section summarizes the internal regulations of the Board of Directors (the "Internal Regulations") as they will be adopted on the IPO Settlement Date. The Internal Regulations set forth the Board of Director's composition and procedural rules (in addition to those set forth in law and the Bylaws). It is expected that the Internal Regulations will contain the principal provisions described below.

16.3.1 Participation in the Board of Directors' Meetings, Videoconference and Telecommunication

Members of the Board of Directors who cannot physically attend the meetings of the Board of Directors can inform the Chairman of their intent to participate in the meeting by means of videoconference or any other means of telecommunication, provided that such means satisfies technical requirements ensuring the effective participation of each director in the Board of Directors' meeting. These provisions are not applicable in instances where the law excludes such possibility to participate in Board of Directors' meetings through videoconference or other means of telecommunication.

Directors participating in a meeting by means of videoconference or other means of telecommunication will be deemed present for purposes of calculating the quorum and majority.

16.3.2 Decisions Requiring Board Approval

As defined in the Internal Regulations, the CEO may take the following decisions only with the prior approval of the Board of Directors:

(a) Approval and modification of the annual budget, including investments and divestments as well as financing plans relating thereto (the "Annual Budget");

(b) Approval of the annual consolidated or individual accounts of the Company and any of its subsidiaries, and any material change to the accounting principles and/or methods;

(c) Any expenditure not included in the Annual Budget and in excess of €2.0 million per undertaking and €4.0 million in aggregate;

(d) Creation, acquisition, sale, pledge or termination of (i) any activity by a subsidiary of the Company or (ii) businesses or assets (other than securities) for a price or a value greater than €5.0 million, or which may lead to unlimited liability (unless such transactions have been approved in the Annual Budget);

(e) Creation, acquisition, pledge or transfer of shares or other interests in any company, group, entity, joint venture or subsidiary or the sale or pledge of shares or any other significant asset or which could lead to joint and several liability, not included in the Annual Budget and in excess of €5.0 million;

(f) Appointment and dismissal of the statutory auditors (or equivalent, for foreign companies directly or indirectly controlled by the Company);

(g) Change in the legal form or restructuring of the Company or any Group company and more generally any modification to the bylaws (other than purely technical and non-material modifications) of the Company or any Group company;

(h) Issuance or reimbursement of existing debentures or indebtedness by the Company or any other Group company, and voluntary reimbursement of any other indebtedness in excess of €3.0 million;

(i) Any decision relating to the compensation, hiring, dismissal or revocation of any employee or officer whose aggregate annual cost for the Group is in excess of €200,000, unless included in the Annual Budget;

(j) Settlement of any litigation in an amount at stake in excess of €3.0 million, unless already specifically approved in the Annual Budget;

(k) Conclusion, termination, significant amendment of any material or strategic agreement regarding partnership transactions or any joint venture agreement (unless approved in the Annual Budget);

(l) On-balance sheet or off-balance sheet indebtedness in excess of €3.0 million, and any security interests of any kind in relation to such indebtedness or off-balance sheet commitment (unless approved in the Annual Budget); and

(m) Any undertaking to perform any of the acts referred to above or to grant an option or to perform any other agreement whose exercise will require or may require the Company to perform one of the acts referred to above.

16.3.3 Evaluation of the Work Performed by the Board of Directors

At least once a year, an item must be put on the agenda of the meeting of the Board of Directors relating to the evaluation of the functioning of the Board of Directors.

16.4 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 4 of the Internal Regulations that are contemplated to be adopted on the IPO Settlement Date, the Board of Directors may create committees charged with examining questions submitted to them by the Board of Directors or its Chairman.

It is expected that two such committees will be created: an audit committee (the "Audit Committee") and a nomination and compensation committee (the "Nomination and Compensation Committee"). The main provisions relating to the composition, responsibilities, powers and procedural rules of these committees are summarized below. Their composition will comply with the recommendations of the AFEP-MEDEF Code.

16.4.1 Audit Committee

The Company's Board of Directors will form an Audit Committee, to be comprised of three to five members and with at least two-thirds independent members.

The duties of the Audit Committee are to assist the Board of Directors in its mission of approving the individual and consolidated accounts 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:

(i) monitoring of the preparation of the financial information;

(ii) monitoring of the legal control of the individual and consolidated accounts by the auditors of the Company; and

(iii) monitoring of the statutory auditor's independence.

The composition of the Audit Committee, which will comply with the relevant recommendations of the AFEP-MEDEF Code, will be described in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

16.4.2 Nomination and Compensation Committee

The Company's Board of Directors will form a Nomination and Compensation Committee, to be comprised of three to five members and with a majority of independent members.

The Nomination and Compensation Committee is a specialized committee of the Board of Directors whose principal duty is to help the Board of Directors in the composition of the managing bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits of the executives of the Group (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 composition of the Nomination and Compensation Committee, which will comply with the relevant recommendations of the AFEP-MEDEF Code, will be described in the update to this Registration Document to be registered concurrently with the approval (*visa*) by the AMF of the prospectus relating to the Proposed Admission.

16.5 STATEMENT RELATING TO CORPORATE GOVERNANCE

Subject to, and effective as of, the Proposed Admission, the Company intends to comply with the recommendations of the AFEP-MEDEF Code, in particular in connection with preparation of the report of the Chairman provided for by Article L. 225-37 of the French Commercial Code on the composition of the Board of Directors and the application of the principle of gender balance in the Board of Director's composition, the terms for preparation and organization of the Board of Director's work, and the internal control and risk management procedures implemented by the Company.

16.6 INTERNAL CONTROL

The internal control systems implemented by the Group are described in detail in Section 4.5.2, "Risk Management" of this Registration Document.

These systems of internal control and risk management are reviewed and monitored on a constant basis in order to ensure their appropriateness and relevance *vis-à-vis* the objectives of the Group, in particular in light of the specific risks associated with the business of the Group.

This constant monitoring is designed to enable detection and prevention of incidents and accidents. The senior management of the Group plays an important role in the day-to-day supervision of the implementation of these internal control systems.

Since 2013, the Group has strengthened its accounting and financial internal control systems and procedures, in particular through the growth of its support teams.

As of the date of this Registration Document, the Company is a limited liability company with a management and supervisory board (*société anonyme à directoire et conseil de surveillance*). As the Company's shares are not listed on a regulated market, the chairman of the supervisory board is not required to prepare the report provided for in Article L. 225-68 of the French Commercial Code on the composition of the supervisory board and the application of the principle of gender balance in the supervisory board's composition, the terms for preparation and organization of the board's work, and the internal control and risk management procedures implemented by the Group.

Effective as of the date of the Proposed Admission, the Company will adopt the form of a limited liability company with a board of directors (*société anonyme à conseil d'administration*) and, beginning with the fiscal year ending December 31, 2016 and for so long as the Group's shares are listed on Euronext Paris, the Chairman of the Group's Board of Directors will be required to prepare this report in accordance with Article L. 225-37 of the French Commercial Code.

CHAPTER 17. EMPLOYEES

17.1 HUMAN RESOURCE MANAGEMENT

As of December 31, 2015, the Group employed 5,986 persons in seven countries in Europe and Vietnam (5,448 in Europe) and must comply with a variety of complex labor laws in the ordinary course of business. All figures in this Chapter 17 exclude employee headcount for the Group's Chinese joint venture with SDH Limited, Chin Chin.

17.1.1 Evolution of the Workforce

17.1.1.1 *Workforce*

The table below shows the evolution of the workforce over the last three years:

Total workforce	As of December 31, 2013	2014	2015
France	3,813	3,823	4,057
Outside of France	1,355	1,663	1,929
TOTAL	**5,168**	**5,486**	**5,986**

The table below shows the evolution of the full-time equivalent workforce over the last three years, for European subsidiaries:

Total workforce	As of December 31, 2013	2014	2015
France	3,101	3,280	3,518
Outside of France	801	924	1,070
TOTAL	**3,902**	**4,204**	**4,588**

17.1.1.2 *Recruitment*

The table below shows the total number of employees recruited over the last three years:

Recruitment with Permanent Contracts	As of December 31, 2013	2014	2015
France	865	544	662
Outside of France	128	136	165
TOTAL	**993**	**680**	**827**

The share of the employees recruited into the Group's global workforce amounted to 15.2%, 13.5% and 20.4% as of December 31, 2015, December 31, 2014 and December 31, 2013, respectively.

17.1.1.3 *Departures*

The table below shows the total number of departures (including voluntary and involuntary departures, dismissals for cause and termination by mutual consent) from the Group over the last three years:

Departures (excluding Mekong Furniture)	As of December 31, 2013	2014	2015
France	1,039	950	765
Outside of France	91	91	75
TOTAL	**1,130**	**1,041**	**840**

The share of the departures from the Group in the global workforce, excluding Mekong Furniture, amounted respectively to 15.4%, 20.7% and 23.2% as of December 31, 2015, December 31, 2014 and December 31, 2013, respectively.

For the year ended December 31, 2015, 840 departures from the Group in Europe were recorded as follows:

- 58 terminations by mutual consent;
- 168 dismissals;
- 389 resignations; and
- 225 end of trial period.

In 2015, the Group decided to close six stores in France, which resulted in seven job cuts.

17.1.2 Breakdown of the Workforce as of December 31, 2015

17.1.2.1 *Breakdown by country*

As of December 31, 2015, the Group's employees were mainly located in France, Italy, Spain and Belgium. The table below shows the total number of employees in the Group's workforce, as organized by country of employment:

Total workforce	**Total workforce as of December 31, 2015**
France	4,057
Outside of France	1,929
Of which Belgium	265
Of which Germany	112
Of which Italy	710
Of which Luxembourg	14
Of which Spain	246
Of which Switzerland	44
Of which Vietnam	538
TOTAL	**5,986**

As of December 31, 2015, the Group's employees represent 68 nationalities. The chart above does not include employees of the Group's Chinese joint venture, Chin Chin Limited and its subsidiary.

17.1.2.2 *Breakdown by function*

As of December 31, 2015, the breakdown of the Group's employees by function was as follows:

Function	**Workforce as of December 31, 2015**
Sales	4,188
Head office	540
Distribution and delivery	665
Websites	55
Facilities	538
TOTAL	**5,986**

17.1.2.3 *Breakdown by legal entity*

As of December 31, 2015, the breakdown of the Group's employees by legal entity was as follows:

Entity	Workforce as of December 31, 2015
Distrimag S.A.S.	508
Distri Meubles S.A.S.	124
Distri Traction SARL	33
Maisons du Monde SA	8
Maisons du Monde Allemagne GmbH	112
Maisons du Monde Belgique S.P.R.L.	265
Maisons du Monde España S.L.	246
Maisons du Monde France S.A.S	3,384
Maisons du Monde Italie S.p.A.	710
Maisons du Monde Luxembourg S.à r.l.	14
Maisons du Monde Suisse Sàrl	44
Mekong Furniture Limited Company	538
TOTAL	**5,986**

Certain subsidiaries within the Group which will cease to exist at or before the registration of this Registration Document have not been included in the chart above. For further information, see Section 7.1.3, "Description of the Reorganization" of this Registration Document.

17.1.2.4 *Breakdown by type of employment contract*

As of December 31, 2015, the breakdown of the Group's employees by type of employment contract was as follows:

Type of employment contract	Workforce as of December 31, 2015
Permanent contract	4,392
Other (including fixed-term contracts, apprenticeships and temporary work contracts)	1,594
TOTAL	**5,986**

17.1.2.5 *Breakdown by socio-professional category*

As of December 31, 2015, the breakdown of the Group's employees by socio-professional category was as follows:

Socio-professional category	Workforce as of December 31, 2015
Managers	1,408
Other (workers, employees and technicians non-managers)	4,578
TOTAL	**5,986**

17.1.2.6 *Breakdown by gender*

The table below shows the breakdown of employees between men and women as of December 31, 2015, 2014 and 2013:

	As of December 31,		
	2013	**2014**	**2015**
Gender			
Women	3,454	3,660	3,915
Men	1,714	1,826	2,071,
TOTAL	**5,168**	**5,486**	**5,986**

17.1.2.7 *Breakdown by age*

The table below shows the breakdown of employees by age as of December 31, 2015, 2014 and 2013:

	As of December 31,		
Age	**2013**	**2014**	**2015**
< 30 years old	2,639	2,628	2,770
Between 30 and 39 years old	1,737	1,938	2,132
Between 40 and 49 years old	649	742	865
Between 50 and 60 years old	136	166	207
> 60 years old	7	12	12
TOTAL	**5,168**	**5,486**	**5,986**

The average age of the employees of the Group is 32 years old.

17.1.3 Human resource policy

17.1.3.1 *Professional equality*

The Group has a policy of respecting professional equality and seeks to maintain a dialogue with key stakeholders on topics such as disabilities, discrimination and diversity.

The Group's recruitment policy is driven by technical, regulatory and other specifications applicable to its operations, taking into account diversity and non-discrimination in the selection process of applicants.

17.1.3.2 *Compensation and Benefits*

The table below shows the Group's wages and salaries as of December 31, 2015, 2014 and 2013:

	As of December 31,		
(*in € millions*)	**2013**	**2014**	**2015**
Wages and salaries	87.8	95.8	107.2

17.1.3.3 *Human resources initiatives*

The Group's human resources operations are focused on initiatives that:

- Identify and develop talent through individual career path management;
- Reinforce integration programs and encourage internal mobility within the Group;
- Provide proximity management between stores and regional directions; and

- Develop new sponsorship programs in which employees can participate, including a team-building initiative and solidarity leaves.

17.1.3.4 *Social relations*

Overall relations

The Group's subsidiaries are subject to different legal and regulatory requirements regarding staff representation between the countries in which they are located. The Group complies with local requirements regarding staff representation and union representation.

The majority of the Group's employees 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.

The Group believes that it has developed fair relations with the employee representatives present in each country in which it operates.

Relations by country

In France, employee representation is organized through a Works Council (*comité d'entreprise*) and a Health, Safety and Working Conditions Committee (*comité d'hygiène, de sécurité et des conditions de travail*) and employee's delegates (*délégués du personnel*).

The Works Council is chaired by the Human Resources Director who represents the Group. The employee representation consists of four members and two alternates representing executives and four members representing non-executives.

In Belgium, employee representation is organized through a Works Council and the Prevention and Protection at Work Service (*comité pour la prévention et la protection au travail*). The Works Council is chaired by the Human Resources Director who represents the Group. The Works Council consists of four members and one alternate.

In Spain, employee representation is organized through an employees' delegate and a council with four members and three alternates.

In Italy, employee representation is organized through three safety delegates.

17.1.3.5 *Training and professional development*

The Group focuses on developing employees' skills, which are considered to be key to the Group's performance and business development. The table below shows the Group's training budget as of December 31, 2015, 2014 and 2013:

	As of December 31,		
(*in € thousands*)	**2013**	**2014**	**2015**
Training budget	268.7	308.0	559.8

The table below shows the number of training sessions and hours of training conducted by the Group in 2015, 2014 and 2013:

	2013	**2014**	**2015**
Number of trained workforce	1,822	2,223	2,777
Number of hours of training	18,696	19,872	18,880

Training projects are structured to contribute to the Group's commercial success and are organized around three pillars:

- Discovering employees' skills;
- Guiding employees throughout their development; and
- Training employees through classroom sessions, distance training, tutoring and peer group learning.

The Group is committed to leveraging each employee's talents and to this end, established a training school in 2012 and has developed an e-learning platform. Additionally, a skills "frame of reference" is being developed in order to formalize possible professional development paths.

17.2 SHAREHOLDINGS AND STOCK SUBSCRIPTION OR PURCHASE OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

17.2.1 Managerial ownership of the company

Certain managers, senior executives and employees of the Group are indirect shareholders of the Company through the ownership of 1.59% of the share of capital of Luxco 2 held by Cadr'Academy 3, Cadr'Academy 4 and Cadr'Academy 5.

Following the Reorganization to be implemented as of the IPO Settlement Date, such managers, senior executives and employees of the Group will become direct shareholders of the Company.

17.2.2 Stock subscription and purchase options held by members of the board of directors and senior management of the Group

Not applicable.

17.3 EMPLOYEE SHAREHOLDING PLANS

17.3.1 Group Savings Plans and comparable scheme

Not applicable.

17.3.2 Profit-sharing Agreements

Pursuant to Article L. 3322-2 of the French Labor Code, profit-sharing agreements are required in businesses with more than fifty employees and having a taxable profit of greater than 5% of return on equity. French entities with more than fifty employees pay such profit-sharing based on the formula set forth in the French Labor Code. Additional profit-sharing agreements have been signed for three of the Group's French subsidiaries, as follows:

- Distrimag S.A.S. and Distri Meubles S.A.S use a calculation adapted in order to exclude the impact of CICE; and
- Distri Traction SARL also provides for profit-sharing.

The Group's profit-sharing expense for the years ended December 31, 2015, 2014 and 2013 amounted to €4.9 million, €1.2 million and €3.3 million, respectively.

CHAPTER 18. MAIN SHAREHOLDERS

18.1 SHAREHOLDERS

18.1.1 Main direct and indirect shareholders

In 2013, several entities (headed by Bain Luxco) established by Bain Capital agreed to acquire indirectly through the Company the former holding company of the Group from the Group's previous shareholders. This acquisition was completed on August 9, 2013. As from the date of this Registration Document, these funds beneficially own and control (through Bain Luxco and its subsidiaries), along with certain managers, senior executives and employees, the Group.

For the current direct and indirect shareholding of the Company, see Section 7.1.1, "Organizational chart as of the date of the registration of this Registration Document" of this Registration Document.

18.1.2 Share capital and voting rights ownership

As of the date of this Registration Document, 100% of the share capital and 100% of the voting rights of the Company are held by Luxco 4.

After the Reorganization and effective as of the IPO Settlement Date, Bain Luxco, Compagnie Marco Polo, Mr. Xavier Marie, Mr. Gilles Petit and the Cadr' Academy Shareholders will become direct shareholders of the Company.

Bain Luxco will be the main shareholder of the Company.

For the shareholding of the Company after the Reorganization, see Section 7.1.4, "Simplified organizational chart of the Group after the Reorganization" of this Registration Document.

18.2 VOTING RIGHTS OF THE SHAREHOLDERS

Each share of the Company entitles to one vote.

It is contemplated that the Bylaws, as modified and effective as of the IPO Settlement Date, will not provide for any double voting rights in respect of the shares of the Company, through a disapplication of Article L. 225-123 paragraph 3 of the French Commercial Code.

18.3 CONTROL OF THE COMPANY

It is expected that, at the IPO Settlement Date, Bain Luxco (controlled by Bain Capital) will be the Company's main shareholder. Due to its large shareholding, Bain Luxco is expected to exercise significant influence with respect to resolutions to be adopted by simple majority (such as the appointment and the replacement of members of the Board of Directors or the distribution of dividends) and to be in a position to block resolutions to be adopted by a two-thirds shareholder majority (including amendment to the bylaws of the Company). The Company believes that there is no risk that such control will be exercised in an abusive manner. In that regard, it is noted that, subject to the IPO Settlement and effective as of the IPO Settlement Date, at least three independent directors are contemplated to be appointed by the Company, representing a third of the directors, in compliance with the recommendations of the AFEP-MEDEF Code. See Section 14.1.1, "Board of Directors" of this Registration Document.

