MAISONS DU MONDE

# 2016 Registration document

INCLUDING THE ANNUAL **FINANCIAL REPORT**

# Summary



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

MAISONS DU MONDE

# **Registration document** and Annual Report **2016**

Maisons du Monde, a creator of original lifestyle worlds for the home, offers a unique range of affordable decoration and furniture collections in a wide variety of homeware styles, allowing its customers to express their own style and tastes.

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This Registration document (document de référence) was filed with the French financial markets authority (Autorité des marchés financiers – AMF) on 25/04/2017 under number R.17-022. in accordance with the AMF's General Regulations and in particular article 212-13. This document may only be used in support of a financial transaction if it is accompanied by an offering circular (note d'opération) approved by the AMF. It was drawn up by the issuer and engages the responsibility of its signatories. In accordance with the provisions of Article L.621-8-1-I of the French Financial and Monetary Code, the registration was carried out after the AMF had checked that the document was complete and understandable and that the information contained in it was coherent. This does not imply the AMF's authentication of the financial and accounting elements presented.

# Message from the Chairman


*"I have full confidence in Maisons du Monde's teams to continue its profitable growth."*

Dear Shareholders,

This registration document gives me the opportunity, for the first time, to address you as Chairman of Maisons du Monde's Board of Directors. I am honoured to have joined, in June 2016, a thriving Group, based on a unique and effective model.

**After 20 years of continuous growth,** Maisons du Monde has successfully entered a new stage in its development: Its IPO, in May 2016, was welcomed by the markets and gives it the flexibility it currently needs for implementing its omnichannel strategy in France and abroad. Eight months after this operation, Maisons du Monde posted excellent results for 2016, matching investor confidence. **Sales totalled €881.8 million, up by 26.1%** from 2015, reflecting well-balanced growth in terms of product categories, distribution channels and geographic areas. Driven by strong sales growth during the period, **EBITDA reached €122.8 million, up 30%** from 2015. The financial structure has been strengthened, with a significant improvement in leverage, at 1.8x in 2016 compared to 2.6x in 2015. The refinancing operations carried out by the Group in June 2016 **reduced the Group's net indebtedness and reduced its financial expense year-on-year** from approximately €30 million to less than €7 million.

**This excellent performance confirms that Maisons du Monde's business model is apposite,** built as it is on a well differentiated platform: **a unique and affordable range of in-house designed decorative items and furniture** in the latest styles reflecting the most recent trends; **a highly differentiated business model,** combining a design-to-cost process with efficient centralised merchandising to deliver high gross margins and, finally, **an essentially omnichannel approach,** based on a complementary international network of stores, online and catalogue sales.

I have full confidence in Maisons du Monde's teams to continue its profitable growth: with well-established fundamentals, clearly defined objectives and action plans, as well as increased financial resources, Maisons du Monde is well positioned for the future.

# Message from the CEO


Gilles Petit

*“ We intend to remain ahead of the plan announced during the IPO. „*

Dear Shareholders,

Maisons du Monde recorded an excellent performance in 2016, with **double-digit sales growth in all its businesses and geographic areas,** a further improvement in its profitability and the strengthening of its financial structure.

These excellent results confirm that we have the right business model and that our omnichannel strategy works, drawing on the continuous renewal of our collections of decorative products and furniture, the controlled development of our network abroad and in France, and the complementary nature of our stores and e-commerce platform.

The very strong growth in our Customer Sales reflects **the success of all our collections** of decorative products and furniture, designed by our stylists. Good in-store execution, with attractive and effective merchandising, also increased footfall and conversion rate. **The record number of new store openings,** particularly abroad, as well as **the strengthening of our omnichannel model** and the cross-fertilisation of our website and stores continue to demonstrate their relevance to our customers; all this in a positive market environment.

During the year, we implemented **strong commercial and operational levers** to build our fundamentals and further strengthen our profitable growth model. Two new initiatives are particularly noteworthy: **the digitisation of the sales force** in 126 stores in France and abroad, which makes it possible to fully share our extensive offering with our customers, and the **free in-store delivery** of online orders of decorative products. Launched at the beginning of the year in France, Switzerland and then in Italy, it has helped both to promote sales of decorative products on our website and in-store traffic. We will continue these initiatives in 2017 and intend to **strengthen our actions in the areas of customer relationship management and social networks** (Data and CRM), while maintaining our demanding operational standards for the continuous improvement of the customer experience.

On behalf of the Executive Committee, I congratulate all Maisons du Monde teams for their excellent performance. They reinforce **our status as an omnichannel and international Company,** built on a unique and efficient business model.

**Maisons du Monde's roadmap for the period 2017-2020 is clear:** We will continue our omnichannel development in France and abroad, strengthen customer knowledge and experience, and maintain our demanding operational and financial standards. Building on these strengths and strategic priorities, we intend to remain ahead of the plan announced during the IPO and reconfirm our ability to achieve all of our medium -term growth objectives.

# Group profile

**Maisons du Monde creates original and inspirational homeware,** and offers a distinctive and affordable range of decorative items and furniture collections in a wide variety of designs and styles. The Group's business is structured around an integrated omnichannel approach, leveraging its international network of stores, websites and catalogues. With €881.8 million in customer sales in 2016, Maisons du Monde is the leader in «original and affordable» homeware products in France and is one of the leading players in Europe.

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

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

As at 31 December 2016, the Group operated 288 stores across Europe, including stores in Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013) and Switzerland (since 2014). The Group has also successfully integrated a comprehensive and complementary e-commerce site to market our products in countries where we operate stores, as well as in Austria, the Netherlands, Portugal and the United Kingdom. Website sales grew at an average of 37% per year in the period 2010 to 2016 and accounted for 19% of total Group customer sales in 2016.

# Key highlights

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

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

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

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

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

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

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

**2011**
Launch of the **junior collection.**

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

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

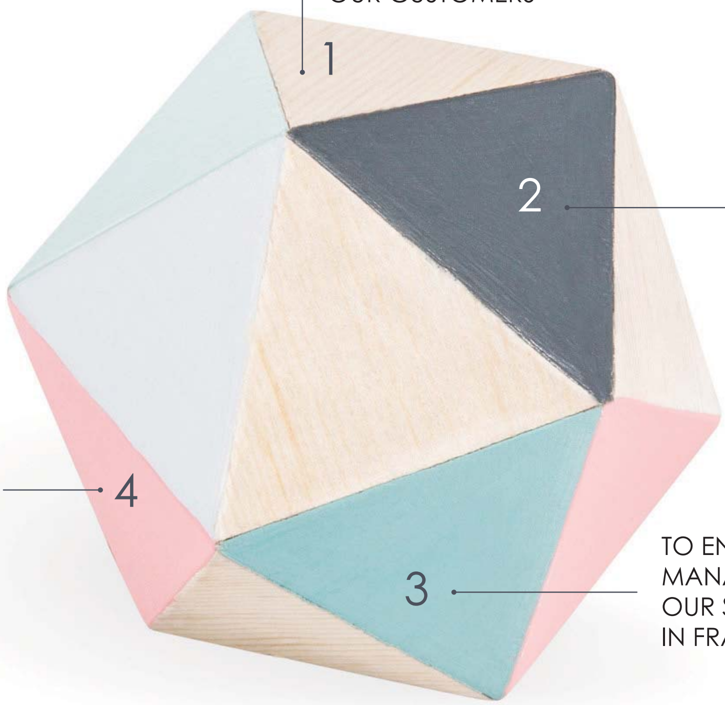
**2016**
Maisons du Monde IPO, company floated on the **d'Euronext Paris** the regulated market.

# Strategy

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

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

2 TO STRENGTHEN OUR OMNICHANNEL STRATEGY



3 TO ENSURE THE DYNAMIC MANAGEMENT OF OUR STORE NETWORK IN FRANCE

4 TO CONTINUE OUR SELECTIVE INTERNATIONAL DEVELOPMENT

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

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

## 2 STRENGTHEN OUR OMNICHANNEL STRATEGY

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

## 3 ENSURE THE DYNAMIC MANAGEMENT OF OUR STORE NETWORK IN FRANCE

**Over more than 20 years, Maisons du Monde has shown its proven ability to identify attractive sites and open profitable stores in France. Between 2012 and 2016, the Group recorded 18 net store openings, representing over 53,000 square metres of additional retail trading space.** As of 31 December 2016, Maisons du Monde operated 203 stores in France. By 2020, the Group intends to develop its network to reach a total of 230 stores in France, by concentrating mainly on new store openings in shopping centres and suburban commercial zones, including by repositioning certain stores located in city centres.

## 4 CONTINUE OUR SELECTIVE INTERNATIONAL DEVELOPMENT

**Since 2003, Maisons du Monde has successfully developed internationally, both through new store openings and the increase in online sales.** Between 2012 and 2016, the Group recorded 46 net store openings, representing around 88,000 square metres of additional retail trading space. As of 31 December 2016, Maisons du Monde operated 85 stores internationally, across six countries (Italy, Spain, Belgium, Luxembourg, Germany and Switzerland). The Group intends to continue its international expansion in a disciplined way, with the aim of opening 80 to 95 new stores by 2020 in its existing markets, whilst adapting its strategy to the specific features of each country in terms of e-commerce.

# Key figures

**288**
stores

**6,754**
employees

**430,000 $m^2$**
storage area

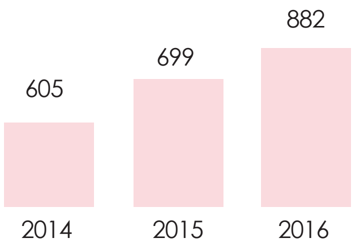
**19% of customer sales**
sales generated on-line

**36% of customer sales**
sales generated internationally

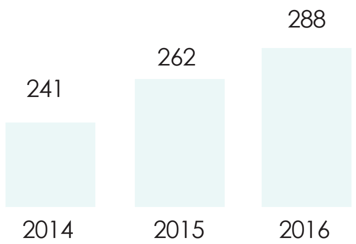
**Decoration: 57%**
**Furniture: 43%**
of 2016 customer sales

# Maisons du Monde in 2016

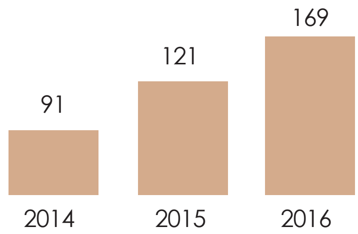
CHANGE IN CUSTOMER SALES
In €m



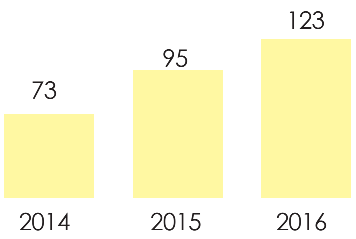

CHANGE IN THE NUMBER OF STORES
In units



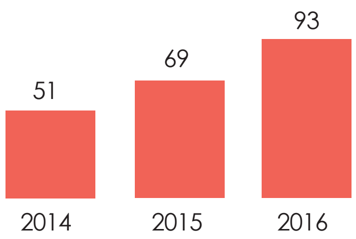

CHANGE IN ON-LINE CUSTOMER SALES
In €m



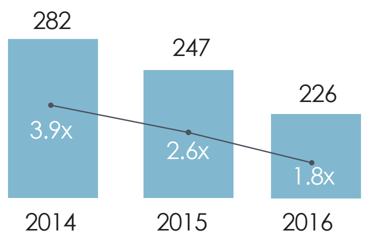

CHANGE IN EBITDA
In €m



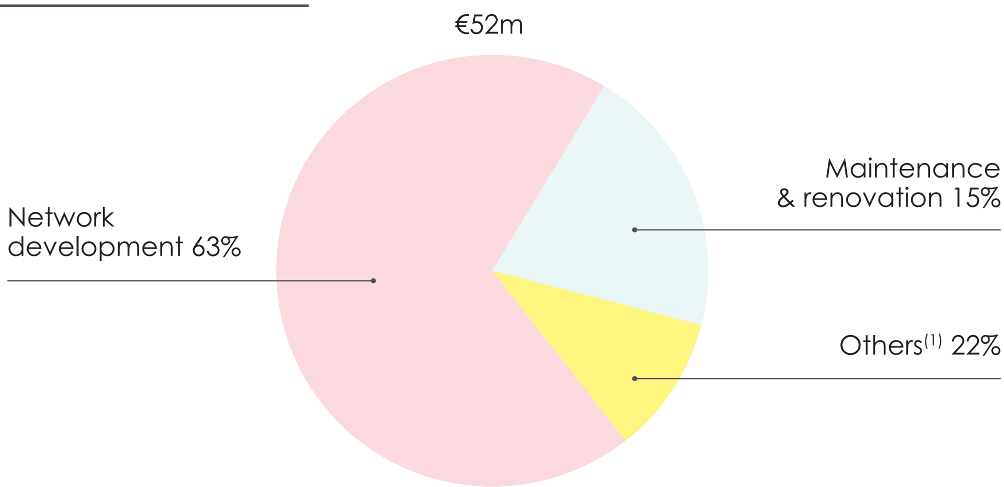

CHANGE IN EBIT
In €m




CHANGE IN NET DEBT AND FINANCIAL LEVERAGE RATIO
In €m




BREAKDOWN OF 2016 INVESTMENTS




*(1) Including e-commerce and logistics activities*

# Corporate Social Responsibility

Our vision: to empower better production, distribution and consumption practices in our industry.

## Committed Together

Our CSR approach is an integral part of our corporate strategy and is built around four pillars that address all the challenges facing the Group.

### Purchase like partners

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

- **134** wooden furniture product references made in India with full traceability from tree to finished product with the TFT organisation.
- **30** social audits conducted in Asia.
- **273** suppliers have signed the Code of Conduct, representing **63%** of procurement.

## Design like visionaries

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

- **56% of our furniture products or** 1,584 product references **product references meet a sustainability criteria**.
- **Sales totalling €34,529,862 for our "Envie d'Éco" range,** contributing to the "1% for the planet" organisation, i.e. **€345,229** to fund NGOs working in environment protection.
- **Two partnerships with social and solidarity-oriented structures** to restore and re-use furniture.

## Trade like citizens

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

We are certified since 2015

- **> 90% of deliveries to Paris are made by train** (calculated by weight transported).
- **75% of our stores sort their waste**.
- **96,000 sq. m. of HQE (high environmental quality) and BREEAM certified warehousing.**

## Commit like enthusiasts

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

- **50% of our store managers were promoted in-house.**
- **3,105 employees have completed CSR** e-learning.
- **17 projects funded** in nine countries through our Foundation; and **131 employees have already taken solidarity leave.**

# Overview of the Group and its activities

# 1



# 1.1 Key figures

## SELECTED FINANCIAL INFORMATION

| *(in € millions)* | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Customer Sales** | **881.8** | **699.4** | **604.7** |
| Change *(%)* | +26.1% | +15.7% | +10.9% |
| Change at like-for-like scope *(%)* | +14.7% | +8.7% | +2.8% |
| **Gross margin** | **591.7** | **474.1** | **414.4** |
| As a % of Customer Sales | 67.1% | 67.8% | 68.5% |
| **EBITDA** | **122.8** | **94.5** | **72.9** |
| As a % of Customer Sales | 13.9% | 13.5% | 12.1% |
| **EBIT** | **93.2** | **69.1** | **50.9** |
| As a % of Customer Sales | 10.6% | 9.9% | 8.4% |
| **Net profit** | **(12.0)** | **(13.9)** | **(6.3)** |
| Adjusted profit/(loss) for the year | 39.9 | n/a | n/a |
| **Net cash generated by/(used in) operating activities** | **58.0** | **112.0** | **45.3** |
| Net capex, restated | 45.5 | (43.4) | (29.8) |
| **Free cash flow, restated** | **12.6** | **68.7** | **15.4** |
| **Net financial indebtedness** | **225.7** | **246.8** | **281.7** |
| Financial leverage | 1.8x | 2.6x | 3.9x |
| **Shareholders' equity** | **497.0** | **17.4** | **31.0** |

## BREAKDOWN OF CUSTOMER SALES

| **By geography** | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Customer Sales** *(in € millions)* | **881.8** | **699.4** | **604.7** |
| Of which France | 563.7 | 460.2 | 409.1 |
| Of which International | 318,1 | 239.2 | 195.6 |
| **Customer Sales** *(%)* | **100.0%** | **100.0%** | **100.0%** |
| Of which France | 63.9% | 65.8% | 67.7% |
| Of which International | 36.1% | 34.2% | 32.3% |

| **By distribution channel** | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Customer Sales** *(in € millions)* | **881.8** | **699.4** | **604.7** |
| Of which Store Network | 712.7 | 578.8 | 513.4 |
| Of which Online | 169.1 | 120.6 | 91.3 |
| **Customer Sales** *(%)* | **100.0%** | **100.0%** | **100.0%** |
| Of which Store Network | 80.8% | 82.8% | 84.9% |
| Of which Online | 19.2% | 17.2% | 15.1% |

| **By product category** | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Customer Sales** *(in € millions)* | **881.8** | **699.4** | **604.7** |
| Of which Home decoration items | 499.8 | 9394.5 | 346.9 |
| Of which Furniture | 382.1 | 304.9 | 257.8 |
| **Customer Sales** *(%)* | **100.0%** | **100.0%** | **100.0%** |
| Of which Home decoration items | 56.7% | 56.4% | 57.4% |
| Of which Furniture | 43.3% | 43.6% | 42.6% |

## SELECTED OPERATING INFORMATION

| As of 31 December | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Number of stores** | **288** | **262** | **241** |
| Of which France | 203 | 193 | 185 |
| Of which International | 85 | 69 | 56 |
| **Sales area** *(thousand sq.m.)* | **327** | **286** | **250** |
| Of which France | 187 | 173 | 156 |
| Of which International | 140 | 113 | 94 |
| **Storage area** *(thousand sq.m.)* | 430 | **400** | **400** |
| **Number of employees** | **6,754** | **5,986** | **5,486** |
| Of which France | 4,329 | 4,057 | 3,823 |
| Of which International | 2,425 | 1,929 | 1,663 |

# 1.2 History of the Group

Maisons du Monde is an omnichannel distributor specialising in homeware. It has emerged as the leading player in the affordable inspirational segment in France, with Customer Sales of €881.8 million in 2016. It offers a unique range of home decoration items and furnishings in a wide variety of styles and themes at affordable prices, thereby targeting a very large customer base.

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

Maisons du Monde subsequently continued to expand and enter new markets. As of 31 December, 2016, the Group operated 288 stores across Europe, including stores in Spain (since 2003), Belgium (since 2004), Italy (since 2007), Luxembourg (since 2010), Germany (since 2013) and Switzerland (since 2014). In 2006, as part of an omnichannel sales strategy and a broader marketing strategy, the Group launched its e-commerce platform and its catalogue, enabling it to effectively market its range of furnishings. Since then, the Group has also sold its products on its e-commerce platforms to customers in all the countries where it operates stores, as well as Austria, the Netherlands, Portugal and the United Kingdom, and through its three catalogues.

The Group's initial "bazar du monde" concept has gradually evolved to give rise to a particularly broad and diversified product portfolio, incorporating a wide variety of universes, themes and styles. The Group has expanded its product offering, adding new product ranges, including home textiles in 2007, and launching its dedicated outdoor furnishings line and its junior collection in 2009 and 2011 respectively. Each of these ranges occupies an important place in the Group's broader homeware product range. The junior collection, for instance, accounted for approximately 1.5% of Customer Sales in 2011. By 2013, it accounted for approximately 2.4% of Customer Sales, and in 2016 approximately 4.5% of Customer Sales.

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

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

The Group's Customer Sales recorded a CAGR (Compound Annual Growth Rate) of 21% between 2001 and 2016, reflecting its consistent ability to deliver Customer Sales growth. This positive trend in Customer Sales is further built on a sustainably high level of profitability: gross margin and the EBITDA margin reached 67.1% and 13.9% respectively in the year ended 31 December, 2016.

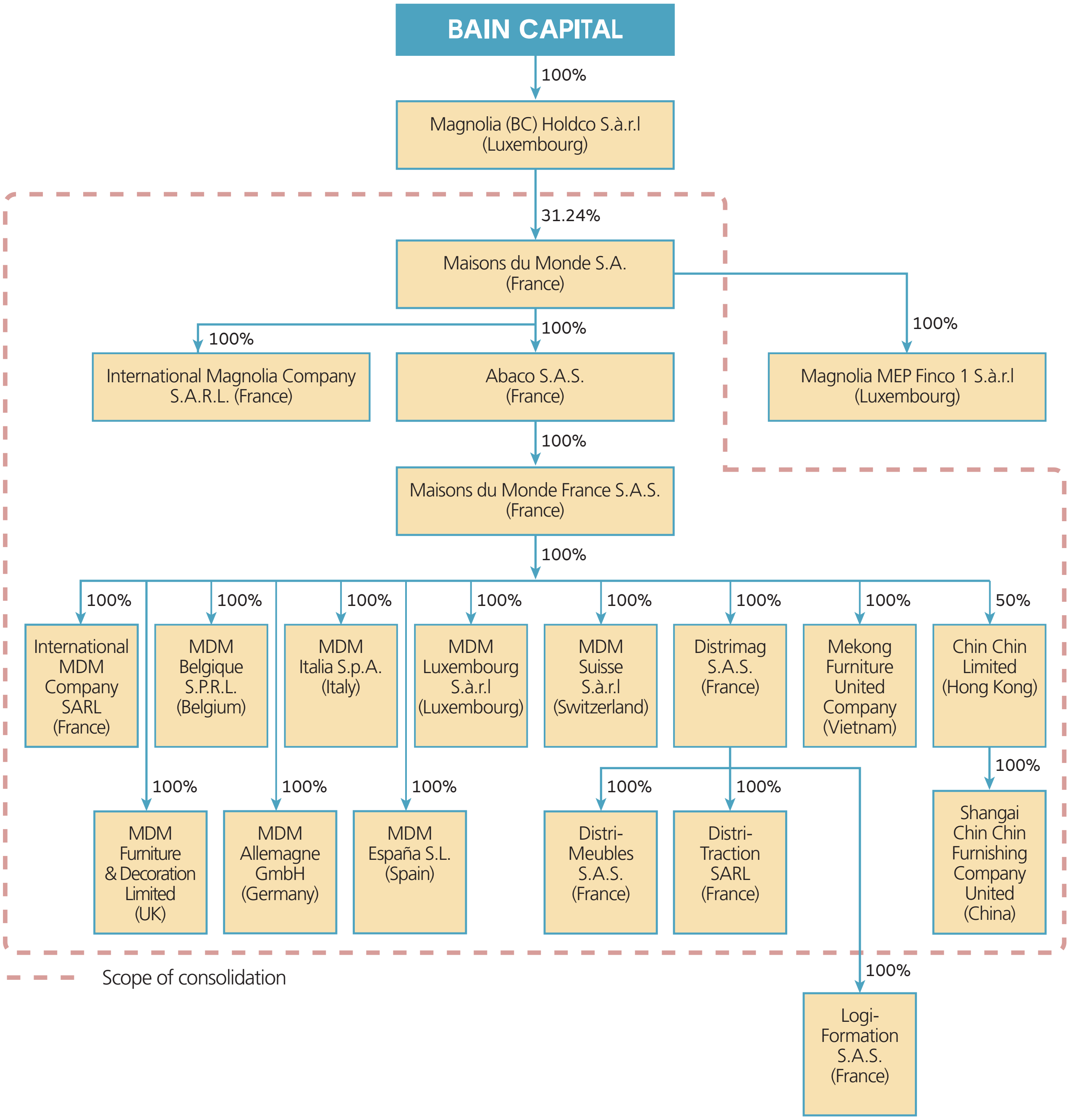
In 2005, Equistone (formerly Barclays Private Equity) and Nixen, in partnership with certain co-investors from the former Management, acquired the Group. Three years later, the Group moved into the hands of a consortium comprising Apax Partners, LBO France and Nixen, backed by certain co-investors belonging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

# 1.3 Group structure

## 1.3.1 SIMPLIFIED ORGANISATIONAL CHART

In 2016, in conjunction with the change of management and ownership negotiated between Bain Capital and Xavier Marie, the Group greatly simplified its shareholding structure, in conjunction with its IPO.

The organisational chart below shows the Group's simplified legal organisation as of 31 December, 2016. The percentages correspond to percentages of share capital owned.



## 1.3.2 LIST OF MAIN SUBSIDIARIES AND SHAREHOLDINGS

Maisons du Monde S.A. is the holding company of a consolidated group comprising 18 companies. The Group's main subsidiaries as of 31 December, 2016 are presented in the table below. The complete list of companies included in the Group's scope of consolidation is provided in note 37 to the consolidated financial statements.

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

# 1.4 Description of the Group's business and strategy

This section contains information on Group businesses, its competitive position, including the size of the markets in which it operates. In addition to the internal estimates made by the Group, the facts on which the Group bases its statements are taken from market research commissioned from Bain & Company, Inc. during the fourth quarter 2015, as well as from studies, estimates, research, information and statistics of independent third parties and industry associations, and data made available by the Group's competitors, suppliers and customers (see section 8.5 "Information on the Group's business and markets, and third party information").

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

## 1.4.1 GROUP PROFILE

### Overview

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

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

Founded in France in 1996, the Group has sought to expand across Europe since 2003. As of 31 December 2015, the Group operated 288 stores in seven countries (France, Italy, Spain, Belgium, Germany, Switzerland and Luxembourg), generating 36.1% of its Customer Sales outside France in the year ended 31 December 2016. The Group has quickly expanded internationally, building on an excellent operating performance through the uniform and centralised implementation of its merchandising processes within countries requiring little adaptation to local market practices.

The Group's product offering contains approximately 16,000 stock-keeping units ("SKU") [(2)] available in a wide range of prices. The offer falls into two main categories: (i) decorative products, such as household textiles, tableware and kitchenware, mirrors and picture frames, with an average selling price (ASP) of approximately €10.50, and (ii) furnishings, such as beds, tables, chairs, armchairs and sofas, cupboards, bookshelves, junior furniture and outdoor furniture, with an ASP of approximately €211.

The Group has successfully replicated its model across all the different channels, using store networks, online platforms and physical catalogues, all complementary to each other. Its online platform recorded a CAGR of 37% between 2010 and 2016, and generated 19.2% of the Group's Customer Sales in the year ended 31 December 2016. This online platform, which is active in a total of 11 countries as of the date of this Registration document, has also allowed the Group to expand into certain countries, such as the United Kingdom and Portugal, without opening stores.

In the year ended 31 December 2016, the Group achieved revenues of €881.8 million, an increase of 26.1% compared with the previous year, and posted EBITDA (earnings before interest, tax, depreciation and amortisation) of €122.8 million, representing an EBITDA margin of 13.9%, with comparable margins in France and internationally, as well as through its stores and e-commerce platform. The Group's like-for-like Customer Sales growth in the year ended 31 December 2016 was 14.7%.

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

*(2) Based on the number of SKUs that generated at least €5,000 of revenues in the year ended 31 December 2016.*

## Creator of Universes

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

Maisons du Monde has developed a design process enabling it to capture and develop emerging trends in homeware and furnishings. To this end, the Group relies on its highly experienced in-house team, which includes professionals in the fields of design, collections and sourcing (19 designers and graphic artists, and about 90 members in total). The Group's collectionning process is focused on balancing its design ethos with commercial profitability by adapting past bestsellers in new product lines, and leveraging in-depth sales data to gradually refresh and create new collections and universes in tune with customer expectations. Products are constantly being renewed, both in-store and online, thereby fostering a dynamic shopping experience bolstered by the continuity of bestsellers and regular launches of new collections.

## Attractive merchandising

Maisons du Monde's commercial strategy also relies on an engaging merchandising concept that uses scenic universes to display products in homelike settings, combining a variety of home decoration and furnishing items coherently and harmoniously. Store universes and layouts are constantly recreated across all distribution channels, taking in new products almost every week, which helps attract customers to the Group's shops and websites. Additionally, although the Group's in-store displays are designed to inspire customers with home decoration ideas, most items are offered on a self-service basis. This resolutely dynamic merchandising combines a boutique feeling with mass merchandising techniques, encouraging impulse purchases and improving conversion rates. The Group applies this approach uniformly across all of its stores, whatever their format or channel, and in all the countries where it operates, using a centralised merchandising strategy. The Group's sales consultants offer timely and knowledgeable support to customers, particularly in furnishings. Lastly, this merchandising approach allows the Group to limit the use of promotions and markdowns, which accounted for 4% of Customer Sales in the year ended 31 December 2016, reintegrating less successful products in stores' bestseller universes.

## Cutting-Edge Design and Sourcing

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

To deliver affordable high-quality products in a timely manner, the Group's business model relies on a significantly integrated and particularly flexible sourcing strategy that leverages its long-standing relationships with its suppliers. Through its 20 years of direct sourcing in Asia, the Group has developed a deep understanding of manufacturing processes and related cost drivers, allowing it to create and source distinctive, high-quality products while maintaining affordable prices. In addition, the Group manufactures approximately 22% of its furniture internally (in terms of furniture purchases), with two manufacturing facilities in China (through Chin Chin, its joint-venture with SDH Limited) and in Vietnam, which allows it to secure quality production of the most sophisticated items and develop an even better understanding of the production process. The Group also leverages historical sales data to determine the optimal level of orders for a new collection. Further orders are then made in the light of Customer Sales over the first two to three weeks. This helps to optimise inventories and reduce the risks associated with product obsolescence. Approximately one-third of the SKUs in a collection are re-ordered during the season; the proportion is higher for products re-adapted from previous collections.

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

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

### Omnichannel and multi-format international strategy

Maisons du Monde has been able to successfully replicate its business model across Western Europe. As of 31 December 2016, the Group operated 85 stores in six countries outside France, compared with six in 2005 and 32 in 2010. The Group also operates websites in four additional countries. The fast and efficient rollout of the Maisons du Monde concept outside France was made possible mainly thanks to the Group's highly scalable and centralised approach to network development and management. In the year ended 31 December 2016, international Customer Sales accounted for 36.1% of consolidated Customer Sales, compared with approximately 3% in 2005 and 20% in 2010.

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

The Group's multi-format store concept has demonstrated its ability to adapt to all catchment types and store sizes in all countries where it is present. Most of the stores operated by the Group have selling space of between 300 and 3,000 square metres, and their format is particularly well suited to city centres, suburban commercial zones and shopping malls. A single store recorded negative EBITDA [(1)] in the year ended 31 December 2016 [(2)].

The Group also provides its customers with its catalogues, laid out as magazines, to encourage them to let their imaginations run free and to project themselves in a newly decorated or redesigned home. In 2016, the Group distributed approximately 11 million free catalogues across the countries in which it operates, including 5.3 million general catalogues, 2.5 million outdoor furniture catalogues and 3.2 million catalogues for the junior collection.

Lastly, the Group is also at the forefront of e-commerce among homeware retailers in France. In the year ended 31 December 2016, the Group generated 19.2% of its online sales. This compares with online channel penetration of approximately 2% for the home decoration and furnishing market in France as a whole. In addition to offering a direct sales channel, the Group's online platform seeks to inspire customers and help them prepare for their next store visit. The Group actively engages with its customers using exclusive product launch videos, do-it-yourself decorating tips, newsletters and social media. In the year ended 31 December 2016, Maisons du Monde generated €169.1 million in online sales across 11 countries, an increase of 40.2% compared with the prior year. In the year ended 31 December 2016, the Group's e-commerce platform recorded a similar return profile to its store network [(3)].

## 1.4.2 PRESENTATION OF THE MARKET AND COMPETITIVE ENVIRONMENT

### The European Decoration and Furniture Market

The Group is developing in the large European decoration and furniture market [(4)] and is the leader in the highly fragmented "affordable inspirational" segment of the 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.

The European decoration and furniture market is forecast 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, 3.0 – 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 competes primarily in the "affordable inspirational" segment of the market, caracterised by 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.

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

*(2) Based on management accounts for the year ended 31 December 2016 and only taking into account stores opened prior to 31 December 2014, i.e., those included in the definition of like-for-like.*

*(3) Before allocation of head office costs.*

*(4) 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.*

## General European Market Drivers

### 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 programmes relating to home decoration and renovation, has democratised access to a variety of sources for inspiration, resulting in a common and shared set of visual references sought by customers. Standards for beautiful or stylishly decorated homes have proliferated in a variety of media, both online and offline. Today, customers across Europe are increasingly seeking to replicate the same rooms and home settings that they see in stores, online and in catalogues and magazines. As a result, interior styles have become more homogenized. However, at the same time, customers increasingly desire decoration and furniture that feel unique and personally selected.

Customers also put increasing emphasis on their homes as a source of well-being. Home decoration items and furnishings are increasingly purchased not just for their functional use, but also for their aesthetic appeal, which expresses personal needs and tastes.

### E-commerce and mobile technologies

E-commerce is a rapidly growing channel in the European home decoration and furnishing 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 forecast to grow at a CAGR of 10.7% from 2014 to 2019, reaching €9.8 billion (including VAT). Strong growth is forecast 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).

Today, online penetration for decoration and furniture is still lower than for many other consumer goods. For example, in France, online penetration of decoration and furniture is just 2%, while it reached 18% for electronics and appliances and 14% for apparel and footwear in 2014. Further increases in online penetration will provide an additional boost to growth among home decoration and furnishing retailers owning e-commerce platforms.

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

Nevertheless, e-commerce sites remain complementary channels to in-store shopping. Customers may be inspired by products they have discovered and viewed online but may still prefer to view products in-store before making a purchase. For example, a customer can visit a Maisons du Monde store to test a sofa but may choose to purchase it on the Group's e-commerce site, where it may be available in a particular colour or fabric. In this case, each channel complements the other and optimises the customer's experience. E-commerce sites also provide additional unique ways for retailers to drive in-store traffic. Online tools such as store locators and store inventory checks allow customers to consult product information and availability, both online and in store before purchasing, driving footfall in stores as well as online traffic to the Group's e-commerce site. The Group's free in-store delivery option, which was available for decorative products purchased online in all stores in France and Switzerland as of the end of February 2016 as well as in Italy as of the end of September 2016, also encourages customers to visit stores after making an online purchase. The Group estimates that approximately 10% of customers buy additional items when they come to collect their online order from the store. As a result, e-commerce sites have become a key driver for both online and offline purchasing. Decoration and furniture retailers who are omnichannel have competitive advantages over those who are not.

Maisons du Monde has an e-commerce presence in 11 countries in Europe (France, Austria, Belgium, Germany, Italy, Luxembourg, the Netherlands, Spain, Switzerland, Portugal and the United Kingdom) and is one of the top three online decoration and furniture retailers in France in terms of revenues. The Group leads the French market in terms of online adoption. In 2014, 15.1% of the Group's Customer Sales were made online, compared to approximately 6% for Conforama (which also offers brown goods, which typically have a higher online penetration), approximately 4% for BUT and approximately 3% for IKEA. In 2016, 19.2% of the Group's Customer Sales were made online, amounting to €169.1 million and representing a CAGR of 37% since 2010.

### Macroeconomics

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

### Demographics

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

### Competitive environment

There are a number of different types of players in the European decoration and furniture market, including specialty retailers as well as general retailers, such as supermarkets, discounters, variety stores, department stores and home improvement and gardening stores. The market appears to be highly fragmented, with the majority of players being independent retailers. There are also a number of pure-play e-commerce retailers. Specialist retailers dominate the European market in terms of revenues. 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 with a similar positionning. 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 organised in France, the Group's home market, as the Group has driven its creation over the last 20 years. However, the Group believes that this segment is also emerging in the other European countries in which it operates, as the premise of good design and creative, homelike merchandising offered at a range of accessible price points becomes more appealing. The Group's 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 offering of unique products, its high impact merchandising that combines decoration and furniture, its attractive price positioning and its omnichannel approach provide the Group with structural benefits over its competitors. Moreover, the Group's size, experience and centralised approach enable it to cost-effectively execute its strategy of in-house design-to-cost, with direct sourcing in Asia.

## The Group's Geographic Markets

### 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 revenues for the past 15 years and is forecast to realise moderate growth with a CAGR of 1.5 – 2.0% from 2014 to 2019, reaching estimated revenues of €17.9 billion (including VAT).

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 emphasise style and originality at affordable prices, while the functional segment includes retailers that emphasise 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 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 the 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 decoration and 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 expenditures. 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.

Economic and demographic trends support opportunities for growth in the French decoration and furniture market. As previously mentioned, the French population is forecast to grow at 0.3% *per annum* from 2020 to 2050. Over the same period, the size of the average French household is forecast to shrink by 0.3% *per annum*. Thus, the growing French population and number of households provides a favourable 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 favourable 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 forecast 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 2017 to 2019.

### C. COMPETITORS

In France, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. However, specialty stores (including independent players) dominate the French market, accounting for approximately 75% of decoration and furniture revenues in France in 2014, followed by supermarkets and hypermarkets.

The French decoration and furniture market appears to be fragmented but is experiencing some consolidation. The top five retailers overall (IKEA, Conforama, BUT, Alinéa and Maisons du Monde) account for approximately 37% of the French decoration and furniture market by revenue in 2014, with the remainder being primarily composed of independent retailers.

The number of players in the French home decoration and furnishing market has been decreasing since 2009, when there were approximately 17,000 companies active in the decoration and furniture market. This number had fallen to approximately 16,000 by 2011, an overall decline of 3%. This decline was largely driven by a decline in small independent retailers, given the increasingly competitive environment caused by the 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, AM.PM. and Zodio, as well as independent retailers. The Group's Customer Sales totalled €563.7 million in France in 2016, which made it a leader in the French affordable inspirational segment. The Group is followed by Casa and Habitat. The affordable inspirational segment appears to be more fragmented than the market as a whole, with the top four 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 major players, 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 8% *per annum* over the last ten years, compared to average furniture market growth of 0.7% *per annum* over the same period, according to the Institut de prospective et d'études de l'ameublement (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).

## 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 forecast 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 2017, Italy is expected to record GDP growth of 2.2% compared with 2016. In 2014, decoration and furniture spending *per capita* in Italy was on par with France, at €241 per year.

In the e-commerce segment, online penetration in the decoration and furniture market is currently lower in Italy than elsewhere in Europe; it was approximately 1% in 2014, but is projected to double to 2% by 2019. The increase in online penetration will help to boost the e-commerce market in Italy, which is expected to record a CAGR of 17% between 2017 and 2019.

### C. COMPETITORS

In Italy, as is generally the case in the European decoration and furniture market, the Group competes largely with independent retailers as well as larger decoration and furniture specialists. However, the Group believes that the Italian affordable inspirational segment is less developed than it is in France.

The Italian decoration and furniture market appears to be highly fragmented. The top five furniture and homeware generalist retailers (IKEA, Mondo Convenienza, Mercatone Uno, Grancasa and Conforama) account for only approximately 22% of the market's revenues, while other decoration and furniture retailers, including independent retailers, accounting for the remainder of the market's revenues. The Italian market has presented difficult conditions for the Group's large competitors. Several large decoration and furniture retailers have curtailed their Italian expansion plans in recent years. Mercatone Uno, a local player, entered insolvency proceedings in 2015 and several of its stores were sold to other retailers in early 2016.

Maisons du Monde competes primarily with homeware specialists, including Kasanova, Co Import, Zara Home and Casa as well as independent retailers.

## 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 forecast 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 2017 and 2019, Spain is forecast to record GDP growth of 2.5%.

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

### C. COMPETITORS

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

## 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 forecast to grow at a CAGR of 1.0 – 1.5% from 2017 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 forecast improvements in GDP, household consumption and residential construction. From 2014 to 2019, Belgium is forecast to see GDP growth of 2.5 – 3.5%, household disposable income growth of approximately 1.9% *per annum* and in residential construction growth of approximately 2.4% *per annum*.

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 discount segment of the market, such as Blokker, Dille en Kamille, and Action, in the decoration segment, and Leenbakker in the furniture segment. A number of players in the furniture market are large independent stores, such as Weba, Heylen and Gaverzicht.

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

## Germany

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 CAGR of 1.8% between 2009 and 2014 and is forecast 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 terms of e-commerce, the German online decoration and furniture sector is the second largest in Europe, with revenues of approximately €2.1 billion (including VAT) in 2014. The decoration and furniture online penetration in Germany is the second highest in Europe at approximately 5% in 2014 and is further forecast to reach 8% by 2019. As such, the e-commerce market is expected to grow by 11% *per annum* in the years to 2019, reaching approximately €3.6 billion (including VAT) in 2019.

C. COMPETITORS

In Germany, as is generally the case in the European decoration and furniture market, the Group competes with all retailers who sell decoration and furniture, including online-only retailers. Decoration and furniture stores accounted for approximately 55% of decoration and furniture revenues in Germany in 2014, followed by home improvement and gardening stores and discounters.

The German decoration and furniture market appears to be highly fragmented. The 13 largest retailers accounted for approximately 35% of the market in 2013, and included, in particular, IKEA, Höffner, 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.

## United Kingdom

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

C. COMPETITORS

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

The Group believes that since 2012, there has been a surge of online-only retailers offering consumers increased value and convenience. Established high-street retailers have since attempted to follow this trend by proposing a range of online offerings. A number of UK decoration and furniture retailers focus on offering unique products to their customers, such as Made.com and Loaf.com.

## 1.4.3 THE GROUP'S ASSETS AND COMPETITIVE STRENGTHS

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

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

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

Maisons du Monde differentiates itself from traditional players in the decoration and furniture market. Where many such players tend to be mono-style, with products that are "picked" from manufacturers that supply multiple retailers, Maisons du Monde offers products across multiple styles, which are largely designed in-house. In 2016, approximately 56% of the Group's decorative products were designed or adapted in-house (up to 90% for certain key product lines, such as crockery and kitchen fabrics). This percentage was lower for home furnishings, as many product categories are more standardised (*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 bestsellers and leveraging in-depth historical sales data to gradually refresh and create new collections and universes matching emerging market trends. While traditional players tend to offer unique styles within a restricted price range, the Group, through its wide range of products, which has about 16,000 SKUs [(1)], is able to offer original articles inspired by different styles and themes at very different prices, which avoids any reliance on a particular theme or style.

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

### A model focused on customer inspiration and satisfaction

Over the last twenty years, Maisons du Monde has created a well-known brand with a strong customer base. According to a survey of customers [(2)], roughly 51% of the French population had already made a purchase at Maisons du Monde as of 31 December 2015.

According to the same survey, Maisons du Monde boasts a high level of attractiveness in France (65%) and a fairly good conversion rate (59%) among people who know that there is a store near their house.

Moreover, the same survey puts the Group's "net promoter score" [(3)] at 3% among French buyers, higher than any of its main competitors in the affordable inspirational segment of the home decoration and furnishing market. In France, the Group ranks third in the home decoration and furnishing market, behind IKEA and Alinéa, which both operate in a more functional market segment.

Similar surveys commissioned by the Group in Italy, Spain, Belgium and Germany confirmed the brand's international appeal, with Maisons du Monde boasting the second-highest "attractiveness rate" in the home decoration and furnishing market in Italy, Germany and Belgium, and the third-highest in Spain.

The Group believes that this strong customer recognition translates into consistent market outperformance, through superior like-for-like growth and new store openings. The Group has grown its annual like-for-like Customer Sales by approximately 8% *per annum* over the last ten years, compared with average furniture market growth in France of 0.7% *per annum* over the same period (source: IPEA), outperforming the market every single year since 2006.

*(1) Based on the number of SKUs that generated at least €5,000 of revenues in the year ended 31 December 2016.*

*(2) Customer survey commissioned by the Group, based on a sample of 1,500 customers in France, conducted in December 2015.*

*(3) The net promoter score is calculated based on the total number of promoters minus the total number of detractors, divided by the total number of respondents.*

Additionally, the Group added 131 new stores on a net basis in France between 2006 and 2016, 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 rollout and robust performance on a like-for-like basis, the Group has increased its market share in France in the affordable inspirational segment from approximately 3% in 2003 to close to 16% in 2014, and is now nearly three times larger than the second-largest player in the segment. During the same period, independent retailers have lost the most market share, with their share of the affordable inspirational segment narrowing from 80% to 68%.

## A scalable business model geared towards value

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

The Group has implemented a design-to-cost model aimed at capturing emerging trends and integrating them in its new collections and universes, 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 industrial-scale 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, located essentially in China, India and Vietnam. It has developed close long-term 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 an in-depth understanding of the production process and associated costs.

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

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

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

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

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

The Group’s store concept has demonstrated its effectiveness across all catchment types and store formats. As of 31 December 2016, the Group operated 288 stores, with only one generating negative EBITDA [(1)] during the financial year in question [(2)]. Most of the stores operated by the Group cover selling space of between 300 and 3,000 square metres. They are located in city centres, suburban commercial zones and shopping malls. Through a standardised approach, the Group has been able to roll out its concept effectively and coherently in both commercial and financial terms, and has managed to build a balanced and harmonious store network, with a single business model across store formats.

The Group has also been at the forefront of e-commerce in the homeware industry, using its online platform not only as a distribution channel, but also as a source of inspiration for its customers, a way to discover the Group's collections and universes and prepare a store visit. In the year ended 31 December 2016, Maisons du Monde generated online sales of €169.1 million across 11 countries, an increase of 40.1% compared with 2015, with profitability similar to that of the store network. The Group has today emerged as a leader in e-commerce in the French home decoration and furnishing market, with 19.2% of its Customer Sales in the year ended 31 December 2016 generated online, compared with 7% in 2010. This compares favourably with the relatively low e-commerce penetration of the decoration and furniture market generally in France, which was 2% in 2014, with most large bricks-and-mortar competitors reporting online sales below 5% of their total sales.

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

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

The Group seeks to further fuel the success of its omnichannel model with web-to-store and store-to-web applications and the creation of options such as Free In-store Delivery [1] or click-in-store [2], which represented a total of €218 million in Customer Sales in the year ended 31 December 2016.

Additionally, the Group has started to leverage the significant customer insight data that it has generated across its various channels in order to improve the effectiveness of its marketing and drive growth further.

The Group also provides its customers with its catalogues, laid out as magazines, to encourage them to dream and project themselves into a newly decorated or redesigned home, or invite them to rethink their home at will, inspired by the scenes proposed in different stores internationally. These catalogues are available in several languages, and come in three different versions (standard, junior and outdoor furniture). They cover the Group's entire range of furniture products and help attract customers to the Maisons du Monde websites and stores. The brand's standard 2016 catalogue presented roughly 2,800 furnishing SKUs and 2,000 SKUs in home decoration items. The 2015 outdoor furniture catalogue had roughly 450 furnishing SKUs and 120 SKUs in home decoration items. Lastly, the 2015 junior catalogue contained roughly 300 furnishing SKUs and 370 SKUs in home decoration items. In 2016, the Group distributed approximately 11 million free catalogues across the countries in which it operates.

This omnichannel approach, combined with the Group's lifestyle universes, is in contrast to the methods adopted by traditional players, which often only display their products in stores, in comparatively unattractive product aisle formats. The combination of these complementary distribution channels and formats allows the Group to sell a wide range of products relative to its average store size and the number of products displayed in stores. On average, 7% of furniture SKUs are displayed in-store, but, using its catalogues and websites, the Group is able to make its entire collection available to its customers. This is illustrated by the fact that 59.1% of in-store Customer Sales in furnishing were generated by products that were not displayed in-store in the year ended 31 December 2016.

## A proven track record replicated internationally

Maisons du Monde has replicated its business model across Western Europe. As of 31 December 2016, it operated 85 stores in six countries outside France, and had an exclusively online presence in four additional countries. In the year ended 31 December 2016, international Customer Sales accounted for 36% of consolidated Customer Sales, compared with 3% in 2005 and 20% in 2010. As such, for the same financial year, six of the ten largest stores in terms of Customer Sales were located outside France (three in Italy, two in Spain and one in Germany), and about 44% of online sales were made internationally.

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

The Group's expansion into Italy is one example of the successful international rollout of the Maisons du Monde model. The Group opened its first Italian store in Bologna in 2007. In the year ended 31 December 2009, Customer Sales in Italy amounted to €14.4 million. In the year ended 31 December 2012, Customer Sales were €73.4 million. Lastly, in the year ended 31 December 2016, Customer Sales reached €133.6 million, a CAGR of 37% in the period between 2009 and 2016.

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

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

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

*(3) Ramp-up refers to the amount of time it takes a new store to record average Customer Sales per square metre in line with the Group's average. Return on investment is calculated by dividing a store's fixed assets (net of disposals) by its EBITDA. The Group's Management uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analysing the performance of its stores.*

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

### 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 2016, the Group's Customer Sales grew from €545.1 million in the year ended 31 December 2013 to €881.8 million in the year ended 31 December 2016, representing a CAGR of 17.4%, with positive contribution from all channels, all formats and all countries, which represents a stellar performance compared with other European retailers in the homeware industry and beyond. In addition, the Group's EBITDA recorded an average CAGR of 23.4% between 2013 and 2016, rising from €65.3 million in the year ended 31 December 2013 to €122.8 million in the year ended 31 December 2016, with the EBITDA margin also improving from 12.0% to 13.9% during the same period.

This excellent financial performance is the result of the very good health of the Group's store network and the strong profitability of the e-commerce channel, as well as the rollout of new stores displaying an attractive business model, all sizes and all geographies combined, with ramp-up of less than one year (in mature countries such as Spain, Italy and Belgium) and an average return on investment [(1)] of two to three years for the majority of the Group network (only one store presented negative EBITDA [(2)] in the year ended 31 December 2016 [(3)]). The Group's online channel also provides attractive returns, with very low investment requirements.

## 1.4.4 GROUP STRATEGY

### Continue to be a source of inspiration and delight for customers

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

### Optimise further growth in Customer Sales, like-for-like

Maisons du Monde has a good track record in delivering like-for-like Customer Sales growth, outperforming the decoration and furniture market. Between 2006 and 2016, the Group's like-for-like Customer Sales grew at an annual average pace of 8%, compared with a growth of 0.7% for the French home decoration and furnishing market, according to IPEA.

The Group aims to continue to outpace the European home decoration and furnishing market, with estimated growth of between 2.0% and 2.5% between 2014 and 2019. The Group also leverages the growth dynamic of its online channel to strong e-commerce activity. This business already accounted for 19.2% of consolidated Customer Sales in the year ended 31 December 2016. This can be compared with an average online penetration of approximately 2% for the overall French home decoration and furnishing market. The European on-line distribution market is expected to grow at 10.7% CAGR in the years to 2019, which should enable the Group to achieve further growth.

The Group believes that its steady market share gains in the affordable inspirational segment, from about 3% market share in 2003 to approximately 16% in 2014, have come at the expense of independent retailers, whose combined share of the French affordable inspirational segment narrowed from 80% to 68% between 2003 and 2014. The Group believes that this positive trend will continue in the future, especially because of the superior value offered by Maisons du Monde and the establishment of a highly effective omnichannel business model.

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 Free in-store delivery initiative, which allows customers to make purchases online and collect their items for free in a nearby store of their choice.

*(1) Return on investment is calculated by dividing a store's fixed assets (net of disposals) by its EBITDA. The Group's uses store fixed assets (net of disposals) as a proxy for store capital expenditure when analysing the performance of its stores.*

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

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

This enables the Group to sell its decoration range more efficiently online, given that in-store deliveries cost less than home deliveries. On 29 February, 2016, this initiative was launched in France and Switzerland. It was then extended to Italy in mid-September 2016, and the aim is to have it fully rolled out internationally by the end of June 2017. The preliminary results of the Free in-store delivery initiative have been very positive, attracting new customers and driving incremental in-store purchases. It is estimated that approximately 10% of customers buy additional items in store when they collect their online order;

- the Group recently launched a programme to digitise the tools available to its sales force through the use of in-store tablets and TV screens showing the entire product offering [(1)] , especially furnishings not available in stores. This programme is currently rolled out in more than 126 of the Group's stores, with full rollout to be completed by the end of 2018;
- the Group will continue to invest in its websites and mobile platforms to remain at the forefront of technological development. In particular, the Group will focus on adding new features and functionalities to enhance the user-friendliness of its modules and the satisfaction of its customers, including improved search and browsing, payment and ordering functionalities;
- additionally, the Group intends to further leverage its Customer Relationship Management (CRM) tools. It recently combined its offline and online customer databases, which includes approximately 11 million contacts so as to better and more fully understand its customers and their behaviours across channels. Maisons du Monde aims to leverage this information to improve its marketing efficiency and further improve the customer experience, for example through personalised emails, website customisation based on order history, presence on social networks and geo-localisation.

Furthermore, the Group also wishes to continue to enhance the retail experience of its customers. In this regard, the Group intends to fine-tune the allocation of spaces dedicated to its collections on the basis of local customer tastes so as to further optimise its marketing approach, to use marketing flyers to boost footfall in stores and to improve its consumer financing offering.

Lastly, Maisons du Monde has a long track record in adding new product categories, such as the junior and outdoor collections (representing respectively 4.5% and 3.0% of Customer Sales in the year ended 31 December 2016). The Group also continuously works on expanding its products within any given category (for example, in 2016, it introduced water resistant cushions in its outdoor furniture collection). The Group believes there is room to further expand into new product segments such as kitchen and bathroom decoration and furnishings, where it is under-represented today.

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

Maisons du Monde has a twenty year track-record of profitable store openings in France, with a proven ability to identify attractive locations and develop successful stores that are extremely successful commercially.

Between 31 December 2012 and 31 December 2016, the Group added 18 new stores on a net basis to its network in France (a 10% increase in the number of stores), opening 49 and closing 31 (most of which were relocations), over the period. These openings represented more than 53,000 square metres of additional sales floor (a 40% increase in square metres, or 9% *per annum* on average over the period). The total floor space grew at a faster pace than the number of stores, as a significant number of openings were larger suburban stores that replaced smaller existing city centre stores in order to better display the Group's expanded offering The Group had 203 stores at 31 December 2016.

Based on a detailed analysis of catchment areas, the Group believes that its full potential in France is 285 stores without undermining its existing stores, changing its model or its return on investment criteria. In particular, the Group has identified a number of opportunities in the greater Paris area, as well as in specific tourist areas outside Paris. To determine the potential for new stores, the Group commissioned an external study to identify possible new store locations based on historical Group store sales data, information related to the catchment area (such as household income, age and number of holiday houses, proximity to existing Maisons du Monde stores.

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

The Group also intends to continue investing in its current stores to improve the retail experience of its customers. Lastly, the Group may seize opportunities to accelerate its store openings through the acquisition of all or part of an existing network. In the case of the Vivarte agreement signed in late 2015, for example, the Group successfully took over nine former Vivarte stores in strategic locations and converted them into Maisons du Monde stores (five of which opened in 2015 and four in the first quarter of 2016).

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

### Continue its international expansion in a disciplined manner

The Group plans to continue its international expansion in a disciplined manner, both through the development of stores in selected markets and by penetration of the online segment.

Between 31 December 2012 and 31 December 2016, the Group added 46 stores on a net basis to its international network (a 118% increase by number of stores) thus enabling it to increase its selling space by around 88,000 square metres (168%), or 28% *per annum* on average over the period. The Group had a total network of 85 international stores in six countries outside France as of 31 December 2016.

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

Given this potential, the Group intends to accelerate the pace of its international expansion, with an objective of 80 to 95 net store openings in total by 2020, focusing primarily on its existing markets, resulting in networks of 60 to 70 stores in Italy, 35 to 40 stores in Spain, 20 to 30 stores in Belgium and Luxembourg, 20 to 25 stores in Germany and 5 to 10 stores in Switzerland.

Maisons du Monde will continue to adjust its development strategy in accordance with the specific nature of each country, adapting its development objectives between the store networks and online channels. In France, Italy, Spain and Belgium, where e-commerce activity is low, the Group intends to focus on balanced store development, densifying its network while also growing its online sales. In contrast, in Germany and Switzerland, where e-commerce activity is higher, the Group intends to adopt a more gradual store development, backed by its online platforms, with selected and highly complementary physical stores.

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

### Develop its franchise and B2B offering

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

The Group's franchising strategy is focused on regions outside Europe, which represent an attractive business potential for the Group, in a context of acceptable economic and political risks.. With a low capital intensity for Maisons du Monde, this strategy is based on building strong partnerships with experienced local master franchisees that can roll out Maisons du Monde's concept successfully in their local markets. The Group intends to develop franchises in regions where it does not intend to build its own network.

As of the date of this Registration document, the Group had opened its first franchise in Casablanca, in Morocco, and entered into a master franchising agreement covering the Middle East with Majid Al Futtaim, a leading master franchisee in the region. The agreement envisages several store openings in the coming years. The Group is also engaged in discussions with potential partners in North Africa.

It also intends to accelerate the rollout of its B2B offering which generated €11.3 million in Customer Sales in the year ended 31 December 2016. Through its B2B activities, the Group makes its unique know-how in the creation of decorative articles in the creation of decorative articles and home furnishings available to the business world, including hotels, architects, businesses and the entertainment business. Moreover, the Group has recently started to focus on this market, which it believes represents approximately €1.6 billion of Customer Sales in France alone. To better serve this market, the Group has created a dedicated team and is aiming at further increasing its marketing efforts towards B2B customers.

## 1.4.5 DESCRIPTION OF THE GROUP'S BUSINESS

### Products

#### Overview

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

Through this unique broad product range, Maisons du Monde is able to satisfy a wide variety of consumer tastes.

Each style is typically available for each room or function of the home and spans a large number of product categories. The range of the Group's products includes about 12,600 decorative items (56.7% of Customer Sales in 2016) and 3,700 furniture items (43.3% of Customer Sales) [(1)]. Thanks to its approach to the styles and multiple price ranges, it is designed to appeal to a broad customer base. The Group constantly innovates to respond to changing tastes and the preferences of successive age groups by adding new themes, styles and universes. Approximately half of the Group's current furniture styles were launched in the last ten years.

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

### Decorative Products

Decorative products generally consist of products that customers can use to accent and accessorise their homes and add colour and personal style to their living spaces. The Group offers approximately 12,600 SKUs in the decorative items category [(1)]. Its range in this product category includes bedding, rugs and mats, candles, pillows and cushions, clocks, tableware, lamps, kitchenware, mirrors and frames, vases, storage articles, window treatments and bath products. The Group's Average Selling Price (ASP) is approximately €10.50 including VAT for decorative products. For the year ended 31 December 2016, 56.7% 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 835 SKUs, including baby crib mobiles, lamps, wall art for children and storage containers [(1)].

In addition to its furniture styles, the Group also curates and presents a variety of "themes" for 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 thematic collections from the Autumn/Winter 2016 season included: Portobello, Vintage market, Gipsy, Modern Copper, Milord, and Slow Home.

### Furniture

The Group offers approximately 3,700 SKUs in the furniture category, across a wide range of styles [(1)]. 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 €211 including VAT. The Group presents one new furniture collection per year. Substantially all of the Group's furniture is assembled and delivered to the customer's home. Furniture has been a fast-growing category for the Group. For the year ended 31 December 2016, 43.3% of Customer Sales were generated by furniture, as compared with 40.0% in the year ended 31 December 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.

*(1) Based on the number of SKUs that generated at least €5,000 of Customer Sales in the year ended 31 December 2016.*

## Product display and merchandising

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

The merchandising in Maisons du Monde stores, catalogues and websites is the result of rigorous testing and refinement at the Group's test stores in Nantes and Angers in France, where merchandising specialists prepare in-store displays and conceptualise product pairings before deploying them across all distribution channels. Merchandising execution is centrally managed to promote harmonious rollout and brand consistency across store formats and geographies. Every two weeks, a new merchandising manual is sent to each store within the network. It sets out optimal composition and presentation of the Group's products. This approach instils retail best practices and consistency and allows store managers to benefit from the analysis gleaned from across the Group's full 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. They aim to be a source of inspiration for customers' home design and decoration plans. For example, the Group's websites present items by product type (such as mirrors), room, theme, style and universe, as well as other characteristics such as trends, the "as seen on TV" angle (for products featured in the weekly interior decoration home on France 5) and "eco-selection" (for products made from recycled wood and wood from sustainable sources). Moreover, the Group's online platform expands on the approach taken by its catalogues, by integrating product videos and including photos from a variety of angles to allow better conceptualisation of the products. Additionally, the Group's websites offers a gift selection tool to help generate ideas.

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

## Design, Sourcing and Pricing Strategy

### 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.

### Product Design

The Group's team of 19 in-house designers and graphic artists, who are part of and work closely with the design and purchasing team of approximately 90 staff members overall, work to define the collections and manage product design according to a well-established collection creation process. For 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, colours, prints and finishings, to optimise product design and material costs, while staying true to Maisons du Monde's design proposition. The product managers provide analysis of historical best-sellers to promote the commercial success of the new collection. The final collections and product assortments are approved by two committees, during which purchasers and product managers provide their sourcing recommendations.

Additionally, the design team employs checklists to create collections that are balanced, compatible with the Maisons du Monde concept and introduce sufficient novelty. The duration of the design process from theme, style, universe and trend identification to approval of the relevant collection typically takes nine months.

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

The Group's in-house design capabilities enhance the originality of its products and position its brand among consumers as a unique source of homeware inspiration. In 2016, approximately 56% of the Group's decorative products were designed or adapted in-house (up to 100% 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.

## Pricing Strategy

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

The Group aims to offer items across a wide range of price points in every product category, in order to address to a broad range of customers and budgets. For example, the Group offers two-seater sofas from an entry-level price of €199 for 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 €10.50 for decorative products and approximately €211 for furniture for the year ended 31 December 2016 (including VAT). According to a recent customer survey commissioned by the Group [(1)], 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 optimise product design and material costs, the product managers determine the required price of its products to generate the minimum margin. If a product is not deemed to represent "value for money" by the product managers who have benchmarked competitors' products and market prices, the item will be re-worked by the product design and procurement teams to generate the minimum margin.

Furthermore, in order to preserve its margins and brand image, the Group maintains a policy of engaging in limited promotions and markdowns, which accounted for only 4.0% of Customer Sales in 2016, a proportion that is low compared to a number of other decoration and furniture retailers. The Group has developed a system of private sales, routine end-of-season sales and promotions for display products as tools to manage inventory. However, the volume of such sales has historically been low due to the Group's ability to correctly anticipate demand and recycling of end-of-life products in its stores and websites.

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

## Sourcing

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

Based on the total value of purchases for the year ended 31 December 2016, approximately 92% of the Group's products were manufactured in Asia (primarily China, Vietnam, Indonesia and India), providing it with access to a low-cost supply base. The Group's remaining products were manufactured in Europe, with France accounting for approximately 3% of the Group's manufacturing (primarily sofas) and the rest of Europe accounting for approximately 5% of the Group's manufacturing (primarily glassware).

*(1) Customer survey based on a poll of 1,500 customers in France in December 2015.*

A. INTERNAL MANUFACTURING

In the year ended 31 December 2016, 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 Chin Chin) and Vietnam (through its subsidiary, Mekong Furniture). The Group focuses its in-house manufacturing capabilities on the production of the more design-intensive furniture items. The utilisation rate of the Group's two manufacturing facilities has historically been close to 90%. Moreover, the Group is able to gain useful information with respect to the costs and dynamics of the supply chain, which it uses to its advantage as a benchmark in negotiations with external manufacturers. Accordingly, it believes that the flexible nature of its external supply base means that the Group is able to optimise its supply chain across the geographic locations in which its suppliers are based, particularly in the face of changing market conditions. Furthermore, the Group's significant sales volumes generate strong buying power and enable it to achieve economies of scale and efficiencies across its supply chain.

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. It focuses primarily on the junior furniture collection as well as other high-end furniture.

B. EXTERNAL SUPPLIERS

The Group regularly works with more than 500 third-party suppliers. The Group's top 15 suppliers (including Chin Chin and Mekong Furniture) represented 30% of its purchases for the year ended 31 December 2016 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 catalogue maintained by the partner according to colours, materials and other customisable characteristics and specifications that the Group chooses.

***Other External Suppliers***

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

C. RAW MATERIALS

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

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

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

## Quality Control, Inventory Management and Logistics

### Quality Control

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

### Inventory Management

The Group uses a data-intensive process for inventory management in order to optimise product allocation among its stores, which carry relatively low levels of inventory, as most of its inventory is kept in the warehouses. As of 31 December 2016, approximately 2.8% of the Group's decoration inventory and approximately 1.1% of the Group's furniture inventory was aged more than one year and the Group had 215 average days of inventory outstanding.

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

### Logistics

#### A. SHIPPING FROM POINT OF PRODUCTION

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

#### B. WAREHOUSING

Distrimag centralises the Group's warehousing and core inventory management activities. The Group's central warehouses service all of the Group's operations, which helps it harness efficiencies in quality control and reduce inventory at individual stores, maximising selling space. The Group stores its products in 11 warehouse facilities, each of which serves all of the Group's sales channels, in preparation for distribution to stores and end-customers. As of 31 December 2016, the Group managed approximately 430,000 square metres of leased warehousing and distribution space in and around Marseille. This storage space includes a new 96,000 square metre warehouse (in two phases, March and October 2016) and the return in November 2016 of a 30,000 square metre warehouse. This has strengthened the Group's supply chain.

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

#### C. DISTRIBUTION TO STORES AND END-CUSTOMERS

The Group distributes its products to its stores and end-customers in the South of France itself, through its subsidiary Distri-Meubles. For the delivery of the Group's products to its stores and customers in other regions and countries, the Group outsources the road transport to a number of third-party transportation and logistics providers. The Group's internal distribution capabilities allow it to understand the cost and quality dynamics associated with its distribution network and benchmark its external transportation and logistics providers to reduce costs and delivery times. For the year ended 31 December 2016, the average home delivery time within France for decorative products was two to five days, whereas for furniture, the average home delivery time was seven to ten days.

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

## Distribution Channels

### Overview

The Group distributes its products through a fully-integrated and complementary omnichannel platform that includes stores, catalogues and websites. The complementarity of the Group's channels is illustrated by the range of SKUs offered through each channel. At any given point, the Group's stores typically display a wide range of decoration items (an average of approximately 6,600 SKUs as of 31 December 2016) but a more limited range of furniture items (an average of approximately 255 SKUs as of 31 December 2016) [(1)]. The Group's online channel showcases most of its product range, displaying an average of approximately 5,950 decorative products SKUs and approximately 3,500 furniture SKUs at any given point[(1)].

The Group's catalogues 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 2016, the Group's websites attracted an average of 5.5 million unique visitors per month. The percentage of sales attributable to its desktop websites increased by 20% between 2015 and 2016. During the same period, sales attributable to tablet and mobile websites increased by 19% and 97% respectively. For the year ended 31 December 2016, the Group's stores generated 80.8% of Customer Sales, while its websites generated 19.2% of total Customer Sales.

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

The Group also operates a business-to-business (B2B) sales channel that accounted for €11.3 million in Customer Sales in the year ended 31 December 2016.

### Store Network

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

As of 31 December 2016, the Group directly operated a total of 288 stores throughout France, Italy, Belgium, Spain, Germany, Luxembourg and Switzerland with approximately 327,000 square metres of retail trading space in total. The Group's square metres of retail trading space have grown by approximately 18,000 net square metres *per annum* since 2001, accelerating to growth of approximately 34,000 square metres *per annum* net since 2012. Since 2012, the Group has opened 15 to 26 new stores gross *per annum*.

All of the Group's store locations are leased pursuant to commercial agreements with the relevant landlord. The Group's network in France is the most extensive, with 203 stores.

