

**Q3 2017 results:  
Strong organic growth at 6.1%  
Adjusted EBITDA penalized by  
adverse raw materials and currencies**

Paris, October 24, 2017

**Highlights**

- **Net sales up 3.7% year-on-year at €824m, including organic growth of 6.1%<sup>(1)</sup>**
- **Very strong organic growth in CIS, APAC & Latin America (+15.5%)<sup>(1)</sup> and Sports (+13.6%)<sup>(1)</sup>**
- **EMEA (+2.9%)<sup>(1)</sup> remained well oriented**
- **North America (-4.2%)<sup>(1)</sup> lower than expected, mainly due to commercial carpet**
- **Adjusted EBITDA<sup>(2)</sup> of €101m (vs. €119m in Q3 2016) and adjusted EBITDA margin at 12.3% (vs. 15.0% in Q3 2016) penalized by adverse raw material prices and currencies**

(1) Organic growth: at constant scope of consolidation and exchange rates (note that in the CIS segment, price increases implemented to offset currency fluctuations are not included in organic growth, which only reflects changes in volumes and the product mix). See the definition of alternative performance indicators at the end of this press release.

(2) Adjusted EBITDA: adjustments include expenses relating to restructuring, acquisitions and certain other non-recurring items. See the definition of alternative performance indicators at the end of this press release.

**Net sales at constant scope of consolidation and exchange rates** moved up **6.1%** in Q3 2017. The CIS, APAC & Latin America segment demonstrated remarkable momentum (+15.5%) thanks to vigorous trends in the three regions. The Sports segment also posted a strong performance (+13.6%), fueled by both artificial turf and running tracks. EMEA remained on a good trend with a growth of 2.9% in line with H1 2017 when adjusted from the negative calendar impact (around -1.5%). Only North America fell short of expectations with sales retreating (-4.2%) on the back of a weakening situation in commercial carpet.

**Reported sales** were up **3.7%** on Q3 2016. Exchange rates accounted for a negative 2.5% impact, mainly due to the depreciation of the US dollar and the British pound against the euro and the net impact of selling prices and currencies in the CIS ("lag effect"). The acquisition of the assets of AlternaScapes, a Florida-based landscape turf distributor and installer, had a minor scope impact (+0.1%).

**Adjusted EBITDA** was **€101m** versus €119m in Q3 2016 and **adjusted EBITDA margin** came in at **12.3%** compared to 15.0% in Q3 2016. As anticipated, raw material price increases had a significant adverse impact of -€8m for the Group as a whole. The adjusted EBITDA has also been penalized by the ruble depreciation over the period, leading to a net impact of currency and selling prices in the CIS of -€5m. In addition, other currencies weighed negatively by -€4m mostly owing to the weakening of the US dollar and the still negative impact of the British pound.

Commenting on these results, **Glen Morrison, CEO**, stated:

*"The solid third quarter confirmed the good trends in sales seen in the first-half 2017 in most of the segments, in particular in the CIS, APAC & Latin America. The CIS countries continue to strengthen and EMEA and Sports remained well oriented. In North America, revenues remain patchy particularly in the commercial carpet. The raw material prices are stabilizing, therefore the headwinds should progressively ease."*

## Net sales

€ million	Q3 2017	Q3 2016	% Change	o/w organic <sup>(1)</sup>
EMEA	227.2	222.9	+1.9%	+2.9%
North America	197.9	216.6	-8.6%	-4.2%
CIS, APAC & LATAM	178.0	157.7	+12.9%	+15.5%
Sports	220.4	197.2	+11.8%	+13.6%
<b>Total Group</b>	<b>823.5</b>	<b>794.3</b>	<b>+3.7%</b>	<b>+6.1%</b>

€ million	9M 2017	9M 2016	% Change	o/w organic <sup>(1)</sup>
EMEA	708.5	694.5	+2.0%	+3.8%
North America	610.6	627.7	-2.7%	-2.5%
CIS, APAC & LATAM	453.7	392.6	+15.6%	+10.5%
Sports	414.7	377.6	+9.8%	+9.6%
<b>Total Group</b>	<b>2,187.5</b>	<b>2,092.4</b>	<b>+4.5%</b>	<b>+4.2%</b>

## Adjusted EBITDA<sup>(2)</sup>

€ million	Q3 2017	Q3 2016	% Change
Adjusted EBITDA	101.1	119.2	-15.2%
<i>% of Net Sales</i>	<i>12.3%</i>	<i>15.0%</i>	<i>-270bps</i>

€ million	9M 2017	9M 2016	% Change
Adjusted EBITDA	261.4	270.6	-3.4%
<i>% of Net Sales</i>	<i>11.9%</i>	<i>12.9%</i>	<i>-100bps</i>

(1) Organic growth: at constant scope of consolidation and exchange rates (note that in the CIS segment, price increases implemented to offset currency fluctuations are not included in organic growth, which only reflects changes in volumes and the product mix). See the definition of alternative performance indicators at the end of this press release.