18.4 SHAREHOLDERS' AGREEMENTS

On August 9, 2013, Bain Luxco, Mr. Xavier Marie, Compagnie Marco Polo and certain managers and the ManCo Shareholders entered into a shareholders' agreement with respect to their respective rights and obligations in connection with their direct or indirect investment in, and the governance of, Maisons du Monde and the Group (the "Shareholders' Agreement").

The Shareholders' Agreement provides for the governance rules of Maisons du Monde and the Group and sets forth certain corporate actions that may be taken only with the consent of Bain Luxco's representatives, as well as certain limited corporate actions that may require the consent of Mr. Marie (directly and indirectly), as well as Bain Luxco's representatives, in accordance with certain unanimity and majority requirements. The Shareholders' Agreement also provides certain protection rights to Mr. Marie (directly and indirectly) and certain managers in the event of an offering of new securities. Moreover, direct or indirect transfers of interests in Maisons du Monde are generally restricted for a period of ten years, except for certain unrestricted transfers (including, among other things, an exit and through an IPO).

The Shareholders' Agreement provides a framework for Bain Luxco, Mr. Marie (directly and indirectly) and the ManCo Shareholders to exit from their investment in the Group, through a public offering or an auction sale initiated by Bain Luxco or an offer from a third party, with a drag-along right in favor of Bain Luxco in the event of an exit in favor of a third party. The parties to the Shareholders' Agreement also benefit from certain tag-along or preemption rights under certain circumstances. The Shareholders' Agreement will be terminated as of the IPO Settlement Date.

In addition to the Shareholders' Agreement, the sellers of the Company's former holding company currently holding the Luxco 2 Vendor Loans entered into a securities holders' agreement on August 9, 2013 (the "Securities Holders' Agreement") with certain parties to the Shareholders' Agreement. See Section 19.1.2.5, "Preferred Equity Instruments and Warrants" of this Registration Document. The Securities Holders' Agreement comprises (i) a tag-along right to such holders of the Luxco 2 Vendor Loans and (ii) a first-offer right to Bain Luxco in the event of certain transfers of the Luxco 2 Vendor Loans. As a part of the Proposed Admission, the Luxco 2 Vendor Loans (which amounted to €60.5 million of principal amount including capitalized interest and accrued interest as of December 31, 2015) will be made payable on the IPO Settlement Date by virtue of the Reorganization and will be repaid in full with the net proceeds of the capital increase to be implemented in connection with the Proposed Admission and the proceeds of the New Senior Credit Facilities.

18.5 AGREEMENTS LIKELY TO LEAD TO A CHANGE OF CONTROL

To the Company's knowledge, there is no agreement as of the date of this Registration Document the implementation of which might lead to a change in its control.

CHAPTER 19. RELATED-PARTY TRANSACTIONS

19.1 MAIN RELATED-PARTY TRANSACTIONS

The main agreements entered into between the Company and associated companies of the Group and between the Company and Bain Luxco as of the date of this Registration Document are described in this section as well as in Note 38 (“Transactions with related parties”) to the consolidated financial statements of Magnolia (BC) Midco S.à r.l. for the fiscal years ended on December 31, 2015, 2014 and 2013 presented in Section 20.1, “Group Consolidated Annual Financial Statements” of this Registration Document. As of the date of the Proposed Admission, the Company intends to comply with the AFEP-MEDEF Code and with AMF recommendations, particularly section 27 of Recommendation n° 2012-05 dated July 2, 2012, which requires the board of directors of the Company to review ongoing related-party transactions each year. See Section 16.5, “Statement Relating to Corporate Governance” of this Registration Document.

19.1.1 Transactions with Bain Luxco and affiliated companies of Bain Capital

In connection with the acquisition of the Group by Bain Capital in 2013, the Company entered into a transaction services agreement and an advisory services agreement in respect of the advisory fees, related incurred expenses and financing fees relating to the acquisition process and the bond issuance. Following the completion of the transaction, the Company also entered into a consulting services agreement with Bain Capital and its affiliates. The Group has paid a total of €12.1 million to Bain Capital and its affiliates for annual management, consulting, monitoring or advisory fees and related expenses during the fiscal years ended December 31, 2013, 2014 and 2015, €5.8 million of which were paid in connection with the acquisition of the Group by Bain Capital in 2013.

19.1.2 Transactions with key management persons and/or shareholders

19.1.2.1 *Lease Agreements*

The Group has entered into lease or sublease agreements (the “Leases”) in respect of four properties in France (two office buildings, one warehouse and the Group’s headquarters) with entities beneficially owned and controlled, directly or indirectly, by Mr. Xavier Marie, on the terms set forth below. The lease agreements were concluded on arm’s-length terms. The Group made rental payments to entities beneficially owned and controlled, directly or indirectly, by Mr. Marie and, as of December 31, 2015, the annual rent of the properties leased under the Leases was €9.9 million, representing approximately 1.4% of Customer Sales.

During previous years, Mr. Marie owned certain other properties including warehouses and stores that were leased by the Group. Since such time, nine properties were sold to third parties. The annual rent paid for all such properties leased by the Group from entities controlled by Mr. Marie for the years ended December 31, 2014 and 2013 was €11.7 million and €11.2 million, respectively.

19.1.2.2 *Services agreement*

In September 2015, Compagnie Marco Polo, a company wholly-owned by Mr. Marie, and the Company entered into a consulting services agreement. The purpose of this agreement is for Compagnie Marco Polo to provide consulting services to Senior Management. In consideration for the services provided under this agreement, the Company is required to pay Compagnie Marco Polo a fee amounting to a gross annual amount of approximately €0.6 million. The agreement has been entered into for an initial period of 18 months, after which it may be terminated or renewed. It is contemplated that this agreement will be maintained following the Proposed Admission.

Compagnie Marco Polo also received a total amount of €0.4 million in its capacity as chairman of the Company from January 1, 2015 to September 7, 2015 (compared to €0.5 million for the year ended December 31, 2014 and €0.1 million for the period from June 10, 2013 to December 31, 2013).

19.1.2.3 *Shareholder attendance fees*

Certain shareholders are members of the executive committee of the Company and as such have received attendance fees for attending meetings of such committee. The total gross amount of attendance fees paid for the year ended December 31, 2015 by Luxco 3 and its controlled entities to all of the executive committee members, excluding employer expenses, was €78,000, compared to €137,000 for the year ended December 31, 2014 and to €0.0 for the year ended December 31, 2013.

19.1.2.4 *Compensation and benefits granted to key management personnel*

The key management personnel are the members of the Board of Directors of the Company, the members of the Supervisory Board of the Company, and the President of the Company. Members of the board of Directors of Luxco 3 did not receive any compensation from the Group. Members of the Supervisory Board of the Company did not receive any compensation from the Group.

The total gross amount of fixed compensation for the year ended December 31, 2015 paid by Luxco 3 and its controlled entities to all of the officers, excluding employer expenses, was €0.8 million, compared to €0.6 million for the year ended December 31, 2014 and €0.2 million for the period from June 10, 2013 to December 31, 2013.

The table below sets forth the total compensation and benefits granted to key management personnel for the periods indicated.

	Year ended December 31,		**Period from June 10, 2013 to December 31, 2013**
(*in € thousands*)	**2015**	**2014 *(Restated)***	***(Restated)***
Short-term employment benefits	786	578	193
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	-	-	-
Total compensation and benefits	**786**	**578**	**193**

19.1.2.5 *Preferred Equity Instruments and Warrants*

For a description of the Luxco 3 Shareholder Loans, the Luxco 2 Shareholder Loans and Luxco 2 Vendor Loans, see Section 7.1.3.1, "Reorganization steps", Section 7.1.3.2, "Conversion of Luxco 2 Shareholder Loans" and Section 7.1.3.3, "Repayment of Luxco 2 Vendor Loans" of this Registration Document, respectively.

Luxco 2 also issued preferred shares and share warrants to vehicles owned by the Group's managers, which granted such managers options to purchase preferred shares in Luxco 2 at certain strike prices. All such instruments will be converted into common shares of the Company in connection with the Proposed Admission as a result of the Reorganization.

19.1.3 Transactions with Chin Chin and its subsidiary Shanghai Chin Chin

The Group's joint venture, Chin Chin Limited, through its subsidiary Shanghai Chin Chin, is engaged in furniture manufacturing for the Group. Transactions between the Group and Shanghai Chin Chin are conducted on an arm's length basis.

The table below sets forth the total transactions between the Group and Chin Chin and its subsidiary for the periods indicated.

	Year ended December 31,		
(*in € thousands*)	**2015**	**2014** ***(Restated)***	**2013** ***(Restated)***
Equity-accounted investees	136	82	75
Other current receivables[1]	2,398	2,666	2,397
Other current financial assets[2]	382	392	363

[1] Other current receivables comprise orders of products with Shanghai Chin Chin.

[2] Other current financial assets comprise a current account with Chin Chin.

19.2 AUDITOR'S SPECIAL REPORTS ON RELATED-PARTY TRANSACTIONS

As the Company was a *société par actions simplifiée* for the fiscal years ended December 31, 2013, 2014 and 2015, it is exempt from the requirement to provide a special report of the statutory auditors on related-party transactions.

CHAPTER 20. FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 FINANCIAL INFORMATION

For an introduction to the presentation of financial information included in this Registration Document, see Section 3.1, "Presentation of the Financial Information in this Registration Document" of this Registration Document.

20.1.1 Group Consolidated Annual Financial Statements

MAGNOLIA (BC) MIDCO S.À.R.L.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014 AND FOR THE PERIOD FROM JUNE 10, 2013 TO DECEMBER 31, 2013

SUMMARY

CONSOLIDATED INCOME STATEMENT

(In thousands of euros)	**Notes**	**Year ended December 31, 2015**	**Year ended December 31, 2014 *Restated (*)***	**From June 10, 2013 to December 31, 2013 *Restated (*)***
Retail revenue	10	701,401	607,161	306,967
Other revenue	10	22,015	18,829	8,560
Revenue		***723,416***	***625,989***	***315,527***
Cost of sales		(225,292)	(190,245)	(93,977)
Personnel expenses	12	(148,547)	(129,366)	(65,303)
External expenses	13	(256,269)	(231,793)	(106,547)
Depreciation, amortisation and allowance for provisions		(25,418)	(22,004)	(11,981)
Change in fair value - derivative financial instruments	28	2,743	27,914	(10,406)
Other income from operations	14	1,029	523	711
Other expenses from operations	14	(6,193)	(7,357)	(3,299)
Current operating profit before other operating income and expenses		***65,469***	***73,662***	***24,726***
Other operating income and expenses	15	(619)	(2,053)	(11,281)
Operating profit (loss)		***64,850***	***71,609***	***13,445***
Cost of net debt	16	(69,659)	(66,860)	(30,941)
Other finance income	16	571	91	65
Other finance expenses	16	(1,597)	(1,194)	(394)
Financial profit (loss) – net		***(70,686)***	***(67,962)***	***(31,270)***
Share of profit (loss) of equity-accounted investees	22	80	21	(1,241)
Profit (loss) before income tax		***(5,756)***	***3,667***	***(19,065)***
Income tax	17	(8,167)	(9,991)	2,691
PROFIT (LOSS) FOR THE PERIOD		***(13,923)***	***(6,324)***	***(16,374)***
Attributable to:				
- Owners of the parent		(13,923)	(6,324)	(16,374)
- Non-controlling interests		-	-	-
Earnings per share for profit (loss) for the period attributable to the owners of the parent:				
Basic and diluted earnings per share	18	(0.25)	(0.11)	(0.43)

(*) Please refer to Note 6 for further explanations

The notes 1 to 41 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (OCI)

(In thousands of euros)	**Notes**	**Year ended December 31, 2015**	**Year ended December 31, 2014** *Restated (*)*	**From June 10, 2013 to December 31, 2013** ***Restated (*)***
PROFIT (LOSS) FOR THE PERIOD		**(13,923)**	**(6,324)**	**(16,374)**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
- Remeasurements of post-employment benefit obligations	32	121	(487)	5
- Income tax on items that will not be reclassified to profit or loss	17	(45)	149	(1)
Total items that will not be reclassified to profit or loss		***76***	***(338)***	***3***
Items that may be subsequently reclassified to profit or loss:				
- Currency translation differences		187	75	(12)
Total items that may be subsequently reclassified to profit or loss		***187***	***75***	***(12)***
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		**263**	**(263)**	**(9)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**(13,660)**	**(6,587)**	**(16,383)**
Attributable to:				
- Owners of the parent		(13,660)	(6,587)	(16,383)
- Non-controlling interests		-	-	-

(*) Please refer to Note 6 for further explanations

The notes 1 to 41 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets *(In thousands of euros)*	**Notes**	**December 31, 2015**	**December 31, 2014** *Restated (*)*	**December 31, 2013** *Restated (*)*
Goodwill	19	321,183	321,183	320,937
Other intangible assets	20	242,040	236,811	237,317
Property, plant and equipment	21	116,740	104,906	97,885
Equity-accounted investees	22	136	82	75
Other non-current financial assets	23	16,499	13,330	12,912
Deferred income tax assets	24	15,904	17,334	22,461
Other non-current assets		9,020	9,689	11,707
Non-current assets		***721,523***	***703,335***	***703,294***
Inventories	25	102,262	107,421	84,933
Trade and other receivables	26	45,922	41,651	32,544
Other current financial assets	27	524	392	633
Current income tax receivables		9,508	7,680	6,645
Derivative financial instruments	28	24,114	21,371	-
Cash and cash equivalents (excluding bank overdrafts)	29	76,398	38,849	64,801
Current assets		***258,727***	***217,364***	***189,556***
TOTAL ASSETS		**980,250**	**920,699**	**892,850**

Equity and Liabilities *(In thousands of euros)*	**Notes**	**December 31, 2015**	**December 31, 2014** *Restated (*)*	**December 31, 2013** *Restated (*)*
Share capital	30	5,545	5,545	5,545
Share premium	30	49,905	49,905	49,905
Retained earnings		(24,159)	(18,147)	(1,471)
Profit (loss) for the period		(13,923)	(6,324)	(16,374)
Equity attributable to owners of the parent		***17,368***	***30,979***	***37,605***
Non-controlling interests		-	-	-
TOTAL EQUITY		**17,368**	**30,979**	**37,605**
Borrowings	31	311,784	309,003	307,188
Other financial debts	31	380,490	345,781	314,237
Deferred income tax liabilities	24	74,789	74,929	74,996
Post-employment benefits	32	4,655	3,738	2,230
Provisions	33	2,194	2,694	2,989
Other non-current liabilities		9,752	8,052	6,435
Non-current liabilities		783,664	744,196	708,076

Current portion of borrowings	31	11,448	11,543	20,036
Other financial debts	31	15,349	13,949	12,677
Trade and other payables	34	151,812	119,601	107,117
Current portion of provisions	33	101	229	730
Current income tax payables		503	200	65
Derivative financial instruments	28	-	-	6,543
Other current liabilities		5	2	2
Current liabilities		***179,218***	***145,524***	***147,169***
TOTAL LIABILITIES		**962,882**	**889,720**	**855,245**
TOTAL EQUITY AND LIABILITIES		**980,250**	**920,699**	**892,850**

(*) Please refer to Note 6 for further explanations

The notes 1 to 41 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** *Restated (*)*	**From June 10, 2013 to December 31, 2013** *Restated (*)*
Profit (loss) before income tax	(5,756)	3,667	(19,065)
Adjustments for:			
- Depreciation and amortisation	24,249	23,723	11,492
- Net (gain) loss on disposals	451	2,068	457
- Share of profit (loss) of equity-accounted investees	(80)	(21)	1,241
- Other non-cash items (Change in fair value – derivative financial instruments)	(2,743)	(27,914)	10,406
- Cost of net debt	69,659	66,860	30,941
Change in operating working capital requirement:			
- (Increase)/decrease in inventories	5,227	(22,488)	8,356
- (Increase)/decrease in trade and other receivables	(3,247)	(7,342)	3,842
- Increase/(decrease) in trade and other payables	28,352	11,448	(4,793)
Income tax paid	(4,067)	(4,743)	(3,936)
Net cash flow from/(used in) operating activities	***112,045***	***45,258***	***38,939***
Acquisition of non-current assets:			
- Property, plant and equipment	(35,353)	(29,334)	(17,653)
- Intangible assets	(5,424)	(3,026)	(2,000)
- Subsidiaries, net of cash acquired (see Note 22)	(16)	(607)	(167,554)
- Other non-current assets	(3,130)	(723)	(348)
Change in debts on fixed assets	520	2,386	(3,388)
Proceeds from sale of non-current assets:			
- Property, plant and equipment	16	604	317
- Other non-current assets	-	262	64
Net cash flow from/(used in) investing activities	***(43,387)***	***(30,438)***	***(190,563)***
Proceeds from issues of borrowings	139	265	625,964
Repayments of borrowings	(1,391)	(8,317)	(463,704)
Interests paid	(30,317)	(31,335)	(3,538)
Increase/(decrease) in capital	-	-	55,450
Other movements	-	(290)	-
Net cash flow from/(used in) financing activities	***(31,569)***	***(39,677)***	***214,172***

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**37,089**	**(24,857)**	**62,549**
Cash and cash equivalents at beginning of period	37,673	62,549	-
Exchange gains/(losses) on cash and cash equivalents	11	(19)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**74,773**	**37,673**	**62,549**

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014**	**From June 10, 2013 to December 31, 2013**
Cash and cash equivalents (excluding bank overdrafts)	76,398	38,849	64,801
Bank overdrafts	(1,625)	(1,176)	(2,251)
CASH AND CASH EQUIVALENTS	**74,773**	**37,673**	**62,549**

(*) Please refer to Note 6 for further explanations

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands of euros)	**Attributable to owners of the parent**						
	Share capital	**Share premium**	**Retained earnings**	**Currency translation difference**	**Total**	**Non-controlling interests**	**TOTAL EQUITY**
Issuance of capital on 10 June, 2013	**31**	**-**	**-**	**-**	**31**	**-**	**31**
Profit (loss) for the period	-	-	(16,374)	-	(16,374)	-	(16,374)
Other comprehensive income (loss) for the period, net of tax	-	-	3	(12)	(9)	-	(9)
Total comprehensive income (loss) for the period	**-**	**-**	***(16,370)***	***(12)***	***(16,383)***	**-**	***(16,383)***
Issue of ordinary shares	5,514	49,905	-	-	55,419	-	55,419
Impact of change in accounting policy (IFRIC 21) (see Note 6)	-	-	416	-	416	-	416
Other transactions impacting equity	-	-	(1,879)	-	(1,879)	-	(1,879)
Total transactions with owners, recognised directly in equity	***5,514***	***49,905***	***(1,463)***	**-**	***53,956***	**-**	***53,956***
BALANCE AS OF DECEMBER 31, 2013 - *Restated*	**5,545**	**49,905**	**(17,833)**	**(12)**	**37,605**	**-**	**37,605**
Balance as of January 1, 2014 - *Restated*	**5,545**	**49,905**	**(17,833)**	**(12)**	**37,605**	**-**	**37,605**
					-		
Profit (loss) for the period	-	-	(6,324)	-	(6,324)	-	(6,324)
Other comprehensive income (loss) for the period, net of tax	-	-	(338)	75	(263)	-	(263)
Total comprehensive income (loss) for the period	**-**	**-**	***(6,662)***	***75***	***(6,587)***	**-**	***(6,587)***

Other transactions with owners, recognised directly in equity	-	-	(39)	-	(39)	-	(39)
Total transactions with owners, recognised directly in equity	**-**	**-**	***(39)***	**-**	***(39)***	**-**	***(39)***
BALANCE AS OF DECEMBER 31, 2014 - *Restated*	**5,545**	**49,905**	**(24,535)**	**63**	**30,978**	**-**	**30,978**
Balance as of January 1, 2015	**5,545**	**49,905**	**(24,535)**	**63**	**30,978**	**-**	**30,978**
Profit (loss) for the period	-	-	(13,923)	-	(13,923)	-	(13,923)
Other comprehensive income (loss) for the period, net of tax	-	-	76	187	263	-	263
Total comprehensive income (loss) for the period	**-**	**-**	***(13,847)***	***187***	***(13,660)***	**-**	***(13,660)***
Other transactions with owners, recognised directly in equity	-	-	48	-	48	-	48
Total transactions with owners, recognised directly in equity	**-**	**-**	***48***	**-**	***48***	**-**	***48***
BALANCE AS OF DECEMBER 31, 2015	**5,545**	**49,905**	**(38,334)**	**250**	**17,366**	**-**	**17,366**

GENERAL INFORMATION

Note 1. General information on the reporting entity

Magnolia (BC) Midco S.à.r.l. (formerly Saint (BC) Midco S.à.r.l.) (“Luxco 3”) was created on June 10, 2013 and is domiciled in Luxembourg. The address of its registered office is 4, rue Lou Hemmer, L-1748 Luxembourg-Findel, Grand Duché du Luxembourg.