The following table sets forth the number of stores, average retail trading space per store and store openings in each country where the Group operates, as of 31 December 2016:

| Country | Number of stores | Average retail trading space per store *(sq. m.)* | Number of stores opened in 2016 *(gross)* | Number of stores opened in 2016 *(net)* |
|---|---|---|---|---|
| France | 203 | 920 | 18 | 10 |
| Italy | 36 | 1,950 | 7 | 6 |
| Belgium and Luxembourg | 22 | 1,100 | 6 | 6 |
| Spain | 14 | 1,600 | 3 | 2 |
| Germany | 8 | 1,730 | 0 | 0 |
| Switzerland | 5 | 2,000 | 2 | 2 |

*(1) Average number of SKUs available on the Group's websites at a given point in time during the year ended 31 December 2016.*

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

A. STORE FORMATS

The Group's stores are primarily located in high-traffic areas and the product offering in each of its stores has been adapted to the customer demographics of the area as well as the size of the store. The Group's stores can be principally characterised by location: city centre, suburban commercial zone and shopping mall. As of 31 December 2016, the majority of the Group's stores were located in suburban commercial zones (65% of stores) or in shopping malls (17% of stores) which are attractive due to lower rents and high conversion rates, and the remainder are in high traffic city centres (18% of stores). The Group believes that situating its stores in locations with strong catchment potential is critical to the success of its business.

### *City Centre Stores*

City centre stores have approximately 300 to 800 square metres of retail trading space and primarily sell decorative products (on average, 74% of city centre store product mix by Customer Sales for the year ended 31 December 2016), with a limited offering of furniture (on average, 26% of city centre store product mix by Customer Sales for the year ended 31 December 2016). City centre 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 centre store in Nantes, for example, displays approximately 6,000 decoration SKUs at any given time (representing most of the range) but only 150 furniture SKUs (less than 5% of furniture SKUs). For the year ended 31 December 2016, each city centre store generated average Customer Sales of approximately €1.4 million. For the year ended 31 December 2016, the Group's 51 city centre stores generated approximately 11% of the Group's in-store Customer Sales.

### *Shopping Malls*

Shopping mall stores have approximately 300 to 1,000 square metres of retail trading space and primarily sell decorative products (on average, 76% of shopping mall store product mix by Customer Sales for the year ended 31 December 2016), with a limited offering of furniture (on average, 24% of shopping mall store product mix by Customer Sales for the year ended 31 December 2016). The shopping malls where the Group opens stores are both inside and outside city centres, though the majority are outside city centres. Shopping malls are selected based on, among other factors, the target demographics of the particular shopping mall, accessibility and the mix of the other retail and entertainment tenants. The Group's shopping mall store at Paris Beaugrenelle, for example, displays approximately 6,800 decoration SKUs at any given time (representing most of the Group's range) but only 180 furniture SKUs (less than 5% of furniture SKUs). For the year ended 31 December 2016, each shopping mall store generated average Customer Sales of approximately €1.8 million. For the year ended 31 December 2016, the Group's 50 shopping mall stores generated approximately 13% of the Group's in-store Customer Sales.

### *Suburban Commercial Zone Stores*

Suburban commercial zone stores have approximately 500 to 4,500 square metres of retail trading space (with most stores having 1,000 to 2,000 square metres of retail trading space) and generally offer a wider range of furniture products (on average, 38% of suburban commercial zone store product mix by Customer Sales for the year ended 31 December 2016) as compared with the Group's shopping mall or city centre stores. Suburban commercial zone stores are typically located near key transportation arteries and connected to mass transportation, generally with on-site or adjacent parking facilities. The Group's suburban commercial zone store at Milan Segrate, for example, displays approximately 7,200 decoration SKUs at any given time (representing most of the Group's range) and approximately 685 furniture SKUs (less than 10% of furniture SKUs). For the year ended 31 December 2016, each suburban commercial zone store generated average Customer Sales of approximately €2.9 million. For the year ended 31 December 2016, the Group's 187 suburban commercial zone stores generated approximately 77% of the Group's in-store Customer Sales.

B. MANAGEMENT OF THE STORE NETWORK

The Group's store network is the result of an industrialised and data-driven process to centrally identify promising new locations. Additionally, the Group's centralised store management team receives weekly reports enabling it to respond proactively when an existing store's performance is not consistent with the Group's standards. As a result of this strong management of the store network, stores exhibit a fairly homogenous profitability level and only one store had a negative store EBITDA (1) in the year ended 31 December 2016 (2). International stores across the network display similar metrics to French stores, and in the year ended 31 December 2016, six of the top ten stores (as ranked by Customer Sales) in the network were located outside of France.

### New Store Selection

The Group applies a vigorous and disciplined store selection approach based on prior experience and a detailed financial evaluation. First, a dedicated team scouts for new store locations and/or receives and evaluates proposals that are made by developers, landlords or shopping mall operators. Site identification can begin up to two years before the opening of a new store. The Group considers several factors when selecting and evaluating a store location including, among other factors, the potential profitability of a site, accessibility and visibility, traffic patterns, signage, availability of parking, trading space, nearby shopping options, competition and certain demographic factors, including new housing starts, household purchasing power, housing density and percentage of secondary housing. For example, the Group believes that stores located near IKEA stores experience higher footfall as a result of such proximity and record 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 cannibalisation. Should the site appear promising, a business case is prepared and presented to the Group's Central Development Committee. Following approval by the Central Development Committee, a store opening plan is then submitted to the Group's Board of Directors for approval. This process generally takes eight weeks from site evaluation to approval. Finally, once the relevant lease is negotiated and secured, a process which ordinarily takes approximately two weeks, an experienced team of store outfitters and technicians undertake the fit out, recruitment of personnel and initial launch of the store, a process that takes approximately ten weeks.

The Group rigorously monitors store payback, which refers to store net fixed assets (3) divided by the related store EBITDA (1), and store ramp-up, which refers to the amount of time it takes for a store to generate Customer Sales per square metre in line with the Group's average. Stores located in countries with high brand recognition, such as France, Italy, Spain and Belgium have shorter average payback and ramp-up periods.

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

In 2017, the Group plans to expand its store network with 25 to 30 net openings (one-third in France and two-thirds internationally), with retail trading space expected to reach approximately 360,000 square metres by 31 December 2017, compared with approximately 327,000 square metres as of 31 December 2016.

### Store Refurbishment, Repositioning and Closure

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

*(1) 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 store charges) but excluding any allocation of general marketing and corporate costs.*

*(2) Based on management accounts for the year ended 31 December 2016 and only taking into account stores opened prior to 31 December 2014, i.e., stores included in the definition of like-for-like.*

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

## E-Commerce

The Group was one of the first to develop an online sales platform and innovate in this area, and was a leader in the development of this activity in the French decoration and furniture market. The Group ranks first in terms of the share of Customer Sales generated online in France in the homeware business. E-commerce represents a consistently growing sales channel for Maisons du Monde that is complementary to stores and exhibits profitability metrics similar to the Group's store network. The Group's e-commerce channel has bolstered its international penetration by providing an asset-light channel for Maisons du Monde to enter new markets. For example, Germany was the second largest online market for the year ended 31 December 2016 even though it has a comparatively small store network. Likewise, Maisons du Monde has entered the UK market with an e-commerce-only approach.

The Group offers its products online through its primary website, www.maisonsdumonde.com, which has been optimised for computer, smartphone and tablet navigation and is accessible in multiple languages. The Group launched its online Customer Sales platform in 2006. In 2016, the Group's websites attracted an average of 5.5 million unique visitors per month. Customer Sales generated by its websites accounted for €169.1 million for the year ended 31 December 2016, or 19.2% of Customer Sales and increased by 40.1% over the year ended 31 December 2005.

Approximately 44% of total online sales were generated outside of France. Additionally, more than 50% of the Group's online traffic was from mobile devices and mobile sales. In 2016, furniture accounted for 75% of the Group's online sales and decoration accounted for 25%.

The Group's e-commerce platform allows customers to discover and experience the universes found in its catalogues and stores in a simple and easy-to-use format. The Group displays most of its products on its websites, an average of approximately 8,000 furnishing and decorative item SKUs at any time [1]. 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 Free in-store delivery programme. The Group's websites also offer universe-based and room-based navigation, which allows its customers to conceptualise their home's redesign and shop for items by product category, style, theme or universe, thereby improving their shopping experience. For example, customers can search the Group's websites for products by size or colour, browse through its extensive product categories and see detailed information about each product and collection, such as dimensions, materials used and care instructions. Customers can select colour swatches and view merchandise displayed with different colour and fabric options. The Group's websites have also introduced curated pairings of decoration and furniture which assemble unique assortments of SKUs based on a current trend, allowing customers to redo a room in a new theme or style and add additional personalisation options assembled from the Group's universes and collections, in order to encourage a "shop the look" purchasing experience. Based on analysis of customer page views, the Group's online pages presenting "shop the look" by trend, style and other inspiration attract one out of five webpage visitors, who spend approximately double the time on such pages than they do viewing the other pages of the website. The Group regularly updates its websites to reflect product availability and new product launches and implements system improvements for its e-commerce platforms.

Between 2012 and 2016, 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 31 December 2016, approximately 56% of hits on the Group's websites were logged from mobile and tablet devices, up 62% from 2015.

The Group's websites are an important part of its omnichannel sales approach. They include a store inventory check feature, which directs consumers to the nearest store stocking the desired item. In 2015, the Group piloted a Free in-store delivery initiative for decorative products in eight stores in two regions in France. According to data analysed from this pilot, more than 10% of customers made additional in-store purchases upon visiting a store to collect their online purchase. The Free in-store delivery initiative was then expanded nationwide in France and Switzerland in early 2016, and in Italy in September 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 catalogues distributed in-store or on tablets available in the store, or, alternatively are identified through discussions with sales associates. The Group identifies these transactions as in-store digital sales, or click-in-store sales, which together represented Customer Sales of €262 million in the year ended 31 December 2016. 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 programme was available in 17 stores, with an average of six tablets available per store. The Group then extended this initiative to over 126 stores during the first half of 2016 and plans to bring the number up to 200 stores during 2017.

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

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

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

### Business-to-Business Sales

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 utilise 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 €11.3 million in Customer Sales in the year ended 31 December 2016, as compared with €1.6 million in the year ended 31 December 2010.

## Marketing and Customer Services

### Overview

The Group's track record of regular Customer Sales growth and 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 store footfall and online traffic.

According to a survey commissioned by the Group [1], its French customers are a representative sample of the population of homeware shoppers as a whole. 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.

### Marketing Strategy

The Group's stores, websites and catalogues are currently the primary branding and advertising channels for the "Maisons du Monde" brand. The highly differentiated shopping environment of the Group's stores drives customer traffic not only to its stores but also to its websites. The Group's websites and catalogues further reinforce the "Maisons du Monde" brand and help drive 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 catalogues and DIY tutorial videos.

New initiatives in the marketing space have focused on digitisation of the retail experience and increasing cross-channel interaction. In January 2016, the Group installed tablets in 17 stores in order to evaluate whether such technology could assist sales personnel in cross-selling and providing better advice. With the results having been encouraging, the Group expanded this initiative to more than 100 stores in the first half of 2016. The initiative will be extended to 100 additional stores in 2017. 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.

### Marketing Functions and Expenses

Marketing is a key component of the Group's ability to implement its business strategy, attract footfall and engage with customers. The Group's advertising and marketing expenditures for the year ended 31 December 2016 were €31.3 million and represented 3.5% of Customer Sales.

The Group's primary marketing expense is the production of its catalogues. In 2016, the Group distributed approximately 11 million free catalogues across the countries in which it operates. Additionally, the Group invests in online marketing, both to acquire new customers as well as to build its brand.

*(1) Customer survey commissioned by the Group, based on a poll of 1,500 customers in France in December 2015.*

### Catalogues

The Group's catalogues are a powerful marketing tool to inspire customers and illustrate the Group's unique offer by presenting the breadth of its universes and its various styles and themes. The Group's catalogues look and feel like a design magazine, displaying high quality photos shot in real home settings in compelling locations such as Thailand and Brazil. With over 500 pages in the 2016 edition, the Group's standard catalogue showcases its full furniture product range complemented with a selected range of decorative products. The Group additionally produces two specialised catalogues that focus on outdoor furniture and junior decoration and furniture. The Group distributed approximately 11 million free catalogues to its customers in 2016. They are an essential marketing tool for the Group and increase Customer Sales in stores and on the websites by encouraging customers to explore the various distribution channels.

### Customer Engagement and Social Media

In January 2013, the Group also began creating and maintaining a CRM database of its customers who buy its products in its stores, in order to better understand their shopping habits and preferences. The Group has substantially increased its database of customers and, as of 31 December 2016, it had a base of approximately 11 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 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 allow it to share new product launches, showcases newly opened stores and other news from the Group. Over 876,000 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.

### Customer Service and Returns

Part of maintaining the "Maisons du Monde" brand includes providing a high standard of customer service, which encompasses in-store service, online technical and sales support and after-sales service. The Group has a team of approximately 100 employees who handle after-sales services such as returns and respond to customer queries in relation to deliveries and product quality. The Group has historically recorded relatively few product returns. The return rate is in the low single-digits, which, for example, is significantly lower than retailers active in the apparel markets. The Group's after-sales services do not directly generate any revenue. To support its e-commerce channel, the Group maintains a hotline dedicated solely to its online customers' sales inquiries and handles certain over-the-phone sales. Over-the-phone sales accounted for €16 million of Customer Sales in 2016. 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 113,500 of which were received in 2016 and analysed in order to assess and improve the on-site experience, check-out process and post-purchase support. For example, as a result of customer feedback, more visuals and detailed product information were added, and delivery and payment options were expanded. The Group has partnered with the consumer financing firm Cetelem, a member of the BNP Paribas group, to offer customers the possibility of paying for purchases from €150 up to €16,000 in 3, 10, 20 or 30 monthly instalments, depending on the purchase price. In the year ended 31 December 2016, approximately 10.4% of furniture sales were generated using consumer financing obtained by customers from Cetelem. Finally, the Group offers a "privileged customer card" programme, which provides customers with longer guarantees on certain of their purchases.

## Information Technology

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

- inventory management;
- online order fulfilment;
- quality control;

- point of sale front office and back office applications;
- contact with the Group's suppliers; and
- the Group's CRM system.

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

## Regulation

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

### Regulation of Furniture Production and Products Liability

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

#### A. EUROPEAN UNION REGULATIONS

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

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

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

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

B. MANDATORY REGULATIONS IN INDIVIDUAL MEMBER STATES

### France

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

### United Kingdom

The Furniture and Furnishing (Fire Safety) Regulations 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.

## Regulation of the Group's Retail Activities in France

A. LAWS ON COMMERCIAL LEASES

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

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

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

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

B. EMPLOYMENT REGULATIONS

French working time regulations generally provide for a statutory weekly average working time of 35 hours. An employer may be prosecuted for offenses of "undeclared work" (*travail dissimulé*) in connection with the failure to properly declare the time worked beyond 35 hours per week, which may result in fines and imprisonment. As a result of undeclared work, an employer may also be liable to employees for the payment of a fixed penalty representing six months of salary, in the event of the termination of the employee's contract. In addition, noncompliance with legal provisions regarding overtime may expose the Group to additional fines. Moreover, because any compensation paid to an employee is subject to the payment of social security contributions, social security contributions related to overtime hours may be reassessed, which may result in the payment of additional social security contributions, as well as additional charges for the late payment of contributions, penalties for late declarations and fines. The 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 labour unions or employee representative bodies. Labour law requires that additional compensation be paid to employees for Sunday work.

C. PROTECTION OF PRIVACY AND PERSONAL DATA

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

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

D. IMPORT-EXPORT RESTRICTIONS

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

# 1.5 Property, plant and equipment

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

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

As of 31 December 2016, the property portfolio formed by these sites was as follows:

- two offices housing the Group's registered office, one located at Le Portereau, 44120 Vertou, France and the other at ZAC de Bel Air, 44120 Vertou, France. The Group leases these premises from its founder, Xavier Marie, pursuant to commercial leases entered into on an arm's-length basis;
- premises housing offices leased from third parties and used for the Group's web and network services (144 rue de Rivoli, 75001 Paris, 565 avenue du Prado, 13008 Marseille France, and Albert House, 256-260 Old Street, London EC1V 9DD, England), development teams (89 rue du Faubourg Saint Antoine, 75011 Paris, France), and B2B and import-logistics services (6 rue Anne de Bretagne (Immeuble Viséo), 44120 Vertou, France);
- eleven warehouses serving all of the Group's sales channels and conveying products to end-customers located in the South of France. One of these warehouses is leased to SCI Salins Logistique 1, a real estate company held by the Group's founder, Xavier Marie;
- a showroom located at 30 avenue de la Vertonne, 44120 Vertou in France, and a warehouse used for photo shoots for the Group's catalogues, located in rue de la Voyette, 59810 Lesquin, France, leased from a third-party landlord;
- 288 stores located in Belgium, France, Germany, Italy, Luxembourg, Spain and Switzerland;
- a furniture manufacturing facility in China operated by the subsidiary Chin Chin Furnishing in Shanghai, the Group's joint-venture with SDH Limited;
- a furniture manufacturing facility in Vietnam operated by the Group's wholly owned subsidiary Mekong Furniture.

# 1.6 Investment policy

## 1.6.1 MAIN INVESTMENTS

### Acquisitions of Intangible and Tangible Assets

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

The Group's capital expenditures amounted to €52 million, or 5.5% of Customer Sales, during the years ended 31 December 2016, including:

- €33 million in expenditure on store development, reflecting a gross total of 36 stores opened by the Group during the year;
- €8 million in expenditure on maintaining and renovating the Group's existing stores;
- €11 million in other expenditure, primarily for the expenditures related to the Group's head offices, and capital expenditures on e-commerce and logistics.

### Financial Investments

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

## 1.6.2 MAIN FUTURE INVESTMENTS

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

# 1.7 Research and development, patents and licences

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

## The Group's Proprietary Rights

The Group owns the 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: Maisons du Monde maintains a policy of filing preliminary patent applications (*enveloppes Soleau*) with the French national patent authority for its product designs. Maisons du Monde 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 product;
- database rights: Maisons du Monde owns certain rights with respect to its customer database, in compliance with European and French regulations, in particular with the rules promulgated by the French Personal Data Protection Authority (*Commission nationale de l'informatique et des libertés* – CNIL) relating to notification of use of cookies;
- commercial trademarks: Maisons du Monde France S.A.S. owns the right to the "Maisons du Monde" name, its most important trademark, which it has registered 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 1.8.2, "Intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights could diminish the value of the Group's brand and weaken its competitive position" of this Registration document.

## Third-Party Licences

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

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

The Group uses 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 arrangements:

- design licencing 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 licencing agreement between Maisons du Monde and Société des Éditions Pierre Guariche (S.E.P.G.).

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

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

## Security inherent to the Group's intellectual property rights

Not applicable.

# 1.8 Risk factors, insurance and risk hedging

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

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

## 1.8.1 RISKS RELATED TO THE GROUP'S BUSINESS AND STRATEGY

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

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

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

The Group's largest market is France, which accounted for 64% of its Customer Sales and 70.1% of its EBITDA (excluding corporate EBITDA) in the year ended 31 December 2016. In most of the Group's principal markets, economic recovery has been slow and uneven. Accordingly, unfavourable economic conditions or an uncertain economic outlook in one or more of the principal markets in which the Group operates, particularly in France, could have an adverse effect on consumer spending in the decoration and furniture market, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

For the financial years ended 31 December 2015 and 2016, 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 51% for the years ended 31 December 2015 and 2016. As a result of these factors, the Group's working capital requirement is at its highest level in the three months ended 30 September as the Group ramps up for the holiday selling season. Due to the Group's significant fixed cost base represented by rent and employee wages and salaries, if the Group experiences lower sales during the fourth quarterly period, the Group may be unable to reduce its costs in the short term to offset the lower revenue which could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

The Group cannot assure investors that it will be able to continue to develop products that resonate with customers or that it will successfully respond to consumer preferences in the future. Any failure on the Group's part to anticipate, identify or respond effectively to consumer preferences could adversely affect sales of the Group's products. If orders do not match actual demand, the Group could have higher or lower than anticipated inventory levels. For example, if products remain unsold, the Group may need to reduce selling prices resulting in lower margins or incur higher charges to store inventory or transport it to other markets within its network where there may be demand. The Group may also be required to record impairment of inventory charges. Although the Group has historically not incurred such charges, nor has it needed to make a provision in regards to such charges, the Group cannot exclude this possibility in the future. If a particular style or theme, or multiple styles or themes, within a collection underperform, the Group's like-for-like 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.

#### 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 288 store locations in seven countries as of 31 December 2016 and its supply and logistics chain is global, spanning several countries for the manufacturing, sourcing and distribution of products. Catastrophic events such as severe weather, floods, fires, earthquakes, pandemics or epidemics, terrorist and war activities in the countries in which the Group operates or from which it sources its products may have a negative effect on consumer spending in the countries where the Group operates or disrupt the Group's supply and logistics chain.

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

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

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

The Group purchases approximately 91.1% (in terms of purchases of goods) of its products from more than 500 third-party suppliers, in addition to sourcing goods through its joint-venture with SDH Limited 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. Although the Group strives to ensure consistent product quality from its suppliers by selectively controlling pre-production samples, conducting periodic visits to manufacturing sites of some of its suppliers and randomly vetting shipments arriving at its logistics platforms, there is no guarantee that such efforts will be effective. Any of these risks, taken in isolation or in combination with other risks, may adversely affect the Group's business, results of operations, financial position and reputation.

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

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

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

Although the Group has long-standing relationships with certain of its suppliers, it generally does not enter into any formal contractual or volume arrangements with the external furniture manufacturers who produce approximately 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.

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

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

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

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

Any failure by the Group's suppliers to adhere to product safety or manufacturing safety standards could result in serious product defects issues that may not be detected by the Group's quality control procedures and which may in turn lead to product recalls. Although there have historically been no major recalls with respect to the Group's products, there can be no assurance that a product recall will not occur in the future. The Group's reputation and brand could be damaged by the marketing of defective products, especially in the event of serious defects, such as breach of applicable flammability standards or products incorporating harmful substances causing physical harm or other health problems. Such serious defects could also lead to a significant decline in 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.

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

In the event that one or more of the Group's suppliers decides to no longer work with the Group, demands higher prices or more stringent payment terms or is unable to meet the quantity or quality of the Group's product requirements, the Group may not be able to develop relationships with new suppliers in a manner that is sufficient to supply the shortfall. In addition, from time to time, the Group enters into new product areas; for example, in 2011, it launched its junior collection of children's and teenagers' products, and existing suppliers may not have the expertise or manufacturing capacity to provide products in such new areas. Even if the Group does identify new suppliers, the Group may experience increased costs, product shortages and customer backorders as the Group transitions its product requirements to alternative suppliers.

In addition, the Group cannot assure investors that any new supplier with which it does business would not be subject to the same or similar quality- and quantity-related risks as its existing suppliers. Any such developments could increase the Group's cost of sales and adversely affect its profit margins.

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

The Group's products are collected at 11 Group-operated warehouse facilities. The Group's wholly-owned subsidiary Distrimag performs distribution functions for all of the Group's sales channels. As of 31 December 2016, the Group managed approximately 430,000 square metres of warehousing and distribution space, located mainly in the Marseille-Fos port area in the South of France.

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

**The Group does not fully control its Chinese joint-venture and 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.

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.

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

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

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

In the ordinary course of its business, the Group is exposed to the risk of theft of products in its stores and warehouses. In the year ended 31 December 2016, it 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.

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

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

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

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

The Group operates stores located in a variety of locations, mainly city centres, shopping malls and suburban commercial zones. 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 centres have reduced occupancy rates which tends to reduce footfall to the entire shopping centre.

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

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

The Group currently leases all of its store locations. Leases for the Group's stores provide for either: (i) fixed rent, with rent reviews every year or set rent increases at certain intervals during the subsequent years of the relevant leasehold term or (ii) rent that is set according to a fixed percentage of the turnover of the relevant store, with certain guaranteed minimums. In France, fixed rent commercial leases that the Group signs with its landlords typically provide for a rent adjustment in accordance with changes in certain national indices, in particular the commercial rent index (*indice trimestriel des loyers commerciaux*). In other countries where the Group operates, the Group's leases typically include adjustment mechanisms referencing national consumer price indices. In 2016, the majority of the Group's leases in France provided for fixed rent while the majority of its international leases provided for variable rent premised on a percentage of revenues. The Group faces the risk that occupancy costs will offset or erode any increases in footfall or positive like-for-like Customer Sales growth which in the aggregate could have a material adverse effect on its business, financial condition and results of operations.

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

From 2015 to 2016, the Group's network of stores increased from 262 stores to 288 stores (as of 31 December 2016), as the Group expanded its presence in Europe. In recent years, the Group has developed a strategy of repositioning certain smaller city centre stores in favour of larger suburban stores. The Group has also focused its expansion efforts on suburban commercial zones and shopping mall stores. Maisons du Monde's development strategy is based on an analysis of the potential of its network of stores by country, estimated at approximately 285 stores in France and approximately 500 around the world (for more information, see Section 1.4.4 "Group Strategy" of this Registration document).

The Group believes that larger locations better showcase the Group's complete range of decoration and furniture and thereby provide customers with a fuller shopping experience. However, the Group's expansion strategy may not succeed if the Group is not able to identify appropriate locations for new stores or successfully execute its store concepts. The success of this strategy will, however, depend in part upon the Group's ability to open and operate new stores and convert existing city centre stores into suburban stores on a timely and cost-effective basis while continuing to increase Customer Sales at its existing stores. In France and the other markets in which the Group currently operates, new points of sale could impact on existing ones, resulting in lower like-for-like Customer Sales growth.

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

There can be no assurance that the Group will be able to open new stores on a timely or profitable basis or that the Group will be able to secure store sites on acceptable terms. The Group may not manage its expansion effectively and its failure to achieve or properly execute its expansion plans could limit the Group's growth or have a material adverse effect on its business, financial condition and results of operations.

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

The Group's current leases expire at various dates ranging (with limited exceptions) from nine to twelve years. Approximately 6% of Group lease agreements in Europe expired in 2016; no fewer than 22% of leases will expire between 2017 and 2020. The Group's ability to maintain its existing rents during renewals or to renew any expired lease on favourable terms will depend on many factors which are not within its control, such as applicable real estate laws and regulations, conditions in the local real estate market, competition for desirable properties and the Group's relationships with current and prospective landlords. If the Group is unable to renew certain of its leases, the Group's ability to lease a suitable replacement location on favourable terms is subject to similar factors. If the Group's lease payments increase or the Group is unable to renew existing leases or lease suitable alternate locations, the Group's profitability may be significantly harmed. In addition, the Group may face challenges in identifying attractive locations to lease for new stores at reasonable prices, which could impair the Group's ability to implement its business strategy. The Group competes with other global and regional retailers for store locations and may be unable to secure attractive sites for new points of sale. There can be no guarantee that the Group will be able to secure or maintain leases for its stores in attractive areas or areas with high consumer traffic. If the Group is unable to obtain appropriate locations for its stores as well as maintain their quality, the Group's business, results of operations and financial condition may be materially and adversely affected.

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

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

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

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

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

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

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

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

The Group's management periodically evaluates the entry into new markets where the Group currently does not operate a store network against a number of commercial and financial criteria. Expansion into new markets may take the form of organic growth, acquisitions of existing networks or joint-ventures or other partnerships. Historically, the Group has entered new markets through organic expansion. For example, the Group opened stores in Italy in 2007, Luxembourg in 2010, Germany in 2013 and Switzerland in 2014. During the years ended 31 December 2015 and 2016, the Group opened a total of 47 stores (net of 16 closures) across Europe. Expansion into new markets is likely to carry greater risks than the Group faces in its existing core markets and such risks may be inherently higher if the expansion is made through acquisitions. New markets may have different competitive and market conditions, customer preferences and discretionary spending patterns than the Group's existing markets. The Group may also face a higher cost of entry, alternative customer preferences, reduced brand recognition, logistics difficulties and minimal operating experience in such territories. The Group's product offering may not be successful in new markets and its costs may increase due to cost overruns, unexpected delays or other unforeseen factors. Cultivating brand recognition in new markets may be difficult in markets where competitors are already deeply entrenched and may require the Group to make substantial investments in areas such as merchandising, marketing, store operations, community relations, store graphics, catalogue distribution and employee training, which could adversely affect its cash flow and which may ultimately not be successful. Additionally, the Group may not be successful in its efforts to integrate new stores (regardless of whether they are the product of organic growth or of acquisitions) into its network. Any of these challenges could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

E-commerce is an increasingly important part of the Group's omnichannel retail network, representing 19.2% of Customer Sales in 2016. The Group sells its products over the Internet in the countries where it maintains physical stores (France, Belgium, Germany, Italy, Luxembourg, Spain and Switzerland), as well as in certain other countries where it has an online sales presence only (Austria, the Netherlands, Portugal and the United Kingdom), through its mobile and desktop websites. For the year ended 31 December 2016, approximately 56% of the Group's online sales were generated in France, with the remainder generated from other countries where the Group's online channel operates.

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

- reliance on third parties for certain ordering and customer fulfilment software and payment services;
- vulnerability to phishing, hacking and system breach which could expose the Group to regulatory action or consumer complaints that could damage its reputation and its business;
- the risk that the Group's websites may become unstable or unavailable due to failures or necessary upgrades of its computer systems or related IT support systems, or disruption of Internet service;
- customers finding the websites difficult to use, being less willing to use the websites than the Group expects or not being confident that they are secure;
- difficulty integrating the Group's e-commerce platform with its store network, which may result in complications for its e-commerce customers (for example, a customer may experience difficulty returning products bought online to a local store);
- logistical difficulties in delivering products to customers in a satisfactory manner;
- negative reviews from dissatisfied customers spreading online or through social networks and deterring other potential customers from considering the Group's online offering;
- violations of national, EU or international laws, including those relating to online privacy;
- liability for online credit card fraud and problems adequately securing the Group's payment systems; and
- the incurrence of additional costs due to the necessity of investing in the maintenance of an online look, presence and connectivity that is commensurate with the Group's brand positioning and adapting to software and hardware platforms.

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

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

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

Additionally, changes to search engines’ algorithms or terms of service could cause the Group’s websites to be excluded from or ranked lower in natural search results. In 2015, approximately 27% 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 endeavours to enhance the relevancy of its websites to common consumer search queries and thereby improve the rankings of its websites in natural listings, a process known as Search Engine Optimisation (“SEO”). Search engines frequently modify their algorithms and ranking criteria to increase the relevance of their natural listings. If the Group is unable to recognise and adapt quickly to such modifications in search engine algorithms, or if the effectiveness of the Group’s SEO activities is diminished for any other reason, the Group could suffer a significant decrease in traffic to its websites and, in turn, conversion rates and revenues.

## Risks related to the Group’s reputation

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

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

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

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

## Risks related to information technology and customer data

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

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

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

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

### 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. 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 6 January, 1978 (as modified by a law dated 6 August, 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 noncompliance with such laws, or relating to any inadvertent or unauthorised use or disclosure of data that the Group stores or handles as part of operating its business. Increasing costs associated with information security, such as increased investment in technology, the costs of compliance with 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 programmes that attempt to penetrate network security and misappropriate customer information. There is no guarantee that the Group's security measures will be sufficient to prevent breaches. Any such breach or compromise of security could adversely impact the Group's reputation with current and potential customers, lead to a loss of stakeholder trust and confidence and to litigation or fines and require the Group to divert financial and management resources from more beneficial uses. If any such compromise of the Group's security were to occur, it could have a material adverse effect on its reputation, results of operations or financial condition and may materially increase the costs the Group incurs to protect against such information security breaches.

## Risks related to Management, employees and labour relations

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

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

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

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

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

**A deterioration in the relationships with the Group's employees or trade unions or a failure to extend, renew or renegotiate the Group's collective bargaining agreements**

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

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

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

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

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

The Group's operations are subject to a variety of labour and employment laws and regulations. For further information, see the Section "Regulations" of this Registration document. In particular, because of its workforce of 6,059 employees as of 31 December 2016 (excluding Mekong Furniture and Chin Chin), and its significant Group-wide personnel expenses and social security contributions, which represented 19.8% of the Group's Customer Sales in the year ended 31 December 2016, laws and regulations relating to labour and employment, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, may constrain the Group's ability to provide services to customers or may increase its operating costs and could have a material adverse effect on its business, financial condition and results of operations. In addition, any failure to comply with applicable regulations of the countries in which the Group operates, including, but not limited to, laws or regulations relating to labour and employment, could result in substantial fines, penalties or claims. The modification, suspension, repeal or expiration of favourable provisions in labour and employment laws and regulations or, conversely, any increases of mandatory minimum wages pursuant to laws, regulations or collective bargaining agreements, or of social security contributions, may negatively impact the Group's business and profitability.

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

## Other risks

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

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

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

Since a substantial portion of the Group's 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.

**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 2015 and 2016 were €24.1 million and €31.2 million, respectively, and consist primarily of online marketing and catalogue costs. The Group will continue to invest in its catalogue and online marketing initiatives. The results of these investments may be unsuccessful on a return on investment basis. The Group's failure to implement its marketing initiatives, or their failure to result in improved profitability, could have an adverse effect on the Group's liquidity, financial position and results of operations and on the implementation of the Group's growth strategy.

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

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

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

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

## 1.8.2 LEGAL, REGULATORY AND TAX RISKS

*With the exception of the items mentioned in note 29 of Section 5.1.6 "Notes to the consolidated financial statements" of this Registration document, the Company is not aware of any governmental, judicial or arbitration proceedings that may have significant effects on its financial condition or profitability.*

### Risks related to legal proceedings and changes in law

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

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

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

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

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

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

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

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

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

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

## Risks related to compliance and internal controls

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

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

## Risks related to tax laws or tax issues

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

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

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

As of 31 December 2016, the Group's products were subject to VAT in each of the countries where the Group operates with different applicable rates set by each such country. For example, VAT on homeware was 20% in France, 21% in Belgium, 19% in Germany, 22% in Italy and 21% in Spain. From 2010 to 2012, European governments increased VAT rates in order to bolster public finances, and there can be no assurance that VAT rates will not be further increased in the future. For example, Luxembourg increased its standard VAT rate from 15% to 17%, effective as of 1 January, 2015. The Group's published retail prices are inclusive of VAT.

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

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

In December 2012, the French government enacted a competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* or "CICE"), as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Eligible salaries are calculated on the basis of regular working hours plus overtime hours (but without taking into account the overtime rate). This tax credit equals 6% for financial years beginning on or after 1 January, 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 €4.4 million on its EBIT and EBITDA for the year ended 31 December 2016, as shown in its consolidated financial statements. Additionally, in France the Group benefits from reductions in employer social security contributions on certain wages pursuant to the Fillon law (law 2008-1258 of 3 December 2008).

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

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

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

The Group has significant tax loss carry-forwards (€52.1 million in total, of which €49.2 million in France as of 31 December 2016), which have given rise to deferred tax assets on its balance sheet. The ability to effectively use such tax loss carry-forwards will depend on a variety of factors, including: (i) the ability to generate taxable income and the adequacy between such income and tax losses; (ii) the general limitation applicable to French tax loss carry-forwards, under which the percentage of tax loss carry-forwards that may be used to offset the portion of taxable income exceeding €1 million is limited to 50% in respect of years ending on or after 31 December 2012, as well as certain specific restrictions relating to the use of certain categories of tax loss carry-forwards; (iii) limitations to the use of tax losses that may be imposed by foreign laws and regulations (*e.g.*, in case of a change in control); (iv) the outcome of present and future tax audits and litigation; and (v) potential changes in applicable laws and regulations.

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

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

This limitation deprived the Group of the ability to deduct approximately €7 million in 2016.

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

## 1.8.3 MARKET RISKS

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

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

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

The raw materials used to manufacture the Group's products (mainly lumber and cotton) are subject to availability constraints and price volatility. These prices may fluctuate based on a number of factors beyond the Group's control, including: commodity prices such as prices for oil, lumber and cotton, changes in supply and demand, general economic conditions, regional conflict or unrest, labour costs, competition, import duties, tariffs, anti-dumping duties, currency exchange rates and government 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.

### Exchange Rate Risk

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

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

The fair value of foreign currency financial instruments was €22.7 million as of 31 December 2016, compared with €24.1 million as of 31 December 2015. In the years ended 31 December 2015, 2014 and 2013, the Group did not apply hedge accounting according under IFRS. As a consequence, changes in fair value are directly recognised in profit or loss within "Change in fair value – derivative financial instruments" included in the recurring operating profit before other operating income and expense, as they relate to hedges of regular business transactions.

### Interest Rate Risk

The Group is exposed to interest rate fluctuations as certain of its indebtedness bears interest rates at floating rates that could rise, increasing its debt service obligations. In connection with the refinancing of its borrowings using the proceeds from the IPO, the Group has set up a 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.

### Liquidity Risk

The Group's financial liabilities mainly include borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity. To manage its liquidity risk, the Group draws on the funds it has available and also establishes revolving lines of credit or bank facilities based on a suitable amount and length of time to ensure that it has the necessary funds to meet its commitments in respect of a large pool of banks. The Group had cash and cash equivalents of €60.3 million as of 31 December 2016. The total amount of unused credit facilities as of 31 December 2016 was €40.0 million, compared with €60.0 million as of 31 December 2015. In connection with the IPO, the Group entered into the New Senior Credit Facilities Agreement with a pool of banks in respect of the New Senior Credit Facilities comprising a €250.0 million term loan and a €75.0 million revolving credit facility. The ability of the Group to draw *revolving* credit under such facilities is subject to compliance with certain covenants and conditions precedent.

## 1.8.4 FINANCIAL RISKS

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

The Group purchases a majority of its products from third-party suppliers in Asia, particularly China. Market practice for export-oriented firms in China is to receive payment through a documentary letter of credit (*crédit documentaire*). Pursuant to this arrangement, the Group, as purchaser, obtains a letter of credit from a financial institution (the "issuing bank") upon dispatch of the merchandise. The issuing bank releases payment upon receipt of certain documentation indicating that the merchandise has been shipped according to the terms and conditions of the purchase order. The issuing bank charges the purchaser a certain percentage of the value of the merchandise, and once the documents have been received and the supplier has been paid, seeks payment from the purchaser in order to release the title of the goods to the latter. The Group relies on a number of issuing banks, including 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.

**The Group's total assets include intangible assets with an indefinite life, such as goodwill and trademarks, and long-lived assets, principally property and equipment. Changes to estimates or projections used to assess the fair value of these assets, or results of operations that are lower**

**than the Group's current estimates at certain store locations, may cause the Group to incur impairment charges that could adversely affect its results of operations.**

The Group's total assets as of 31 December 2016 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 the notes "Intangible assets", "Impairment of non-financial assets" and "Other intangible assets" to the consolidated financial statements of Maisons du Monde S.A. for the years ended on 31 December 2016 and 2015 presented under the heading "Group Consolidated Annual Financial Statements" of this Registration document.

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

The Group's financing agreements following the IPO contain covenants that impose significant restrictions on the way the Group can operate. For further information, see the Chapter "Liquidity and Capital Resources" of this Registration document. In particular, subject to certain exceptions, the Group's financing arrangements following the IPO include restrictions, among others, on its ability to:

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

In addition, the financing agreements 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.

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

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

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

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

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

## 1.8.5 INSURANCE AND RISK MANAGEMENT

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

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

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

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

- commercial general liability insurance, which covers general corporate liability as well as product liability exposures;
- 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 unfavourable consequences in the event of a significant event or legal action against it. Moreover, the Group may be required to indemnify third parties for certain damages that are not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies.


Seasid
1807

# Corporate responsibility

# 2



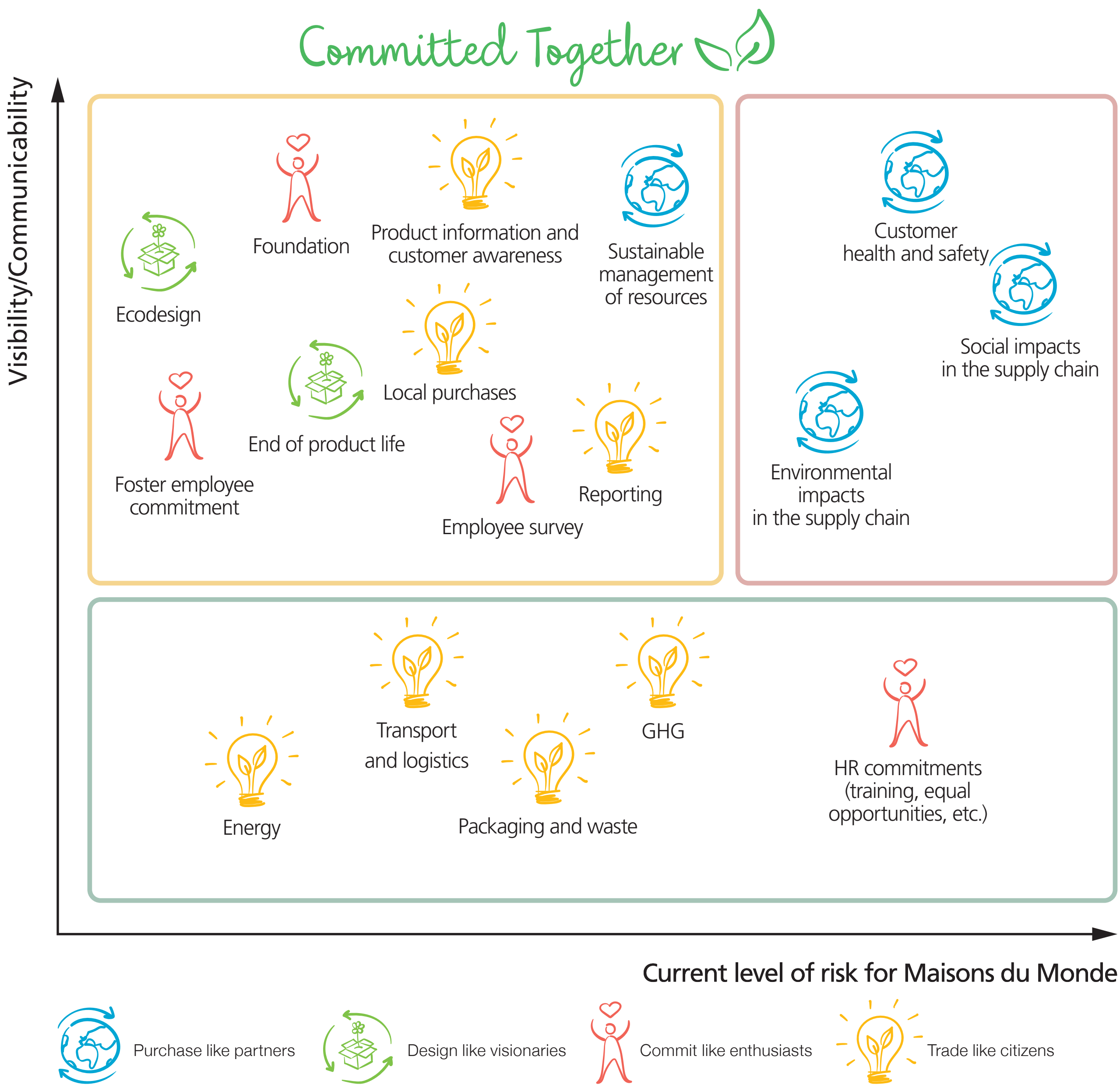
# 2.1 Committed together! Our CSR approach, integrated into our corporate strategy

## 2.1.1 OVERVIEW OF THE CSR STRATEGY

The Maisons du Monde Group was created to offer furniture and home decoration items that reflect the personality of everyone, with passion, daring, high standards and commitment. Sustainable development allows the Group to reconcile its business vision with its convictions: be dedicated to customers, supportive of employees, loyal to partners, and respectful of people and resources.

The vision of these challenges was revisited in 2014 with the support of consulting firm Synergence, with the aim of identifying the priority actions and structuring our approach. This analysis included a review of the Group's publications, a review of regular media coverage, an analysis of industry-specific risks and sector benchmarking. Fifteen interviews were subsequently conducted internally with senior managers.

The results, shown below, helped identify the Group's priority challenges.



Building on this analysis, Maisons du Monde seeks to use its CSR strategy to create favourable conditions for changing the behaviour of its employees, its suppliers and its customers through the four pillars of the "**Committed together!**" programme covering our key challenges and risks:

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

The CSR approach informs the Group's transformation, as does the brand platform, which was redesigned in 2016 in line with its aim to "Get customers involved in the CSR approach".

To strengthen its "Committed together!" programme, the Maisons du Monde Group plans to complete its materiality analysis in 2017 through responses to questionnaires submitted to targeted external stakeholders.

## 2.1.2 GOVERNANCE AND ORGANISATION

Maisons du Monde's CSR Department reports directly to Chief Executive Officer Gilles Petit, demonstrating the Group's commitment. The CSR strategy and its key thrusts are regularly piloted and validated by a dedicated CSR Committee, which brings together seven Group Executive Committee members, namely the CEO, the Head of the Distrimag Subsidiary, the MD Brand, the MD Marketing, Web and Customer Relations, the MD Network, the Chief Financial Officer and the Human Resources Director. It met twice in 2016.

Lastly, all relevant business lines play a role in rolling out Maisons du Monde's CSR approach.

**CSR COMMITTEE**

Validates the key strategic thrusts and objectives

Allocates means and resources

Provides impetus for the process by sponsoring the project

**CSR MANAGEMENT**

Steers the CSR strategy

Mobilises internal and external resources

Coordinates the implementation of action plans

Manages reporting

Drives the sustainable development approach internally and externally

**BUSINESS LINE MANAGEMENT**

- **Technical services, general purchasing, logistics**: promote responsible behaviour at stores by reducing environmental impacts and bring the teams on board for concrete in-store issues.
- **Purchasing**: gives a complementary dimension to supplier relations, taking into account the social and environmental impacts of the upstream supply chain.
- **HR**: works to ensure employee health and safety, promotes employability and well-being at work, and creates the conditions under which employees can become committed.
- **Network**: rolls out the CSR strategy at stores and brings the customer on board.
- **Subsidiaries:** including Distrimag and Mekong: apply the CSR strategy locally depending on their activity.

## 2.1.3 ENGAGEMENT WITH STAKEHOLDERS

Maisons du Monde's "Committed together!" CSR programme inherently emphasises stakeholder dialogue and the importance of working together. The Group's hope is that its CSR programme will create favourable conditions allowing everyone to get involved.

The Group's main stakeholders are listed below.

| | |
|---|---|
| Social sphere | **Employees** |
| Financial sphere | **Shareholders** |
| Economic sphere | **Customers<br>Professional clients<br>Subcontractors<br>Suppliers** |
| Public sphere | **Citizens<br>Trade bodies<br>NGOs<br>Regulatory bodies and local authorities** |

More specifically, the Maisons du Monde Group has set up tools to facilitate dialogue with the following stakeholders.

### Employees and trade unions

For further information, see Section 2.5 "Commit like enthusiasts" of this Registration document.

Two eLearning modules have been co-constructed by the Training and CSR Departments in support of the CSR strategy. Their purpose is to raise awareness among team members and train them on corporate social responsibility.

The modules aim to give trainees a grasp of sustainable development and its link with CSR, to highlight stakeholder commitments, to show how everyone can play a role on a day-to-day basis and to create a relationship with the customer by giving meaning to purchases in Maisons du Monde stores.

Rolled out to all employees at head office and in the network, the penetration rate of the eLearning programme was 57.75%, *i.e.* 3,105 people trained.

In addition, information on the Group's CSR commitments is regularly published on the intranet and in the internal newsletter for head office and Maisons du Monde employees. The CSR report is published in summary form in the internal newsletter so that it can be distributed widely among employees.

Lastly, our commitment to the preservation of forests is shared with employees, and a tree is planted for each of them. 7,500 trees have been planted in this way since the beginning of the operation.

### Customers

Customer satisfaction is key to our business. The Customer Relationship Management Department comprises 120 people, and is located in our head office in Vertou. Six languages are used (French, Italian, German, Spanish, English and Dutch) to deal with 1 million incoming contacts every year.

Customer advisors receive two months' training and support to allow them to appropriate the Group's culture and the tone of the brand so as to offer customers an optimised experience.

Three customer satisfaction programmes are currently in place:

- an NPS (Net Promoter Score) questionnaire after each online purchase;
- a customer observatory analysing all customer feedback regardless of the channel used (telephone, email, chat) to improve customer satisfaction and internal processes;
- the Customer's Voice: a programme tested in a pilot phase in the final quarter of 2016 to measure customer satisfaction at key points of the experience, through NPS questionnaires on in-store sales, free in-store delivery and home delivery.

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

Maisons du Monde intensified its dialogue with customers this year by sending 14,000 quantitative questionnaires to France, Germany, Italy, Spain, Belgium and Switzerland and carrying out 20 focus groups in France, Germany, Italy and Spain to give it a better understanding of customers' purchasing behaviour and to develop services and modes of communication that match their expectations as closely as possible. Two innovation games were also conducted in Paris, giving customers a role in developing the cross-channel experience of tomorrow. Lastly, country working groups bringing together the Company's key functions were created to study the specific nature of each country over a six-month period. Their work was handed to the Executive Committee, which established a Customer Day to mark the critical importance of customer satisfaction for the Company.

Maisons du Monde is also a very active brand on social networks (Facebook, Twitter, Instagram, Pinterest, Google+ and YouTube) where its community continues to grow. Through this presence, the brand has sought to get closer to its current and prospective customers to answer them and more broadly to stimulate the community that loves the brand and its products. The most active network at 31 December 2016 was Facebook, with 876,500 fans worldwide. The Maisons du Monde blog and partnerships with deco/lifestyle bloggers also reinforce this presence.

To promote responsible consumption, a website dedicated to sustainable development serves to raise customers' awareness about the Group's CSR approach. The website is easily accessible from the homepage of the Maisons du Monde e-commerce site. The proactive CSR report is highlighted.

Lastly, in the final quarter of 2016, a system allowing odd amounts on credit card payments to be rounded up to the next euro was tested in five pilot stores. The purpose of this experiment was to give customers the option of making a donation to a project selected by the Maisons du Monde Foundation. 52.02% of customers rounded up their purchases, thereby demonstrating the pertinence of the scheme. It will be rolled out to every store in France in 2017.

## Professional clients

Over the last five years, Maisons du Monde has provided professional clients with a B2B team providing close assistance in their opening or renovation projects. This service, which has some 10 employees, has a deep understanding of indoor and outdoor design, and can offer appropriate solutions for all spaces depending on the priorities and requirements of the project, but without losing sight of its constraints. From assistance concerning the choice of products to their arrangement, Maisons du Monde PRO advises decision-makers with a view to optimising services, budgets and deadlines.

## Suppliers

For further information, see Section 2.2 "Purchase like partners" of this Registration document.

## Shareholders and investors

Maisons du Monde Group's CSR commitment is an integral part of the Group's communication with investors and ratings agencies. The Group's CSR strategy is regularly presented to investors. For more information on dialogue with investors, see Section 8.3.1 "Investor relations" of this Registration document.

## Professional bodies and NGOs

Maisons du Monde is a member of The Forest Trust (TFT), FSC France and 1% for the Planet. The 1% for the Planet club brings together philanthropic companies who elect to donate 1% of their revenue to environmental NGOs. The Maisons du Monde Group has been a member since 2013, focusing its donation on the revenues generated by the “Envie d’éco” furniture range.

The “Envie d’éco” range generated Customer Sales of €34,529,862 in 2016, thereby contributing to the financing of environmental protection NGOs in the amount of €345,299.

The beneficiary NGOs are selected and financed through the Maisons du Monde Foundation.

Maisons du Monde also supports the Toulouse-based international NGO Human Resources Without Borders (RHSF), which operates in China, India and the United States. This NGO, created in 2006, enjoys the patronage of His Excellency François Delattre, the French Ambassador to the UN. Its purpose is to promote respect for human rights at work throughout the subcontracting chain while respecting the environment and local communities. Maisons du Monde donated €3,000 in 2016.

Lastly, the Group is also an active member of Club Génération Responsable, which promotes networking between retail companies.

In 2015, Maisons du Monde signed the voluntary commitment agreement for organised retailers, and in 2016 maintained its Level 2 score in the Responsible Brand label, following an evaluation carried out by SGS, a certifying body.

The brand received the special jury prize at the 2016 Club Génération Responsable R Awards for the creation of its Foundation.

# 2.2 Purchase like partners

In view of our diversified and regularly renewed range of products, purchases play a key role in the Group's corporate responsibility. In 2014, following the affirmation of Maisons du Monde's proactive CSR strategy, and to limit its exposure to regulatory (duty of vigilance) and reputational risks, responsible purchasing became a key plank of our approach. The Maisons du Monde purchasing policy, which is currently under construction, is being thought through in a collaborative way involving all stakeholders, namely purchasers, quality teams, the regulatory and standards team and the sustainable development team internally, NGOs and auditors externally. It will be fully formalised in 2017.

Three purchasing-related CSR challenges have been identified:

- social and environmental production conditions on suppliers' premises;
- chemicals and their impact on the health of consumers, employees and suppliers exposed to them;
- responsible management of natural resources (wood, leather, textiles, etc.) used as raw materials in products.

The principles governing the responsible purchasing policy reflect dual-edged determination on the part of Maisons du Monde:

- to engage in the most concrete and effective way possible to promote sustainable change in the field;
- to take into account the complexity of the supply chain, given the number of its suppliers, their location and their diverse degree of maturity on CSR-related issues.

Purchasing teams were trained in responsible purchasing in 2015, and are directly involved in Maisons du Monde's responsible purchasing policy. In 2016, six product managers undertook specific factory visits accompanied by an internal or external auditor to monitor social audits. The purchasing teams benefit from concrete and detailed field feedback resulting from social audits and projects concerning raw material supply chains in order to grasp the specific problems related to the different types of products (furniture and decoration) and different sourcing zones.

Maisons du Monde promotes support for progress over the long term, in a collaborative model. Strategic suppliers are progressively subjected to an assessment of their production conditions, resulting in a progress plan. Maisons du Monde monitors the implementation of the corrective actions advocated by such plans. As for the furniture factory in Vietnam, Mekong, which manufactured 10% of the Group's product references in 2016 (349 out of 3,519), Maisons du Monde aims at the achievement of exemplary practices by conducting annual social and environmental audits and plans to obtain certification under SA 8000 and ISO 14001 by 2020.

As the support model requires time and resources, Maisons du Monde has opted to roll out its supplier roadmap progressively. Its progressive nature extends to both the number of suppliers involved and the number of subjects covered.

In addition to compliance with a founding set of basic principles, which ensures compliance with the various regulatory texts to which the Company is subject and anticipates future developments, the prioritisation of challenges reflects Maisons du Monde's determination to factor in all challenges linked to its activity and its products:

- beginning with the challenges that leave Maisons du Monde at risk (regulatory, reputational, control of the supply chain);
- the focus then turns to differentiating challenges and performance factors in line with the Company's broader CSR approach.

Maisons du Monde develops partnerships (technical and associative) with the aim of addressing subjects for which specific expertise is necessary. This can be technical expertise, as in the case of social audits with NGO Human Resources Without Borders, or detailed knowledge of a sector and its stakeholders in a specific region, as in the case of the wood industry in Asia with The Forest Trust (TFT). Maisons du Monde calls on independent bodies to carry out these social audits and chemical analyses of its products. Within this framework, the mandated bodies can carry out their assignment as they see fit.

## 2.2.1 SUSTAINABLE RESOURCE MANAGEMENT

Since 2010, Maisons du Monde has focused its efforts on upstream wood supply chains, wood being the raw material used most widely in its products. Particular attention is therefore paid to the provenance of wood species. The most widely used species are mango and sheesham from India, French oak, Canadian pine, Chinese fir and Indonesian teak.

Species listed in Appendices 2 and 3 of the Washington Convention (CITES) are sourced in accordance with the CITES certificate. Maisons du Monde will not under any circumstances market products made using the species listed in Appendix 1.

Maisons du Monde ceases to use any species listed as critically endangered (CR) in the IUCN inventories. The same applies to products from high conservation value forests. Vulnerable (VU) species may only be purchased when environmental guarantees such as third-party certification are in place or when certification in a recognised accompanying programme is underway.

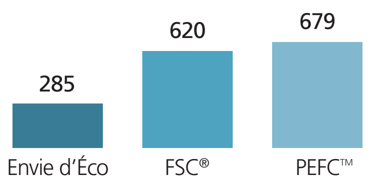
Maisons du Monde has established a reasoned diligence system that ensures the legality of its wood, in compliance with the European Union timber regulation. This reasoned diligence has three stages:

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

The timber product purchasing policy is based on strict monitoring of compliance with regulations by suppliers and the development of a responsible supply of timber to ensure that the wood sold by Maisons du Monde is legal and does not contribute to deforestation.

Breakdown of the responsible wood offer by number of "furniture" SKUs in 2016.

### NUMBER OF CERTIFIED FURNITURE REFERENCES AT 31 DECEMBER 2016

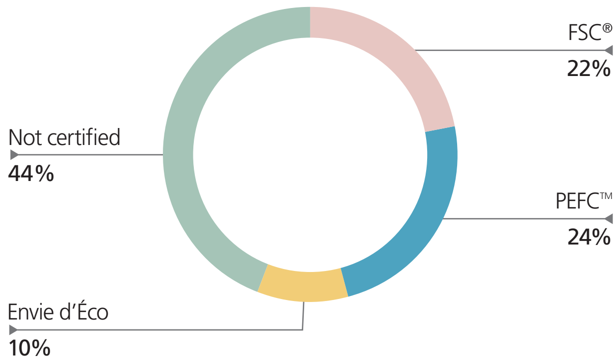



In India, which accounts for 21% of sourcing, a traceability system was established in partnership with TFT in 2010. Currently in place with 10 Indian suppliers, representing 82% of the purchases of timber furniture manufactured in that country, the system consists of mapping supply chains and implementing an order traceability system audited by TFT.

Once the entire supply chain has been audited, the product is given a QR code that provides the consumer with its history, from the forest to the point of sale, specifying the date of the audit. 134 SKUs were given QR codes in 2016.

Overall in 2016, 56% of our range of wooden furniture in absolute terms, or 1,584 SKUs, was subject to an environmental approach. This represents 45% of our purchasing revenue [(1)]:

### SHARE OF FURNITURE SUBJECT TO AN ENVIRONMENTAL APPROACH




Maisons du Monde this year also initiated work on the identification of risks related to leather, and has joined the Leather Working Group.

## 2.2.2 SOCIAL AND ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN

The management of the risks related to the social conditions of production among Tier 1 suppliers is a priority focus for Maisons du Monde. To address this risk, work is conducted at three distinct levels, depending on the supplier relationship: directly owned factories, strategic suppliers and other suppliers.

Directly owned factories are a critical corporate responsibility challenge for Maisons du Monde. They must be exemplary showcases of the Company's action on the management of social and environmental issues.

Maisons du Monde each year draws up a list of strategic suppliers to be included in the process of accompanying progress on CSR-related issues: social, safety and environment.

This prioritisation is based on cross-cutting analysis of several key criteria: their contribution to purchasing revenue, the weight of Maisons du Monde in the supplier's revenue, the recurrence of the products/finishes ordered and the age and sustainability of the relationship (based on 24-month forecasts). This information is provided by purchasers, by purchase category.

The aim is to include, all strategic suppliers (or two-thirds of purchase volumes) in action to support progress by 2020. The process will take place in several successive stages.

### Initial supplier assessment on social issues

Strategic suppliers receive the Code of Conduct, are notified by the purchasing teams and then subjected to a social audit, either by an internal auditor trained in the SA8000 standard or by a specialised independent firm with experience of working in the country where the relevant suppliers are based.

Suppliers that have undergone an audit during the prior 2 years on a standard recognised and approved by Maisons du Monde are exempt from this process, provided that they provide the audit report.

*(1) Furniture SKUs in the 2016 catalogue.*

Each year, the results of these social audits serve to identify suppliers joining the support approach.

The initial audit is carried out in accordance with the methodology developed by the CSR Department, with the support of consulting firm Aile du Papillon. It provides Maisons du Monde with information on social, and health and safety criteria, as well as environmental criteria.

An assessment system is used to score suppliers by section of the Code of Conduct and to classify them on a grid containing various levels.

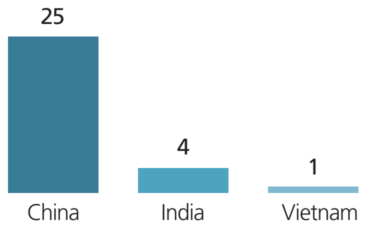
Once the issue of an audit report, a progress plan is sent to the supplier, accompanied by a best practice guide illustrated by photos taken at other suppliers to help facilitate the supplier's understanding of these issues.

### Monitoring progress plans and support for suppliers

Buyers regularly send reminder e-mails to suppliers to make sure that the progress plan is progressing well. Photographs and/or documentation are requested to attest to the completion of remedial action. Depending on the risks posed by non-compliance with the progress plan, follow-up audits can be conducted in the field.

In 2016, Maisons du Monde commissioned 30 social audits from consulting firm Aile du Papillon and international auditors (SMS and WethicA), consisting of 26 initial audits and 4 follow-up audits.

#### SOCIAL AUDITS PERFORMED IN 2016




#### TOPICS ADDRESSED IN THE CODE OF CONDUCTS

| | |
|---|---|
| 1. | Child labour |
| 2. | Discrimination |
| 3. | Forced labour |
| 4. | Working time |
| 5. | Wages |
| 6. | Freedom of association |
| 7. | Occupational health and safety |
| 8. | Environment |
| 9. | Subcontractors and traceability |
| 10. | Management system |

Maisons du Monde has for several years had a Code of Conducts, which was redrafted in 2014 in order to factor the Company's social priorities into its supply chain. The Code of Conducts incorporates the principles of the Universal Declaration of Human Rights, the International Convention on the Rights of the Child and the main ILO Conventions concerning child labour and forced labour, occupational health and safety, discrimination and disciplinary practices, working hours and wages, in addition to compliance with environmental regulations.

It is distributed to the suppliers targeted by purchasers, or systematically appended to the terms and conditions in the furniture activity. At end-2016, 273 suppliers had signed the Code of Conducts. Their combined business volume represented 63% of annual purchasing volume.

Lastly, Maisons du Monde has been a signatory of the United Nations Global Compact since 2011.

## 2.2.3 CUSTOMER HEALTH AND SAFETY – CHEMICALS

To guarantee consumers a high level of safety in respect of the substances present in its products and to ensure that its goods comply with existing substance regulations in the countries in which they are sold, Maisons du Monde has established a specific "substance" procedure.

This procedure is based on "substances" specifications that list the various requirements that products must meet. Updated annually, they incorporate requirements specific to Maisons du Monde in addition to the regulations applicable in each country of destination. The additional requirements stem from the monitoring carried out on research in the field of chemical substances, and go beyond regulatory requirements. In 2016, for instance, a requirement regarding octylphenol ethoxylates, which can be used as detergents in the textile industry, was included in specifications. The integration of the requirements specific to Maisons du Monde also allows the Group to keep ahead of future regulations.

The main substance regulations applicable to its products are the REACh regulation (Registration, Evaluation and Authorisation of Chemicals, and the restrictions applicable to these substances), the POP regulation on persistent organic pollutants and the general directive on product safety.

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

When they fail a test, suppliers are provided with assistance in resolving the problem by Maisons du Monde. They receive help on the technical and regulatory aspects to ensure that they find an adequate substitute substance or material. The Group's intention is to increase the skills of suppliers in this area in order to build long-term relationships with them.

# 2.3 Design like visionaries

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

## 2.3.1 ECODESIGN

After a first life-cycle assessment procedure performed on the Roma sofas in 2011, a new patented padding owned jointly with an Angers-based manufacturer was developed in 2013. Maisons du Monde sold 8 ecodesigned SKUs in 2016, and 151 SKUs composed of recycled wood. Maisons du Monde also contributes to the discussions of the eco-organisation Ecomobilier on eco-modulation and ecodesign criteria. The Group's goal is gradually to transform its product offering by including more sustainability criteria.

In December 2016, Maisons du Monde launched the first "Maisons du Monde Sustainable Creation Trophies" in partnership with eco-organisation Ecomobilier, consulting firm EVEA and FSC France, and with the participation of Ademe and the Fondation Nicolas Hulot pour la Nature et l'Homme. The goal is two-fold: to promote the young talents of tomorrow, and foster behavioural change through awareness-raising on ecodesign. Students and young graduates are called on to reflect on the ecodesign of furniture or home decoration items by integrating the stages of the product life-cycle – resources, manufacturing, transport, use, end-of-life and waste prevention – and to innovate so as to reduce the environmental impact without compromising on style. In 2017, two prizes will be awarded, with an endowment, an internship within the Designer teams at Maisons du Monde's head office and the realisation of their prototype.

Winner in 2013 of a call for ecodesign projects from Ademe, Maisons du Monde this year completed the final deliverable of the MIAM project (*modèle innovant et alternatif pour l'ameublement*) aimed at analysing the shift from occasional targeted ecodesign operations to the establishment of a holistic circular model. Environmental assessments carried out on products have directed the search towards services that create new value for the customer by complying with three aims:

- reduce environmental impacts by removing logistics barriers;
- apply a business approach to embed offers at the heart of the customer strategy; and
- generate social benefits by growing deeper roots in host regions through the establishment of partnerships with local players from the social and solidarity economy.

## 2.3.2 END-OF-LIFE PRODUCT MANAGEMENT

At the warehouses at St Martin de Crau (13), a 5,700 square metre wood workshop has been established to repair substandard products or refurbish customer returns. Two hundred and sixty products are processed by the workshop daily. This allows a reduction in waste in the same proportion and creates work for 50 people. Products that cannot be repaired are sorted and sent to recycling channels (for wood, panels and metal).

Two partnerships were established in late August 2016 with Impulse Toit, part of the French Red Cross, and Emmaüs Défi for donations of furniture to upcycle from subsidiary Distrimag. Along with the Red Cross, two establishments (Impulse Toit and Béarn Solidarité) are beneficiaries of donations. These donations provide work for more employees during integration projects, while also attracting new customers in their solidarity store, thereby increasing revenue generated in these structures.

Lastly, a pilot initiative was launched in three stores in Nantes in June 2014, in partnership with Ressourcerie de l'Île. This programme allows customers who so request to have their old furniture collected by the Company when new furniture is delivered, thereby facilitating the reuse of end-of-life furniture.

# 2.4 Trade like citizens

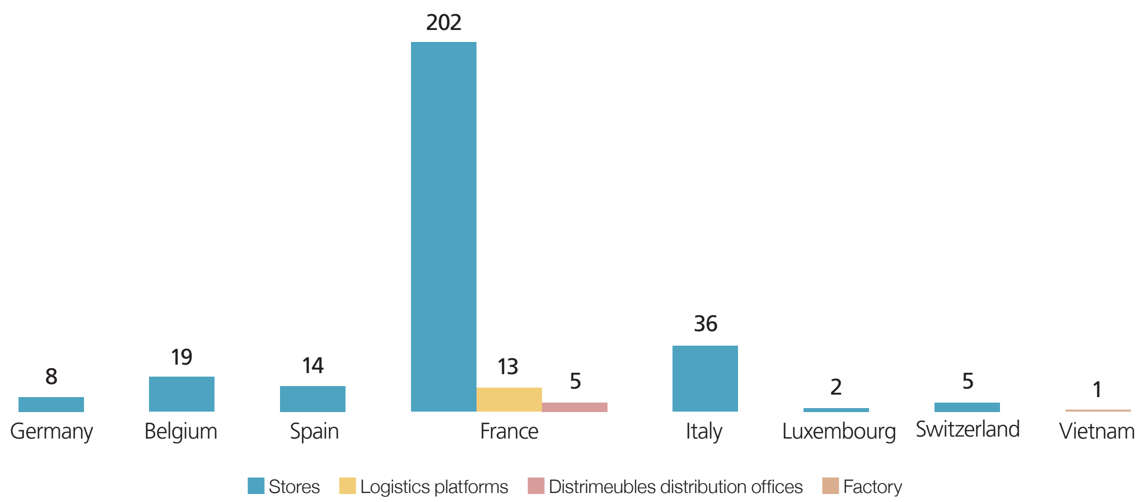
The Group generates a significant environmental impact through its logistics and distribution activities, both in-store and online. This impact plays a central role in Maisons du Monde's corporate responsibility. Fully aware of the impact of its activities, the Group is committed to a continuous improvement approach on issues identified as priorities, namely waste management, energy consumption, greenhouse gas emissions and the environmental impact of its general purchasing.

