

Acceleration in organic growth in Q2

PARIS, FRANCE, July 25, 2018

Highlights

- **Q2 2018 organic growth⁽¹⁾ is strong at +5.3% with excellent performance in Sports (+18.6%)⁽¹⁾ and expansion in all segments**
- **Solid +3.0% organic growth⁽¹⁾ in H1 2018, net sales reaching €1,317m**
- **Good progress of selling price increases in Q2 2018, beginning to offset the anticipated raw material prices increase**
- **Q2 2018 Adjusted EBITDA⁽²⁾ at €86m and EBITDA margin at 11.5%**
- **H1 2018 Adjusted EBITDA⁽²⁾ at €116m and EBITDA margin at 8.8%, still affected by raw material prices and currency effects**

(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 such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.

The acceleration in **organic growth** in Q2 2018 (+5.3%) led to an increase in net sales of +3.0% in H1 2018 at constant scope of consolidation and exchange rates. All segments have grown in the second quarter. The improvement has been driven by excellent growth in Sports (+18.6%) mainly thanks to vigorous sales of artificial turf, and good development in the segment North America (+3.7%), owing to dynamic resilient activities; in addition, commercial carpet improved progressively. EMEA also showed a better performance compared with the previous quarter and reached an organic growth of 1.7% in Q2 vs Q2 2017. The CIS, APAC & Latin America segment posted a 1.4% like-for-like gain in Q2 2018.

Reported sales were down -0.4% in Q2 2018 versus Q2 2017 (-3.4% in H1 2018). Currency movements had a significant negative impact of -6.7% in the first half primarily due to the US dollar, the Russian ruble and the Swedish krona. The perimeter impact accounted for +0.3% thanks to the acquisition of the assets of Grassman, a leading Australian synthetic turf manufacturer that reported approx. €10m of sales in 2017.

The Group **adjusted EBITDA** amounted to **€86m in Q2 2018**. While Q1 EBITDA margin has been significantly below last year (-320 basis points), the gap with last year narrowed in **Q2** and margin reached **11.5%** compared to 14.5% in Q2 2017 or compared to **13.1% excluding the impact of a favorable settlement recorded in the Sports segment in June 2017 (US\$12m)**. The effect of selling price increases in EMEA and North America accelerated in Q2 (+€6m, half of it generated in June) and started countering the raw material prices impact (-€13m). In addition, cost containment and targeted restructuring measures taken generated €2m of savings in SG&A in Q2. Productivity improvements across the business contributed by +€5m. Adverse currency effects also weighted in the quarter (-€5m), mainly owing to the Russian

ruble, the US Dollar and the British pound. The net impact of CIS currencies and selling prices evolutions (lag effect) is -€1m.

In **H1 2018**, the Group **adjusted EBITDA** amounted to **€116m** (vs. €160m in H1 2017) and the **adjusted EBITDA margin** came in at **8.8%** compared to 11.8% in H1 2017. Excluding the impact of the favorable settlement in Sports, H1 2017 adjusted EBITDA margin would have been 11.0%. Selling price increases in EMEA and North America benefited the Group by +€7m in H1 2018 and started offsetting the raw material prices impact (-€23m in H1). We also implemented productivity improvements across the business (+€14m) over the period.

We continued to face adverse currency effects totaling -€10m in H1, mainly owing to the Russian ruble, the US dollar and the British pound. The “lag effect” had an impact of -€3m.

Net profit attributable to owners of the Company amounted to **€29m** vs. -€98m H1 2017 (that included a €150m provision in relation to the French Competition Authority penalty).

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

“Tarkett has delivered solid organic performance in the first half, accelerating in Q2. We are seeing the positive effects of both the pricing and cost containment actions we have been taking. We will intensify our focus on both these measures to proactively mitigate the anticipated increase in raw materials and freight cost. We will continue to invest in new products and services that will further drive growth. We are pleased to be receiving very positive feedback from customers on recent product launches.”

Key Figures

€ million	H1 2018	H1 2017	Change
Revenue <i>of which organic growth</i> ⁽¹⁾	1,317.3	1,364.0	-3.4% +3.0%
Adjusted EBITDA ⁽²⁾ <i>% of net sales</i>	116.1 8.8%	160.3 11.8%	-27.6%
Net profit attributable to owners of the Company Basic earnings per share	28.7 €0.45	(97.9) (€1.55)	nm
Net cash flow from operations ⁽³⁾	(62.0)	(21.5)	
Net debt / adjusted EBITDA ⁽⁴⁾	2.2x	1.3x	

(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 such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.