(2) Adjusted EBITDA: adjustments include expenses relating to restructuring, acquisitions and certain other non-recurring items. See the definition of alternative performance indicators at the end of this press release.

## Comments by reporting segment

### Europe, Middle East, Africa (EMEA)

**Net sales at constant scope of consolidation and exchange rates** rose **2.9%** in Q3 2017, despite a negative calendar impact (estimated around -1.5%). Germany and Poland delivered strong growth in Q3. The UK enjoyed better growth than expected. France remained on the positive momentum initiated in H1 2017. Spain continued to grow nicely, although the recent developments in Catalonia create uncertainties for the rest of the year. After several quarters of dynamic growth, the Nordic countries sales were flat. The Middle East remained down, in line with H1 2017.

We are currently implementing selling price increases and we anticipate them to bring full benefit in 2018.

Sales advanced **1.9% on a reported basis**, penalized by unfavorable exchange rate fluctuations (mainly the British pound).

### North America

In North America, Q3 2017 **sales** declined **-4.2%** on Q3 2016 **at constant scope of consolidation and exchange rates**.

The resilient activity and the accessories performed well in Q3 2017, thanks to efforts that have been made over the last two years in terms of service, products and operational performance.

Market indications point toward a softer commercial carpet market. Our sales were lower than expected and retreated over the quarter. The performance, however, varied by region. We are taking actions which are designed to address these specific issues and improve our competitive positioning. In addition, over the last two years we have invested in product development and launched a large range of new products constituting a good basis of growth for the future. We are receiving very positive feedback on our new designs.

We are beginning to see some effects of the selling price increases that have been implemented. We anticipate them to bring full benefit in 2018.

**Reported sales** decreased by **8.6%** on the back of the depreciation of the US dollar against the euro over the quarter.

### CIS, APAC & Latin America

**Organic sales growth** in Q3 2017 was **15.5%** (excluding selling price changes in the CIS region). In the CIS countries, we fully benefited from the recovery thanks to our solid positioning. The strong growth was driven by a further expansion in volumes along with continued improvement in product mix.

Sales in the Asia-Pacific region posted further growth, fueled by nice trends in China, South-East Asia and Australia. Latin America came back to growth despite the difficult environment in Brazil, lifted by dynamic LVT (Luxury Vinyl Tile) volumes.

On a **reported basis**, sales rose by **12.9%**, due to the net impact of the selling prices evolution and the Russian ruble that has depreciated over the period.

In Russia, selling prices have been reduced in Q2 prior to the peak season by 5% to 15% (compared to November 2016 pre-promotional prices). Since then, the ruble depreciated gradually resulting in a negative impact on the segment adjusted EBITDA ("lag effect") of -€5m. Given the exchange rates evolution in the CIS, we are currently assessing the timing of a price increase.

## **Sports**

Sports posted a dynamic **13.6% organic growth** in Q3 2017, led by both artificial turf and running tracks. As seen in H1 2017, the proportion of turnkey projects (including billings for subcontracted civil engineering work) remained high in the third quarter. New high-profile projects have been completed in Q3, including the Lay & Play hybrid turf (PlayMaster®) at the Amsterdam Arena for the FC Ajax, the Estadio San Mamés for Athletic Bilbao and the Stade Matmut Atlantique for Girondins de Bordeaux. Also, our high range stitched hybrid turf (GrassMaster®) is now installed on the training pitches of the Olympique Lyonnais and Manchester United teams. In North America, Tarkett installed its very innovative Beynon Rise-N-Run product (banked hydraulic track) in the University of Michigan.

**Reported sales** were up **11.8%**, affected by the depreciation of the US dollar against the euro.

## **French Competition Authority Decision**

The decision from the French Competition Authority in relation to the inquiry towards several resilient flooring manufacturers on the French market was made public on October 19, 2017. The penalty amounts to €165m, which slightly exceeds the provision booked by Tarkett in the first-half. Tarkett is currently reviewing the decision. In the meantime the Group will incur an additional charge of €15m in Q4. The payment of the total amount of the fine will be effective before the end of 2017 or early 2018. This exceptional charge will lead to Tarkett reporting a negative net income for 2017, but this will not result in any changes in the 2020 strategic plan's financial targets or impact its ability to meet its financial covenants.

## **Outlook**

During the rest of the year, we anticipate moderate growth in EMEA and a continuation of good trends in Sports. Following nine months of strong improvement, the CIS region should continue to grow albeit at a slower pace.