Luxco 3 is a subsidiary of Magnolia (BC) Luxco S.C.A, also incorporated in Luxembourg. Luxco 3 is ultimately controlled and managed by Bain Capital Private Equity.

The acquisition process of the Maisons du Monde Group (“MDM Group”) (please refer to the Note 40 relating to scope of consolidation) from LBO France, Apax Partners and Nixen Partners by Luxco 3 was initiated on July 2, 2013 and formally completed on August 9, 2013. Luxco 3 did not have any activities before.

These IFRS consolidated financial statements comprise Luxco 3 and its subsidiaries (hereafter referred collectively as “the Group” and individually as a “subsidiary”) and joint-ventures (hereafter referred as “joint-ventures”).

The Group is a fast-growing multichannel retailer of stylish, affordable homeware to a wide customer base in European markets both through its network of stores and its online platform. The product range consists of approximately 16,000 homeware products, covering a broad range of styles and categories. The product categories include small decorative products, such as household textiles, tableware and kitchenware, mirrors and picture frames, as well as large decorative products and furniture, such as large mirrors and lamps, tables, chairs, armchairs and sofas, cupboards, bookshelves and outdoor furniture.

Note 2. Significant events

2.1. Significant events for the year ended December 31, 2015

No significant event for the year ended December 31, 2015.

2.2. Significant events for the year ended December 31, 2014

No significant event for the year ended December 31, 2014.

2.3. Significant events for the period from June 10, 2013 to December 31, 2013

In 2013, entities established by funds managed by Bain Capital, LLC agreed to acquire Ginkgo B. Company S.A.S, the parent company of MDM Group. The acquisition was initiated on July 2, 2013 and formally completed on August 9, 2013. As of December 31, 2013, these funds beneficially owned and controlled (through wholly-owned intermediary holding companies), along with certain members of the Issuer’s senior management, the entire share capital of Magnolia (BC) S.A.S. which was the new parent entity from MDM Group.

On July 31, 2013, the Group issued Senior Secured Notes for an amount of €325,000,000 (the “Notes”). The Notes are repayable on August 1, 2020. The Notes bears interest at a rate of 9%.

Issuance costs amounted to €21,111,940. The effective interest rate is therefore 10.58% per annum. The Notes are listed on the Irish stock exchange.

In August 2013, Luxco 3 issued Preferred Equity Certificates (the “PECs 1”) to Magnolia (BC) Luxco S.C.A. for a total amount of €314,237,200. The PECs 1 are repayable on August 7, 2043. Interest on the PECs 1 is payable twelve months after the issuance of the PECs and subsequently payable twelve months after the initial payment date on the annual payment date. Interest not paid is capitalized. The PECs 1 bears interest at a rate of 10.0381% per annum.

On September 6, 2013, the Group entered into a Revolving Credit Facility with Natixis for a total amount of €60,000,000 (the “RCF”). The interest on RCF is payable six months after the issuance of the RCF and subsequently payable six months after the initial payment date on the annual payment date. The RCF bears interest at a rate of Euribor 1, 3 or 6 months + 4% margin. Issuance costs amounted to €4,279,882.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 3. Basis of preparation

These IFRS consolidated financial statements of Luxco 3 for the years ended December 31, 2015, December 31, 2014 and the period from June 10, 2013 to December 31, 2013 have been prepared as part of a planned listing of shares on the regulated French market. They have been drawn up specifically for the purpose of the prospectus submitted for approval to the "Autorité des marchés financiers" – AMF (French securities regulator), in accordance with the AMF's requirements for the presentation of IFRS consolidated financial statements for the three periods.

Luxco 3 has consistently applied IFRS standards, as adopted by the European Union ("EU"), effective for the year ended December 31, 2015 to all periods presented in these consolidated financial statements, as if these standards had always been in effect.

These consolidated financial statements prepared for the purpose of the prospectus are separate from the consolidated financial statements approved by the Board of Directors on March 23, 2016 that will be submitted for approval at the annual Shareholders' meeting to be held to approve the financial statements for the year ended December 31, 2015.

These IFRS consolidated financial statements for the years ended December 31, 2015, December 31, 2014 and the period from June 10, 2013 to December 31, 2013 were authorized for issuance by the Board of Directors on March 23, 2016.

These IFRS consolidated financial statements for the years ended December 31, 2015, December 31, 2014 and the period from June 10, 2013 to December 31, 2013 do not constitute the first IFRS financial statements of Luxco 3, as its first IFRS financial statements were prepared on a voluntary basis for the year ended December 31, 2014, in accordance with IFRS 1.

As these financial statements are purely for the purpose of the prospectus in connection with the stock market listing, they do not reflect events that arose after the date on which the financial statements for each period presented were approved by the Board of Directors. This is because IAS 10 – Events After the Reporting period is not applicable, as confirmed by the position taken by the IFRS Interpretations Committee in its agenda decision issued in May 2013 (IAS 10 – Events After the Reporting Period – Reissuing Previously Issued Financial Statements).

The information presented for the year ended December 31, 2014 is based on the 2014 consolidated financial statements as approved by the Board of Directors of Luxco 3 on April 28, 2015, and includes restatements to reflect the retrospective application of IFRIC 21 '*Levies*' which was adopted on January 1, 2015. In addition, the preparation of financial statements for the years ended December 31, 2015, December 31, 2014 and from June 10, 2013 to December 31, 2013 for the planned stock market listing has led Luxco 3 to:

- Present, in Note 8, pro forma financial information. The statutory consolidated income statement of Luxco 3 for the year ended December 31, 2013 covers the period between June 10, 2013 and December 31, 2013. In order to provide comparative information on the consolidated income statement on a full year basis, pro forma consolidated financial information for the financial year ended December 31, 2013 has been prepared on the basis of:

  - The consolidated income statement of Luxco 3 under IFRS, as adopted by EU for the period from June 10, 2013 to December 31, 2013 which includes the operations of the acquired MDM Group from July 1, 2013 to December 31, 2013;
  - The MDM Group contribution under IFRS from January 1, 2013 to June 30, 2013 (Therefore MDM Group operating activity presented in the pro forma income statement cover period from January 1 to December 31, 2013) ;
  - The acquisition and the refinancing described above had been completed as of January 1, 2013.
- Present a number of restatements that were made to the consolidated financial statements for year ended December 31, 2014 and the period from June 10, 2013 to December 31, 2013, the details of which are provided in Note 6.

The reporting period of Luxco 3 closes on December 31.

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 amortised cost as discussed in the accounting policies below.

Assets acquired and liabilities assumed in business combinations are generally measured at fair value at the acquisition date.

Financial data is presented in thousands of euros. It is rounded to the nearest thousand, unless otherwise indicated. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

Note 4. New standards, amendments and interpretations

4.1. New standards, amendments and interpretations adopted by the Group

IFRIC 21 ‘Levies’ has been adopted by the Group for the first time for the financial year beginning on January 1, 2015 and has a material impact on its consolidated financial statements. IFRIC 21 addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

The effects of the changes to this accounting policy are further detailed in Note 6.

4.2. New standards, amendments and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for early application for annual periods beginning after January 1, 2015; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements:

- Amendments to IAS 19 ‘*Employee Benefits*’

Forthcoming requirements not yet adopted by the European Union, which could have an impact for the Group include:

- IFRS 9 ‘*Financial instruments*’
- IFRS 15 ‘*Revenue from contracts with customers*’
- IFRS 16 ‘*Leases*’

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards mentioned above.

Note 5. Critical estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Estimates are made based on a going concern assumption and on information available at the date of their preparation. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations about future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. When the Group makes estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the related actual results.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

- Valuation of intangible assets (goodwill and brand): Notes 7.9 and 7.12
- Deferred income tax: Note 7.25
- Financial instruments and classification of financial instruments : Note 7.13

Note 6. Change in accounting policies, reclassifications, and restatements

The financial statements for the year ended December 31, 2014 and the period from June 10, 2013 to December 31, 2013 have been restated to reflect the retrospective application of IFRIC 21 *'Levies*', prior misstatements and reclassifications:

- From January 1, 2015 the Group changed its accounting policy for recognising the costs of some government levies based on guidance provided in IFRIC 21 '*Levies'*, an interpretation of IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets'*, which was endorsed by the European Union on 16 June 2014. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and that an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period. Prior to January 1, 2015, the Group's policy was to recognise a liability on the basis of a constructive obligation at December 31 in the previous year. The effect of this change in accounting policy, which has been applied retrospectively with comparative periods restated, is set out below.
- The Group has restated deferred tax assets as a result of a misstatement in deferred tax assets calculation in 2014 and has reclassified i) rent expenses incurred prior to openings from external expenses to other expenses from operations for the year ended December 31, 2014 and for the period from June 10, 2013 to December 31, 2013; ii) non-current portion of prepaid expenses related to "Pas de Porte" from trade and other current receivables to other non-current assets; and iii) non-current portion of free rents from Trade and other current payables to other non-current liabilities. These give rise to the restatement of consolidated income statement for the year ended December 31, 2014 and period from June 10, 2013 to December 31, 2013 and the net assets as set out below.

The following table reflects the restatements presented above on the Group's financial statements for the periods ended December 31, 2014 and December 31, 2013.

(In thousands of euros)	**Year ended December 31, 2014** ***Issued***	**IFRIC 21**	**Deferred income tax**	**Expenses prior to openings**	**Year ended December 31, 2014** ***Restated***
Retail revenue	607,161				607,161
Other revenue	18,829				18,829
Revenue	***625,989***	-	-	-	***625,989***
Cost of sales	(190,245)				(190,245)
Personnel expenses	(129,366)				(129,366)
External expenses	(232,682)	197		692	(231,793)
Depreciation, amortisation and allowance for provisions	(22,004)				(22,004)
Change in fair value - derivative financial instruments	27,914				27,914
Other income from operations	523				523
Other expenses from operations	(6,665)			(692)	(7,357)
Current operating profit before other operating income and expenses	***73,465***	***197***	-	-	***73,662***
Other operating income and expenses	(2,053)				(2,053)
Operating profit (loss)	***71,412***	***197***	-	-	***71,609***
Cost of net debt	(66,860)				(66,860)
Other finance income	91				91
Other finance expenses	(1,194)				(1,194)
Financial profit (loss) - net	***(67,962)***	-	-	-	***(67,962)***
Share of profit (loss) of equity-accounted investees	21				21
Profit (loss) before income tax	***3,470***	***197***	-	-	***3,667***
Income tax	(6,798)	(68)	(3,125)		(9,991)
PROFIT (LOSS) FOR THE PERIOD	***(3,328)***	***129***	***(3,125)***	-	***(6,324)***
Attributable to:					
- Owners of the parent	(3,328)	129	(3,125)	-	(6,324)
- Non-controlling interests	-	-	-	-	-

Assets *(In thousands of euros)*	**December 31, 2014** ***Issued***	**IFRIC 21**	**Deferred income tax**	**Pas-de-porte**	**December 31, 2014** ***Restated***
Goodwill	321,183				321,183
Other intangible assets	236,811				236,811
Property, plant and equipment	104,906				104,906
Equity-accounted investees	82				82
Other non-current financial assets	13,330				13,330
Deferred income tax assets	20,999	(540)	(3,125)		17,334
Other non-current assets	-			9,689	9,689
Non-current assets	***697,311***	***(540)***	***(3,125)***	***9,689***	***703,335***
Inventories	107,421				107,421
Trade & other current receivables	51,340			(9,689)	41,651
Other current financial assets	392				392
Current income tax assets	7,680				7,680
Derivative financial instruments	21,371				21,371
Cash and cash equivalents (excluding bank overdrafts)	38,849				38,849
Current assets	***227,053***	***-***	***-***	***(9,689)***	***217,364***
TOTAL ASSETS	***924,364***	***(540)***	***(3,125)***	***-***	***920,699***

Equity and Liabilities *(In thousands of euros)*	**December 31, 2014** ***Issued***	**IFRIC 21**	**Deferred income tax**	**Free rent**	**December 31, 2014** ***Restated***
Share capital	5,545				5,545
Share premium	49,905				49,905
Retained earnings	(19,045)	898			(18,147)
Profit (loss) for the period	(3,328)	129	(3,125)		(6,324)
Equity attributable to owners of the parent	***33,077***	***1,027***	***(3,125)***	***-***	***30,979***
Non-controlling interests	-			-	-
TOTAL EQUITY	***33,077***	***1,027***	***(3,125)***	***-***	***30,979***
Borrowings	309,003				309,003
Other financial debts	345,781				345,781
Deferred income tax liabilities	74,929				74,929
Post-employment benefits	3,738				3,738
Provisions	2,694				2,694

Other non-current liabilities	-			8,052	8,052
Non-current liabilities	***736,144***	***-***	***-***	***8,052***	***744,196***
Current portion of borrowings	11,543				11,543
Other financial debts	13,949				13,949
Trade and other current payables	129,220	(1,567)		(8,052)	119,601
Current portion of provisions	229				229
Current income tax liabilities	20				20
Other current liabilities	2				2
Current liabilities	***155,143***	***(1,567)***	***-***	***(8,052)***	***145,524***
TOTAL LIABILITIES	***891,287***	***(1,567)***	***-***	***-***	***889,720***
TOTAL EQUITY AND LIABILITIES	***924,364***	***(540)***	***(3,125)***	***-***	***920,699***

(In thousands of euros)	**From June 10, 2013 to December 31, 2013**	**IFRIC 21**	**Expenses prior to openings**	**From June 10, 2013 to December 31, 2013 *Restated***
Retail revenue	306,967			306,967
Other revenue	8,560			8,560
Revenue	***315,527***	-	-	***315,527***
Cost of sales	(93,977)			(93,977)
Personnel expenses	(65,303)			(65,303)
External expenses	(107,647)	795	305	(106,547)
Depreciation, amortisation and allowance for provisions	(11,981)			(11,981)
Change in fair value - derivative financial instruments	(10,406)			(10,406)
Other income from operations	711			711
Other expenses from operations	(2,994)		(305)	(3,299)
Current operating profit before other operating income and expenses	***23,931***	***795***	-	***24,726***
Other operating income and expenses	(11,281)			(11,281)
Operating profit (loss)	***12,650***	***795***	-	***13,445***
Cost of net debt	(30,941)			(30,941)
Other finance income	65			65
Other finance expenses	(394)			(394)
Financial profit (loss) - net	***(31,270)***	-	-	***(31,270)***
Share of profit (loss) of investments accounted for using the equity method	(1,241)			(1,241)
Profit (loss) before income tax	***(19,860)***	***795***	-	***(19,065)***
Income tax expense	2,965	(274)		2,691
PROFIT (LOSS) FOR THE PERIOD	***(16,895)***	***521***	-	***(16,374)***
Attributable to:				
- Owners of the parent	(16,895)	521	-	(16,374)
- Non-controlling interests	-	-	-	-

Assets *(In thousands of euros)*	**December 31, 2013** ***Issued***	**IFRIC 21**	**Pas-de-porte**	**December 31, 2013** ***Restated***
Goodwill	320,937			320,937
Other intangible assets	237,317			237,317
Property, plant and equipment	97,885			97,885
Equity-accounted investees	75			75
Other non-current financial assets	12,912			12,912
Deferred income tax assets	22,954	(493)		22,461
Other non-current assets	-		11,707	11,707
Non-current assets	***692,080***	***(493)***	***11,707***	***703,294***
Inventories	84,933			84,933
Trade & other current receivables	44,251		(11,707)	32,544
Other current financial assets	633			633
Current income tax assets	6,645			6,645
Cash and cash equivalents (excluding bank overdrafts)	64,801			64,801
Current assets	***201,263***	*-*	***(11,707)***	***189,556***
TOTAL ASSETS	***893,343***	***(493)***	*-*	***892,850***

Equity and Liabilities *(In thousands of euros)*	**December 31, 2013** ***Issued***	**IFRIC 21**	**Free rent**	**December 31, 2013** ***Restated***
Share capital	5,545			5,545
Share premium	49,905			49,905
Retained earnings	(1,887)	416		(1,471)
Profit (loss) for the period	(16,895)	521		(16,374)
Equity attributable to owners of the parent	***36,668***	***937***	*-*	***37,605***
Non-controlling interests	-			-
TOTAL EQUITY	***36,668***	***937***	*-*	***37,605***
Borrowings	307,188			307,188
Other financial debts	314,237			314,237
Deferred income tax liabilities	74,996			74,996
Post-employment benefits	2,230			2,230
Provisions	2,989			2,989
Other non-current liabilities	-		6,435	6,435
Non-current liabilities	***701,641*** -	*-*	***6,435***	***708,076***
Current portion of borrowings	20,036			20,036
Other financial debts	12,677			12,677
Trade and other current payables	114,982	(1,430)	(6,435)	107,117
Current portion of provisions	730			730
Current income tax liabilities	65			65

Derivative financial instruments	6,543			6,543
Other current liabilities	2			2
Current liabilities	***155,034*** -	***(1,430)***	***(6,435)***	***147,169***
TOTAL LIABILITIES	***856,675***	***(1,430)***	**-**	***855,245***
TOTAL EQUITY AND LIABILITIES	***893,343***	***(493)***	**-**	***892,850***

Note 7. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

7.1. Basis of consolidation

a) Business combination

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are in general measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

b) Subsidiaries

Subsidiaries are all entities over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised 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, amounts reported by subsidiaries have been adjusted to conform to 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, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income of the investee. 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. Accounting policies of the joint ventures have been changed where necessary 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 7.12.