(3) Net cash flow from operations: cash generated from operations less ongoing capital expenditure (investments in property, plant and equipment and intangible assets, excluding the construction of new plants or distribution sites and acquisitions of companies or activities).

(4) Over the last twelve months.

Net sales by segment

€ million	H1 2018	H1 2017	% Change	o/w Organic growth ⁽¹⁾
EMEA	464.3	481.3	-3.5%	-1.5%
North America	378.3	412.7	-8.3%	+1.3%
CIS, APAC & Latin America	261.7	275.7	-5.1%	+3.0%
Sports	213.0	194.3	+9.6%	+17.8%
Total Group	1,317.3	1,364.0	-3.4%	+3.0%

Adjusted EBITDA⁽²⁾ by segment

€ million	H1 2018	H1 2017	H1 2018 Margin (% net sales)	H1 2017 Margin (% net sales)
EMEA	57.1	68.5	12.3%	14.2%
North America	35.5	51.7	9.4%	12.5%
CIS, APAC & Latin America	31.1	40.2	11.9%	14.6%
Sports	13.9	23.0 ⁽³⁾	6.5%	11.8%
Central costs not allocated	(21.5)	(23.1)	-	-
Total Group	116.1	160.3	8.8%	11.8%

(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 such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.

(3) Including a US\$12m favorable settlement payment related to a patent infringement claim against a competitor.

Comments by reporting segment

Europe, Middle East, Africa (EMEA)

In Q2, EMEA returned to growth and showed a **+1.7% organic improvement**, while **like-for-like sales** declined slightly by **-1.5% in H1 2018**. Germany, Central Europe as well as Spain and Italy reported a strong performance. Nordic countries showed slight growth in the second quarter. France remained below last year in Q2, albeit improving.

Our new commercial heterogeneous vinyl flooring collection is being very well received by our customers thanks to their advanced technical specifications as well as their innovative designs.

Modular vinyl (LVT) continued to grow at a strong pace in the first half. Our rigid composite core board products, iD Click Ultimate and Starfloor Click Ultimate, have been successfully launched in the second quarter, combining ease of installation with technical performance.

Sales were down **-3.5% on a reported basis in H1 2018**, penalized by unfavorable exchange rate fluctuations, mainly the British pound and the Swedish krona.

The **adjusted EBITDA margin** retreated to **12.3%** compared to 14.2% in H1 2017, penalized by lower volumes and higher raw material costs. Selling price increases implemented since 2017 have positively contributed in the first half of 2018 and will continue to bear fruit going forward.

North America

North America enjoyed a dynamic **+3.7% organic growth** in Q2, leading to **+1.3% organic sales expansion** in H1 2018.

Commercial and residential resilient flooring achieved robust growth in the first half, as well as accessories and rubber. Modular vinyl also continued to perform well, fueled by the strong momentum of semi-rigid board product ProGen launched in Q3 last year.

While down in H1, commercial carpet has progressively improved in Q2 2018 compared with the previous quarter, mostly owing to better momentum in education. In addition, customer feedback on the products launched in the last few months has been very positive.

Tarkett is pleased to have received several prestigious design awards at the 2018 NeoCon, the leading design flooring show in North America. Three of our new products were honored with Contract Magazine's Best of NeoCon Gold awards in the Healthcare Flooring, Hard Surface Flooring and Broadloom Carpet categories.

Reported sales decreased by **-8.3% in H1 2018**, hit by the depreciation of the US dollar against the euro over the period.

Adjusted EBITDA margin narrowed to **9.4%** from 12.5% in H1 2017, affected mostly by higher raw material prices and freight costs. We are now seeing the effects of the price increases we announced in 2017. The selling price increase implemented in May 2018 (+5% to +7% on all products) is holding up well. It should gain further momentum as the year advances.

CIS, APAC & Latin America

Organic sales growth in Q2 2018 was **+1.4%** in the CIS, APAC & Latin America segment (+3.0% in H1 2018 / excluding selling price adjustments in the CIS region). After a good start to the year, activity slowed down in some CIS countries at the beginning of Q2. In Russia, the more uncertain environment observed in April as well as the weakening of the ruble have slightly dragged volumes down early in the quarter. However, product mix continued to improve compared with last year thanks to good sales of our high-end products.