Moreover, the Group considers that its responsibility goes beyond its direct impacts. Its commitment to "trade like citizens" accordingly extends to the ethical principles that govern the way it conducts its business and its impact on its customers through the development of an increasingly responsible product offering.

The information in the following paragraphs provides an overview of the Group's environmental impact, separating the Maisons du Monde activities (stores and administrative premises) from Distrimag (logistics) and the Mekong factory in Vietnam.

The Group's "direct environmental footprint":

**NUMBER OF GROUP SITES**




## 2.4.1 MANAGEMENT OF WASTE AND THE CIRCULAR ECONOMY

Waste management is a real challenge for the Group, which is striving to reduce its environmental footprint. It is reducing waste at the source, optimising packaging, sorting waste to ensure more efficient recycling in stores, and developing a second life for its products with a view to reducing the impact at all stages of the life-cycle of its products.

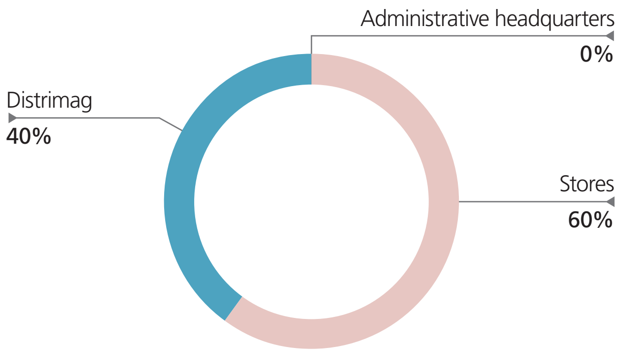
The Group aims to recycle 70% of the waste produced in its stores by 2020. To achieve this goal, the general purchasing teams are tasked with optimising in-store sorting, continuously identifying new recycling channels and forging innovative partnerships.

The Group's activities (excluding Mekong) generated more than 14,509 tonnes of waste in 2016 across its various activities.

**Production of waste**
*(tonnes)*

| | 2016 Total |
|---|---|
| Stores | 8,732 |
| Administrative premises | 30 |
| Distrimag – Logistics | 5,747 |
| **GROUP TOTAL** | **14,509** |

**BREAKDOWN OF WASTE PRODUCED**




## Stores and administrative premises

Most of the waste generated in the Group's stores comes from the commercial packaging used to protect goods during shipment.

The Group strives to optimise its management by establishing, where possible, in-store sorting equipment and coordinating waste collection by specialised providers.

It should be noted that waste management in Maisons du Monde stores and administrative premises is centralised by the General Purchasing team at head office for 71% stores (66% in France and 82% in the rest of Europe). Waste management at other stores is carried out directly by shopping mall operators, meaning that information on the tonnage of waste produced is not always available. In such cases, General Purchasing teams work with teams at the stores in question and lessors to ensure that the waste produced is properly sorted.

In 2016, the stores and administrative premises generated 8,762 tonnes of waste, including:

- 3,309 tonnes of cardboard or plastic sent to recycling companies;
- 5,453 tonnes of ordinary industrial waste (polystyrene, mixed household waste, etc.).

**WASTE VOLUMES GENERATED STORES AND ADMINISTRATIVE PREMISES - IN TONNES**

| | Other waste | Cardboard/plastic waste sorted for recycling | Total | |
|---|---|---|---|---|
| | | | 2016 | 2015 |
| Stores | 5,438 | 3,294 | 8,732 | 7,491 |
| Administrative premises | 15 | 15 | 30 | 34 |
| **TOTAL STORES AND ADMINISTRATIVE PREMISES** | **5,453** | **3,309** | **8,762** | **7,525** |

The 16% increase in volumes between 2015 and 2016 is due to a combination of several factors: growth in the number of stores, increase in volumes processed and rollout free in-store delivery.

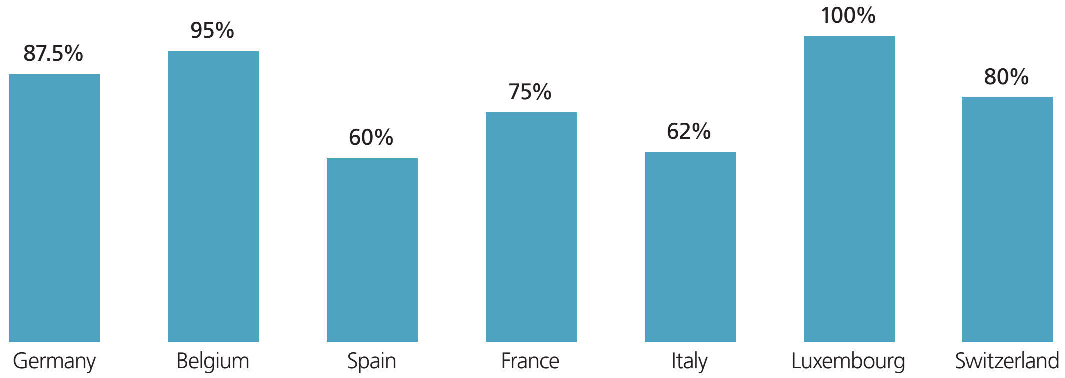
Maisons du Monde focuses its efforts to reduce the environmental impact of its activities and waste flows in stores on waste sorting as a means of ensuring their recycling. The Group uses the following levers to optimise waste management in stores:

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

Efforts are accordingly conducted throughout the store network to increase the tonnage of waste sorted and recycled (especially cardboard and plastic). It is in this context that waste sorting solutions are integrated into the Group's contract specifications when it selects providers and opens new stores.

In 2016, 75% of the Company's stores sorted ordinary waste, generating a total of 38% (by tonnage) of waste sorted.

#### % OF STORES SORTING WASTE BY COUNTRY




Maisons du Monde also attaches importance to waste sorting on its administrative premises: paper, cardboard, batteries and print cartridges are sorted and collected in differentiated and appropriate receptacles. Dedicated communication and display campaigns are also implemented to inform employees about best sorting practices.

### Distrimag

Distrimag's activity generates three major sources of waste: cardboard, plastic and wood (furniture).

Cardboard and plastic waste is mostly packaging waste associated with the unloading of goods for quality control before it is put in packaging adapted to road transport. In addition, products have to be individually repackaged for the delivery of online orders. Timber waste is either comprised of broken pallets or results from the disposal of certain substandard products and customer returns that cannot be repaired in the workshop. Such waste is sorted and collected by licensed service providers specialising in the collection and recycling of waste.

In 2016, the logistics subsidiary's warehouse and offices generated 5,747 tonnes of waste, breaking down as:

#### VOLUMES OF DISTRIMAG WASTE GENERATED - IN TONNES

| | Cardboard/plastic waste sorted for recycling | Wood waste collected by Ecomobilier | Non-hazardous industrial waste (NHIW) | Other waste | Total | |
|---|---|---|---|---|---|---|
| | | | | | 2016 | 2015 |
| Distrimag warehouses and offices | 1,521 | 2,247 | 1,130 | 849 | 5,747 | 4,125 |

In 2016, the waste collection service provider trained employees working in warehouses in waste sorting. A monitoring tool is used to track the sorting performance of each warehouse on a monthly basis, regularly challenging them to improve their score.

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

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

### Mekong

The Mekong furniture factory generates different types of waste:

- wood offcuts and veneer from the processing of raw materials or semi-finished products (MDF and chipboard). Waste of this nature is collected by an external company for reuse as industrial heating products;
- packaging waste (cardboard, polystyrene, paper) is collected by a service provider responsible for their recycling or reuse;
- domestic waste generated by employees. Waste of this nature is sent to the public processing centre;
- hazardous waste, such as purification plant sludge, light bulbs and paint residues. This waste is processed separately in the local authority processing centre.

It should be noted that the volumes of waste generated by the Mekong factory were not subject to consolidated quantitative monitoring in 2016. In a process of continuous improvement of reporting, monitoring will be implemented from 2017.

## 2.4.2 CONSUMPTION OF ENERGY AND USE OF RENEWABLE ENERGIES

Maisons du Monde sees optimising energy consumption as a critical challenge and a major conservation issue in the fight to preserve resources and combat global warming. Whether it be energy needed for the operation of the factory, stores and warehouses, or fuel consumed by the Distrimag subsidiary's commercial vehicles and trucks, the Group urges all teams to make efforts to rein in their consumption.

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

#### ENERGY CONSUMPTION IN BUILDINGS

| **Total energy** *(kWh)* | **2016** | **2015** |
|---|---|---|
| Stores and administrative premises | 59,678,684 | 54,263,851 |
| Distrimag | 10,474,018 | 8,350,864 |
| Mekong | 3,296,050 | 2,016,624 |
| **GROUP TOTAL** | **73,448,752** | **64,631,339** |

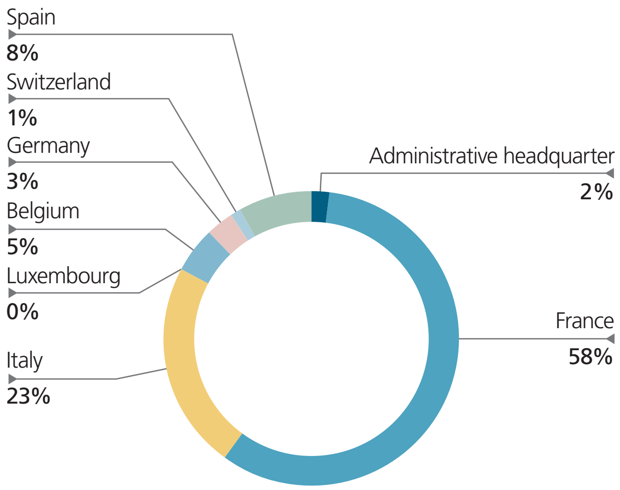
### Stores and administrative premises

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

In 2016, energy consumption amounted to 59,678,684 kWh, representing an increase of 10%, compared with 2015. This trend is related to new store openings and the expansion of the showroom and head office buildings, which consumed energy over 2016 as a whole.

| | **Electricity** | **Heat network** | **Natural gas** | **Domestic fuel oil** | **Total energy** | |
|---|---|---|---|---|---|---|
| **Energy consumption** *(kWh)* | **2016** | **2016** | **2016** | **2016** | **2016** | **2015** |
| Stores | 57,596,835 | 402,930 | 274,160 | 44,836 | 58,318,761 | 53,681,651 |
| Administrative premises | 1,090,753 | 0 | 168,115 | 101,055 | 1,359,923 | 582,200 |
| **TOTAL STORES AND ADMINISTRATIVE PREMISES** | **58,687,588** | **402,930** | **442,275** | **145,891** | **59,678,684** | **54,263,851** |

ENERGY CONSUMPTION BY COUNTRY




Keen to reduce its energy consumption, the Group has taken a series of measures to improve the energy efficiency of its administrative premises and stores. The optimisation of energy consumption is an integral part of the work performed by technical teams, particularly during store maintenance, renovation, opening or relocation. To this end, the main measures taken in 2016 were as follows:

- improvement of lighting equipment through the use of low-energy technologies (including LED);
- improvement of control and automation systems (automation, detectors of presence and brightness) and the installation of key touch systems;
- modernisation of heating, air conditioning and ventilation systems as well as improved management or the installation of thermodynamic hot-air curtains in some stores in France and Belgium;
- establishment of a remote energy consumption monitoring system on some sites, allowing the regular management of consumption.

Lastly, control over the environmental impact of energy consumption also involves renegotiating supply contracts and the use of renewable energy. In this regard, the Group has opted to promote renewable electricity in France, and all French stores and administrative premises will be supplied with electricity from renewable sources from 1 January 2017. This will contribute significantly to the reduction of the Group's greenhouse gas emissions.

## Distrimag

Distrimag's energy consumption includes the consumption of natural gas (freeze protection in buildings) and electricity consumption (lighting and charging of forklift batteries).

In 2016, the energy consumption of Distrimag's logistics sites totalled 10,474,018 kWh.

| | Electricity | Natural gas and propane | Domestic fuel oil | Total energy | |
|---|---|---|---|---|---|
| **Energy consumption** *(kWh)* | 2016 | 2016 | 2016 | 2016 | 2015 |
| Distrimag warehouses and offices | 9,657,990 | 669,449 | 146,579 | 10,474,018 | 8,350,864 |

Efforts to reduce this consumption are currently focused primarily on the energy performance of buildings. The new 96,000 square metre warehouse opened in 2016 is certified HQE (High Environmental Quality) and BREEAM, notably thanks to the establishment of presence detectors, improved insulation and tighter monitoring of consumption.

## Mekong

Most of Mekong Furniture's electricity consumption serves to supply the power needed for machinery and equipment, lighting production lines and, to a lesser extent, cooling. Domestic fuel oil is also consumed for the operation of generators in case of power failure.

In 2016, Mekong Furniture's energy consumption totalled 3,296,050 kWh. The significant increase in energy consumption compared with 2015 stems from sales growth in 2016, as the MK2 unit was ramped up.

| | Electricity | Domestic fuel oil | Total energy | |
|---|---|---|---|---|
| **Energy consumption** *(kWh)* | 2016 | 2016 | 2016 | 2015 |
| Mekong factory | 3,100,400 | 195,650 | 3,296,050 | 2,016,624 |

Control of electricity consumption is an important challenge, and efforts are currently underway on the following points:

- integration of energy efficiency criteria when initially investing in machines and equipment appropriate and automated equipment (auto-dumpers for instance) is installed on production lines to reduce energy consumption;

- deployment of innovative technologies to reduce energy consumption: traditional fluorescent lighting has been replaced by LEDs in production line lighting systems;
- improved control of facilities to limit and detect unnecessary indirect losses such as potential air leaks in systems and equipment that can have an impact on the consumption of electricity compressors;
- the integration of electricity consumption costs when opening production lines.

### VEHICLE FUEL CONSUMPTION

| **Fuel consumption** *(litres of diesel or petrol)* | **2016** |
|---|---|
| Company cars (Maisons du Monde and Distrimag) | 169,459 |
| Truck fleet | 969,714 |
| Mekong factory machinery | 3,465 |
| **GROUP TOTAL** | **1,142,638** |

#### Stores and administrative premises

Maisons du Monde (excluding Distrimag) has a fleet of 85 company vehicles under long-term lease in Europe, used primarily by store network teams.

In 2016, the fuel consumption of these vehicles was estimated at 141,098 litres of diesel.

The consideration of environmental issues is an integral part of our overall purchasing process, and the Group is working to reduce its consumption, in large part by optimising the fleet and the choice of vehicles.

Thus, from 2017, two electric vehicles will be made available to head office staff in a car-sharing system.

#### Distrimag

The logistics activity of the Distri-Traction and Distri-Meubles entities contributes significantly to the Group's fuel consumption. The two entities directly operate a fleet of about 50 trucks to move products from their port of delivery to warehouses and to make deliveries to some French stores or customers. Distrimag also monitors the consumption of company vehicles.

In 2016, fuel consumption amounted to 969,714 litres for the truck fleet and 28,362 litres for company vehicles

To reduce this consumption and the activity's environmental impact, 100% of Distri-Traction drivers and 81% of Distri-Meubles drivers have completed mandatory continuing safety training (training + eco-driving module). Technology choices can also have a significant impact. In 2016, a portion of the truck fleet was replaced to meet the Euro 6 emission standards, and the integration of hybrid and electric vehicles is under consideration for company vehicles.

#### Mekong

Forklifts and factory vehicles are the main sources of fuel consumption in the Mekong factory.

In 2016, Mekong Furniture's fuel consumption totalled 3,465 litres of petrol.

## 2.4.3 GREENHOUSE GAS EMISSIONS

The fight against climate change is a key challenge for the Group, whose robust environmental commitment runs along the entire chain from the raw materials used in its products to their reuse at end-of-life.

Maisons du Monde again this year highlighted its climate commitments through its presence at a side event of the Club Génération Responsable during COP22 in Marrakech on 16 November 2016.

The purpose of accounting for $CO_2$ emissions is to measure progress made on projects undertaken and identify priority issues for the Group's environmental policy.

### SCOPES 1 & 2 RELATED TO ENERGY CONSUMPTION

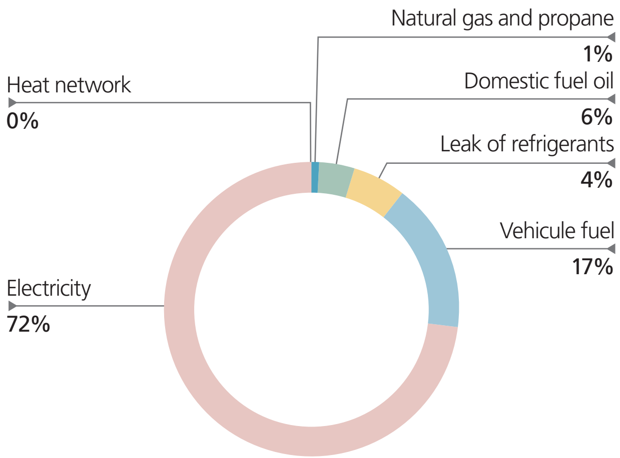
The energy consumption resulting form the Group's operations (Scopes 1 & 2) totalled 16,665 tonnes of $CO_2$ equivalent in 2016.

| **Greenhouse gas emissions** *(t $CO_2$ eq.)* | 2016 |
|---|---|
| Scope 1 emissions | 4,622 |
| Scope 2 emissions | 12,043 |

Scope 1 emissions result chiefly from the fuel consumption of vehicles (company vehicles and Distrimag's truck fleet), which represented 2,859 tonnes of $CO_2$ equivalent in 2016 out of the 4,622 tonnes of $CO_2$ equivalent from Scope 1 emissions.

Scope 2 emissions result from electricity consumption. They can be expected to fall significantly in 2017 following the switch of all stores and administrative premises in France to a contract for the supply of renewable electricity.

### BREAKDOWN OF $CO_2$ EMISSIONS (SCOPES 1 AND 2)




## Scope 3

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

A first step – as assessment of the main items – will be started in 2017 to identify the most significant emission items across the value chain (forestry management, production at suppliers, logistics, end-of-life product management).

In 2016, logistics and employee air travel had already been quantified, and work had already begun in the two areas.

| **Scope 3 emissions** | **Greenhouse gas emissions** *(tonnes $CO_2$eq.)* |
|---|---|
| Upstream transport: sea- and air freight from the port or airport [1] of shipment | 34,785 |
| Downstream transport: rail and road to the stores and end customers | 8,843 |
| Employee air travel | 1,743 |
| **TOTAL** | **45,371** |

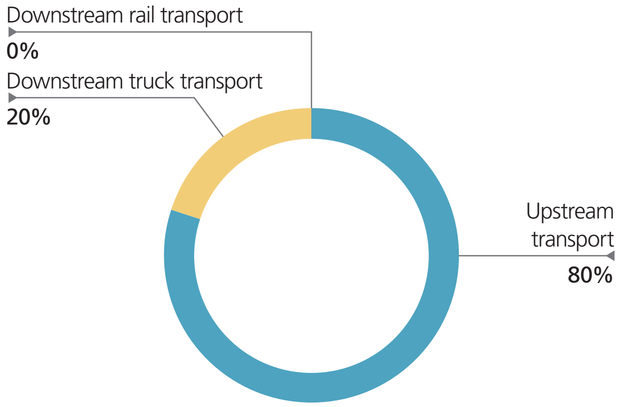
## Logistics

Supplying the Company's stores and customers is a key activity in ensuring its quality commitment for Maisons du Monde. As such, all products, furniture and decorative items transit through the warehouses of the Distrimag subsidiary, located in St Martin de Crau (13).

Transported almost exclusively by sea from their suppliers' production sites, most of which are in Asia, products are then delivered to stores and end customers partly by Maisons du Monde's carriers and partly by Distri-Meubles, Distrimag's transport activity.

*(1) A small part of the flow between suppliers and the Group's warehouses is carried by air. Such flows relate to the shipment of certain samples.*

### $CO_2$ EMISSIONS FROM LOGISTICS (EXCLUDING DISTRIMAG)




Aware of the environmental impact of transporting its products, the Maisons du Monde Group is working with transport providers to reduce the $CO_2$ emissions of its logistics operations.

As such, wherever possible (accessibility, delivery times), the Group favours rail. Accordingly, more than 90% (by weight transported) of deliveries to the Paris region are carried out by rail.

The Group also aims to optimise the fleet of vehicles used for road transport. Work is underway with transport providers to replace part of the fleet of diesel trucks with trucks running on LNG (liquefied natural gas), which generate lower $CO_2$ emissions. A requirement for drivers to undergo eco-driving training is also being discussed with service providers for the coming years. Lastly, logistics management is included in the Group's overall thinking in respect of its CSR strategy, and is central to several projects aimed at optimising transport flows between warehouses, stores and end customers.

### Employee air travel

Employee air travel also accounts for a significant share of the Group's greenhouse gas emissions. As such, in 2016, employee travel at Maisons du Monde and Distrimag generated roughly 1,743 tonnes of $CO_2$.

## 2.4.4 GENERAL PURCHASING

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

### Packaging and paper consumed

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

| | **Quantity distributed in 2016** *(in tonnes)* |
|---|---|
| Packaging used at check-outs | 1,446 |
| Paper (reams and rolls for receipts) | 136 |
| Commercial publications | 7,677 |
| - Including catalogues | 7,530 |
| Distrimag cardboard and paper | 649 |
| **TOTAL** | **9,909** |

In 2016, Maisons du Monde's purchases of packaging and paper amounted to 1,582 tonnes, including 1,446 tonnes for packaging used at check-outs.

For packaging used at check-outs, the full range of Kraft paper store bags has been certified FSC or PEFC since 2012. Certification of paper is an essential criterion when drawing up specifications.

Another key lever in achieving our goal of reducing the environmental impact of packaging is awareness raising. Store teams (cashiers) are made aware of best practice, the brand's packaging processes and recommendations through a leaflet on packaging. Specific communication is regularly sent to stores at times of heavy consumption (Christmas, sales, etc.), and customers are kept informed of the process through the symbols printed on bags (sorting instructions, FSC or PEFC logos).

Lastly, market watch is conducted to keep approved suppliers and prospects abreast of the latest technical and regulatory developments. During the most recent change of corporate charter, the inking rate of Kraft bags was reduced from 90% to 20% of the total surface. Moreover, 100% of paper reams purchased in 2016 were from recycled paper sources.

Marketing publications also represent significant volumes in terms of paper purchases. As such, 100% of marketing publications (catalogues, brochures, flyers and promotional leaflets) issued by Maisons du Monde are printed on FSC or PEFC paper. Such publications represent a total annual weight of 7,677 tonnes, 98% of which is used for catalogues.

The annual weight increased by 13% between 2015 and 2016 due to an increase in the print run of catalogues. However, efforts have been made on the unit weight of the three catalogues (Indoor, Outdoor and Junior), which were slimmed down by an average of 22 grams compared with 2015.

Other than certification of the paper used, the environmental impact is taken into account from the creation and design of publications, and efforts are made to reduce the volumes consumed. Thus, the number of pages of the general (indoor) catalogue, the brand's biggest, was reduced by eight in 2015 and is expected to be cut by a further 12 in 2017.

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

In 2016, Distrimag's purchases of packaging cardboard and paper amounted to 649 tonnes, including:

- 134 tonnes of paper;
- 515 tonnes of cardboard.

Reducing waste produced by the Group and optimising its reuse involves work on the quantities and materials used for such packaging. With this in mind, the logistics subsidiary has opted for fully recycled fibre in its cardboard. To facilitate the proper recycling of boxes once they are in the hands of customers, Distrimag has affixed specific sorting instructions. At the same time, quality teams have made efforts to reduce the volume of packaging, which optimised the protection of furniture coming directly from manufacturers. This approach resulted in 259 products being removed from the list of products needing improvement in 2016.

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

### Purchases from the protected sector

Use of the adapted and/or protected sector is another critical lever in the social action of the Group and the general purchasing team. Today focused on maintenance services for store's green spaces, purchases from the protected sector represented 88% of the services purchased in this category in 2016, up from 71% in 2015.

## 2.4.5 PROMOTION OF THE OFFER, CONSUMER INFORMATION

To promote responsible consumption, partnerships with FSC and PEFC organisations are renewed each year to highlight sustainable forest management labels among customers. The Group has developed specific symbols to flag the environmental approach in products, under the name “Envie d'éco”.

“Envie d'éco” products also bear the 1% for the Planet logo and contribute directly to the funding of environmental NGOs selected by the Maisons du Monde Foundation.

Catalogues contain special information on each SKU that meets the sustainability criteria defined in the responsible offer (for further information, see section 2.2.1 "Sustainable resource management" of this Registration document), as do product sheets online.

## 2.4.6 ACCESSIBILITY OF STORES

The accessibility of sales stores and the reception of people with disabilities in our stores is a major issue on which the Group is committed through two main levers: training its team and fitting out its buildings.

### Training action

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

Within this framework, managers of merchandising, installation, maintenance, safety/security and technical design teams initially received a day's training devoted to the prevailing regulations on accessibility.

At the same time, the Maisons du Monde Group Training Department worked in 2016 to put together an eLearning course devoted to this theme. Aimed at all store managers and their staff, this training will start in 2017. It looks at the in-store reception of people with disabilities with a view to ensuring quality service for all.

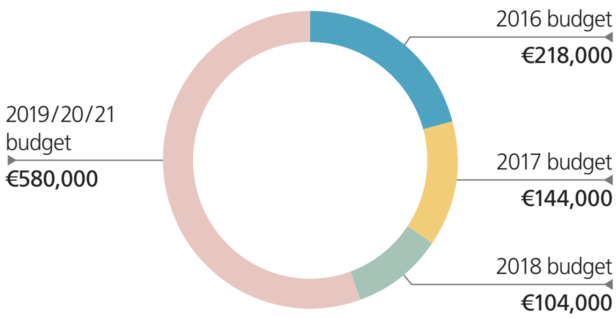
### Accessibility work on stores

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

While all store openings and renovation programmes have ensured the compliance of stores since 1 January 2007, an inventory conducted between 2009 and 2012 has helped draw up a list of sites in need of upgrades. All of the work is set out in the Ad'Ap plan, staggered between 2016 and 2021 and updated each year. At end 2016, 75% of the 203 French stores were in compliance with regulatory accessibility standards.

Upgrading work within the framework of this plan was accordingly carried out on 45 French stores at a cost of €218,000 excluding VAT in 2016.

**BUDGET FOR ACCESSIBILITY UPGRADES TO OUR FRENCH STORES**




To achieve the 2021 goal, Maisons du Monde has established a three-phase plan, namely the preparatory studies and compliance work on 2 sites in 2017, a further 2 sites in 2018 and 51 sites in the 2019-2021 period.

## 2.4.7 BUSINESS ETHICS

In 2011, the Maisons du Monde Group joined the United Nations Global Compact, committing to disclose its actions on 10 principles in favour of human rights, labour standards, the environment and the fight against corruption.

In 2013, Maisons du Monde rolled out a Supplier Code of Conduct to ensure compliance with national and international conventions on labour law across its entire supply chain.

To round out the Group's commitments and procedures, an ethics charter, a Code of Conduct, risk mapping and a training module will be published in 2017, following work started at the end of 2016.

## 2.4.8 OTHER ENVIRONMENTAL ISSUES

### Water consumption

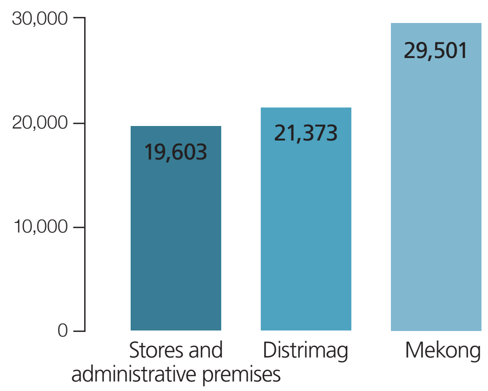
The water consumption of stores and administrative premises is confined to domestic consumption, from piped water systems. As such, other than control of the risk of leaks during maintenance operations, domestic water consumption is not considered a significant environmental challenge. Water consumption of stores and administrative premises is estimated at approximately 19,604 $m^3$ in 2016 [(1)].

Similarly, Distrimag's water is limited to domestic water, and does not represent a significant challenge. Water consumption of Distrimag sites is estimated at approximately 21,373 $m^3$ in 2016.

Water consumption at the Mekong Furniture factory is confined to the domestic consumption of employees, cleaning the factory and the watering of green areas during the dry season. It also includes, to a lesser extent, the washing of painting equipment in production lines. Mekong Furniture used 29,501 $m^3$ of water in 2016.

Efforts will be undertaken in 2017 to reduce consumption by using more rainwater for domestic purposes and recycled water for green spaces (subject to obtaining the necessary authorisations).

#### WATER CONSUMPTION ($M^3$)




### Pollution and discharges

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

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

### Facilities subject to environmental protection statutes

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

### Protection of biodiversity

Maisons du Monde is committed to reducing the impact of its activities on biodiversity, primarily related to its supplies of wood products, through the establishment of a series of actions. The Group has within this framework committed with preserving forests through various means, from support for farmers for sustainable resource management, to the use of recycled materials, and certification of its products in accordance with international labels.

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

*(1) The water consumption of stores and administrative premises is estimated based on the consumption of a sample of sites and the number of employees at 31 December 2016. The estimate method is described in the methodological note.*

# 2.5 Commit like enthusiasts

## 2.5.1 MAISONS DU MONDE'S HR POLICY

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

A skills frame of reference was finalised in 2016. It will be rolled out in 2017 through the annual appraisal interviews.

Today, more than half of store managers were appointed internally. Maisons du Monde encourages the geographical mobility of its managers to promote both their career development and advocacy of a shared vision of the Group's strategy and values.

### Workforce management and job creation

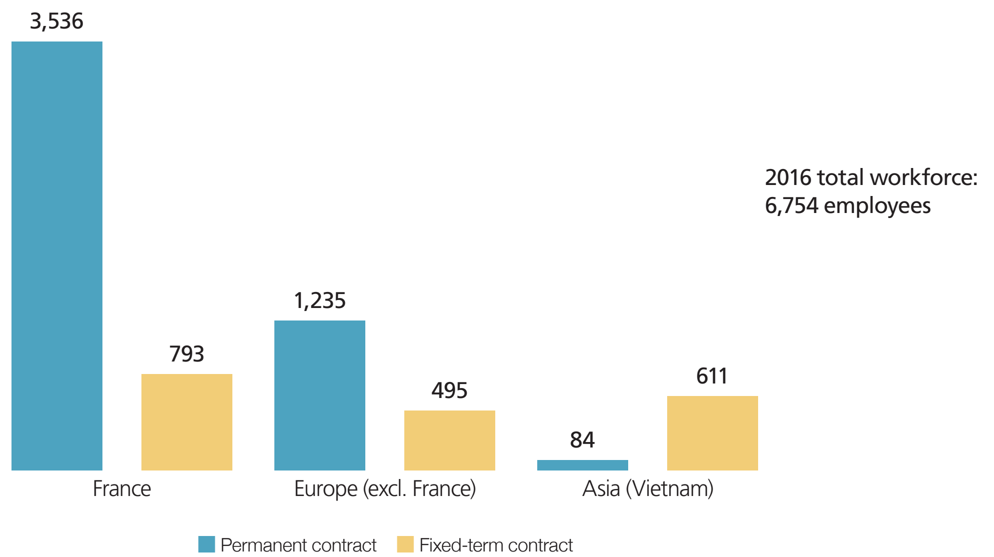
#### Employees

At 31 December 2016, the Group had 6,754 employees (5,758 full-time equivalents).

Three-quarters of employees have permanent contracts. The average seniority of employees on permanent contract is 3.8 years.

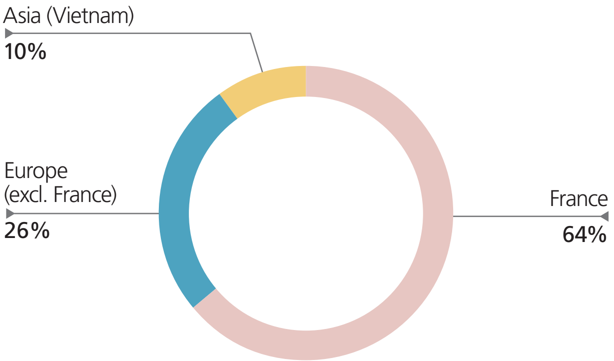
The number of fixed-term contracts relates to periods of increased activity related to commercial activity in stores, and replacements.

**NUMBER OF EMPLOYEES BY CONTRACT TYPE**



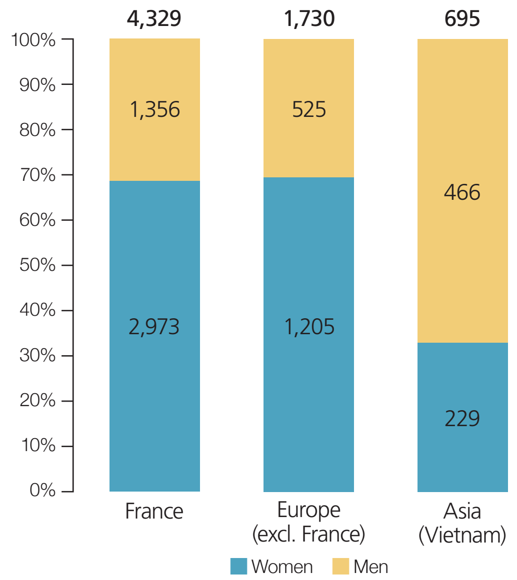

Most of the Group's employees work in France. One-quarter of employees work in Europe (Italy, Spain, Belgium, Germany, Switzerland, Luxembourg and the United Kingdom). Our Mekong factory in Vietnam accounts for 10% of the Group's employees.

## WORKFORCE BY GEOGRAPHY



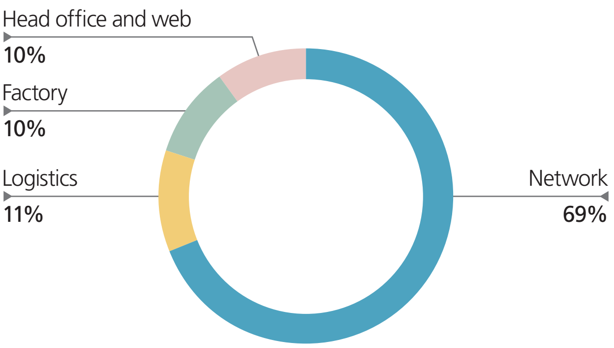

Two-thirds of employees work in stores (sales teams, cashiers, display teams and supervisors).

## WORKFORCE BY GENDER



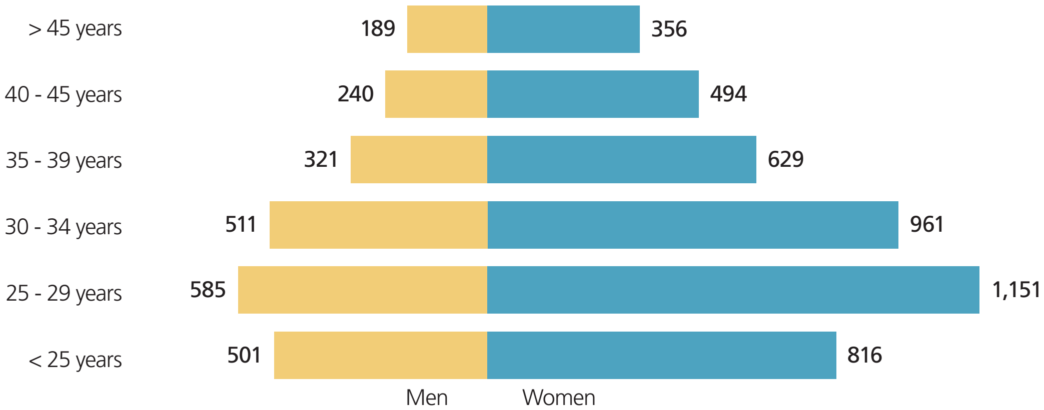

Women make up 65% of the total workforce.

## WORKFORCE BY ACTIVITY




## AGE PYRAMID

The average age of employees is 32 years.



### Hiring and departures

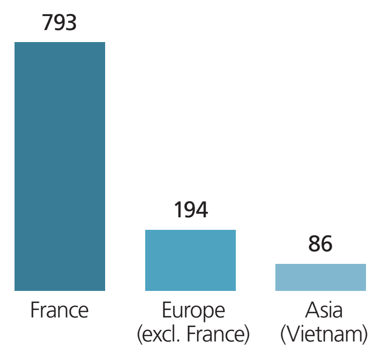
Maisons du Monde's recruitment philosophy emphasises life skills and the wealth of experience. The dynamism of the Group is closely intertwined with the personality of each of its members.

In 2016, 1,073 employees were hired on a permanent basis. For each store opening, Maisons du Monde favours hiring on permanent contracts.

Growth in the Group's business is today reflected in the creation of jobs in stores. Employees are from the host country at all stores. As at 31 December, the new stores opened in Europe in 2016 employed 358 people on a permanent basis.

In Vietnam, workers are first hired on fixed-term contracts in accordance with local practice. Their contracts are then converted into permanent contracts after three years.

**BREAKDOWN OF PERMANENT HIRES BY GEOGRAPHY**




There were 239 terminations in 2016. The average seniority of departing employees on permanent contracts is 2.15 years.

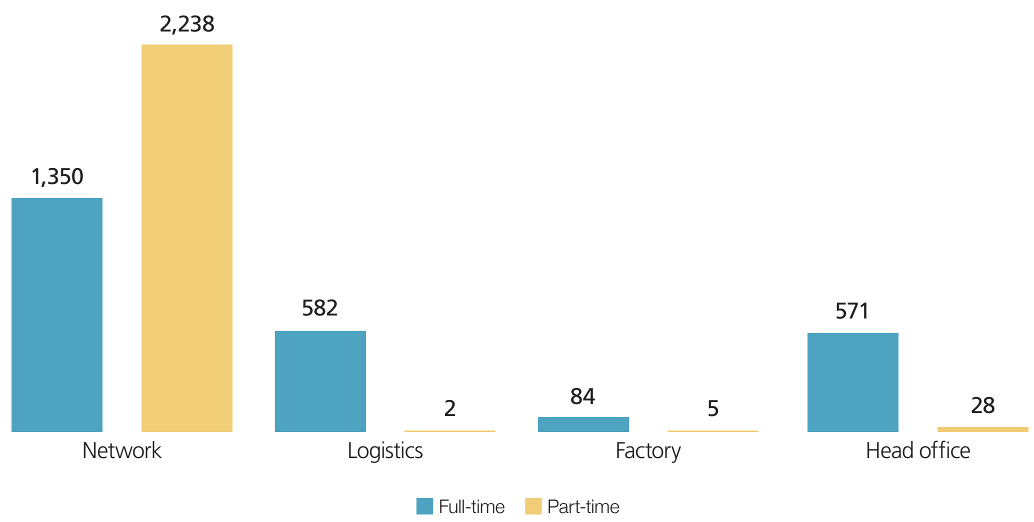
## Working hours

### Contractual working hours (permanent employees)

More than 97% of logistics, factory and head office employees are full time.

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

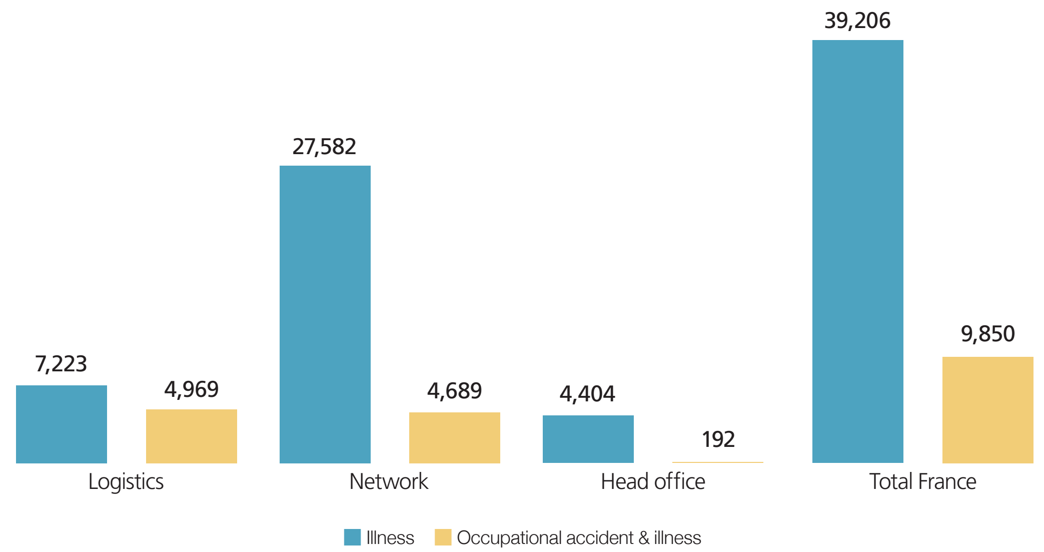
**BREAKDOWN OF PERMANENT CONTRACTS BY FULL-TIME/PART-TIME**



### Absenteeism (France only)

Maisons du Monde is concerned about the problem of absenteeism, and monitors it closely, in particular in respect of workplace accidents, through preventive action plans and corrective actions. By way of example, the Distrimag Human Resources Department maintains contact with the absent employee to facilitate his or her return to work.

#### DAYS OF ABSENCE BY CAUSE (FRANCE)




## Wage policy

Maisons du Monde is scrupulous about setting fair and equitable wages for all employees. For most employees, wages are above the agreed minimum (France and Europe).

The change in personnel expenses follows the Maisons du Monde Group's growth, increasing from €148,547,000 in 2015 to €174,212,000 in 2016 (+17.3%).

### Compensation

Maisons du Monde seeks to promote collective performance. As such, 94% of employees are eligible for variable compensation based on the collective achievement of qualitative and quantitative objectives, recognising the commitment and achievement of all employees in the performance of their duties. Compensation is consistent for all employees of the store network, logistics and the Mekong factory.

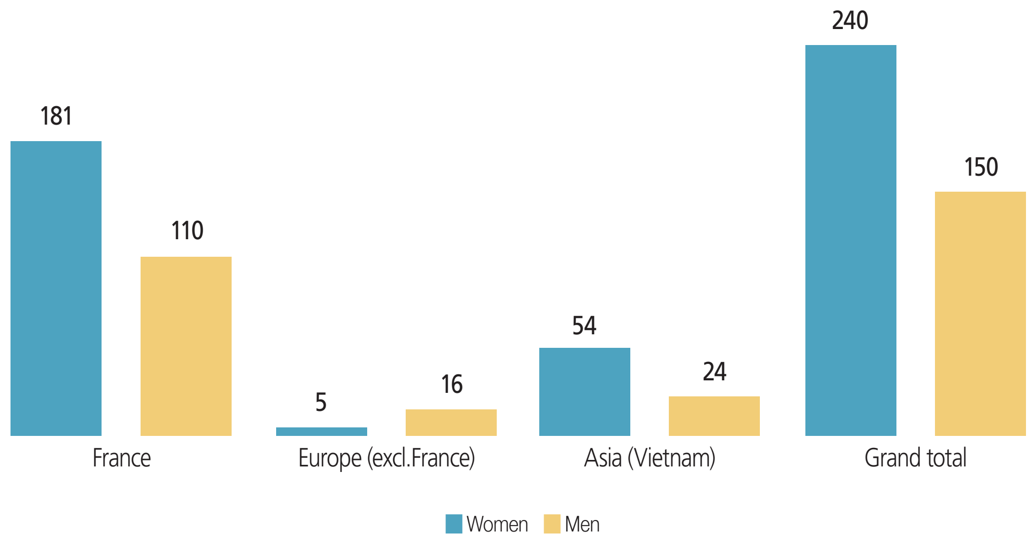
For employees based in France, more than 8% of total compensation consists of benefits in kind or in cash, such as mutual or provident insurance, or employee savings plans.

Maisons du Monde opted to establish a medium to long-term incentive plan for the key people responsible for the future growth of the Group. The plan is organised as a free share plan based on performance criteria assessed over a number of financial years and continued employment in the Company for a three-year period. The free shares should be granted at regular intervals, based on decisions by the Board of Directors.

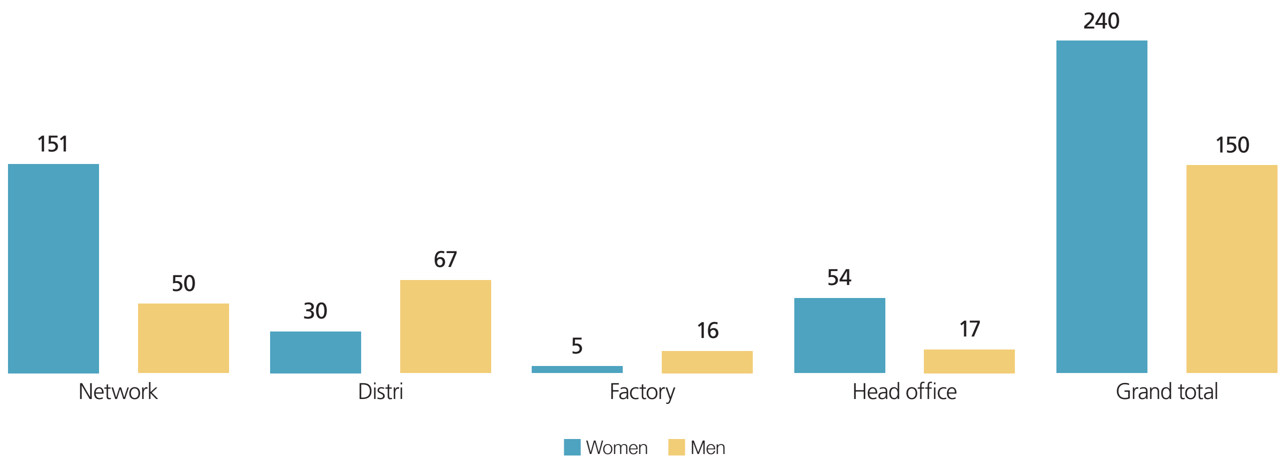
### Promotion

Maisons du Monde promotes internal mobility and offers real opportunities to all of its employees. In 2016, more than 390 employees were promoted.

#### 2016 PROMOTION BY GEOGRAPHY




#### 2016 PROMOTION BY ACTIVITY




In the second half of 2016, an internal website dedicated to mobility was launched for employees of the store network and the head office. All employees now have access to all job vacancies, some of which are reserved exclusively for internal applicants. Employees can also make unsolicited requests for geographical mobility or to change job. The Human Resources Department routinely contacts each employee who requests mobility.

## Social dialogue

Maisons du Monde strives to ensure a peaceful labour relations climate fostering exchange and dialogue with staff representatives and employees.

**Number of meetings with employee representatives**

| | |
|---|---|
| MDM France | 26 |
| Logistics | 55 |
| MDM Belgium | 22 |

### Stores and head office

In France, Maisons du Monde employees are represented by a representative trade union and many "independent" elected representatives.

Various commissions exist in addition to the Works Council, the Health, Safety and Working Conditions Committee and the staff representatives. They deal with specific issues:

- Housing Commission;
- Economic Commission;
- Disability Commission;
- Training Commission;
- Parenthood Commission.

Other commissions may be established on an as-needed basis to deal with specific difficulties, as was the case in Belgium where an absenteeism commission comprising members of the Council for Prevention and Protection at Work was established in late 2016.

It should also be noted that for the first time since the entry into force of the Rebsamen law, the Works Council and HSWCC met jointly for an information consultation procedure in September 2016.

A timetable for consultations with the Works Council with a view to reinforcing social dialogue and adapting the Company to legislative developments was set at the end of 2016. The Works Council will be consulted at least eight times a year on topics bearing on the Company's economic situation, as well as training and occupational health and safety.

Elections in 2016:

- elections to renew the Health, Safety and Working Conditions Committee were held on 6 December 2016. Nearly 20 employees stood for the nine seats on the committee;
- renewal of the terms of Works Council and Council for Prevention and Protection at Work members in Belgium.

These exchanges resulted in the following agreements in 2016:

- Sunday work (Maisons du Monde France);
- mandatory annual negotiations on wages, working time and professional equality (Maisons du Monde France);
- methodological agreement for the renewal of members of the HSWCC (Maisons du Monde France).

### Logistics

At Distrimag and its subsidiaries, social dialogue has been strengthened by the establishment of various commissions and thematic working groups:

- in 2016: four commission meetings were held on a range of topics: social dialogue, annual reviews of classification, annual appraisals and variable compensation;
- working groups with the participation of an elected representative: work clothing, introduction of film-wrapping machines, etc.;
- a quarterly union on each site with an elected representative, a manager and staff members. During these meetings teams can question their site manager on various everyday topics relating to site operation, work and organisation, with a single purpose: establish social dialogue and foster exchanges...

### Mekong factory

In Vietnam, social dialogue is organised in close collaboration with representatives of the national union. The union's 11 current members were elected within the Company for a period of five years. The union representatives are regularly consulted on all issues liable to contribute to improving employees' working conditions and environment. The union representatives are free to exercise their duties pursuant to rules laid down and set by local law. They meet at least every three months to discuss all subjects of interest to employees.

In 2016, the Company signed an agreement with union representatives on the benefits granted by the Company to employees. It covers bonuses, additional allowances and additional aid not set under Vietnamese law.

In addition to negotiated benefits, the Company organises other events to promote cohesion when the production schedule permits: football tournament, cooking competition, Women's Day, Tet meal, cohesion meal, Christmas tree.

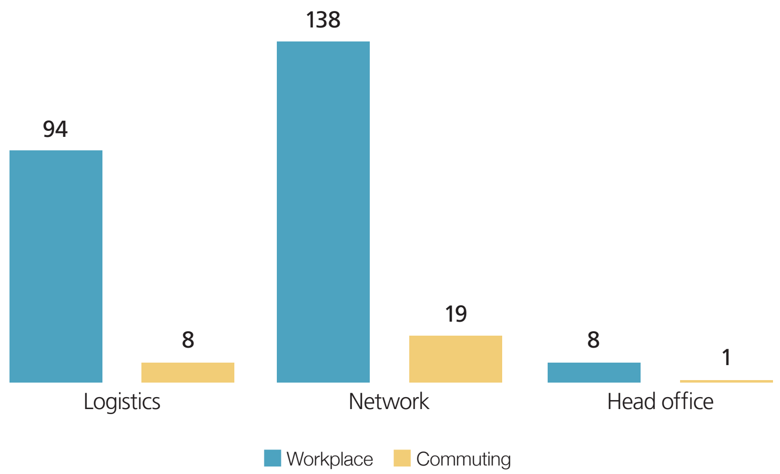
In addition to dialogue with union representatives, the Human Resources Department and the management team also communicate weekly on all topics liable to help employees better understand their rights and duties (in accordance with the labour law and the Company's internal regulations). This communication takes various forms, from weekly meetings to posters. Employees can also meet and interact with the Human Resources Department at specific times set aside for this purpose.

In 2016, an agreement was signed concerning benefits granted to employees.

## Occupational health and safety

Maisons du Monde is aware that its CSR challenges, particularly in terms of well-being at work, mean that professional risk management must play a role at all decision-making levels and on all sites. No agreement has been signed with the Trade Unions on occupational health and safety, but all of these departments are committed to gradually implementing an appropriate and realistic preventive approach in each of its activities.

### BREAKDOWN OF WA BY CAUSE




WA: workplace/commuting accidents with lost time.

The number of working days lost due to workplace injury/commuting accident and occupational illness was 46,318 for the year 2016. The frequency index of workplace injury was 55.44 for France. Lastly, four occupational illnesses were declared in France (the only country to monitor this indicator).

### Store network and head office

Maisons du Monde is committed to making every effort to ensure the health and safety of its employees. In 2016, the creation of a Prevention Service reporting directly to operational management enabled Management to consider issues related to the prevention of risks. The new service aims to roll out and apply a single health and safety policy in all countries. Various actions have been carried out across the network:

- collaboration with the Training Department to create a training dynamic on issues linked to risk management through a mandatory three-year training plan for all relevant employees;
- review of elevated working equipment for the whole brand to integrate as much secure equipment as possible, such as individual lightweight rolling platforms;
- modification of certain visual methods to account for preventive aspects (sofa-cube rack, outdoor rack).

For accidents potentially affecting employees, in-depth work has been undertaken to ensure a more systematic analysis of accidents. Maisons du Monde aims to move towards the implementation of local action plans, notably through the communication of dedicated indicators for local management teams.

### Logistics

At Distrimag and its subsidiaries, Maisons du Monde aims to achieve continuous improvement in working conditions.

To this end, a dedicated working group on ergonomics has been established for various workstations:

- conveyor workstation at Fos-sur-Mer;
- woodworking workstation;
- decoration range packaging workstation;
- deployment of film-wrapping machines, tools to help improve positioning.

### Mekong factory

To prevent and reduce the risks to occupational health and safety, human resources, production management teams and members of management worked together in 2016 on the risks associated with different workstations in the factory. A diagnostic was carried out on potential machine-related risks, information sheets on risk prevention at workstations was drafted and displayed, and lastly employees received training on occupational risks.

The Company also developed measures to improve the work environment within factories to alleviate strenuousness, such as designing production lines with conveyor belts to avoid employees having to handle heavy products as much as possible.

The Company also focuses its attention on maintaining a healthy environment by investing in appropriate facilities all along production lines in order to combat issues such as dust and paint fumes.

A team of doctors provides all employees with annual occupational hygiene and health awareness training.

An HSE manager was hired in 2016 as a reinforcement to monitor and evaluate measures already implemented and to coordinate future actions.

## Training

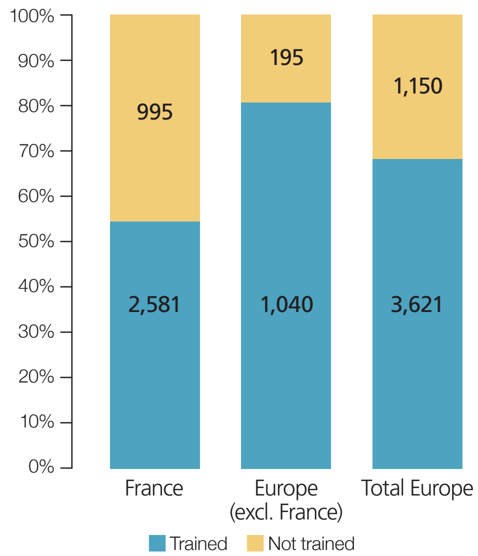
In 2016, Maisons du Monde allocated a budget representing 1.95% of its payroll to training its employees based in Europe (1.85% in 2015).

### TRAINING EFFORT

| | |
|---|---|
| France | 1.66% |
| Europe | 2.88% |
| **TOTAL EUROPE** | **1.95%** |

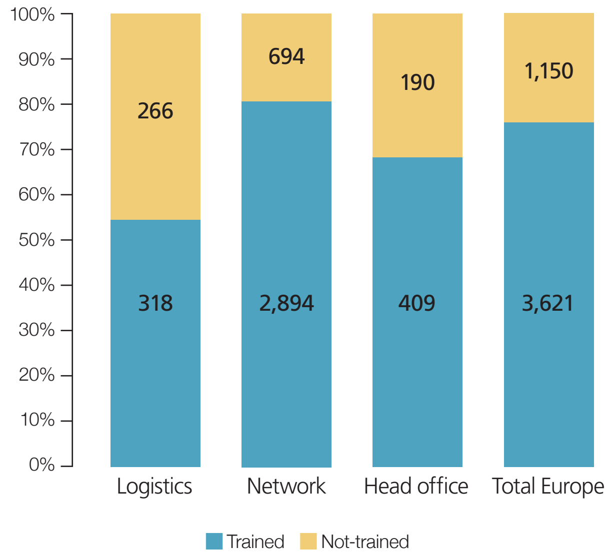
Accordingly, in 2016, 59,843 hours of training (excluding safety training) were delivered and 3,626 employees present at 31 December 2016 benefited from at least one training session (including eLearning). The average number of hours of training per permanent employee present at 31 December 2016 was more than 11.5.

### SHARE OF PERMANENT WORKFORCE TRAINED BY GEOGRAPHY




Permanent staff: permanent employees present at 31 December 2016.

### SHARE OF PERMANENT WORKFORCE TRAINED BY ACTIVITY




Permanent staff: permanent employees present at 31 December 2016.

Women represent 71% of the workforce trained in 2016 (excluding safety training).

The Group’s top priority is to promote the development of its employees’ skills. The number of employees trained illustrates this commitment.

To meet its goal of providing access to training,, which aims to enable the greatest number of employees to develop their skills, Maisons du Monde has established a distance learning system available in six languages and rolled out in all European countries in 2016. A total of 5,775 hours of training was provided online.

In support of the new system, managers in the Group's store network and at head office received training on the digitisation of training.

Training is central to the major challenges related to the Company’s growth, such as accelerating the Group’s digital transformation and its deployment in Europe.

Several training solutions have been developed to meet business challenges. They include the creation of eLearning modules, classroom training and peer training.

In 2016, more than 200 employees were trained in using tablets for Customer Sales and service. Eight hundred employees were trained on the free deliveries offered in store, thereby allowing them to offer customers a service tailored to their needs.

The 18% increase in language training served to support the Group’s international expansion. Maisons du Monde ensures the European consistency of its programmes and its adaptation to the various markets through dedicated training contacts in each country.

The Group aims to be as close as possible to the actual experience in the various areas of its business. It accordingly delivers all training modules jointly with industry experts. Its modules are systematically tailored to the operational reality of the job and the need to develop employee skills.

Courses are led by internal business experts or external partners in the field.

The Group’s values are conveyed in our training as a means of ensuring the transmission of our culture in employees’ early weeks within the Company and throughout their career in Maisons du Monde.

In 2016, the Group adopted a business skills frame of reference, thereby enabling these key skills to be addressed during annual appraisal interviews as a means of identifying potential for development and specific actions to be implemented in 2017.

Our employees benefit from this interview with their manager each year. It is a special moment between the manager and employee during which both parties can look back over the past year, evaluate skills, discuss objectives for the coming year and identify training needs. Maisons du Monde has assisted its managers in conducting annual appraisal interviews through a total of 1,672 hours of training.

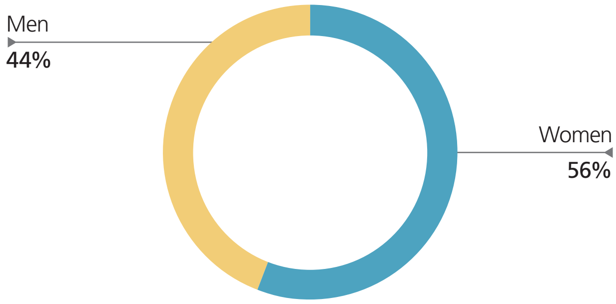
## A commitment to diversity and disability

Respecting diversity, Maisons du Monde puts the skills of its employees first. The Human Resources Department guarantees non-discrimination in hiring, employment and access to training.

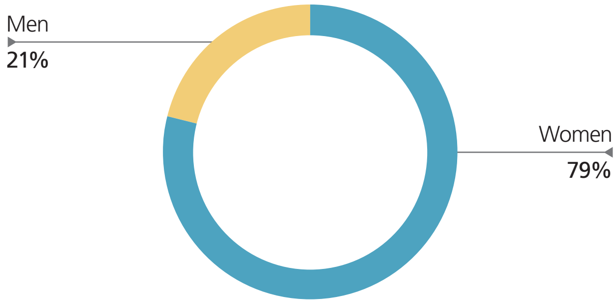
### Managers

The managers of the Group endeavour to convey the values of the Group and the HR policy to their teams.

**BREAKDOWN OF MANAGERS (1) BY GENDER**




**BREAKDOWN OF STORE MANAGERS BY GENDER**




### People with disabilities

Since 2010, Maisons du Monde has paid particular attention to employees recognised as disabled workers. In 2012, the Group established a disability commission to define and monitor actions in favour of disabled workers.

In the space of six years, the number of disabled workers has increased significantly. Actions carried out in France revolve primarily around four thrusts:

- assistance for disabled workers by creating a dedicated fund providing financial assistance, through the establishment of individualised monitoring and the creation of a dedicated email address;
- communication *via* the creation of a disability charter, the establishment of regular communication targeting employees and a systematic mention of disability on employment offers displayed on our website;
- recruitment by the systematic posting of employment offers with Cap’emploi for each new store and participation in specialised recruitment fairs;
- partnership with the protected sector by including ESATs (support and work assistance organisations for disabled people) in our calls for tender.

*(1) Member of the Group's Executive Committe and their direct reports are considered as managers.*

### Combined work-study programmes

In 2016, more than 100 young people benefited from combined work-study contracts in France (apprenticeship or professional qualification contracts). Maisons du Monde contributes to the employability of such people by enabling them to obtain a recognised diploma and a rewarding experience.

Combined work-study programmes give everyone a chance and integrate different skills that are not derived from traditional training courses.

Maisons du Monde has set up individualised support for young people on combined work-study programmes and their tutors. Personalised support of this nature (guidance, regular interviews, HR point of contact) helps ensure young people every chance of success in their studies. The tutor, meanwhile, is assisted in passing on his or her skills and developing relational and teaching skills.

After their training, young people can either continue their education or enter the job market. In 2016, 17% of them were hired by Maisons du Monde in permanent positions or on fixed terms of more than six months.

## 2.5.2 MAISONS DU MONDE'S PHILANTHROPIC AMBITIONS – THE MAISONS DU MONDE FOUNDATION

Maisons du Monde formalised the establishment of its Foundation on 31 May 2016, a first under the aegis of the Fondation Nicolas Hulot pour la Nature et l'Homme (FNH). The Group in this way sealed its commitment to forest protection and the recovery of timber. Its management is undertaken by the FNH and operation by the Maisons du Monde Foundation, in accordance with the values and environmental and social commitments shared by the two foundations.

Twenty percent of the Foundation's operating budget is earmarked for projects led by the FNH. In 2016, a donation of €112,000 was made to the "I act for nature" programme initiated in 2010 to provide a national platform for nature volunteering that each year proposes several hundred actions to potential volunteers. It now has over 330 organisational structures (associations, managers of natural areas, local authorities) allowing them to find volunteers for their biodiversity protection activities.

The Maisons du Monde Foundation has made the defining choice of providing three years' funding for projects led by general-interest organisations in order to have the best societal impact. The amounts donated range from €20,000 to €30,000 annually.

The Maisons du Monde Foundation's operating budget represents 0.08% of the Group's Customer Sales, as reported in the consolidated financial statements for the previous year.

In 2015, the Maisons du Monde Group's Customer Sales, as defined above, were €700 million. The 2016 budget of the Maisons du Monde Foundation was therefore €561,000.

Moreover, Maisons du Monde aims to involve its customers in the Foundation's work. In the final quarter of 2016, a rounding-up mechanism at check-out was offered to customers in five pilot stores, allowing customers who so wished the chance to help finance a project selected by the Foundation. This experiment was a success, with 52% of customers rounding up the amount of their purchases. The system will be rolled out to all of our stores in France in 2017.

### Projects supported by the Foundation

The Maisons du Monde Foundation is a separate structure from SAS Maisons du Monde. It is legally dependent on the Fondation Nicolas Hulot pour la Nature et l'Homme (FNH). It is managed by a five-member "Foundation Committee":

- Xavier Marie, founder of Maisons du Monde and Chairman of the Maisons du Monde Foundation;
- Gilles Petit, CEO of Maisons du Monde;
- Cécile Ostria, CEO of the Fondation Nicolas Hulot pour la Nature et l'Homme;
- Stéphane Rivain, Associate Director of Oréade-Brèche, an environmental and development consultancy;
- Charles-Edouard Vincent, founder of Emmaüs Défi and Lulu dans ma rue.

The Maisons du Monde Foundation only funds projects led by general-interest non-profits located in the European Union or South-East Asia (including India) with the purpose of:

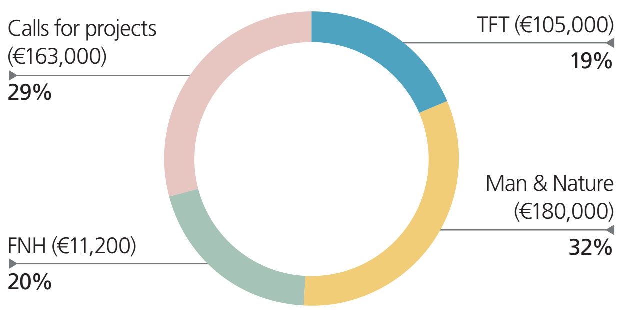
- preserving forests and/or protecting biodiversity in forests;
- reusing timber in Union European countries (recycling, ecodesign, upcycling to promote the circular economy, reuse and professional integration.

In 2016, 17 projects were financed in nine countries.

| | New in 2016 | Whose support by the Foundation was renewed in the course of 2016 |
|---|---|---|
| Number of projects supported by the Foundation | 9 | 8 |

The Maisons du Monde Foundation had a operating budget of €561,000 in 2016.

### BREAKDOWN OF THE FOUNDATION'S BUDGET




To perpetuate its sponsorship activities undertaken since 2010, Maisons du Monde once again provided support to the NGO Man & Nature, donating €180,000. Man & Nature supports biodiversity protection projects in the field and for the benefit of local people, undertaken by committed local NGOs.

Through Man & Nature, the Maisons du Monde Foundation supported the following projects in 2016: Green Flight in Colombia, the Malaysian Nature Society (MNS) in Malaysia, Pupuk in Indonesia, Gazelle Harembee in Kenya, Awely in Zambia, the Tropical Forest and Rural Development (TFRD) in Cameroon, AAFEBEN in Cameroon, and a collaborative platform for the development of non-timber forest products consisting of four Cameroon NGOs.

The Forest Trust (TFT) received €105,000 for two projects in India – in Punjab and Haryana – initiated by Maisons du Monde in 2011, assisting 1,548 farmers in the transition to sustainable agroforestry and land quality improvement in 198 villages. Together, these projects helped replant 100,000 trees.

The balance (€163,000 excluding the host Foundation's management fee of 5% of the overall budget of the Maisons du Monde Foundation excluding Nicolas Hulot Foundation projects) provided funding for six new projects in the second half 2016, after selection during the Board of Directors' first meeting on 31 May in Vertou to mark the Foundation's official launch.

## Projects selected for the 2016-2018 period

In the category "Preserving forests and/or protecting biodiversity in forests":

- **NGO Kalaweit:** "Acquisition and safeguard of forest in Borneo: enlargement of the Kalaweit Pararawen Reserve" on the island of Borneo in Indonesia. Amount of funding: €30,000 per year over three years;
- **NGO GRET:** "Protecting the remaining forests of the island of Sainte-Marie and its endangered endemic species" on the island of Sainte-Marie in Madagascar. Amount of funding: €30,000 per year over three years.

In the category "Reusing timber to promote the circular economy, reuse and professional integration":

- **API'UP:** "LEXI 2016-2018" in Capbreton in the Aquitaine-Limousin-Poitou-Charente region in France, developing the LEXI project in the framework of the Atelier du Déchet au Design, a workshop created in January 2014 to promote integration through economic activity. LEXI is a recycled wood module designed through upcycling in an ecodesign and circular economy approach. Amount of funding: €30,000 per year over three years;
- **Croix-Rouge Insertion:** "Support for projects reusing timber in Red Cross establishments" in France, with Béarn Solidarité in Pau and Impulse Toit in Marseilles. Amount of funding: €25,000 per year over three years;
- **3PA:** "The European School for Ecological Transition" in France, in the town of Poucharramet in the Languedoc-Roussillon Midi-Pyrénées region, a programme to train young unemployed people aged 16-25 who drop out of school without a diploma, in ecological transition and circular economy professions. Amount of funding: €20,000 per year over three years.