7.2. Foreign currency translation

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, within:

- the operating profit for the transactions related to operational activities;
- the financial profit for the transactions related to financing activities.

c) Group companies

The results and financial position of all the Group's companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, including goodwill and fair value adjustments, for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

7.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting and shows internal segments information that is used to manage and measure the performance of the Group and which is reviewed by the main operational decision-making body of the Group, namely the Supervisory Board.

Operating segment information is disclosed in Note 9.

7.4. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) <u>Sales of goods in stores</u>

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 operate any loyalty programmes.

b) <u>Internet revenue</u>

Revenue from the provision of the sale of goods on the Internet is recognised at the point that the risks and rewards of the inventory have passed to the customer. Transactions are settled by credit, checks, payment card or e-payment services

c) <u>Sales of services</u>

Sales of services are recognised in revenue in the accounting period in which the services are rendered.

The Group sells mainly transportation and supply chain 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.

7.5. Other operating income and expenses

Other operating income and expenses mainly includes reorganization costs, restructuring costs (store closure without relocation), acquisition-related fees and impairment losses. This income statement caption includes cash as well as non-cash items.

Other operating income and expenses separately identify other unusual, infrequent or non-recurring items. Such items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence. This 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.

7.6. Financial income and expenses

Financial income and expenses are recognised on a time-proportion basis using the effective interest rate method.

7.7. Dividends

Dividend income is recognised when the right to receive payment is established.

Dividends paid to the shareholders of Luxco 3 are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders of Luxco 3.

7.8. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit (loss) for the period attributable to the owners of the parent by the weighted average number of ordinary shares outstanding during the period.

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. As Luxco 3 did not issue any dilutive instruments for the years ended December 31, 2015 and December 31, 2014 and for the period from June 10, 2013 to December 31, 2013, diluted earnings per share equal to basic earnings per share for all the periods presented.

7.9. Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired. When the excess is negative, it is recognised immediately in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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 financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability depending on their features. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 any 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 lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the geographical level: France and International.

The carrying value of goodwill is compared to the carrying value 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 are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets on the CGU 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 "relief-from-royalty" 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 (see hereafter) 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 compensation 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 case, 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 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

Separately acquired trademarks and licences are shown at 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 cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 1 to 4 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 so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how 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 relate to external direct costs of materials and services 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 ready for use, using the straight-line method to allocate the cost of software over their estimated useful lives of 3 years.

7.10. Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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 item 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.

7.11. Leases

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, plant and equipment, 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 liability 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.

7.12. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or some intangible assets – are not subject to amortisation 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 amount by which the asset's carrying amount exceeds its recoverable 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.

7.13. Financial assets

a) <u>Classification</u>

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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months after the end of the reporting period; 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 end of the reporting period, 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 disclosed in Note 35.1.

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 recognised at fair value and transaction costs are expensed in the income statement.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method. Financial assets at fair value through profit or loss are subsequently 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.

7.14. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence 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 incurred only if there is objective evidence 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.

7.15. Derivative financial instruments and hedging activities

The Group holds a variety of derivative financial instruments, which are used to manage currency risks arising in the normal course of business. The use of these instruments help 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 the end of each reporting period. The fair value of currency derivatives is determined based on the forward exchange rate at the period-end.

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 (loss) for their effective portion and in profit or loss for their ineffective portion.

For the periods ended December 31, 2013, 2014 and 2015, the Group does not apply for hedge accounting. 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 current operating profit before other operating income and expense, as they relate to hedges of regular business transactions.

The full 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.

7.16. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted-average cost method. The cost of warehouse inventory is equal to the cost of acquisition plus shipping, duty and transportation costs. The cost 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 variable selling expenses.

7.17. 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 collect 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 written off.

7.18. Cash and cash equivalents

For the purpose of the consolidated statement of financial position, cash and cash equivalents (excluding bank overdrafts) include cash on hand and other short-term highly liquid 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.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

7.19. Share capital

Ordinary shares are classified as equity. Preferred Equity Certificates (PECs) are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity, as a deduction, net of tax, from the proceeds.

7.20. 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 end of the reporting period. 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 high-quality 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.

7.21. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, 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 end of the reporting period, 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.

7.22. 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. Accounts payable are classified as current liabilities if payment is due within 12 months after the end of the reporting period (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

7.23. 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.

7.24. Borrowings and other financial debts

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 proceeds (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 that exactly discounts the expected stream of future cash flows (transaction costs included) through to maturity of the financial liability, or a shorter period if appropriate, to the current net carrying amount of the liability on initial recognition.

Fees paid on the establishment of loan facilities are deducted from the borrowings amounts, as borrowings are net of transaction costs incurred.

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 end of the reporting period.

7.25. Current and deferred income tax

The income tax for the period comprises current and deferred tax. Current and 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 end of the reporting period in the countries where Luxco 3 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 tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which which they can be used.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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 classifies the CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) tax as an income tax. As a consequence, deferred income taxes are recognised on temporary differences on which CVAE applies.

The Group recognised a deferred income tax asset on losses available for carry forward. A tax planning has been prepared to document the use of this deferred income tax asset within a reasonable period of time.

7.26. Contingent assets and liabilities

Contingent assets and liabilities may be incurred by an entity depending on the outcome of uncertain future events. They are disclosed in the notes to the consolidated financial statements.

Note 8. Business combination and comparative financial information for the year ended December 31, 2013

8.1. Business acquisition of "Groupe Maisons du Monde"

On June 10, 2013, Luxco 3 was established by funds managed by Bain Capital, LLC for the purposes of acquiring the Maisons du Monde Group ("the MDM Group") from LBO France, Apax Partners and Nixen Partners. Acquisition process of 100% of shares of "Ginkgo B. SAS Company" and "Abaco SAS" has been initiated by LuxCo 3 on July 2, 2013 and formally completed on August 9, 2013. These two entities owned directly or indirectly 100% of the subsidiaries of the MDM Group. Following the closing of the acquisition, the Group completed the refinancing of the MDM Group. Under the new financing structure, the pre-acquistion debt was replaced by the following facilities:

- On July 31, 2013, the Group issued Senior Secured Notes for an amount of €325.0 million (the "Notes");
- In August 2013, Luxco 3 issued Preferred Equity Certificates (the "PECs 1") to Magnolia (BC) Luxco S.C.A. for a total amount of €314.2 million;
- On September 6, 2013, the Group entered into a Revolving Credit Facility (the "RCF") with Natixis for a total amount of €60.0 million.

The statutory consolidated income statement of Luxco 3 for the year ended December 31, 2013 covers the period between June 10, 2013 and December 31, 2013 and includes the operations of the acquired MDM Group from July 1, 2013 to December 31, 2013.

In order to provide comparative information on the income statement on a full year basis, pro forma consolidated financial information for the financial year ended December 31, 2013 has been prepared as if the acquisition and the refinancing described above had been completed as of January 1, 2013.

Goodwill arising from these transactions was calculated as follows:

(In thousands of euros)	**July 2, 2013**
Property, plant and equipment	90,571
Brand (included in other intangible assets)	206,451
Commercial leasehold rights (included in other intangible assets)	26,579
Other intangible assets	4,076
Other non-current financial assets	12,606
Inventories	93,289
Trade and other receivables	48,191
Cash and cash equivalents (excluding bank overdrafts)	36,984
Other assets	25,738
Trade and other payables	(122,146)
Borrowings and other financial debts (excluding bank overdrafts)	(458,897)
Bank overdrafts	(6,539)
Other liabilities	(79,840)
Total fair value of net assets acquired	***(122,937)***
Non-controlling interests	-
SHARE OF NET ASSETS ACQUIRED	**(122,937)**

(In thousands of euros)	**July 2, 2013**
Consideration transferred (cash)	198,000
Share of net assets acquired	(122,937)
GOODWILL	**320,937**

Cash and cash equivalents (including bank overdrafts) acquired amounted to €30,446 thousand.

The fair value of the acquired brand and commercial leasehold rights of €206.5 million and €26.6 million, respectively, are estimated by valuation of independent experts. The "relief-from-royalty" method was used to estimate the fair value of brand.

Acquisition-related costs of €10.7 million have been charged to other operating expenses in the consolidated income statement for the period from June 10, 2013 to December 31, 2013.

The revenue included in the consolidation statement of comprehensive income since July 2, 2013 contributed by this acquisition was €315.5 million in the period from June 10, 2013 to December 31, 2013 (i.e. all of the revenue of the Group). The MDM Group also contributed net loss of €7.8 million over the same period.

8.2. Pro forma information: basis of preparation and accounting policies

a) Basis of preparation

This pro forma consolidated financial information is presented for illustrative purposes only and does not reflect the results which would have been achieved had the acquisition and the refinancing taken effect on January 1, 2013.

The pro forma consolidated income statement for the year ended December 31, 2013 presented below has been prepared on the basis of:

- The consolidated income statement of Luxco 3 under IFRS, as adopted by European Union, for the period from June 10, 2013 to December 31, 2013, which includes the operations of the acquired MDM Group from July 1, 2013 to December 31, 2013;
- The MDM Group contribution under IFRS from January 1, 2013 to June 30, 2013. Prior to the acquisition, the MDM Group had prepared its consolidated financial statements under French GAAP. IFRS accounting policies as applied by the MDM Group post acquisition have been retroactively reflected on the MDM Group consolidated income statement from January 1, 2013 to June 30, 2013;
- Pro forma adjustments directly attributable to the acquisition and the refinancing; and
- Pro forma adjustments attributable to newly applied accounting policies as of December 31, 2015.

b) Accounting policies

The pro forma consolidated financial information was prepared in accordance with the Group's accounting standards, as described in Note 7.

8.3. Pro forma consolidated income statement for the year ended December 31, 2013

(In thousands of euros)	**Magnolia (BC) Midco from June 10, 2013 to December 31, 2013**	**MDM Group contribution from January 1, 2013 to June 30, 2013**	**Refinancing** *(see 3.a)*	**Management fees** *(see 3.b)*	**Accounting policy restatements** *(see 3.c)*	**Magnolia (BC) Midco from January 1, 2013 to December 31, 2013** ***Pro forma***
Retail revenue	306,967	240,517	-	-	-	547,484
Other revenue	8,560	7,276	-	-	-	15,836
Revenue	***315,527***	***247,793***	**-**	**-**	**-**	***563,321***
Cost of sales	(93,977)	(76,144)	-	-	-	(170,121)
Personnel expenses	(65,303)	(57,140)	-	-	-	(122,443)
External expenses	(107,647)	(96,666)	-	(1,300)	692	(204,921)
Depreciation, amortisation and allowance for provisions	(11,981)	(8,241)	-	-	-	(20,222)
Change in fair value - derivative financial instruments	(10,406)	5,404	-	-	-	(5,002)
Other income from operations	711	1,043	-	-	-	1,754
Other expenses from operations	(2,994)	(2,899)	-	-	(563)	(6,456)
Current operating profit before other operating income and expenses	***23,931***	***13,150***	**-**	***(1,300)***	***128***	***35,909***
Other operating income and expenses	(11,281)	(46)	-	-	-	(11,327)
Operating profit (loss)	***12,650***	***13,104***	**-**	***(1,300)***	***128***	***24,582***
Cost of net debt	(30,941)	(17,926)	(15,519)	-	-	(64,385)
Other finance income	65	(14)	-	-	-	51
Other finance expenses	(394)	(353)	-	-	-	(747)
Financial profit (loss) – net	***(31,270)***	***(18,293)***	***(15,519)***	**-**	**-**	***(65,081)***
Share of profit (loss) of equity accounted investees	(1,241)	-	-	-	-	(1,241)
Profit (loss) before income tax	***(19,860)***	***(5,188)***	***(15,519)***	***(1,300)***	***128***	***(41,739)***
Income tax ***(see 3.d)***	2,965	(327)	4,656	390	(38)	7,645
PROFIT (LOSS) FOR THE PERIOD	***(16,895)***	***(5,515)***	***(10,863)***	***(910)***	***90***	***(34,094)***
Attributable to:						
- Owners of the parent	(16,895)	(5,515)	(10,863)	(910)	90	(34,094)
- Non-controlling interests	-	-	-	-	-	-
Earnings per share for profit (loss) for the period attributable to the owners of the parent ***(see 3.e)*****:**						
Basic and diluted earnings per share	N/A					(0.61)

8.4. Pro forma adjustments and underlying assumptions

a) Pro forma adjustments related to the Group refinancing

Pro forma adjustments related to the Group refinancing include:

- The recognition of an additional €36.8 million interest expense to reflect the impact of the new financing structure over 12 months in relation with the Notes, the PECs and the RCF facilities.
- The cancellation of interest expenses for an amount of €22.7 million to reflect the retroactive effect of the Group's repayments to previous financial creditors as if they had occurred as of January 1, 2013; and
- The recognition of an additional €1.5 million financial expense to reflect the amortization of the Notes and the RCF issuance costs over 12 months.

The estimation of the additional interest and commitment fees related to the RCF over 12 months was based on the assumption that the RCF drawdown timeline for the seven-month period ended July 31, 2013 followed the same timetable than for the seven-month period ended July 31, 2014.

b) Pro forma adjustments related to management fees

The pro forma consolidated income statement reflects the reinvoicing of services which would have been provided by the new shareholders in 2013, as if the acquisition had taken effect on January 1, 2013. These management fees amounted to €2.0 million for the financial year ended December 31, 2014 and €1.5 million for the financial year ended December 31, 2015. An additional expense of €1.3 million was recognised, resulting in a total charge of €2.0 million in the pro forma consolidated income statement for the year ended December 31, 2013.

c) Pro forma adjustments related to newly applied accounting policies

As detailed in Note 6, the Group restated its consolidated income statement for the period from June 10, 2013 to December 31, 2013. Such adjustment relates to the impact on the consolidated income statement for the period from January 1, 2013 to June 30, 2013 of the adoption of IFRIC 21 and to the reclassification of additional expenses prior to openings from external expenses to other expenses from operations.

d) Tax effect

The average rate of taxation of Luxco 3 for the financial periods from July 1, 2013 to December 31, 2015 of 30.00% was used to calculate the tax effect of pro forma adjustments.

e) Earnings per share

The estimation of the pro forma basic and diluted earnings per share was based on the assumption that the weighted average number of shares for the 12 months period ended December 31, 2013 is the number of shares at December 31, 2013, equaling the weighted average number of shares for the 12 months period ended December 31, 2014 and 2015.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

Note 9. Geographical segment information

Financial information by geographical segment is reported in accordance with the internal reporting system and shows internal segments information that is used to manage and measure the performance of the Group and which is reviewed by the main operational decision-making body of the Group, namely the Supervisory Board.

The customer sales, EBITDA and Goodwill, other intangible assets and property, plant and equipment are broken down by geographical segment. The Group's activities are divided into two geographical segments as follows:

- France
- International

In addition, the corporate segment includes holdings operating activities, including assets that can't be allocated to segments and CICE. Corporate segment does not include any revenue and consists mainly of corporate expenses related to finance, legal, human resources, IT department as well as expenses related to design, procurement, customer relationship management (CRM) and merchandising department.

The Group defines EBITDA as its Current operating profit before other operating income and expenses excluding (i) depreciation, amortization and allowance for provisions and (ii) the change in fair value of its derivative instruments, which are both non-cash items, as well as (iii) the management fees paid to the controlling shareholders to cover for management and administrative expenses and (iv) store pre-opening expenses which relate to expenses incurred prior to the opening of new stores.

EBITDA by geographical segment includes:

- Allocations of certain marketing expenses related to stores as well as online operating and marketing expenses. Such expenses are allocated by segment based on customer sales or online revenue per country;
- Allocation of EBITDA of the logistical entities to the segments based on their respective contribution to margin.

Revenue and EBITDA related to B to B activity has been fully allocated to segment – France.

This segment information is consistent with the CGU that have been identified for the impairment test (see Note 19).

Financial information by segment for the period from June 10, 2013 to December 2013 has not been disclosed as the Supervisory Board reviews and analyses only 12 month-period performance financial information.

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Customer sales	699,398	604,672	545,071
Sales to franchise and promotional sales	2,003	2,488	2,413
Retail Revenue	***701,401***	***607,160***	***547,484***
Customer sales	**699,398**	**604,672**	**545,071**
France	460,154	409,065	378,934
International	239,244	195,608	166,136
Current operating profit before other operating income and expense	65,469	73,662	35,909
Depreciation, amortization and allowance for provisions	25,418	22,004	20,222
Change in fair value – Derivative financial instruments	(2,743)	(27,914)	5,002
Management fees	2,933	2,528	2,200
Expenses prior to openings	3,439	2,633	1,919
EBITDA	**94,516**	**72,912**	**65,253**
France	99,998	79,294	72,249
International	42,648	33,980	29,949
Corporate	(48,130)	(40,362)	(36,945)
Goodwill, other intangible assets and property, plant and equipment	**679,963**	**662,900**	**656,139**
France	328,952	318,744	319,484
International	137,115	128,391	120,023
Corporate	213,897	215,765	216,632

Note 10. Revenue

Revenue is broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Customer sales	699,398	604,672	305,642	545,071
Sales to franchise and promotional sales	2,003	2,488	1,326	2,413
Retail Revenue	***701,401***	***607,160***	***306,967***	***547,484***
Transportation to customers	13,197	10,773	4,557	9,262
Supply Chain services	2,770	2,655	1,034	2,082
Other services	1,573	1,970	1,161	1,840
Eco-contribution	1,392	1,165	505	616
Capitalised production	1,340	965	656	1,152
Sundry revenue	1,743	1,301	647	883
Other Revenue	***22,015***	***18,829***	***8,560***	***15,836***
TOTAL REVENUE	**723,416**	**625,989**	**315,527**	**563,320**

Customer sales are broken down by geography, channel and product category as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
France	460,154	409,065	211,249	378,934
International	239,244	195,608	94,393	166,136
Customer sales	***699,398***	***604,672***	***305,642***	***545,071***

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Stores	578,774	513,393	267,463	472,202
Web	120,624	91,278	38,179	72,868
Customer sales	***699,398***	***604,672***	***305,642***	***545,071***

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Decoration	394,463	346,894	194,545	326,880
Furniture	304,935	257,778	111,097	218,191
Customer sales	***699,398***	***604,672***	***305,642***	***545,071***

Note 11. Gross margin

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Customer sales	**699,398**	**604,672**	**305,642**	**545,071**
Cost of sales	(225,292)	(190,245)	(93,977)	(170,121)
Gross margin	**474,105**	**414,426**	**211,665**	**374,949**
Gross margin (%)	***67.8%***	***68.5%***	***69.3%***	***68.8%***

Note 12. Personnel expenses

Personnel expenses are broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Wages and salaries	(107,241)	(95,841)	(46,330)	(87,848)
Social security costs	(39,356)	(35,385)	(17,427)	(32,587)
Employee profit-sharing	(4,892)	(1,210)	(2,264)	(3,322)
Tax Credit - CICE	4,046	4,143	1,238	2,355
Other Expenses	-	(3)	(1)	(1)
Post-employment expenses - Defined benefit plans	(1,104)	(1,070)	(519)	(1,039)
TOTAL PERSONNEL EXPENSES	**(148,547)**	**(129,366)**	**(65,303)**	**(122,443)**

For the year ended December 31, 2015, the Group recorded accrued income of €4.0 million (2014: €4.1 million and 2013: €1.2 million) related to the CICE tax credit (introduced in France in 2013 to encourage competitiveness and employment). This income is accrued under personnel expenses items.