Our leadership in design and innovation has been recognized by the market following the 2018 Tarkett Road Show in Russia in 20 cities. In terms of deliveries, it was the second-best show in Tarkett's history with our new designs being enthusiastically welcomed by our clients.

Latin America posted robust growth in H1 2018, thanks to vigorous volumes in Brazil, in particular in LVT, despite the currently challenging environment in the country. Sales in the Asia-Pacific region remained stable over the first six months of the year.

On a **reported basis, sales** decreased by **-5.1% in H1 2018**, affected by the depreciation of the Russian ruble and the Brazilian real over the period against the euro.

In Russia, Tarkett maintained its focused strategy of adapting selling prices to movements in exchange rates. In June 2018, a 6% price increase on wood products has been implemented and a 5% price increase on vinyl and laminate products is effective since July 2018. In Brazil, selling price increases of 4% to 10% have been announced, effective 1st of July. In Australia, a +3% selling price increase has been announced end of March 2018.

Adjusted EBITDA margin came in at **11.9%** from 14.6% in H1 2017. The "lag effect" (net impact of currencies and selling prices evolutions) amounted to -€3m over the period, as a result of the weakening of the ruble. In addition, the increase in raw material prices penalized the profitability of the segment.

Sports

The Sports segment demonstrated remarkable momentum reaching **+18.6% organic growth** in Q2 2018 (and +17.8% in H1), driven by strong growth in artificial turf in North America, a robust performance in landscape applications and indoor activities. Moreover, turn-key projects (which include billings for civil engineering work) and hybrid products continued to develop well.

Several high profile projects have been completed in the course of the first half of 2018. For instance, the premium hybrid turf system GrassMaster has been installed on three stadiums (Volgograd, Kazan and Nizhny Novgorod) and two training fields during the 2018 Football World Cup in Russia. In total, sixteen World Cup games have been played on GrassMaster.

Reported sales were up at a slower **+9.6% in H1 2018**, penalized by the depreciation of the US dollar against the euro.

Adjusted EBITDA margin stood at **6.5% in H1**, in line with last year's performance excluding the US\$ 12m settlement received in 2017 (in connection with a patent infringement claim against a competitor). The strong volume growth offsets the higher raw material prices impact on adjusted EBITDA.

The integration of Grassman, leading Australian synthetic turf manufacturer acquired in February 2018, is progressing very well, enabling us to expand in the growing Australian market.

The acquisition of The Tennis and Track Company in Salt Lake City, Utah has been completed in July 1st 2018. This acquisition bolsters Tarkett Sports' market position in tennis surfacing as well as post-tensioned concrete construction for sports. Also, it provides a platform for future expansion both within Utah's growing economy and in the northwest United States.

Net profit attributable to owners of the Company

Central costs not allocated to the segments decreased to €21.5m from €23.1m in H1 2017, enabled by the cost control efforts initiated in the course of Q1 2018.

Adjustments to EBIT represented -€9.5m in H1 2018, compared to -€164.2m in H1 2017 (including a €150m provision in relation to the French Competition Authority penalty).

Financial income and expenses amounted to -€11.7m from -€12.2m in H1 2017.

The **effective tax rate** dropped to 21.9% compared with 30.9% in H1 2017 (excluding the effect of €150m provision, non-tax deductible), owing to the positive effect of the country mix and the favorable conclusion of a tax litigation in Canada.

A healthy financial structure

Net cash flow from operations, negative due to seasonal factors, amounted to -€62m in H1 2018 versus -€22m in H1 2017 reflecting the decrease in the operating profit. Working capital requirement was well-managed in a context of growing activity (variation of working capital of €119m versus €131m in H1 2017).

Recurring capital expenditure represented €50m in H1 2018, or 3.8% of net sales to be compared with €45m in H1 2017 (3.3% of sales).

Net debt reached €594m, representing 2.2 times adjusted EBITDA over the 12 months to June 30, 2018 (versus 1.3x adjusted EBITDA over the 12 months to June 30, 2017).

Outlook

Thanks to successful new product introduction and selling price increases, organic sales have strongly expanded in the second quarter.