In North America, we are currently putting in place actions to address the difficulties we have encountered and improve our sale performance to ensure a better positioning in 2018. However, we believe the fundamentals remain sound.

We confirm that the higher raw material prices will weigh on adjusted EBITDA by €30m to €35m for the full year. Headwinds from raw materials should ease during 2018.

We will continue to focus on selling prices in EMEA and North America to mitigate the impact of raw materials prices in 2018. Given the exchange rates evolution in the CIS, we are currently assessing the timing of a price increase.

At this stage, we anticipate a moderate reduction in the 2017 adjusted EBITDA for the Group compared to last year.

Tarkett confirms the financial targets of the 2020 strategic plan, and given its solid balance sheet, continues to assess acquisitions opportunities that create value for its customers and its shareholders.

### **Changes in the Supervisory Board**

Following a meeting held on October 24<sup>th</sup>, 2017, Tarkett's Supervisory Board has decided or confirmed the following:

- Mr. Eric La Bonnardière has been appointed Vice-Chairman of the Board, effective on July 26<sup>th</sup>, 2017. He replaces Mr. Jacques Garaïalde who will continue to sit on the Supervisory Board as an independent member.
- Ms. Françoise Leroy has been appointed Chairman of the Nominations and Compensation Committee, for the term of her current office as an Independent member. She replaces Mr. Gérard Buffière who resigned as an independent member of the Supervisory Board and Chairman of the Nominations and Compensation Committee.
- Ms. Sabine Roux de Bézieux has been appointed member of the Nominations and Compensation Committee. Furthermore, after due analysis by the Nominations and Compensation Committee, the Board concluded that Ms. Roux de Bézieux meets the requirements to be considered as an independent member.

Didier Deconinck, Chairman of the Supervisory Board, and all its members, would like to thank Gérard Buffière for his active contribution to the work of the Board and the Nominations and Compensation Committee, and look forward to welcoming in their new role within the Supervisory Board, Eric La Bonnardière, Françoise Leroy and Sabine Roux de Bézieux.

The conference for analysts will be held at 11:00 am CET on Wednesday October 25 and an audio webcast (live and replay, in English) will also be available on [www.tarkett.com](http://www.tarkett.com).

### **Financial calendar**

- **February 8, 2018:** 2017 Yearly financial results - *press release after close of trading on the Paris market and presentation in person the following morning*
- **April 24, 2018:** Q1 2018 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- **April 26, 2018:** Annual General Meeting
- **July 25, 2018:** H1 2018 financial results - *press release after close of trading on the Paris market and presentation in person the following morning*
- **October 23, 2018:** Q3 2018 financial Results - *press release after close of trading on the Paris market and conference call the following morning*

### **About Tarkett**

With net sales of more than €2.7bn in 2016, Tarkett is a worldwide leader of innovative flooring and sports surface solutions. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood and laminate flooring, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. With 12,500 employees and 34 industrial sites, Tarkett sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to sustainable development, the Group has implemented an eco-innovation strategy and promotes a circular economy. Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker TKTT) as well as on the SBF 120 and CAC Mid 60 indexes. [www.tarkett.com](http://www.tarkett.com)

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### **Disclaimer**

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This press release may contain estimates and/or forward-looking statements. These do not represent forecasts of Tarkett's results or other performance indicators, but rather trends or targets as appropriate. These statements are inherently subject to risks and uncertainties, most of which are outside Tarkett's control, including but not limited to the risks described in Tarkett's registration document, the French version of which was filed on March 21, 2017 and is available on [www.tarkett.com](http://www.tarkett.com). These risks and uncertainties include those discussed or identified in the "Risk factors" section of its registration document filed with the AMF. These statements do not constitute guarantees as to Tarkett's future performance, which may differ materially from these forward-looking statements. Tarkett disclaims any intention or obligation to update these forward-looking statements in light of events or circumstances that may arise subsequent to the date of publication of this press release.