The average number of full-time employees (FTE) is 4134 for 2015 (excluding Mekong Furniture).

Note 13. External expenses

External expenses are broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Energy	(14,093)	(12,447)	(6,124)	(11,774)
Eco-contribution	(1,392)	(1,165)	(619)	(619)
Leases and related expenses	(85,460)	(78,596)	(36,913)	(70,262)
Rental	(5,304)	(4,444)	(2,083)	(4,101)
Repairs and maintenance	(10,265)	(9,445)	(4,407)	(8,618)
Insurance	(1,469)	(1,437)	(747)	(1,344)
Temporary staff	(10,777)	(5,860)	(2,578)	(6,824)
Advertising & marketing	(24,078)	(27,981)	(11,622)	(20,234)
Fees	(12,159)	(9,845)	(3,847)	(6,990)
Transportation	(65,356)	(58,144)	(27,403)	(53,330)
Post & Telecom	(4,442)	(3,787)	(1,532)	(3,000)
Travel & meeting expenses	(5,887)	(5,475)	(2,577)	(5,446)
Bank services	(4,382)	(2,766)	(1,894)	(3,536)
Taxes other than on income	(10,274)	(9,744)	(3,784)	(8,072)
Other external expenses	(932)	(657)	(417)	(771)
TOTAL EXTERNAL EXPENSES	**(256,269)**	**(231,793)**	**(106,547)**	**(204,921)**

Other external expenses are made up of insignificant amounts if taken individually.

Note 14. Other income and expenses from operations

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

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Pre-opening expenses	(3,439)	(2,633)	(1,062)	(1,919)
Gains and losses on disposals (1)	(450)	(2,031)	(193)	(631)
Commercial disputes & losses	(801)	(1,437)	(1,153)	(1,482)
Leases & related expenses (1)	(351)	(407)	(125)	(535)
Other income and expenses from operations	(123)	(326)	(55)	(134)
TOTAL OTHER INCOME/(EXPENSES) FROM OPERATIONS - NET	**(5,164)**	**(6,834)**	**(2,588)**	**(4,702)**

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

Other income and expenses are made up of insignificant amounts if taken individually.

Note 15. Other operating income and expenses

Other operating income and expenses are broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Gains and losses on disposals (1)	-	(4)	(47)	(401)
Provision for closure of store (1)	387	(2,030)	-	1,096
Deal related costs	-	-	(550)	**(1,339)**
Business acquisition costs	-	-	(10,684)	(10,684)
Reorganization costs	(1,006)	-	-	-
Other operating income and expenses	-	(20)	-	-
TOTAL OTHER OPERATING INCOME/(EXPENSES) - NET	**(619)**	**(2,053)**	**(11,281)**	**(11,327)**

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

Note 16. Finance income and expenses

Finance income and expenses are broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Revenue from cash and cash equivalents	127	106	87	385
Interests on bond loans	(29,250)	(29,250)	(12,188)	(29,250)
Issuance fees on Bond	(2,493)	(2,246)	(890)	(2,136)
Interests on loans, including RCF	(1,187)	(1,249)	(472)	(1,292)
Issuance fees on RCF	(713)	(1,383)	(281)	(534)
Interests on loans - previous LBO	-	-	(2,166)	-
Issuance fees on previous LBO financing	-	-	(2,342)	-
Interests on bank overdrafts	(33)	(21)	(11)	(14)
Interests on PECS	(36,110)	(32,816)	(12,677)	(31,543)
Cost of net debt	***(69,659)***	***(66,859)***	***(30,941)***	***(64,385)***
Finance lease	(93)	(132)	(85)	(179)
Exchange gains and losses	373	70	8	0
Commission costs	(1,317)	(971)	(220)	(337)
Other financial income and expenses	10	(71)	(35)	(182)
TOTAL FINANCIAL PROFIT (LOSS) - NET	**(70,686)**	**(67,962)**	**(31,269)**	**(65,082)**

Other finance income and expenses are made up of insignificant amounts if taken individually.

Note 17. Income tax

Income tax is broken down as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***
Current income tax	(6,922)	(5,011)	(2,465)
Deferred income tax	(1,245)	(4,981)	5,156
TOTAL INCOME TAX EXPENSE	**(8,167)**	**(9,991)**	**2,691**

The reconciliation between the income tax and the profit (loss) before tax for the years ended December 31, 2014 and 2015 is as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***
Profit (loss) for the period	(13,923)	(6,324)
Less share of profit of equity-accounted investees	80	21
Less income tax expense	(8,167)	(9,991)
Profit (loss) of consolidated companies before income tax	***(5,836)***	***3,646***
Theoretical tax rate (*)	29%	29%
Theoretical income tax income (expense)	***(1,705)***	***1,065***
Difference in income tax rates in other countries	7	673
Utilisation of previously unrecognised tax losses	(305)	(57)
Tax losses for which no deferred income tax asset was recognised	3,737	3,577
CVAE & IRAP tax	2,837	2,488
Impact of tax credits	(1,750)	(1,183)
Impact of permanent differences	5,346	3,428
ACTUAL INCOME TAX EXPENSE	**8,167**	**9,991**

(*) The theoretical tax rate is the one applicable in the country where Magnolia (BC) Midco S.à.r.l. is established, i.e. in Luxembourg.

The tax effects relating to other comprehensive income (loss) are as follows:

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***
Currency translation differences	-	-	-
Income tax relating to items that may be subsequently reclassified to profit or loss	-	-	-
Tax on actuarial gains (losses) on retirement benefit obligations	(45)	149	(1)
Income tax relating to items that will not be subsequently reclassified to profit or loss	***(45)***	***149***	***(1)***
TOTAL INCOME TAX ON OTHER COMPREHENSIVE INCOME (LOSS)	**(45)**	**149**	**(1)**

Note 18. Earnings per share

18.1. Basic earnings per share

(In thousands of euros, unless otherwise stated)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***	**Year ended December 31, 2013** ***Pro forma***
Profit (loss) for the period attributable to owners of the parent	(13,923)	(6,324)	(16,374)	(34,094)
Weighted average number of ordinary shares *(in thousands)*	55,450	55,450	39,437	55,450
TOTAL BASIC EARNINGS PER SHARE	**(0.25)**	**(0.11)**	**(0.42)**	**(0.61)**

18.2. Diluted earnings per share

As Luxco 3 did not issue any dilutive instruments for the years ended December 31, 2015 and December 31, 2014 and for the period from June 10, 2013 to December 31, 2013, diluted earnings per share equal to basic earnings per share for all the periods presented.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 19. Goodwill

19.1. 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 of euros)	**January 1, 2015**	**Additions**	**Disposals**	**Impairment**	**Exchange rate differences**	**December 31, 2015**
France	240,949	-	-	-	-	240,949
International	80,234	-	-	-	-	80,234
TOTAL	**321,183**	**-**	**-**	**-**	**-**	**321,183**

(In thousands of euros)	**January 1, 2014** ***Restated***	**Additions**	**Disposals**	**Impairment**	**Exchange rate differences**	**December 31, 2014** ***Restated***
France	240,703	246	-	-	-	240,949
International	80,234	-	-	-	-	80,234
TOTAL	**320,937**	**246**	**-**	**-**	**-**	**321,183**

(In thousands of euros)	**Business combination - Acquisition of MDM Group**	**Other additions**	**Disposals**	**Impairment**	**Exchange rate differences**	**December 31, 2013** ***Restated***
France	240,703	-	-	-	-	240,703
International	80,234	-	-	-	-	80,234
TOTAL	**320,937**	**-**	**-**	**-**	**-**	**320,937**

19.2. Impairment tests for goodwill and other assets

a) Cash-generating unit (CGU)

Impairment tests are performed at the level of the cash-generating unit. Goodwill is allocated at the geographical area-level (France and International). Each geographical area represents a group of CGUs, each CGU representing a furniture store or web store.

b) Valuation by the discounted cash flows method

The core assumptions used to determine the recoverable amount of an asset or a CGU or a group of CGUs are consistent with those used to prepare the Group's business plans and budgets approved by management. Assumptions reflect past experience and also take into account information from external sources such as sector growth forecasts and forecasts concerning geopolitical and macro-economic developments in the related CGU's.

Main drivers of the business plan are the sales growth and the gross margin variance.

The sales growth is made up of the followings:

- Like-for-like growth that is the result of both the work done on the collections and the optimization of the two channels: stores and web.
- 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 of capital.

Key assumptions used for value-in-use calculations as of December 31, 2015:

	Discount factor (WACC)	**Average growth rate over the 5 year period**	**Terminal value growth rate**
France	10.0%	7.2%	1.5%
International	10.2%	21.2%	1.5%
TOTAL	**10.1%**	**13.1%**	**1.5%**

Average growth rate used for the impairment test is on a like-for-like basis.

Sensitivity to variations of the discount factor (WACC)

The carrying value of the CGU France would get higher than the recoverable amount if the discount factor related to France increased by more than 560 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the discount factor related to International increased by more than 800 basis points.

Sensitivity to variations of the terminal value growth rate

The carrying value of the CGU France would get higher than the recoverable amount if the terminal value growth rate related to France decreased by more than 1,160 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the terminal value growth rate related to International decreased by more than 1,800 basis points.

Sensitivity to variations of the exchange rate EUR/USD

The sensitivity analysis presented below is based on the assumption of an increasing purchase price in euros without any mechanism to balance this effect.

The carrying value of the CGU France would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 0.92.

The carrying value of the CGU International would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 0.94.

No impairment loss was recorded for 2013, 2014 and 2015.

Note 20. Other intangible assets

20.1. Detail of Other intangible assets

(In thousands of euros)	**Brand, trademarks, licenses, patents**	**Commercial leasehold rights**	**Internally generated software development costs**	**Other**	**TOTAL**
Business combination - acquisition of MDM Group	207,767	26,579	1,374	1,386	237,105
Other business acquisitions	-	-	-	-	-
Additions	859	672	227	(317)	1,441
Disposals	(12)	(718)	-	(6)	(737)
Amortisation charge	(496)	(116)	(193)	(105)	(910)
Impairment (charge)/release	-	418	-	-	418
CARRYING AMOUNT AS OF DECEMBER 31, 2013 – *Restated*	**208,118**	**26,834**	**1,408**	**957**	**237,317**
					-
Carrying amount as of January 1, 2014	208,118	26,834	1,408	957	237,317
Additions	1,335	1,735	622	284	3,976
Disposals	(19)	(1,171)	-	(728)	(1,918)
Amortisation charge	(1,131)	(212)	(628)	(185)	(2,156)
Impairment (charge)/release	-	(409)	-	-	(409)
CARRYING AMOUNT AS OF DECEMBER 31, 2014 – *Restated*	**208,303**	**26,778**	**1,402**	**329**	**236,811**
Carrying amount as of January 1, 2015	208,303	26,778	1,402	329	236,811
Additions	1,249	3,350	893	192	5,684
Disposals	(24)	(406)	-	(206)	(636)
Amortisation charge	(1,174)	(330)	(746)	(132)	(2,382)
Impairment (charge)/release	-	2,563	-		2,563
CARRYING AMOUNT AS OF DECEMBER 31, 2015	**208,354**	**31,955**	**1,549**	**183**	**242,040**

20.2. Impairment of “Maisons du Monde” brand

The carrying value of the brand would get higher than its recoverable amount if the discount rate increases more than 250 basis points. The carrying value of the brand would get higher than its recoverable amount if the growth rate to infinity was decreased by more than 430 basis points.

Note 21. Property, plant and equipment

(In thousands of euros)	**Constructions**	**Technical installations, industrial equipement and machinery**	**Other property, plant and equipment**	**Fixed assets under construction**	**TOTAL**
Business combination - acquisition of MDM Group	60,032	7,341	19,844	3,354	90,571
Other business acquisitions	-				-
Additions	12,684	854	5,971	(1,629)	17,881
Disposals	(1,902)	(65)	(793)	(228)	(2,988)
Amortisation charge	(4,266)	(1,017)	(2,360)	-	(7,642)
Impairment (charge)/release	(87)	14	138	-	64
CARRYING AMOUNT AS OF DECEMBER 31, 2013 – *Restated*	**66,461**	**7,128**	**22,800**	**1,497**	**97,885**
					-
Carrying amount as of January 1, 2014	66,461	7,128	22,800	1,497	97,885
Additions	17,911	2,211	8,445	2,372	30,940
Disposals	(5,593)	(887)	(1,973)	(1,341)	(9,794)
Amortisation charge	(8,266)	(1,372)	(4,873)	-	(14,511)
Impairment (charge)/release	284	9	93	-	387
CARRYING AMOUNT AS OF DECEMBER 31, 2014 – *Restated*	***70,797***	***7,089***	***24,492***	***2,528***	***104,906***
Carrying amount as of January 1, 2015	70,797	7,089	24,492	2,528	104,906
Additions	22,250	1,395	11,555	2,555	37,755
Disposals	(4,538)	(263)	(2,040)	(2,130)	(8,972)
Amortisation charge	(9,761)	(1,145)	(6,211)	-	(17,117)
Impairment (charge)/release	168	-	-	-	168
CARRYING AMOUNT AS OF DECEMBER 31, 2015	***78,916***	***7,076***	***27,795***	***2,952***	***116,740***

Technical installations, industrial equipment and machinery mainly and also other property, plant and equipment include the following amounts where the Group is a lessee under a finance lease:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Cost-capitalised finance lease	7,036	6,872	7,330
Accumulated depreciation	(5,102)	(3,822)	(3,192)
NET BOOK VALUE	**1,934**	**3,050**	**4,138**

Note 22. Equity-accounted investees

Set out below are the joint-ventures of the Group as of December 31, 2015.

Name of the entity	**Place of business**	**% ownership interest**	**Nature of relationship**
Chin Chin Limited	Hong-Kong	50%	Holding Company located in Hong-Kong
Shanghai Chin Chin Furnishing	China	50%	Furniture manufacturing located in China

Both 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 Chin Chin Limited and Shanghai Chin Chin Furnishing.

Set out below are the summarised financial information for Chin Chin Limited and Shanghai Chin Chin Furnishing which are accounted for using the equity method.

a) Summarised statement of financial position

(In thousands of euros)	**Chin Chin Limited**			**Shanghai Chin Chin Furnishing**			**TOTAL**		
	Dec. 31, 2015	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**
Cash and cash equivalents (excluding bank overdrafts)	-	16	31	1,709	555	462	1,709	571	492
Other current assets	385	342	298	6,741	12,334	9,381	7,126	12,676	9,678
Total current assets	***385***	***359***	***328***	***8,450***	***12,889***	***9,842***	***8,835***	***13,247***	***10,171***
Financial liabilities (excluding trade and other current payables)	-	-	-	4,460	3,905	3,632	4,460	3,905	3,632
Other current liabilities (including trade and other current payables)	1,438	1,288	1,140	9,082	13,689	10,669	10,520	14,978	11,809
Total current liabilities	***1,438***	***1,288***	***1,140***	***13,542***	***17,594***	***14,301***	***14,980***	***18,882***	***15,441***
Non-current assets	-	-	-	***6,441***	***5,835***	***5,413***	***6,441***	***5,835***	***5,413***
Total non-current liabilities	-	-	-	-	-	-	-	-	-
NET ASSETS	**(1,053)**	**(930)**	**(811)**	**1,348**	**1,130**	**954**	**295**	**200**	**143**

b) Selected financial information on the statement of comprehensive income

	Chin Chin Limited			Shanghai Chin Chin Furnishing			TOTAL		
(In thousands of euros)	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Dec. 31, 2015**	**Dec. 31, 2014**	**Dec. 31, 2013**
Selected financial information on the income statement:									
Revenue	-	-	-	14,836	17,245	13,434	14,836	17,245	13,434
Depreciation and amortisation	-	-	-	563	(463)	(443)	563	(463)	(443)
Interest income	4	3	3	21	1	87	25	4	90
Interest expense	-	(0)	(0)	(422)	(373)	(320)	(422)	(373)	(320)
Income tax	-	-	-	(156)	(56)	(143)	(156)	(56)	(143)
The profit / (loss) for the period, OCI and total comprehensive income (loss) is as follows:									
Profit / (loss) for the period	(5)	(7)	(34)	166	48	(2,448)	161	41	(2,482)
Other comprehensive income (loss), net of tax	-	-	-		-	-	-	-	-
Total comprehensive income (loss)	***(5)***	***(7)***	***(34)***	***166***	***48***	***(2,448)***	***161***	***41***	***(2,482)***

The information above 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).

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 Furnishing**			**TOTAL**		
(In thousands of euros)	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Opening net assets January, 1	***(107)***	***(86)***		***269***	***236***		***162***	***150***	
Business acquisition of MDM Group	-	-	(59)	-	-	2,729	-	-	2,670
Profit / (loss) for the period	(5)	(7)	(34)	166	48	(2,448)	161	41	(2,482)
Other comprehensive income (loss)	(57)	(14)	6	6	(15)	(45)	(52)	(29)	(39)
Closing net assets	***(169)***	***(107)***	***(86)***	***441***	***269***	***236***	***271***	***162***	***150***
Interest in joint venture at 50%	(85)	(53)	(43)	220	135	118	136	82	75
Goodwill	-	-	-		-	-	-	-	-
CARRYING VALUE	**(85)**	**(53)**	**(43)**	**220**	**135**	**118**	**136**	**82**	**75**

Note 23. Other non-current financial assets

(In thousands of euros)	December 31, 2015	December 31, 2014 *Restated*	December 31, 2013 *Restated*
Equity securities (1)	2,295	2,278	2,249
Loans	2	2	2
Other financial assets (2)	12,308	10,255	10,076
Advances and payments on property, plant and equipment	1,893	797	585
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**16,499**	**13,330**	**12,912**

(1) Equity securities correspond to shares in Economic Interest Groups (Groupements d'Intérêt Economique) acquired at opening of retail stores.

(2) Other financial assets relate mainly to securities deposits and guarantees paid or granted to the lessor of the retail store.

Note 24. Deferred income tax assets and liabilities

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

(In thousands of euros)	December 31, 2015	December 31, 2014 *Restated*	December 31, 2013 *Restated*
Deferred income tax assets	15,904	17,334	22, 461
Deferred income tax liabilities	74,789	74,929	74,996
TOTAL DEFERRED INCOME TAX ASSET/(LIABILITIES) - NET	**(58,884)**	**(57,595)**	**(52,535)**

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 tables below:

(In thousands of euros)	Brand	Tax losses	Temporary differences	Hedging instruments	Commercial leasehold rights	Step/ Free rents	Others	Total
December 31, 2013	**(71,088)**	**12,095**	**1,609**	**2,253**	**2,875**	**2,305**	**(2,584)**	**(52,535)**
Change in P&L	-	3,737	(679)	(9,611)	144	575	853	(4,981)
Change in equity	-	-	-	-	-	-	149	149
Perimeter effect	-	-	-	-	-	-	(228)	(228)
December 31, 2014	**(71,088)**	**15,832**	**930**	**(7,358)**	**3,019**	**2,880**	**(1,810)**	**(57,595)**
Change in P&L	-	(1,862)	1,415	(945)	(276)	524	(100)	(1,244)
Change in equity	-	-	-	-	-	-	(45)	(45)
December 31, 2015	**(71,088)**	**13,970**	**2,345**	**(8,303)**	**2,743**	**3,404**	**(1,956)**	**(58,884)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group recognised a deferred income tax asset on losses available for carry forward. A tax planning has been prepared to document the use of this deferred income tax asset within a reasonable period of time.