Looking forward, we anticipate increasing headwinds from raw materials and freight costs. At current prices, they are likely to have a year-on-year impact on 2018 adjusted EBITDA in the region of -€45m (around -€35m from raw materials and around -€10m from freight).

Given the increasing inflationary environment, we will proactively raise our selling prices across the regions in Q3, enhancing the positive impact of the price increases already implemented. We will also further benefit from the short term measures on costs implemented in Q2, with the view to mitigating these increasing headwinds. Concurrently, we are systematically reviewing our cost structure to improve profitability.

Overall, we are getting very positive feedback from the market about our new products and customers' sentiment remain positive. We remain committed to investing in new products and services to further fuel volume growth.

Our healthy balance sheet enables us to seize opportunities for external growth.

The consolidated financial statements for the first half of 2018, reviewed by Group's Statutory Auditors, are available on Tarkett's website. The analysts' conference will be held on Thursday July 26, 2018 at 11:00 am CET and an audio webcast service (live and replay) along with the results presentation will be available on www.tarkett.com.

Financial calendar

- 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 €2.8 billion in 2017, Tarkett is a worldwide leader of innovative flooring and sports surface solutions. Offering a wide range of products including vinyl, linoleum, carpet, rubber, wood, laminate, synthetic turf and athletic tracks, the Group serves customers in more than 100 countries worldwide through its major brands: Tarkett, Desso, Johnsonite, Tandus Centiva, Tarkett Sports, FieldTurf and Beynon. With approximately 13,000 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 "Doing Good. Together", the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles and promotes circular economy, with the ultimate goal of contributing to people's health and wellbeing, and preserving the natural capital. Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker TKTT) and is included in the following indices: SBF 120, CAC Mid 60. www.tarkett.com.

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Appendices

1/ Bridges

Net sales evolution by division in million euros in the first half

H1 2017	1,364
+/- EMEA	-7.2
+/- North America	+5.2
+/- CIS, APAC & Latin America	+8.2
+/- Sports	+34.5
H1 2018 Sales Like for Like⁽¹⁾	1,405
+/- Perimeter	+4.2
+/- Currencies	-76.6
+/- Selling price lag effect in CIS	-15.0
H1 2018	1,317

(1) Like for Like: At same perimeter and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in the organic growth. Organic growth in the CIS therefore reflects volume and mix variances only). See the definition of alternative performance indicators at the end of this press release.

Adjusted EBITDA evolution by nature in million euros in the first half

H1 2017	160.3
+/- Currencies	-6.6
+/- Selling price lag effect in CIS	-3.4
+/- Volume / Mix	-7.0
+/- Sales pricing	+7.5
+/- Purchasing pricing	-23.0
+/- Productivity	+13.6
+/- Perimeter	+1.3
+/- Salary increase, SG&A & Other ⁽¹⁾	-26.6
H1 2018	116.1

(1) Including in 2017 a US\$12m favorable settlement payment related to a patent infringement claim against a competitor.

2/ Key figures

Net sales by segment

€ million	Q1 2018	Q1 2017	% Change	o/w Organic growth ⁽¹⁾
EMEA	228.3	243.4	-6.2%	-4.6%
North America	163.5	190.3	-14.1%	-1.6%
CIS, APAC & Latin America	116.3	121.3	-4.1%	+5.0%
Sports	59.8	56.7	+5.4%	+15.9%
Total Group	567.9	611.7	-7.2%	+0.1%

€ million	Q2 2018	Q2 2017	% Change	o/w Organic growth ⁽¹⁾
EMEA	236.0	237.9	-0.8%	+1.7%
North America	214.8	222.4	-3.4%	+3.7%
CIS, APAC & Latin America	145.4	154.4	-5.8%	+1.4%
Sports	153.2	137.6	+11.4%	+18.6%
Total Group	749.4	752.3	-0.4%	+5.3%

€ million	H1 2018	H1 2017	% Change	o/w Organic growth ⁽¹⁾
EMEA	464.3	481.3	-3.5%	-1.5%
North America	378.3	412.7	-8.3%	+1.3%
CIS, APAC & Latin America	261.7	275.7	-5.1%	+3.0%
Sports	213.0	194.3	+9.6%	+17.8%
Total Group	1,317.3	1,364.0	-3.4%	+3.0%