## Appendices

### Net sales by segment

€ million	Q1 2017	Q1 2016	% Change	o/w Organic growth <sup>(1)</sup>
EMEA	243.4	232.4	+4.7%	+7.0%
North America	190.3	187.2	+1.6%	-2.1%
CIS, APAC & Latin America	121.3	103.5	+17.2%	+2.0%
Sports	56.7	53.2	+6.6%	+3.6%
<b>TOTAL</b>	<b>611.7</b>	<b>576.3</b>	<b>+6.1%</b>	<b>+2.8%</b>

€ million	Q2 2017	Q2 2016	% Change	o/w Organic growth <sup>(1)</sup>
EMEA	237.9	239.3	-0.5%	+1.5%
North America	222.4	223.9	-0.7%	-1.3%
CIS, APAC & Latin America	154.4	131.4	+17.4%	+11.3%
Sports	137.6	127.3	+8.0%	+5.9%
<b>TOTAL</b>	<b>752.3</b>	<b>721.8</b>	<b>+4.2%</b>	<b>+3.2%</b>

€ million	H1 2017	H1 2016	% Change	o/w Organic growth <sup>(1)</sup>
EMEA	481.3	471.6	+2.1%	+4.2%
North America	412.7	411.1	+0.4%	-1.6%
CIS, APAC & Latin America	275.7	234.9	+17.4%	+7.2%
Sports	194.3	180.5	+7.6%	+5.3%
<b>TOTAL</b>	<b>1,364.0</b>	<b>1,298.1</b>	<b>+5.1%</b>	<b>+3.0%</b>

€ million	Q3 2017	Q3 2016	% Change	o/w organic <sup>(1)</sup>
EMEA	227.2	222.9	+1.9%	+2.9%
North America	197.9	216.6	-8.6%	-4.2%
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<b>TOTAL</b>	<b>823.5</b>	<b>794.3</b>	<b>+3.7%</b>	<b>+6.1%</b>

€ million	9M 2017	9M 2016	% Change	o/w organic <sup>(1)</sup>
EMEA	708.5	694.5	+2.0%	+3.8%
North America	610.6	627.7	-2.7%	-2.5%
CIS, APAC & LATAM	453.7	392.6	+15.6%	+10.5%
Sports	414.7	377.6	+9.8%	+9.6%
<b>TOTAL</b>	<b>2,187.5</b>	<b>2,092.4</b>	<b>+4.5%</b>	<b>+4.2%</b>

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### Quarterly Group adjusted EBITDA<sup>(1)</sup>

€ million	2017	2016	2017 Margin (% net sales)	2016 Margin (% net sales)
Q1	51.5	45.0	8.4%	7.8%
Q2	108.8	106.5	14.5%	14.8%
Q3	101.1	119.2	12.3%	15.0%
9M	261.4	270.6	11.9%	12.9%

### Half-year adjusted EBITDA<sup>(1)</sup> by segment

€ million	H1 2017	H1 2016	H1 2017 Margin (% net sales)	H1 2016 Margin (% net sales)
EMEA	68.5	74.8	14.2%	15.9%
North America	51.7	59.3	12.5%	14.4%
CIS, APAC & Latin America	40.2	24.8	14.6%	10.6%
Sports	23.0	18.2	11.8%	10.1%
Central costs not allocated	(23.1)	(25.7)	-	-
<b>Total</b>	<b>160.3</b>	<b>151.4</b>	<b>11.8%</b>	<b>11.7%</b>

(1) Adjusted EBITDA: adjustments include expenses relating to restructuring, acquisitions and certain other non-recurring items. See the definition of alternative performance indicators at the end of this press release.



## Definition of alternative performance indicators

(not defined by IFRS)

The Tarkett Group uses the following non-IFRS financial indicators:

- Organic growth
- Adjusted EBITDA

These indicators are calculated as described below.

- **Organic growth:**

- o Organic growth measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates.
- o The exchange rate effect is calculated by applying the previous year's exchange rates to sales for the current year and calculating the difference as compared with sales for the current year. It also includes the impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro.
- o The scope effect reflects:
  - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
  - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

Year-on-year net sales trends can be analyzed as follows:

€ million	2017	2016	% Change	<i>o/w Exchange rate effect</i>	<i>o/w Scope effect</i>	<i>o/w Organic growth</i>
<b>Total Group – Q1</b>	611.7	576.3	+6.1%	+3.3%	0.0%	+2.8%
<b>Total Group – Q2</b>	752.3	721.8	+4.2%	+0.9%	+0.1%	+3.2%
<b>Total Group – H1</b>	1,364.0	1,298.1	+5.1%	+2.0%	+0.1%	+3.0%
<b>Total Group – Q3</b>	823.5	794.3	+3.7%	-2.5%	+0.1%	+6.1%
<b>Total Group – 9M</b>	2,187.5	2,092.4	+4.5%	+0.2%	+0.1%	+4.2%

- **Adjusted EBITDA:**

- o Adjusted EBITDA is calculated by deducting the following income and expenses from result from operations before depreciation and amortization:
  - restructuring costs intended to increase the Group's future profitability;
  - capital gains and losses recognized on significant asset disposals;
  - provisions and provision reversals for loss in value;
  - costs arising on corporate and legal restructuring;
  - share-based payment expenses;
  - other one-off items considered non-recurring owing to their nature.