Tax losses carried forward are detailed in the table below:

(In thousands of euros)	France (tax consolidation)	Germany	Spain	Luxembourg	Vietnam	**Total loss carryforwards**	***of which not recognized***
Loss carryforwards until							
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
> 2020	-	-	-	-	-	-	-
Loss carryforwards indefinitely	38,724	1,962	179	34,085	-	74,950	-
Total loss carryforwards 2015	**38,724**	**1,962**	**179**	**34,085**	**-**	**74,950**	***34,085***
Of which not recognized	-	-	-	*34,085*	-	*34,085*	***n.a***
Total loss carryforwards 2014	**44,336**	**1,846**	**854**	**21,290**	**440**	**68,766**	***21,730***
Of which not recognized	-	-	-	*21,290*	*440*	*21,730*	***n.a***
Total loss carryforwards 2013	**33,369**	**148**	**1,717**	**9,189**	**299**	**44,722**	***9,488***
Of which not recognized	-	-	-	*9,189*	*299*	*9,488*	***n.a***

Note 25. Inventories

Inventories are broken down as follows:

	December 31, 2015		
(In thousands of euros)	**Gross value**	**Provision**	**Carrying amount**
Packaging and supplies	1,587	-	1,587
Semi-finished products	726	-	726
Merchandise	99,949	-	99,949
TOTAL INVENTORIES	**102,262**	**-**	**102,262**

(In thousands of euros)	December 31, 2014 *Restated* Gross value	Provision	Carrying amount
Packaging and supplies	1,819	-	1,819
Semi-finished products	371	-	371
Merchandise	105,231	-	105,231
TOTAL INVENTORIES	**107,421**	**-**	**107,421**

(In thousands of euros)	December 31, 2013 *Restated* Gross value	Provision	Carrying amount
Packaging and supplies	1,947	-	1,947
Semi-finished products	312	-	312
Merchandise	82,674	-	82,674
TOTAL INVENTORIES	**84,933**	**-**	**84,933**

The absence of provision is explained by the depletion of inventory at a price higher than cost.

Note 26. Trade and other receivables

Trade and other receivables are broken down as follows:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Trade receivables	11,037	10,712	10,675
Impairment of receivables	(1,715)	(654)	(788)
Trade receivables – net	***9,322***	***10,058***	***9,887***
Advances paid to suppliers	11,362	7,255	6,938
Receivables from suppliers	1,921	678	2,601
Taxes and duties (VAT, Business Tax, etc.)	8,255	9,253	6,233
Other receivables	1,197	763	801
Prepaid expenses	13,865	13,644	6,085
Other receivables	***36,599***	***31,593***	***22,658***
TOTAL TRADE AND OTHER RECEIVABLES	**45,922**	**41,651**	**32,544**

All receivables have a maturity date shorter than one year.

Prepaid expenses are mainly made up of ”pas-de-porte“ (€1.2 million as of December 31, 2015, €2.1 million as of December 31, 2014 and €1.0 million as of December 31, 2013), next quarter’s rents (€7.4 million as of December 31, 2015, €6.9 million as of December 31, 2014 and €1.2 million as of December 31, 2013) and next year catalogues related expenses (€2.5 million as of December 31, 2015, €1.6 million as of December 31, 2014 and €1.2 million as of December 31, 2013).

Note 27. Other current financial assets

Other current financial assets are broken down as follows:

(In thousands of euros)	December 31, 2015	December 31, 2014 *Restated*	December 31, 2013 *Restated*
Receivables from related parties	524	392	633
Depreciation	-	-	-
TOTAL OTHER CURRENT FINANCIAL ASSETS	**524**	**392**	**633**

Note 28. Derivative financial instruments

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

(In thousands of euros)	December 31, 2015		December 31, 2014 *Restated*		December 31, 2013 *Restated*	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	23,840	-	19,730	-	-	3,214
Accumulated Boost Forward Contracts	274	-	1,640	-	-	3,330
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	**24,114**		**21,371**	**-**	**-**	**6,543**

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 $392.1 million as of December 31, 2015, $293.7 million as of December 31, 2014 and $231.7 million as of December 31, 2013.

For the periods ended December 31, 2013, 2014 and 2015, the Group does not apply hedge accounting. 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 current operating profit before other operating income and expenses.

Note 29. Cash and cash equivalents

Cash and cash equivalents (excluding bank overdrafts) are broken down as follows:

(In thousands of euros)	December 31, 2015	December 31, 2014 *Restated*	December 31, 2013 *Restated*
Cash at bank and in hand	76,398	38,678	16,754
Short term investments & cash equivalent	-	171	48,047
TOTAL CASH AND CASH EQUIVALENTS (EXCLUDING BANK OVERDRAFTS)	**76,398**	**38,849**	**64,801**

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. There is no restricted cash.

Bank overdrafts are presented as borrowing in “Current liabilities”.

Note 30. Share capital and share premium

(In thousands of euros, unless otherwise stated)	**Number of shares *(in thousands)***	**Share Capital**	**Share premium**	**TOTAL**
As of June 10, 2013 (date of incorporation)	31	31		31
Cancelled on August 7, 2013	(31)	(31)		(31)
Issued on August 7, 2013	21,308	2,131	19,177	21,308
Issued on August 9, 2013	34,142	3,414	30,728	34,142
AS OF DECEMBER 31, 2013 - *Restated*	**55,450**	**5,545**	**49,905**	**55,450**
Variation during the year	-	-	-	-
AS OF DECEMBER 31, 2014 - *Restated*	**55,450**	**5,545**	**49,905**	**55,450**
Variation during the year	-	-	-	-
AS OF DECEMBER 31, 2015	**55,450**	**5,545**	**49,905**	**55,450**

Luxco 3 was incorporated on June 10, 2013 with a share capital of 31,000 shares of €1 each.

On August 7, 2013, the sole shareholder elected to change the nominal value of the shares of Luxco 3 from €1 to €0.10 per share. In order to complete the above step, Luxco 3 cancelled its existing share capital, thus reducing it to € nil.

The sole shareholder of Luxco 3 also elected to increase the share capital of Luxco 3 by an amount of €2,130,780 in order to raise it up to €2,130,780 through the issuance of 21,307,800 shares, having a par value of €0.10 each.

The cash contribution of €21,307,800 for the new shares was allocated as follows: €2,130,780 allocated to the share capital and €19,177,020 allocated to the share premium account.

On August 9, 2013, the sole shareholder decided to increase the share capital of Luxco 3 by an amount of €3,414,220 in order to raise it from its current amount of €2,130,780 up to €5,545,000 through the issuance of 34,142,200 shares, having a par value of €0.10 each.

The new shares were subscribed and paid up by the sole shareholder by contributions in kind and a contribution in cash having an aggregate value of €34,142,200. The total value of the contribution was allocated as follows: €3,414,220 allocated to the share capital and €30,727,980 allocated to the share premium account.

All the shares classified as equity instruments are ordinary shares.

Note 31. Net debt and Borrowings and other financial debts

31.1. Net debt

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Non-current borrowings and other financial debts	692,274	654,784	621,425
Current borrowings and other financial debts	26,797	25,492	32,713
Cash and cash equivalents (excluding bank overdrafts)	(76,398)	(38,849)	(64,801)
TOTAL NET DEBT	**642,674**	**641,427**	**589,338**

Cash and cash equivalents are disclosed in Note 29.
Refer to sections below for the details of current and non-current borrowings and other financial debts.

31.2. Details of borrowings and other financial debts

Borrowings and other financial debts are broken down as follows:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Non-current borrowings and other financial debts			
High Yield Bond *(see a)*	325,000	325,000	325,000
Issuance fees related to High Yield Bond *(see a)*	(12,567)	(15,464)	(17,933)
Issuance fees related to RCF *(see b)*	(1,858)	(2,573)	(3,286)
Loans and debt contracted with credit institutions :			
- Finance leases	819	1,785	2,862
Deposits	390	255	545
PECs *(see c)*	380,490	345,781	314,237
Total non-current borrowings and other financial debts	***692,274***	***654,784***	***621,425***
Current borrowings and other financial debts			
Accrued interests on High Yield Bond *(see a)*	12,106	12,106	12,188
Issuance fees related to High Yield Bond *(see a)*	(2,856)	(2,493)	(2,252)
Revolving Credit Facility *(see b)*	130	102	7,195
Issuance fees related to RCF *(see b)*	(733)	(713)	(713)
Loans and debt contracted with credit institutions :			
- Finance leases	1,176	1,331	1,335
- Bank overdrafts	1,625	1,209	2,284
Accrued interests on PECs *(see c)*	15,349	13,949	12,677
Total current borrowings and other financial debts	***26,797***	***25,492***	***32,713***
TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS	**719,071**	**680,276**	**654,138**

a) <u>High Yield Bond</u>

On July 31, 2013, the Group issued Senior Secured Notes for an amount of €325,000,000 (the "Notes"). The Notes are repayable on August 1, 2020. The Notes bears interest at a rate of 9%. Issuance costs amounted to €21,111,940. The effective interest rate is therefore 10.58% per annum. The Notes are listed on the Irish stock exchange.

b) <u>Revolving Credit Facility</u>

On September 6, 2013, the Group entered into a Revolving Credit Facility with Natixis for a total amount of €60,000,000 (the "RCF"). The interest on RCF is payable six months after the issuance of the RCF and subsequently payable six months after the initial payment date on the annual payment date. The RCF bear interest at a rate of Euribor 1, 3 or 6 months + 4% margin. Issuance costs amounted to €4,279,882.

The Revolving Credit Facility Agreement includes a financial covenant requiring the Drawn Super Senior Leverage Ratio not to exceed 1.30:1. The Drawn Super Senior Leverage Ratio is calculated based on the ratio of consolidated total net drawn debt under the Revolving Credit Facility Agreement to consolidated EBITDA in respect of any twelve-month testing period. The financial covenant is calculated and tested annually on a rolling twelve-month basis by reference to our annual consolidated financial statements. Subject to certain conditions, the Parent has three equity cure rights in respect of the financial covenant. As of December 31, 2015, the Group is not in breach of this financial covenant.

c) <u>PECs</u>

In August 2013, Luxco 3 issued Preferred Equity Certificates (the "PECs") to Magnolia (BC) Luxco S.C.A. for a total amount of €314,237,200. The PECs 1 are repayable on August 7, 2043. Interest on the PECs 1 is payable twelve months after the issuance of the PECs and subsequently payable twelve months after the initial payment date on the annual payment date. Interest not paid is capitalized. The PECs 1 bears interest at a rate of 10.0381% per annum.

31.3. Currency of borrowings and other financial debts

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Euro	719,071	680,276	654,138
TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS	**719,071**	**680,276**	**654,138**

31.4. Fixed rate vs. variable rate

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Floating rate	130	102	7,195
Fixed rate	718,941	680,174	646,944
TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS	**719,071**	**680,276**	**654,138**

Floating rate only relates to principal and interests on RCF.

Note 32. 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.

The amounts recognised in the consolidated statement of financial position are determined as follows:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
DEFINED BENEFIT OBLIGATION	4,655	3,738	2,230

The movements in the defined benefit obligation over the years presented are as follows:

(In thousands of euros)	**Defined benefit obligation**
Business combination / acquisition of MDM Group	***1,755***
Current service cost	519
Interest expense/(income)	22
Total expense/(income)	***541***
Actuarial (gains) and losses	(5)
Total remeasurements	***(5)***
Employer contributions	(61)
Total payments	***(61)***
Exchange differences	-
Acquired in another business combination	-
Reclassification	-
AS OF DECEMBER 31, 2013 - *Restated*	**2,230**

Current service cost	1,070
Interest expense / (income)	72
Total expense / (income)	***1,142***
Actuarial (gains) and losses	487
Total remeasurements	***487***
Employer contributions	(121)
Plan participant contributions	-
Benefits payments	-
Total payments	***(121)***
Exchange differences	-
Acquired in another business combination	-
Reclassification	-
AS OF DECEMBER 31, 2014 - *Restated*	**3,738**
Current service cost	1,104
Interest expense / (income)	85
Total expense / (income)	***1,189***
Actuarial (gains) and losses	(121)
Total remeasurements	***(121)***
Employer contributions	(151)
Total payments	***(151)***
Exchange differences	-
Acquired in another business combination	-
Reclassification	-
AS OF DECEMBER 31, 2015	**4,655**

The defined benefit obligations are broken down by country as follows:

(In thousands of euros)	**Defined benefit obligation**		
	France	**Italy**	**Total**
As of December 31, 2013 - *Restated*	1,042	1,188	**2,230**
As of December 31, 2014 - *Restated*	1,520	2,218	**3,738**
As of December 31, 2015	1,622	3,033	**4,655**

The significant actuarial assumptions were as follows:

	December 31, 2015		December 31, 2014		December 31, 2013	
	France	**Italie**	**France**	**Italie**	**France**	**Italie**
Discount rate	2.20%	1.94%	1.80%	1.80%	2.50%	3%
Turnover rate	4,00% to 15,70%	10%	4,00% to 15,70%	10.00%	0,00% to 5,00%	NC
Mortality rate	INSEE 2009-2011	IPS55	INSEE 2006-2008	IPS55+P71:S71	TF 2000-2002	NC
Estimated future salary increase	1,50% to 2,50%	1.5%	1,50% to 2,50%	1.50%	2.50%	NC
Probable retirement age	62-64	68	62-64	68	62	NC

Turnover rates for France for the years ended December 31, 2015 and 2014 is based on internal statistics over the last 3 years per entity, age category and executive / non-executive variance compared to the average rates per executive / non-executive variance for the year ended December 31, 2013.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions holding other assumptions would have affected the defined benefit obligation as of December 31, 2015 by the amounts shown below:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(380)	415

Estimated cash out for next year: €278 thousand.

As of December 31, 2015, the average duration of the Group's benefit obligation was 17 years (17 years as of December 31, 2014).

Note 33. Provisions

(In thousands of euros)	**Business combination / acquisition of MDM Group**	**Additional provisions**	**Unused amounts reversed**	**Amounts used during the year**	**December 31, 2013** ***Restated***
Provisions for commercial disputes	1,821	578	(850)	(455)	**1,093**
Provisions for labor disputes	520	245	(93)	(58)	**615**
Provision for rent of closed retail stores & commercial leases	169	713	-	(23)	**859**
Tax Provisions	486	666	-	-	**1,152**
TOTAL PROVISIONS	**2,996**	**2,203**	**(943)**	**(536)**	**3,720**

(In thousands of euros)	**January 1, 2014** ***Restated***	**Additional provisions**	**Unused amounts reversed**	**Amounts used during the year**	**December 31, 2014** ***Restated***
Provisions for commercial disputes	1,093	250	(286)	(150)	**908**
Provisions for labor disputes	615	720	(114)	(172)	**1,049**
Provision for rent of closed retail stores & commercial leases	859	230	-	(746)	**342**
Tax Provisions	1,152	77	(385)	(219)	**625**
TOTAL PROVISIONS	**3,720**	**1,277**	**(785)**	**(1,288)**	**2,923**

(In thousands of euros)	**January 1, 2015**	**Additional provisions**	**Unused amounts reversed**	**Amounts used during the year**	**December 31, 2015**
Provisions for commercial disputes	908	865	(689)	(276)	**808**
Provisions for labor disputes	1,049	684	(416)	(375)	**942**
Provision for rent of closed retail stores & commercial leases	342	120		(357)	**105**
Tax Provisions	625	71	(3)	(253)	**440**
TOTAL PROVISIONS	**2,923**	**1,740**	**(1,108)**	**(1,261)**	**2,295**

Analysis of total provisions:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Non-current provisions	2,194	2,694	2,989
Current provisions	101	229	730
TOTAL PROVISIONS	**2,295**	**2,923**	**3,720**

Note 34. Trade and other payables

Trade and other payables are broken down as follows:

(In thousands of euros)	**December 31, 2015**	**December 31, 2014** ***Restated***	**December 31, 2013** ***Restated***
Trade payables	72,454	59,437	44,331
Advance payments received on orders in progress	18,630	14,274	12,150
Social security and other taxes	44,799	33,005	36,814
Amounts payable on fixed assets and related accounts	6,101	5,581	3,195
Deferred revenue	9,829	7,304	10,626
TOTAL TRADE AND OTHER PAYABLES	**151,812**	**119,601**	**107,117**

Deferred revenue mainly includes goods not delivered.

Note 35. Financial instruments

35.1. Financial instruments by category

(In thousands of euros)	**Loans and receivables**	**Fair value through P&L**	**TOTAL**	**Fair value**
Assets as per balance sheet - December 31, 2015				
Other non-current financial assets	16,499	-	16,499	16,499
Trade receivables	9,322	-	9,322	9,322
Other receivables (excl. Prepaid expenses and Corporate Income Tax)	22,735	-	22,735	22,735
Other current financial assets	524	-	524	524
Derivative financial instruments	-	24,114	24,114	24,114
Cash and cash equivalents (excluding bank overdrafts)	76,398	-	76,398	76,398
TOTAL	**125,477**	**24,114**	**149,591**	**149,591**

(In thousands of euros)	**Other financial liabilities at amortised costs**	**Fair value through P&L**	**TOTAL**	**Fair value**
Liabilities as per balance sheet - December 31, 2015				
Borrowings and other financial debts	719,071	-	719,071	876,788
Derivative financial instruments	-	-	-	-
Trade payables and other payables (excl. Deferred revenue)	141,983	-	141,983	141,983
Other current liabilities	5	-	5	5
TOTAL	**861,060**	**-**	**861,060**	**1,018,776**

(In thousands of euros)	**Loans and receivables**	**Fair value through P&L**	**TOTAL**	**Fair value**
Assets as per balance sheet - December 31, 2014 - *Restated*				
Other non-current financial assets	13,330	-	13,330	13,330
Trade receivables	10,058	-	10,058	10,058
Other receivables (excl. Prepaid expenses and Corporate Income Tax)	17,949	-	17,949	17,949
Other current financial assets	392	-	392	392
Derivative financial instruments	-	21,371	21,371	21,371
Cash and cash equivalents (excluding bank overdrafts)	38,849	-	38,849	38,849
TOTAL	**80,579**	**21,371**	**101,950**	**101,950**

(In thousands of euros)	**Other financial liabilities at amortised costs**	**Fair value through P&L**	**TOTAL**	**Fair value**
Liabilities as per balance sheet - December 31, 2014 - *Restated*				
Borrowings	680,276	-	680,276	853,118
Derivative financial instruments	-	-	-	-
Trade payables and other payables (excl. Deferred revenue)	112,297	-	112,297	112,297
Other current liabilities	2	-	2	2
TOTAL	**792,575**	**-**	**792,575**	**965,417**

(In thousands of euros)	**Loans and receivables**	**Fair value through P&L**	**TOTAL**	**Fair value**
Assets as per balance sheet - December 31, 2013 - *Restated*				
Other non-current financial assets	12,912	-	12,912	12,912
Trade receivables	9,887	-	9,887	9,887
Other receivables (excl. Prepaid expenses and Corporate Income Tax)	16,572	-	22,799	22,799
Other current financial assets	633	-	633	633
Derivative financial instruments	-	-	-	-
Cash and cash equivalents (excluding bank overdrafts)	64,801	-	64,801	64,801
TOTAL	**104,805**	**-**	**111,032**	**111,032**

(In thousands of euros)	**Other financial liabilities at amortised costs**	**Fair value through P&L**	**TOTAL**	**Fair value**
Liabilities as per balance sheet - December 31, 2013 - *Restated*				
Borrowings	654,138	-	654,138	642,885
Derivative financial instruments	-	6,543	6,543	6,543
Trade payables and other payables (excl. Deferred revenue)	96,490	-	96,490	96,490
Other current liabilities	2	-	2	2
TOTAL	**750,630**	**6,543**	**757,173**	**745,921**

35.2. Fair value estimation

The table below analyses financial instruments by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs that are based on observable market data, directly or indirectly
- Level 3: unobservable inputs

(In thousands of euros)	**Level 1**	**Level 2**	**Level 3**
December 31, 2015			
Derivative financial instruments (asset)	-	24,114	-
Borrowings and other financial debts	-	-	876,788
December 31, 2014 – *Restated*			
Derivative financial instruments (asset)	-	21,371	-
Borrowings and other financial debts	-	-	853,118
December 31, 2013 – *Restated*			
Derivative financial instruments (liability)	-	6,543	-
Borrowings and other financial debts	-	-	642,885

Note 36. 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 trading derivative 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.