A final project was selected for funding through customers *via* the rounding-up mechanism, which permits micro-donations at checkouts.

- **NGO Awely:** "Education and development to protect mountain gorillas in the forest of Dja" in the East and South provinces of Cameroon.

### Other philanthropic projects supported

Maisons du Monde also supports the NGO Anak Bali in Indonesia, which provides help for children in their schooling from kindergarten until they start working. In 2016, it ran three community centres, four partner schools, and assisted 52 primary school children, 68 junior high school students, 40 senior high school students and 7 further education students. The association works mainly thanks to individual donations to sponsor children. In 2016, Maisons du Monde made a donation of €20,000 to assist the organisation with its running costs, notably to cover medical check ups, secondary school fees (rarely covered by private sponsors) and extracurricular activities.

## Collective solidarity leave

Maisons du Monde allows its employees to contribute to social and environmental projects through a unique system, known as collective solidarity leave. Every year since 2011, employee volunteers have taken part in a draw allowing them to work on a project supported by Maisons du Monde in exchange for paid leave. On site, they take part in NGO activities, immersing themselves in another social reality. A far cry from mass tourism, this unique human experience is equally beneficial for employees, the local partners that welcome them and the Company, giving the concept of social and environmental responsibility real meaning.

In June 2016, 8 employees went to Kenya with the NGO Gazelle Harembee, 9 to Colombia with the NGO Green Flight and 7 to Senegal with the NGO Nebeday, *i.e.* a total of 24 employees.

# 2.6 Non-financial reporting methodology

The following themes required by the Grenelle II law were deemed not material in relation to Maisons du Monde's activity, and are not subject to specific disclosures in this report:

- land use, Maisons du Monde's own business. Maisons du Monde's own business does not use land to any great extent;
- fight against food waste. The Group's business does not generate food waste beyond employee meals;
- means devoted to the prevention of environmental risks and pollution. The prevention of environmental risks is currently not a part of the Group's overall policy and is adapted to the regulations to which our activities are subject;
- consideration of noise pollution and of any other form of pollution specific to an activity. The Group has not yet identified specific sources of pollution that generate particular risks.

### Scope and reporting period

The CSR indicators are reported for the entire Group, i.e. the Maisons du Monde store network, administrative premises, the Distrimag logistics subsidiary and the Mekong Furniture factory. The Group's reporting scope does not include franchise operations. Any exclusion from the scope of consolidation is specified in the body of the text and is set out below.

The data is reported for the period 1 January to 31 December.

## 2.6.1 ENVIRONMENTAL INDICATORS

For reasons of data availability, indicators of waste generation are not reported for the Mekong plant.

### Reporting tool

The information provided in the report was collected from various contributors in the Group's different activities *via* the Ozact/Verteego reporting tool. A reporting protocol, including the definition of the key indicators, was formalised in 2016 and sent to all contributors.

### Key methodological specificities

As regards the store network's reporting of waste, it should be noted that data have been extrapolated for stores for which data from service providers are not available, in particular town centre stores for which data is not tracked by the service provider. The actual data is available for 78% of the stores, whose waste management is managed by Maisons du Monde (as a proportion of "outgoing" sales corresponding to all product flows in the stores). In addition, data have also been extrapolated to stores, where waste management is not provided by Maisons du Monde (stores in out-of-town or shopping centres) in order to account for all of the Group's impacts. This extrapolation was carried out on the basis of a ratio in tonnes of waste per Euro of revenue. Moreover, the tonnage of waste generated at administrative premises is limited to amounts monitored by suppliers. No information is available for waste removed without being weighed. Flows of this nature are therefore not included in the reporting.

It should be noted that information on electricity consumption is not available for all stores because of difficulties in obtaining the relevant bills on time. However the indicators reported cover more than 98% of consumption of stores, and consumption has not been extrapolated.

Energy consumption (electricity, gas, domestic fuel oil and thermal networks for heating) are monitored on the basis of bolling. Reported data use the elements available on the reporting date and cover more than 98% of annual data.

The fuel consumption of vehicles under long-term lease at Maisons du Monde is estimated on the basis of average consumption in litres per 100 kilometres (maker's data) for each of the vehicle types used and quarterly monitoring of kilometres travelled reported by users.

Consumption of short and medium term rental vehicles is not yet taken into account. The $CO_2$ emissions related to energy and fuel consumption are calculated on the basis of the emission factors provided by the French environmental agency ADEME, but only for the "combustion" part. The $CO_2$ emissions related to the energy consumption of heat networks do not include emissions related to a Group store in Italy, as the emission factor was not available from the supplier. As far as $CO_2$ emissions are concerned, scope 1 $CO_2$ emissions related to refrigerant leakage are calculated on the basis of quantities of fluids injected in the air-conditioning equipment over the period and this does not necessarily include the quantities collected for destruction during maintenance operations. As a result, they have been slightly overestimated to date.

Emissions resulting from air transport by employees is provided by the travel agencies based on methodologies defined by DEFRA. Emissions related to rail transport are considered to be negligeable and are not included in the report. Scope 3 $CO_2$ emissions related to logistics activities are calculated internally using emissions factors provided by the Ademe carbon audit and data from transporters.

As far as general purchasing data is concerned, the amounts of paper reported in the quantities of paper purchased by Maisons du Monde are limited to purchases of reams of paper and rolls for receipts. Water consumption on administrative premises and in stores is confined to domestic uses, and does not represent a significant impact for Maisons du Monde. The consumption data provided in the report are estimated on the basis of a water use ratio in cubic metres per employee calculated on the basis of the actual data of a sample of fifteen stores.

## 2.6.2 HR INDICATORS

### Scope

The social reporting scope includes all consolidated legal entities in accordance with the requirements of financial consolidation.

Note that for reasons of information availability, the indicators collected do not cover the Group's entire scope. In a process of continuous improvement, the Group is working to expand the collection scope of HR data so as to disclose the most comprehensive information possible. The following scopes are covered:

- France: all indicators;
- Europe (excluding France): staffing and movements, working hours (excluding absenteeism), compensation and promotions, training;
- Asia (Mekong factory): staffing and movements, working hours (excluding absenteeism), compensation and promotions.

### Reporting tools

The indicators are derived from the payroll tool (Business Objects) and the ERP of the Mekong factory in Vietnam.

Social indicators were collected through a network of contributors identified at Maisons du Monde, Distrimag and Mekong on the basis of their business line expertise. The HR reporting managers run this network of contributors from France. The aim is to improve the quality of data and establish common definitions.

### Key methodological specificities

Social data correspond exclusively to people with an employment contract with a Group entity. People on temporary contracts, external providers and franchises, as well as trainees and people on probation (Vietnam) are excluded from these data. However, people on combined work/study contracts (apprenticeship or professional qualification contracts) are included in the scope. A reporting protocol has been created, containing all the qualitative and quantitative indicators and the associated definitions.

The monitoring of hirings and dismissals presented in the report is limited, as of now, to permanent staff.

Indicators of absenteeism are presented in number of days of absence (working days), based on a standard duration of seven hours per day.

The monitoring of workplace injury/commuting accidents in France is limited to workplace accidents with lost time, for which information is available in the payroll. The frequency index is calculated on the basis of the number of workplace injury/commuting accidents with lost time reported at the end of the period multiplied by 1,000. The Group is currently working on the implementation of an indicator for the severity rate.

As far as the outcome and impact of collective agreements are concerned, the Group is currently working on strengthening communication following changes to the subject matter of the Grenelle II (social and environmental pact).

Concerning training indicators, the training of employees undergoing induction into the store network is included in the calculation of training hours and costs. Training is monitored for the scope of France and Europe (excluding Mekong).

Finally, concerning the distribution of managers by gender, the members of the Group Executive Committee and their direct reports are considered as "managers".

# 2.7 Report by the appointed Statutory Auditors, and independent third party organisation, on the consolidated social, environmental and societal information in the Management Report

Period ended 31 December 2016

To the Shareholders,

In our capacity as appointed Statutory Auditors, and independent third party organisation Maisons du Monde S.A., accredited by COFRAC under the number 3 1049[(1)] , we hereby present our report on the consolidated social, environmental and societal information for the year ended 31 December 2016 (hereinafter, the "CSR Information"), presented in the Management Report pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

## Corporate Social Responsibility

The Board of Directors is responsible for drafting a management report including the CSR Information stipulated in Article R.225-105-1 of the French Commercial Code, and prepared in accordance with the reporting protocol used by the Company (hereinafter the "Guidelines"), for which an overview is included in the Management Report and is available on request from the Company's registered office.

## Independence and Quality Control

Our independence is defined by regulations, the Code of Conducts for the profession and the provisions in Article L.822-11-3 of the French Commercial Code. We have also implemented a Quality Control system including documented policies and procedures to ensure compliance with the ethical rules and the applicable legislation and regulations.

## Responsibility of the independent third party organisation

Based on our work, it is our responsibility:

- to attest that the required CSR information is present in the Management Report or is subject, if omitted, to an explanation pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Certificate of Presence of CSR Information);
- to express a conclusion of moderate assurance that the CSR information, taken as a whole, is presented, for all significant aspects, in a fair way in compliance with the Guidelines (reasoned opinion on the fairness of the CSR Information).

Our work required the skills of five people between November 2016 and March 2017 over a total effective duration of approximately three weeks. We called on CSR experts to assist us in carrying out our work.We conducted the work described hereafter in compliance with the ruling of 13 May 2013 on the conditions in which independent third party organisations should carry out their assignments, as well as the professional guidance issued by the French body of statutory auditors (Compagnie nationale des commissaires aux comptes) for this operation and, with the international ISAE 3000[(2)] standard for the reasoned opinion on the fairness of the information.

*(1) For which the scope is available on the site www.cofrac.fr*

*(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

## 1. Certificate of presence of CSR Information

### Nature and scope of the work

Based on interviews with the managers of the relevant departments, we took note of the guidelines presented in the area of sustainable development, depending on the social and environmental consequences associated with the Company's activities and of its corporate commitments and, as applicable, any resulting actions and programmes.

We compared the CSR Information presented in the Management Report with the list stipulated in Article R.225-105-1 of the French Commercial Code.

In the event of the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions of Article R.225-105, paragraph 3, of the French Commercial Code.

We verified that the CSR Information covers the consolidated scope, i.e. the Company as well as subsidiaries under the meaning of Article L.233-1 and the companies that it controls under the meaning of Article L.233-3 of the French Commercial Code, within the limits stated in the methodological note presented in paragraph 6 of the Management Report.

### Conclusion

Based on this work and given the limits indicated above, we attest to the presence of the required CSR Information in the Management Report.

## 2. Reasoned opinion on the fairness of the CSR Information

We note that as this is the first financial year for which the Company is subject to the verification of the fairness of its CSR information, the CSR Information for the financial year ended 31 December 2015, provided for comparison, was not subject to the same verification.

### Nature and scope of the work

We carried out around ten interviews with the persons responsible for preparing the CSR Information, in the departments responsible for collecting the information and, where applicable, those responsible for internal control and risk management procedures, in order to:

- assess the appropriate nature of the Guidelines in respect of their relevance, exhaustiveness, reliability, neutrality and ease of understanding by taking into account, where appropriate, good sector practices;
- check the implementation of a collection, compilation, treatment and control process that ensures the exhaustiveness and consistency of the CSR Information, and to take note of internal and risk management procedures in respect of the preparation of CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with regard to the Company's characteristics, the social and environmental issues of its business, its policies in terms of sustainable development and good sector practices.

For the CSR Information that we considered to be the most important[(1)]:

- at the consolidating entity level, we consulted documentary sources and carried out interviews to corroborate the qualitative information (organisation, policies, actions), we implemented analytical procedures for quantitative information and verified, based on surveys, the calculations and consolidation of the data, and the consistency and concordance with the other information presented in the Management Report;
- we carried out interviews at the Company's registered office to check the correct application of procedures and identify possible omissions, and implemented sample-based tests to verify the calculations and reconcile the data with the supporting documentation. The selected sample represented 100% of the workforce, considered to be the characteristic variable[(2)] of the social component, and between 12% and 93% of the environmental data considered to be the characteristic variable of the environmental component.

(1) ***Social indicators***: *Breakdown of the number of employees by contract type, share of women in the workforce, total number of hires, total number of dismissals, number of training hours.*
***Environmental indicators***: *Energy consumption (electricity, heating network, natural gas, domestic fuel oil), fuel consumption, greenhouse gas emissions (scope 1 and scope 2), total quantity of waste produced in stores, total quantity of packaging and paper.*
***Qualitative information***: *The measures taken to preserve or develop biodiversity, measures to prevent, recycle, reuse, other types of recovery and elimination of waste, significant sources of greenhouse gas emissions generated due to the Company's business, notably through the use of the goods and services that it produces, the consumption of raw materials and measures taken to improve efficient use, how social and environmental issues are taken into account in the Company's purchasing policy, the importance of subcontracting and how the social and environmental responsibility of suppliers and subcontractors is taken into account in their relations.*

(2) *The detailed list of environmental indicators is presented in the note at the bottom of page 3 of this Report.*

For the other consolidated CSR Information, we assessed its consistency with our knowledge of the Company.

Lastly, we evaluated the relevance of the explanations, where required, of the total or partial absence of certain information.

We consider that the sampling methods and sizes that we selected through our professional judgement allow us to formulate a moderate assurance conclusion; a higher level of assurance would have required more extensive verification. Due to the use of sampling techniques and the other limits inherent to the functioning of all IT and internal control systems, the risk of non-detection of a significant anomaly in the CSR Information cannot not be fully eliminated.

## Conclusion

Based on our work, we have not detected any significant anomalies that would call into question the fact that the CSR Information, taken in its entirety, is presented in a fair way, in accordance with the Guidelines.

Paris La Défense and Nantes, 22 March 2017

KPMG S.A.

| | |
|---|---|
| Anne Garans | Vincent Broyé |
| *Partner* | *Partner* |
| *Sustainability Services* | |

# Corporate governance

# 3

# 3.1 Report of the Chairman of the Board of Directors on corporate governance and internal control

*Dear Shareholders,*

*In accordance with the provisions of Article L. 225-37 of the French Commercial Code, and in addition to the Management Report, this purpose of this report by the Chairman of the Board of Directors is to inform the shareholders of:*

- *the composition of the Board and application of the principle of balanced representation of men and women on the board;*
- *conditions for preparing and organising the work of the Board;*
- *internal control and risk management procedures implemented by the Company;*
- *limitations that the Board of Directors places on the powers of the Managing Director;*
- *accounting principles, rules and methods approved by the Board to determine the compensation and benefits of any nature granted to Corporate Officers;*
- *provisions in respect of the Corporate Code of Governance.*

*This report, compiled with the help of the Company's Finance, Internal Control and Legal Departments, was approved by the Board of Directors on 16 March, 2017, after having been reviewed by the Audit Committee and the Nomination and Compensation Committee.*

*On 31 May 2016, the Board of Directors of Maisons du Monde decided that the Company would refer to the AFEP-MEDEF Corporate Governance Code from financial year 2016. The AFEP-MEDEF Code is available on the MEDEF website (www.medef.fr).*

*The Company complies with this Code, subject to the reservations shown in this report, where applicable.*

*Given the subsidiary nature of the various activities of the Group, this report covers all controlled companies within the scope of consolidation of the Maisons du Monde Group.*

## 3.1.1 COMPOSITION AND OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

### Composition and operation of the Board of Directors

#### Composition of the Board

In accordance with its Bylaws, the Company is run by a Board of Directors with a minimum of three and a maximum of eighteen members, subject to derogations provided for by law.

Directors serve a four-year term of office. By way of exception, some directors may be appointed for a shorter term, to permit the reappointment of members of the Board of Directors to be staggered over two-year periods.

No more than one third of the directors in office shall be over seventy (70) years of age.

As of 31 December 2016, the Board of Directors had nine members. Positions and offices of members of the Board of Directors are presented in Section 3.1.2 "Positions and offices of members of the Board of Directors" of this Registration document.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 31 May,, 2016, the Company's Board of Directors chose to separate the functions of Chairman and Chief Executive Officer.

This separation allows for a clear differentiation between the respective roles of Chairman and Chief Executive Officer: the Chairman of the Board of Directors organises and directs the work of the Board and reports on this to the Shareholders' Meeting. The Chairman ensures that Company bodies are running smoothly and, in particular, that directors are able to perform their duties. The Chief Executive Officer is in charge of operational functions.

On 31 May 2016, at the suggestion of the Nomination and Compensation Committee, the Board of Directors appointed Michel Plantevin as Chairman of the Board of Directors, assisted by Sir Ian Cheshire as Vice-Chairman and Gilles Petit as Chief Executive Officer.

At the Board of Directors' meeting on 16 December 2016, Sir Ian Cheshire was appointed Chairman of the Board and Michel Plantevin Vice-Chairman of the Board.

#### INDEPENDENCE OF BOARD MEMBERS

Under the terms of the AFEP-MEDEF Code, directors are independent when they have no relationship whatsoever with the Company, its Group or its Management that could compromise the exercise of free judgement. More specifically, the only directors to be classed as independent are those who:

- are not, and have not been during the last five years, employees executives or corporate officers of a related Company;
- are not, and have not been during the last five years, customers, suppliers or business or corporate bankers of the Company;
- do not have, and have not had within the last five years, any family ties with any of the Company's corporate officers;
- have not been statutory auditors of theCompany auditors in the last five years;
- do not represent major shareholders or have a controlling interest in the Company.

Of the nine Board members, four are deemed to be independent under AFEP-MEDEF Code independence criteria: Sir Ian Cheshire, Sophie Guieysse, Marie-Christine Levet and Nicolas Woussen.

Said criteria were assessed by the Company prior to the appointment of said directors by the Shareholders' Meeting on 29 April 2016. In accordance with the internal regulations of the Board of Directors and the provisions of the AFEP-MEDEF Code, the independence of each of these Board members was assessed at the Board Meeting held on 3 March 2017.

#### COMPOSITION AND BALANCED REPRESENTATION OF MEN AND WOMEN ON THE BOARD OF DIRECTORS

Three of the nine current members of the Company's Board of Directors are women.

In application of the provisions of the law of 27 January 2011 and Article L. 225-18-1 of the French Commercial Code on the balanced representation of men and women on Boards, a proposal to appoint a new female director will be made at the shareholders' meeting on 19 May 2017.

### Operation of the Board

Maisons du Monde adopted internal regulations in line with industry recommendations aiming to guarantee compliance with fundamental principles of corporate governance and, in particular, those referred to in the Corporate Governance Code for listed companies (the "AFEP-MEDEF Code"). The Internal Regulations were approved by the Board at its meeting on 31 May 2016 and may be consulted on the Company's website maisonsdumondeipo.com.

#### DUTIES AND POWERS OF THE BOARD

The Board of Directors of Maisons du Monde is a collegiate body that collectively represents all the shareholders and whose duty is to act in the interest of the Company. It sets guidelines for the Company's business and oversees their implementation. It deals with any issues relating to the smooth operation of the Company and, through its deliberations, takes decisions on related issues.

The Company performs the duties and exercises the powers invested in it by law, by the Bylaws and by the internal regulations.

#### DUTIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors organises and directs the work of the Board and reports on this to the Shareholders' meeting.

The Chairman ensures that Company bodies are running smoothly and, in particular, that Directors are able to perform their duties.

#### INFORMATION PROVIDED TO THE DIRECTORS

The directors receive the Board Meeting agenda and any items for consideration in good time before the meeting, except under exceptional circumstances.

The Chairman updates the directors on a regular basis and, if necessary, between meetings, on any relevant information about the Company. In addition, each Director may solicit any explanation or additional information that he/she may deem appropriate.

Directors may receive any training that they may need in order to successfully perform their duties as a Board member, and if appropriate, as a committee member. Such training is provided, or approved, by the Company.

#### LIMITATIONS OF THE POWERS OF THE CHIEF EXECUTIVE OFFICER

The Board gives its prior approval to strategic decisions that cannot be implemented by the Chief Executive Officer without the express prior approval of the Board.

This relates, in particular, to the approval or amendment of the annual budget, as well as the approval of any expenditure, the creation, purchase or sale of holdings, decisions relating to the appointment of managers or the settlement of disputes, where the amount exceeds the threshold set and which may not have been budgeted for. This list is not exhaustive.

#### CODE OF CONDUCT OF MAISONS DU MONDE DIRECTORS

*Holding of shares*

In accordance with the Maisons du Monde Internal Regulations, each member of the Board must be a shareholder on a personal basis and must own a relatively significant number of Company shares. If they do not own shares when they take office, directors must use their directors' fees to acquire Company shares within six (6) months of taking office. It is desirable for each director to directly, or indirectly through a Group mutual fund, where this type of holding is permitted, hold at least one hundred (100) Company shares.

*Confidentiality*

Directors, as well as any person invited to attend meetings of the Board or of its committees, are bound by a duty of discretion with regard to the confidential information of which they are made aware.

In addition, since Company shares are traded on a regulated market, certain information shared with the Board may be inside information and holders of inside information are, in particular, prohibited:

- from carrying out transactions in relation to Company shares, or having such transactions carried out by third parties, whilst such information is not in the public domain;
- from disclosing such information to third parties outside the normal course of their profession or duties or for purposes other than those for which the information has been received.

With regard to directors who are physical persons, the ban on disclosing inside information also applies within the companies by which they are employed, even if they are shareholders therein.

#### ORGANISATION AND WORK

The Board meets as often as the interest of the Company requires it and at least once a year, without the attendance of directors with executive roles.

The Chairman endeavours to ensure that there are at least five calendar days between Board Meetings being convened and held. He also endeavours to consider the constraints imposed by Board members' schedules so as to ensure that as many members as possible are able to attend each meeting.

Since 31 May 2016, the date on which the Company's governance method was changed, the Board has met on seven occasions, notably:

- to acknowledge the fulfilment of the condition precedent of the settlement and delivery of the Company's shares as part of the IPO (Board of Directors meeting on 31 May 2016);
- to appoint the Chairman, and Vice-Chairman of the Board of Directors, the members of the Audit Committee and the Nomination and Compensation Committee (Board of Directors meeting on 31 May 2016);
- to distribute directors' fees for the 2016 financial year (Board of Directors meeting on 31 May 2016);
- to approve the 2016 interim condensed financial statements (Board of Directors meeting on 29 July 2016);
- to implement the authorisation granted by the Shareholders' meeting on 29 April 2016 to make free share awards (Board of Directors meetings on 25 October 2016 and 16 December 2016);
- to analyse the business and approve the 2016 consolidated financial statements (Board of Directors meeting on 3 March 2017);
- to approve the annual budget (Board of Directors meeting on 24 January 2017);
- to approve the 2016 annual and consolidated financial statements and convene the Company's shareholders' meeting (Board of Directors meeting on 16 March 2017).

Attendance by members at Board meetings was 80%.

Other meetings are organised as required by the Group's business. These meetings must enable the Board to receive a regular flow of relevant information, thus ensuring that conditions are in place for robust corporate governance.

Members of the Executive Committee or any other person with a particular skill of relevance to the Board's agenda, may attend all, or part, of a Board Meeting, at the Chairman's request. Likewise, the Company's statutory auditors may be invited to attend meetings other than those they are required to attend by law.

#### DIRECTORS' FEES

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

Information about the payment of directors' fees appears in Section 3.2.1 "Compensation of executive and non-executive directors" of this Registration document.

#### EVALUATION

At least once a year, one item on the agenda is devoted to the evaluation of the Board's operation, an account of which is given in the Company's annual report, such that shareholders are kept informed, on a yearly basis, of the evaluations performed and, if necessary, any follow-up given.

In accordance with the internal regulations of the Board of Directors and the provisions of the AFEP-MEDEF Code, the Board's operation was assessed by members of the Board of Directors at its meeting on 16 March 2017.

## Summary of instances of non-compliance with the AFEP-MEDEF Code

Recommendations of the AFEP-MEDEF Code:

| | | |
|---|---|---|
| 10.3 | **Meetings of the Board and its committees**<br>"It is recommended that a meeting not attended by the executive directors be organised each year." | The Chief Executive Officer has attended all Board meetings held since 31 May 2016, the date on which the Company became a French société anonyme (limited liability company) with a Board of Directors. This non-compliance with the Code stems in part from the nature of the agenda items for each Board meeting that required the presence of the CEO, and in part from the fact that Board meetings of the Company in its new form took place over a period of only seven months. |
| 20.1 | **Directors' Compensation**<br>"It should be recalled that the method of allocation of directors' compensation, the total amount of which is determined by the Shareholders' meeting, is set by the Board of Directors. The Board should take into account, in such ways as it shall determine, of the directors' actual attendance at meetings of the Board and committees, and the amount shall therefore consist primarily of a variable portion." | For this first financial year as a limited liability company with a Board of Directors, the rules for the distribution of directors' fees were set in view of the remaining seven-month period and the number of Board and committee meetings. On this basis, the Board of Directors decided to grant only a fixed portion of directors' fees. Acting on a proposal of the Compensation Committee, the meeting of the Board of Directors' which will decide on the distribution of directors' fees for the 2017 financial year will also set the rules for determining the fixed and variable components of these fees. |
| 25.1 | **Information on compensation of corporate officers Ongoing information**<br>"All of the components of the corporate directors' compensation, whether potential or vested, must be publicly disclosed immediately after the meeting of the Board approving such decisions." | The components of the Chief Executive Officer's compensation, decided by the meeting of the Board of Directors on 31 May 2016 in respect of 2016 and by the meeting on 16 March 2017 in respect of the 2017 financial year, are given in the Registration document, but have not been published on the Company's website. This non-compliance with be remedied in the very near future as the Company's corporate website, including a separate section on regulated information, goes live. |
| | **Consultation with shareholders regarding the components of executive directors' compensation**<br>AFEP-MEDEF Code guidelinesPresentation table (page 19) | The components of the compensation of the Chief Executive Officer for 2016, as set out in Section 3.2.1 of this Registration document, are presented in editorial form. This does not include the table recommended by the AFEP-MEDEF Code guidelines. The compensation for 2017 will be presented in accordance with the recommendation of the AFEP-MEDEF guidelines. |

## Composition and duties of specialist committees

The Board of Directors is assisted by two permanent specialist committees: the Audit Committee and the Nomination and Compensation Committee.

### Audit Committee

The Audit Committee was appointed by the Board of Directors at its meeting of 31 May, 2016, and comprises the following directors:

| | |
|---|---|
| **Chairman** | Nicolas Woussen – independent director |
| **Members** | Marie-Christine Levet – independent director |
| | Sir Ian Cheshire – independent director |
| | Matthias Boyer-Chammard |

The Audit Committee assists the Board of Directors in its mission of approving the statutory 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:

- monitoring the process of preparing the financial information;
- monitoring the appropriateness and consistency of accounting methods;
- monitoring of the statutory auditor's independence;
- monitoring and effectiveness of internal control and risk management systems relative to the procedures for the preparation and processing of accounting and financial information.

During the financial year, the work of the Audit Committee consisted of:

- examining the 2016 interim and annual financial statements, and the control of these financial statements by the statutory auditors;
- assessing the impact of regulatory changes on the Company's internal control, focusing in particular on the anti-corruption provisions in the French Sapin II law;
- approving the system for granting power of attorney within the Group.

The Committee met four times with a 100% attendance rate.

### Nomination and Compensation Committee

The Nomination and Compensation Committee, appointed on 31 May, 2016 by the Board of Directors, comprises the following directors:

| | |
|---|---|
| **Chairwoman** | Sophie Guieysse – independent director |
| **Members** | Sir Ian Cheshire – independent director |
| | Michel Plantevin |

The Nomination and Compensation Committee is a specialised committee whose principal duty is to help the Board of Directors in the composition of the management bodies of the Company and the Group and in determining and regularly evaluating the compensation and benefits granted to Group executives (including all deferred benefits and/or compensation for voluntary or involuntary departures from the Group).

In this context, the Nomination and Compensation Committee's duties are to make proposals in relation to the appointment of members of the Board of Directors and of the members of the management of the Company, as well as the members and the chairmen of each of the other committees and to perform an annual evaluation of the independence of the members of the Board of Directors.

The work of the Nomination and Compensation Committee in 2016 comprised:

- examining and proposing the compensation of executive directors, and specifically establishing the amounts due in variable compensation in respect of the prior year, establishing the criteria for the coming financial year, and proposing to award a one-off bonus linked to the success of the IPO;
- examining the consistency of the components of executive compensation against benchmarks;
- proposing to introduce a share plan reserved for senior managers who were the key contributors to the IPO to reward the success of the offering, build loyalty and incentivise them for the coming year;
- with the assistance of a consultant, examining the possibility of introducing a broad, medium to long-term incentive plan, which resulted in the Board opting for a performance based initial free share grant to approximately 300 employees in France. The Committee initially looked at a range of possible free share plans and different criteria and performance indicators covering several financial years. It selected the most appropriate solution and a general framework for the long-term incentive plan aligned with the Group's growth strategy. It implemented the first performance based free share award.

The Committee met several times with an attendance rate of 100% of its members and the corporate officer was not present during discussions pertaining to him.

## Composition of the Executive Committee

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, Director of E-Commerce and Customer Marketing;
- Anne-Laure Couplet, Brand Director;
- Yohann Catherine, Operations Director;
- Stéphane Mortelette, Human Resources Director;
- Philippe Chaumais, European Development Director;
- Julien Vigouroux, Logistics Director;
- Catherine Filoche, Company Secretary, Head of Franchising and Business-to-Business Sales.

## 3.1.2 POSITIONS AND OFFICES OF MEMBERS OF THE BOARD OF DIRECTORS

As of 31 December 2016, the Company's Board of Directors was composed of the following nine members:

**Date of birth**

6 August 1959

**Nationality**

British

**Date of 1st appointment**

29 April 2016

**End of term of office as director**

31 December 2019

**Maisons du Monde shares held**

1,000

### SIR IAN CHESHIRE

**Business address:** Le Portereau 44120 Vertou

**Main position held in the Company**

Chairman of the Board of Directors

**Biography**

Sir Ian spent 17 years with Kingfisher plc including 7 years as group Chief Executive Officer between 2008 and 2015. Since April 2016, he has served as the Chairman of the Board of Directors and of the Nomination Committee and as a member of the Remuneration Committee of Debenhams. Sir Ian currently holds positions as a senior independent director of Whitbread plc, Chairman of Menhaden Capital plc and lead non-executive director for the British government. Sir Ian Cheshire is also a non-executive member of the Cabinet Office Board (British Prime Minister's cabinet). In addition, he is President of the Business Disability Forum, Chairman of the Advisory Board of the Cambridge Institute for Sustainability Leadership and has been made a "Chevalier de l'Ordre National du Mérite" of France. Sir Ian formerly served as Chairman of the British Retail Consortium.

Sir Ian graduated from Cambridge University.

**Main offices held in the last five years**

**Current terms of office:**

**French companies:**
- Independent director and Chairman of the Board of Directors of Maisons du Monde S.A.

**Foreign companies:**
- Chairman of the Board of Directors of Debenhams
- Director of Whitbread Plc
- Chairman of Menhaden Capital Plc
- Lead non-executive director (Special advisor) for the British Government
- Member of the Cabinet Office Board (Executive Committee) of the British Prime Minister's Cabinet
- President of the Business Disability Forum
- Chairman of the Advisory Board of the Cambridge Institute for Sustainability

**Terms of office that have expired in the last 5 years:**

**French companies:**
- None

**Foreign companies:**
- Director of Kingfisher Plc from 2000 to 2015, Chief Executive Officer from 2008 to 2015

## MICHEL PLANTEVIN

**Business address:** Le Portereau 44120 Vertou

**Date of birth**

24 October 1956

**Nationality**

French

**Date of 1st appointment**

29 April 2016

**End of term of office as director**

31 December 2019

**Maisons du Monde shares held**

Representative of the shareholder Magnolia (BC) Holdco

### Main position held in the Company

Vice-Chairman of the Board of Directors

### Biography

Michel Plantevin has been a Managing Director at Bain Capital Private Equity (Europe) LLP since 2003, focusing on the industrial and chemical sector in Europe as well as on investments in France and Benelux. He served as a Managing Director at Goldman Sachs International, initially in the investment banking division and then in the merchant banking division. He previously served as a consultant of Bain & Company Inc. and headed its Paris office as a Managing Director.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**
- Director and Vice-Chairman of the Board of Directors of Maisons du Monde S.A.
- Member of the Supervisory Board of Autodistribution SA

**Foreign companies:**
- Managing Director of Bain Capital Equity (Europe) LLP
- Member of the Board of Global Private Equity Bain Capital Investors LLC
- Director of Ibstock PLC
- Member of the Supervisory Board of IM

**Terms of office that have expired in the last 5 years:**

**French companies:**
- Member of the Supervisory Board of FCI SA
- Member of the Supervisory Board of NXP

**Foreign companies:**
- None

**Date of birth**

22 March 1956

**Nationality**

French

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2019

**Maisons du Monde shares held**

445,782

## GILLES PETIT

**Business address:** Le Portereau 44120 Vertou

**Main position held in the Company**

Chief Executive Officer

**Biography**

Gilles Petit started his career in 1980 at Arthur Andersen before joining the Promodès group in 1989. At the time of the merger between Promodès and Carrefour in 1999, Gilles Petit was CEO of the hypermarkets division of Promodès in France. He was subsequently appointed CEO of Carrefour Belgium in 2000 and served as CEO of Carrefour Spain from 2005 to 2008, upon which time he served as CEO of Carrefour France from 2008 to 2010. He joined Elior in 2010 as CEO and Chairman of the Executive Committee and led the initial public offering of Elior on Euronext Paris in 2014.

Gilles Petit graduated from the École Supérieure de Commerce de Reims, France.

**Main offices held in the last five years**

### Current terms of office:

**French companies:**
- Director and Chief Executive Officer of Maisons du Monde S.A.

**Foreign companies:**
- None

### Terms of office that have expired in the last 5 years:

**French companies:**
- Chairman of Elior
- Director and Chief Executive Officer of Elior concessions
- Director and Chief Executive Officer of Elior Restauration et Services
- Director and Chief Executive Officer of Elior Financement
- Director of Ansamble Investissements
- Director of Areas
- Director of Serunion

**Foreign companies:**
- Director of Elior UK Ltd
- Director of Elior Ristorazione
- Director of Gourmet Acquisition Holdings Inc
- Director of Trusthouse Services Holdings LLC

**Date of birth**

6 April 1962

**Nationality**

French

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2017

**Maisons du Monde shares held**

100

## XAVIER MARIE

**Business address:** Le Portereau 44120 Vertou

### Main position held in the Company

Director

### Biography

Xavier Marie founded the Maisons du Monde Group in 1996, created the concept and supervised the product design and strategy. Xavier Marie has over 20 years' 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.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**

- Director of Maisons du Monde S.A.
- Chairman of Marco Polo SAS
- Manager de Haras du Pont Hus SARL

**Foreign companies:**

- None

**Terms of office that have expired in the last 5 years:**

**French companies:**

- Chairman of Compagnie Magellan SAS
- Manager of Atlantic Jet EURL
- Manager of Aroma Forest France SARL

**Foreign companies:**

- None

**Date of birth**

26 June 1969

**Nationality**

British

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2017

**Maisons du Monde shares held**

Representative of the shareholder Magnolia (BC) Holdco

## ROANNE DANIELS

Business address: Le Portereau 44120 Vertou

### Main position held in the Company

Director

### Biography

Roanne Daniels joined Bain Capital in 2005 as an operating partner of Portfolio Company Advisors Europe, LLP, a subsidiary 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, Roanne Daniels worked in the investment banking division of Morgan Stanley and in the editorial division of Reuters.

Roanne Daniels holds an MBA from Harvard Business School and a BA in economics from the University of Virginia.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**

- Director of Maisons du Monde S.A.

**Foreign companies:**

- Director of Edcon
- Operating Partner of Portfolio Company Advisors Europe LLP (Affiliateof Bain Capital Private Equity (Europe) LLP)

**Terms of office that have expired in the last 5 years:**

**French companies:**

- None

**Foreign companies:**

- None

**Date of birth**

17 July 1980

**Nationality**

French

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2017

**Maisons du Monde shares held**

Representative of the shareholder Magnolia (BC) Holdco

## MATTHIAS BOYER-CHAMMARD

**Business address:** Le Portereau 44120 Vertou

**Main position held in the Company**

Director

**Biography**

Matthias Boyer-Chammard joined Bain Capital in 2011 as a 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, Matthias Boyer-Chammard was also a lecturer in energy and environment at Sciences Po Paris.

Matthias Boyer-Chammard holds an MS from the École Polytechnique and an MPA from Harvard University.

**Main offices held in the last five years**

**Current terms of office:**

**French companies:**
- Director of Maisons du Monde S.A.

**Foreign companies:**
- Member of the Supervisory Board of Ibstock Plc
- Principal at Bain Capital Private Equity (Europe) LLP

**Terms of office that have expired in the last 5 years:**

**French companies:**
- None

**Foreign companies:**
- Director of Brakes Ltd

## SOPHIE GUIEYSSE

**Business address:** Le Portereau 44120 Vertou

**Date of birth**

19 February 1963

**Nationality**

French

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2017

**Maisons du Monde shares held**

1,000

### Main position held in the Company

Director

### Biography

Sophie Guieysse started her career in 1988 at the French Ministry of Equipment where she held different engineer positions in the field of urban development, housing, transportation and public infrastructures until 1993. Sophie Guieysse joined the LVMH Group in 1997 to source international high potential talents to serve the fast growth of all divisions and was successively promoted as human resources executive vice-president of LVMH Watches & Jewelry, Sephora Europe and of the global LVMH Group. From 2005 to 2015, she was human resources executive vice-president and a member of the Executive Committee of the CANAL + Group. Since 2016, she has been advisor to the Chairman of Dior.

Sophie Guieysse holds an MBA from the Collège des Ingénieurs and undergraduate and master's degrees in engineering from the École Polytechnique and the École Nationale des Ponts et Chaussées.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**

- Independent director of Maisons du Monde S.A.
- Member of the Supervisory Board of Group Rallye

**Foreign companies:**

- None

**Terms of office that have expired in the last 5 years:**

**French companies:**

- Director of GO SPORT
- Member of the Executive Committee of the CANAL+ Group

**Foreign companies:**

- Director of the TVN Group in Poland

**Date of birth**

28 March 1967

**Nationality**

French

**Date of appointment**

29 April 2016

**End of term of office as director**

31 December 2019

**Maisons du Monde shares held**

100

## MARIE-CHRISTINE LEVET

**Business address:** Le Portereau 44120 Vertou

### Main position held in the Company

Director

### Biography

Marie-Christine Levet was the CEO of several major French Internet companies 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 specialise in early stage start-ups, including made.com, Sensee, La Ruche qui dit oui, Ouicar and Devialet.

Ms. Levet graduated from HEC and holds an MBA from INSEAD.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**
- Independent director of Maisons du Monde S.A.
- Manager of Les Entrepreneurs Réunis (LER)
- Director of Iliad (Free)
- Director of Mercialiys
- Director of AFP
- Director of Hi Pay

**Foreign companies:**
- Director of Econocom

**Terms of office that have expired in the last 5 years:**

**French companies:**
- Manager of Jaina Capital
- Director of FINP

**Foreign companies:**
- None

## NICOLAS WOUSSEN

**Business address:** Le Portereau 44120 Vertou

### Date of birth

8 June 1976

### Nationality

French

### Date of appointment

29 April 2016

### End of term of office as director

31 December 2017

### Maisons du Monde shares held

100

### Main position held in the Company

Director

### Biography

Nicolas Woussen began his career in the M&A Department of Dresdner Kleinwort Wasserstein in 2000. In 2005, he joined Casino Guichard Perrachon as Deputy Director of M&A in Europe, Asia, Latin America and the United States. In 2010, he joined Cdiscount as Deputy CEO in charge of Finance and supported its development in France and seven other countries as well as its IPO on the Nasdaq in 2014. He joined Showroomprivé.com in 2015 as Chief Financial Officer. At Showroomprivé.com, he oversaw the IPO of the Company on Euronext in 2015.

Eric Woussen graduated from HEC.

### Main offices held in the last five years

#### Current terms of office:

**French companies:**
- Independent director of Maisons du Monde S.A.
- Chief Financial Officer of Showroomprivé.com

**Foreign companies:**
- None

#### Terms of office that have expired in the last 5 years:

**French companies:**
- Deputy Chief Executive Officer in charge of finance at CDISCOUNT
- Corporate officer at Cnova
- Director of CDISCOUNT
- Director of MoncornerDeco
- Member of the Investment Committee of Parnech

**Foreign companies:**
- None

**Date of birth**

3 August 1973

**Nationality**

French

**Date of appointment**

19 May 2017

**End of term of office as director**

31 December 2019

## MARIE SCHOTT

**Business address:** Le Portereau 44120 Vertou

### Main position held in the Company

Director

### Biography

Marie Schott has over 20 years' experience in the retail and fashion industry. With the Etam Group since 2007, she successfully launched the Undiz lingerie brand, and was appointed Deputy Chief Executive Officer of the Etam brand in 2011. Prior to this, she spent four years with Vivarte as Head of Mission with the Group Chairman and then as Head of Purchasing for the Parti Prix with La Halle aux Vêtements.

### Main offices held in the last five years

**Current terms of office:**

**French companies:**
- Director of Noyon Dentelle SAS Group

**Foreign companies:**
- None

**Terms of office that have expired in the last 5 years:**

**French companies:**
- None

**Foreign companies:**
- None

## 3.1.3 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

### Objectives of the Group's internal control

Risk management refers to the measures that the Group implements to identify, analyse and manage the risks to which it is exposed in the ordinary course of its business. The Group considers risk management and internal control to be closely related and a priority.

The Group's internal risk management and control systems are based on a combination of appropriate resources, policies, procedures, behaviour and actions.

Therefore, under the impetus of the Board of Directors, the Audit Committee, the Executive Committee and the Internal Control Department, the Group's current internal risk and internal control procedures aim to provide reasonable assurance for realising the following objectives:

- to ensure that acts of management or execution of operations as well as the behaviour of individuals fall within the framework of the guidelines set by the corporate bodies and respect the laws and regulations in force as well as the values, standards, internal procedures and rules of the Company;
- to identify, assess and control risks that could have a material impact on the Group's assets, results, operations or its ability to implement its objectives and strategy, whether these risks are operational, commercial, legal, financial or related to compliance with applicable laws and regulations, or resulting from the risk of fraud or error;
- to ensure the reliability of the financial information and compliance with laws and regulations, particularly in the area of producing accounting and financial information.

Risk management and internal control are subject to limits arising from many factors, including uncertainties in the outside world, the exercise of judgment, or dysfunctions that may occur due to technical or human failure, or simple mistakes.

### Risk management process

In 2016, a risk identification approach was initiated. A review of major risks at parent company level and in the store network is carried out by the Group's internal control department in collaboration with the Group's various management bodies in order to identify major risks, the each assessment of which includes:

- assessment of the inherent and residual risk;
- the principal causes and consequences of the risk;
- the treatment of risk aimed at improving the internal control system (there are four possible treatments: conservation, reduction, outsourcing, abandoning);
- written action plans aimed at reducing the level of residual risk.

The aim of this is to define action plans, tailored to the Group's business and designed to improve its systems through better efficiency and broader coverage.

By way of illustration, the action plans and internal policies that are envisaged 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. 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 circumstances may otherwise warrant (*e.g.* if the store is underperforming);
- risks related to supply chain and logistics. The Group implements procedures to monitor suppliers' compliance with the Group's production standards. It also checks suppliers' adherence to the Group's policies and standards. Where non-compliance is identified, the Group will initiates discussions with the relevant supplier to attempt to improve compliance, and may discontinue relationships depending on the circumstances. Finally, the Group continues 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 market 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 regularly tests 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 US dollars and therefore the Group is exposed to fluctuations in foreign currencies. The Group's risk management policy takes into consideration the unpredictability of financial markets and attempts to limit any adverse effects that a fluctuation could have on the Group's financial performance. The Group's Chief Financial Officer carefully manages the potential risks from foreign exchange rates using hedging policies approved by the Group's Board of Directors, including forward sales of US dollars. All such transactions are centrally-authorised and coordinated;
- financial risk related to the effects of climate change and steps taken to mitigate them: The fight against climate change is a key challenge for the Group, whose robust environmental commitment runs along the entire chain from the raw materials used in its products to their recycling at end-of-life. Because of its business and geographical locations, the Group is not significantly exposed to a direct physical risk from the effects of climate change. The Group complies with all environmental regulations in place in Europe and in Asia.

With respect to indirect non-physical risks related to climate change, the Group reports on its $CO^2$ emissions to measure progress made on projects undertaken and identify priority issues for the Group's environmental policy. In addition to emissions from operations, the Group also seeks to reduce indirect emissions. An initial assessment phase will be started in 2017 to identify the most significant emission items across the value chain (forestry management, production at suppliers, logistics, end-of-life product management). The aim of this assessment is to give a detailed breakdown of the cost of risk, and to inform the low-carbon strategy to be rolled out across all aspects of the Group's business. The overall goal is to achieve the COP21 target of limiting global warming to below 2°C.

For more information, go to Chapter 2 "Let's get involved! Our CSR approach, integrated into our corporate strategy" of this Registration document.

## Risk management and internal control specific to financial and accounting information

In addition to the risk management approach described above, which applies to it as well as to any other Group department, the Finance Department is responsible for defining and implementing the internal control system specific to the preparation and publication of accounting and financial information.

The internal financial and accounting control system aims to ensure the following:

- compliance of published financial and accounting information with the applicable rules;
- the reliability of information disseminated and used internally for management or control purposes insofar as the information contributes to the preparation of published accounting and financial information;
- the reliability of the published accounts and other information communicated to the market;
- the safeguarding of assets;
- the prevention and detection, as far as possible, of fraud and accounting and financial irregularities.

The scope of the internal accounting and financial control system, described below, includes the parent company and the companies included in its consolidated financial statements.

The accounts of the Group's subsidiaries are drawn up under the supervision of the Group's Finance Department.

The consolidated half-yearly and annual results are prepared by the Accounts Department and validated by the Finance Department.

The preparation of the Group's consolidated financial statements is a process carried out by the Accounts Department (also responsible for accounting standards), based on the "restated" accounts of the Group's companies, prepared in accordance with the IFRS and its interpretations as adopted by the European Union. Through its centralised accounting and financial organisation, the Group has acquired the means to ensure that accounting and financial information is in compliance with current legislation and standards, with a view to giving shareholders and third parties the means to assess changes in the performance and asset value of the Company.

The Accounts Department draws up the Group's consolidated accounts, which meet the internal management requirements and the external publication requirements for the half-yearly and annual closing. It also draws up the restated financial statements of the subsidiaries. It takes into account the work of the Statutory Auditors who conduct, under the terms of their assignment, a limited review at the end of the first half, and an audit at 31 December.

Asset control systems are based on annual inventories of stocks held by the Group (stores and warehouses). These inventories are carried out according to strict procedures in terms of separation of tasks and checking the counts, which guarantee their reliability. Group Management ensures that the assets are properly monitored and protected. As part of its periodic reporting, it is informed of any changes in liabilities. The separation of tasks, the use of common tools and the centralisation of the processing of financial flows make it possible to limit the risk of errors or fraud.

The investment and financing guidelines and the assessment of counterparty risks to which the Group is exposed as a result of its operations on the financial markets are validated by the Finance Department.

The head of investor relations, reporting to the Finance Department, is responsible for all communications with investors and financial market authorities. The Finance Department coordinates the drafting of the annual Registration document and ensures compliance with the planning, preparation and dissemination of financial communication.

The Management Control Department is responsible for the preparation and presentation of summary financial data in terms of analyses of results or forecasts.

The Internal Audit Department is committed to constantly updating internal management procedures in order to support the changes to organisational structures. It monitors the effectiveness of control systems and manages risk management systems.

**Conclusion**

The implementation of the Maisons du Monde Group's internal control system is part of a continuous improvement process aimed at ensuring the dissemination and formal adoption of best practices in risk management within the Group.

The objective of the Group is to pursue the optimisation and formal adoption of existing systems.

# 3.2 Compensation and benefits

## 3.2.1 COMPENSATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

The Board of Directors of Maisons du Monde refers to the AFEP-MEDEF Code when setting the compensation and benefits awarded to its executive and non-executive directors.

### Compensation policy

Compensation is set by the Board of Directors on the recommendation of the Nomination and Compensation Committee and in accordance with the following principles:

- the overall amount of Executive Directors' compensation submitted to the Board for approval takes into consideration the general interest of the Company, industry practice and the Executive Directors' performance;
- clearly stated reasons, corresponding to the general interest of the Company, are given for each of the components of their compensation. The appropriateness of the compensation proposed must be assessed within the context of the Company's business and in reference to French and international industry practice;
- the compensation of Company Executive Directors must be set fairly and in line with that of other Group Executive Directors, in view of their responsibilities, skills and personal contributions to the Group's performances and development;

- the variable portion of their compensation must be consistent with their annual performance evaluation and with the Group strategy. The performance criteria used to calculate the variable portion of Executive Directors' compensation, whether this relates to a bonus or stock options or performance share grants, must be simple to establish and explain, must be a satisfactory reflection of the Group's performance and economic development objective, at least in the medium term, must allow for transparency with regard to shareholders in the annual report and during Shareholders' Meetings and must correspond to the Company's corporate objectives and standard practices in terms of the compensation of Executive Directors.

This methodology is applied when assessing the compensation and benefits of the Group's senior executives who are not Company officers and, more broadly, any policies put in place in this regard.

## Compensation and benefits paid to Executive Directors

### Compensation of Michel Plantevin – Chairman of the Board of Directors

At its meeting on 31 May 2016, the Board of Directors decided that Michel Plantevin would not receive any compensation in his capacity as Chairman of the Company's Board of Directors.

The Board also decided that Michel Plantevin would not receive any severance pay or compensation under a non-compete clause in the event that he should leave the Company.

On 16 December 2016, the Board of Directors appointed Sir Ian Cheshire as Chairman of the Board, replacing Michel Plantevin, appointed Vice Chairman of the Board. The compensation that Sir Ian Cheshire continued to receive was under his term of office as his compensation paid under his term of office as Vice Chairman until 31 December 2016. Compensation of Sir Ian Cheshire for the financial year 2016 is given in the point below "Directors' Fees".

### Compensation of Gilles Petit – Chief Executive Officer

On 31 May 2016, the Board of Directors appointed Gilles Petit to the position of Chief Executive Officer and set his annual compensation under the following terms:

Gilles Petit does not have an employment agreement and does not receive directors' fees.

His compensation is made up of:

- gross **annual fixed compensation** of €400,000;
- **benefits in kind** corresponding the private use of a company vehicle, amounting to €7,585;
- gross **annual variable compensation** totalling a maximum of €340,000 representing 85% of Gilles Petit's gross basic annual fixed compensation, subject to achievement of the following quantitative and qualitative criteria: 60% of the total annual variable compensation is calculated using a target based on the Group's EBIT and 40% on Gilles Petit's performance, based on specific, pre-defined qualitative targets such as the completion of specific projects or transactions. The definitions and levels of these targets and objectives have been precisely defined between the Company and Gilles Petit and are not made public for confidentiality reasons;
- at its meeting on 16 March 2017, the Board of Directors set Gilles Petit's 2016 variable compensation at the sum of €340,000, upon the recommendation of the Nomination and Compensation Committee, *i.e.* 85% of his fixed compensation and 100% of his bonus;
- for 2016, Gilles Petit received an **exceptional bonus** amounting to €400,000 gross which was paid to him within the context of the Maisons du Monde IPO.

### Review of Executive Directors' fixed and variable compensation for 2017

On 16 March 2017, the Board of Directors, upon the recommendation of the Nomination and Compensation Committee, set the following compensation for 2017:

- Sir Ian Cheshire, appointed Chairman of the Board of Directors on 16 December 2016, will receive no fixed or variable compensation for these duties. He will receive directors' fees, in the amount set by the Board of Directors meeting after the Shareholders' meeting. Other than the aforementioned directors' fees, Sir Ian Cheshire will not receive any other component of compensation as mentioned in Article R. 225-29-1 of the French Commercial Code.
- Gilles Petit, Chief Executive Officer, will continue to receive €400,000 in gross annual fixed compensation and gross annual variable compensation up to a maximum of €340,000 representing 85% of his gross basic annual fixed compensation, subject to achievement of the following quantitative and qualitative criteria: 60% of the total annual variable compensation is calculated using a target based on the Group's EBIT and 40% on Gilles Petit's performance, based on specific, pre-defined qualitative targets. The definitions and levels of these targets and objectives have been precisely defined between the Company and Gilles Petit and are not made public for confidentiality reasons. It is stated that in 2017, the Chief Executive Officer will be eligible for the allocation of free shares and may be a beneficiary for up to a maximum of 150% of his fixed annual compensation and maximum variable annual compensation, with the requirement that 40% of such definitively acquired shares must be held in registered form throughout the duration of his term of office, representing two years of basic salary. Finally, Gilles Petit will receive benefits in kind corresponding to the private use of a company vehicle, amounting to €7,585. Other than the aforementioned compensation components, Gilles Petit will not receive any other component of compensation as mentioned in Article R. 225-29-1 of the French Commercial Code.

## SUMMARY TABLE OF COMPENSATION, STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO SENIOR MANAGEMENT (TABLE 1 OF THE AFEP-MEDEF CODE)

| **Michel Plantevin**<br>**Chairman of the Board of Directors**<br>*(in euros)* | **2016** | **2015** |
|---|---|---|
| Compensation due for the year *(details of which are given in Table 2)* | 0 | 0 |
| Valuation of options granted during the year *(details of which are given in Table 4)* | 0 | 0 |
| Valuation of performance shares granted during the year *(details of which are given in Table 6)* | 0 | 0 |
| **TOTAL** | **0** | **0** |

| **Gilles Petit**<br>**Chief Executive Officer**<br>*(in euros)* | **2016** | **2015** |
|---|---|---|
| Compensation for the financial year *(as detailed in Table 2)* | 1,147,585 | 196,315 |
| Valuation of multi-year variable compensation granted in the course of the financial year | 0 | 0 |
| Valuation of options granted during the financial year | 0 | 0 |
| Valuation of performance shares granted during the financial year | 0 | 0 |
| **TOTAL** | **1,147,585** | **196,315** |

## SUMMARY TABLE OF SENIOR MANAGEMENT COMPENSATION (TABLE 2 OF THE AFEP-MEDEF CODE)

| **Michel Plantevin**<br>**Chairman of the Board of Directors**<br>*(in euros)* | **2016** | | **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 financial 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**<br>**Chief Executive Officer**<br>*(in euros)* | **2016** | | **2015** | |
|---|---|---|---|---|
| | **Due** | **Paid** | **Due** | **Paid** |
| Fixed compensation | 400,000 | 400,000 | 136,921 | 136,921 |
| Variable compensation | 340,000 | 58,300 | 58,300 | 0 (1) |
| Valuation of multi-year variable compensation granted in the course of the financial year | 0 | 0 | 0 | 0 |
| Exceptional compensation | 400,000 | 400,000 | 0 | 0 |
| Directors' fees | 0 | | 0 | 0 |
| Benefits in kind | 7,585 | 7,585 | 1,094 | 1,094 |
| **TOTAL** | **1,147,585** | **665,885** | **196,315** | **138,015** |

*(1) Gilles Petit's variable compensation for the financial year ended 31 December, 2015 was paid in 2016.*

### STOCK OPTIONS GRANTED TO EACH EXECUTIVE DIRECTOR IN 2016 (TABLE 4 OF THE AFEP-MEDEF CODE)

No stock options were granted to Senior Management in 2016.

### STOCK OPTIONS EXERCISED DURING THE FINANCIAL YEAR BY EACH EXECUTIVE DIRECTOR (TABLE 5 OF THE AFEP-MEDEF CODE)

No stock options are currently exercisable.

### PERFORMANCE SHARES GRANTED TO EACH EXECUTIVE DIRECTOR IN 2016 (TABLE 6 OF THE AFEP-MEDEF CODE)

No performance shares were granted to the executive director in 2016.

### PERFORMANCE SHARES THAT HAVE BECOME AVAILABLE DURING THE FINANCIAL YEAR FOR EACH EXECUTIVE DIRECTOR (TABLE 7 OF THE AFEP-MEDEF CODE)

No executive director is in receipt of performance shares.

### SUMMARY OF STOCK OPTION GRANTS (TABLE 8 OF THE AFEP-MEDEF CODE) AND PERFORMANCE SHARE GRANTS (TABLE 9 OF THE AFEP-MEDEF CODE)

Not applicable.

### TABLE SUMMARISING MULTI-YEAR VARIABLE COMPENSATION PAID TO EACH EXECUTIVE DIRECTOR (TABLE 10, AFEP-MEDEF CODE)

Not applicable.

## Commitments made to Executive Directors

#### MICHEL PLANTEVIN – CHAIRMAN OF THE BOARD OF DIRECTORS

No commitments were made to Michel Plantevin by the Company in 2016.

#### GILLES PETIT – CHIEF EXECUTIVE OFFICER

- **Pension commitments**: As per the legislation applicable to social security old age pensions, Gilles Petit is a beneficiary of ARRCO and AGIRC supplementary schemes. He does not have a company defined-benefit supplemental pension plan.
- **Commitment in the event of the termination of his duties:** Should Gilles Petit be dismissed from his corporate office, apart from in the event of (i) wilful misconduct, (ii) mismanagement punishable under applicable criminal law and regulations and as interpreted by the current case-law of the competent courts, or (iii) failure to comply with the procedure of prior approval by the Board of Directors of decisions listed in the Board's internal regulations, and assuming that he fails to remedy said breach within 20 working days, Gilles Petit will receive a severance payment, inclusive of any amount that he may receive in respect of his dismissal and the non-renewal of his term of office, to include, in particular, any compensation and/or damages of any kind.
- Please note that the payment of said severance payment is subject to the achievement of performance conditions based on annual growth of at least 5% in Maisons du Monde Group revenues over the two (2) financial years prior to the effective date of termination of the corporate office.

  This severance payment (expressed as a gross figure) will amount to:

– in the event of termination of the corporate office prior to 31 December 2017, the sum of 24 months of basic monthly average gross compensation (inclusive of fixed and variable compensation, not including the exceptional bonus received on the basis of the IPO), calculated as being equal to the sum of (i) the average of the fixed monthly compensation paid over the 24 months prior to the date of termination of the corporate office (or since Gilles Petit's appointment to the position of Chairman of the Company – in its form as a French simplified joint-stock company – on 7 September 2015 in the event of his office being terminated prior to the 24-month deadline) and (ii) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received on the basis of the IPO (or the last annual variable compensation payment if only one payment has been made as at the date of termination of Gilles Petit's duties); and

– should the corporate office be terminated after 1 January 2018, a sum equal to 50% of the amount calculated in accordance with the conditions described above.

- **Non-compete commitment:** Gilles Petit will not be subject to any non-compete obligation in the event of the termination of his duties within the Company.

### SUMMARY OF COMMITMENTS MADE TO EXECUTIVE DIRECTORS (TABLE 11 OF THE AFEP-MEDEF CODE)

| Executive Directors | Employment agreements | Supplemental pension plan | Severance payments and benefits due or likely to become due in the event of termination of office | Severance payment in relation to a non-compete clause |
|---|---|---|---|---|
| Michel Plantevin | No | No | No | No |
| Gilles Petit | No | No | Yes | No |

## Directors' fees and other compensation received by non-executive directors

### Directors' fees

The Board distributes directors' fees to directors on a proposal from the Nomination and Compensation Committee, based on the overall amount of directors' fees allocated by the Shareholders' Meeting. This distribution takes account of directors' actual attendance at Board Meetings and at meetings of specialist committees set up by the Board.

The directors' fees for 2016, the amount of which was approved by the Board of Directors on 31 May 2016, were paid in December 2016, and February 2017.

No directors' fees were paid for 2015.

Likewise, no other compensation was paid by the Company to non-executive directors for the financial years ended 31 December 2015 and 31 December 2016.

The table below summarises the amounts paid for the 2015 and 2016 financial years to each Maisons du Monde director:

### Directors' fees and other compensation received by non-executive directors (table 3 of the AFEP-MEDEF Code)

| Non-executive directors *(in euros)* | Amounts paid in respect of 2016 | Amounts paid in respect of 2015 |
|---|---|---|
| Sir Ian Cheshire | 92,500 | 0 |
| Xavier Marie | 0 | 0 |
| Roanne Daniels | 0 | 0 |
| Matthias Boyer-Chammard | 0 | 0 |
| Sophie Guieysse | 50,000 | 0 |
| Marie-Christine Levet | 45,000 | 0 |
| Nicolas Woussen | 55,000 | 0 |

### Service agreements

At 31 December 2016, Bain Capital, a shareholder with a 31.24% capital interest in Maisons du Monde, represented on the Board by three directors, received fees in exchange for management and consulting services during the financial years ended 31 December 2015 and 31 December 2016, pursuant to a consultancy services agreement entered into between the Company and Bain Capital in 2013. Said consultancy agreement was terminated on 31 May 2016.

The consultancy service fees and related expenses amounted to €2.9 million for the financial year ended 31 December 2015 and €0.8 million until 31 May 2016. In accordance with a termination agreement between the Company and Bain Capital, the latter received a one-off payment from the Company of €3.0 million.

On 31 May 2016, Bain Capital and the Company entered into a new consultancy and services agreement whereby Bain Capital is not entitled to any payment from the Company other than the reimbursement of expenses. At 31 December 2016, its expenses billed amounted to €86,000 excluding taxes and charges.

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 Xavier Marie. Compagnie Marco Polo received €0.4 million for the financial year ended 31 December 2015. Since 15 September 2015, following the appointment of Gilles Petit as the new Chief Executive Officer of the Company, the Group entered into a new consultancy services agreement with Compagnie Marco Polo, under which Compagnie Marco Polo acts as senior advisor and as such received the sums of €0.2 million and €0.6 million for the financial years ended 31 December 2015 and 31 December 2016.

These fees are recorded in external expenses.

At the date of filing of this Registration Document, to the Company's knowledge, there are no other service contracts binding the members of the administrative, management or supervisory bodies to the issuer or to any of its subsidiaries and providing for the grant of benefits at the end of such a contract.

Additional information relating to the above-mentioned agreements can be found in the special report of the statutory auditors in Section 3.4 of this Chapter.

## 3.2.2 GROUP EMPLOYEE SHARE ALLOCATION SCHEMES

Following the Group’s IPO, the Board of Directors, using the authorisation granted by the Shareholders’ Meeting of 29 April 2016, allocated free shares to certain Maisons du Monde employees, with a view to directly involving them in the future of the Group and its performance through trends in share prices.

Within this context, the following grants were made:

- an award dependent directly on the success of the IPO and the role of a number of key company functions in making it a success. It will not be renewed. Accordingly, at its meeting on 25 October 2016, upon the proposal of the Nomination and Compensation Committee, the Board granted a total of 14,411 free shares to 4 beneficiaries. These free shares were granted subject to the following conditions:
  - vesting period: 1 year,
  - holding period: 1 year,
  - performance based on annual growth of at least 5% in Group revenues over the financial year preceding the expiry of the vesting period.
- an award under the Group's medium to long term incentive plan, defined by the Board of Directors in consultation with management to:
  - motivate and retain key staff for the Group's future growth and some middle management (including store managers),
  - ensure buy-in by the main employees into clear goals communicated to shareholders during the IPO,
  - be aligned with other listed companies in the market in establishing an ambitious long-term incentive plan, which is seen as an essential aspect of the Group's compensation policy.

The regular nature of the awards will prevent any opportunism. Awarded in December for beneficiaries in France, it will be extended to our international locations in the next financial year.

In this respect, on December 16 2016, the Board granted 153,250 free shares to 294 beneficiaries subject to the following conditions:

- vesting period: 3 years,
- holding period: 1 year,
- period for the measurement of performance indicators: two financial years;
  - performance measured according to cumulative 2017 and 2018 EBITDA (as defined in the consolidated financial statements) for 70% of shares, and based on Maisons du Monde Group 2018 Customer Sales (as defined in the consolidated financial statements) for 30% of shares,
  - a third condition applies to Executive Committee members only for 30% of shares, measured according to normative 2017 and 2018 earnings per share (for these Executive Committee members, the cumulative 2017/2018 EBITDA performance criterion accounts for 50% and the 2018 customer sales criterion accounts for 20%),
  - for each of these performance criteria, the Board has decided the target level (in line with our ambitious medium-term plan). If met, 100% of the performance based free shares will be awarded. The Board has also determined a lower limit for each of these criteria below which no shares will be granted. This lower limit is set at 95% of the target revenue and at 90% of the target for the remaining two criteria, namely EPS and EBITDA. At this performance threshold, only 50% of the shares dependent on the condition are awarded. Between the lower limit and the target, the number of shares awarded is calculated on a straight-line basis.

## 3.2.3 SECURITIES TRANSACTIONS CONDUCTED BY COMPANY CORPORATE OFFICERS IN 2016

Information on securities transactions conducted by Company corporate officers is presented in Section 6.4.5 "Transactions performed on the Company’s shares by officers and persons treated as such" of this Registration document.

# 3.3 Statutory auditors' report on the report of the Chairman of the Board of Directors

Financial year ended 31 December 2016

To the Shareholders,

In our capacity as statutory auditors of Maisons du Monde S.A. and in accordance with Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company, in accordance with Article L. 225-37 of the French Commercial Code in respect of the financial year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

## Information concerning the internal control and risk management procedures relative to the preparation and processing of accounting and financial information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relative to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are appropriately disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

## Other information

We hereby attest that the Chairman of the Board's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

The statutory auditors

| | |
|---|---|
| Nantes, 24 March 2017 | Neuilly-sur-Seine, 24 March 2017 |
| KPMG Audit | Deloitte & Associés |
| *Department of KPMG S.A.* | |
| *Vincent Broyé* | *Jean Paul Séguret* |
| *Partner* | *Partner* |

# 3.4 Statutory auditors' special report on related party agreements and commitments

Shareholders' meeting called to approve the financial statements for the financial year ended 31 December 2016

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose, and the benefits to the Company of the agreements and commitments of which we were informed or became aware during our assignment. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements and commitments exist. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

In addition, it is our responsibility to inform you, where appropriate, in accordance with Article R. 225-31 of the French Commercial Code, of the agreements and commitments that were approved in prior years and continued to apply during the period.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French institute of statutory auditors (Compagnie nationale des commissaires aux comptes) for such engagements. Our work entailed verifying that the information provided is consistent with the documents from which it was derived.

## Agreements and commitments submitted for the approval of the Shareholders' meeting

### Agreements and commitments approved during the period

In accordance with Article L. 225-40 of the French Commercial Code, we have been informed of the following agreements and commitments previously approved by the Board of Directors (in its former form).

### Underwriting guarantee contract between the Company, Capital Private Equity, Compagnie Marco Polo and the banking institutions responsible for placements as part of the IPO

- Authorisation: Supervisory board meeting of 26 May 2016.
- Persons concerned:
  - Magnolia (BC) Holdco, company shareholder with a portion of the voting rights in excess of 10% of the capital controlled by Bain Capital Private Equity under the meaning of Article L. 233-3 of the French Commercial Code,
  - Xavier Marie, Chairman of Compagnie Marco Polo SAS and a member of the Supervisory Board of Maisons du Monde.
- Nature and purpose: underwriting guarantee contract under which, for the IPO, the underwriter institutions guarantee to place the number of shares they commit to with investors, or failing this to purchase them themselves.
- Purpose and benefits to the Company: the contract enabled the initial public offering.