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Quarterly Group adjusted EBITDA⁽¹⁾

€ million	2018	2017	2018 Margin (% net sales)	2017 Margin (% net sales)
Q1	29.8	51.5	5.2%	8.4%
Q2	86.3	108.8 ⁽²⁾	11.5%	14.5%

Half-year adjusted EBITDA⁽¹⁾ by segment

€ million	H1 2018	H1 2017	H1 2018 Margin (% net sales)	H1 2017 Margin (% net sales)
EMEA	57.1	68.5	12.3%	14.2%
North America	35.5	51.7	9.4%	12.5%
CIS, APAC & Latin America	31.1	40.2	11.9%	14.6%
Sports	13.9	23.0 ⁽²⁾	6.5%	11.8%
Central costs not allocated	(21.5)	(23.1)	-	-
Total Group	116.1	160.3	8.8%	11.8%

Simplified consolidated income statement

€ million	H1 2018	H1 2017
Net sales	1,317.3	1,364.0
Adjusted EBITDA⁽¹⁾ <i>% net sales</i>	116.1 8.8%	160.3 11.8%
Depreciation and amortization	(58.1)	(59.8)
Adjustments to EBIT	(9.5)	(164.2)
Result from operations (EBIT) <i>% net sales</i>	48.4 3.7%	(63.7) <i>nm</i>
Financial income and expenses	(11.7)	(12.2)
Profit before income tax	37.1	(74.6)
Income tax <i>Effective tax rate</i>	(8.0) 21.9%	(22.9) 30.9% ⁽³⁾
Net profit attributable to owners of the Company	28.7	(97.9)
Basic earnings per share	€0.45	(€1.55)

(1) Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.

(2) Including a US\$12m favorable settlement payment related to a patent infringement claim against a competitor.

(3) Excluding the effect of €150m provision, non-tax deductible.

3/ Definition of alternative performance indicators (not defined by IFRS)

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

- Organic growth
- Adjusted EBITDA
- Net cash flow from operations

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

€ million	2018	2017	% change	<i>o/w exchange rate effect</i>	<i>o/w scope effect</i>	<i>o/w organic growth</i>
Total Group – Q1	567.9	611.7	-7.2%	-7.5%	+0.3%	+0.1%
Total Group – Q2	749.4	752.2	-0.4%	-6.0%	+0.3%	+5.3%
Total Group – H1	1,317.3	1,364.0	-3.4%	-6.7%	+0.3%	+3.0%

- **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.
- o Note 3.1 to the consolidated financial statements includes a table that reconciles operating income with adjusted EBITDA, as well as the effect of adjustments by type.

<i>(in millions of euros)</i>	Of which adjustments:						H1 2018 adjusted
	H1 2018	Restructuring	Gains/losses on asset sales /impairment	Business combinations	Share-based payments	Other	
Net revenue	1,317.3	-	-	-	-	-	1,317.3
Cost of sales	(995.8)	2.6	-	-	-	-	(993.2)
Gross profit	321.5	2.6	-	-	-	-	324.1
Other operating income	5.8	-	-	-	-	-	5.8
Selling and distribution expenses	(162.6)	0.5	-	-	-	(0.2)	(162.3)
Research and development	(19.9)	2.1	-	-	-	-	(17.8)
General and administrative expenses	(89.1)	0.3	0.3	0.5	2.1	1.0	(84.9)
Other operating expenses	(7.3)	0.1	-	0.3	-	-	(6.9)
Result from operating activities (EBIT)	48.4	5.6	0.3	0.8	2.1	0.8	58.0
Depreciation and amortization	59.1	(0.7)	(0.3)	-	-	-	58.1
EBITDA	107.5	4.9	-	0.8	2.1	0.8	116.1

- **Net cash flow from operations:**

- Cash generated from operations less ongoing capital expenditure.
- Ongoing capital expenditure is defined as investments in property, plant and equipment and intangible assets, excluding the construction of new plants or distribution sites and acquisitions of companies or activities.

Net cash flow from operations for the year can be broken down as follows:

€ million	H1 2018	H1 2017
Cash generated from operations	(11.6)	23.4
Acquisitions of property, plant and equipment and intangible assets	(52.3)	(45.5)
Restatement of non-recurring capital expenditure	1.9	0.6
Net cash flow from operations	(62.0)	(21.5)