36.1. Financial risks factors

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 entities.

A majority of the Group's purchases from suppliers and sea freight costs are denominated in U.S. 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 €24,114 thousand as of December 31, 2015, compared to €21,371 thousand as of December 31, 2014 and €(6,543) thousand as of December 31, 2013.

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.

b) 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 a large range of financial institutions. The total amount of credit facility that was not used as of December 31, 2015 is €60 million, compared to €60 million as of December 31, 2014 and €53 million as of December 31, 2013. The Revolving Credit Facility Agreement includes a financial covenant which is calculated and tested annually on a rolling twelve-month basis by reference to our annual consolidated financial statements. Subject to certain conditions, the Parent has three equity cure rights in respect of the financial covenant. As of December 31, 2015, the Group is not in breach of this financial covenant.

The tables below analyse the group's financial liabilities based on their contractual maturities:

		Contractual cash flows as of December 31, 2015			
(In thousands of euros)	**Carrying amount**	**Total**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
High Yield Bond	325,000	325,000	-	325,000	-
Interests on High Yield Bond	12,106	146,250	29,250	117,000	-
Issuance fees related to High Yield Bond	(15,423)	-	-	-	-
Revolving Credit Facility	130	130	130	-	-
Issuance fees related to RCF	(2,591)	-	-	-	-
Finance leases	1,995	1,995	1,176	819	-
PEC	380,490	380,490	-	-	380,490
Interests on PEC	15,349	5,160,024	38,236	195,181	4,926,607
Deposits	390	390	-	-	390
Bank overdraft	1,625	1,625	1,625	-	-
Total Borrowings	**719,071**	**6,015,904**	**70,417**	**638,000**	**5,307,487**
Other non current liabilities	9,752	9,752	-	3,827	5,925
Trade and other payables	151,812	151,812	151,812	-	-
Total Other liabilities	**161,564**	**161,564**	**151,812**	**3,827**	**5,925**

		Contractual cash flows as of December 31, 2014			
(In thousands of euros)	**Carrying amount**	**Total**	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
High Yield Bond	325,000	325,000	-	-	325,000
Interests on High Yield Bond	12,106	175,500	29,250	117,000	29,250
Issuance fees related to High Yield Bond	(17,957)	-	-	-	-
Revolving Credit Facility	102	102	102	-	-
Issuance fees related to RCF	(3,286)	-	-	-	-
Finance leases	3,116	3,116	1,331	1,785	-
PEC	345,781	345,781	-	-	345,781
Interests on PEC	13,949	5,194,733	34,710	177,358	4,982,666
Deposits	255	255	-	-	255
Bank overdraft	1,209	1,209	1,209	-	-
Total Borrowings	**680,276**	**6,045,697**	**66,602**	**296,143**	**5,682,952**
Other non current liabilities	8,052	8,052	-	3,330	4,722
Trade and other payables	119,601	119,601	119,601	-	-
Total Other liabilities	**127,653**	**127,653**	**119,601**	**3,330**	**4,722**

(In thousands of euros)	**Carrying amount**	**Contractual cash flows as of December 31, 2013**			
		Total	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**
High Yield Bond	325,000	325,000	-	-	325,000
Interests on High Yield Bond	12,188	204,831	29,331	117,000	58,500
Issuance fees related to High Yield Bond	(20,185)	-	-	-	-
Revolving Credit Facility	7,195	7,195	7,195	-	-
Issuance fees related to RCF	(3,999)	-	-	-	-
Finance leases	4,197	4,197	1,335	2,862	-
PEC	314,237	314,237			314,237
Interests on PEC	12,677	5,226,277	31,543	161,179	5,033,555
Deposits	545	545	-	-	545
Bank overdraft	2,284	2,284	2,284	-	-
Total Borrowings	**654,138**	**6,084,566**	**71,689**	**281,041**	**5,731,837**
Other non current liabilities	6,435	6,435	-	3,029	3,406
Trade and other payables	107,117	107,117	107,117	-	-
Derivative financial instruments	6,543	6,543	962	4,199	1,382
Total Other liabilities	**120,095**	**120,095**	**108,079**	**7,228**	**4,788**

Borrowings are all in euros.

c) Credit risk

d) Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual customers.

36.2. Fair value estimation

The following table presents the Group's financial assets and liabilities that are measured at fair value as of December 31, 2015:

	Notes	**IAS39 measurement principles**	**IFRS7 Fair value hierarchy**
Financial assets			
Derivatives financial instruments	28	Fair value	2
Trade and other receivables	26	Amortised cost	n/a
Cash and cash equivalents (excluding bank overdrafts)	29	Fair value	1
Other current/non-current financial assets	23 / 27	Amortised cost	n/a

	Notes	IAS39 measurement principles	IFRS7 Fair value hierarchy
Financial liabilities			
Borrowings and other financial debts (excluding bank overdrafts)	31	Amortised cost	n/a
Derivatives financial instruments	28	Fair value	2
Bank overdrafts	31	Fair value	1
Trade and other payables	34	Amortised cost	n/a

The fair value of the financial liabilities is included at the price that would be received to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of the Group's interest-bearing borrowings and other financial debts are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as of the end of the period. The own non-performance risk as at December 31, 2015 was assessed to be insignificant.

As of December 31, 2015, the fair value of the PECs is €538.3 million, as compared to €514.6 million as of December 31, 2014 and €312.2 million as of December 31, 2013. At maturity date, the repayment including capitalised interests will amount to €5,540.5 million.

The fair value of the High Yield Bond is €334.4 million, as compared to €333.8 million as of December 31, 2014 and €316.5 million as of December 31, 2013. At maturity date, the repayment including capitalised interests will amount to €339.6 million.

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
PEC	DCF method	Constant risk premium (6.76%)	0.1% increase (decrease) in the risk premium would result in a decrease (increase) in fair value by €13,484,952 (€13,844,346)
HY Bond	DCF method	Constant risk premium (8.99%)	0.1% increase (decrease) in the risk premium would result in a decrease (increase) in fair value by €1,133,594 (€1,139,079)

ADDITIONAL INFORMATION

Note 37. Commitments

37.1. Secured debt

The shares of Magnolia BC S.A.S., Abaco, Maisons du Monde and Maisons du Monde Italy companies are pledged. Those companies guarantee two loans:

- Senior Secured notes Bond loan issued by Magnolia BC S.A., which holds a 100% stake of Magnolia S.A.S. (€325 million loan – rate of 9% - bullet loan August 2020) ;
- Revolving Credit Facilities granted to Magnolia BC S.A., Magnolia BC S.A.S, Maisons du Monde, and Maisons du Monde Italy (maximal amount of €60 million – term August 9, 2019).

As of December 31, 2015:
- The amount of Senior Secured notes (including accrued interests) is of €337.1 million; and
- The amount of Revolving Credit Facilities (including accrued interests) is of €0.1 million.

As of December 31, 2014:
- The amount of Senior Secured notes (including accrued interests) is of €337.1 million; and
- The amount of Revolving Credit Facilities (including accrued interests) is of €0.1 million.

As of December 31, 2013:
- The amount of Senior Secured notes (including accrued interests) is of €337.2 million; and
- The amount of Revolving Credit Facilities (including accrued interests) is of €7.2 million.

37.2. 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.

The lease expenditures and related expenses charged to the income statement during the year ended December 31, 2015 amounted to €85.5 million, compared €78.6 million for the year ended December 31, 2014 and €36.9 million for the period from June 10, 2013 to December 31, 2013.

1.08% of our leases expired in 2015. Between 2016 and 2019, 22.74% of our leases will expire.

37.3. Bilateral Lending Facilities

MDM France has entered into various working capital facilities (for an aggregate amount of €10.0 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.

37.4. Letter of Credit Facilities

The Group is a party to certain letter of credit facilities (crédit documétaire) with Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Credit Agricole Corporate and Investment Bank, Natixis and Société Générale issued in favour of certain of our suppliers in the ordinary course of business. As of December 31, 2015, the group had $15.6 million aggregate amount of letters of credit issued, as compared to $21.0 million as of December 31, 2014 and $20.1 million as of December 31, 2013.

37.5. Lease Agreements

As part of our lease arrangements with landlords of certain of the premises we rent, we enter into lease guarantees in the ordinary course of business. As of December 31, 2015, we had €15.5 million of outstanding lease guarantees, as compared to €13.0 million as of December 31, 2014 and €12.2 million as of December 31, 2013.

Note 38. Transactions with related parties

38.1. Relations with the Group’s main shareholders Bain Capital

a) Acquisition process

In 2013, during the acquisition process, Bain Capital performed significant advisory and financing services and incurred expenses. These costs have been recharged to the Group as follows:

- Advisory fees and related expenses have been recorded in other operating income and expenses for €3.2 million ; and

Financing fees have been considered as part of the issuance fees on Bond for €2.6 million.

b) Consulting services agreement

Following the acquisition of MDM Group, the Group has 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.

The consulting services fees and related expenses amounted to €0.9 million in 2013, €2.5 million in 2014 and €2.9 million in 2015. These fees are recorded in external expenses.

38.2. 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 13 properties (warehouses, stores and head offices) with entities beneficially owned and controlled by Xavier Marie. The Group made arm’s length rental payments to entities beneficially owned and controlled by Xavier Marie and for the year ended December 31, 2015, the annual rent of the properties leased under the Leases was €9.9 million (compared to €11.7 million in 2014 and €11.2 million in 2013). At the end of the year ended December 31, 2015, 9 out of these 13 properties have been sold to third parties.

b) Consulting services agreements

Following the acquisition of MDM Group, the Group has entered into a consulting services agreement with Compagnie Marco Polo, an entity beneficially owned and controlled by Xavier Marie. Compagnie Marco Polo officiated as President of Magnolia (BC) SAS until September 15, 2015 and received a consideration of €0.4 million for the year ended December 31, 2015 (compared to €0.5 million in 2014 and €0.1 million for the period from June10, 2013 to December 31, 2013).

From September 15, 2015 following the appointment of Gilles Petit as CEO, the Group has entered into a new consulting services agreement with Compagnie Marco Polo. Compagnie Marco Polo officiated as Senior Advisor and received a consideration of €0.2 million for the year ended December 31, 2015.

c) Attendance fees

Some Shareholders are members of the Executive Committee and as such receive attendance fees. The total gross amount of attendance fees paid in respect of the 2015 financial year by Luxco 3 and its controlled entities to all of the Executive Committee members, excluding employer expenses, was €78 thousand, compared to €137 thousand in 2014 and to nil in 2013.

38.3. Compensation and benefits granted to key management personnel

The key management personnel are the members of the Board of Directors of Luxco 3, the members of the Supervisory Board of the Group, and the President of Magnolia (BC) SAS.

Members of the board of Directors of Luxco 3 did not receive any compensation from the Group.

Members of the Supervisory board of the Group did not receive any compensation from the Group.

The total gross amount of fixed compensation paid in respect of the 2015 financial year by Luxco 3 and its controlled entities to all of the Officers, excluding employer expenses, was €0.8 million, compared to €0.6 million in 2014 and €0.2 million for the period from June 10, 2013 to December 31, 2013.

(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014** ***Restated***	**From June 10, 2013 to December 31, 2013** ***Restated***
Short-term employment benefits	786	578	193
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Termination benefits	-	-	-
Share-based payments	-	-	-
TOTAL COMPENSATION AND BENEFITS	**786**	**578**	**193**

38.4. Relations with the joint ventures of the Group

The joint ventures of the Group are Chin Chin limited and Shanghai Chin Chin furnishing. Chin Chin Limited is a holding entity and there is no significant relation with the Group. Shanghai Chin Chin furnishing manufactures furniture mainly for the Group. Business relations between the Group and Shanghai Chin Chin are on arm's length.

(In thousands of euros)	**December 31, 2015**	**December 31, 2014 *Restated***	**December 31, 2013 *Restated***
Equity-accounted investees	136	82	75
Other current receivables (1)	2,398	2,666	2,397
Other current financial assets (2)	382	392	363

(1) Other current receivables are only made up with advances on orders with Shanghai Chin Chin.

(2) Other current financial assets are current account with Chin Chin.

Note 39. Fees paid to the statutory auditor

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 consolidated financial statements and fees for advisory and other services rendered for procedures that are directly linked to the statutory audit of the consolidated financial statements. The fees shown apply to fully consolidated subsidiaries.

	KPMG					
	Amount			%		
(In thousands of euros)	**Year ended December 31, 2015**	**Year ended December 31, 2014**	**From June 10, 2013 to December 31, 2013**	**Year ended December 31, 2015**	**Year ended December 31, 2014**	**From June 10, 2013 to December 31, 2013**
Audit						
Statutory audit fees, certification, auditing of the accounts	419	398	179	100%	100%	59%
- *Parent company*	176	82	21	42%	21%	7%
- *Subsidiaries*	243	316	158	58%	79%	52%
Ancillary assignments and services directly linked to the Statutory Auditor's mission	52	-	126	100%		41%
- *Parent company*	-	-	-	-		
- *Subsidiaries*	52	-	126	100%		41%
Sub-total	***471***	***398***	***305***	***100%***	***100%***	***100%***
Other services rendered by auditors' networks to fully-consolidated subsidiaries						
Tax	-	-	-	-	-	-
Other	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
TOTAL FEES PAID TO THE STATUTORY AUDITOR	**471**	**398**	**305**	**100%**	**100%**	**100%**

Note 40. Scope of consolidation

The table set out below provides a list of the Group's subsidiaries and shows the ownership interest of Luxco 3 in each entity as of December 31, 2015, 2014 and 2013.

Subsidiary	Activity	Country of incorporation	Consolidation method	December 31, 2015 % control	December 31, 2015 % interest	December 31, 2014 % control	December 31, 2014 % interest	December 31, 2013 % control	December 31, 2013 % interest	MDM Group
Magnolia (BC) Midco S.A.R.L.	Parent Entity - Holding Company	Luxemburg								No
Magnolia (BC) S.A.	Holding Company	Luxemburg	Full	100%	100%	100%	100%	100%	100%	No
Magnolia (BC) S.A.S.	Holding Company	France	Full	100%	100%	100%	100%	100%	100%	No
Ginkgo B. Company (1)	Holding Company	France	n/a	n/a	n/a	100%	100%	100%	100%	Yes
Abaco	Holding Company	France	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde	Retail stores selling home furnishings and decorations in France / Main buyer	France	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde Amiens (2)	Retail store selling home furnishings and decorations in Amiens - France	France	n/a	n/a	n/a	100%	100%	100%	100%	Yes
Maisons du Monde Belgium	Retail stores selling home furnishings and decorations in Belgium	Belgium	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde Spain	Retail stores selling home furnishings and decorations in Spain	Spain	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde Italy	Retail stores selling home furnishings and decorations in Italy	Italy	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde luxemburg	Retail stores selling home furnishings and decorations in Luxemburg	Luxemburg	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde germany	Retail stores selling home furnishings and decorations in Germany	Germany	Full	100%	100%	100%	100%	100%	100%	Yes
Maisons du Monde Switzerland (3)	Retail stores selling home furnishings and decorations in Switzerland	Switzerland	Full	100%	100%	100%	100%	0%	0%	Yes
Distrimag	Logistical management of warehouses and retail stores	France	Full	100%	100%	100%	100%	100%	100%	Yes
Distri-traction (4)	Container transport between harbor and warehouses	France	Full	100%	100%	100%	100%	0%	0%	Yes
Distri-Meubles (4)	Customer transport of home furnishings and decorations	France	Full	100%	100%	100%	100%	0%	0%	Yes
Chin Chin Limited	Holding Company – Hong Kong	Hong Kong	Equity Method	50%	50%	50%	50%	50%	50%	Yes
Shanghai Chin Chin	Furniture manufacturing – China	China	Equity Method	50%	50%	50%	50%	50%	50%	Yes
Mekong Furniture	Furniture manufacturing – Vietnam	Vietnam	Full	100%	100%	100%	100%	100%	100%	Yes

(1) Ginkgo B Company merged into Magnolia (BC) S.A.S. as of January 1, 2014.

(2) Maisons du Monde Amiens (Lalisse) company has been bought out at the end of February 2014. It is a non-operating company (buyback of the Amiens' local business goodwill). This entity has been merged into Maisons du Monde France retrospectively as of January 1st, 2014.

(3) Maisons du Monde Switzerland has been created at the end of March 2014 and opened its first store in October 2014.

(4) Distri-traction and Distri-meubles are two subsidiaries created by Distrimag. They started operating from the beginning of February 2014.

Logi forma, International MDM Company and International Magnolia Company are fully-owned subsidiaries without any operational activity which are not consolidated as they are not significant.

Note 41. Events after the reporting period

The Group did not identify any significant event after the reporting period that should be mentioned in these consolidated financial statements.

20.1.2 Statutory Auditor’s Report on the Group Consolidated Annual Financial Statements

Magnolia (BC) Midco S.à.r.l.

Statutory Auditor’s report on the IFRS consolidated financial statements

Period from June 10, 2013 to December 31, 2013 and years
ended December 31, 2014 and 2015
Magnolia (BC) Midco S.à.r.l.
4, rue Lou Hemmer – L-1748 Luxembourg
Reference : VB-162-307

Magnolia (BC) Midco S.à.r.l.

Registered office: 4, rue Lou Hemmer – L-1748 Luxembourg
Share capital: €.5,545,000

Statutory Auditor's report on the IFRS consolidated financial statements

Period from June 10, 2013 to December 31, 2013 and years ended December 31, 2014 and 2015

To the Board of Directors of Maisons du Monde SA (ex Magnolia BC S.A.S.),

In our capacity as statutory auditor of the company Maisons du Monde S.A. (ex Magnolia BC S.A.S.) and in accordance with Commission Regulation (EC) n°809/2004 in the context of an offer to the public and an admission of equity securities to trading on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements, of Magnolia (BC) Midco S.à.r.l., (Maisons du Monde S.A's indirect parent holding company) prepared for the purpose of the Registration Document (of Maisons du Monde S.A.) under International Financial Reporting Standards ("IFRS") as adopted by the European Union as of December 31, 2013, 2014 and 2015 and for the period from June 10, 2013 to December 31, 2013 and the years ended December 31, 2014 and 2015 (thereafter the « IFRS consolidated financial statements »).