### Agreement of 31 May 2016 in English "Termination Agreements in Relation to the Consulting Services Agreement" between the Company and Bain Capital Private Equity LP

And

### Agreement of 31 May 2016 in English "Termination Agreements in Relation to the Consulting Services Agreement and the Advisory Services Agreement" between the Company and Bain Capital Private Equity LP

- Authorisation: Supervisory board meeting of 26 May 2016.▪Person concerned: Magnolia (BC) Holdco, company shareholder with a portion of the voting rights in excess of 10% of the capital controlled by Bain Capital Private Equity under the meaning of Article L233-3 of the French Commercial Code.
- Nature and purpose: Agreements to cancel the services agreement entered into between the two companies in May 2013.

- Terms and conditions:
  - the consulting services agreement and related expenditures (before cancellation) generated invoices totalling €789,000 for the period from 1 January to 31 May 2016,
  - the total termination fees amounted to €3 million under the "Termination Agreements in Relation to the Consulting Services Agreement".
- Purpose and benefits to the Company: cancellation of these agreements will allow the company to renegotiate them on better terms.

### Services agreement between the Company and Bain Capital Private Equity

- Authorisation: Supervisory board meeting of 26 May 2016.
- Person concerned: Magnolia (BC) Holdco, company shareholder with a portion of the voting rights in excess of 10% of the capital controlled by Bain Capital Private Equity under the meaning of Article L. 233-3 of the French Commercial Code.
- Nature and purpose: services agreement under which consulting and strategic support services will be provided to the Company free of charge.
- Terms and conditions: invoicing by Bain Capital for expenses incurred, for a total €86,000, before tax, invoiced for the period from 1 June to 31 December 2016.
- Purpose and benefits to the Company: it provides Bain Capital Private Equity's strategic expertise and knowledge of the Maisons du Monde Group.

### Services agreement between the Company and Compagnie Marco Polo

- Authorisation: Supervisory board meeting of 26 May 2016.
- Person concerned: Xavier Marie, Chairman of Compagnie Marco Polo SAS and a member of the Supervisory Board of Maisons du Monde.
- Nature and purpose: Consulting services agreement for strategic advice in home equipment, furniture, and decoration.
- Terms and conditions: invoicing of €347,000, before tax, for services provided and expenditures incurred for the period from 1 June 2016 to 31 December 2016.
- Purpose and benefits to the Company: provision of Compagnie Marco Polo's specific expertise and experience in the home furniture industry to ensure the Group's growth and development.

### Commitment benefiting the Chief Executive Officer: termination benefit

- Authorisation: Supervisory board meeting of 26 May 2016.
- Person concerned: Gilles Petit, Director and Chief Executive Officer.
- Nature and purpose: termination benefit payable to the CEO if his office is terminated, except in the case of gross negligence or criminal mismanagement.
- Terms and conditions:
  - in the event of termination of the corporate office prior to 31 December 2017, the sum of 24 months of basic monthly average gross compensation (inclusive of fixed and variable compensation, not including the exceptional bonus received on the basis of the IPO), calculated as being equal to the sum of (i) the average of the fixed monthly compensation paid over the 24 months prior to the date of termination of the corporate office (or since Gilles Petit's appointment to the position of Chairman of the Company – in its form as a French simplified joint stock company – on 7 September 2015 in the event of his office being terminated prior to the 24 month deadline) and (ii) the monthly average of the last two annual variable compensation payments, excluding the exceptional bonus received on the basis of the IPO (or the last annual variable compensation payment if only one payment has been made as at the date of termination of Gilles Petit's duties), and
  - should the corporate office be terminated after 1 January 2018, a sum equal to 50% of the amount calculated in accordance with the conditions described above.
- Purpose and benefits to the Company: payment of the termination benefit is subject to the achievement of performance conditions based on growth in the Group's sales.

## Agreements and commitments approved in prior financial years by the Shareholders' meeting

### Agreements and commitments approved in prior financial years that continued to apply during the period

Pursuant to the Article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved in prior years, remained in force during the past year.

### Services agreement between the Company and Compagnie Marco Polo

- Authorisation: Supervisory board meeting of 7 September 2015.
- Person concerned: Xavier Marie, Chairman of Compagnie Marco Polo SAS and a member of the Supervisory Board of Maisons du Monde.
- Nature and purpose: consulting services agreement for strategic advice to CEO Gilles Petit in home equipment, furniture, and decoration.
- Terms and conditions: invoicing of €239,000, before tax for the period from 1 January 2016 to 31 December 2016.
- Purpose and benefits to the Company: provision of Compagnie Marco Polo's specific expertise and experience in the home furniture industry to ensure the Group's growth and development.

The statutory auditors

| | |
|---|---|
| Nantes, 24 March 2017 | Neuilly-sur-Seine, 24 March 2017 |
| KPMG Audit | Deloitte & Associés |
| *Department of KPMG S.A.* | |
| *Vincent Broyé* | *Jean Paul Séguret* |

# Notes to financial year 2016

# 4



# 4.1 Key highlights

## 4.1.1 IPO

Maisons du Monde successfully floated on the Paris stock exchange on May 27, 2016 and is listed in Compartment B of the Euronext Paris regulated market (ISIN code: FR0013153541). The initial offer price was set at €17.00 per share for a global placement. A total of 19,411,764 shares were offered in the IPO giving a total offering size of €330 million (before the exercise of the over-allotment option). Maisons du Monde raised approximately €160 million through the issue of 9,411,764 new shares. The capital will be allocated to reduce the Company's indebtedness and give it more financial flexibility to implement its development and growth strategy. The sale of 10,000,000 existing shares by the selling shareholders amounted to €170 million.

On June 9, 2016, Maisons du Monde announced the exercise in full of the over-allotment option for some €49.5 million in additional existing shares, *i.e.*, 2,911,764 additional existing shares were sold by the selling shareholders at the offer price of €17.00 per share. As a result, the total number of Maisons du Monde shares offered in the IPO was 22,323,528 shares, representing 49.3% of the share capital of the Company, bringing the size of the offering to approximately €379.5 million.

## 4.1.2 DEBT REFINANCING

Maisons du Monde opted to refinance and redeem some of its existing liabilities to improve its leverage ratio and reduce financial expense.

The main refinancing operations were:

- the Group repaid the €325 million high-yield bond in full, resulting in the payment of €19.7 million in premiums to the bondholders for early redemption;
- residual issue costs related to the former financing structure (including the high-yield bond and a revolving credit facility) were recognised in profit/(loss) for the period in the amount of €16.7 million with no impact on liquidity;
- the Group secured new financing from an international banking syndicate comprising a long-term credit line for €250 million and a revolving credit line for €75 million for issue costs of €4.5 million.

For more information, see note 1 to Section 1.6 “Notes to the consolidated financial statements” in this Registration document.

## 4.1.3 GROUP REORGANISATION

As part of the admission to listing on Euronext Paris and the subsequent trading in Maisons du Monde SA shares, the Group's shareholders decided to reorganise the group of companies to which the Maisons du Monde Group belongs. This reorganisation revolved around three points:

- to streamline the holding structure of the Group;
- to simplify the shareholding structure at the settlement date; and
- to facilitate the IPO.

For more information, see note 1 to Section 5.1.6 "Notes to the consolidated financial statements" in this Registration document.

# 4.2 Results of operating activities

## 4.2.1 KEY OPERATING METRICS

### MAIN FINANCIAL INDICATORS FOR THE 2016 FINANCIAL YEAR

| | Financial year ended December 31 | | |
|---|---|---|---|
| *(in € millions)* | **2015** | **2016** | **% Change** |
| **Sales** | **699.4** | **881.8** | **+26.1%** |
| *% like-for-like change* | *+8.7%* | *+14.7%* | *n/a* |
| **Gross Margin** | **474.1** | **591.7** | **+24.8%** |
| *As a % of Customer Sales* | *67.8%* | *67.1%* | *(70) bp* |
| **EBITDA** | **94.5** | **122.8** | **+30.0%** |
| *As a % of Customer Sales* | *13.5%* | *13.9%* | *+40pbs* |
| **EBIT** | **69.1** | **93.2** | **+34.8%** |
| As a % of Customer Sales | 9.9% | 10.6% | +70 bp |
| Net profit | (13.9) | (12.0) | +14.0% |
| **ADJUSTED PROFIT/(LOSS) FOR THE YEAR** | **n/d** | **39.9** | **-** |
| **NET FINANCIAL DEBT** | **246.8** | **225.7** | **-8.5%** |
| Leverage ratio *(x)* | 2.6x | 1.8x | (0.8) |

## 4.2.2 ANALYSIS OF CUSTOMER SALES

### OVERVIEW OF 2016 CUSTOMER SALES

| | Financial year ended December 31 | | |
|---|---|---|---|
| *(in € millions)* | **2015** | **2016** | **% Change** |
| **Customer Sales by geography** | | | |
| France | 460.2 | 563.7 | +22.5% |
| International | 239.2 | 318.1 | +33.0% |
| **TOTAL CUSTOMER SALES** | **699.4** | **881.8** | **+26.1%** |
| France *(%)* | 65.8% | 63.9% | - |
| International *(%)* | 34.2% | 36.1% | - |
| **TOTAL CUSTOMER SALES *(%)*** | **100.0%** | **100.0%** | **-** |
| **Customer Sales by product category** | | | |
| Decoration | 394.5 | 499.8 | +26.7% |
| Furniture | 304.9 | 382.1 | +25.3% |
| **TOTAL CUSTOMER SALES** | **699.4** | **881.8** | **+26.1%** |
| Decoration *(%)* | 56.4% | 56.7% | - |
| Furniture *(%)* | 43.6% | 43.3% | - |
| **TOTAL CUSTOMER SALES *(%)*** | **100.0%** | **100.0%** | **-** |
| **Customer Sales by distribution channel** | | | |
| Store Network | 578.8 | 712.7 | +23.1% |
| Online | 120.6 | 169.1 | +40.2% |
| **TOTAL CUSTOMER SALES** | **699.4** | **881.8** | **+26.1%** |
| Store network *(%)* | 82.8% | 80.8% | - |
| Online *(%)* | 17.2% | 19.2% | - |
| **TOTAL CUSTOMER SALES *(%)*** | **100.0%** | **100.0%** | **-** |

Group Customer Sales were up 26.1% year-on-year in 2016 to €881.8 million. This robust rise in Customer Sales reflected balanced growth across product categories, distribution channels and geography.

Our unique business model confirmed Maisons du Monde's ability to gain market share in 2016, recording a 14.7% rise in like-for-like Customer Sales and significantly outperforming its benchmark market index (IPEA). We also continued to expand our store network, with net openings of 26 stores over the period and an average retail trading space of 1,300 sq. m. At December 31, 2016, Maisons du Monde operated 288 stores, of which 203 in France and 85 outside France.

Our success was confirmed throughout the year, in terms of our collections of decorative products and furniture, the Group's omnichannel strategy, as well as measures such as the introduction of free in-store delivery and a retail store digitisation programme.

### A. Customer Sales by geography

Customer Sales in France amounted to €563.7 million in 2016, up 22.5% compared to 2015 and accounting for 63.9% of total sales. This performance was due to sustained like-for-like sales, and the opening of ten new stores in the period, and the full-year effect of store openings in 2015. In 2016, Customer Sales in the international market rose 33% year-on-year to €318.1 million, accounting for 36.1% of total Customer Sales, fuelled by strong online sales growth especially in the United Kingdom and Germany, as well as the opening of 16 new stores in the period.

### B. Customer Sales by product category

Customer Sales of decorative products rose 26.7% to €499.8 million in 2016 compared with 2015, accounting for 56.7% of total Customer Sales, while furniture sales reached €382.1 million, representing 43.3% of total Customer Sales and 25.3% year-on-year growth. This performance reflects the success of our collections of decorative products and furniture, as well as the roll-out of free in-store delivery, especially in France, during the year.

### C. Customer Sales by distribution channel

In-store Customer Sales in 2016 were also robust and grew 23.1% like-for-like to €712.7 million, or 80.8% of total sales, driven by solid growth in like-for-like sales and the opening of 26 new stores in FY 2016. Online sales jumped 40% compared with 2015 to €169.1 million in 2016. The contribution of online to total sales continued to expand in the period to 19.2% in 2016, from 17.2% in the prior year, confirming the value of our omnichannel strategy.

## 4.2.3 EBITDA ANALYSIS

#### BREAKDOWN OF EBITDA BY GEOGRAPHY

| | Financial year ended 31 December | | |
|---|---|---|---|
| *(in € millions)* | **2015** | **2016** | **% Change** |
| France | 100.0 | 122.8 | +22.8% |
| International | 42.6 | 53.7 | +25.8% |
| Corporate segment* | (48.1) | (53.6) | +11.3% |
| **EBITDA** | **94.5** | **122.8** | **+30.0%** |

** See note 4 "Segment information" in Section 5.1 "Notes to the consolidated accounts" in this Registration document.*

The Group's EBITDA increased by 30% year-on-year to €122.8 million, primarily driven by strong Customer Sales growth in the period. The resulting improvement in operating leverage helped to lift the EBITDA margin by 40 basis points to 13.9% in 2016, from 13.5% in 2015. This result reflects our initiatives and projects to sustain future growth of the omnichannel model.

### A. EBITDA in France

In France, EBITDA rose 22.8% year-on-year to €122.8 million, reflecting robust like-for-like sales growth and the scope effect from new store openings during the year. As a percentage of Customer Sales in France, the EBITDA margin (excluding the corporate segment) edged up from 21.7% in 2015 to 21.8% in 2016.

### B. International EBITDA

International EBITDA came out at €53.7 million in 2016, up 25.8% in the year, mainly driven by strong Customer Sales growth on a like-for-like basis, as well as the scope effect relating to new store openings over the period. As a percentage of international Customer Sales, the international EBITDA margin (excluding the corporate segment) fell from 17.8% in 2015 to 16.9% in 2016, as a result of the recent ramp-up of stores in new countries (Germany and Switzerland).

## 4.2.4 INCOME STATEMENT ANALYSIS

### SIMPLIFIED CONSOLIDATED INCOME STATEMENT

| | Financial year ended December 31 | |
|---|---|---|
| *(in € millions)* | **2015** | **2016** |
| **Sales** | **699.4** | **881.8** |
| Sales to franchises and promotional sales | 2.0 | 3.3 |
| Other operating income | 22.0 | 24.6 |
| **Revenues** | **723.4** | **909.7** |
| Cost of Customer Sales | (225.3) | (290.1) |
| Personnel expenses | (148.5) | (174.2) |
| External charges | (256.3) | (319.0) |
| Depreciation, amortization and allowance for provisions | (25.4) | (29.7) |
| Fair value of derivative financial instruments | 2.7 | (20.6) |
| Other operating income and expense | (5.2) | (7.6) |
| **Current operating profit** | **65.5** | **68.5** |
| Other operating income and expense | (0.6) | (22.5) |
| **Operating profit** | **64.8** | **46.0** |
| Financial profit/(loss) | (70.7) | (71.8) |
| Share of profit of equity-accounted subsidiaries | 0.1 | 0.9 |
| **Pre-tax profit/(loss)** | **(5.8)** | **(24.8)** |
| Income tax | (8.2) | 12.8 |
| Net profit | (13.9) | (12.0) |
| **Adjusted profit/(loss) for the year** | **n/d** | **39.9** |

## A. Revenues

Group Customer Sales were up 26.1% year-on-year in 2016 to €881.8 million, driven by a solid 14.7% growth in like-for-like sales and a scope effect related, on the one hand, to the opening of 26 new stores in the period and, on the other, to the full-year effect of openings in 2015.. The contribution from other revenue reached €27.9 million in 2016, up from €24.0 million in 2015, mainly attributable to a higher volume of transportation services sold to customers reflecting the growth in online sales. In view of all these elements, the Group's **consolidated revenue** increased by €186.3 million, or 25.8% compared with 2015, to €909.7 million.

## B. Gross margin

**Cost of Customer Sales** increased by €64.8 million, or 28.8%, from €225.3 million in 2015 to €290.1 in 2016. As a percentage of Customer Sales, cost of sales rose slightly from 32.2% in 2015 to 32.9% in 2016 due to a stronger US dollar against the Euro on the basis of the contracts through which the Group hedges all of its purchases of goods and seafreight denominated in US dollars.

In 2016, Maisons du Monde posted a **gross margin** of €591.7 million, representing 67.1% of Customer Sales, compared with €474.1 million (67.8% of sales) in 2015.

## C. Current operating profit

**Personnel expenses** increased by 17.3%, or €25.7 million, to €174.2 million in 2016, from €148.5 million in 2015 as workforce (excluding Mekong Furniture) increased from 4,134 average FTEs to 4,704 average FTEs across the period. This increase is mainly attributable to new store openings, and the full-year impact of additional resources hired in 2015 for central functions.

Expressed as a percentage of Customer Sales, personnel expenses decreased from 22.2% in 2015 to 19.8% in 2016, mainly due to: (i) the relative stability of personnel expenses for comparable stores in a context of strong like-for-like growth, and (ii) changes in the Customer Sales mix by channel, with lower payroll costs for online sales (with a sharper increase in online sales relative to in-store sales during the period), partially offset by (iii) a 2.6 million euro increase in employee profit sharing (including social charges).

**External charges** rose by €62.7 million, or 24.5%, to €319.0 million in 2016, from €256.3 million in the prior year. A number of factors contributed to this increase: (i) the 33.5% increase in transportation costs due to higher Customer Sales; (ii) the continued increase in retail trading space as a result of net store openings. Space expanded from approximately 286,000 sq. m as at December 31, 2015 to approximately 327,000 sq. m as at December 31, 2016, with a resulting increase in rents and related charges, energy and repair and maintenance costs; (iii) increased demand for temporary staff as part of the optimisation of the sales and logistics workforces; and measures in the context of new store openings; (iv) the increase in advertising and marketing expenditure reflecting targeted campaigns coinciding with new store openings and the increased e-commerce business.

Expressed as a percentage of Customer Sales, external expenses reached 36.6% in 2016, down from 38.3% in 2015, stemming primarily from fixed cost leverage and the growing share of online sales (with lower external expenses). This decrease was partially offset by temporary staff numbers.

**Depreciation, amortization and allowance for provisions** rose 16.7% (€4.3 million) to €29.7 million in 2016 from €25.4 million in 2015, primarily driven by depreciation of fixed assets related to new store openings.

As a percentage of Customer Sales, depreciation, amortization and allowance for provisions fell from 3.6% in 2015 to 3.4% in 2016, reflecting the fact that online sales growth outpaced the depreciation of fixed assets.

The **change in the fair value of derivative financial instruments** which hedge or enable the hedging of all Group purchases of goods and seafreight denominated in US dollars, was a €20.6 million expense in 2016 as against a gain in 2015 of €2.7 million. Since January 1, 2016, the Group has applied hedge accounting, which reduces the charges in the consolidated income statement, as only the ineffective portion of the change in the fair value of the hedge is recognised. The difference between the two accounting options consists of having an equity impact (new accounting option) instead of an income statement impact (previous accounting option) for the recognition of the change in fair value of the hedging contracts. The impact on the income statement of the change in fair value of the Group's derivative financial instruments in 2016 stems mainly from the use of the derivative financial instruments held at the end of December 2015. The residual value at December 31, 2016 of the derivatives existing at December 31, 2015 prior to hedge accounting is estimated at €1.9 million and will have a negative impact in that amount on the 2017 income statement.

**Other operating income and expense** amounted to a net expense of €7.6 million in 2016, compared with a net expense of €5.2 million in 2015. In the main, this increase was attributable to the change in overdue accounts, due to losses from unauthorised online credit card charges following the introduction of a new online payment platform, which generated a significant increase in conversion rates, and losses from receivables impaired in 2015. The change also reflected losses on advances to suppliers.

In 2016, Maisons du Monde generated €68.5 million in **current operating profit**, up from €65.5 million in 2015. If the effect of the change in the fair value of derivative financial instruments is stripped out, current operating profit rose by €26.4 million to €89.1 million in 2016, from €62.7 million in 2015.

## D. Operating profit

**Other operating income and expense** amounted to a net expense of €22.5 million in 2016 from a net expense of €0.6 million in 2015, chiefly attributable to the costs connected with the IPO, which amounted to €11.3 million, as well as changes in the provisions for commercial disputes of €11.7 million.

In 2016, Maisons du Monde recorded €46.0 million in **operating profit**, down from €64.8 million in 2015.

## E. Financial profit/(loss)

**Net financial expense** increased by €1.1 million in 2016 to €71.8 million, up from €70.7 million in 2015. The change was mainly attributable to the costs connected with the IPO, chiefly: (i) €19.7 million in early redemption fees for the high-yield bond and (ii) residual issue costs for the former high-yield bond and revolving credit facility in the amount of €16.7 million, with no impact on cash flow, partially offset by the reduction in the cost of debt following the refinancing at the end of May 2016, which totalled €34.7 million in 2016, down from €69.7 million in 2015.

## F. Income tax

**Income tax** produced income of €12.8 million in 2016, from a charge of €8.2 million in 2015.

2016 income tax comprised the following: (i) €7.3 million in current tax due (€6.9 million in 2015), including the French business value added tax (CVAE) and the Italian regional tax on productive activities (IRAP) of €5.3 million (€4.3 million in 2015) and (ii) €20.1 million in deferred tax income (compared with a €1.2 million charge in 2015). The change in deferred taxes results primarily from deferred tax losses, arising from the costs connected with the IPO, the change in the fair value of derivative financial instruments, and taking account of the impact of the reduction in the tax rate in France as of 2020 from 34.43% to 28.9%, particularly on the brand (giving income of €11.4 million).

## G. Net profit

The Group posted a loss of €12 million in 2016, down from a loss of €13.9 million in 2015.

**Adjusted profit/(loss) for the year** was €39.9 million, comprising: (i) restated exceptional non-recurring expenses connected with the IPO and refinancing in the amount of €47.7 million, (ii) restatement of the cost of net debt for the period January to May 2016 relative to the Group's former financing structure, for a total of €29.9 million, (iii) incorporation of the 12-month pro forma financial expense for the revamped financing structure, and (iv) the application of a normative tax rate of 36%.

## 4.2.5 NON-IFRS FINANCIAL METRICS

### EBITDA RECONCILIATION

| | Financial year ended December 31 | |
|---|---|---|
| *(in € millions)* | **2015** | **2016** |
| **Current operating profit** | **65.5** | **68.5** |
| Depreciation, amortization, provisions and impairment | 25.4 | 29.7 |
| Change in the fair value of derivative financial instruments | (2.7) | 20.6 |
| Management costs | 2.9 | 0.8 |
| **EBITDA before pre-opening expenses** | **91.1** | **119.6** |
| Pre-opening expenses | 3.4 | 3.2 |
| **EBITDA** | **94.5** | **122.8** |

### EBIT RECONCILIATION

| | Financial year ended December 31 | |
|---|---|---|
| *(in € millions)* | **2015** | **2016** |
| **EBITDA** | **94.5** | **122.8** |
| Depreciation, amortization, provisions and impairment | (25.4) | (29.7) |
| **EBIT** | **69.1** | **93.2** |

### RECONCILIATION OF ADJUSTED PROFIT/(LOSS) FOR THE YEAR

| *(in € millions)* | | **Year ended 31 Dec. 2016** |
|---|---|---|
| **NET PROFIT** | | **(12.0)** |
| **Costs related to the IPO and refinancing** | | **47.7** |
| **Cost of net debt (former financing structure) from January to May 2016** | *Interest on the high-yield bond* | *13.3* |
| | *Interest on loans, including the revolving credit facility* | *0.8* |
| | *Interest on preferred equity certificates (PEC)* | *15.8* |
| | **TOTAL** | **29.9** |
| **Cost of net debt (new financing structure) from January to May 2016** | *Long-term credit line interest* | *(2.6)* |
| | *Interest on loans, including the revolving credit facility* | *(0.4)* |
| | **TOTAL** | **(3.0)** |
| **Other** | | **(0.3)** |
| Adjusted pre-tax profit/(loss) | | 62.3 |
| **Income tax (normative rate of 36%)** | | **(22.4)** |
| **ADJUSTED PROFIT/(LOSS) FOR THE YEAR** | | **39.9** |
| **Dividends** | *Dividend distribution rate (%)* | *35.0%* |
| Amount paid out | | 14.0 |
| **DIVIDENDE PER SHARE (€)** | | **0.31** |

# 4.3 Liquidity and capital resources

## 4.3.1 ANALYSIS OF CASH FLOWS

The table below shows the Group's consolidated cash flows for the financial years ended on December 31, 2015 and 2016.

| | Financial year ended December 31 | |
|---|---|---|
| *(in € millions)* | **2015** | **2016** |
| Net cash generated by/(used in) operating activities | 112.0 | 58.0 |
| Net cash generated by/(used in) investment activities | (43.4) | (66.1) |
| Net cash generated by/(used in) financing activities | (31.6) | (7.1) |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **37.1** | **(15.2)** |
| Cash and cash equivalents at the start of the year | 37.7 | 74.8 |
| Net change in cash flow | 37.1 | (15.2) |
| Foreign exchange gains/(losses) in cash and cash equivalents | 0.0 | 0.1 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **74.8** | **59.7** |

The table below shows the statement of cash flows related to operating activities, investment activities and cash flows before financing activities for the financial years ended on December 31, 2015 and 2016.

| | Financial year ended December 31 | |
|---|---|---|
| *(in € millions)* | **2015** | **2016** |
| **EBITDA** | **94.5** | **122.8** |
| Change in operating working capital requirements | 30.3 | (41.5) |
| Income tax paid | (4.1) | (7.5) |
| Management costs | (2.9) | (0.8) |
| Pre-opening expenses | (3.4) | (3.2) |
| Costs related to the IPO | - | (11.3) |
| Change in other items related to operating activities | (2.4) | (0.4) |
| **Net cash generated by/(used in) operating activities** | **112.0** | **58.0** |
| Investment expenditure | (43.9) | (72.8) |
| *Including the buyback of Luxco 2 shares and convertible preferred equity certificates (CPECs)* | - | *(20.6)* |
| Change in debt on assets | (0.5) | (3.5) |
| Proceeds from disposals of non-current assets | 0.0 | 3.2 |
| **Net cash generated by/(used in) investment activities** | **(43.4)** | **(66.1)** |
| **Cash flows before financing activities** | **68.7** | **(8.0)** |

**Operating activities** generated a €58.0 million net cash inflow in 2016 (versus a net cash inflow of €112.0 million in 2015), mainly reflecting: (i) a gain of €107.1 million in pre-tax profit/(loss) for the period after restatement for the cost of net indebtedness in the amount of €34.7 million and a non-cash expense of €97.2 million (corresponding primarily to €19.7 million in early redemption fees on the high-yield bond, €16.7 million in residual issue costs for the former high-yield bond and the revolving credit facility, a €42.9 million expense for depreciation, amortization, provisions and impairment and a €20.6 million negative change in the fair value of hedging derivative instruments), (ii) a €41.5 million negative change in operating working capital requirements, and (iii) a €7.5 million cash outflow attributable to the payment of income tax.

The **change in operating working capital requirements** had a negative impact on cash flow of €41.5 million in 2016 (as opposed to a positive €30.3 million in 2015) attributable to the €67.8 million increase in inventory and €3.9 million in trade receivables and other receivables, partially offset by the €31.1 million increase in trade accounts payable and other debt. Inventories were low at December 31, 2015, and as a result were increased to a standard level early in 2016, while at the end of the period inventories returned to high levels to ensure stocks of new 2017 collections in stores in January 2017.

In 2016, **the Group's investment activities** resulted in a net cash outflow of €66.1 million (compared with a net cash outflow of €43.4 million in the prior year), mainly due to capital expenditure totalling €72.8 million, of which €20.6 million was attributable to Luxco 2 shares and convertible preferred equity certificate (CPEC) buybacks as part of the management transition agreed between Xavier Marie and Bain Capital in Q3 2015. Stripping out the share and CPEC buybacks, capital expenditure stood at €52.2 million in 2016, of which approximately 63% was related to investments for the opening of 36 new stores (gross amounts).

The Group recorded a €7.1 million net cash outflow **for financing activities** in 2016 (versus a net cash outflow of €31.6 million in 2015), primarily composed of: (i) proceeds from issue of share capital with a net cash inflow of €150.4 million, (ii) proceeds from the issue of the €250 million long-term loan and the €35 million drawdown of the new revolving credit facility, (iii) the €325 million redemption of the former high-yield bond and the cancellation of the former revolving credit facility, (iv) payment of interest in the amount of €28.9 million (mainly related to the former high-yield bond), (v) repayment of a €62.8 million vendor loan debt from the acquisition of the Group by Bain Capital in 2013, and (vi) the €19.7 million high-yield bond redemption fees.

## 4.3.2 FINANCIAL RESOURCES

In connection with the IPO, Maisons du Monde opted to refinance some of its existing debt to improve its leverage ratio and reduce financial expenses.

The change in net indebtedness in the period December 31, 2015 to December 31, 2016 was as follows:

| | | Cash impact | | No cash impact | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in € millions)* | **12/31/2015** | **Increase** | **Decrease** | **Issue costs** | **Interest** | **Impact of forex variances** | **Other** | **12/31/2016** |
| PEC | 395,839 | - | - | - | 15,800 | - | (411,639) | - |
| High Yield bond | 321,683 | - | (349,294) | 15,423 | 12,188 | - | - | - |
| Revolving credit facility | (2,461) | - | (655) | 2,591 | 525 | - | - | - |
| **"Former" financing** | **715,061** | **-** | **(349,949)** | **18,014** | **28,513** | **-** | **(411,639)** | **-** |
| Long-term credit line | - | 246,553 | (2,938) | 379 | 3,344 | - | - | 247,338 |
| Revolving credit facility | - | 33,966 | (1,208) | 121 | 1,295 | - | - | 34,174 |
| **"New" financing** | **-** | **280,519** | **(4,146)** | **501** | **4,639** | **-** | **-** | **281,512** |
| Lease financing | 1,995 | - | (1,343) | - | - | - | 2,779 | 3,431 |
| Vendor credit | - | - | (62,798) | - | - | - | 62,798 | - |
| Deposits | 390 | - | (7) | - | - | - | - | 383 |
| Bank overdrafts | 1,625 | - | (983) | - | - | - | - | 642 |
| Cash and cash equivalents | (76,398) | - | 16,081 | - | - | - | - | (60,317) |
| **TOTAL NET DEBT** | **642,673** | **280,519** | **(403,145)** | **18,514** | **33,152** | **-** | **(346,062)** | **225,651** |

# 4.4 Events after the reporting date

On March 1, 2017, Maisons du Monde agreed a new €75 million revolving credit facility under the same conditions as those negotiated for refinancing operations in May 2016. The new facility gives the Group the financial flexibility to seize opportunities to accelerate the expansion of its store network.

The Group has not identified any other significant events that occurred after the reporting date and which should be disclosed in this Registration document.

# 4.5 Outlook

Maisons du Monde intends to build on its positive fundamentals and continue its profitable growth:

- a unique range of in-house designed and affordable decorative items and furniture in the latest styles reflecting the most recent trends;
- a highly differentiated business model, combining a design-to-cost process with efficient centralised merchandising to deliver high gross margins;
- an essentially omnichannel approach, based on a complementary international network of stores, online and catalogue sales.

In 2017, we intend to step up customer relations and social network activity (Data and CRM), while maintaining our operating focus on continued improvements to the customer experience.

Maisons du Monde confirms its 2017-2020 growth targets:

- 12 to 14% annual Customer Sales growth;
- like-for-like growth outpacing the market;
- 25 to 30 net new store openings per year;
- EBITDA margin in excess of 13% of Customer Sales.

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 upon, the success of the Group's strategy, as described in Section 1.4.4 “Group Strategy” of this Registration document. They may change or be adjusted, particularly as a result of changes and uncertainties in the economic, financial, competitive, regulatory or tax environment or as a result of other factors not under the Group's control, or of which the Group was not aware on the date this Registration document.

In addition, the occurrence of one or more of the risks described in Section 1.8 “Risk Factors” of this Registration document could have a material adverse effect on the Group's business, results of operations, financial situation or outlook, and could therefore jeopardize its ability to achieve these objectives. The Group does not guarantee and gives no assurance that the objectives described in this section will be achieved.

# Financial statements 5



# 5.1 Consolidated financial statements

For the year ended 31 December 2016

## 5.1.1 CONSOLIDATED INCOME STATEMENT

| *(in € thousands)* | Notes | Year ended 31 December 2016 | Year ended 31 December 2015* |
|---|---|---|---|
| Revenue from sales of goods | 5 | 885,084 | 701,401 |
| Other revenue from ordinary activities | 5 | 24,623 | 22,015 |
| **Revenue** | | **909,707** | **723,416** |
| Cost of sales | | (290,087) | (225,292) |
| Personnel expenses | 7 | (174,212) | (148,547) |
| External expenses | 8 | (319,012) | (256,269) |
| Depreciation, amortization, provisions and impairment | | (29,671) | (25,418) |
| Fair value of derivative financial instruments | 24 | (20,592) | 2,743 |
| Other income from operations | 9 | 3,977 | 1,029 |
| Other expense from operations | 9 | (11,574) | (6,193) |
| **Current operating profit** | | **68,537** | **65,469** |
| Other operating income and expenses | 10 | (22,505) | (619) |
| **Operating profit (loss)** | | **46,032** | **64,850** |
| Cost of net debt | 11 | (34,709) | (69,659) |
| Finance income | 11 | 1,598 | 571 |
| Finance expenses | 11 | (38,646) | (1,597) |
| **Financial profit (loss)** | | **(71,757)** | **(70,686)** |
| Share of profit (loss) of equity-accounted companies | 17 | 914 | 80 |
| **Profit (loss) before income tax** | | **(24,812)** | **(5,756)** |
| Income tax expense | 12 | 12,843 | (8,167) |
| **PROFIT (LOSS)** | | **(11,969)** | **(13,923)** |
| Attributable to: | | | |
| • Owners of the Parent | | (11,969) | (13,923) |
| • Non-controlling interests | | - | |
| **Earnings per share attribuable to the owners of the parent:** | | | |
| Basic earnings per share | 13 | (0.33) | (0.60) |
| Diluted earnings per share | 13 | (0.33) | (0.60) |

* *Financial statements for the year ended 31 December 2015 are those of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") – for further information, please refer to Note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

## 5.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in € thousands)* | Notes | Year ended 31 December 2016 | Year ended 31 December 2015* |
|---|---|---|---|
| **Consolidated profit (loss)** | | **(11,969)** | **(13,923)** |
| *Other comprehensive income* | | | |
| Items not reclassifiable to profit or loss: | | | |
| • Remeasurements of post employment benefit obligations | 28 | (708) | 121 |
| • Others | | - | - |
| • Income tax related to items that will not be reclassified | 12 | 237 | (45) |
| **Total items not reclassifiable to profit or loss** | | **(471)** | **76** |
| Items reclassifiable to profit or loss: | | | |
| • Cash-flow hedge | 24 | 19,137 | - |
| • Translation differences | | 179 | 187 |
| • Income tax related to items that will be reclassified | 19 & 24 | (6,589) | - |
| **Items reclassifiable to profit or loss** | | **12,727** | **187** |
| **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX** | | 12,256 | 263 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **287** | **(13,660)** |
| Attributable to: | | | |
| • Owners of the parent | | 287 | (13,660) |
| • Non-controlling interests | | - | - |

* *Financial statements for the year ended 31 December 2015 are those of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") – for further information, please refer to Note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

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

## 5.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

| *(in € thousands)* | Notes | 31 December 2016 | 31 December 2015* |
|---|---|---|---|
| Goodwill | 14 | 321,183 | 321,183 |
| Other intangible assets | 15 | 243,975 | 242,040 |
| Property, plant and equipment | 16 | 136,877 | 116,740 |
| Equity-accounted investments | 17 | 1,040 | 136 |
| Other non-current financial assets | 18 | 18,018 | 16,499 |
| Deferred tax assets | 19 | 21,002 | 15,904 |
| Other non-current assets | 23 | 8,332 | 9,020 |
| **Non-current assets** | | **750,427** | **721,523** |
| Inventories | 20 | 171,066 | 102,262 |
| Trade receivables and other current receivables | 21 | 50,103 | 45,922 |
| Other current financial assets | 22 | 419 | 524 |
| Tax assets due | | 15,789 | 9,508 |
| Derivative financial instruments | 24 | 22,658 | 24,114 |
| Cash and cash equivalents | 25 | 60,317 | 76,398 |
| **Current assets** | | **320,352** | **258,727** |
| **TOTAL ASSETS** | | **1,070,779** | **980,250** |

* *Financial statements for the period ended 31 December 2015 are those of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") – for further information, please refer to Note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

## Equity and Liabilities

| *(in € thousands)* | Notes | 31 December 2016 | 31 December 2015* |
|---|---|---|---|
| Share capital | 26 | 146,584 | 5,545 |
| Share premiums | 26 | 134,959 | 49,905 |
| Consolidated reserves | | 227,396 | (24,159) |
| Profit (loss) for the period | | (11,969) | (13,923) |
| **Equity attributable to owners of the Company** | | **496,970** | **17,368** |
| Non-controlling interests | | - | - |
| **TOTAL EQUITY** | | 496,970 | 17,368 |
| Borrowings | 27 | 249,588 | 311,784 |
| Other financial debts | 27 | 0 | 380,490 |
| Deferred tax liabilities | 19 | 62,823 | 74,789 |
| Post-employment benefits | 28 | 6,079 | 4,655 |
| Provisions | 29 | 13,989 | 2,194 |
| Other non-current liabilities | 31 | 10,879 | 9,752 |
| **Non-current liabilities** | | **343,358** | **783,664** |
| Current borrowings | 27 | 36,380 | 11,448 |
| Other financial debts | 27 | 0 | 15,349 |
| Trade payables and other payables | 30 | 192,885 | 151,812 |
| Provisions | 29 | 475 | 101 |
| Tax liabilities due | | 704 | 503 |
| Other current liabilities | | 6 | 5 |
| **Current liabilities** | | **230,451** | **179,218** |
| **TOTAL LIABILITIES** | | 573,808 | 962,882 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,070,779** | **980,250** |

* *Financial statements for the year ended 31 December 2015 are those of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") – for further information, please refer to Note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

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

## 5.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| *(in € thousands)* | Note | Year ended 31 December 2016 | Year ended 31 December 2015* |
|---|---|---|---|
| Profit (loss) for the period before income tax | | (24,812) | (5,756) |
| Adjustments for: | | | |
| • Depreciation, amortization, provisions and impairment | | 42,937 | 24,249 |
| • Gain or loss on disposals | 9 & 10 | (1,476) | 451 |
| • Share of profit (loss) of equity-accounted companies | | (914) | (80) |
| • Change in fair value of derivative financial instruments | 24 | 20,592 | (2,743) |
| • Share-based payments | 26 | 103 | - |
| • Other (1) | | 35,965 | - |
| • Cost of net financial debt | 11 | 34,709 | 69,659 |
| Change in operating working capital requirement: | | | |
| • (Increase) decrease in inventories | | (68,731) | 5,227 |
| • (Increase) decrease in trade and other receivables | | (3,861) | (3,247) |
| • Increase (decrease) in trade and other payables | | 31,060 | 28,352 |
| Tax paid | | (7,528) | (4,067) |
| **Net cash flow from/(used in) operating activities** | | **58,044** | **112,045** |
| Acquisitions of non-current assets: | | | |
| • Property, plant and equipment | 16 | (45,426) | (35,353) |
| • Intangible assets | 15 | (5,126) | (5,424) |
| • Subsidiaries, net of cash acquired | | 33 | (16) |
| • Other non-current assets (2) | | (22,234) | (3,130) |
| Change in debts on fixed assets | 30 | 3,524 | 520 |
| Proceeds from sale of non-current assets: | | | |
| • Property, plant and equipment | | 3,162 | 16 |
| **Net cash flow from/(used in) investing activities** | | **(66,067)** | **(43,387)** |
| Proceeds from increases in share capital (3) | 26 | 150,424 | 0 |
| Proceeds from borrowings (4) | 27 | 280,519 | 139 |
| Repayment of borrowings (4) | 27 | (326,343) | (1,391) |
| Acquisitions (net) of treasury stocks | 26 | (377) | - |
| Interest paid | 27 | (28,876) | (30,317) |
| Vendor Loan | 27 | (62,798) | - |
| High Yield bond early redemption fees | 27 | (19,693) | - |
| **Net cash flow from/(used in) financing activities** | | **(7,144)** | **(31,569)** |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (15,166) | 37,089 |
| Cash and cash equivalents at beginning of period | | 74,773 | 37,673 |
| Exchange gains/(losses) on cash and cash equivalents | | 69 | 11 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **59,675** | **74,773** |

| *(in € thousands)* | | Year ended 31 December 2016 | Year ended 31 December 2015* |
|---|---|---|---|
| Cash and cash equivalents (excluding bank overdrafts) | 25 | 60,317 | 76,398 |
| Bank overdrafts | 27 | (642) | (1,625) |
| **CASH AND CASH EQUIVALENTS** | | **59,675** | **74,773** |

(1) *Of which €19.7 million related to the High Yield bond redemption fees reclassified in financing operations and €16.7 million related to the issuance fees of the "previous" financing not yet amortized at the date of the termination of the RCF and at the date of the repayment of the High Yield bond (for further information, please refer to note 1.3 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document).*

(2) *Of which €20.6 million of shares and other securities of Magnolia (BC) Luxco S.C.A. ("Luxco 2") following the repurchases completed in the first quarter of 2016 as part of the top management team transition arrangements agreed between Mr. Xavier Marie and Bain Capital in the summer of 2015.*

(3) *As part of the IPO, the Group issued new shares for €160 million and the corresponding fees amount to €9.6 million, resulting in a net cash-in of €150.4 million.*

(4) *As part of its refinancing, the Group repaid the High Yield bond and subscribed to a new long-term credit line (for further information, please refer to note 27 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document).*

* *Financial statements for the year ended 31 December 2015 are those of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") – for further information, please refer to note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

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

## 5.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in € thousands)* | **Share capital** | **Share premiums** | **Consolidated reserves** | **Translation difference** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance as of January 1, 2015** | **5,545** | **49,905** | **(24,535)** | **63** | **30,978** | **-** | **30,978** |
| Issue of ordinary shares | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - |
| Net profit (loss) for the period | - | - | (13,923) | - | (13,923) | - | (13,923) |
| Other comprehensive income for the period | - | - | 76 | 187 | 263 | - | 263 |
| Other transations impacting equity | - | - | 48 | - | 48 | - | 48 |
| **BALANCE AS OF 31 DECEMBER 2015** | **5,545** | **49,905** | **(38,334)** | **250** | **17,368** | **-** | **17,368** |
| **Balance as of 1 JANUARY 2016** | **5,545** | **49,905** | **(38,334)** | **250** | **17,368** | **-** | **17,368** |
| Impact of the reorganization prior to the IPO (1) | 110,545 | (38,158) | 253,496 | - | 325,883 | - | 325,883 |
| *Merger of Luxco 1 bis with Luxco 3* | - | - | *325,883* | - | *325,883* | - | *325,883* |
| *Merger of Luxco 3 with MDM SA* | *40,550* | - | *(40,550)* | - | - | - | - |
| *MDM SA as new parent of the Group* | *75,540* | *11,747* | *(87,287)* | - | - | - | - |
| *Cancellation of Luxco 3 share capital* | *(5,545)* | *(49,905)* | *55,450* | - | - | - | - |
| Issue of ordinary shares (net of underwriting fees) (2) | 30,494 | 123,212 | - | - | 153,706 | - | 153,706 |
| Dividends paid | - | - | - | - | - | - | - |
| Share-based payments (3) | - | - | 103 | - | 103 | - | 103 |
| Treasury shares (4) | - | - | (377) | - | (377) | - | (377) |
| Net profit (loss) for the period | - | - | (11,969) | - | (11,969) | - | (11,969) |
| Other comprehensive income for the period | - | - | 12,077 | 179 | 12,256 | - | 12,256 |
| **BALANCE AS OF 31 DECEMBER 2016** | **146,584** | **134,959** | **214,996** | **429** | **496,970** | **-** | **496,970** |

*(1) In the context of the IPO, the following reorganization (for further information, please refer to note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document) impacted the change in stockholder's equity:*

- *Luxco 1 Bis merged with Magnolia (BC) Midco S.à.r.l. ("Luxco 3"), the latter remaining the parent entity of the Group;*
- *Luxco 3 merged with Maisons du Monde S.A., its direct subsidiary, Maisons du Monde S.A. becoming the new parent entity of the Group.*

*(2) As part of the IPO, the Group issued new shares in the amount of €160 million. The corresponding fees amounted to a gross amount of €9.6 million (€6.2 million net of deferred tax) – for further information, please refer to note 1.1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

*(3) For further information, please refer to notes 2.7 and 26.3 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.*

*(4) The number of treasury shares as of 31 December 2016, amounts to 15,252.*

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

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

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

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

The consolidated financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 16 March 2017 and will be submitted to the annual shareholders' meeting for approval on 19 May 2017. All amounts are expressed in thousands of euro, unless otherwise specified.

## 5.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

# Note 1 Significant events

## 1.1 Initial Public Offering ("IPO")

Since the end of May 2016, Maisons du Monde S.A. is listed on the regulated market of Euronext Paris. The listing of the Group's shares is intended to enable it to reduce its indebtedness and increase its financial flexibility in order to enable its development and growth strategy.

In connection with the admission to trading and listing on Euronext Paris of the shares of Maisons du Monde S.A. (formerly Magnolia (BC) SAS), the shareholders of the Maisons du Monde Group decided to carry out a reorganisation of the Group of companies to which the Maisons du Monde Group belongs. This reorganisation had three aims:

- to streamline the holding structure of the Group;
- to simplify shareholding at the date of settlement, and by doing so;
- to facilitate the IPO.

In this context, the following operations were carried out successively in the chronological order stated below, and became effective as from the date of settlement:

- intermediary holding companies of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") merged with Magnolia (BC) Holdco 1 Bis S.C.A. ("Luxco 1 Bis"), Luxco 1 Bis, becoming the parent entity of Luxco 3;
- Luxco 1 Bis merged with Luxco 3, the latter remaining the parent entity of the Group;
- Magnolia (BC) S.A. ("Luxco 4") merged with Luxco 3, the latter remaining the parent entity of the Group;
- Luxco 3 merged with Maisons du Monde S.A., its direct subsidiary, Maisons du Monde S.A. becoming the new parent entity of the Group.

This reorganisation had the following significant impacts on the financial statements:

- cancellation of the Preferred Equity Instrument (PECs) issued by Luxco 3 and subscribed by its former parent company (see note 27 of this Section);
- the vendor loan of €62.8 million resulting from the acquisition of the Group by Bain Capital in 2013 and transferred to the Group following the mergers described above, was fully repaid during the period (see note 27 of this Section);
- share capital increase by Maisons du Monde S.A. in consideration for the automatic transfer of all assets and liabilities of the absorbed companies.

## 1.2 Refinancing

In connection with the Initial Public Offering, the Group decided to refinance and repay certain of its outstanding indebtedness in order to improve its leverage ratio and reduce its interest expense (see note 27 of this Section). This refinancing had the following significant impacts on the financial statements:

- the €325 million High Yield bond issued by Luxco 4 including accrued interests was repaid in full (see note 27 of this Section);
- Maisons du Monde S.A. paid a €19.7 million premium to bondholders due to early redemption (see note 11 of this Section);
- issuance fees related to previous financing structure (High Yield Bond and Revolving Credit Facility) were booked through P&L for €16.7 million (see note 11 of this Section);
- Maisons du Monde S.A. obtained new financing including a long-term credit line of €250 million and a new revolving credit facility (see note 27 of this Section).

MAISONS DU MONDE - DDR 2016 VA - 2017_04_27 - V4 bis

## 1.3 Fees related to the Initial Public Offering and to the refinancing

The fees linked to the Initial Public Offering (see note 1.1 of this Section) and the refinancing (see note 1.2 of this Section) of the Group amounts to €61.8 million, broken down as follows as of 31 December 2016:

| | | Income statement impact | | | | Balance sheet impact | |
|---|---|---|---|---|---|---|---|
| *(in € thousands)* | **Total fees** | **Other operating income and expense (1)** | **Cost of net debt (2)** | **Finance costs (2)** | **Total income statement** | **Equity (3)** | **Borrowings** |
| IPO related fees | (20,944) | (11,367) | - | - | (11,367) | (9,576) | - |
| Issuance fees amortized over the lifetime of the long-term credit line and the Revolving Credit Facility ("new" financing) | (4,481) | - | (501) | - | (501) | - | (3,980) |
| High Yield bond early redemption fees | (19,693) | - | - | (19,693) | (19,693) | - | - |
| Issuance fees not yet amortized at the date of the IPO ("previous" financing) | (16,659) | - | - | (16,659) | (16,659) | - | - |
| **TOTAL FEES RELATED TO THE IPO** | **(61,777)** | **(11,367)** | **(501)** | **(36,352)** | **(48,220)** | **(9,576)** | **(3,980)** |

*(1) See note 10 of this Section.*

*(2) See note 11 of this Section.*

*(3) Gross amount of €9.6 million – presented net of €3.3 million deferred tax in the consolidated statement of changes in equity.*

## 1.4 Changes in the scope consolidation

Amongst the reorganization measures taken prior to the IPO, was notably the merger of intermediary holdings, as presented in the table below, which were ultimately controlled by the same shareholder, Bain Capital (see note 1.1 of this Section). As this transaction was considered a transaction between companies uder common control, the transferred assets and liabilities of these companies were recorded at their book value.

| Subsidiary | Activity | Country of incorporation | Consolidation from |
|---|---|---|---|
| Magnolia (BC) Holdco 1 Bis S.C.A. ("Luxco 1 Bis") | Holding company | Luxemburg | 31 May 2016 |
| Magnolia (BC) Luxco S.C.A. ("Luxco 2") | Holding company | Luxemburg | 31 May 2016 |
| Cadr'Academy 5 | Holding company | Luxemburg | 31 May 2016 |
| Cadr'Academy 4 | Holding company | Luxemburg | 31 May 2016 |
| Cadr'Academy 3 | Holding company | Luxemburg | 31 May 2016 |

Those entities were acquired and merged during the period.

Apart from the reorganization described above, the following changes have occurred:

- Maisons du Monde Furniture & Decoration (Maisons du Monde United-Kingdom) is a subsidiary created by the Group in January 2016 and fully consolidated from its date of creation;
- International MDM Company is a dormant entity that is fully consolidated from 1 January 2016;
- International Magnolia Company is a dormant entity that is fully consolidated from 1 January 2016.

# Note 2 Accounting policies and consolidation rules

## 2.1 General principles

The 2016 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The standards adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_en.htm

On the reporting date, there is no difference between the framework used and the standards adopted by the IASB, which are mandatory for the financial year presented.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value or at amortized cost as discussed in the accounting policies below.

The main accounting principles applied are unchanged from the prior year, with the following exceptions:

- the Group has applied hedge accounting according to IAS 39 (see note 24 of this Section), since 1 January 2016;
- standards adopted and outlined in note 2.2 of this Section, effective as of 1 January 2016.

Financial data is presented in € thousands. Amounts are rounded to the nearest thousand, unless otherwise stated. Generally speaking, the amounts stated in the consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest unit. As a result, there may be immaterial differences between the sum of the rounded amounts and the total reported.

## 2.2 List of new standards, amendments and interpretations in force

### a) New standards, amendments to existing standards and interpretations in force and whose application was mandatory for the period ended 31 December 2016

Adopted by the European Union:

- Amendments to IAS 27 – Equity Method in Separate Financial Statements;
- Amendments to IAS 1 – Presentation of financial statements – Disclosure Initiative;
- Annual Improvements to IFRSs 2012–2014 Cycle;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception.

### b) New standards, amendments to existing standards and interpretations applicable in the future and early adopted by the Group

Adopted by the European Union:

- Amendment to IAS 7 – Statement of cash-flows – Disclosure initiative.

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

Adopted by the European Union:

- IFRS 9 – Financial instruments;
- IFRS 15 – Revenue from contracts with customers.

Not yet adopted by the European Union:

- Amendment to IFRS 2 – Clarification and measurement of share-based payment transactions;
- Amendment to IAS 12 – Recognition of deferred tax assets for unrealised losses;
- Clarification to 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. The Group does not expect significant impacts from these new accounting standards except for IFRS 16.

IFRS 16 removes the distinction between operating and finance leases, resulting in almost all leases being brought onto the balance sheet. The standard requires recognition of:

- an asset reflecting the right to use the leased item; and
- a liability representing the obligation to pay rentals.

## 2.3 Consolidation method

### a) Business combination

Business combinations are recognised according to the acquisition method. Identifiable assets acquired and assumed liabilities are measured at fair value on the date control was obtained.

On the acquisition date, goodwill is measured as the difference between:

- the fair value of the consideration transferred, plus the amount of any non-controlling interest, and where relevant, the acquisition-date fair value of the acquirer's previously held equity interest; and
- the fair value of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests are measured either at fair value, or at the non-controlling interest's proportionate share of net assets of the entity acquired. This option is available on a case-by-case basis for each acquisition.

Negative goodwill is immediately recognised in profit or (loss).

Acquisition expenses are immediately recognised in expenses as they are incurred, unless they relate to equity instruments.

### b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when its relationship with the entity exposes it to or gives it rights to variable returns and it has the ability to affect those returns through its power it exercises over the entity. Power over the investee is assessed based on the actual rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intercompany transactions, balances and realised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, subsidiaries' accounting methods have been adjusted to conform with the Group's accounting policies.

### c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint-ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint-ventures. Interests in joint-ventures are accounted for using the equity method.

Equity interests consolidated under the equity method are initially recognised at acquisition cost. Their carrying value is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses. Dividends received or receivable from an investee are recognised as a reduction of the carrying amount of the investment.

When the Group's share of losses in a joint-venture equals or exceeds its interests in the joint-venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint-ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint-venture.

Unrealised gains on transactions between the Group and its joint-ventures are eliminated to the extent of the Group's interest in the joint-ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, the accounting policies of the joint-ventures have been changed to ensure consistency with the policies adopted by the Group.

The carrying amount of interests in joint-ventures is tested for impairment in accordance with the policy described in note 2.15 of this Section.

## 2.4 Foreign currency translation method

### a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Group's presentation currency.

### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges, *via*:

- the operating profit for the transactions related to operating activities;
- the financial profit for the transactions related to financing activities.

### c) Group companies

The results and financial position of all the Group's companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, including goodwill and fair value adjustments, for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at weighted-average annual exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

## 2.5 Segment reporting

In accordance with IFRS 8 Operating Segments, segment information is reported on the basis of internal management reports used by the Board of Directors – the Group's main decision-making body – to analyse performance and decide on the allocation of resources.

As a result, an operating segment is a separate component that engages in business activities from which the Group may earn revenues and incur expenses. Each operating segment is monitored individually and the operating profit from each segment is reviewed by the Board with a view to assessing performance in making decisions on resource allocation.

Operating segment information is disclosed in note 4 of this Section.

## 2.6 Revenues

In accordance with IAS 18, revenues correspond to the sales of goods and services in the course of the activities of the fully consolidated companies.

Total revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other taxes and duties. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each agreement.

### a) Sales of goods in stores

Sales of goods are recognised at the point of sale of a product to the customer or upon delivery to the customer, whichever is later. Retail sales are usually paid in cash or by card.

The Group does not offer any loyalty programs.

### b) E-commerce revenue

Revenue from the provision of the sale of goods on the e-commerce platform is recognised at the point that the risks and rewards of the goods have passed to the customer. Transactions are settled by credit card, cheque, payment card or e-payment means.

### c) Sales of services

Sales of services are recognised in revenue in the accounting period in which the services are rendered.

The Group sells mainly transport of goods (delivery to customers) and logistics services. The revenue related to these services is recognised in the period in which the transaction takes place, depending on the stage of completion at the end of the reporting period.

## 2.7 Share-based payments

MDM's share-based payment policy consists of implementing regular performance share grant plans in favour of members of Senior Management and other senior and middle managers. The plans in progress at 31 December 2016 are equity-settled plans. The cost of performance share plans is recognized in employee benefits expense over the vesting period and offset by increasing equity.

In accordance with IFRS 2, the plan cost is determined by reference to the fair value of the shares at the grant date, corresponding to the share price at the same date less the estimated present value of dividends not received during the vesting period.

The estimated probability of market performance conditions being met reduces the performance shares' fair value on the grant date.

Non-market performance conditions (such as condition of continued presence within the Group, or internal performance objectives) are not taken into account for the purpose of measuring grant-date fair value but adjust the final cost of the plan, depending on the actual number of equity instruments that vest.

The dilution effect of non-vested performance share allocations plans in progress is reflected in the calculation of diluted earnings per share.

Performance shares are measured at fair value, taking into account a discount to reflect their non-transferability. The cost of non-transferability is measured as the cost of a two-step strategy consisting in the forward sale of shares being non-transferable for one year and the purchase on the spot market of the same number of shares funded by an amortizable loan with an in fine capital repayment.

Valuation is based on the following main underlying assumptions:

- dividend growth rate, based on the forecast average annual growth rate;
- employee departure rate which is estimated for each position in the Group and based on the historical employee departure rate of the corresponding occupational category. This departure rate is used to estimate the shares that will not be allocated due to the departure of beneficiaries;
- the achievement of performance conditions.

## 2.8 Other operating income and expenses

Other operating income and expenses mainly includes reorganization costs (store closure without relocation), restructuring costs, acquisition costs, IPO-related fees and certain provisions. This income statement item includes cash as well as non-cash items.

Other operating income and expenses relates to other unusual, infrequent or non-recurring items. Such items are those that in management's opinion need to be disclosed in the financial statements by virtue of their size, nature or incidence. The accounting classification is consistent with the way that financial performance is measured by management and reported to the Board of Directors and assists in providing a meaningful analysis of the trading results of the Group.

## 2.9 Financial income and expenses

Interest income and expense are recognised according to the time elapsed, taking into account the actual return from the asset, which is the interest rate required to discount the future cash flows expected over the life of the asset to make it equal to the asset's initial value.

## 2.10 Dividends

Dividend income from equity interests is recognised when the shareholder's right to receive payment is established.

Dividends paid to the shareholders of the Company are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders of the Company.

## 2.11 Earnings per share

### a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- the net profit for the period attributable to the Group;
- by the weighted average number of ordinary shares outstanding during the period, less the weighted average number of treasury shares held by the Group.

### b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding used in the determination of basic earnings per share to take into account dilutive instruments. Diluted earnings per share take into account performance shares allocated to employees. The number of shares retained is the one that would have been allocated if the performance criteria were evaluated at the end of the closing period.

## 2.12 Intangible assets

### a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint-ventures and represents the difference between the consideration transferred, the amount of any non-controlling interest in the acquired entity, as well as the acquisition-date fair value of any previous equity interest in the acquired entity, and the fair value of the net identifiable assets acquired. When the difference is negative, this amount is recognised in profit or loss during the year of acquisition.

Where settlement is deferred, the amounts payable in the future are discounted to their present value as at the date of settlement. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financial establishment under comparable terms and conditions.

A potential price adjustment is estimated at its fair value on the acquisition date, and this initial value may not be adjusted subsequently as an offset to goodwill except in the case of new information obtained about facts and circumstances that were in existence at the acquisition date, and insofar as the measurement was presented as provisional (the measurement period is 12 months). Any subsequent adjustments that do not meet these criteria are recognised in debt or receivables, with an offsetting entry in income.

If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is included in intangible assets and is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or group of cash-generating units, that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which the goodwill is allocated represents the smallest level within the entity at which the goodwill is monitored at Group level. Goodwill is monitored at the geographical level: France and International.

The carrying value of goodwill is compared to the recoverable amount of the CGU or group of CGU to which the goodwill is allocated, which is the higher of value in use and the fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Any impairment is recognised immediately as an expense and is not subsequently reversed. Impairment is allocated first to the carrying amount of any goodwill allocated to the CGU, and then to the carrying amounts of the other assets on the CGU on a pro rata basis.

### b) "Maisons du Monde" brand

The "Maisons du Monde" brand has an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. It has been recognized in connection with the business acquisition of MDM Group in 2013. The valuation of this brand has been determined with the assistance of valuation specialists, taking into account various factors, including brand awareness. The "royalties" method was used to estimate the fair value of Maisons du Monde brand. This brand, which is legally protected, is not amortised but is individually tested for impairment annually or more frequently if signs of impairment exist at Group level. Advertising and promotional campaigns contribute to maintain the positioning of the "Maisons du Monde" brand.

### c) Commercial leasehold rights ("Droits au bail" and "Pas de porte")

In France, the holder of the commercial leasehold rights ("Droits au bail") is entitled to renew the lease almost indefinitely. If the lessor wishes to cancel a commercial lease in France, the lessee has the right to receive eviction indemnity equal to the value of the leasehold rights at the date of cancellation. As a result, leasehold rights have an indefinite useful life as there is no foreseeable end to the period during which the leasehold right is expected to generate net cash inflows. Consequently, main leasehold rights (paid to the former lessee) are not amortised but are tested for impairment annually and whenever events or circumstances indicate that their recoverable amounts may be less than their book values.

In some cases, another legal term is used for commercial leasehold rights. They are referred to as "Pas de porte" when the amount is paid by the lessee to the lessor. In this case they are classified in "Prepaid expenses", within "Trade and other receivables" and "Other non-current assets" in the consolidated statement of financial position, and are recognised as rental expenses on a straight-line basis over the estimated term of the lease.

### d) Trademarks and licenses

Acquired trademarks and licences are recorded at acquisition cost.

Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are subsequently carried at acquisition cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their useful lives, estimated at one to four years.

### e) Internally generated software development costs

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software development so that it will be available for use;
- management intends to complete the software development and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated that the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

When these criteria are met, internal software development costs are capitalised during the application development stage. The costs capitalised correspond to external direct costs and employee costs related to the time spent on the project during the capitalisation period. Capitalised software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalised may be impaired. Amortisation is calculated from the point at which the asset is put into use, using the straight-line method to allocate the cost of software over their estimated useful lives of three years.

## 2.13 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives and is recognised in profit and loss. The estimated useful lives of PPE for the period are as follows:

| | |
|---|---|
| • constructions: | 20 to 25 years |
| • fixtures and fittings to buildings: | 7 to 15 years |
| • general installations: | 7 to 10 years |
| • equipment and machinery: | 3 to 15 years |
| • transportation equipment: | 4 to 5 years |
| • office and computer equipment: | 3 to 5 years |
| • furniture: | 5 to 10 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## 2.14 Lease agreements

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as a lessee are classified as operating leases. Payments made under operating leases (net of any free rents received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases certain property, mainly the Group stores and warehouses, and these contracts are generally qualified as operating leases.

Lease contracts where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the debt repayment and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if it is not reasonably certain that the Group will obtain ownership by the end of the lease term.

## 2.15 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or some intangible assets – are not amortised and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the difference between the asset's carrying amount and its recoverable amount, if the latter is less than the asset's carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 2.16 Financial assets

### a) Classification

Financial assets are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

The classification depends on the purpose for which the financial assets were acquired and specific features of the instruments. Management determines the classification of its financial assets at initial recognition.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they have a maturity of less than 12 months after the reporting date ; otherwise, they are classified as non-current.

Gains and losses from financial assets held for trading are recognised immediately in the income statement.

#### LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise "Trade and other receivables" and "Cash and cash equivalents" in the statement of financial position.

The breakdown by category of the Group's financial assets is presented in note 32 of this Section.

### b) Recognition and measurement

Financial assets are initially recognised at fair value plus, for all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the income statement.

Loans and receivables are carried at amortised cost using the effective interest rate method. Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2.17 Impairment of financial assets

The Group assesses at each reporting date whether there is an indication that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recorded only if there is an indication of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## 2.18 Derivative financial instruments and hedging activities

The Group holds various derivative financial instruments, which are used to hedge currency risks arising in the normal course of business. The use of these instruments helps to hedge against foreign exchange exposures and to minimize the risks on business transactions.

They are initially measured at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of currency derivatives is determined based on the forward exchange rate at the reporting date.

Changes in fair value are recognised in profit or loss, except for instruments qualified as cash flow hedges (hedges of variable rate) for which changes in fair value are recognised in other comprehensive income for their effective portion and in profit or loss for their ineffective portion.

For the year ended 31 December 2015, the Group did not apply for hedge accounting. As a consequence, changes in fair value were directly recognised in profit or loss within “Change in fair value – derivative financial instruments” included in the current operating profit, as they relate to hedges of regular business transactions.

Since 1 January 2016, the Group applies hedging accounting in accordance with IAS 39.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

## 2.19 Inventories

Inventories are recognised at the lower of historical cost and net realisable value.

Cost is determined using the weighted-average cost method. The valuation of warehouse inventory is equal to the cost of acquisition plus shipping, duty and transportation costs. The valuation of retail store inventory is composed of the warehouse cost price plus the warehouse-to-retail stores’ transportation costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

## 2.20 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

An impairment loss is recognised in the income statement when there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is considered uncollectible, it is recognised as an expense.

## 2.21 Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents (excluding bank overdrafts) include cash and other short-term investments (marketable securities) with original maturities of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts. In the consolidated statement of financial position, bank overdrafts are presented within borrowings in current liabilities.

## 2.22 Share capital

Ordinary shares are classified as equity.

Preferred Equity Certificates (PECs) were classified as liabilities (see note 27 of this Section).

Costs directly attributable to the issue of new shares are presented as a deduction to equity, net of tax, with no impact on net income.

When the Group buys back its own shares, they are classified as treasury shares at the purchase price and recognised as a deduction from equity for the consideration paid. Gains and losses on disposals of treasury shares are recognised directly in equity, for their amount net of tax, without affecting profit.

No impairment losses are recognised on treasury shares.

## 2.23 Post-employment benefits

Group companies operate various pension schemes, which are all defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of leading corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in personnel expenses, reflects the increase in the defined benefit obligation resulting from employee service in the current year.

Past-service costs, which are the change in the present value of the defined benefit obligation resulting from a plan amendments or curtailments, are recognised immediately in profit or loss.

The interest cost is calculated by applying the discount rate to the defined benefit obligation. This cost is included in other finance expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

## 2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.25 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been delivered in the ordinary course of business from suppliers. These debts are classified as current liabilities if payment is due within 12 months after the reporting date (or in the normal operating cycle of the business if longer). If not, they are classified as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 2.26 Other non-current liabilities

Other non-current liabilities relate only to non-current portion of free rents granted by lessors which is reversed on a straight-line basis over the expected lease term.

## 2.27 Borrowings and other financial debts

Borrowings, including issued bonds, and other financial debts are initially recognised at fair value, net of transaction costs incurred. Borrowings and other financial debts are subsequently carried at amortised cost. Any difference between the amounts (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is the rate used to discount the expected stream of future cash flows (transaction costs included) through to maturity of the financial liability, or a shorter period if appropriate, to the current net carrying amount of the liability on the date of initial recognition.

Fees are deducted from borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 2.28 Current and deferred income tax

The income tax for the period comprises current and deferred tax. Current or deferred income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and their tax bases in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against on which they can be used.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

In accordance with IAS 12, the Group recognises the CVAE tax (France), IRAP tax (Italy) and Gewerbesteuermessbetrag tax (Germany) as an income tax.

The Group recognised deferred tax assets on tax loss carryforwards. A budget forecast has been prepared to document the use of this deferred tax asset within a reasonable period of time.

### 2.29 Contingent assets and liabilities

Depending on the outcome of uncertain future events, contingent assets and liabilities may be recognised by an entity. Details of these are set out in the notes to the consolidated financial statements.

## Note 3 Critical estimates and judgements

The preparation of consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates and judgments that may have an impact on the carrying amount of certain assets, liabilities, proceeds, expenses and on the information provided in the notes to the financial statements.

Estimates and assumptions are reviewed on a regular basis, and at least on each reporting date. They may vary if the circumstances on which they are based change or new information becomes available. Actual results may differ materially from these estimates.