These IFRS consolidated financial statements are the responsibility of the Board of Directors of Magnolia (BC) Midco S.à.r.l. Our role is to express an opinion on these IFRS consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selections, to obtain audit evidence about the amounts and disclosures in the IFRS consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the IFRS consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the IFRS consolidated financial statements prepared for the purpose of the Registration Document, present fairly, in all material respects, the assets and liabilities and the financial position of Magnolia (BC) Midco S.à.r.l as at December 31, 2013, 2014 and 2015, and the results of its operations for the period from June 10, 2013 to December 31, 2013 and the years ended December 31, 2014 and 2015 in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 6 "Change in accounting policies, reclassifications and restatements" to the consolidated financial statements setting out the impact of the retrospective application of IFRIC 21 "Levies" and prior misstatements and reclassifications as of December 31, 2013 and 2014 and for the period from June 10, 2013 to December 31, 2013 and the year ended December 31, 2014.

This report shall be governed by, and construed in accordance with, French law and professional standards applicable in France. The courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Nantes, 7 April 2016

The Statutory Auditor

KPMG Audit
Department of KPMG S.A.

Vincent Broyé
Partner

20.2 STATUTORY AUDITOR FEES

The fees paid to the statutory auditor of Luxco 3 for the fiscal years ended December 31, 2015, 2014 and 2013 are set forth below:

	KPMG		
(in € thousands)	*2015*	*2014*	*2013*
Statutory Audit, certification, audit of the individual company and consolidated financial statements	419	398	179
- *Magnolia (BC) Midco S.à r.l.*	176	82	21
-*Maisons du Monde SA*	243	316	158
Other procedures and services directly related to the statutory auditor assignment	52	-	126
- *Magnolia (BC) Midco S.à r.l*	-	-	-
- *Maisons du Monde SA*	52	-	126
Audit subtotal	**471**	**398**	**305**
Legal, tax and employee-related services	-	-	-
Other	-	-	-
Subtotal other services rendered by the networks to the fully consolidated subsidiaries	-	-	-
TOTAL FEES	**471**	**398**	**305**

20.3 DATE OF LATEST FINANCIAL INFORMATION

The latest financial information of the Group, which has been the subject of an audit by the statutory auditors and is included in this Registration Document, is the consolidated financial statements and report of KPMG for the fiscal year ended December 31, 2015.

20.4 DIVIDEND DISTRIBUTION POLICY

Finally, the Group intends, subject to the approval of the Company's annual shareholders' meetings, to pay dividends to its shareholders over the period equal to 30% to 40% of the consolidated net income[52] assuming all objectives described under Chapter 12, "Trend Information" of this Registration Document have been achieved. The first dividend is planned to be paid in 2017 on the basis of results of the year ended December 31, 2016, subject to the approval of the annual shareholders' meeting of the Company to be held in 2017. This objective does not constitute an undertaking by the Company. Future dividends will depend in particular on the Group's overall financial condition and any restrictions in the Company's

[52] Percentage of dividend paid in 2017 on the basis of 2016 consolidated net income assumes the Proposed Admission, the Refinancing taking place on January 1, 2016 and excludes the impact of the non-recurring cash out recorded in 2016.

debt instruments as well as any other factor considered relevant by the Company's Board of Directors.

The Company's dividend distribution policy will take into account the Company's results of operations, its financial condition, the achievement of the objectives set forth in Chapter 12, "Trend Information" of this Registration Document, as well as applicable legal restrictions.

The Group did not distribute any dividends in respect of the years ended December 31, 2013, 2014 and 2015.

20.5 LEGAL AND ARBITRATION PROCEEDINGS

The Group faces a variety of routine and ordinary course claims related to its business activities, including related to employment, product design and trademarks and in relation to contractors such as, but not limited to, service providers (related to transport and delivery or store layout) or suppliers. Like other homeware retailers, the Group sells products that are influenced by the work of various designers. As a result, from time to time, allegations of intellectual property infringement, particularly copyright and design right infringement, are made against the Group. The Group may also face ordinary course investigations or audits by tax authorities related to its business activities in the countries in which it operates. The Group notes, however, that the outcome of legal proceedings can be difficult to predict and can offer no assurance in this regard.

Below is a brief summary of the sole significant litigation pending in which the Group is currently engaged. This section does not provide a comprehensive list of all pending matters in which the Group is currently involved. As of the date of this Registration Document, the Group has no knowledge of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware, either pending or threatened) other than those described below, that could have or has had, during the last twelve months, significant impacts on the financial position or profitability of the Company or the Group. As of December 31, 2015, the Group had total provisions in the amount of €2.3 million for all manner of disputes. See also Note 33 ("Provisions") to the consolidated financial statements of Magnolia (BC) Midco S.à r.l. for the fiscal years ended on December 31, 2015, 2014 and 2013 presented in Section 20.1, "Group Consolidated Annual Financial Statements" of this Registration Document.

20.5.1 Kare Design v. Maisons du Monde France

On March 20, 2015, Kare Design filed suit against Maisons du Monde France S.A.S. in France claiming damages in excess of €1.0 million for infringement on certain Kare Design's product designs, plus an additional €500,000 for unfair competition practices and in excess of €60,000 in fees and costs. Kare Design also threatened suit in Germany. The Group subsequently removed the contested products from the German market and is currently in settlement negotiations.

20.5.2 DABAG v. Maisons du Monde France

Maisons du Monde France S.A.S. is party to a legal proceeding before the commercial court of Albi, France, that was brought in 2004 by DABAG, a contractor with whom the Group previously had a contract for the outfitting and maintenance of certain of the Group's stores in France. Following a commercial dispute regarding invoices and quality of DABAG's work, the Group terminated its contract with DABAG in November 2004 by means of a written settlement. DABAG subsequently entered insolvency proceedings in February 2005. DABAG and its court-appointed receiver subsequently brought a claim alleging that the Group did not pay for certain services rendered, that the contract was wrongfully terminated and that the negotiated settlement should be voided.

Concurrently with the commercial court procedure, the Group lodged a criminal complaint against DABAG for fraud, which led to the civil case between the parties being suspended in 2006, pending the resolution of the criminal case. In November 2013, the criminal court of Albi convicted DABAG and its managing director for false invoicing with respect to certain invoices submitted to the Group.

As of the date of this Registration Document, the civil case continues with respect to certain other invoices which DABAG maintains are legitimate. The Group believes this claim is without merit and intends to defend vigorously. The next hearing is scheduled for June 2016. The Group has not booked any provision in its financial statements in relation to this litigation.

20.6 SIGNIFICANT CHANGE IN FINANCIAL OR COMMERCIAL POSITION

To the Company's knowledge there has been no material change in the financial or commercial position of the Group since December 31, 2015 other than as described in this Registration Document.

CHAPTER 21. ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

21.1.1 Subscribed Share Capital and Authorized but Unissued Share Capital

As of the date of this Registration Document, the Company's share capital amounts to €75,540,060.54 divided into 139,889,001 shares at par value of €0.54, fully subscribed and paid-up.

21.1.2 Securities Not Representing Share Capital

As of the date of this Registration Document, the Company has not issued any securities not representing share capital.

21.1.3 Shares Controlled by the Company, Treasury Shares and Purchase by the Company of Its Own Shares

As of the date of this Registration Document, the Company does not hold any of its own shares and no shares of the Company are held by any of its subsidiaries or by any third party on its behalf.

21.1.4 Other Securities Giving Access to Share Capital

As of the date of this Registration Document, the Company has not issued any stock options or any securities giving access to its share capital.

21.1.5 Terms Governing any Right of Acquisition and/or any Obligation Attached to Subscribed but not Paid-Up Capital

None.

21.1.6 Share Capital of any company of the Group that is the Subject of an Option or of an Agreement to Put it under Option

Not applicable.

21.1.7 History of the Company's Share Capital

The Company was incorporated on June 26, 2013, with a share capital of €1.00, consisting of one share of €1.00 par value.

On August 9, 2013, the sole shareholder decided to increase the share capital of the Company by an amount of:

- €56,347,798 in order to raise it to €56,347,799 through the issuance of 56,347,798 shares of €1.00 par value;

- €63,029,665 in order to raise it to €119,377,464 through the issuance of 63,029,665 shares of €1.00 par value; and

- €20,511,537 in order to raise it to €139,889,001 through the issuance of 20,511,537 shares of €1.00 par value in payment of a contribution in kind.

On March 24, 2016, the sole shareholder decided to decrease the share capital of the Company motivated by losses in an amount of €64,348,940.46, by reducing the nominal value of the shares by an amount of €0.46, in order to bring the share capital to €75,540,060.54, the nominal value of each share then amounting to €0.54.

21.2 CONSTITUTIVE DOCUMENTS AND BYLAWS

The Company's bylaws (the "Bylaws") were prepared in accordance with the laws and regulations applicable to French limited liability companies with a board of directors (*société anonyme à conseil d'administration*). The principal provisions described below have been taken from the Bylaws that the Company expects to adopt subject to, and effective as of, the IPO Settlement.

21.2.1 Corporate Purpose (Article 2 of the Bylaws)

Pursuant to Article 2 of the Bylaws, the Company's purpose is, in France and abroad:

- the purchase, subscription, holding, management and contribution, in any form, of all shares or securities in all French or foreign companies or legal entities, already established or to be established;
- the provision of administrative, financial, accounting, commercial, IT or management services for the benefit of the Company's subsidiaries or all other companies in which it holds an ownership interest; and
- generally, all industrial, commercial or financial transactions, concerning movable or immovable property, directly or indirectly relating to this purpose or any similar or related purpose or actions that may be useful or likely to facilitate the successful accomplishment of this purpose.

21.2.2 Board of directors and Senior Management

21.2.2.1 *Members of the Board of Directors (Articles 15 of the Bylaws)*

The Company is governed by a Board of Directors composed of at least three members and at most 18 members. Directors are appointed for a four-year term. The term of office of the members of the Board of Directors may be of a shorter period of time in order to ensure a staggered renewal of the Board of Directors.

21.2.2.2 *Chairman (Articles 17 of the Bylaws)*

The Board of Directors elects a Chairman from among the members of the Board of Directors who are natural persons. The Chairman organizes and manages the work of the Board of Directors and reports on such work to the general shareholders' meeting. He oversees the proper functioning of the Company's governing bodies and ensures that the directors are able to carry out their duties.

21.2.2.3 *Chief Executive Officer (Article 18 of the Bylaws)*

At the option of the Board of Directors, the Company may be managed either by the Chairman or a natural person appointed by the Board of Directors with the title of Chief Executive Officer ("CEO"). The CEO represents the Company in its relations with third parties.

The powers of the CEO are limited by the purpose of the Company and those that the law and the Bylaws expressly confer to the shareholders' meetings and to the board of directors. In addition, the Internal Regulations may provide that certain decisions can only be made with the prior approval of the Board of Directors.

21.2.2.4 *Convening and Holding of Board of Directors' Meetings (Article 16 of the Bylaws)*

The Board of Directors meets as often as necessary in the Company's interest. The Chairman convenes the meetings of the Board of Directors. Decisions are made by a majority of members present or represented. The Internal Regulations can provide that certain decisions require a greater majority. In the event of a tie, the vote of the chairman of the meeting prevails.

The Board of Directors sets its operating procedures in the Internal Regulations in line with the law and the Bylaws of the Company. It can decide to create committees responsible for the study of questions that the Board of Directors or its chairman submit to their review.

21.2.3 Rights, Privileges and Restrictions Attached to Shares

21.2.3.1 *Voting Rights (Article 10 of the Bylaws)*

Each share gives the right to one vote.

As of the date of this Registration Document, it is contemplated that the by-laws will not provide for double voting rights in respect of the shares of the Company, through a disapplication of Article L. 225-123 paragraph 3 of the French Commercial Code.

21.2.3.2 *Shareholders' Identification Process (Article 13 of the Bylaws)*

The Company is informed of the composition of its shareholding within the conditions set forth by the law. In this respect, the Company may make use of all applicable legal provisions provided in relation to the identification of holders of securities granting immediately, or in the future, voting rights at the shareholders' meeting. The Company may request from the intermediary in charge of the Company's share registry details regarding the holders of securities and the number of securities held by each such holder.

21.2.3.3 *Crossing of Bylaws Thresholds (Article 14 of the Bylaws)*

In addition to the thresholds provided for by applicable laws and regulations, any natural person or legal entity or shareholder who comes to hold, directly or indirectly, acting alone or in concert within the meaning of Articles L. 233-10 of the French Commercial Code, a number of shares or voting rights (including any assimilation thereof as determined under applicable regulations) equal or greater than 1% of the total number of shares or voting rights, or any multiple of 1% thereafter, must inform the Company of the total number of shares, voting rights, or securities giving access to the share capital or voting rights of the Company that such person holds, as well as of any securities giving access to the share capital or to voting rights potentially attached thereto, by registered letter with return receipt requested sent to the Company's registered office within four trading days after crossing such threshold(s). Any shareholder whose shareholding or voting rights falls below the abovementioned thresholds will also be under obligation to inform the Company in the same manner.

In the event of a failure to comply with the above provisions, the non-compliant shareholder may be deprived of its voting rights for the shares in excess of the threshold provided for in the Bylaws, only upon the request, recorded in the minutes of the shareholders' meeting, of one or more shareholders holding at least 1% of the Company's share capital or voting rights.

21.2.3.4 ***Convening and Holding of Ordinary Shareholders' Meetings and Extraordinary Shareholders' Meetings (Articles 21 of the Bylaws)***

Shareholders' meetings are convened and held in accordance with the rules and conditions provided for under French law.

Shareholders' meetings are called "extraordinary" when their purpose is to modify the Bylaws or nationality, or when the law so provides. All other shareholders' meetings are "ordinary". Decisions at extraordinary shareholders' meetings are made by a two-thirds vote of the shares present or represented, and decisions at ordinary shareholders' meetings are made by a simple majority of the shares present or represented.

21.2.4 Annual Accounts –Allocation of Profits (Articles 23, 24 and 25 of the Bylaws)

21.2.4.1 ***Fiscal Year (Article 23 of the Bylaws)***

The Company has a fiscal year of twelve months, beginning on January 1 and ending on December 31 of each year.

21.2.4.2 ***Annual Accounts (Article 24 of the Bylaws)***

The board of directors holds a regular accounting of corporate transactions and prepares annual accounts in accordance with the law. A general shareholders' meeting, called to decide on the financial accounts of the past fiscal year and on the consolidated accounts, must take place within six months following the close of the financial year, or, in case of extension, within the time period determined by a court decision.

21.2.4.3 ***Allocation of Profits (Article 25 of the Bylaws)***

The annual results are determined in accordance with applicable laws and regulations.

On the profit of a financial year, less any prior losses if any, it is first collected at least 5% for the constitution of a reserve fund as required by law. This collection ceases to be mandatory when the reserve fund reaches one-tenth of the share capital.

The ordinary shareholders' meeting or any other shareholders' meeting may decide to distribute sums and/or values drawn down in cash or in kind from the reserves at its disposal, expressly indicating the reserve account from which the drawdowns are performed. However, dividends are drawn down in priority from the distributable income of the financial year.

The general shareholders' meeting will have the right to grant to shareholders, for all or part of the dividends distributed or of the interim dividends, an option between payment in cash and payment in shares on the terms set out by the regulations in force. In addition, the general shareholders' meeting may decide, for all or part of the dividends, the interim dividends, the reserves or premiums distributed, or for any capital decrease, that such distribution of dividends, reserves or premiums or such capital decrease will be performed in kind by providing assets of the Company.

Each shareholder will be entitled to the profits and liable to contribute to the losses in proportion to its share of the share capital.

21.2.5 Control of the Issuer

There are no provisions in the Bylaws or in the Internal Regulations that could have the effect of delaying, postponing or preventing a change of control of the Company.

CHAPTER 22. MATERIAL CONTRACTS

22.1 SHAREHOLDERS' AGREEMENT WITH SDH LIMITED

In 2006, the Group entered into a shareholders agreement with a Chinese company, SDH Limited and acquired 50% of the share capital of Chin Chin Limited, a private limited company organized under the laws of Hong Kong. Through its wholly-owned subsidiary, Shanghai Chin Chin Furnishing Company Limited, a limited liability company organized under the laws of China, Chin Chin Limited manufactures and sells furniture products which are sold under the "Maisons du Monde" brand. For further information on Chin Chin, see Section 6.6.3.4, "Sourcing" of this Registration Document.

22.2 NEW SENIOR CREDIT FACILITIES AGREEMENT

In connection with the Proposed Admission, the Group entered into the New Senior Credit Facilities Agreement with a pool of banks in respect of the New Senior Credit Facilities comprising €250.0 million of New Term Loan and €75.0 million of New Revolving Credit Facility to be made available to the Group on the IPO Settlement Date. For further information on the New Senior Credit Facilities agreement, see Section 10.2.2.2, "New Senior Credit Facilities" of this Registration Document.

CHAPTER 23. THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

This Registration Document contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Unless otherwise indicated, such information is based on the Group's analysis of multiple sources, including a market study it commissioned from Bain & Company, Inc. and information otherwise obtained from Banque de France, Bundesbank, Euroconstruct, Euromonitor, Federal Planning Bureau, HIS, IMF, INSEE, IPEA, Istat, Litsearch, Ministère de l'écologie, du développement durable et de l'énergie, One Source, Oxford Economics, Stastita. As far as the Group is aware from such information, no facts have been omitted which would render the information provided inaccurate or misleading.

The Group understands from Bain & Company that its market study includes and is based on primary interviews and field visits it conducted with industry experts and participants, its secondary market research and internal financial and operational information supplied by, or on behalf of, the Group, as well as information obtained from (i) data providers, including Nielsen, Xerfi, Forrester; (ii) Clara Vista factbook; (iii) industry associations and country organizations, including LSA, Planeta Distribuziona, Conlumino; and (iv) publicly available information from other sources, such as information publicly released by the Group's competitors.

CHAPTER 24. PUBLICLY AVAILABLE DOCUMENTS

Copies of this Registration Document are available free of charge at the registered office of the Company. This Registration Document may also be consulted on the Company's dedicated website (www. maisonsdumondeipo.com) and on the AMF's website (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of such documents) may be viewed:

- the Bylaws;
- any report, correspondence or other historical financial information or document, assessment or statement prepared by an expert upon the Company's request, of which a part is included or referred to in this Registration Document; and
- the historical financial information included in this Registration Document.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's registered office.

As of the date of the Proposed Admission, regulated information (within the meaning of the AMF's General Regulations) will also be available on the Company's website.

CHAPTER 25. INFORMATION ON EQUITY INVESTMENTS

Information concerning entities in which the Company holds a fraction of share capital likely to have a material impact on the valuation of its assets and liabilities, financial condition or results of operations is included in Note 22 ("Equity-accounted investees") to the consolidated financial statements of Magnolia (BC) Midco S.à r.l. for the fiscal years ended on December 31, 2015, 2014 and 2013 presented in Section 20.1, "Group Consolidated Annual Financial Statements" of this Registration Document.