The main estimates made by Management during the preparation of the consolidated financial statements relate to the assumptions used for:

- valuation of intangible assets (goodwill and brand): see notes 2.12 and 2.17 of this Section;
- deferred tax: see note 2.28 of this Section;
- financial instruments and their classification: see note 2.16 of this Section;
- provision for litigations: see note 2.24 of this Section.

## Notes on consolidated income statement

# Note 4 Segment information

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

- France;
- International.

In addition, the corporate segment includes the holding company's activities, including assets that cannot be allocated to any segments and CICE. This segment, which does not include any revenues, mainly comprises overheads related to the legal, finance, human resources and IT departments, as well as expenses related to design, procurement, customer relationship management (CRM) and merchandising.

The Group defines its EBITDA as its current operating profit before other operating income and expenses excluding the following:

i) depreciation, amortization and allowance for provisions and impairment;

ii) the change in fair value of derivative instruments, neither of which has any impact on net income;

iii) the management fees paid to the controlling shareholders (prior to the IPO) to cover their management and structural expenses and,

iv) store pre-opening expenses incurred.

EBITDA by geographical segment includes:

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

Customer Sales and EBITDA related to B2B activity have been fully allocated to the France segment.

This segment information is consistent with the CGU that have been identified for the impairment test (see note 14 of this Section).

| *(in € thousands)* | **Year ended 31 December 2016** | **Year ended 31 December 2015** |
|---|---|---|
| Customer Sales | 881,831 | 699,398 |
| Sales to franchise and promotional sales | 3,253 | 2,003 |
| **Sales of merchandise** | **885,084** | **701,401** |
| **Customer Sales** | **881,831** | **699,398** |
| France | 563,690 | 460,154 |
| International | 318,141 | 239,244 |
| Current operating profit | 68,537 | 65,469 |
| Depreciation, amortization, provisions and impairment | 29,671 | 25,418 |
| Fair value of derivative financial instruments | 20,592 | (2,743) |
| Management fees | 789 | 2,933 |
| Expenses prior to openings | 3,244 | 3,439 |
| **EBITDA** | **122,833** | **94,516** |
| France | 122,757 | 99,998 |
| International | 53,651 | 42,648 |
| Corporate | (53,575) | (48,130) |
| **Goodwill, other intangible assets and property, plant and equipment** | **702,036** | **679,963** |
| France | 333,003 | 328,952 |
| International | 150,719 | 137,115 |
| Corporate | 218,314 | 213,897 |

# Note 5 Revenue

Revenue is broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Customer Sales | 881,831 | 699,398 |
| Sales to franchise and promotional sales | 3,253 | 2,003 |
| **Sales of goods** | **885,084** | **701,401** |
| Contribution to delivery costs | 16,843 | 13,197 |
| Supply chain services | 1,540 | 2,770 |
| Other services | 1,491 | 1,573 |
| Eco-contribution | 1,970 | 1,392 |
| Capitalized production | 2,499 | 1,340 |
| Sundry income | 280 | 1,743 |
| Other Revenue from ordinary activities | 24,623 | 22,015 |
| **TOTAL REVENUE** | **909,707** | **723,416** |

Customer Sales are broken down by channel and product category as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Store network | 712,701 | 578,774 |
| Online sales | 169,130 | 120,624 |
| **TOTAL CUSTOMER SALES** | **881,831** | **699,398** |

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Decoration | 499,776 | 394,463 |
| Furniture | 382,055 | 304,935 |
| **TOTAL CUSTOMER SALES** | **881,831** | **699,398** |

# Note 6 Gross margin

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Customer Sales | 881,831 | 699,398 |
| Cost of sales | (290,087) | (225,292) |
| **Gross margin** | **591,744** | **474,105** |
| ***Gross margin (%)*** | ***67.1%*** | ***67.8%*** |

# Note 7 Personnel expenses

Personnel expenses are broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Wages and salaries | (125,751) | (107,241) |
| Social security costs | (40,391) | (35,310) |
| Share-based payment | (103) | - |
| Employee profit-sharing | (7,032) | (4,892) |
| Post-employment benefits – Defined benefit plans | (935) | (1,104) |
| **TOTAL PERSONNEL EXPENSES** | **(174,212)** | **(148,547)** |

For the year ended 31 December 2016, the Group recorded accrued income of €4.4 million (2015: €4.0 million) related to CICE tax credit (introduced in France in 2013 to encourage competitiveness and employment). This income is accrued under the "personnel expenses" items (social security costs).

The average number of full-time employees (FTE) is 4,704 for the year ended 31 December 2016 (excluding Mekong compared to) and 4,134 for the ended 31 December 2015.

# Note 8 External expenses

External expenses are broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Energy | (17,219) | (14,093) |
| Eco-contribution | (2,086) | (1,392) |
| Rents and related expenses | (97,834) | (85,460) |
| Leases | (6,508) | (5,304) |
| Repairs and maintenance | (13,753) | (10,265) |
| Insurance | (1,671) | (1,469) |
| Outsourced personnel | (18,886) | (10,777) |
| Advertising & marketing | (31,335) | (24,078) |
| Fees | (12,689) | (12,159) |
| Transportation | (87,225) | (65,356) |
| Post & Telecom | (4,266) | (4,442) |
| Travel & entertainment | (6,764) | (5,887) |
| Bank services | (5,540) | (4,382) |
| Taxes and levies | (12,004) | (10,274) |
| Other external expenses | (1,232) | (932) |
| **TOTAL EXTERNAL EXPENSES** | **(319,012)** | **(256,269)** |

Other external expenses are made up of insignificant amounts if taken individually.

## Note 9 Other income and expenses from operations

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

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Pre-opening expenses | (3,244) | (3,439) |
| Gains and losses on disposals (1) | 894 | (450) |
| Commercial disputes & losses (2) | (4,920) | (801) |
| Rents & related expenses (1) | 7 | (351) |
| Other income and expenses from operations | (334) | (123) |
| **TOTAL OTHER OPERATING INCOME/EXPENSES FROM OPERATIONS – NET** | **(7,596)** | **(5,164)** |

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

*(2) Relate mainly to outstandings receivables that were previously impaired and fraudulent payments and write-off of advances to suppliers.*

Other income and expenses are made up of insignificant amounts if taken individually.

## Note 10 Other operating income and expenses

Other operating income and expenses are broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Gains and losses on disposals (1) | 582 | - |
| Provision for closure of store (1) | (23) | 387 |
| Restructuring costs | - | (1,006) |
| Other operating income & expense (2) | (11,697) | - |
| Fees linked to the IPO *(see note 1.3)* | (11,367) | - |
| **TOTAL OTHER OPERATING INCOME/(EXPENSES) – NET** | **(22,505)** | **(619)** |

*(1) Relate to stores not replaced by another Maisons du Monde store in the same area (no relocation).*

*(2) Related to a provision for commercial dispute (see note 29 of this Section).*

## Note 11 Financial profit (loss)

Finance income and expenses are broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Interest on High Yield bond loans | (13,273) | (31,743) |
| Interest on loans, including Revolving Credit Facility | (820) | (1,900) |
| Interest on PECs | (15,800) | (36,110) |
| **Cost of "former" financing net debt** | **(29,893)** | **(69,753)** |
| Interest on long-term loan | (3,723) | - |
| Interests on loans, including Revolving Credit Facility | (1,082) | - |
| **Cost of "new" financing net debt** | **(4,805)** | **-** |
| Proceeds from cash and cash equivalents | 41 | 127 |
| Interest on bank overdrafts | (52) | (33) |
| **Cost of net debt** | **(34,709)** | **(69,659)** |
| Finance leases | (51) | (93) |
| Translation adjustment | 640 | 373 |
| Commission | (1,591) | (1,317) |
| Other finance income & costs* | (36,046) | 10 |
| **FINANCIAL PROFIT (LOSS) – NET** | **(71,757)** | **(70,686)** |

* *Of which:*

- *€19.7 million related to the High Yield bond early redemption fees (see note 1.3 of this Section);*
- *€16.7 million of issuance fees not yet amortized at the date of the termination of the Revolving Credit Facility and at the date of the repayment of the High Yield Bond (see note 1.3 of this Section).*

For further information on the former and the new financing, refer to notes 1.2 and 27 of this Section.

# Note 12 Income tax

Income tax is broken down as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Current income tax | (7,299) | (6,922) |
| Deferred tax | 20,142 | (1,245) |
| **INCOME TAX** | **12,843** | **(8,167)** |

The Group's income tax differs from the theoretical tax which would apply according to the actual tax rate applicable to the results of consolidated companies for the following reasons:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Profit (loss) for the period | (11,969) | (13,923) |
| *Less share of profit of equity-accounted affiliates* | *914* | *80* |
| *Less income tax expense* | *12,843* | *(8,167)* |
| **Profit (loss) before tax** | **(25,726)** | **(5,836)** |
| Theoretical tax rate (1) | 34% | 29% |
| **Theoretical income tax expense (+)/product (-)** | **(8,857)** | **(1,705)** |
| Difference in income tax rates | (839) | 7 |
| Utilisation of previously unrecognised tax loss carryforwards | 3,322 | (305) |
| Tax losses of subsidiaries for which no tax loss carryforwards were recognized | 1,598 | 3,737 |
| Trade Tax (2) | 3,550 | 2,837 |
| Impact of tax credits | (1,943) | (1,750) |
| Impact of permanent differences | 1,045 | 5,346 |
| Other (3) | (10,719) | - |
| **Income tax** | **(12,843)** | **8,167** |

*(1) The theoretical tax rate is the one applicable in the country where the parent company of the Group is established (2015: Luxembourg where Magnolia (BC) Midco S.à.r.l. is established/2016: France where Maisons du Monde S.A. is established).*

*(2) Including CVAE (France), IRAP (Italy) and Gewerbesteuermessbetrag (Germany).*

*(3) Mainly the effect on deferred tax basis of the decrease in French tax rate from 34.43% to 28.9% (in particular on the brand for €11.4 million – see note 19 of this Section), which is the tax rate applied from the beginning of the year 2020 for entities achieving over 1 billion in annual sales.*

The tax effects relating to other comprehensive income (loss) are as follows:

| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Cash-flow hedge | (6,589) | - |
| **Income tax relating to items reclassified to profit or loss** | **(6,589)** | **-** |
| Tax on actuarial dfferences on post-employment benefits | 237 | (45) |
| **Income tax relating to items not reclassified to profit or loss** | **237** | **(45)** |
| **TOTAL INCOME TAX ON OTHER COMPREHENSIVE INCOME (LOSS)** | **(6,352)** | **(45)** |

# Note 13 Earnings per share

## 13.1 Basic earnings per share

| *(in € thousands, unless otherwise stated)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Net profit (loss) for the period attributable to shareholders of the parent | (11,969) | (13,923) |
| Weighted average number of ordinary shares *(in thousands)* | 36,133 | 23,315 |
| **BASIC EARNINGS PER SHARE (IN EUROS)** | **(0.33)** | **(0.60)** |

In compliance with “IAS 33 - Earnings per share”, the weighted average number of ordinary shares for the year 2016 (and for all presently shown periods) has been adjusted to take into account events that impacted the number of outstanding shares without having a corresponding impact on the entity’s resources.

As a consequence of the corporate Group reorganization, Maisons du Monde S.A. became the new parent entity of the Group instead of Luxco 3 as of 31 May 2016. As part of this corporate Group reorganization and before the IPO, the initial number of ordinary shares of Maisons du Monde S.A. as of 1 January 2016 (139,889,001) has increased by 3 shares in order to proceed a reverse stock split that led to a decrease in the number of ordinary shares from 139,889,004 to 23,314,834.

For comparison purposes, this new number of ordinary shares (23,314,834) has been used for the calculation of the weighted average number of outstanding ordinary shares for presented past period and has been considered as the number of shares as of 1 Januar 2016.

In addition, the share capital increases due to the merger with Luxco 3 and the IPO have been taken into account for the calculation of the weighted average number of outstanding ordinary shares for the twelve-month period ended 31 December 2016 and corresponds to a number of ordinary shares of 45,241,894 as of 31 December 2016.

## 13.2 Diluted earnings per share

Following the Group reorganization as well as the share capital increase at the time of the IPO, the share capital of the Group as of 31 December 2016 is composed of ordinary shares of Maisons du Monde S.A.

Diluted earnings per share take into account the weighted average number of performance shares allocated to employees (see note 26 of this Section).

| *(in € thousands, unless otherwise stated)* | Year ended 31 December 2016 | Year ended 31 December 2015 |
|---|---|---|
| Net profit (loss) for the period attributable to shareholders of the parent | (11,969) | (13,923) |
| **Weighted average number of ordinary shares** *(in thousands)* | **36,133** | **23,315** |
| Adjustment for dilutive impact of performance shares | 10 | - |
| **Adjusted weighted average number of ordinary shares** *(in thousands)* | **36,143** | **23,315** |
| **DILUTED EARNINGS PER SHARE (IN EUROS)** | **(0.33)** | **(0.60)** |

## Notes on consolidated balance sheet

# Note 14 Goodwill

### 14.1 Goodwill by cash-generating unit

Management reviews the business performance based on geography. Therefore, management allocates the goodwill at the geographical area-level. For the Group, it has identified France and International geographical areas. The following is a summary of goodwill allocation:

| *(in € thousands)* | France | International | Total |
|---|---|---|---|
| **Balance as of 1 January 2015** | **240,949** | **80,234** | **321,183** |
| Acquisitions | - | - | - |
| Disposals | - | - | - |
| Impairment | - | - | - |
| Translation differences | - | - | - |
| **Balance as of 31 December 2015** | **240,949** | **80,234** | **321,183** |

| | France | International | Total |
|---|---|---|---|
| **Balance as of 1 January 2016** | **240,949** | **80,234** | **321,183** |
| Acquisitions | - | - | - |
| Disposals | - | - | - |
| Impairment | - | - | - |
| Translation differences | - | - | - |
| **Balance as of 31 December 2016** | **240,949** | **80,234** | **321,183** |

### 14.2 Impairment tests for goodwill and other assets

#### a) Cash-generating unit (CGU)

Impairment tests are performed at the level of the cash-generating unit. Goodwill is allocated at the geographical area-level (France and International). Each geographical area represents a group of CGUs, each CGU representing a brick and mortar store or online store.

#### b) Valuation by the discounted cash-flow method

The core assumptions used to determine the recoverable amount of an asset or a CGU or a group of CGUs are consistent with those used to prepare the Group's business plans and budgets approved by governance bodies. Assumptions are based on historical data and past experience and also take into account information from external sources such as sector growth forecasts and forecasts concerning geopolitical and macro-economic developments in the related CGU's.

Main drivers of the business plan are the Customer Sales growth and the gross margin variance.

The Customer Sales growth is made up of the followings:

- like-for-like growth that is the result of both the work done on the collections and the optimization of the two channels: the Group's store network and e-commerce platform;
- network expansion (stores) that illustrates the potential of opening identified by the expansion team in the existing countries.

Regarding the gross margin hypothesis, this is the result of an analysis of the expected evolution on foreign exchange rates combined with the pricing and commercial strategy.

The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital.

### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS AS OF 31 DECEMBER 2016

| | Discount rate (WACC) | Average growth rate over the 5 year period | Perpetual growth rate |
|---|---|---|---|
| France | 9.5% | 6.1% | 1.5% |
| International | 9.7% | 20.3% | 1.5% |
| **TOTAL** | **9.6%** | **12.3%** | **1.5%** |

Average growth rate used for the impairment test is on a like-for-like basis.

### SENSITIVITY TO VARIATIONS OF THE DISCOUNT RATE (WACC)

The carrying value of the CGU France would get higher than the recoverable amount if the discount rate related to France increased by more than 1,050 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the discount rate related to International increased by more than 950 basis points.

### SENSITIVITY TO VARIATIONS OF THE PERPETUAL GROWTH RATE

The carrying value of the CGU France would get higher than the recoverable amount if the perpetual growth rate related to France decreased by more than 3,580 basis points.

The carrying value of the CGU International would get higher than the recoverable amount if the perpetual growth rate related to International decreased by more than 2,430 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 0.88.

The carrying value of the CGU International would get higher than the recoverable amount if the exchange rate EUR/USD was lower than 0.95.

No impairment loss was recorded for 2015 and 2016.

# Note 15 Other intangible assets

## 15.1 Detail of Other intangible assets

| *(in € thousands)* | Brand, Trademarks, licenses, patents | Leasehold rights and similar | Development costs for software developed in-house | Other | Total |
|---|---|---|---|---|---|
| **Net carrying amount as of 1 January 2015** | **208,303** | **26,778** | **1,402** | **329** | **236,811** |
| Acquisitions | 1,249 | 3,350 | 893 | 192 | 5,684 |
| Disposals | (24) | (406) | - | (206) | (636) |
| Amortization (allocations/reversals) | (1,174) | (330) | (746) | (132) | (2,382) |
| Impairment (allocations/reversals) | - | 2,563 | - | - | 2,563 |
| **Net carrying amount as of 31 December 2015** | **208,354** | **31,955** | **1,549** | **183** | **242,040** |

| *(in € thousands)* | Brand, Trademarks, licenses, patents | Leasehold rights and similar | Development costs for software developed in-house | Other | Total |
|---|---|---|---|---|---|
| **Net carrying amount as of 1 January 2016** | **208,354** | **31,955** | **1,549** | **183** | **242,040** |
| Acquisitions | 1,839 | 1,537 | 1,718 | 176 | 5,270 |
| Disposals | (24) | (758) | - | (80) | (862) |
| Amortization (allocations/reversals) | (1,345) | (420) | (764) | (64) | (2,594) |
| Impairment (allocations/reversals) | - | 120 | - | - | 120 |
| **Net carrying amount as of 31 December 2016** | **208,824** | **32,434** | **2,503** | **214** | **243,975** |

## 15.2 Impairment testing of "Maisons du Monde" brand

The carrying amount of the brand would get higher than its recoverable amount if the discount rate increases more than 650 basis points.

The carrying amount of the brand would get higher than its recoverable amount if the growth rate to infinity was decreased by more than 1,400 basis points.

## Note 16 Property, plant and equipment

| *(in € thousands)* | Constructions | Technical installations, industrial equipment and machinery | Other property, plant and equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|
| **Net carrying amount as of 1 January 2015** | **70,797** | **7,089** | **24,492** | **2,528** | **104,906** |
| Acquisitions | 22,250 | 1,395 | 11,555 | 2,555 | 37,755 |
| Disposals | (4,538) | (263) | (2,040) | (2,130) | (8,972) |
| Depreciation (allocations/reversals) | (9,761) | (1,145) | (6,211) | | (17,117) |
| Impairment (allocations/reversals) | 168 | | | | 168 |
| **Net carrying amount as of 31 December 2015** | **78,916** | **7,076** | **27,795** | **2,952** | **116,740** |

| | Constructions | Technical installations, industrial equipment and machinery | Other property, plant and equipment | Fixed assets under construction | Total |
|---|---|---|---|---|---|
| **Net carrying amount as of 1 January 2016** | **78,916** | **7,076** | **27,795** | **2,952** | **116,740** |
| Acquisitions | 25,412 | 3,771 | 15,682 | 3,096 | 47,961 |
| Disposals | (5,703) | (274) | (2,870) | - | (8,847) |
| Depreciation (allocations/reversals) | (10,143) | (2,347) | (6,356) | - | (18,846) |
| Impairment (allocations/reversals) | (272) | - | - | - | (272) |
| Other | 2,265 | 63 | 414 | (2,742) | - |
| Translation differences | 80 | 39 | 20 | 3 | 142 |
| **Net carrying amount as of 31 December 2016** | **90,555** | **8,328** | **34,685** | **3,309** | **136,877** |

The Group is a lessee under a finance lease primarily in respect of technical installations, industrial equipment and machinery but also, to a lesser extent, for other property, plant and equipment, for the following amounts:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Finance leases recorded under assets at acquisition cost | 9,654 | 7,036 |
| Accumulated depreciation | (6,229) | (5,102) |
| **NET CARRYING AMOUNT** | **3,425** | **1,934** |

# Note 17 Equity-accounted affiliates

Set out below are the joint-ventures of the Group as of 31 December 2016.

| *Name of the entity* | Country | % ownership interest | Nature of relationship |
|---|---|---|---|
| Chin Chin Limited | Hong-Kong | 50% | Holding company |
| Shanghai Chin Chin Furnishing | China | 50% | Furniture manufacturing |

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

| | Chin Chin Limited | | Shanghai Chin Chin Furnishing | | Total |
|---|---|---|---|---|---|
| *(in € thousands)* | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 | 31 December 2016 |
| Cash and cash equivalents | - | - | 690 | 1,709 | 690 |
| Other current assets (excluding cash) | 401 | 385 | 6,872 | 6,741 | 7,273 |
| **Total current assets** | **401** | **385** | **7,562** | **8,450** | **7,963** |
| Financial liabilities (excl. trade payables) | - | - | 5,926 | 4,460 | 5,926 |
| Other current liabilities (incl. trade payables) | 1,485 | 1,438 | 6,198 | 9,082 | 7,683 |
| **Total current liabilities** | **1,485** | **1,438** | **12,124** | **13,542** | **13,609** |
| **Non-current assets** | **-** | **-** | **7,752** | **6,441** | **7,752** |
| Financial liabilities | - | - | - | - | - |
| Other liabilities | - | - | - | - | - |
| **Total non-current liabilities** | **-** | **-** | **-** | **-** | **-** |
| **NET ASSETS** | **(1,084)** | **(1,053)** | **3,190** | **1,348** | **2,106** |

## b) Selected financial information on other comprehensive income

The information below reflects the amounts presented in the financial statements of the joint-ventures adjusted for differences in accounting policies between the Group and the joint-venture (and not the joint-venture's shares of those amounts).

| | Chin Chin Limited | | Shanghai Chin Chin Furnishing | | Total |
|---|---|---|---|---|---|
| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 |
| Revenue | - | - | 14,670 | 14,836 | 14,670 |
| Depreciation, amortisation, provisions and impairment | - | - | (541) | (563) | (541) |
| Interest income | 4 | 4 | 9 | 21 | 13 |
| Interest expense | - | - | (303) | (422) | (303) |
| Income tax | - | - | (879) | (156) | (879) |
| **Profit/(loss) for the period** | **(4)** | **(5)** | **1,834** | **166** | **1,830** |
| Other comprehensive income | (19) | - | (1) | - | (20) |
| **TOTAL COMPREHENSIVE (EXPENSE)/INCOME** | **(23)** | **(5)** | **1,833** | **166** | **1,810** |
| Dividends received from joint-ventures | - | - | - | - | - |

### c) Reconciliation of summarised financial information

Set out below is the reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint-venture.

| | Chin Chin Limited | | Shanghai Chin Chin Furnishing | | Total |
|---|---|---|---|---|---|
| *(in € thousands)* | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 | 31 December 2016 |
| **Opening net assets 1st January** | **(169)** | **(107)** | **441** | **269** | **271** |
| Business acquisition of MDM Group | - | - | - | - | - |
| Profit/(loss) for the period | (4) | (5) | 1,834 | 166 | 1,830 |
| Other comprehensive income | (19) | (57) | (1) | 6 | (20) |
| **Closing net assets** | **(192)** | **(169)** | **2,274** | **441** | **2,082** |
| Interest in joint-venture at 50% | (96) | (85) | 1,137 | 220 | 1,041 |
| Goodwill | - | - | - | - | - |
| **Carrying value** | **(96)** | **(85)** | **1,137** | **220** | **1,040** |

## Note 18 Other non-current financial assets

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Equity securities (1) | 2,352 | 2,295 |
| Loans | 2 | 2 |
| Other financial assets (2) | 14,276 | 12,308 |
| Advances and payments on property, plant and equipment | 1,388 | 1,893 |
| **TOTAL OTHER NON-CURRENT FINANCIAL ASSETS** | **18,018** | **16,499** |

(1) *Equity securities mainly correspond to investments in economic interest groups (groupements d'intérêt économique) acquired at opening of stores for €2.3 million.*

(2) *Other financial assets relate mainly to deposits and guarantees paid or granted to the lessor of the store, warehouses, headquarters and facilities for €12.2 million.*

# Note 19 Deferred income tax assets and liabilities

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

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Deferred tax assets | 21,002 | 15,904 |
| Deferred tax liabilities | (62,823) | (74,789) |
| **TOTAL DEFERRED TAX ASSETS/(LIABILITIES) – NET** | **(41,821)** | **(58,884)** |

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

Movements in deferred income tax assets and liabilities are shown in the table below:

| *(in € thousands)* | Brand | Tax loss carryforwards | Temporary differences | Hedging instruments | Key money and similar | Rent waivers | Others | Total |
|---|---|---|---|---|---|---|---|---|
| **31 December 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 | (101) | (1,245) |
| Change in equity | - | - | - | - | - | - | (45) | (45) |
| **31 December 2015** | **(71,088)** | **13,970** | **2,345** | **(8,303)** | **2,743** | **3,404** | **(1,956)** | **(58,884)** |
| Change in P&L | 11,424 | 3,428 | 1,052 | 7,091 | (238) | 85 | (2,700) | 20,142 |
| Change in equity | - | - | - | (6,589) | - | - | 3,509 | (3,080) |
| **31 December 2016** | **(59,664)** | **17,398** | **3,397** | **(7,801)** | **2,505** | **3,489** | **(1,147)** | **(41,821)** |

Deferred tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group recognized a deferred tax asset on losses available for carry forward. A budget forecast has been prepared to identify the use of this deferred tax asset within a reasonable period of time.

Tax losses carried forward are detailed in the table below:

| *(in € thousands)* | France (tax consolidation) | Germany | Spain | Luxembourg | | Total tax loss carryforwards |
|---|---|---|---|---|---|---|
| **Loss carryforwards until** | | | | | | |
| 2017 | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - |
| Loss carryforwards undefinitely | 49,227 | 2,854 | - | - | | 52,081 |
| **TOTAL LOSS CARRYFORWARDS 2016** | **49,227** | **2,854** | **-** | **-** | **-** | **52,081** |
| *Of which not recognized* | - | - | - | - | - | - |
| **TOTAL LOSS CARRYFORWARDS 2015** | **38,724** | **1,962** | **179** | **34,085** | **-** | **74,950** |
| *Of which not recognized* | - | - | - | *34,085* | | *34,085* |

# Note 20 Inventories

The carrying amounts of inventories are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Packaging and supplies | 2,379 | 1,587 |
| Semi-finished products | 1,036 | 726 |
| Merchandise | 167,651 | 99,949 |
| **Gross value** | **171,066** | **102,262** |
| Impairment | - | - |
| **Net carrying amount** | **171,066** | **102,262** |

The absence of provision is explained by the depletion of inventory at a price higher than cost.

# Note 21 Trade receivables and other receivables

Trade receivables and other receivables are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Trade receivables | 9,973 | 11,037 |
| Impairment | (1,138) | (1,715) |
| **Trade receivables – net** | **8,835** | **9,322** |
| Supplier advances | 11,008 | 11,362 |
| Supplier receivables | 1,179 | 1,921 |
| Taxes and duties (VAT, Business Tax, etc.) | 12,910 | 8,255 |
| Other receivables | 1,719 | 1,197 |
| Prepaid expenses | 14,452 | 13,865 |
| **Other receivables** | **41,268** | **36,599** |
| **TOTAL TRADE AND OTHER RECEIVABLES** | **50,103** | **45,922** |

All receivables have a maturity date shorter than one year.

Prepaid expenses are mainly made up of key money (pas-de-porte) (€1.1 million as of 31 December 2016 and €1.2 million as of 31 December 2015), next quarter's rents (€8.1 million as of 31 December 2016 and €7.4 million as of 31 December 2015) and next year's catalogue related expenses (€2.2 million as of 31 December 2016 and €2.5 million as of 31 December 2015).

# Note 22 Other current financial assets

Other current financial assets are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Receivables from related parties | 419 | 524 |
| Impairment | - | - |
| **TOTAL OTHER CURRENT FINANCIAL ASSETS** | **419** | **524** |

## Note 23 Other non-current assets

The “Other non-current assets” correspond to the leasehold rights (€8.3 million), referred to as key money (Pas-de-porte), which are recognized as rents on a straight-line basis over the estimated term of the lease (see note 2.12 c of this Section). The current part of the “Pas-de-porte” is recorded under “Trade and other receivables”.

## Note 24 Derivative financial instruments

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

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *(in € thousands)* | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Forward foreign exchange contracts | 22,658 | - | 23,840 | - |
| Accumulated Boost Forward Contracts | - | - | 274 | - |
| **TOTAL DERIVATIVE FINANCIAL INSTRUMENTS** | **22,658** | **-** | **24,114** | **-** |

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 $353.1 million as of 31 December 2016 and $392.1 million as of 31 December 2015.

For the period ended 31 December 2015, the Group did not apply hedge accounting. As a consequence, changes in fair value were directly recognised in profit or loss within “Change in fair value – derivative financial instruments” included under “Current operating profit before other operating income and expenses”.

Since 1 January 2016, the Group applies hedge accounting. Change in fair value attributable to the effective portion is directly recognized in equity in other comprehensive income. Change in fair value attributable to the ineffective portion is recognized in the income statement under “Current operating profit before other operating income and expenses”.

The amount recognized directly in equity at the end of December 2016 is €19.1 million. The amount recognized in the profit or loss, in current result, for €(20.6) million corresponds to the derivatives instruments existing at the end of December 2015 and used during the year 2016 as well as the time value for the change in fair value of hedging instruments.

## Note 25 Cash and cash equivalents

Cash and cash equivalents (excluding bank overdrafts) are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Cash at bank and in hand | 60,317 | 76,398 |
| Short term investments & cash equivalent | - | - |
| **TOTAL CASH AND CASH EQUIVALENTS** | **60,317** | **76,398** |

Short term investments (such as investments in SICAVs and certificates of deposit) are short-term investments (less than 3 months) which are subject to an insignificant risk of changes in value.

Bank overdrafts are presented as borrowings under “Current liabilities”.

# Note 26 Equity

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to shareholders.

In line with the targets announced at the time of the IPO, the Board of Directors has decided to ask shareholders to approve a cash dividend of €0.31 per share for the year ended 31 December 2016, representing a payout ratio of 35% based on Group adjusted net income (restatement of IPO related fees, normative cost of net debt, normative income tax rate).

## 26.1 Shares

As a consequence of the Group reorganization described in note 1.1 of this Section, the new parent company is Maisons du Monde S.A.

| *(in € thousands)* | **Number of shares** *(in thousands)* | **Share capital** | **Share premium** | **Total** |
|---|---|---|---|---|
| **Balance as of 31 December 2015** | **55,450** | **5,545** | **49,905** | **55,450** |
| Cancellation Stockholder's equity Luxco 3 | (55,450) | (5,545) | (49,905) | (55,450) |
| Maisons du Monde S.A. as new parent | 23,315 | 75,540 | 11,747 | 87,287 |
| May 31 – Increase in capital due to the merger | 12,515 | 40,550 | - | 40,550 |
| May 31 – Increase in capital due to the IPO | 9,412 | 30,494 | 123,212 | 153,706 |
| **Balance as of 31 December 2016** | **45,242** | **146,584** | **134,959** | **281,543** |

The share capital as of 31 December 2016 is composed of 45,241,894 ordinary shares of Maisons du Monde S.A. Based on a par value of €3.24 per share, Maisons du Monde S.A.'s share capital amounted to €146,583,736.56 as at 31 December 2016.

## 26.2 Treasury shares

Treasury shares are Maisons du Monde S.A. shares held by the Group as part of a liquidity contract, in accordance with an Ethics Charter established by the French association of financial markets (AMAFI charter) and approved by the French financial markets authority (Autorité des marchés financiers). As of 31 December 2016, the Group held 15,252 treasury shares under this liquidity contract.

## 26.3 Share-based payments

### a) Performance share plans

The 38th resolution adopted by the Extraordinary shareholder's meeting held on 29 April 2016 authorizes the Board of Directors to grant free shares to Group employees, up to a maximum of 10% of the Company's share over a 18-month period. Under this authority, the Board of Directors adopted two different plans on 25 October 2016 (*Plan d'actions gratuites n°1*) and 16 December 2016 (*Plan d'actions gratuites n°2*) governing the attribution of performance shares to beneficiaries.

Performance shares are subject to:

- a continued service requirement during the vesting period: the shares granted to a beneficiary shall only finally vest if he or she has been an employee of a Group company during a vesting period, calculated as from the grant date, of one year for *Plan d'actions gratuites n°1* beneficiaries and three years for *Plan d'actions gratuites n°2* beneficiaries. In the event of death, disability or retirement, the beneficiary retains his rights, being no longer required to satisfy the continued service requirement;
- performance requirements based on Customer Sales level for the *Plan d'actions gratuites n°1* and Customer Sales, EBITDA and earning per share level (depending on employees) for *Plan d'actions gratuites n°2*;
- a holding requirement: as from the final grant date, the beneficiaries are required to hold their shares for one year at least.

The granted shares shall be either shares issued through a capital increase performed by the Company by no later than the definitive vesting date or shares bought back by the Company in the market prior to such date the Board of Directors decided that these awards would be made by the issue of new shares (capital increase).

On 25 October 2016 and 16 December 2016, the Board of Directors decided to grant respectively 14,411 (4 beneficiaries) and 155,600 (298 beneficiaries) performance shares to employees.

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

The performance conditions as defined were deemed to have been fully met at the valuation date.

| | **2016** | |
|---|---|---|
| | **Plan n°1** | **Plan n°2** |
| *(in € thousands)* | **25 October 2016** | **16 December 2016** |
| Duration of plan | 1 year | 3 years |
| Fair value of performance shares *(in €)* | 24.52 | 22.51 |

As part of the performance share award plans, an expense of €0.1 million (excluding social charges) was recognized under personnel expenses in the income statement in 2016, with a corresponding increase in equity.

# Note 27 Net debt, borrowings and other financial debts

## 27.1 Net debt

In connection with the IPO, the Group has refinanced and repaid certain of its outstanding indebtedness. The refinancing is designed in particular to improve the Group's leverage ratio and reduce its interest expense.

Borrowings and other financial debts are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Non-current borrowings and other financial debts** | | |
| PECs *(see a)* | - | 380,490 |
| High Yield bond *(see b)* | - | 312,433 |
| Revolving Credit Facility *(see c)* | - | (1,858) |
| **"Former" financing** | **-** | **691,065** |
| Long-term loan *(see d)* | 247,595 | - |
| Revolving Credit Facility *(see d)* | (706) | - |
| Loans and debt contracted with credit institutions: | | |
| • finance leases | 2,316 | 819 |
| Deposits | 383 | 390 |
| **"New" financing** | **249,588** | **1,209** |
| **TOTAL NON-CURRENT BORROWINGS AND OTHER FINANCIAL DEBTS** | **249,588** | **692,274** |
| **Current borrowings and other financial debts** | | |
| High Yield bond *(see b)* | - | 9,250 |
| Revolving Credit Facility *(see c)* | - | (603) |
| Accrued interest on PECs *(see a)* | - | 15,349 |
| **"Former" financing** | **-** | **23,996** |
| Long-term loan *(see d)* | (257) | - |
| Revolving Credit Facility *(see d)* | 34,880 | - |
| Loans and debt contracted with credit institutions: | | |
| • finance leases | 1,115 | 1,176 |
| • bank overdraft | 642 | 1,625 |
| **"New" financing** | **36,380** | **2,801** |
| **TOTAL CURRENT BORROWINGS AND OTHER FINANCIAL DEBTS** | 36,380 | 26,797 |
| **TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS** | **285,968** | **719,071** |

All the borrowings and other financial debts are denominated in euros as at 31 December 2016 and as at 31 December 2015.

### a) PECs

In August 2013, Luxco 3 issued Preferred Equity Certificates (the "PECs") to Magnolia (BC) S.C.A. for a total amount of €314.2 million. The PECs 1 bore interest at a rate of 10.0381% *per annum*. Interest not paid was capitalized.

Due to the Group reorganization and in particular the merger with intermediary holding companies (See note 1.1 of this Section), the amount of PECs as at 31 May 2016 has been cancelled.

### b) High Yield bond

On 31 July 2013, the Group issued Senior Notes for an amount of €325 million (the "Notes"). The Notes bore interest at a rate of 9%. Issuance costs amounted to €21 million. The effective interest rate was therefore 10.58% *per annum*. The Notes were listed on the Dublin Stock Exchange.

The Notes have been repaid in full in connection with the refinancing of the Group, including an early redemption premium for €19.7 million (see note 1.2). The residual issuance costs as at the repayment date, which had been amortized over the duration of the Notes according to the effective interest rate method, were recorded in the net financial income of the period (see note 11 of this Section).

### c) Revolving Credit Facility

On 6 September 2013, the Group entered into a Revolving Credit Facility with Natixis for a total amount of €60 million (the "RCF"). The RCF bore interest at a rate of Euribor 1, 3 or 6 months +4% margin. Issuance costs amounted to €4.3 million.

The RCF has been repaid in full as part of the refinancing of the Group (see note 1.2 of this Section). The residual issuance costs as at the repayment date, which had been amortized on a straight line basis over the drawdown period of the RCF, were recorded in the net financial income of the period (see note 11 of this Section).

### d) Senior Credit Facilities ("Long-term credit line" and "RCF")

On 18 April 2016, the Group entered into a Senior Credit Facility with a syndicate of international banks. This Senior Credit Facility comprises a €250 million long-term credit line and a €75 million Revolving Credit Facility (of which €35 million drawn as at 31 December 2016). It is repayable on 31 May 2021. Issuance costs amounted to €4.5 million (of which €3.5 million for the long-term credit line and €1 million for the RCF).

Issuance costs are amortized over the maturity of the Senior Credit Facilities based on the interest effective rate for the long-term credit line and a straight line basis for the RCF.

The corresponding financial expenses are breakdown as follows:

| | Financial expenses | | | |
|---|---|---|---|---|
| | **Interest rate** | **Margin** | **Commitment fees** | **Utilization fees** |
| Long-term credit line | Euribor 6 month | 2.25% | n/a | n/a |
| Revolving Credit Facility – *available for drawing* | n/a | n/a | 2.25% | n/a |
| Revolving Credit Facility – *amount drawn* | Euribor 1, 3 or 6 month* | 2.25% | n/a | |
| *Less than €25 million* | | | | *0.1%* |
| *Between €25 million and €50 million* | | | | *0.2%* |
| *More than €50 million* | | | | *0.4%* |

* *The applicable Euribor period depends on the interest rate period applicable to the relevant drawdow.*

From 1 June 2017, the applicable margin for the next 12-months-period will be the percentage *per annum* set out below, depending on the Leverage ratio:

| Leverage ratio | Margin |
|---|---|
| greater than 3.50:1 | 2.50% |
| Equal to or less than 3.50:1 but greater than 3.00:1 | 2.25% |
| Equal to or less than 3.00:1 but greater than 2.50:1 | 2.00% |
| Equal to or less than 2.50:1 but greater than 2.00:1 | 1.75% |
| Equal to or less than 2.00:1 but greater than 1.50:1 | 1.50% |
| Equal to or less than 1.50:1 but greater than 1.00:1 | 1.25% |
| Equal to or less than 1.00:1 | 1.00% |

This Senior Credit Facility agreement includes a financial covenant under which the leverage ratio may not exceed the ratio set out in the table below for each period:

| Relevant period | Leverage ratio |
|---|---|
| Maturing 30 June 2017 | 4.50:1 |
| Maturing 31 December 2017 | 4.25:1 |
| Maturing 30 June 2018 | 4.00:1 |
| Maturing 31 December 2018 | 3.75:1 |
| Maturing 31 December 2019 | 3.75:1 |
| Maturing 31 December 2020 | 3.75:1 |

The leverage ratio is the ratio of total net debt on the last day of the period in question to pro forma Consolidated EBITDA for this same period.

## 27.2 Maturity of borrowings and other financial debts

As of 31 December 2016, the maturity of borrowings and other financial debt breaks down as follows:

| | Maturity as of 31 December 2016 | | | |
|---|---|---|---|---|
| *(in € thousands)* | Less than 1 year | From 1 to 5 years | More than 5 years | Total |
| Long-term credit line | (257) | 247,595 | - | 247,338 |
| Revolving Credit Facility | 34,880 | (706) | - | 34,174 |
| Finance leases | 1,115 | 2,316 | - | 3,431 |
| Deposits | - | - | 383 | 383 |
| Bank overdraft | 642 | - | - | 642 |
| **TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS** | **36,380** | **249,205** | **383** | **285,968** |

## 27.3 Fixed and variable rate

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Floating rate | 282,425 | 130 |
| Fixed rate | 3,543 | 718,941 |
| **TOTAL BORROWINGS AND OTHER FINANCIAL DEBTS** | **285,968** | **719,071** |

Since refinancing of the Group, floating rate only relates to principal and interest on the long-term credit line and RCF whereas it related only to principal and interest on RCF before refinancing.

## 27.4 Variation in net debt

| | | Cash impact | | | | Without cash impact | | |
|---|---|---|---|---|---|---|---|---|
| *(in € thousands)* | 31 December 2015 | Increase | Decrease | Issuance fees | Interest | Change effect | Other | 31 December 2016 |
| PEC | 395,839 | - | - | - | 15,800 | - | (411,639) | - |
| High Yield bond | 321,683 | - | (349,294) | 15,423 | 12,188 | - | - | - |
| Revolving Credit Facility | (2,461) | - | (655) | 2,591 | 525 | - | - | - |
| **"Former" financing** | **715,061** | **-** | **(349,949)** | **18,014** | **28,513** | **-** | **(411,639)** | **-** |
| Long-term credit line | - | 246,553 | (2,938) | 379 | 3,344 | - | - | 247,338 |
| Revolving Credit Facility | - | 33,966 | (1,208) | 121 | 1,295 | - | - | 34,174 |
| **"New" financing** | **-** | **280,519** | **(4,146)** | **501** | **4,639** | **-** | **-** | **281,512** |
| Finance Lease Debt | 1,995 | - | (1,343) | - | - | - | 2,779 | 3,431 |
| Vendor Loan | - | - | (62,798) | - | - | - | 62,798 | - |
| Deposits | 390 | - | (7) | - | - | - | - | 383 |
| Banks overdrafts | 1,625 | - | (983) | - | - | - | - | 642 |
| Cash and cash equivalents | (76,398) | - | 16,081 | - | - | - | - | (60,317) |
| **TOTAL NET DEBT** | **642,673** | **280,519** | **(403,145)** | **18,514** | **33,152** | **-** | **(346,062)** | **225,651** |

## Note 28 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 defined benefit obligations are broken down by country as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| France | 2,411 | 1,622 |
| Italy | 3,668 | 3,033 |
| **DEFINED BENEFIT OBLIGATION** | **6,079** | **4,655** |

The movements in the defined benefit obligation over the years presented are as follows:

| *(in € thousands)* | Defined benefit obligation |
|---|---|
| **Balance as of 31 December 2014** | **3,738** |
| Current service cost | 1,104 |
| Interest expense/(income) | 85 |
| **TOTAL EXPENSE/(INCOME)** | 1,189 |
| Actuarial (gains) and losses - demographic assumptions | 4 |
| Actuarial (gains) and losses - financial assumptions | (138) |
| Experience (gains)/losses | 13 |
| **TOTAL ACTUARIAL (GAINS) AND LOSSES GENERATED ON THE COMMITMENT** | (121) |
| Employer contributions | - |
| Other contributions | - |
| Benefits paid | (151) |
| **TOTAL PAYMENTS** | (151) |
| **Balance as of 31 December 2015** | **4,655** |
| Current service cost | 936 |
| Interest expense/(income) | 109 |
| **TOTAL EXPENSE/(INCOME)** | 1,045 |
| Actuarial (gains) and losses - demographic assumptions | 263 |
| Actuarial (gains) and losses - financial assumptions | 256 |
| Experience (gains)/losses | 189 |
| **TOTAL ACTUARIAL (GAINS) AND LOSSES GENERATED ON THE COMMITMENT** | 708 |
| Employer contributions | - |
| Other contributions | - |
| Benefits paid | (329) |
| **TOTAL PAYMENTS** | **(329)** |
| **CARRYING AMOUNT AS OF 31 DECEMBER 2016** | **6,079** |

The significant actuarial assumptions were as follows:

| | Year ended 31 December 2016 | | Year ended 31 December 2015 | |
|---|---|---|---|---|
| | France | Italy | France | Italy |
| Discount rate | 1.70% | 1.55% | 2.20% | 1.94% |
| Turnover rate | 0.00% to 11.60% | 10% | 4.00% to 15.70% | 10% |
| Mortality rate | INSEE 2009-2011 | IPS55 | INSEE 2009-2011 | IPS55 |
| Future salary increase rate | 1.50% to 2.50% | 1.50% | 1.50% to 2.50% | 1.50% |
| Retirement age | 62-64 | 68 | 62-64 | 68 |

Turnover rates for France for the years ended 31 December 2016 and 2015 are based on internal statistics over the last 3 years per entity, age category and category of personnel.

The sensitivity of the commitment to a variation of 0.5% of the discount rate, all other things remaining unchanged, breaks down as follows at 31 December 2016.

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| *(in € thousands)* | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.50% | (505) | 558 |

The estimated amount of payments to be paid out in 2017 is €532 thousand.

As of 31 December 2016, the average duration of the Group’s benefit obligation was 17.6 years (17.4 years as of 31 December 2015).

# Note 29 Provisions

| *(in € thousands)* | Provisions for commercial disputes | Provisions for labor disputes | Provisions relating to stores (closures and lease disputes) | Tax Provisions | Total |
|---|---|---|---|---|---|
| **Balance as of 1 January 2015** | **908** | **1,049** | **342** | **625** | **2,923** |
| Additionnal provisions | 865 | 684 | 120 | 71 | 1,740 |
| Unused amounts reversed | (689) | (416) | - | (3) | (1,108) |
| Amounts used reversed | (276) | (375) | (357) | (253) | (1,261) |
| Translation differences | - | - | - | - | - |
| Reclassification | - | - | - | - | - |
| **Balance as of 31 December 2015** | **808** | **942** | **105** | **440** | **2,295** |
| *Of which non-current* | *808* | *942* | *38* | *406* | *2,194* |
| *Of which current* | - | - | *67* | *34* | *101* |
| **Balance as of 1 January 2016** | **808** | **942** | **105** | **440** | **2,295** |
| Additionnal provisions | 12,502 | 742 | 335 | 556 | 14,135 |
| Unused amounts reversed | (188) | (471) | (134) | (597) | (1,390) |
| Amounts used reversed | (268) | (174) | (67) | (67) | (576) |
| Translation differences | - | - | - | - | - |
| Reclassification | - | - | - | - | - |
| **Balance as of 31 December 2016** | **12,854** | **1,039** | **239** | **332** | **14,464** |
| *Of which non-current* | *12,839* | *923* | *101* | *126* | *13,989* |
| *Of which current* | *15* | *116* | *138* | *206* | *475* |

Maisons du Monde France S.A.S. is party to a legal proceeding in front of 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. DABAG subsequently entered receivership in February 2005. DABAG and the court-appointed receiver subsequently brought a claim alleging that the Group had not paid 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.

On 25 November 2016 the Commercial Court of Albi, France, condemned Maisons du Monde France S.A.S. to pay €11.7 million for damages and interests because the commercial court considered the contract was wrongfully terminated.

The Group believes this claim is without merit and intends to defend vigorously. Therefore the Group appealed this judgment in December 2016. However, as a result of the judgement of the Commercial Court of Albi, the Group decided to book a provision for the amount of the sentence while waiting for the next hearing which is scheduled for March 2017.

# Note 30 Trade and other payables

Trade and other payables are broken down as follows:

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Trade payables | 102,988 | 72,454 |
| Advances on customer orders | 23,974 | 18,630 |
| Social and tax payables | 50,290 | 44,799 |
| Amounts payable on fixed assets | 9,644 | 6,101 |
| Deferred revenue | 5,990 | 9,829 |
| **TOTAL TRADE AND OTHER PAYABLES** | **192,885** | **151,812** |

Deferred revenue mainly includes goods not delivered.

# Note 31 Other non-current liabilities

The “Other non-current liabilities” correspond to the rent waivers negotiated at the initiation of a lease contract (€10.9 million), which are recognized on a straight-line basis over the estimated lease term. The current part of the rent waiver is recorded under the “Trade and other payables item”.

# Note 32 Financial instruments

## 32.1 Financial instruments by category

| *(in € thousands)* | Loans and receivables | Fair value through P&L | Hedging derivatives | Total | Fair value |
|---|---|---|---|---|---|
| **Assets – 31 December 2016** | | | | | |
| Other non-current financial assets | 18,018 | - | - | 18,018 | 18,018 |
| Trade receivables | 8,835 | - | - | 8,835 | 8,835 |
| Other receivables (excl. Prepaid expenses and tax assets due) | 26,816 | - | - | 26,816 | 26,816 |
| Other current financial assets | 419 | - | - | 419 | 419 |
| Derivative financial instruments | - | - | 22,658 | 22,658 | 22,658 |
| Cash and cash equivalents | 60,317 | - | - | 60,317 | 60,317 |
| **TOTAL** | **114,404** | **-** | **22,658** | **137,062** | **137,062** |

| *(in € thousands)* | Other financial liabilities | Fair value through P&L | Hedging derivatives | Total | Fair value |
|---|---|---|---|---|---|
| **Liabilities – 31 December 2016** | | | | | |
| Borrowings | 285,968 | - | - | 285,968 | 285,968 |
| Derivative financial instruments | - | - | - | - | - |
| Trade and other payables (excl. Deferred revenue) | 186,895 | - | - | 186,895 | 186,895 |
| Other current liabilities | 6 | - | - | 6 | 6 |
| **TOTAL** | **472,869** | **-** | **-** | **472,869** | **472,869** |

| *(in € thousands)* | Loans and receivables | Fair value through P&L | Hedging derivatives | Total | Fair value |
|---|---|---|---|---|---|
| **Assets – 31 December 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 tax assets due) | 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 | 76,398 | - | - | 76,398 | 76,398 |
| **TOTAL** | **125,477** | **24114** | **-** | **149,591** | **149,591** |

| *(in € thousands)* | Other financial liabilities | Fair value through P&L | Hedging derivatives | Total | Fair value |
|---|---|---|---|---|---|
| **Liabilities – 31 December 2015** | | | | | |
| Borrowings | 719,071 | - | - | 719,071 | 876,788 |
| Derivative financial instruments | - | - | - | - | - |
| Trade 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** |

## 32.2 Fair value estimation

The concept of fair value shall be understood to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a three-level fair value hierarchy under IFRS 13:

- level 1: fair value is measured by reference to quoted prices in active markets for identical assets or liabilities;
- level 2: fair value is measured by reference to inputs other than quoted market prices included within level 1, which are observable for the asset or liability, either directly (price) or indirectly (inputs derived from price);
- level 3: fair value is measured by reference to information on the asset or liability that are not observable (unobservable inputs) in the market.

| *(in € thousands)* | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Balance as of 31 December 2016** | | | |
| Derivative financial instruments | - | 22,658 | - |
| **Balance as of 31 December 2015** | | | |
| Derivative financial instruments | - | 24,114 | - |
| Borrowings | - | - | 876,788 |

Financial risk management

# Note 33 Financial risk management

In the course of its activities, the Group is mainly exposed to foreign exchange risk, liquidity risk and credit risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge its foreign exchange risk exposures. In this case, the Group only enters into derivative transactions related to operating and/or financial assets and liabilities or forecast future transactions. The Group does not enter into any speculative transactions without underlying assets or liabilities.

Risk management is carried out by the Group's Treasury Department and the Chief Financial Officer, under policies approved by the Board of Directors.

## 33.1 Financial risks factor

### a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's subsidiaries' functional currency which is the Euro, for most of them.

A majority of the Group's purchases from suppliers and sea freight costs are denominated in US dollars, and is therefore exposed to fluctuations on the translation into euros of its foreign currency liabilities. The Group hedges all of its US dollar transactions using forward contracts and Accumulated Boost Forward Contracts negotiated with leading banks. Hedging is part of the forecast/budget process.

The fair value of foreign currency financial instruments was €22.7 million as of 31 December 2016, compared to €24.1 million as of 31 December 2015.

The Group adopts a centralized approach to foreign exchange risk management. Permission of Group CFO is required before a foreign exchange transaction may be undertaken, under policies approved by the Board of Directors.

In addition, the Group sales in UK and Switzerland are denominated in local currency but foreign exchange risk is limited given the volume of sales in these currencies.

### b) Interest rate risk

The Group gross indebtedness exposed to interest rate fluctuations amounted to €282.4 million as of 31 December 2016, compared to €0.1 million as of 31 December 2015.

An increase in interest rates by 100 basis points (+1%) across all yield curves would have an effect of approximately +€2.2 million on the Group's annual financial expenses before tax, assuming outstanding debt remains constant. A decrease won't have any effect as the applicable rates at the end of year 2016 are nil.

If the interest rates rise, the Group will consider using hedging instruments.

### c) Liquidity risk

Financial liabilities mainly comprise borrowings and trade and other payables. These liabilities may expose the Group to liquidity risk in the event of early repayment or short maturity.

In order to manage its liquidity risk, the Group contracts revolving credit contracts or bank facilities for an appropriate amount and maturity to ensure that it has adequate available funds to meet its commitments with various financial institutions. The total amount of credit facility that was not used as of 31 December 2016 is €40 million, compared to €60 million as of 31 December 2015. The Revolving Credit Facility Agreement includes a financial covenant which is calculated and monitored half-yearly from 30 June 2017 on a rolling twelve-month basis by reference to our annual consolidated financial statements (see note 27.1 of this Section). As of 31 December 2016, the Group is not in breach of this covenant.

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

| (in € thousands) | Contractual cash flows as of 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total | Less than 1 year | From 1 to 5 years | More than 5 years |
| Long-term credit line | 250,000 | 250,000 | - | 250,000 | - |
| Interest on long-term credit line* | 406 | 17,344 | 4,531 | 12,813 | - |
| Issuance fees related to long-term credit line | (3,068) | - | - | - | - |
| Revolving Credit Facility | 35,000 | 35,000 | 35,000 | - | - |
| Interest on RCF | 87 | 5,203 | 1,359 | 3,844 | - |
| Issuance fees related to RCF | (912) | - | - | - | - |
| Finance leases | 3,431 | 3,431 | 1,115 | 2,316 | - |
| Deposits | 383 | 383 | - | - | 383 |
| Bank overdraft | 642 | 642 | 642 | - | - |
| **TOTAL BORROWINGS** | **285,968** | **312,003** | **42,648** | **268,972** | **383** |
| Other non current liabilities | 10,879 | 10,879 | - | 4,269 | 6,610 |
| Trade and other payables | 192,885 | 192,885 | 192,885 | - | - |
| **TOTAL OTHER LIABILITIES** | **203,764** | **203,764** | **192,885** | **4,269** | **6,610** |

* *The contractual cash-flows for interests on the long-term credit line and RCF are based on the following assumptions: a rate of 2.25% until 31 May 2017 then 1.50% from 1 June 2017, which are the minimum contractual rate, for the presented periods (see note 27.1 of this Section).*

| (in € thousands) | Contractual cash flows as of 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | 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 | - |
| Interest on High Yield bond | 12,106 | 146,250 | 29,250 | 117,000 | - |
| Issuance fees related to High Yield bond | (15,423) | - | - | - | - |
| Interest on 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 |
| Interest 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** |

Borrowings are all in euros.

### d) Credit risk

Credit risk relates to cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as customer credit, including doubtful receivables.

Customer Sales (store and e-commerce) are mostly settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk through exposure to individual customers.

## 33.2 Fair value estimation

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2016:

| | Notes | IAS 39 measurement principles | IFRS 7 Fair value hierarchy |
|---|---|---|---|
| **Financial assets:** | | | |
| Derivatives | 24 | Fair value | 2 |
| Trade receivables and other receivables | 21 | Amortised cost | N/A |
| Cash and cash equivalents | 25 | Fair value | 1 |
| Other current/non current financial assets | 18 & 22 | Amortised cost | N/A |
| **Financial liabilities:** | | | |
| Borrowings and debt (excl. Bank overdrafts) | 27 | Amortised cost | N/A |
| Derivatives | 24 | Fair value | 2 |
| Bank overdrafts | 27 | Fair value | 1 |
| Trade and other payables | 30 | Amortised cost | N/A |

## Additional information

# Note 34 Off-balance sheet commitments

### 34.1 Secured debt

Following the refinancing of the Group, the guarantees related to the High Yield bond and the previous Revolving Credit Facility (see note 37.1 of the consolidated financial statements for the year ended 31 December 2015) have been cancelled.

The shares of Maisons du Monde S.A., Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain are pledged to guarantee the new long-term credit line of €250 million as well as the new Revolving Credit Facility of €75 million.

### 34.2 Operating lease commitments – 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. Most 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.

Rents and related expenses amounted to €97.8 million for the year ended 31 December 2016 compared to €85.5 million for the year ended 31 December 2015.

3.92% of our leases expired in 2016. Between 2017 and 2020, 21.57% of our leases will expire.

The minimum commercial lease commitments are as follow:

| | As of 31 December 2016 | | | |
|---|---|---|---|---|
| *(in € thousands)* | Less than 1 year | From 1 to 5 years | More than 5 years | Total |
| Rents | 81,838 | 286,078 | 270,082 | 637,999 |

### 34.3 Bilateral Lending Facilities

Maisons du Monde France has entered into various credit facilities (for an aggregate amount of €10 million) with Arkea Banque Entreprises et Institutionnels, Banque Palatine, Banque Populaire, BNP Paribas, CIC Ouest, Credit Agricole Corporate and Investment Bank, Natixis and Société Générale.

### 34.4 Letter of Credit Facilities

The Group is a party to certain letter of credit facilities (*crédit documentaire*) with Arkea Banque Entreprises et Institutionnels, Banque Tarneaud, Banque Populaire, CIC Ouest, Crédit Agricole Corporate and Investment Bank and Crédit Lyonnais issued in favour of certain of our suppliers in the ordinary course of business. As of 31 December 2016, the Group had $14.9 million aggregate amount of letters of credit issued, as compared to $15.6 million as of 31 December 2015.

### 34.5 Lease agreements

As part of the Group's lease arrangements with landlords of certain of the premises it occupies, the Group enters into lease guarantees in the ordinary course of business. As of 31 December 2016, the Group had €20.4 million of outstanding lease guarantees, as compared to €15.5 million as of 31 December 2015.

# Note 35 Transactions with related parties

## 35.1 Relations with the Group's main shareholders Bain Capital

Following the acquisition of the Group in 2013, the Group entered into a consulting services agreement with Bain Capital. Under the terms of the agreement, Bain Capital provides the Group with management, consulting, monitoring or advisory services. Until the IPO, the consulting services fees and related expenses amounted to €0.8 million in 2016. These fees are recorded in external expenses.

Following the IPO the consulting services agreement with Bain Capital as of 31 May 2016 has been cancelled. It leads to a termination fee of €.3 million which is an IPO related fee recorded in other operating income and expenses (see note 1.3 of this Section).

## 35.2 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 4 properties (warehouse and head offices) with entities owned and controlled by Xavier Marie. The Group made arm's length rental payments to entities owned and controlled by Xavier Marie and for the year ended 31 December 2016, the annual rent of the properties leased under the Leases was €5.2 million (compared to €9.9 million in 2015). At the end of the year ended 31 December 2015, 9 out of 13 properties have been sold to third parties.

### b) Consulting services agreements

Following the acquisition of the Group in 2013, the Group has entered into a consulting services agreement with Compagnie Marco Polo, an entity owned and controlled by Xavier Marie. Compagnie Marco Polo officiated as President of Magnolia (BC) SAS until 15 September 2015 and received €0.4 million for the year ended 31 December 2015.

From 15 September 2015 following the appointment of Gilles Petit as CEO, the Group has entered into a new consulting services agreement with Compagnie Marco Polo. Compagnie Marco Polo officiated as Senior Advisor and received €0.2 million for the year ended 31 December 2015 and €0.6 million for the year ended 31 December 2016.

### c) Attendance fees

Until the IPO, some members of the Executive Committee received attendance fees. The total gross amount of attendance fees paid during the 2016 financial year by the Company and its subsidiaries to all of the Executive Committee members was €46 thousand, compared to €78 thousand in 2015.

Following the IPO, some members of the Board of Directors received attendance fees. The total gross amount of attendance fees paid during the 2016 financial year by the Company and its subsidiaries to all of the directors was €243 thousand.

## 35.3 Compensation and benefits granted to key management personnel

Until the IPO, the key management personnel were the members of the Board of Directors of Magnolia (BC) Midco S.à.r.l., the members of the Supervisory Board of the Group, and the President of Maisons du Monde S.A. (previously named Magnolia (BC) SAS).

Members of the Board of Directors of Magnolia (BC) Midco S.à.r.l. did not receive any compensation from the Group.

Members of the Supervisory Board of the Group did not receive any compensation from the Group.

Following the IPO, the key management personnel are the members of the Board of Directors of the Company, the General Manager of the Company, and the members of the Executive Committee of the Group.

Members of the Board of Directors of the Company did not receive any compensation from the Group except attendance fees (see note 35.2).

The total gross amount of fixed compensation paid in respect of the 2016 financial year by the Company and its controlled entities to all of the executive directors expenses, was €2.6 million, compared to €0.8 million in 2015.

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Short-term employment benefits | 2,566 | 786 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | 81 | - |
| **TOTAL COMPENSATION AND BENEFITS** | **2,646** | **786** |

### 35.4 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)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Equity-accounted affiliates | 1,040 | 136 |
| Other current receivables | - | 2,398 |
| Other current financial assets | 382 | 382 |

## Note 36 Statutory auditor's fees

The following table shows the amount of auditor's fees included in the Group's consolidated income statement for the year, broken down into audit and certification fees for the statutory and consolidated financial statements and fees for other services rendered. The fees shown apply to fully consolidated subsidiaries.

| | KPMG | | | | DELOITTE | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount | | % | | Amount | | % | |
| *(in € thousands)* | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2016 | Year ended 31 December 2015 |
| **Statutory auditor's fees, certification, auditing of the accounts** | **314** | **419** | **36%** | **89%** | **180** | **-** | **25%** | |
| • Parent company | 91 | 176 | 29% | 42% | 91 | - | 51% | |
| • Subsidiaries | 223 | 243 | 71% | 58% | 89 | - | 49% | |
| **Other services rendered by auditors' networks to fully-consolidated subsidiaries** | **557** | **52** | **64%** | **11%** | **527** | **-** | **75%** | |
| • IPO related fees | 505 | - | 91% | - | 310 | - | 59% | |
| • Other | 52 | 52 | 9% | 100% | 217 | - | 41% | |
| **TOTAL STATUTORY AUDITOR'S FEES** | **872** | **471** | **100%** | **100%** | **706** | **-** | **100%** | |

# Note 37 Scope of consolidation

The table set out below provides a list of the Group's subsidiaries and shows the ownership interest of Maisons du Monde S.A. in each entity as of 31 December 2016 and of Luxco 3 in each entity as of 31 December 2015 (see note 1.1 of this Section).

| | | | | As of 31 December 2016 | | As of 31 December 2015 | |
|---|---|---|---|---|---|---|---|
| **Subsidiary** | **Activity** | **Country** | **Consolidation method** | **% control** | **% interest** | **% control** | **% interest** |
| Maisons du Monde S.A. *(formerly Magnolia (BC) S.A.S.)* | Holding company – "New" parent entity | France | Full | 100% | 100% | 100% | 100% |
| Magnolia (BC) Midco S.à.r.l. (Luxco 3) (1) | Holding company – ex parent entity | Luxemburg | n/a | n/a | n/a | 100% | 100% |
| Magnolia (BC) S.A. (Luxco 4) (2) | Holding company | Luxemburg | n/a | n/a | n/a | 100% | 100% |
| Abaco | Holding company | France | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde France | Stores selling home furnishings and decorations in France/Main buyer | France | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Belgium | Stores selling home furnishings and decorations in Belgium | Belgium | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Spain | Stores selling home furnishings and decorations in Spain | Spain | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Italy | Stores selling home furnishings and decorations in Italy | Italy | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Luxemburg | Stores selling home furnishings and decorations in Luxemburg | Luxemburg | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Germany | Stores selling home furnishings and decorations in Germany | Germany | Full | 100% | 100% | 100% | 100% |
| Maisons du Monde Switzerland | Stores selling home furnishings and decorations in Switzerland | Switzerland | Full | 100% | 100% | 100% | 100% |
| Distrimag | Warehouse logistics and order preparation | | Full | 100% | 100% | 100% | 100% |
| Distri-Traction | Container transport between harbor and warehouses | France | Full | 100% | 100% | 100% | 100% |
| Distri-Meubles | Customer delivery | France | Full | 100% | 100% | 100% | 100% |
| Chin Chin Limited | Holding company | Hong Kong | Equity Method | 50% | 50% | 50% | 50% |
| Shanghai Chin Chin | Furniture manufacturing | China | Equity Method | 50% | 50% | 50% | 50% |
| Mekong Furniture | Furniture manufacturing | Vietnam | Full | 100% | 100% | 100% | 100% |
| MDM Furniture & Decoration (3) | E-commerce business in United Kingdom | United Kingdom | Full | 100% | 100% | n/a | n/a |
| International MDM | Dormant entity | France | Full | 100% | 100% | n/a | n/a |
| International MGL | Dormant entity | France | Full | 100% | 100% | n/a | n/a |

(1) *Magnolia (BC) Midco S.à.r.l. ("Luxco 3") merged with and into Maisons du Monde S.A. as of 31 May, 2016 (see note 1.1 of this Section).*

(2) *Magnolia (BC) S.A. ("Luxco 4") merged into Magnolia (BC) Midco S.à.r.l. ("Luxco 3") as of 31 May, 2016 (see note 1.1 of this Section).*

(3) *MDM Furniture & Decoration (Maisons du Monde United Kingdom) is a subsidiary created by Maisons du Monde in January 2016.*

## Note 38 Events after the reporting date

On 1 March 2017, the Group entered into an additional Revolving Credit Facility of €75 million as authorised by the Senior Facility Agreement dated 18 April 2016. This complementary Revolving Credit Facility was taken out under identical terms and conditions to the initial Senior Facility Agreement dated 18 April 2016. Issuance fees amounted to €0.4 million.

The Group did not identify any other significant event after the reporting date that should be mentioned in these consolidated financial statements.

# 5.2 Statutory auditors' report on the consolidated accounts

Financial year ended 31 December 2016

To the Shareholders,

Under the terms of the assignment entrusted to us by your bylaws and your Shareholders' Meeting, we hereby report to you for the year ended 31 December 2016:

- the audit of the consolidated accounts of Maisons du Monde S.A., as attached to this report;
- justification of our assessments;
- specific verification stipulated by law.

The consolidated accounts were approved by your Board of Directors. It is our responsibility to express an opinion on these accounts on the basis of our audit.

## 1. Opinion on the consolidated accounts

We have conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatements. An audit consists of verifying, on a test basis or by other methods of selection, elements supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles followed, the significant estimates used and the overall presentation of the accounts.

We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

In our opinion, the consolidated accounts give a true and fair view of the results of operations, the financial position and assets of the Group at that date, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

## 2. Justification of our assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

At the end of each year, the Company systematically tests the impairment of goodwill and intangible assets with indefinite lives in accordance with the terms described in note 2.15 "Impairment of non-financial assets" in the notes to the consolidated accounts. We have examined the procedures for implementing these impairment tests and the cash flow forecasts and assumptions used and have ensured that appropriate disclosures are made in Notes 14 and 15 of the notes to the consolidated accounts.

Provisions for contingencies and charges in the balance sheet have been estimated in accordance with the terms described in Note 2.24 "Provisions" in the notes presenting the terms for assessing and accounting for the provisions. Our assessment of the provisions was based on the analysis of the processes implemented by management to identify and assess risks, a review of the risks identified and estimates used, and a review of subsequent events that corroborate these estimates.

The assessments thus made are part of our audit of the consolidated accounts taken as a whole and therefore contributed to the formation of our opinion expressed in the first part of this report.

## 3. Specific verification

We have also carried out the specific verification, as required by law, of the information given in the Group's Management Report, in accordance with professional standards applicable in France.

We have no matters to report as to their fair presentation and consistency with the consolidated accounts.

Statutory auditors

| | |
|---|---|
| Nantes, 24 March 2017 | Neuilly-sur-Seine, 24 March 2017 |
| KPMG Audit | Deloitte & Associés |
| *Department of KPMG S.A.* | |
| Vincent Broyé | Jean-Paul Séguret |
| *Partner* | *Partner* |

# 5.3 Statutory financial statements

(Financial year from 1 January 2016 to 31 December 2016)

## 5.3.1 INCOME STATEMENT

| *(in € thousands)* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Revenues | 13 | 4,777 | 4,305 |
| Reversal of depreciation, amortisation and provisions, expense transfers | | 103 | - |
| Other income | | 0 | 0 |
| **TOTAL OPERATING INCOME** | | 4,880 | 4,305 |
| Purchases of goods and inventory changes | | - | (8) |
| Purchases of raw materials, other supplies and inventory changes | | - | - |
| Other purchases and external charges | 15 | (35,509) | (3,987) |
| Tax, duties and similar payments | | (276) | (43) |
| Personnel expenses | 14 | (4,225) | (1,800) |
| Depreciation and amortisation | | (1,859) | (3,261) |
| Other charges | 14 | (288) | (78) |
| **TOTAL OPERATING EXPENSES** | | (42,158) | (9,178) |
| **OPERATING PROFIT (LOSS)** | | **(37,278)** | **(4,873)** |
| **FINANCIAL RESULT** | **16** | **27,567** | **(29,068)** |
| **EXCEPTIONAL RESULT** | **17** | **(603)** | **(390)** |
| **Pre-tax income** | | **(10,314)** | **(34,331)** |
| Taxes on income | 18 | 24,366 | 17,710 |
| **NET PROFIT (LOSS)** | | **14,052** | **(16,620)** |

## 5.3.2 BALANCE SHEET

| Assets<br>*(in € thousands)* | | 31 December 2016 Gross values | Depreciation and amortisation | Net values | 31 December 2015 Net values |
|---|---|---|---|---|---|
| Goodwill | 3 | - | - | - | 95,471 |
| **Intangible assets** | **3** | **-** | **-** | **-** | **95,471** |
| **Fixed assets** | | **-** | **-** | **-** | **-** |
| Equity interests | 5 | 399,080 | (32) | 399,048 | 303,509 |
| Receivables from equity interests | 5 | 296,123 | - | 296,123 | 293,432 |
| Other equity interests | 5 | 2,000 | - | 2,000 | 2,000 |
| Other financial assets | 5 | 999 | (3) | 996 | - |
| **Financial assets** | **5** | **698,202** | **(35)** | **698,167** | **598,941** |
| FIXED ASSETS | | 698,202 | (35) | 698,167 | 694,412 |
| Accounts receivable | 6 | 2,346 | - | 2,346 | 1,679 |
| Other receivables | 6 | 16,079 | - | 16,079 | 15,244 |
| Available cash | | 239 | - | 239 | 0 |
| Prepaid expenses | 6 | 102 | - | 102 | 6 |
| CURRENT ASSETS | | 18,766 | - | 18,766 | 16,930 |
| Issue costs to be allocated | 7 | 3,981 | - | 3,981 | 14,251 |
| **TOTAL ASSETS** | | **720,949** | **(35)** | **720,914** | **725,593** |

| **Liabilities** *(in € thousands)* | **Notes** | **31 December 2016** | **31 December 2015** |
|---|---|---|---|
| Share capital | 8-9 | 146,584 | 139,889 |
| Contribution, merger, issue premiums | 9 | 302,651 | - |
| Legal reserve | | - | - |
| Retained earnings | 9 | - | (35,981) |
| Result for the year | 9 | 14,052 | (16,621) |
| Regulated provisions | 9 | 1,617 | 1,153 |
| **EQUITY** | 9 | 464,474 | 88,440 |
| **Provisions** | | **-** | **-** |
| Borrowings and debt from credit institutions | 11 | 250,441 | 0 |
| Miscellaneous borrowings and debt | 11 | - | 597,157 |
| **Financial debt** | **11** | **250,441** | **597,157** |
| Trade payables and related accounts | 12 | 1,609 | 1,634 |
| Social security and tax debt | 12 | 2,299 | 886 |
| Other debt | 12 | 1,662 | 37,475 |
| **Operating debt** | **12** | **5,569** | **39,995** |
| **DEBT** | | 256,011 | 637,153 |
| **TOTAL LIABILITIES** | | **720,914** | **725,593** |

## 5.3.3 NOTES TO THE STATUTORY FINANCIAL STATEMENTS

contents

As of 31 December 2016, Maisons du Monde S.A. (formerly Magnolia (BC) SAS) is a *société anonyme* (limited liability company) with a Board of Directors, governed by French law. Its headquarters are located in Le Portereau – 44120 Vertou, France.

The financial statements are presented in € thousands and were approved by the Board of Directors on 16 March 2017.

Shares in Maisons du Monde have been listed on Euronext Paris since May 2016.

# Note 1 Significant events

In connection with the IPO of Maisons du Monde S.A., the Company performed the following operations:

## Prior to the IPO

### 1.1 Change of corporate name and legal form

As of 24 March 2016, in order to facilitate legal understanding of the Maisons du Monde Group, and in connection with a future IPO, the sole shareholder decided to change the name and legal form of the company Magnolia (BC) SAS.

From this date onward, the Company:

- has the corporate name Maisons du Monde S.A.;
- is a limited liability company with a Management and Supervisory Board (*société anonyme à directoire et conseil de surveillance*).

### 1.2 Capital reduction

As of 24 March, 2016, the sole shareholder approved a reduction in share capital due to losses, amounting to €64,348,940.46 by decreasing the nominal value of shares in the amount of €0.46 each, entailing a drop from €139,889,001 to €75,540,060.54, with the nominal value of each share falling from €1 to €0.54.

This capital reduction was carried out as follows:

- allocation of an amount of €52,601,709.31 to clear retained earnings of the Company, which went from a negative balance of €52,601,709.31 to €0;
- allocation of an amount of €11,747,231.15, corresponding to projected losses for the current year until the provisional date of admission of the Company's shares to trading on the regulated market of Euronext Paris, to the Company's issue premium account, which thus increases from €0 to €11,747,231.15, from which losses made by the Company will be deducted, on the understanding that the amounts held in this premium account can only be used for purposes other than the clearance of the Company's losses.

The number of shares of the Company remained unchanged at 139,889,001 shares. The nominal value is now €0.54.

### 1.3 Capital increase and share consolidation

As of 29 April 2016, the General Meeting of Shareholders successively oversaw:

- a capital increase in cash for a nominal amount of €1.62 through the issue of three new shares each with a nominal value of €0.54, bringing the share capital from €75,540,060.54 to €75,540,062.16;
- the consolidation of the Company's shares by allotting one share of nominal value €3.24 per six former shares of nominal value €0.54.

Following these transactions, the number of shares in the Company increased from:

- 139,889,001 shares of nominal value €0.54 to 139,889,004 shares of nominal value €0.54;
- then from 139,889,004 shares of nominal value €0.54 to 23,314,834 shares of nominal value €3.24.

### 1.4 Group Reorganisation

As part of the admission to listing on Euronext Paris and the subsequent trading in Maisons du Monde S.A. shares, the shareholders of the Maisons du Monde Group decided as of 29 April 2016, to reorganise the group of companies to which the Maisons du Monde Group belongs.

This reorganisation revolved around three points: to streamline the holding structure of the Group, to simplify the shareholding structure at the settlement date, and thus to facilitate the IPO.

In this context, the following transactions were subsequently carried out in the order specified below, and became effective as of the settlement date:

- the intermediate holdings of Magnolia (BC) Midco S.à.r.l. ("Luxco 3") merged with Magnolia (BC) Holdco 1 Bis SCA ("Luxco 1 Bis"), and Luxco 1 Bis thus became the parent entity of Luxco 3;
- Luxco 1 Bis merged with Luxco 3, and the latter remained the Group's parent entity;
- Magnolia (BC) Ltd. ("Luxco 4") merged with Luxco 3, and the latter remained the Group's parent entity;
- Luxco 3 merged with Maisons du Monde S.A., its direct subsidiary, and Maisons du Monde S.A. became the Group's new parent entity.

Besides the transfer of all assets and liabilities of the acquired companies, the impact of these mergers on the Company was as follows:

- issue of 35,830,130 shares of nominal value €3.24, for a total of €116,089,621.20;
- recognition of a merger premium of €243,526,197;
- elimination of equity interests in the amount of €82,128,190.03, deducted from the merger premium, which now stands at €161,398,006.97;
- cancellation of 23,314,834 shares of nominal value €3.24, for a total of €75,540,062.16.

Following these transactions, the number of shares in the Company increased from 23,314,834 shares of nominal value €3.24 to 35,830,130 shares of nominal value €3.24.

In addition, as of May 31, 2016, Maisons du Monde, limited liability company with Management and Supervisory Boards, became a limited company with a Board of Directors.

### In connection with the IPO

## 1.5 Capital increase

As of 26 May 2016, the Management Board decided to increase the capital of the Company through a public offering without preferential subscription rights for a total amount (including share premium) of €159,999,988, and to issue 9,411,764 new shares each with a nominal value of €3.24, for an issue price of €17 per share (including an issue premium of €13.76 per share), giving a nominal capital increase amount of €30,494,115.36, plus an overall premium of €129,505,872.64.

This capital increase was completed as of May 31, 2016.

Thus the share capital now consists of 45,241,894 shares of nominal value €3.24, representing share capital of €146,583,736.56.

## 1.6 Refinancing

In connection with the IPO, the Company decided to refinance and repay some of its existing debts, which allowed it to improve its leverage ratio and to reduce its financial costs. The main refinancing operations were as follows:

- repayment of the entire high-yield bond loan for €325 million, including accrued interest (loan contributed pursuant to the merger described above);
- payment of a premium of €19.7 million to bondholders ("former financing") due to early repayment;
- recognition in income of residual debt issuance costs related to the high-yield bond loan and former revolving credit facility ("former financing") for €12.9 million;
- the acquisition of new financing, including a long-term credit line of €250 million and a new revolving credit facility of €75 million.

The issue costs related to these new financing facilities amounted to €4.5 million, of which €3.5 million for the long-term credit line and €1 million for the new revolving credit facility.

## 1.7 Costs related to the IPO

In connection with this IPO, the Company recognised the following items in income:

- €20 million in fees and other services in other purchases and external charges;
- €12.9 million in loan issue expenses related to the former financing in other purchases and external charges (see note 1.6 of this Section);
- €19.7 million in early repayment premium on the Euro-denominated high-yield bond loan in finance costs (see note 1.6 of this Section).

# Note 2 Accounting principles, rules and methods

The financial year lasts 12 months, covering the period from 1 January 2016 to 31 December.

The annual financial statements are prepared in accordance with accounting principles, standards and policies in accordance with Regulation 2016-07 of the Board of the French accounting standards authority (ANC).

General accounting conventions were applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- business continuity;
- consistency of accounting methods from one year to the next;
- independence of separate financial years.

And in accordance with the general rules for preparing and presenting financial statements.

The basic method used to value items recorded in the accounts is the historical cost method.

The main accounting rules and methods applied are as follows:

## 2.1 Intangible assets

Until 31 December 2015, intangible assets were only composed of business capital linked to technical losses from the merger of the companies Cadr'Academy 1, Cadr'Academy 2, and Ginkgo B Company.

The accounting treatment of the technical losses from the merger was amended by ANC Regulation No. 2015-06 effective from January 1, 2016. As a result, the application of these new accounting rules and amortization entails the reclassification of these technical losses as financial assets. They are recognized in the form of an underlying account for Abaco equity interests at 31 December 2016.

| **Gross values** *(in € thousands)* | **31 December 2015** | **Acquisitions, contributions** | **Reclassification** | **Disposals, deconsolidations** | **31 December 2016** |
|---|---|---|---|---|---|
| Cadr'Academy 1 | 4,500 | - | (4,500) | - | - |
| Cadr'Academy 2 | 9,351 | - | (9,351) | - | - |
| Ginkgo B Company | 81,619 | - | (81,619) | - | - |
| **INTANGIBLE ASSETS** | **95,471** | **-** | **(95,471)** | **-** | **-** |
| Equity interests | 303,509 | 100 | 95,471 | - | 399,080 |
| **FINANCIAL ASSETS** | **303,509** | **100** | **95,471** | **-** | **399,080** |

## 2.2 Financial assets

The gross value is made up of the acquisition cost excluding ancillary expenses.

Impairment is recognised when the inventory value is lower than the gross value of the securities. The inventory value is determined taking into account the Group share held in net equity and the earnings outlook reviewed annually. The earnings outlook is based on information available when these are drawn up. When the share of the Company in equity holdings is negative, and if the situation warrants this, a provision for risk is established.

In accordance with the tax regulations in effect, acquisition expenses on securities are subject to a tax deduction over a period of five years from the date of acquisition, *via* a provision in accelerated depreciation.

As regards technical losses from mergers, they are subject to an impairment test to determine whether or not they should be depreciated.

Furthermore, treasury shares held *via* a liquidity agreement, and which are not destined for share plans are recorded in "Other financial assets". These shares are valued at their acquisition cost. If the probable market value at the close of the financial year (based on the average listed price for the last month of the period) falls below the purchase price, an impairment is recorded in the amount of the difference.

MAISONS DU MONDE - DDR 2016 VA - 2017_04_27 - V4 bis

## 2.3 Receivables and payables

Receivables and payables are valued at their nominal value.

Receivables are depreciated, if necessary, by way of provision to take account of the recovery risks they generate.

Receivables and payables in foreign currencies are translated and recorded based on the official exchange rate at closing. Unrealized exchange gains are recognised as foreign exchange gains, while unrealized exchange losses are recognised as foreign exchange losses and are subject to a provision for risks and charges. Exchange gains and losses corresponding to current accounts are recognised directly in the income statement and are not subject to any foreign currency translation differential.

## 2.4 Available cash

Available cash in bank and at hand was valued at nominal value.

## 2.5 Provisions for risks and charges

A provision is recognised when there is an obligation that is likely or certain to entail an outflow of resources without an at least equivalent offset transaction.

## 2.6 Tax consolidation

As of 31 December 2016, Maisons du Monde S.A., the parent company benefits from a tax consolidation regime as defined by Article 223 A of the French General Tax Code with the following subsidiaries:

- Abaco;
- Maisons du Monde France;
- Distrimag;
- Distri-Traction;
- Distri-Meubles;
- International Magnolia Company;
- International MDM Company.

Maisons du Monde S.A. owes the Treasury the tax calculated on the sum of taxable income for consolidated companies. The tax savings result from the difference between the tax charge for the tax group and tax expense for the beneficiary companies is recognized as income in the financial year.

## Notes to the balance sheet and income statement

These financial statements are expressed in € thousands, unless otherwise stated.

# Note 3 Financial assets

| *(in € thousands)* | 31 December 2015 | Acquisitions, contributions, increases | Reclassification | Disposals, deconsolidations, decreases | 31 December 2016 |
|---|---|---|---|---|---|
| Equity interests [(1)] | 303,509 | 100 | 95,471 | - | 399,080 |
| Receivables from equity interests | 293,432 | 14,932 | - | (12,241) | 296,123 |
| Other equity interests | 2,000 | - | - | - | 2,000 |
| Other financial assets [(2)] | - | 1,000 | 0 | (1) | 999 |
| • o/w treasury shares as per liquidity agreement | - | | 376 | - | 376 |
| • o/w other long term receivables as per liquidity agreement | - | 1,000 | (376) | (1) | 623 |
| **FINANCIAL ASSETS** | **598,941** | **16,032** | **95,471** | **(12,242)** | **698,202** |

*(1) Movements on equity interests correspond to:*

- *the contribution of Magnolia MEP Finco 1 Sàrl securities, a company under Luxembourg law, in connection with the mergers mentioned in note 1.4 of this Section, a company in the process of liquidation;*
- *the reclassification of technical losses from mergers (see note 2.1 of this Section).*

*(2) Other financial assets relate to the liquidity agreement implemented 26 October 2016, with the following details:*

| | Number | | Average purchase price | Average price December 2016 | Amount *(in € thousands)* | | |
|---|---|---|---|---|---|---|---|
| | 31 December 2015 | 31 December 2016 | | | Total | Provision | Depreciation |
| Treasury shares as per liquidity agreement | - | 15,252 | 24.64 | 24.46 | 376 | - | 3 |
| Other long-term receivables as per liquidity agreement | n/a | n/a | n/a | n/a | 623 | - | - |

## Note 4 Maturity of receivables

| | | | Maturing 31 December 2016 | | |
|---|---|---|---|---|---|
| | 31 December 2015 | 31 December 2016 | Less than 1 year | 1 to 5 years | More than 5 years |
| Receivables from equity interests | 293,432 | 296,123 | 13,455 | 282,668 | - |
| Other financial assets | - | 999 | 999 | - | - |
| Accounts receivable | 1,679 | 2,346 | 2,346 | - | - |
| Other receivables | 15,244 | 16,079 | 16,079 | - | - |
| • o/w personnel and related accounts | 1 | - | - | - | - |
| • o/w state – tax and duties* | 6,970 | 14,336 | 14,336 | - | - |
| • o/w Group and partners | 8,272 | 1,743 | 1,743 | - | - |
| Adjustment accounts | 6 | 102 | 102 | - | - |
| **TOTAL RECEIVABLES** | **310,361** | **315,649** | **21,145** | **282,668** | **-** |

* *Includes €11,835 thousand in tax credits (Competitiveness and Employment Tax Credit (CICE) and sponsorship).*

## Note 5 Charges spread over several years

The charges spread over several years correspond to loan issue costs.

As of 31 December 2016, they consist of issue costs related to the new long-term credit line spread over the term of the agreement on the basis of an effective interest rate as well as the new revolving credit facility spread over the term of the agreement.

As of 31 December 2015, they consisted of issue costs relating to the former financing facilities of the Company. The balance of such costs not distributed at the time of refinancing was recorded in external expenses for €12.9 million (see note 1.6 of this Section).

## Note 6 Share capital

The share capital of the Company as at 31 December 2016 stood at €146,583,736.56, divided into 45,241,894 ordinary shares each of a nominal value of €3.24.

To the Company's knowledge, at 31 December 2016 those shareholders holding more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 60.66%, 90% or 95% of capital and/or voting rights in the Company were as follows:

| | % in shares (approx.) | % in voting rights (approx.) |
|---|---|---|
| Magnolia BC Holdco (Bain Capital) | 31.2% | 31.2% |
| FMR LLC & Fidelity Canada Investors LLC | 9.9% | 9.9% |
| Sycomore Asset Management | 5.5% | 5.5% |

At 31 December 2016, the Company owned 15,252 shares in Maisons du Monde S.A. classified under "Other financial assets" in respect of the liquidity agreement.

## Note 7 Information on changes in equity

| *(in € thousands)* | Share capital | Premiums | Reserves | Retained earnings | Result for the year | Regulated provisions | Total equity |
|---|---|---|---|---|---|---|---|
| **Situation at 31 December 2014** | **139,889** | **-** | **-** | **(41)** | **(35,941)** | **689** | **104,597** |
| Appropriation of result 2014 | - | - | - | (35,941) | 35,941 | - | - |
| Result for the year | - | - | - | - | (16,620) | - | (16,620) |
| Regulated provisions | - | - | - | - | - | 464 | 464 |
| **Situation at 31 December 2015** | **139,889** | **-** | **-** | **(35,981)** | **(16,620)** | **1,153** | **88,440** |
| Appropriation of result 2015 | - | - | - | 16,620 | 16,620 | - | - |
| Capital reduction (note 1.2) | (64,349) | 11,747 | - | 52,602 | - | - | - |
| Capital increase (note 1.3) | 0 | - | - | - | - | - | - |
| Merger with Luxco 3 (note 1.4) | 40,550 | 161,398 | - | - | - | - | 201,948 |
| Compensation for contributions | 116,090 | 161,398 | - | - | - | - | 277,488 |
| Cancellation of share capital of MDM SA | (75,540) | - | - | - | - | - | (75,540) |
| Issue of ordinary shares (note 1.5) | 30,494 | 129,506 | - | - | - | - | 160,000 |
| Result for the year | - | - | - | - | 14,052 | - | 14,052 |
| Regulated provisions | - | - | - | - | - | 464 | 464 |
| **Situation at 31 December 2016** | **146,584** | **302,651** | **-** | **-** | **14,052** | **1,617** | **464,903** |

## Note 8 Provisions

| *(in € thousands)* | 31 December 2015 | Depreciation | Reclassification | Reversals used | Reversals not applicable | 31 December 2016 |
|---|---|---|---|---|---|---|
| Accelerated depreciation | 1,153 | 464 | - | - | - | 1,617 |
| **Regulated provisions** | **1,153** | **464** | **-** | **-** | **-** | **1,617** |
| **Provisions for risks and charges** | **-** | **-** | **-** | **-** | **-** | **-** |
| Equity interests | - | 32 | - | - | - | 32 |
| Other financial assets | - | 7 | - | - | (5) | 3 |
| **Impairment** | **-** | **39** | **-** | **-** | **(5)** | **35** |
| **TOTAL PROVISIONS** | **1,153** | **503** | **-** | **-** | **(5)** | **1,651** |
| *Operating depreciation and reversals* | | | | | | |
| *Financial depreciation and reversals* | | *39* | | | *(5)* | |
| *Exceptional depreciation and reversals* | | *464* | | | | |

# Note 9 Financial debt

As of 18 April 2016, the Group obtained a senior credit facility with a syndicate of international banks. The senior credit facility includes a long-term credit line for €250 million and a revolving credit facility (RCF) for €75 million. It is repayable on May 31, 2021. Issue costs stood at €4.5 million.

The applicable interest rate is Euribor 1, 3 or 6 months plus a margin initially set at 2.25% for the first twelve months, and then set according to a margin ratchet based on the net debt leverage ratio for the period (with a margin cap of 2.50% maximum). The applicable Euribor depends on the interest rate period applicable to the relevant drawdown period.

The senior credit facility is subject to compliance with a leverage ratio which must remain lower than those set out in the table below for each period under consideration:

| Period considered | Leverage ratio |
|---|---|
| Maturing 30 June 2017 | 4.50:1 |
| Maturing 31 December 2017 | 4.25:1 |
| Maturing 30 June 2018 | 4.00:1 |
| Maturing 31 December 2018 | 3.75:1 |
| Maturing 31 December 2019 | 3.75:1 |
| Maturing 31 December 2020 | 3.75:1 |

The leverage ratio is the ratio of total net debt on the last day of the period, and the consolidated pro forma EBITDA of the Group for the same period.

# Note 10 Maturity of debts

| | | | Maturing 31 December 2016 | | |
|---|---|---|---|---|---|
| | 31 December 2015 | 31 December 2016 | Less than 1 year | 1 to 5 years | More than 5 years |
| Borrowings and debt from credit institutions | 0 | 250,441 | 441 | 250,000 | - |
| Loans and miscellaneous financial debts | 597,157 | - | - | - | - |
| Trade payables and related accounts | 1,634 | 1,609 | 1,609 | - | - |
| Social security debt | 693 | 1,577 | 1,577 | - | - |
| Tax debt | 193 | 722 | 722 | - | - |
| Other debt | 37,475 | 1,662 | 1,662 | - | - |
| • o/w Group and partners | 37,475 | 1,611 | 1,611 | - | - |
| • o/w miscellaneous | - | 50 | 50 | - | - |
| **TOTAL DEBT** | **637,153** | **256,011** | **6,011** | **250,000** | **-** |

## Note 11 Related companies

| **Gross values** *(in € thousands)* | **31 December 2016** |
|---|---|
| **Assets** | |
| Holdings | 398,980 |
| Receivables from equity interests | 296,123 |
| Other equity interests | 2,000 |
| Accounts receivable | 2,338 |
| Other receivables | 1,743 |
| **Liabilities** | |
| Trade payables and related accounts | 21 |
| Other debt | 1,611 |
| **Operating income** | |
| Revenues | 4,777 |
| Transfer of expenses | 103 |
| **Financial income** | |
| Repayment of issue premium | 59,597 |
| Income from equity investments | 14,932 |
| Interest and related income | 70 |
| **Financial expenses** | |
| Interest and related expenses | 23,768 |

The Company has not identified any transactions with related parties that were not concluded pursuant to normal market conditions.

## Note 12 Prepayments and accrued income – Adjustments

| *(in € thousands)* | **31 December 2016** | **31 December 2015** |
|---|---|---|
| Financial borrowings and debt | 439 | 22,343 |
| Trade payables and related accounts | 1,189 | 1,015 |
| Social security and tax debt | 1,793 | 597 |
| **Charges payable** | **3,421** | **23,955** |
| **Prepaid expenses** | **102** | **6** |
| Receivables from equity interests | 13,455 | 10,763 |
| Accounts receivable | 1,504 | 917 |
| **Income receivable** | **14,959** | **11,681** |
| **Prepaid income** | **-** | **-** |

## Note 13 Revenues

The Company's revenues correspond to consulting services rendered to its subsidiaries.

## Note 14 Compensation of management bodies

The average workforce (full-time equivalent) for the 2016 fiscal year was eight employees compared to six for the 2015 fiscal year. The Company only employed managers for the 2015 and 2016 fiscal years.

In connection with the IPO, it was decided that from 1 June 2016, Company employees will be exclusively members of the Executive Committee of the Maisons du Monde GroupCompany employees that are not members of the Executive Committee were transferred to other Group companies from 1 June 2016. Moreover, members of the Executive Committee were transferred from other Group companies to the Company at the same date.

Thus eight members of the Executive Committee out of a total of nine comprise the Company's workforce at 31 December 2016.

Compensation paid to members of Management is not disclosed. This information would allow individual elements of compensation to be identified.

The compensation granted to members of the governing bodies is as follows:

- for the fiscal year ended 31 December 2016, attendance fees allocated to members of the Board of Directors amounted to €242,500. Moreover, prior to the IPO, members of the Executive Committee of Magnolia (BC) SAS received attendance fees in the amount of €45,500;
- for the fiscal year ended 31 December 2015, attendance fees allocated to members of the Executive Committee of Magnolia (BC) SAS amounted to €78,000.

These fees are recorded as other operating expenses.

## Note 15 External charges

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Insurance | 120 | - |
| Temporary staff | 587 | 572 |
| Fees | 21,687 | 3,300 |
| Travel and reception costs | 153 | 62 |
| Banking services | 12,895 | 1 |
| Other external charges | 68 | 51 |
| **TOTAL EXTERNAL CHARGES** | **35,509** | **3,987** |

In connection with the IPO, the Company incurred expenses directly related to the transaction, recognised in external charges, which are as follows:

| *(in € thousands)* | 31 December 2016 |
|---|---|
| Insurance | 109 |
| Fees | 19,893 |
| Banking services | 12,893 |
| **TOTAL COSTS RELATED TO TRANSACTION** | **32,894** |

## Note 16 Financial result

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Dividends received | 0 | - |
| Repayment of issue premium (1) | 59,597 | - |
| Income from equity investments (2) | 14,932 | 25,819 |
| Interest income on current account | 70 | 23 |
| Long term loan interest (3) | (3,344) | - |
| Interest on loans, including revolving credit facility (4) | (23,055) | (53,590) |
| Interest expense on current account | (925) | (1,320) |
| Depreciation on provisions net of reversals | (35) | - |
| Net foreign exchange differences | 26 | - |
| Other (5) | (19,699) | (1) |
| **FINANCIAL RESULT** | **27,567** | **(29,068)** |

*(1) Abaco, a fully owned subsidiary of Maisons du Monde S.A., made the following issue premium repayments:*

- *€33,802,000 as of 26 May 2016;*
- *€25,795,000 as of 16 December 2016.*

*(2) Corresponds to income on receivables from equity interests.*

*(3) Corresponds to the interest on the long-term credit line of €250 million – see note 9 of this Section.*

*(4) Corresponds to interest on the revolving credit facility as well as existing inter-company debts until the IPO.*

*(5) Corresponds to the premium of €19.7 million due to early repayment in relation to the full repayment of the high-yield loan as part of the Group's refinancing – see note  of this Section.*

## Note 17 Exceptional result

| *(in € thousands)* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Gain or loss on treasury shares | (1) | - |
| Adjustment of taxes | (138) | (26) |
| Reversals on provisions for risks | - | 100 |
| Depreciation on regulated provisions | (464) | (464) |
| **EXCEPTIONAL RESULT** | **(603)** | **(390)** |

## Note 18 Taxation

The Company recorded a tax consolidation surplus of €23,937,000 for the year ended 31 December 2016.

## Note 19 Principal increases and reductions in the tax base for future tax debt

None.

# ADDITIONAL INFORMATION

## Note 20 Deposits and guarantees

Shares in Maisons du Monde S.A., Maisons du Monde France, Maisons du Monde Italy, Maisons du Monde Belgium and Maisons du Monde Spain were pledged as collateral for the new long-term credit line of €250 million and the new revolving credit facility of €75 million.

## Note 21 Financial pension commitments

Upon retirement, Company employees will receive compensation in accordance with the law and with the provisions of the applicable Collective Agreements.

Pension commitments are not recognised, but rather recorded as off-balance sheet commitments. They are assessed using the retrospective projected unit credit method as per the revised IAS 19 standard.

The estimate of these commitments was undertaken by an independent actuary.

The main actuarial assumptions are as follows:

- discount rate: 1.7%;
- rate of salary increase: between 1.5% and 2.5% for executives and between 2% and 2.5% for non-executives;
- retirement age: 64 for executives, 62 for non-executives;
- mortality table: INSEE 2009-2011.

At 31 December 2016, commitments stood at €162,000.

## Note 22 Share price

At 31 December 2016 the share price of Maisons du Monde S.A. was €25.045.

## Note 23 Transactions with related parties

A consulting services contract signed with Bain Capital was effective until 31 May 2016. Under this provision, the Company recorded a charge of €2,933,000 for the year ended 31 December 2015 and €789,000 for the year ended 31 December 2016. The termination of this agreement led to the payment of compensation for termination of €3 million, corresponding to expenses related to the IPO.

Maisons du Monde S.A. took out a loan from its parent company, which was cancelled as part of the merger described in note 1.4 of this Section.

The Company also issued a loan to its subsidiary Abaco amounting to €296,123,000 including interest accrued as of 31 December 2016.

Net financial income and expenses on these loans are outlined in note 16 of this Section.

## Note 24 Share allotment plans

| | Plan No. 1 | Plan No. 2 |
|---|---|---|
| Allotment date | October 2016 | December 2016 |
| Number | 14,411 | 153,250 |
| Vesting period (years) | 1 | 3 |
| Holding period (years) | 1 | 1 |

The allocation of performance shares is subject to the following conditions:

- a requirement of continued employment within the Group during the vesting period: the shares allocated to a beneficiary will only be finally acquired if he/she has been employed within one of the Group's companies during the vesting period, calculated from the allocation date, set at one year for the beneficiaries of the "Free Share Plan no. 1" and at three years for the beneficiaries of the "Free Share Plan no. 2". In the event of death, incapacity or retirement, the beneficiary retains his/her rights, as he/she is no longer subject to the continued employment requirement;
- a performance condition based on the level of Customer Sales for the "Free Share Plan no. 1" and the level of Customer Sales, EBITDA and earnings per share (depending on the employees) for the "Free Share Plan no. 2";
- a conservation requirement: from the definitive allocation date, the beneficiaries must retain their shares for at least one year.

The allocated shares may be shares issued through a capital increase carried out by the Company at the latest at the definitive acquisition date or shares purchased by the Company on the market before this date. The Board of Directors decided that these awards would be made by the issue of new shares (capital increase).

On 25 October 2016 and 16 December 2016, the Board of Directors decided to allocate respectively 14,411 (4 beneficiaries) and 153,250 (294 beneficiaries) performance shares to employees.

## Note 25 List of subsidiaries and holdings

The table below provides a list of the Group's subsidiaries and the level of investment of Maisons du Monde S.A.

| | Currency | Share capital | Share of capital held (% of control) | Tax consolidation | Gross carrying amount of securities held | Net carrying amount of securities held | Loans and advances granted by the Company not yet repaid | Guarantees and endorsements given by the Company | Dividends received by the Company during the financial year |
|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries of Maisons du Monde S.A.** | | | | | | | | | |
| Abaco | €K | 160,964 | 100% | yes | 303,148 | 303,148 | 296,838 | n/a | - |
| International Magnolia Company | €K | 1 | 100% | yes | 1 | 1 | 11 | n/a | - |
| Magnolia MEP Finco | €K | 100 | 100% | n/a | 100 | 68 | - | n/a | - |
| **Subsidiary of Abaco** | | | | | | | | | |
| Maisons du Monde France | €K | 57,376 | 100% | yes | 159,054 | 159,054 | 1,017 | n/a | - |
| **Subsidiaries of Maisons du Monde France** | | | | | | | | | |
| Maisons du Monde Germany | €K | 25 | 100% | n/a | 25 | 25 | - | n/a | - |
| Maisons du Monde Belgium | €K | 50 | 100% | n/a | 50 | 50 | - | n/a | - |
| Maisons du Monde Spain | €K | 50 | 100% | n/a | 50 | 50 | - | n/a | - |
| Maisons du Monde Italy | €K | 120 | 100% | n/a | 100 | 100 | - | n/a | - |
| Maisons du Monde Luxembourg | €K | 20 | 100% | n/a | 20 | 20 | - | n/a | - |
| Maisons du Monde Switzerland | CHF K | 20 | 100% | n/a | 17 | 17 | - | n/a | - |
| MDM Furniture & Decoration | GBP K | 20 | 100% | n/a | 27 | 27 | - | n/a | - |
| Distrimag | €K | 40 | 100% | yes | 40 | 40 | - | n/a | - |
| International MDM Company | €K | 1 | 100% | yes | 1 | 1 | - | n/a | - |
| Mekong Furniture | VND millions | 86,027 | 100% | n/a | 3,189 | 3,189 | - | n/a | - |
| Chin Chin | USD K | 1 | 50% | n/a | 1 | 1 | - | n/a | - |
| **Subsidiaries of Distrimag** | | | | | | | | | |
| Distri-Meubles | €K | 100 | 100% | yes | 100 | 100 | - | n/a | - |
| Distri-Traction | €K | 150 | 100% | yes | 150 | 150 | - | n/a | - |
| Logiformation | €K | 15 | 100% | no | 15 | 15 | - | n/a | - |
| **Subsidiary of Chin Chin** | | | | | | | | | |
| Shanghai Chin Chin | CNY K | 7,715 | 50% | n/a | 1,000 | 1,000 | - | n/a | - |

Revenues, profits and capital other than share capital of subsidiaries and holdings are not disclosed for reasons of confidentiality related to business and industrial strategy.

## Note 26 Results for the last five years

The Company was incorporated on 27 June 2013 and ended its first fiscal year on 31 December 2014.

| *(in euros)* | 31 December 2014 | 31 December 2015 | 31 December 2016 |
|---|---|---|---|
| **Financial position at year end** | | | |
| **Duration of the financial year** | **18 months** | **12 months** | **12 months** |
| Share capital | 139,889,001 | 139,889,001 | 146,583,737 |
| Number of ordinary shares | 139,889,001 | 139,889,001 | 45,241,894 |
| Number of preferred shares | - | - | - |
| Number of convertible bonds | - | - | - |
| **Operations and income for the year** | | | |
| Revenues | 4,764,149 | 4,305,229 | 4,777,149 |
| Income before tax, employee profit-sharing, depreciation and amortisation | (37,829,068) | (30,705,750) | (7,956,365) |
| Income tax | (7,056,381) | (17,710,167) | (24,366,165) |
| Employee profit-sharing | - | - | - |
| Depreciation and amortisation | 5,167,877 | 3,624,899 | 2,357,922 |
| Net profit (loss) | (35,940,564) | (16,620,482) | 14,051,878 |
| Profit distributed* | - | - | - |
| **Earnings per share** | | | |
| Income after tax and employee profit-sharing, but before depreciation and amortisation | (0.22) | (0.09) | 0.36 |
| Income after tax, employee profit-sharing, depreciation and amortisation | (0.26) | (0.12) | 0.31 |
| Dividend allotted | - | - | - |
| **Personnel** | | | |
| Average workforce (FTEs) | 10 | 6 | 7 |
| Payroll for the year | 1,611,339 | 1,800,296 | 4,225,412 |
| Amounts paid to welfare bodies (social security, service projects, etc.) | 472,693 | 518,175 | 1,188,817 |

* *Amount including treasury shares.*

## Note 27 Events subsequent to 31 December 2016

The Company signed an additional revolving credit facility (RCF) for €75 million as of 1 March 2017, as authorised by the Senior Facility Agreement of 18 April 2016. The conditions, deadlines and characteristics are similar to the original RCF. Issue costs for this facility stood at €0.4 million.

The Company has not identified any other events subsequent to 31 December 2016 with a material impact on the Company's financial statements.

# 5.4 Statutory auditors' report on the annual financial statements

To the Shareholders,

Under the terms of the assignment entrusted to us by your bylaws and your Shareholders' Meeting, we hereby report to you for the year ended 31 December 2016:

- the audit of the annual financial statements of Maisons du Monde S.A., as attached to the present report;
- justification of our assessments;
- specific verifications and information required by law.

The annual financial statements were approved by the Board of Directors. It is our responsibility to express an opinion on these accounts on the basis of our audit.

## I. Opinion on the annual financial statements

We have conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatements. An audit consists of verifying, on a test basis or by other methods of selection, elements supporting the amounts and disclosures in the annual financial statements. It also includes assessing the accounting principles followed, the significant estimates used and the overall presentation of the accounts. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

In our opinion, the annual financial statements give a true and fair view of the results of operations for the year ended 31 December 2016, the financial position and assets of the Group at that date, in accordance with French accounting rules and principles.

Without calling into question the opinion expressed above, we draw your attention to Note 2.1 of the notes to the annual financial statements, which sets out the change in accounting method introduced by the ANC 2015-06 regulation concerning the accounting treatment of technical losses from merger that led to a reclassification of these intangible assets to financial fixed assets on a prospective basis on 1 January 2016.

## II. Justification of our assessments

Pursuant to the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

- Note 2.2 of the notes to the annual financial statements describes the accounting principles and methods relating to the evaluation of equity interests and receivables. Equity interests and receivables, the net amount of which on the balance sheet at 31 December 2016, amounted to €399,080 thousand and €296,123 thousand respectively, are valued at their acquisition cost and depreciated on the basis of their value in use, in accordance with the procedures set out in the notes to the financial statements. We have reviewed the valuation methods of the value in use of equity interests and receivables and have ensured that Note 2.2 of the notes to the financial statements provides appropriate information.

The assessments thus made are part of our audit of the annual financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first part of this report.

## III. Specific verifications and information

We have also carried out the specific verification required by law, in accordance with professional standards applicable in France.

We have no matters to report concerning the fairness and consistency, with the annual financial statements, of the information given in the Board of Directors' management report and in the documents sent to the shareholders on the financial position and annual financial statements.

Regarding the information provided in accordance with the provisions of Article L.225-102-1 of the French Commercial Code on compensation and benefits paid to corporate officers as well as the commitments made to them, we have verified their consistency with the financial statements or with the data used to prepare such financial statements and, where applicable, with the information collected by your company from the companies controlling your company or controlled by it.

On the basis of this work, we attest to the accuracy and fairness of this information.In accordance with the law, we have ensured that information relating to the identity of the holders of the capital and voting rights has been communicated to you in the management report.

Nantes and Neuilly-sur-Seine, 24 March 2017

Statutory auditors

| | |
|---|---|
| KPMG AUDIT Deloitte & Associés | Deloitte & Associésr |
| Department of KPMG S.A. | |
| Vincent Broyé | Jean Paul Seguret |
| *Partner* | *Partner* |

# Information on the Company and its capital

# 6



# 6.1 Information on the Company

## HISTORY AND DEVELOPMENT OF THE GROUP

Founded in Brest in 1996, Maisons du Monde is an omnichannel retailer and creator of original universes. It offers a unique range of decoration and furnishing items in a wide variety of styles and themes at affordable prices. The Group is the leading player in the original and accessible segment in France, with sales of €881.8 million in 2016. At end-2016, Maisons du Monde operated a network of 288 stores in seven countries, France, Italy, Spain, Belgium, Luxembourg, Germany, and Switzerland. It also operates a comprehensive and complementary e-commerce platform available in 11 countries (the seven countries in which its stores are located, as well as Austria, the Netherlands, Portugal and the United Kingdom).

## COMPANY NAME

The Company's, previously known as Magnolia BC, has had the corporate name Maisons du Monde since 24 March 2016.

## PLACE OF REGISTRATION AND REGISTRATION NUMBER

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

## REGISTERED OFFICE

The Company's registered office is located in "Le Portereau", Route des Ports aux Meules, 44120 Vertou, France.

The telephone number of the registered office is (+33) 2 51 71 17 17.

## LEGAL FORM AND APPLICABLE LEGISLATION

The Company is a *société anonyme* with a Board of Directors governed by French law, in particular the provisions of the French Commercial Code, and its Bylaws.

# 6.2 Articles of Incorporation and Bylaws

## DATE OF INCORPORATION AND DURATION

The Company was incorporated on 24 June 2013 and registered with the Paris Trade and Companies Register on 27 June 2013. The Company will cease to exist on 27 June 2112, unless it is dissolved early or its duration is extended.

## CORPORATE PURPOSE

As stated in Article 2 of the Bylaws, the Company's purpose, in France and abroad, is:

- the purchase, subscription, holding, management and transfer, in any form, of shares and securities in any companies or legal entities created or to be created, French or foreign;
- all administrative, financial, accounting, business, IT or management services for the benefit of the subsidiaries of the Company or any other company in which it holds an interest;

And more broadly:

- all securities and property, industrial, commercial or financial transactions relating directly or indirectly to this purpose or any similar or related purpose, or which may be beneficial for this purpose or of a nature to facilitate its achievement.

## FINANCIAL YEAR

The Company has a financial year of 12 months, beginning on January 1 and ending on December 31 of each year.

## CONSULTATION OF CORPORATE DOCUMENTS

Corporate documents and information relating to the Company may be consulted at the registered office.

## SHAREHOLDERS' MEETINGS

### Notice of Shareholders' Meetings

Shareholders' Meetings are called in accordance with to the conditions, forms and time limits provided for by the applicable regulations. They are held at the registered office or at any other place indicated in the notice of meeting.

The decisions of the shareholders are taken depending on their nature at Ordinary, Extraordinary or Combined Shareholders' Meetings.

### Attendance at meetings

All shareholders have the right to attend Shareholders' Meetings and vote, either personally or by proxy.

All shareholders may take part in Shareholders' Meetings, personally or by proxy, pursuant to the conditions set by the regulations in force, after providing proof of their identity and ownership of the securities in the form of appropriate Registration under the conditions provided for by the laws and regulations in force.

Upon decision of the Board of Directors to use such means of telecommunications, as published in the notice of meeting or notice to attend, shareholders are deemed to be present for quorum and majority purposes if they attend *via* videoconference or any other means of telecommunication or remote transmission, including the Internet, provided that their identity can be verified under the conditions provided for by the regulations in force.

All shareholders may vote by correspondence or give a proxy in accordance with the regulations in force, by means of a form drawn up by the Company and returned to it pursuant to the regulations in force, including by electronic mail or file transfer, upon decision of the Board of Directors. The form must be received by the Company in the prescribed conditions for it to be taken into account.

The legal representatives of legally incapacitated shareholders and physical persons representing shareholders that are corporate entities may attend meetings, whether or not they are shareholders personally.

### Shareholder communication rights

All shareholders have the right to obtain disclosure of documents, the nature and conditions of which shall be determined by the applicable regulations.

### Voting rights

Each share is entitled to one vote at Shareholders' Meetings, double voting rights as provided for by Article L. 225-123 of the French Commercial Code being expressly excluded.

Treasury shares do not have voting rights.

### Form and disposal of shares

In accordance with Articles 9 and 12 of the Bylaws, shares may be held in registered or bearer form, at the shareholder's discretion, under the conditions provided for by the regulations in force.

Shares are freely tradable. Transfers of shares shall be effected by transfer from account to account, in accordance with the procedures laid down by law and regulations.

### Identification of shareholders

In accordance with legal and statutory provisions, the Company may request at any time from the central depository in charge of its securities issue account, the name or, in the case of a corporate entity, the corporate name, nationality, year of birth or year of incorporation, postal address and, where applicable, electronic address of the holders of securities conferring immediately or in the future the right to vote at its Shareholders' Meetings, as well as the number of securities held by each of them and, where applicable, the restrictions attached to such securities.

# 6.3 Information on the share capital

## 6.3.1 AMOUNT AND COMPOSITION OF SHARE CAPITAL

At 31 December 2016, the Company's share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each, fully paid up and of the same class.

## 6.3.2 CHANGES IN SHARE CAPITAL OVER THE PAST THREE FINANCIAL YEARS

At the Company's incorporation on 24 June 2013, the share capital was set at €1 divided into one fully paid-up share of €1.

The Company's capital has subsequently changed as follows:

In 2013, the share capital was successively increased by cash in the amounts of €56,347,798 and €63,029,665, as well as by a sum of €20,511,537 as a contribution in kind, bringing it to €139,889,001. As a result of these transactions, the share capital amounted to €139,889,001 divided into 139,889,001 shares with a par value of €1 each.

In 2016, the Company carried out the following capital transactions:

- on 24 March 2016, the share capital was first reduced through a €64,348,940.46 by reduction of par of €0.46, bringing it to €75,540,060.54, divided into 139,889,001 shares with a par value of €0.54 each;
- on 29 April 2016, the Company proceeded with a capital increase through the issue of 3 new shares with a par value of €0.54 each, although the share capital amounted to €75,540,062.16 divided into 139,889.004 shares with a par value of €0.54;
- subsequently, the Company consolidated its shares by allocating one share with a par value of €3.24 for six existing shares with a par value of €0.54. The share capital was accordingly constituted of 23,314,834 shares with a par value of €3.24 each;
- lastly, on the settlement date, the share capital was increased by €116,089,621.20 through the issuance of 35,830,130 new ordinary shares in consideration for a contribution made in connection with a merger;
- subsequently, it was reduced by the cancellation of 23,314,834 treasury shares contributed in connection with the aforementioned merger.

Within the framework of its initial public offering on 27 May 2016,, the Company performed a further capital increase in cash by offer to the public, with the cancellation of preferential subscription rights, of a nominal amount of €30,494,115.36 through the issue of 9,411,764 new shares.

At 31 May 2016, the settlement date following the IPO, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares with a par value of €3.24 each.

## 6.3.3 AUTHORISED SHARE CAPITAL NOT ISSUED

In order to enable the Company to make calls on the capital markets and give it the means to grow, the Shareholders' Meeting of 29 April 2016 granted the following financial authorisations to the Board of Directors:

| Nature of the delegation and/or authorisation given to the Board of Directors | Maximum amount authorised | Duration of the authorisation | Expiry | Use in 2016 |
|---|---|---|---|---|
| **CAPITAL INCREASE BY ISSUING SHARES AND/OR ANY OTHER SECURITIES CONVERTIBLE INTO SHARES OF THE COMPANY** | | | | |
| Capital increase by issuing shares through a public offering with the cancellation of preferential subscription rights (24th resolution) | €47 million | 12 months | 04/29/2017 | 05/26/2016 |
| Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with the cancellation of preferential subscription rights in favour of the public (28th resolution) | €36 million | 26 months | 06/29/2018 | |
| Capital increase by issuing ordinary shares and/or securities convertible into shares of the Company and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities through a public offering with preferential subscription rights in favour of the public (29th resolution) | €72 million | 26 months | 06/29/2018 | |
| Capital increase by issuing shares and/or securities convertible into shares of the Company and/or securities entitling holders to the allocation of debt securities as part of an offering referred to in II of Article L. 411-2 of the French Financial and Monetary Code, with the cancellation of preferential subscription rights (30th resolution) | €36 million | 26 months | 06/29/2018 | |
| Capital increase by issuing shares and/or securities convertible into shares of the Company with the cancellation of preferential subscription rights in consideration for contributions in kind made to the Company and consisting of shares or convertible into shares of the Company, outside public exchange offers (32nd resolution) | 10% of share capital | 26 months | 06/29/2018 | |
| Capital increase by incorporation of reserves, profits, premiums or other (33rd resolution) | €36 million | 26 months | 06/29/2018 | |
| **SHARE BUYBACK PROGRAMME** | | | | |
| Treasury share buyback programme (13th resolution) | 10% of share capital and maximum purchase price set at €34 per share, *i.e.* a maximum of €154 million | 18 months | 10/29/2017 | Use under a liquidity contract: 15,252 treasury shares held at 12/31/2016 |
| Capital reduction by cancelling treasury shares (37th resolution) | Capped at 10% of share capital per 24-month period | 18 months | 10/29/2017 | |
| **TRANSACTIONS RESERVED FOR EMPLOYEES AND EXECUTIVE DIRECTORS** | | | | |
| Free shares, existing or new, granted to employees and eligible corporate officers of the Company and companies related to it (38th resolution) | 10% of share capital | 18 months | 10/29/2017 | 10/25/2016 and 12/16/2016 |

In accordance with the delegations granted by the Shareholders' Meeting of 29 April 2016:

- at its meeting of 26 May 2016, the Management Board (prior to the transformation of the Company into a *société anonyme* with a Board of Directors on 31 May 2016) increased the share capital by public offer with the cancellation of preferential subscription rights, by a total nominal amount of €30,494,115.36 through the issuance of 9,411,764 new shares with a par value of €3.24 each, with an issue premium of €13.76 per share, *i.e.* an issue price of €17 and a capital increase (including share premium) of €159,999,988;
- the Board of Directors at its meetings on 25 October 2016 and 16 December 2016 decided to allocate 14,411 and 153,250 free shares respectively.

## 6.3.4 INFORMATION ON SECURITIES TRANSACTIONS

### Results of the share buyback programme

Pursuant to Articles L. 225-209 of the French Commercial Code, the Shareholders' Meeting of Shareholders of 29 April 2016 authorised the Board of Directors to trade in its own shares, except during a public offer on the Company's shares, for a period of 18 months, in compliance with the objectives and terms of the share buyback programme.

The purchase price was capped at €34 per share, and the number of shares to be acquired could not exceed 10% of share capital.

In 2016, the Company made use of this authorisation in the following manner:

- no securities were purchased or sold;
- no securities were cancelled;
- on 26 October 2016, the Company entrusted Natixis with the implementation of a liquidity contract for its ordinary shares in accordance with the Ethics Charter of the French Financial Markets Association (*Association française des marchés financiers* – AMAFI) of 8 March 2011, approved by the *Autorité des marchés financiers* (AMF) by decision of 21 March 2011. For the implementation of this contract, a sum of €1,000,000 was allocated to the liquidity account. In 2016, under the terms of the contract, Natixis purchased 50,185 shares of the Company at an average price of €24.88, *i.e.* a total amount of €1,248,856.55, and sold 34,933 shares at an average price of €24.96, *i.e.* a total amount of €871,846.86. At 31 December 2016, the Company held 15,252 treasury shares, representing 0.03% of share capital, with a market value of €381,986.34.

The shares held under the share buyback programme were used for the following purposes:

- cancellation of treasury shares: 0 securities;
- holding of shares for exchange or payment in connection with acquisitions: 0 securities;
- distribution following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company: 0 securities;
- coverage of stock option or free share plans: 0 securities;
- coverage of employee shareholding transactions reserved for members of a company savings plan: 0 securities;
- performance of the liquidity contract of the Company's shares: 15,252 securities.

### Description of the share buyback programme pursuant to Articles 241-1 et seq. of the General Regulation of the Autorité des marchés financiers

Pursuant to the provisions of Article 241-2 of the AMF General Regulation, this item constitutes the description of the share buyback programme to be submitted to the authorisation of the Shareholders' Meeting of 19 May 2017.

#### Objectives of the buyback programme

Purchases of shares within the framework of the share buyback programme will be made with the following purpose:

- cancelling them;
- holding them for delivery by way of exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company;
- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company;
- implementing:
  - stock option plans, or
  - free share plans, or
  - employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 *et seq*. of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount, or
  - allocations of shares to employees and/or Executive Directors of the Company and of the companies related to it, in accordance with the applicable legal and regulatory provisions;
- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the *Autorité des marchés financiers*;
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the *Autorité des marchés financiers*.

To the extent permitted by the regulations in force, the shares may, in whole or in part, be acquired, assigned, exchanged or transferred, on one or more occasions, by any means in any market, including trading systems (MTF) or *via* a systematic internaliser, or over-the-counter, including through the acquisition or disposal of blocks of shares (without limiting the share of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force.

### Maximum share of capital, maximum number and characteristics of the securities that the Company proposes to acquire and maximum purchase price

Pursuant to the law, the maximum number of shares that Maisons du Monde will be able to hold under this programme, authorised by the Shareholders Meeting of 19 May 2017, will be 4,524,189 shares of the Company corresponding to 10% of the share capital.

The maximum authorised purchase price is €50 per share. Purchases may not exceed the cumulative net sum of €226.2 million.

### Duration of the buyback programme

The duration of the programme is 18 months from the approval of the Shareholders' Meeting of 19 May 2017, *i.e.* until 19 November 2018.

# 6.4 Shareholders

## 6.4.1 BREAKDOWN OF CAPITAL AND VOTING RIGHTS

At 31 December 2016, the share capital amounted to €146,583,736.56 divided into 45,241,894 shares.

At that date, the structure of the share capital was as follows:

| Shareholders | Capital shares | % of capital | Theoretical voting rights | % of theoretical voting rights | Exercisable voting rights in the Company (1) | % of exercisable voting rights |
|---|---|---|---|---|---|---|
| Magnolia (BC) Holdco (Bain Capital) | 14,132,703 | 31.24% | 14,132,703 | 31.24% | 14,132,703 | 31.24% |
| FMR LLC & Fidelity Canada Investors LLC (2) | 4,499,989 | 9.94% | 4,499,989 | 9.95% | 4,499,989 | 9.95% |
| Sycomore Asset Management (3) | 2,468,050 | 5.46% | 2,468,050 | 5.45% | 2,468,050 | 5.46% |
| Treasury shares (4) | 15,252 | 0.03% | 15,252 | 0.03% | - | - |
| Free float | 24,125,900 | 53.33% | 24,125,900 | 53.33% | 24,125,900 | 53.34% |
| **TOTAL** | **45,241,894** | **100%** | **45,226,642** | **100%** | **45,226,642** | **100%** |

*(1) Exercisable voting rights take into account treasury shares held at 31 December 2016;*

*(2) Based on the threshold crossing statement issued by FMR LLC and Fidelity Canada Investors LLC on 27 October 2016;*

*(3) Based on the threshold crossing statement issued by Sycomore Asset Management on 27 October 2016;*

*(4) Treasury shares include shares held under the liquidity agreement, which totalled 15,252 shares at 31 December 2016.*

To the knowledge of the Company, Sycomore Asset Management and FMR LLC are the only shareholders holding, directly or indirectly, alone or in concert, more than 5% of share capital and voting rights.

## 6.4.2 CONTROL OF THE COMPANY

The Company is controlled in accordance with the description in the table in Section 6.4.1. As such, the prevention of possible misuse of control by a shareholder is guarante ed by the regular meetings of the Board of Directors and the presence of four independent directors, who also hold a majority in the specialised committees (Audit Committee and Nomination and Compensation Committee).

It is proposed to the Shareholders' meeting of 19 May 2017, to appoint a fifth independent director.

## 6.4.3 CROSSING OF THRESHOLDS

### Provisions of the Bylaws

In accordance with Article 14 of the Bylaws, and in addition to the legal obligation to inform the Company of the holding of certain fractions of the capital or voting rights, any physical person or legal entity or any shareholder who holds, directly or indirectly, alone or in concert, a number of shares of the Company equal to or greater than 1% of the total number of shares or voting rights must, before the close of the fourth trading day following the crossing of that threshold, inform the Company by registered letter with acknowledgement of receipt. The same declaration must be made under the same conditions whenever a new threshold of a multiple of 1% of the total number of shares or voting rights is crossed. Any shareholder whose interest or voting rights falls below one of the aforementioned statutory thresholds is also obliged to inform the Company within the same period of four days and under the same terms.

### Change in Maisons du Monde's shareholding structure in 2016

In 2016, Maisons du Monde received the following legal threshold crossing declarations pursuant to Article L. 233-7 of the French Commercial Code:

- following the acquisition of shares on the market, acting both in its own name and on behalf of its affiliates, FMR LLC stated that it had crossed in the upward direction the threshold of 5% of the share capital and voting rights, and that it held in concert with Fidelity Canada Investors LLC 9.94% of the share capital and voting rights in the Company (declarations of 13 June 2016, 23 August 2016 and 27 October 2016);
- Sycomore Asset Management stated that it had crossed in the upward direction (declaration of 14 September 2016), then in the downward direction (declaration of 6 October 2016) and then again in the upward direction (declaration of 27 October 2016) the threshold of 5% of the share capital and voting rights, and that it held 5.46% of the share capital and voting rights in the Company;
- Magnolia (BC) Holdco stated that it had crossed in the downward direction the threshold of one-third of the share capital and voting rights following a disposal of shares on the market, and that it held 31.20% of the share capital and voting rights in the Company (declaration of 4 November 2016).

Maisons du Monde has also received the following declarations during financial year 2016 relating to the crossing of thresholds contained in the Bylaws:

- Legal & General Investment Management stated that it had crossed in the upward direction (declaration of 16 June, 2016), then in the downward direction (declaration of 25 August 2016) and then again in the upward direction (declaration of 28 October) the threshold of 1% of the share capital and voting rights, and that it held 1.14% of the share capital and voting rights in the Company;
- Allianz Global Investors GmbH stated that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights, and that it held 1.22% of the share capital and voting rights in the Company (declaration of 22 May 2016);
- Schroders Plc, acting both in its own name and on behalf of its affiliates, stated that it had crossed in the upward direction (declaration of 1 June 2016) and then in the downward direction (declaration of 4 October 2016) the threshold of 1% of the share capital and voting rights, and that it held 0.99% of the share capital and voting rights in the Company;
- FCPE Egepargne Croissance, managed by AXA Investment Managers Paris, stated that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights, and that it held 1.60% of the share capital and voting rights in the Company (declaration of 1 July 2016);
- Amundi, acting on behalf of its affiliates, declared that it had crossed over the threshold of 1% of the Company's share capital and voting rights, and that it held 1.04% of the share capital and voting rights (declaration of 1 July 2016);
- Tocqueville Finance stated that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights in the Company and that it held 1.70% of the share capital and voting rights in the Company (declaration of 1 July 2016 );

Since 1 January 2017, Maisons du Monde has additionally received the following legal threshold crossing declaration pursuant to Article L. 233-7 of the French Commercial Code:

- Magnolia (BC) Holdco, stated that it had crossed in the downward direction the thresholds of 30%, 25% and 20% of the share capital and voting rights following the disposal of shares on the market, and that it held 15.77% of the share capital and voting rights of the Company (declaration of 16 March 2017).

Since 1 January 2017, Maisons du Monde has additionally received the following declarations relating to the crossing of thresholds contained in the Bylaws:

- Financière de l'Echiquier stated that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights, and that it held 1.02% of the share capital and voting rights in the Company (declaration of 4 January 2017);
- Fonds de Réserve pour les Retraites (FRR) stated that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights, and that it held 1.11% of the share capital and voting rights in the Company (declaration of 13 January 2017);
- Alken Luxembourg S.A. declared that it had crossed in the upward direction the threshold of 1% of the share capital and voting rights, and that it held 1.16% of the share capital and voting rights in the Company (declaration of 15 March 2017);
- GLG Partners LP declared that it had crossed in the upward direction (declaration of 15 March 2017), then in a downward direction (declaration of 11 April 2017), the threshold of 1% of the share capital and voting rights, and that it held 0.76% of the share capital and voting rights in the Company.

## 6.4.4 EMPLOYEE SHARE OWNERSHIP

Pursuant to Article L. 225-102 of the French Commercial Code, we inform you that the proportion of the capital represented by shares held by employees as of 31 December 2016 was less than 3%; the Company not having established mutual funds for the benefit of Group employees. We inform you that the last Extraordinary Shareholders' Meeting called to approve a capital increase reserved for employees was held on 29 April 2016.

Following the Group's IPO, the Board of Directors, using the authorisation granted by the Shareholders' meeting of 29 April 2016, allocated free shares to certain Maisons du Monde employees, with a view to directly involving them in the future of the Group and its performance through trends in share prices.

## 6.4.5 TRANSACTIONS PERFORMED ON THE COMPANY'S SHARES BY OFFICERS AND PERSONS TREATED AS SUCH

Pursuant to the provisions of Articles 223-22-A *et seq*. of the AMF General Regulation, the table below shows the transactions carried out by officers and persons treated as such, as declared to the AMF.

| Date of the transaction | Declarant | Nature of the transaction | Number of shares | Unit price *(in euros)* | Amount of the transaction *(in euros)* |
|---|---|---|---|---|---|
| 10/31/2016 | Ian CHESHIRE Independent | Purchase | 1,000 | 25.57 | €25,570.00 |
| 10/31/2016 | Xavier MARIE Independent | Sale | 1,089,460 | 25.00 | €27,236,500.00 |

## 6.4.6 ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Pursuant to the provisions of Articles L. 233-13 and L. 225-100-3 of the French Commercial Code, the Company informs the public of the following elements liable to have an influence in the event of a takeover bid:

### Shareholders' agreement

At the time of writing, Maisons du Monde was not aware of any shareholders' agreement providing for preferential terms for the sale or acquisition of Maisons du Monde shares or an agreement whose implementation could result in a change of control.

### Significant nominal holdings

With the exception of the holding of Magnolia (BC) Holdco, the Company was not aware of any other significant registered shareholdings at the end of 2016.

### Control mechanisms

The Company has not established double voting rights. Nor does it have any securities with particular prerogatives.

At the time of Maisons du Monde's IPO on 27 May 2016, shareholders in Maisons du Monde undertook not to trade in these securities during various lock-up periods as appropriate. The last of these periods will expire on 27 May 2017.

# 6.5 Stock market information

## 6.5.1 LISTING VENUE AND INDICES

Maisons du Monde was floated on 27 May 2016 on compartment B of the regulated market of Euronext Paris. The initial public offering comprised an open-price offer and a global placement at a price of €17.00 per share, resulting in the admission to trading of 19,411,764 shares of the Company, including 10,000,000 existing shares sold and 9,411,764 new shares, prior to exercise of the Greenshoe option. On 9 June 2016, Maisons du Monde announced the exercise of the entire Greenshoe option, representing 2,911,764 existing shares sold at the offer price, *i.e.* €17.00 per share. As a result, the total number of Maisons du Monde shares offered as part of its IPO was 22,323,528 shares, representing 49.3% of the share capital of the Company, bringing the size of the offering to approximately €379.5 million.

### MAISONS DU MONDE SHARE DATA

| Information | Characteristics |
|---|---|
| Listing | • Euronext Paris<br>• Compartment A (since 25 January 2017)<br>• Eligible for the SRD (1) (since 29 December 2016) |
| Codes | • ISIN: FR0013153541<br>• Ticker: MDM |
| ICB classification (2) | • Industry: Consumer goods (3700)<br>• Sector: Furniture (3726) |
| Indices | • CAC Small<br>• CAC Mid & Small<br>• CAC Consumer Goods<br>• MSCI Global Small Cap (France) |

*(1) Deferred settlement service.*

*(2) Industry Classification Benchmark.*

## 6.5.2 SHARE PRICE AND TRADING VOLUMES

At 31 December 2016, the Maisons du Monde share price was €25.045, an increase of more than 47% on its initial public offering price of €17.00. Its market capitalisation was €1,133 million.

The table below charts change in the share price and transaction volumes for the Maisons du Monde share since the Company's IPO on 27 May, 2016.

| *Month* | **Highest price** *(in euros)* | **Lowest price** *(in euros)* | **Closing price** *(in euros)* | **Average closing price** *(in euros)* | **Number of shares traded** | **Capital traded** *(in millions of euros)* |
|---|---|---|---|---|---|---|
| May 2016 | 18.45 | 17.00 | 18.03 | 18.07 | 3,517,698 | 62.87 |
| June 2016 | 19.45 | 17.00 | 18.76 | 18.64 | 1,310,940 | 24.41 |
| July 2016 | 19.82 | 18.50 | 19.10 | 19.02 | 521,383 | 9.92 |
| August 2016 | 22.45 | 18.52 | 21.89 | 20.95 | 587,321 | 12.39 |
| September 2016 | 25.50 | 21.51 | 25.14 | 23.48 | 1,035,079 | 24.24 |
| October 2016 | 27.29 | 24.06 | 25.70 | 25.32 | 1,192,170 | 30.52 |
| November 2016 | 26.35 | 24.00 | 24.55 | 25.15 | 1,065,126 | 26.56 |
| December 2016 | 25.19 | 23.08 | 25.05 | 24.46 | 754,538 | 18.45 |
| January 2017 | 28.03 | 25.12 | 26.13 | 26.77 | 886,916 | 23.81 |
| February 2017 | 27.25 | 25.30 | 25.80 | 26.30 | 722,152 | 18.89 |
| March 2017 | 29.69 | 25.76 | 29.50 | 27.29 | 4,547,064 | 123.43 |

# 6.6 Dividend payment

## 6.6.1 DIVIDEND POLICY

Starting from 2017, the Company intends to distribute annual dividends representing approximately 30% to 40% of the adjusted consolidated net income, including a 36.0% statutory income tax rate for the previous year, subject to the approval of the Shareholders' Meeting. However, this dividend distribution objective is not a commitment of the Company. The actual amounts of future distributions will depend on a variety of factors, including the Company's results and financial position, strategic objectives, or such other factors as the Board of Directors may deem appropriate.

## 6.6.2 DIVIDENDS DISTRIBUTED DURING THE LAST THREE FINANCIAL YEARS

The Company did not pay any dividends in respect of the years ended 31 December 2014 and 2015.

In accordance with the objectives announced at the time of the Company's initial public offering, the Board of Directors decided to submit to the Shareholders' Meeting of 19 May 2017 the payment of a cash dividend of €0.31 per share for the year ended 31 December 2016, representing a distribution rate of 35% of adjusted consolidated net income of €39.9 million (for more information, see Section 4.2.5 "Non-IFRS financial metrics" of this Registration document).

# 7 Shareholders' Meeting



The Board of Directors, at its meeting of 16 March 2017 convened the Combined Annual Ordinary and Extraordinary Shareholders' Meeting on Friday 19 May 2017 at 3.00 pm, at the Maison des Travaux Publics – 3, Rue de Berri in Paris (75008), to deliberate the following agenda:

# 7.1 Agenda

## 7.1.1 AGENDA FOR THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

- Reading of the Board of Directors' management report and the statutory auditors' report on the annual financial statements for the year ended 31 December 2016.
- Reading of the Board of Directors' report on the Group's management and the statutory auditors' report on the consolidated accounts for the financial year ended 31 December 2016.
- Reading of the Chairman of the Board of Directors' Statement relating to Corporate Governance and Internal Control and the statutory auditors' analysis of this report.
- Approval of the separate financial statements for the year ended 31 December 2016, approval of the non-deductible expenses and discharge to the directors.
- Approval of the consolidated accounts for the year ended 31 December 2016.
- Appropriation of income for the financial year and payment of a dividend.
- Reading of the statutory auditors' special report on the regulated conventions and commitments pursuant to Article L. 225-38 of the French Commercial Code.
- Approval of the regulated conventions and commitments signed during the previous financial year included in the statutory auditors' report.
- Vote on the elements of compensation due or granted in respect of the 2016 financial year to the Chief Executive Officer.
- Vote on the elements of the compensation policy granted to the Chairman of the Board of Directors.
- Vote on the elements of the compensation policy granted to the Chief Executive Officer.
- Appointment of a new member of the Board of Directors.
- Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors.
- Authorisation to be granted to the Board of Directors to carry out share buybacks for the Company.

## 7.1.2 AGENDA FOR THE ANNUAL EXTRAORDINARY SHAREHOLDERS' MEETING

- Reading of the statutory auditors' special report
- Authorisation to be granted to the Board of Directors to increase the capital by issue of shares through a public offering with cancellation of preferential subscription rights in favour of the public.
- Authorisation to be granted to the Board of Directors to reduce the share capital by cancellation of shares previously purchased as part of a share buyback programme.
- Authorisation to be granted to the Board of Directors to carry out the free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers in the Company and related companies.
- Miscellaneous questions.
- Powers to carry out the formalities.

# 7.2 Board of Directors' reports on the draft resolutions

## 7.2.1 BOARD REPORT AT THE ANNUAL ORDINARY SHAREHOLDERS' MEETING

Dear Shareholders,

We have convened this Annual Ordinary Shareholders' Meeting to present our Company's situation and activity during the year ended 31 December 2016 and to submit the annual accounts for the said financial year for your approval.

Pursuant to the provisions of Articles L. 225-100 *et seq.* of the French Commercial Code, we hereby present the Board of Directors' Management Report.

This report, compiled with the help of the Company's Finance Division, Internal Control and Legal Departments, was approved by the Board of Directors on 16 March 2017, after having been reviewed by the Audit Committee and the Appointments and Compensation Committee.

The **information on the Company's situation and activity** at the end of the financial year, as well as its **future outlook** are indicated in Chapter 4 of this Registration document. The **financial statements** (annual and consolidated accounts and their notes) are presented in Chapter 5. All the **elements likely to have an impact in the event of a public offer** (in particular, the capital structure, statutory restrictions, capital holdings and the share buyback programme) are presented in Chapter 6. Lastly, the information on the Company's **Corporate and environmental responsibility** is presented in Chapter 2.

The Chairman's Statement relating to **Corporate Governance and Internal Control** is presented in Chapter 3 of this Registration document.

The statutory auditors' reports are presented in Chapter 3, Sections 3.3 and 3.4.

We will supplement this financial, social and legal information with the elements indicated below.

### Research and Development activities

We inform you that the Company carried out no research and development activity during the financial year just ended.

### Information on supplier payment terms

Pursuant to Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two financial years, the balance of trade payables can be broken down, by maturity date, as follows:

| ***Maturities*** *(Amounts in € thousands)* | **2016** | **2015** |
|---|---|---|
| **Accrued expenses** | **1,189** | **1,015** |
| **Past due** | **420** | **619** |
| **Not yet due** | | |
| *Less than 30 days* | | |
| *Between 30 and 60 days* | | |
| *More than 60 days* | | |
| **TOTAL** | **1,609** | **1,634** |

## Subsidiaries and holdings

### Subsidiaries

As of 31 December 2016, the Company directly or indirectly controlled the following entities:

- Wholly owned companies
  - Abaco, SAS (simplified joint stock company) registered with the Nantes Trade and Company Register under the number 480 016 740,
  - Maisons du Monde France, S.A.S. registered with the Nantes Trade and Company Register under the number 393 196 656,
  - Distrimag, S.A.S. registered with the Tarascon Trade and Company Register under the number 432 547 206,
  - Distri-Meubles, S.A.S. registered with the Tarascon Trade and Company Register under the number 799 991 732,
  - Distri-Traction, SARL (limited liability company) registered with the Tarascon Trade and Company Register under the number 799 967 443,
  - Logi-Formation, S.A.S. registered with the Tarascon Trade and Company Register under the number 814 572 590,
  - International Magnolia Company, SARL registered with the Nantes Trade and Company Register under the number 808 794 176,
  - International MDM Company, SARL registered with the Nantes Trade and Company Register under the number 809 032 279,
  - Maisons du Monde Allemagne GmbH, German law subsidiary based in Dortmund,
  - Maisons du Monde Belgique Sprl, Belgian law subsidiary based in Arlon,
  - Maisons du Monde España SL, Spanish law subsidiary based in Madrid,
  - Maisons du Monde Italie Spa, Italian law subsidiary based in Milano,
  - Maisons du Monde Luxembourg Sàrl, Luxembourg law subsidiary based in Luxembourg,
  - Maisons du Monde Suisse Sàrl, Swiss law subsidiary based in Fribourg,
  - MDM Furniture & Decoration Limited, UK law subsidiary based in London,
  - Mekong Furniture, Vietnamese law subsidiary based in Thu Dau Mot – Province of BinhDuong,
  - Magnolia MEP Finco I Sàrl, Luxembourg law subsidiary based in Luxembourg
- Companies between 50% and 100% owned
  - Chin Chin Limited, subsidiary based in Hong Kong,
  - Shangai Chin Chin, subsidiary based in Shanghai,
- Results of subsidiaries at the end of the 2016 financial year

Revenues, profits and capital other than share capital of subsidiaries and holdings are not disclosed for reasons of confidentiality related to business and industrial strategy.

### Holdings

In accordance with Article L. 233-6 of the French Commercial Code, we inform you that no direct or indirect investments were carried out by the Company or one of its subsidiaries, during the last financial year in companies with their registered offices in France.

Maisons du Monde France subscribed to 100% of the share capital in MDM Furniture & Decoration (UK subsidiary), during the creation of its subsidiary.

## Proposed appropriation of income

We invite you to approve the annual accounts (balance sheet, profit and loss account and notes) as they are presented showing a profit of €14,051,877.76.

We also propose to allocate the income for the financial year as follows:

| | |
|---|---|
| Net profit for the financial year | €14,051,877.76 |
| Allocation to the statutory reserve | (€702,593.89) |
| Deduction from the "Issue premium" item | +€675,703.27 |
| **TOTAL DISTRIBUTABLE AMOUNT** | **€14,024,987.14** |
| Dividend to the shareholders of €0.31 per share | €14,024,987.14 on the basis of 45,241,894 shares |
| **TOTAL ALLOCATED** | **€14,024,987.14** |

The ex-dividend date will be on 10 July 2017 with payment on 12 July 2017.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, with the amounts corresponding to the unpaid dividends for treasury shares allocated to "Retained Earnings" and the total amount of dividends adjusted as a result.

We remind you that the proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2 of the French General Tax Code and applicable to natural persons with their tax residence in France. In addition, pursuant to Article 117 quater of the said Code, unless there is an exemption subject to conditions of revenue, dividends received will be subject to a mandatory non-definitive deduction at source of 21%.

## Previous dividend distributions

In order to comply with the provisions of Article 243 bis of the French General Tax Code, we remind you that no dividends were distributed in respect of the two financial years ended since the creation of the Company.

## Non-deductible tax expenses

In accordance with the provisions of Articles 223 quater and 223 quinquies of the French General Tax Code, we indicate that the non-deductible tax expenditures and income reached an overall amount of €9,720 at the end of the financial year.

This amount corresponds to the non-deductible portion of rents on passenger cars used by the Company, offset by the taxable loss for the same proportion.

## Regulated Conventions

In accordance with Article L. 225-40 of the French Commercial Code, we ask you to approve the conventions indicated in Article L. 225-38 of the French Commercial Code and signed during the financial year just ended, after having been authorised by your Board of Directors (under its former status as Supervisory Board):

- guarantee contract between the Company, Capital Private Equity, Compagnie Marco Polo and the banking institutions responsible for investments during stock market listings (*Supervisory Board Authorisation on 26 May 2016*);
- convention of 31 May 2016 in English "Termination Agreements in Relation to the Consulting Services Agreement" between the Company and Bain Capital Private Equity LP (*Supervisory Board Authorisation of 26 May 2016*);
- convention of 31 May 2016 in English "Termination Agreement in Relation to the Consulting Services Agreement and the Advisory Services Agreement" between the Company and Bain Capital Private Equity LP (*Supervisory Board Authorisation of 26 May 2016*);
- convention for the provision of services between the Company and Bain Capital Private Equity (*Supervisory Board Authorisation of 26 May 2016*);
- convention for the provision of services between the Company and Compagnie Marco Polo (*Supervisory Board Authorisation of 26 May 2016*).
- commitment for the benefit of the Chief Executive Officer: termination benefit (Board of Directors' Authorisation of 31 May 2016);

Your statutory auditor was duly informed of these conventions which he described in his special report.

We remind you that the convention for the provision of services with the Compagnie Marco Polo, signed and authorised during the previous financial year (*Supervisory Board Meeting of 7 September 2015*), continued during the financial year.

In accordance with legal provisions, this convention was reviewed by the Board of Directors of 16 March 2017.

## Administration and control of the Company

We inform you that no terms of office for directors or statutory auditors have expired.

The list of terms of office for the Company's directors is indicated in Chapter 3, Section 3.1.2 of this Registration document.

## Appointment of a new director

We propose to appoint Ms Marie Schott, as a new Director, in addition to the members of the Board of Directors currently in office, for a period of 3 years which will expire at the end of the Ordinary Shareholders' Meeting to be held in 2020 to approve the accounts for the previous financial year.

## Directors' fees

Lastly, we ask you to approve the overall amount of directors' fees allocated to the Board of Directors for the current financial year and each of the subsequent financial years, that we propose to set at €500,000.

## 7.2.2 BOARD REPORT TO THE ANNUAL EXTRAORDINARY SHAREHOLDERS' MEETING

We have also convened this meeting to submit for your approval a plan to increase the share capital by issuing shares through a public offering, a plan to reduce the share capital by cancelling treasury shares, as well as a new project for the free allocation of shares for the benefit of employees and Executives in the Company and related companies.

### Capital increase by issuing shares through a public offering with the cancellation of preferential subscription rights

The 11th resolution authorises the Board of Directors to carry out an increase in the Company's share capital in cash, in the proportion and at the time that it decides, by issuing shares (excluding preference shares) through a public offering with the cancellation of preferential subscription rights, without indication of the beneficiaries, up to the maximum nominal amount of €47,000,000 (or the equivalent in any other currency or monetary unit established by reference to several currencies).

We propose to cancel the preferential subscription rights of partners to shares that may be issued pursuant to this delegation. This cancellation of the preferential subscription rights will enable the effective acquisition of Company shares by the public.

The issue price will be set by the Board in accordance with usual market practices in global placements, by reference to the price offered to investors in such a placement, such that this price will result from a combination of supply of shares and subscription requests submitted by investors as part of the "order-book building" approach used in the industry.

The Board will have all powers, in accordance with the law and within the limits set by this delegation, to implement this delegation of authority, and in particular, to set the terms and conditions of each issue of shares or other securities and the characteristics of the securities as well as, if applicable, to suspend them, record completion thereof, amend the bylaws accordingly, and to proceed with all other useful or necessary formalities.

This delegation will be granted for a period of twelve (12) months from 19 May 2017 and will therefore expire on 19 May 2018.

### Share capital reduction by cancelling treasury shares

We propose to authorise and grant all powers to the Board of Directors for an 18 month period, to:

- carry out the cancellation, of up to 10% of the share capital per 24 month period, of all or part of the treasury shares held as part of the share buyback programme authorised by the 10th resolution;
- deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves;
- carry out and record the capital reduction transactions, accomplish all acts and formalities for this purpose, modify the bylaws as a consequence.

### Proposed free allocation of shares subject to performance conditions, for the benefit of eligible employees and corporate officers of the Company and related companies

Pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code, stock companies may carry out the free allocation of existing or newly issued shares in favour of employees and corporate officers.

Consequently, we propose that you authorise the Board of Directors to carry out, on one or more occasions, the free allocation of existing or newly issued Company shares in favour of employees, certain employees, or certain categories of employees, belonging to the Company or Group Companies in France or abroad, and/or eligible corporate officers under the conditions indicated hereafter.

The free share grants are designed to build loyalty and incentivise the key people the Group needs to fulfil its growth ambitions.

In line with market practice, these awards will bring the interests of the beneficiaries into line with the shareholders' interests, while at the same time creating common cause around shared medium term goals that reflect Maisons du Monde's medium and long term ambitions to drive growth.

The share grants are also part of the Board's compensation policy and the Group's intention to give senior managers and key people a share in the Group's profits, by incentivising them to take a long term view.

The Board of Directors will determine the beneficiaries of the share grants, as well as the conditions and criteria for the award.

The total number of free shares allocated may not represent more than 2% of the Company's share capital.

Free shares awarded to their beneficiaries only vest under the following conditions:

- continued employment in the Company: barring exceptions provided by the plan rules and current law, beneficiaries must be in employment in the Company at the end of the second financial year following the year in which the shares are awarded. Free shares awarded to their beneficiaries only vest at the end of the vesting period set by the Board, which may not be less than 30 months;
- performance conditions: all share awards will be subject to meeting performance criteria over more than one year. At least one of the conditions will be assessed over two full consecutive financial years.

Fulfilment of these conditions will be measured relative to the targets in the most recent business plan approved by the Board before the start of the current financial year.

A lower limit of 85% of the target for each condition may grant entitlement to 50% maximum of the portion of the award linked to this condition.

A target of 100% of the objective will grant entitlement to 100% of the portion of the award linked to the condition.

Between the lower limit and the target, the number of shares awarded will be calculated on a straight-line basis.

In accordance with the Internal Regulations of the Board of Directors, when shares are awarded to executive directors, a percentage of the award must be held in registered form until the expiry of their term of office. The Board will decide the percentage subject to this holding requirement.

Accordingly, we propose that you delegate to the Board of Directors all powers to (i) determine, at the time of issue by the Company of free shares, the number of shares that may be issued to a beneficiary, (ii) determine, at the time of issue of these shares, the amount of reserves, profits or premiums to be incorporated into the capital, (iii) define the terms of the associated free share allocation plans, which will mainly have the aim of defining the allocation conditions of the free shares, as well as the lock-up obligations for these free shares, (iv) record the capital increase(s) carried out and amend the Company's bylaws accordingly, (v) proceed, if required, during the vesting period, with the adjustments in the number of shares to be allocated, made necessary by any transactions on the Company's capital, in order to preserve the beneficiaries' rights, (vi) proceed if required with the buyback of Company shares in order to allocate them free of charge, particularly as part of the share buyback programme authorised under the 10th resolution and, (vii) proceed with all acts and formalities that may be required by the implementation of the free share allocation plan, and more generally do everything that is necessary for this purpose.

This authorisation will be granted for a period of thirty-eight (38) months from 19 May 2017 and will therefore expire on 19 July 2020.

# 7.3 Presentation of the draft resolutions

| | |
|---|---|
| **1st resolution** | Approval of the annual accounts for the year ended 31 December 2016 |
| **2nd resolution** | Approval of the consolidated accounts for the year ended 31 December 2016 |
| **3rd resolution** | Allocation of income for the financial year and payment of a dividend |
| **4th resolution** | Approval of the regulated conventions and commitments |
| **5th resolution** | Vote on the elements of compensation due or granted in respect of the 2016 financial year to the Chief Executive Officer |
| **6th resolution** | Vote on the elements of the compensation policy granted to the Chairman of the Board of Directors |
| **7th resolution** | Vote on the elements of the compensation policy granted to the Chief Executive Officer |
| **8th resolution** | Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors, |
| **9th resolution** | Authorisation to be granted to the Board of Directors in order to carry out share buybacks for the Company, |
| **10th resolution** | Appointment of a new member of the Board of Directors, |
| **11th resolution** | Authorisation to be granted to the Board of Directors to increase the capital by issue of shares through a public offering with cancellation of preferential subscription rights |
| **12th resolution** | Authorisation to be granted to the Board of Directors to reduce the share capital by cancellation of shares |
| **14th resolution** | Powers to carry out the formalities |

## 7.3.1 RESOLUTIONS WITHIN THE COMPETENCY OF THE ORDINARY SHAREHOLDERS' MEETING

### 1ST RESOLUTION Approval of the annual accounts for the year ended 31 December 2016

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Report of the Chairman of the Board of Directors, of the Board of Directors' management report and of the statutory auditors' report, approves the annual financial statements of the Company for the financial year ended 31 December 2016, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports, showing a profit of €14,051,877.76.

Pursuant to Article 223 quater of the French General Tax Code, it approves the amount of expenditures and costs provided for in Article 39-4 of the French General Tax Code amounting to €9,720 for the financial year just ended, offset by the taxable loss for the same proportion.

Consequently, the Shareholders' Meeting grants full discharge to the Board of Directors for the execution of their terms of office for the financial year ended 31 December 2016.

### 2ND RESOLUTION Approval of the consolidated accounts for the year ended 31 December 2016

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Report of the Chairman of the Board of Directors, of the Board of Directors' management report and of the statutory auditors' report, approves the annual consolidated financial statements of the Company for the financial year ended 31 December 2016, in their entirety, as presented, as well as the transactions reflected in these financial statements and summarised in these reports, showing a loss of €11,969.

### 3RD RESOLUTION Allocation of income for the financial year and payment of a dividend

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, upon the proposal of the Board of Directors, decides to allocate the income for the financial year ended 31 December 2016 as follows:

| | |
|---|---|
| Net profit for the financial year | €14,051,877.76 |
| Allocation to the statutory reserve | (€702,593.89) |
| Deduction from the “Issue premium” item | +€675,703.27 |
| **TOTAL DISTRIBUTABLE AMOUNT** | **€14,024,987.14** |
| Dividend to the shareholders of €0.31 per share | €14,024,987.14 the basis of 45,241,894 shares |
| **TOTAL ALLOCATED** | **€14,024,987.14** |

The Shareholders' Meeting decides that the ex-dividend date will be on 10 July 2017 with payment on 12 July 2017.

The Company will not receive any dividends for shares that it owns at the ex-dividend date, and the amounts corresponding to the unpaid dividends for treasury shares will be allocated to “Retained Earnings” and the total amount of dividends adjusted as a result.

The proposed dividend is eligible for the 40% tax reduction pursuant to Article 158-3-2° of the French General Tax Code and applicable to natural persons with their tax residence in France. In addition, pursuant to Article 117 quater of the said Code, unless there is an exemption subject to conditions of revenue, dividends received are subject to a mandatory non-definitive deduction at source of 21%.

In accordance with the provisions of Article 243 bis, paragraph 1, of the French General Tax Code, the Shareholders' Meeting notes that no dividend was distributed in respect of the last two financial years since the creation of the Company.

### 4TH RESOLUTION Approval of the regulated conventions and commitments

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the statutory auditors' special report on conventions and commitments provided for in Article L. 225-38 of the French Commercial Code, approves the conventions and commitments indicated in the said report and which were authorised during the financial year just ended.

## 5TH RESOLUTION Vote on the elements of compensation due or granted in respect of the 2016 financial year to the Chief Executive Officer

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and pursuant to the AFEP-MEDEF Code of Corporate Governance, amended in November 2016, expresses a favourable opinion on the elements of the compensation due or granted in respect of the 2016 financial year to Mr Gilles Petit, Chief Executive Officer, as presented in the Registration document and the annual financial report 2016 for the Company (Table 2 – Chapter 3, Section 3.2.1).

## 6TH RESOLUTION Vote on the elements of the compensation policy granted to the Chairman of the Board of Directors

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report on the compensation policy for executive corporate officers, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the elements of the compensation policy applicable to the Chairman of the Board of Directors, as presented in this report.

## 7TH RESOLUTION Vote on the elements of the compensation policy granted to the Chief Executive Officer

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report on the compensation policy for executive corporate officers, produced in application of Article L. 225-37-2 of the French Commercial Code, approves the elements of the compensation policy applicable to the Chief Executive Officer, as presented in this report.

## 8TH RESOLUTION Determination of the annual amount of directors' fees to be allocated to members of the Board of Directors,

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, and having taken note of the Board of Directors' report, sets for the current financial year at €500,000 the total amount to be allocated between members of the Board of Directors, in respect of directors' fees, and this until decided otherwise by a new Shareholders' Meeting.

## 9TH RESOLUTION Authorisation to be granted to the Board of Directors in order to carry out share buybacks for the Company,

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, authorises the Board of Directors, pursuant to the provisions in Articles L. 225-209 *et seq.* of the French Commercial Code, with the option of sub-delegation, to acquire shares representing up to 10% of the shares comprising the share capital of Maisons du Monde, *i.e.* 4,524,189 shares, for the purpose of:

- cancelling them, subject to the adoption of the 12th resolution by the Shareholders' Meeting; or
- holding them for future delivery by way of exchange or payment in connection with acquisitions, in accordance with market practices recognised by applicable regulations and up to a limit of 5% of the number of shares comprising the share capital of the Company; or
- redeeming them following the exercise of rights attached to securities entitling holders by redemption, conversion, exchange, presentation of a warrant or in any other way to the allocation of shares of the Company; or
- implementing: stock option plans, or free share allocation plans, or employee shareholding transactions reserved for members of a company savings plan, carried out in accordance with Articles L. 3331-1 *et seq.* of the French Labour Code by the transfer of shares previously acquired by the Company, or providing for the free allocation of such shares by way of a contribution in securities of the Company and/or in substitution for the discount, or shares allocations for the benefit of employees and/or executive corporate officers of the Company and related companies, in accordance with the applicable legal and regulatory provisions; or

- managing the secondary market or the liquidity of the Company's shares by an investment services provider under liquidity contracts concluded in accordance with a Code of Ethics recognised by the French *Autorité des marchés financiers* (AMF); or
- more generally, performing any transaction admitted or prospectively admitted by prevailing law or regulations or by the AMF.

To the extent permitted by the regulations in force, the shares may, in whole or in part, be acquired, assigned, exchanged or transferred, on one or more occasions, by any means in any market, including trading systems (MTF) or *via* a systematic internaliser, or over-the-counter, including through the acquisition or disposal of blocks of shares (without limiting the share of the buyback programme that can be realised through this means); such means include the use of any financial contract or forward financial instrument (such as, notably, any forward contract or option), excluding the sale of put options, in accordance with the regulations in force.

The Shareholders' Meeting decides to set the maximum purchase price per share at €50. Given the number of shares comprising the share capital, the cumulated amount of purchases net of costs may not exceed the amount of €226.2 million.

This authorisation replaces the one granted by the 13th resolution of the Shareholders' Meeting of 29 April 2016, and is granted for a duration of 18 months from the date of this meeting.

### 10TH RESOLUTION — Appointment of a new member of the Board of Directors,

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, appoints Ms Marie Schott as a new director, for a duration of 3 years. The term of office of Ms Marie Schott will expire following the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ended 31 December 2019.

## 7.3.2 RESOLUTIONS WITHIN THE COMPETENCY OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

### 11TH RESOLUTION — Authorisation to be granted to the Board of Directors to increase the capital by issue of shares through a public offering with cancellation of preferential subscription rights

The Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary shareholders' meetings, having read the Board of Directors' Report, and the Statutory Auditors' Report on the issuing of shares and/or securities giving access to the Company's share capital through a public offering with cancellation of preferential subscription rights, pursuant to the provisions of Articles L. 225-129 et seq. of the French Commercial Code, namely Articles L. 225-129-2, L. 225-135 and L. 225-136 of the French Commercial Code:

- delegates to the Board its authority to decide on an increase in the Company's share capital, in cash, in the proportion and over a period to be decided at the Board's discretion, by issuing shares (excluding preference shares) through a public offering with cancellation of preferential subscription rights in favour of the public both in France and abroad, subscription to these shares to be in cash and according to the conditions set out below;
- decides to set, as follows, the maximum amount of the capital increase authorised, should the Board decide to act on this delegation of authority:

  the maximum nominal amount of the capital increase that may be carried out under the terms of this delegation of authority is set at €47,000,000, with the addition to this ceiling, as appropriate, of the nominal amount of shares that might be issued in the case of further financial transactions, in order to protect, in accordance with the applicable legal and regulatory provisions and, as appropriate, any contractual clauses providing for other cases of adjustment, the rights of the holders of securities giving access to the Company's share capital, of stock option or purchase plans, or of rights to the allocation of free shares;
- sets at twelve (12) months, from today, the period of validity of the delegation of authority granted under the terms of this resolution;
- decides to cancel, in favour of the public, for this capital increase, the preferential subscription rights of shareholders to the shares concerned by this resolution;
- duly acknowledges that if the subscriptions have not taken up the issue in full, the Board of Directors may, at its discretion, use, in the order that it shall determine, the options made available under the terms of Article L. 225-134 of the French Commercial Code, or only some of them, and may notably limit the amount of the transaction to the sum of the subscriptions received, providing that the latter reaches at least three-quarters of the issue as decided;
- decides that the issue price will be set by the Board of Directors in accordance with usual market practices in global placements, by reference to the price offered to investors in such a placement, such that this price will result from a combination of supply of shares and subscription requests submitted by investors as part of the "order-book building" approach used in the industry;

- decides the new shares issued under the terms of this resolution shall be identical in all respects to the existing shares and subject to all the provisions of the Company's bylaws;
- decides that the Board of Directors will have all powers to act on this delegation of authority, including:
  - to decide on the capital increase described in this delegation of authority,
  - to set the terms and conditions for the capital increase, including: setting the opening and closing dates for subscriptions, extending the closing date for subscriptions and receiving subscriptions,
  - to decide on the amount of the issue and the issue price, as well as the amount of the premium, which may, as appropriate, be paid upon issue,
  - to set the date, even retroactively, from which the new shares shall bear rights, as well as all the other terms and conditions for carrying out the capital increase, as appropriate; to charge, at its sole discretion, the costs of the capital increases against the amount of the related premiums and deduct from this amount the sums necessary to allocate to the legal reserve,
  - to record the completion of the issue and, as necessary, make any corresponding modifications to the bylaws, and
  - in general, to enter into any agreements, including the signing of any collateral arrangement, in order, notably, to ensure that the envisaged issue is successfully completed, take any measures and conduct any formalities required for the purposes of the issue, the listing and financial servicing of the shares issued under the terms of this delegation of authority, as well as the exercising of the rights associated therewith.

## 12TH RESOLUTION Authorisation to be granted to the Board of Directors to reduce the share capital by cancellation of shares

The Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary shareholders' meetings, and having taken note of the Statutory Auditors' Special Report, authorises the Board of Directors, in accordance with the provisions of Article L.225-209 of the French Commercial Code, to cancel, in one or several times, up to 10% of the total shares comprising the share capital existing at the date of the transaction, by 24 month period, all or part of the shares that Maisons du Monde holds or may hold, to reduce the share capital accordingly and to deduct the difference between the purchase price of the cancelled shares and their nominal value from premiums and available reserves, including the statutory reserve for up to 10% of the cancelled share capital.

## 13TH RESOLUTION Authorisation to be granted to the Board of Directors in order to carry out the free allocation of shares subject to performance conditions

The Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary shareholders' meetings, and having taken note of the Board of Directors' Report and the Statutory Auditors' Report, in accordance with the provisions of Articles L. 225-197-2 to L. 225-197-3 of the French Commercial Code:

- Authorises the Board of Directors to carry out, on one or more occasions, the free allocation of existing or newly issued Company shares, subject to performance conditions, in favour of employees, certain employees, certain categories of employees and/or eligible corporate officers of the Company, and of companies linked to it in France or abroad under the conditions indicated in Article L. 225-197-2 of the French Commercial Code;
- decides that the total number of free shares allocated may not represent more than 2% of the Company's share capital;
- decides that the Board of Directors will determine the beneficiaries of the free share grants, as well as the conditions and criteria for the award. It is specified that all free share grants will be subject to performance conditions;
- decides that, subject to the above, the Board of Directors will determine the number of shares that each beneficiary will receive following the vesting of free shares;
- decides that said free shares allocated to their beneficiaries will vest at the end of the vesting period set by the Board of Directors, which may not be less than thirty (30) months;
- decides that the award of new free shares to be issued according to this decision will, at the end of the vesting period, increase the capital by incorporating reserves, profits or issue premiums in favour of the beneficiaries of said shares, excluding the allocation of existing free shares previously purchased by the Company as part of the share buyback programme approved in the 10th resolution;
- notes that this authorisation automatically includes waiver by the shareholders of their rights to new shares and to the corresponding reserves, should new shares be issued, in favour of the beneficiaries of free shares allocated;

- authorises the Board of Directors to carry out, as applicable, during the vesting period, adjustments to the number of shares to be allocated, as may be required following transactions on the capital of the Company, in order to preserve the rights of the beneficiaries;
- decides to create a special reserve account not available for distribution, and to fund it during the vesting period in order to carry out this allocation of free shares;
- moreover grants all powers to the Board of Directors, with the option of subdelegation in accordance with the law, to carry out this authorisation and the free share allocation plan, and, in particular:
  - to determine, when the Company issues shares to be allocated free of charge, the number of these shares that are to be allocated to a beneficiary,
  - to determine, when these shares are issued, the amount of reserves, profits or premiums to be incorporated into the capital,
  - to define the terms of the related free share plans, which will mainly serve to define the performance conditions and methods for the allocation of the free shares,
  - to record the capital increase that is carried out and amend the Company's bylaws accordingly,
  - to authorise the Board of Directors to carry out, as applicable, during the vesting period, adjustments to the number of shares to be allocated, as may be required following transactions on the capital of the Company, in order to preserve the rights of the beneficiaries; and
  - to carry out as necessary the buyback of Company shares in order to allocate free shares under the conditions presented in this resolution, in particular, as part of the share buyback programme authorised in the 10th resolution,
  - to accomplish all acts and formalities relating to the implementation of the free share allocation plan, and more broadly, to carry out all that is necessary to this effect;
- to set the term of validity of this authorisation at thirty-eight (38) months, as of today's date.

The Board of Directors will inform the Annual shareholders' meeting each year of the transactions carried out as part of this resolution.

## 14TH RESOLUTION Powers to carry out the formalities

The Shareholders' Meeting grants all powers to the holder of an original, copy or certified extract of the minutes of this meeting, to accomplish all formalities of Registration, publication or all other required formalities.

# 7.4 Statutory auditors’ special reports

## STATUTORY AUDITORS’ REPORT ON A CAPITAL INCREASE WITH CANCELLATION OF THE PREFERENTIAL RIGHT OF SUBSCRIPTION

Shareholders’ meeting of 19 May 2017, Resolution no. 11

To the Shareholders,

In our capacity as statutory auditors of your Company, pursuant to the mission stipulated by Articles L. 225-135 et seq. of the French Commercial Code, we hereby present our report on the proposal to authorise the Board of Directors to decide a capital increase by issuing ordinary shares, with cancellation of the preferential right of subscription, by means of a public offer, for a maximum amount of €47 million, a transaction upon which you are required to vote.The Board of Directors recommends, based on its report, you delegate to it for a period of 12 months the authority to decide a capital increase and to cancel your preferential right of subscription to an issue of ordinary shares. Where appropriate, it will be for the Board to decide on the final issue conditions for this transaction.The Board of Directors is responsible for preparing a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. Our role is to express an opinion on the fairness of the financial information extracted from the financial statements, on the proposal to cancel the preferential right of subscription and on certain other information concerning the issue set out in this report.We have performed the procedures which we deemed necessary in accordance with the professional guidelines of the French National Institute of statutory auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this assignment. These procedures consisted in verifying the content of the report prepared by the Board of Directors on this transaction and the terms and conditions for determining the issue price of the shares.Subject to a subsequent review of the terms and conditions of the capital increase that may be decided, we have no observations to make on the issue price of the ordinary shares to be issued as described in the Board of Directors' report. As the final terms and conditions of the capital increase have not ben determined, we have not expressed an opinion thereon and, consequently, neither have we expressed an opinion on the proposal made to you to cancel the preferential right of subscription.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when the Board of Directors decides to use this authorisation.

The statutory auditors

| | |
|---|---|
| Nantes, 19 April 2017 | Neuilly-sur-Seine, 19 April 2017 |
| KPMG Audit | Deloitte & Associés |
| Department of KPMG S.A. | |
| Vincent BROYE | Jean Paul SEGURET |
| *Partner* | *Partner* |

# STATUTORY AUDITORS’ REPORT ON THE SHARE CAPITAL REDUCTION

Shareholders' meeting of 19 May 2017, Resolution no. 12

To the Shareholders,

In our capacity as the statutory auditors of your company and in compliance with the duties specified in Article L. 225-209 of the French Commercial Code in the event of a share capital reduction through the cancellation of purchased shares, we have prepared this report to inform you of our assessment of the causes and terms and conditions of the planned capital reduction.

Your Board of Directors requests that you grant it all powers necessary to cancel, within a limit of 10% of its share capital per period of 24 months, the shares purchased in relation to the implementation of a purchasing authorisation by your company of its own shares pursuant to the provisions of the aforementioned article.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French institute of statutory auditors (Compagnie nationale des commissaires aux comptes) for such assignments. These procedures require an assessment of whether the causes and terms and conditions of the planned share capital reduction, which does not infringe on the equality of shareholders, are valid. We do not have any comments regarding the causes and terms and conditions of the planned share capital reduction.

The statutory auditors

| | |
|---|---|
| Nantes, 19 April 2017 | Neuilly-sur-Seine, 19 April 2017 |
| Department of KPMG S.A. | Deloitte & Associés |
| Vincent BROYE | Jean Paul SEGURET |
| *Partner* | *Partner* |

# STATUTORY AUDITORS' REPORT ON THE ALLOCATION OF FREE EXISTING OR NEWLY ISSUED SHARES

Shareholders' meeting of 19 May 2017, Resolution no. 13

To the Shareholders,

In our capacity as statutory auditors of your company and in the fulfilment of the assignment provided for in Article L. 225-197-1 of the French Commercial Code, we hereby present our report on the draft authorisation for the free allocation of existing or newly issued shares in favour of employees and/or corporate officers of your company and the companies related to it, a transaction upon which you are required to vote. The total number of shares likely to be allocated under this authorisation may not represent more than 2% of the company's capital.On the basis of its report, the Board of Directors proposes to authorise it to allocate existing or newly issued free shares for a period of 38 months.It is the responsibility of the Board of Directors to prepare a report on the proposed transaction. It is our responsibility to inform you, where applicable, of our observations on the information given to you concerning the proposed transaction.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French institute of statutory auditors (Compagnie nationale des commissaires aux comptes) for such assignments. These procedures consisted, in particular, of ensuring that the methods proposed and given in the Board of Directors' report fall within the scope of the provisions stipulated by the law.We have no comment to make on the information given in the Board of Directors' report concerning the proposed transaction to authorise the allocation of free shares.

The statutory auditors

| | |
|---|---|
| Nantes, 19 April 2017 | Neuilly-sur-Seine, 19 April 2017 |
| KPMG Audit | Deloitte & Associés |
| Department of KPMG S.A. | |
| Vincent BROYE | Jean Paul SEGURET |
| *Partner* | *Partner* |


dream

# 8 Additional information



# 8.1 Persons responsible

## 8.1.1 IDENTITY AND FUNCTION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

**Gilles Petit**
Managing Director

## 8.1.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT INCORPORATING THE ANNUAL FINANCIAL REPORT

"I hereby declare that, having taken all reasonable measures to this end, the information contained in this Registration document is, to the best of my knowledge, correct and that it does not contain any omission liable to alter its import.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and that they give a true and fair view of the assets, financial position and results of the Company and of all the companies included in the consolidation, and that the management report, referenced in the cross-reference table on pages 272 of the Registration document gives a true picture of business developments, the results and financial position of the Company and of all companies included in the consolidation, as well as a description of the main risks and uncertainties facing them.

I have obtained from the statutory auditors a letter of completion in which they indicate that they have verified the information concerning the financial position and the financial statements given in this Registration document, and that they have read the entire Registration document."

24 April 2017
Gilles Petit
Managing Director

## 8.1.3 PERSON RESPONSIBLE FOR FINANCIAL REPORTING

**Arnaud Louet**
Chief Financial Officer

**MAISONS DU MONDE**
Le Portereau
Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France

Tel.: +33 (0)2 51 71 17 17
Email: investor.relations@maisonsdumonde.com
Website: www.maisonsdumondeipo.com

# 8.2 Persons responsible for auditing the financial statements

## 8.2.1 INFORMATION ON THE STATUTORY AUDITORS

### Statutory auditors

#### KPMG SA

Represented by Vincent Broyé

Registered member of the Compagnie régionale des comptes de Versailles.

3, Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Continuing in force since the financial year ended 31 December 2014, the authorisation granted to EXCO BRETAGNE ABO (in the Company's Bylaws), which was absorbed by KPMG SA, until KPMG SA's expiration date, or until the end of the Shareholders' meeting convened to approve the financial statements for the financial year ended 31 December 2019.

#### Deloitte & Associés

Represented by Jean Paul Séguret

Registered member of the Compagnie régionale des comptes de Versailles.

185 C, Avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

### Alternate statutory auditors

#### Salustro Reydel

Registered member of the Compagnie régionale des comptes de Versailles.

3, Cours du Triangle

Immeuble Le Palatin

92939 Paris La Défense Cedex

Appointed at the Shareholders' Meeting of 30 June 2015 for the remaining term of the resigning predecessor, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

#### Cisane

Registered member of the Compagnie Régionale des comptes de Versailles.

185 C, Avenue Charles de Gaulle

92200 Neuilly-sur-Seine

Appointed at the Shareholders' Meeting of 29 April 2016 for a period of six years, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

## 8.2.2 FEES OF THE STATUTORY AUDITORS

For more information, see note 36 of Section 5.1.6 "Notes to the consolidated financial statements of this Registration document.

# 8.3 Investor relations and documents on display

## 8.3.1 INVESTOR RELATIONS

The Investor Relations Department is responsible for the Group's financial reporting. It also manages relations with financial analysts, institutional investors and shareholders of the Company, including individual shareholders. Throughout the year, the Investor Relations Department maintains regular contact with the financial community and ensures that the market has the most up-to-date and comprehensive information possible in order to correctly grasp the Company's business model, strategy and financial outlook. These exchanges and the disclosure of financial information are carried out in strict compliance with market regulations and the principle of equality of treatment and information for investors.

The Group organises meetings and/or conference calls for analysts and institutional investors to coincide with the release of its annual and interim results. Individual meetings between officers of the Company and investors are also held several times a year at roadshows and conferences organised by financial intermediaries in France and internationally. In 2016, the Group met shareholders and institutional investors in Paris (France), London (United Kingdom), and Boston and New York (United States).

**Investor Relations contact**
Laurent Sfaxi
Head of Investor Relations

**MAISONS DU MONDE**
Le Portereau
Route du Port aux Meules
BP 52402
44124 Vertou Cedex
France
Tel.: +33 (0)2 51 71 17 17
Email: investor.relations@maisonsdumonde.com
Website: www.maisonsdumondeipo.com

## 8.3.2 FINANCIAL INTERMEDIARY FOR REGISTERED SHAREHOLDERS

Maisons du Monde has entrusted the management of registered shareholder accounts to Société Générale Securities Services.

**SOCIETÉ GÉNÉRALE SECURITIES SERVICES**
32, rue du Champ-de-Tir
BP 81236
44312 Nantes Cedex 3
France
Tel.: +33 (0)2 51 85 50 00
Website: www.securities-services.societegenerale.com

## 8.3.3 INDICATIVE FINANCIAL COMMUNICATION CALENDAR

Maisons du Monde's indicative financial communication calendar for 2017 is as follows:

| Date | Event |
|---|---|
| 06/03/2017 | Annual 2016 results |
| 25/04/2017 | Filing of the 2016 Registration document with the AMF |
| 02/05/2017 | First quarter 2017 Customer Sales |
| 19/05/2017 | Combined Shareholders' Meeting |
| 10/07/2017 | Ex-dividend date |
| 11/07/2017 | Release of positions for setting the dividend payment |
| 12/07/2017 | Payment of the dividend |
| 27/07/2017 | Interim 2017 results |
| 26/10/2017 | Third quarter 2017 Customer Sales |

## 8.3.4 2016 ANNUAL INFORMATION DOCUMENT

For 2016, the list of press releases and financial documents published by Maisons du Monde is as follows: (information available on the Company's website: www.maisonsdumondeipo.com):

| Date | Topic |
|---|---|
| 19/04/2016 | Filing of the base document with the AMF |
| 09/05/2016 | First quarter 2016 results |
| 16/05/2016 | Update of the base document |
| 16/05/2016 | Securities note |
| 16/05/2016 | Launch of the IPO and announcement of the indicative price range |
| 26/05/2016 | Announcement of the offering price |
| 09/06/2016 | Full exercise of the Greenshoe option |
| 30/06/2016 | Monthly information on the total number of shares and voting rights |
| 31/07/2016 | Monthly information on the total number of shares and voting rights |
| 02/08/2016 | Interim 2016 results |
| 02/08/2016 | Interim financial report for the six months ended 30 June 2016 |
| 31/08/2016 | Monthly information on the total number of shares and voting rights |
| 13/09/2016 | Information concerning a programmed trading mandate for sales of shares |
| 30/09/2016 | Monthly information on the total number of shares and voting rights |
| 25/10/2016 | Third quarter 2016 Customer Sales |
| 25/10/2016 | Implementation of a liquidity agreement with Natixis |
| 25/10/2016 | Information on the sale of shares by Magnolia (BC) and Compagnie Marco Polo |
| 27/10/2016 | Details of the share buyback programme |
| 31/10/2016 | Monthly information on the total number of shares and voting rights |
| 31/10/2016 | Monthly declaration of share buybacks |
| 30/11/2016 | Monthly information on the total number of shares and voting rights |
| 30/11/2016 | Monthly declaration of share buybacks |
| 31/12/2016 | Monthly information on the total number of shares and voting rights |
| 31/12/2016 | Monthly declaration of share buybacks |

## 8.3.5 DOCUMENTS ON DISPLAY

The documents relating to the Company to be made available to the public, and in particular the Bylaws, minutes of General Meetings, statutory auditors' reports and other corporate documents, as well as historical financial information, may be consulted in accordance with the applicable law at the registered office of the Company (Maisons du Monde, Le Portereau 44120 Vertou). Regulated information within the meaning of the provisions of the General Regulation of the AMF, is also available on the website of the Company (www.maisonsdumondeipo.com).

# 8.4 Information incorporated by reference

Pursuant to Article 28 of European Commission Regulation (EC) No. 809/2004 of 29 April 2004, the following information is incorporated by reference into this Registration document:

- The consolidated financial statements of Magnolia (BC) Midco SARL for the financial years ended 31 December 2015, 31 December 2014 and for the period covering 10 June 2013 to 31 December 2013, and the associated statutory auditors' report, as presented in paragraphs 20.1.1 and 20.1.2 respectively of the base document registered with the AMF on 18 April 2016 under number I-16-022;
- the review of the financial position and earnings of the Company presented in Chapter 9 of the base document registered with the AMF on 18 April 2016 under number I-16-022.

The document is filed with the AMF on 18 April 2016 under number I. 16-022, which is available on the website of the Company (www.maisonsdumondeipo.com) and that of the AMF (www.amf-france.org).

# 8.5 Information on the Group's business and markets, and third party information

This Registration document contains statistics, data and information on the Group's businesses and markets, including information on the size, historical developments and outlook for these markets, the Group's market positions and the competitive environment, as well as other segment and macroeconomic information. Unless otherwise specifically indicated to the contrary, this information is based on an analysis by the Group based on multiple sources, including market research contracted by Bain & Company, Inc. during fourth quarter 2015, as well on other information obtained from third parties, including public sources, such as the Banque de France, INSEE (the French national institute of statistics and economic studies) and IPEA (Institut de prospective et d'études de l'ameublement). To the best of the Group's knowledge, no facts have been omitted which would render the information provided inaccurate or misleading.

The Group understands that the market research contracted by Bain & Company, Inc. includes and is based on primary interviews and field visits it conducted with industry experts and other 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, and Clara Vista; (ii) industry associations and country organisations, including LSA, Planeta Distribuziona, Conlumino; and (iii) publicly available information from other sources, such as information publicly released by the Group's competitors.

# 8.6 Material contracts

## 8.6.1 SHAREHOLDERS' AGREEMENT WITH SDH LIMITED

In 2006, the Group signed a shareholder's agreement with the Chinese company SDH Limited for the creation of Chin Chin Limited, a limited liability company governed by Hong Kong law, and thereby subscribed to 50% of the share capital. Through its wholly-owned subsidiary, Chin Chin Furnishing Company Limited, a limited liability company governed by Chinese law, Chin Chin Limited manufactures and sells products under the "Maison du Monde" brand. For more information, refer to Section 1.4.5 "Description of the Group's business" of this Registration document.

## 8.6.2 NEW SENIOR CREDIT FACILITIES

In connection with its initial public offering, the Company contracted a senior credit facility with a banking pool related to the establishment of new senior credit facilities, including a syndicated credit of €250 million and a revolving credit facility of €75 million that were made available to the Group on the settlement and delivery date of the offering. For more information, refer to note 1 of Section 5.1.6 of the "Notes to the consolidated financial statements" of this Registration document.

# 8.7 Cross-reference tables

## 8.7.1 CROSS-REFERENCE TABLE OF THE REGISTRATION DOCUMENT

The following cross-reference table identifies the main items mentioned in Annex 1 of Commission Regulation (EC) No. 809/2004 of 29 April 2004.

| No. | Heading of the item as per the regulation | Section(s) | Page(s) |
|---|---|---|---|
| **1.** | **Persons responsible** | | |
| **1.1** | **Persons responsible for the information contained in the document** | **8.1.1** | **262** |
| **1.2** | **Declaration of the persons responsible for the document** | **8.1.2** | **262** |
| **2.** | **Statutory auditors** | | |
| **2.1** | **Name and address of the statutory auditors of the issuer's accounts** | **8.2.1** | **263** |
| **2.2** | **Statutory auditors that have resigned, been removed or not reappointed during the period covered** | **8.2.1** | **263** |
| **3.** | **Selected financial information** | | |
| **3.1** | **Selected historical financial information** | **1.1**<br>**4.2.1** | **14**<br>**141** |
| **3.2** | **Historical financial information for interim periods** | **N/A** | **N/A** |
| **4.** | **Risk factors** | **1.8** | **49** |
| **5.** | **Information about the issuer** | | |
| **5.1** | **History and development of the Company** | **1.2** | **16** |
| 5.1.1 | Legal and commercial name of the issuer | 6.1 | 232 |
| 5.1.2 | Place and registration number of the issuer's | 6.1 | 232 |
| 5.1.3 | Date of incorporation and duration of the issuer | 6.2 | 233 |
| 5.1.4 | Domicile and legal form of the issuer, legislation governing its activities, country of incorporation, address and telephone number of its registered office | 6.1.2 | 232 |
| 5.1.5 | Important events in the development of the issuer's business | 6.3.2 | 16<br>140<br>234 |
| **5.2** | **Investments** | | |
| 5.2.1 | Principal investments made by the issuer | 1.6.1 | 48 |
| 5.2.2 | Current principal investments of the issuer | N/A | N/A |
| 5.2.3 | Principal investments to be made by the issuer in the future | 1.6.2 | 48 |
| **6.** | **Overview of activities** | | |
| **6.1** | **Principal activities** | | |
| 6.1.1 | Nature of the transactions carried out by the issuer and its principal activities | 1.4.1<br>1.4.5 | 19<br>32 |
| 6.1.2 | New products and/or major services launched on the market | 1.4.4 | 30 |
| **6.2** | **Principal markets** | **1.4.2** | **21** |
| **6.3** | **Exceptional events affecting the information provided in accordance with points 6.1 and 6.2** | **N/A** | **N/A** |
| **6.4** | **Degree of dependency of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes** | **1.7** | **49** |
| **6.5** | **Basis on which the issuer declares its competitive position** | **1.4.3** | **27** |
| **7.** | **Organizational chart** | | |
| **7.1** | **Description of the Group and the position occupied by the issuer** | **1.3.1** | **17** |
| 7.2 | List of the issuer's significant subsidiaries | 1.3.2 | 18 |
| **8.** | **Intellectual property, plant and equipment** | | |
| **8.1** | **Existing or planned significant items of property, plant and equipment, including leased properties, and major encumbrances thereon** | **1.5**<br>**5.1.6 – Note 16** | **47**<br>**183** |
| **8.2** | **Environmental issues liable to affect the issuer's use of its property, plant and equipment** | **2.2**<br>**2.3**<br>**2.4** | **76**<br>**79**<br>**80** |

| No. | Heading of the item as per the regulation | Section(s) | Page(s) |
|---|---|---|---|
| **9.** | **Review of financial position and earnings** | | |
| 9.1 | Financial condition of the issuer, changes in the financial condition and the results of operations carried out during each financial year and interim period for which historical financial information is required | 4.2 | 141 |
| 9.2 | Operating results | | |
| 9.2.1 | Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations | 4.2.3<br>4.2.4 | 142<br>143 |
| 9.2.2 | Reasons for material changes in net sales or net revenues | 4.2.2 | 141 |
| 9.2.3 | Policies or factors of a governmental, economic, fiscal, monetary or political nature that have materially affected or could materially affect, directly or indirectly, the issuer's operations | 1.8 | 49 |
| **10.** | **Capital resources** | | |
| 10.1 | Information on the issuer's capital resources | 4.3<br>5.1.6 – Note 26 | 146<br>189 |
| 10.2 | An explanation of the sources and amounts of cash flows of the issuer and description of said cash flows | 4.3.1<br>4.3.2 | 146<br>147 |
| 10.3 | Information on the issuer's borrowing requirements and funding structure | 5.3.3 – Notes 9-10 | 220 |
| 10.4 | Information on any restrictions on the use of capital that have materially affected or could materially affect, directly or indirectly, the issuer's operations | N/A | N/A |
| 10.5 | Information on the anticipated sources of funds required to meet the commitments referred to in points 5.2.3 and 8.1 | 4.3 | 146 |
| **11.** | **Research and development, patents and licenses** | **1.7** | **49** |
| **12.** | **Trend information** | | |
| 12.1 | The most significant trends in production, Customer Sales and inventory, costs and selling prices since the end of the last financial year up to the date of the Registration document | 4.4 | 148 |
| 12.2 | Known trends, uncertainties, demands or commitments or events reasonably likely to have a material effect on the issuer's prospects, at least for the current financial year | 4.5 | 148 |
| **13.** | **Profit forecasts or estimates** | **N/A** | **N/A** |
| **14.** | **Administrative, management and supervisory bodies and Senior Management** | | |
| 14.1 | Information concerning the members of administrative, management or supervisory bodies | 3.1.1<br>3.1.2 | 110<br>115 |
| 14.2 | Conflicts of interest within administrative, management or supervisory bodies and the Senior Management | 3.1.2 | 115 |
| **15.** | **Remuneration and benefits** | | |
| 15.1 | Amount of compensation paid and benefits in kind granted by the issuer and its subsidiaries | 3.2.1<br>5.1.6 - Notes 35 | 127<br>203 |
| 15.2 | Total amount of provisions set aside or otherwise recognised by the issuer or its subsidiaries to provide pension, retirement or similar benefits | N/A | N/A |
| **16.** | **Board practices** | | |
| 16.1 | Date of expiration of the current term of office of the members of the administrative, management or supervisory bodies | 3.1.2 | 115 |
| 16.2 | Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or any of its subsidiaries and providing for the granting of benefits | 3.2.1 | 127 |
| 16.3 | Information on the Audit Committee and the Remuneration Committee | 3.1.1<br>3.1.3 | 110<br>125 |
| 16.4 | Statement as to whether the issuer complies with the applicable corporate governance regime | 3.1.1 | 110 |
| **17.** | **Employees** | | |
| 17.1 | Number of employees at the end of the period covered by the historical financial information or average number during each financial year of this period and breakdown of employees by main type of activity and geographic location | 2.5.1 | 91 |
| 17.2 | Profit-sharing and stock options | 6.4.4 | 238 |
| 17.3 | Agreement providing for the investment by employees in the capital of the issuer | 3.2.2 | 133 |
| **18.** | **Major shareholders** | | |
| 18.1 | Name of any person other than a member of the administrative, management or supervisory bodies who directly or indirectly has an interest in the share capital or voting rights of the issuer which is notifiable under the issuer's national law, and the amount of each such person's interest | 6.4.1 | 237 |
| 18.2 | Existence of different voting rights | 6.2 | 233 |

| No. | Heading of the item as per the regulation | Section(s) | Page(s) |
|---|---|---|---|
| 18.3 | Holding or control of the issuer, directly or indirectly, and measures in place to ensure that such control is not abused | 6.4.2 | 237 |
| 18.4 | Description of arrangements, known to the issuer, whose implementation could, at a subsequent date, result in a change in control of the issuer | 6.4.6 | 239 |
| 19. | Related party transactions | 3.1.1<br>3.4<br>5.3.3 – Note 23 | 110<br>135<br>224 |
| 20. | Financial information concerning the issuer's assets and liabilities, financial position and profits and losses | | |
| 20.1 | Historical financial information | 1.1<br>5.3.3 – Note 26 | 14<br>227 |
| 20.2 | Pro-forma financial information | N/A | N/A |
| 20.3 | Financial statements | 5.1.1<br>5.1.2<br>5.1.3<br>5.1.4<br>5.1.5 | 152<br>153<br>154<br>156<br>158 |
| 20.4 | Auditing of historical annual financial information | | |
| 20.4.1 | Statement declaring that the historical financial information has been audited | 5.2<br>5.4 | 207<br>228 |
| 20.4.2 | Other information contained in the Registration document verified by the statutory auditors | N/A | N/A |
| 20.4.3 | Indication of the source and the absence of audit of the financial information not drawn from the issuer's audited financial statements contained in the document | N/A | N/A |
| 20.5 | Age of latest financial information | 8.3.4 | 265 |
| 20.6 | Interim and other financial information | | |
| 20.6.1 | Quarterly or half-yearly financial information | N/A | N/A |
| 20.6.2 | Interim financial information | N/A | N/A |
| 20.7 | Dividend policy | 6.6.1 | 241 |
| 20.7.1 | Dividend per share | 6.6.2 | 241 |
| 20.8 | Legal and arbitration proceedings | 1.8.2<br>5.1.6 – Note 29 | 63<br>196 |
| 20.9 | Significant change in the issuer's financial or trading position since the end of the last financial year | 4.4 | 148 |
| 21. | Additional information | | |
| 21.1 | Share capital | | |
| 21.1.1 | Amount of issued capital | 6.3.1 | 234 |
| 21.1.2 | Shares not representing capital | N/A | N/A |
| 21.1.3 | Shares held by the issuer itself or on its behalf, or by its subsidiaries | 6.3.1<br>6.3.4 | 234<br>236 |
| 21.1.4 | Convertible or exchangeable securities or securities with warrants | N/A | N/A |
| 21.1.5 | Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital | N/A | N/A |
| 21.1.6 | Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option | N/A | N/A |
| 21.1.7 | History of the share capital for the period covered by the historical financial information | 6.3.2 | 234 |
| 21.2 | Articles of Incorporation and Bylaws | | |
| 21.2.1 | Corporate purpose of the issuer | 6.2 | 233 |
| 21.2.2 | Provisions contained in the issuer's Articles of Incorporation, Bylaws, a charter or regulation with respect to the members of the administrative, management and supervisory bodies | 3.1.1<br>6.2 | 110<br>233 |
| 21.2.3 | Rights, preferences and restrictions attached to each class of existing shares | 6.2 | 233 |
| 21.2.4 | Actions needed to change shareholder rights | 6.2 | 233 |
| 21.2.5 | Conditions governing the manner in which the Annual and Extraordinary General Meetings of Shareholders are called | 6.2 | 233 |
| 21.2.6 | Provisions of the issuer's Articles of Incorporation, Bylaws, a charter or regulation that would have an effect of delaying, deferring or preventing a change in control of the issuer | 6.4.6 | 239 |
| 21.2.7 | Provisions of the Articles of Incorporation, Bylaws, a charter or regulations setting the threshold above which any shareholding must be declared | 6.4.3 | 237 |
| 21.2.8 | Conditions imposed by the Articles of Incorporation, Bylaws, a charter or regulation governing changes in the capital where such conditions are more stringent than the law | N/A | N/A |
| 22. | Material contracts | 8.6 | 266 |

| No. | Heading of the item as per the regulation | Section(s) | Page(s) |
|---|---|---|---|
| 23. | Third party information and statement by experts and declarations of any interest | 8.5 | 266 |
| 24. | Documents on display | 8.3.5 | 265 |
| 25. | Information on holdings | 1.3.2<br>5.1.6 – Note 37 | 18<br>205 |

## 8.7.2 CROSS-REFERENCE TABLE TO THE ANNUAL FINANCIAL REPORT

The following table serves to identify in this Registration document the elements of the Annual financial report provided for in Article L. 451-1-2 of the French Commercial Code and Article 222-3 of the AMF General Regulation.

| No. | Information | Section(s) | Page(s) |
|---|---|---|---|
| 1. | Annual financial statements | 5.3 | 209 |
| 2. | Consolidated financial statements | 5.1 | 152 |
| 3. | Management report containing at least the information referred to in Articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code | 8.7.3 | 272 |
| 4. | Statement of the natural persons responsible for the annual financial report | 8.1.2 | 262 |
| 5. | Statutory auditors' report on the annual financial statements | 5.4 | 228 |
| 6. | Statutory auditors' report on the consolidated financial statements | 5.2 | 207 |
| 7. | Fees of the statutory auditors | 5.1.6 – Note 36 | 204 |
| 8. | Report of the Chairman of the Board of Directors on corporate governance and internal control | 3.1 | 110 |
| 9. | Statutory auditors' report on the report of the Chairman of the Board of Directors | 3.3 | 134 |

## 8.7.3 CROSS-REFERENCE TABLE TO THE MANAGEMENT REPORT

The following table serves to identify in this Registration document the elements of the Management Report provided for in Articles L. 225-100 *et seq*., L. 232-1.II and R. 225-102 of the French Commercial Code.

| No. | Information | Section(s) | Page(s) |
|---|---|---|---|
| | **Situation and activity** | | |
| 1. | Objective and comprehensive analysis of the Company's business, results and financial position | 4.2<br>4.3 | 141<br>146 |
| 2. | Key financial performance indicators of the Company | 1.1<br>4.2.1 | 14<br>141 |
| 3. | Description of the main risks and uncertainties | 1.8 | 49 |
| 4. | Use of financial instruments by the Company | 5.1.6 – Note 24 | 188 |
| 5. | Significant holdings in companies with their registered office in France | 7.2.1 | 245 |
| 6. | Significant events occurring between the balance sheet date and the date on which the management report is prepared | 4.4 | 148 |
| 7. | Foreseeable developments in the Company's situation and future prospects | 4.5 | 148 |
| 8. | Research and development activities | 1.7 | 49 |
| 9. | Information on supplier payment terms | 7.2.1 | 245 |
| | **Corporate governance** | | |
| 10. | List of all the mandates and functions exercised by each of the corporate officers in any company during the financial year | 3.1.2 | 115 |
| 11. | Remuneration and benefits of any kind paid by the Company to each of the corporate officers during the year | 3.2.1 | 127 |
| 12. | Information on transactions carried out by management and related parties on the Company's shares | 6.4.5 | 239 |
| 13. | Agreements between a corporate officer or significant shareholder and a subsidiary of the Company | 3.4 | 135 |
| | **Shareholders and capital** | | |
| 14. | Breakdown of the Company's capital and voting rights | 6.4.1 | 237 |
| 15. | Statement of employee shareholdings in the share capital of the Company | 6.4.4 | 238 |
| 16. | Acquisitions and disposals by the Company of its own shares | 6.3.4 | 236 |
| 17. | Information on elements liable to have an impact in the event of a public offering | 6.4.6 | 239 |
| 18. | Adjustment of the rights of holders of securities convertible into shares | N/A | N/A |
| 19. | Amount of dividends paid by the Company during the last three financial years | 6.6.2 | 241 |
| | **Social and environmental information** | | |
| 20. | Environmental, social and societal information | Chapter 2 | 71 |
| | **Appendices** | | |
| 21. | Monitoring table of current delegations granted by the Shareholders' Meeting in respect of capital increases | 6.3.3 | 235 |
| 22. | Report of the Chairman of the Board of Directors | 3.1 | 110 |
| 23. | Table of results of the Company over the last five years | 5.3.3 – Note 26 | 227 |

## 8.7.4 CROSS-REFERENCE TABLE FOR SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

This Registration document contains all the elements required by Article R. 225-105-1 of the French Commercial Code, as set out in the table below.

| No. | Information | Section(s) | Page(s) |
|---|---|---|---|
| | **Social information** | | |
| **1.** | **Employment** | | |
| 1.1 | Total number and breakdown of employees by gender, age and geographical area | 2.5.1 | 91 |
| 1.2 | Hiring and dismissals | 2.5.1 | 93 |
| 1.3 | Compensation and trends | 2.5.1 | 94 |
| **2.** | **Working hours** | | |
| 2.1 | Organisation of working time | 2.5.1 | 93 |
| 2.2 | Absenteeism | 2.5.1 | 94 |
| **3.** | **Social relations** | | |
| 3.1 | The organisation of social dialogue, notably procedures for informing and consulting staff and negotiating with employees | 2.5.1 | 96 |
| 3.2 | Summary of collective agreements | 2.5.1 | 96 |
| **4.** | **Health and safety** | | |
| 4.1 | Occupational health and safety conditions | 2.5.1 | 97 |
| 4.2 | Results of the agreements signed with trade union organisations or employee representatives in the field of occupational health and safety | 2.5.1 | 97 |
| 4.3 | Workplace accidents, including their frequency and severity, as well as occupational diseases | 2.5.1 | 97 |
| **5.** | **Training** | | |
| 5.1 | Training policies | 2.5.1 | 98 |
| 5.2 | Total number of hours of training | 2.5.1 | 98 |
| **6.** | **Equal treatment** | | |
| 6.1 | Measures taken to promote gender equality | 2.5.1 | 99 |
| 6.2 | Measures taken to promote the employment and integration of people with disabilities | 2.5.1 | 99 |
| 6.3 | Anti-discrimination policy | 2.5.1 | 99 |
| **7.** | **Promotion and observance of the provisions of the fundamental conventions of the International Labour Organization concerning:** | | |
| 7.1 | Respect for freedom of association and the right to collective bargaining | 2.2.2 | 78 |
| 7.2 | The elimination of discrimination in respect of employment and occupation | 2.2.2 | 78 |
| 7.3 | The elimination of forced or compulsory labour | 2.2.2 | 78 |
| 7.4 | The effective abolition of child labour | 2.2.2 | 78 |
| | **Environmental information** | | |
| **1.** | **General policy on environmental matters** | | |
| 1.1 | The organisation of the Company to take environmental issues into account and, where appropriate, environmental assessment or certification procedures | 2.4 | 80 |
| 1.2 | Training actions and information for employees on the protection of the environment | 2.1.3 | 74 |
| 1.3 | The means devoted to the prevention of environmental risks and pollution | - | N/A |
| 1.4 | The amount of provisions and guarantees for environmental risks, unless such information is liable to cause serious prejudice to the Company in ongoing litigation | 2.4.8 | 90 |
| **2.** | **Pollution** | | |
| 2.1 | Measures to prevent, reduce or repair discharges into the air, water and soil that seriously affect the environment | 2.4.8 | 90 |
| 2.2 | Consideration of noise pollution and, where appropriate, of any other form of pollution specific to an activity | - | N/A |

| No. | Information | Section(s) | Page(s) |
|---|---|---|---|
| **3.** | **Circular economy** | | |
| 3.1 | Waste prevention and management | | |
| 3.1.1 | Prevention, recycling, reuse, and other forms of waste recovery and disposal | 2.4.1<br>2.4.4 | 80<br>87 |
| 3.1.2 | Actions to combat food waste | - | N/A |
| 3.2 | Sustainable use of resources | | |
| 3.2.1 | Water consumption and supply in accordance with local constraints | 2.4.8 | 90 |
| 3.2.2 | Consumption of raw materials and measures taken to improve efficiency in their use | 2.2.1<br>2.4.4 | 76<br>87 |
| 3.2.3 | Energy consumption, measures to improve energy efficiency and the use of renewable energies | 2.4.2 | 83 |
| 3.2.4 | Land use | - | N/A |
| **4.** | **Contribution to adaptation and the fight against global warming** | | |
| 4.1 | Significant amounts of greenhouse gas emissions generated as a result of the Company's activity, notably through the use of the goods and services it produces | 2.4.3 | 85 |
| 4.2 | Adaptation to the consequences of climate change | 2.4.3 | 85 |
| **5.** | **Protection of biodiversity** | | |
| 5.1 | Measures taken to preserve or develop biodiversity | 2.4.8 | 90 |
| | **Information on societal commitments for sustainable development** | | |
| **1.** | **Territorial, economic and social impact of the activity** | | |
| 1.1 | In the area of employment and regional development | 2.5.1 | 93 |
| 1.2 | On neighbouring or local populations | 2.5.1 | 93 |
| **2.** | **Relationships with stakeholders interested in the activity of the Company, notably integration organisations, educational institutions, environmental organisations, consumer associations and local populations** | | |
| 2.1 | The conditions for dialogue with such persons or organisations | 2.1.3 | 74 |
| 2.2 | Partnership or philanthropic actions | 2.5.2 | 100 |
| **3.** | **Subcontracting and suppliers** | | |
| 3.1 | Consideration of social and environmental issues in purchasing policy | 2.2.2 | 77 |
| 3.2 | The importance of subcontracting and consideration of their social and environmental responsibility in relations with subcontractors and suppliers | 2.2.1<br>2.2.2 | 76<br>77 |
| **4.** | **Fair trade practices** | | |
| 4.1 | Actions to prevent corruption | 2.2.2<br>2.4.7 | 77<br>89 |
| 4.2 | Measures taken in favour of consumer health and safety | 2.2.3 | 78 |
| **5** | **Other actions in favour of human rights** | **2.2.2<br>2.5.2** | **77<br>100** |

# 8.8 Glossary of terms

**Glossary**

**CUSTOMER SALES**

Customer Sales corresponds to revenues from the sale of home decoration items and furniture, in stores, on the Internet or using mobile applications or websites, as well as via B2B activities. They mainly exclude contributions to delivery charges, as well as revenues relating to the provision of for logistics services provided to third parties. The Group uses the concept of "Customer Sales", rather than revenues, for the purpose of calculating like-for-like growth, Gross margin, EBITDA Margin and its EBIT Margin.

**LIKE-FOR-LIKE CUSTOMER SALES GROWTH**

The rate of like-for-like Customer Sales growth corresponds to the percentage change in Customer Sales generated in stores, on online sales platforms and *via* activities, net of returns, between one financial year (n) and the previous comparable year (n-1), excluding stores opened or closed during two compared periods. Customer Sales attributable to stores that closed temporarily for refurbishment work during any of the periods compared are included.

**GROSS MARGIN**

Gross margin is defined as goods sold less cost of Customer Sales. It is also expressed as a percentage of Customer Sales.

**EBITDA**

EBITDA is defined as operating income before non-recurring operating items, and after excluding (i) amortisation, provisions and impairment, (ii) changes in the fair value of derivative financial instruments, as well as (iii) management fees and (iv) expenses incurred prior to the opening of new stores.

**EBIT**

EBIT is defined as EBITDA after taking into account depreciation, provisions and impairment.

**NET FINANCIAL DEBT**

Net financial debt corresponds to the total of the long-term credit line, the revolving credit facility, finance lease debt, deposits and bank borrowings, net of cash and cash equivalents.

**LEVERAGE RATIO**

The leverage ratio is calculated by dividing the amount of net financial debt by EBITDA.

# 8.9 Index

This document was printed in France by an Imprim'Vert®-certified printing company on a PEFC™ certified site.
The recyclable chlorine-free paper is produced using pulp from forests managed
according to sustainable environmental - economic and social principles.

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

Limited Liability Company
(Société anonyme)
with a Board of Directors
with capital of €146,583,736.56
793 906 728 RCS Nantes
Le Portereau - 44120 Vertou
France
Tel.: +33 (0)2 51 71 17 17