

Third quarter 2018 results:

**Dynamic organic growth
EBITDA margin supported by selling price
increases in a context of significant purchasing
cost inflation**

Paris, October 23, 2018

Highlights

- **Robust organic growth⁽¹⁾ in Q3 2018 (+3.4% vs. Q3 2017), thanks to very strong momentum in Sports (+11.8%)⁽¹⁾ and North America's good performance (+4.3%)⁽¹⁾**
- **On-going positive impact from higher selling prices, partly covering increased raw materials and transportation costs**
- **Q3 2018 adjusted EBITDA⁽²⁾ of €98m and adjusted EBITDA margin of 11.6%**
- **Completion of the acquisition of Lexmark, one of the North American leaders in carpet for the hospitality segment**

(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 therefore only reflects volume and price effects). See the definition of alternative performance indicators at the end of this press release.

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

Tarkett's sales continued to grow at a good rate in the third quarter of 2018 and **organic growth was up 3.4% compared with Q3 2017**, despite the high basis of comparison (Q3 2017 +6.1% vs Q3 2016). Price rises applied earlier in the year are starting to pay off and contributed 0.9 % to sales growth. In North America, additional price increases were applied in September.

The Sports segment remained particularly buoyant in the most important quarter of the year, achieving organic growth of 11.8%. The North America segment continued to improve its performance (+4.3% compared to +3.7% in Q2 2018), boosted by rising volumes and the growing impact of increased selling prices. In EMEA, organic growth was slower (0.9% compared with Q3 2017) due to weaker business levels in France and the UK. Sales fell 4.8%, across CIS, APAC and Latin America segment, suffering notably from uncertain demand in Russia. The Asia-Pacific region continued to grow and selling prices were raised substantially in Latin America.

Reported sales grew by **2.0%** compared with Q3 2017 due to adverse exchange-rate movements (-1.9%), mainly related to the Swedish krona and Brazilian real. Changes in scope had a positive impact of 0.5%, mainly due to the Group acquiring Grassman's assets, a leading Australian synthetic turf manufacturer that generated sales of around €10m in 2017.

The Group's **adjusted EBITDA** amounted to **€98m** in **Q3 2018**. **EBITDA margin** came in at **11.6% compared to 12.3% in Q3 2017**. Group profitability is affected by a very significant increase in raw material and freight costs (-€13.4m), as well as adverse currency effects (-3.2m, mainly due to the Australian dollar and Brazilian real). Those negative effects are partially covered by the selling price increases, mainly in North America and in EMEA, with a positive impact of €7.1m. Thanks to actions taken at the end of the second quarter in the CIS countries, the net impact of currencies and selling prices evolutions ("lag effect") was clearly positive at €3.5m.

Net productivity gains amounted to only €3.0m, mainly due to the under-performance of two production sites in North America in a context of strong volumes. In addition, cost containment and targeted restructuring measures continued to yield savings, offsetting normal wage increases.

The acquisition of Lexmark, one of the North American leaders of carpet for hospitality (\$120m of sales in 2017) was completed in late September 2018. Lexmark will be consolidated from the fourth quarter onwards. Given Lexmark's strong performance, the transaction will be immediately accretive to the Group's EBITDA margin, up to 50 basis points after synergies on a full year basis.

Commenting on these results, **Fabrice Barthélemy**, Acting CEO, said:

"Tarkett achieved dynamic growth in the third quarter of 2018 mainly thanks to good performance in Sports and Luxury Vinyl Tiles (LVT). As previously announced, selling price increases have reduced the significant impact of inflation in raw materials and transportation costs. In Russia, the activity has been penalized by a more hesitant demand, but the weakness of the ruble was fully offset by selling price increases. We are focused on achieving sustainable profitability improvement through selling price increases, improved industrial performance in North America, accelerated cost reductions and synergies with Lexmark."

Sales by segment

€ million	Q3 2018	Q3 2017	Change (%)	of which organic growth ⁽¹⁾
EMEA	225.2	227.2	-0.8%	+0.9%
North America	206.0	197.9	+4.1%	+4.3%
CIS, APAC & Latin America	165.4	178.0	-7.1%	-4.8%
Sports	243.3	220.4	+10.4%	+11.8%
Group total	839.9	823.5	+2.0%	+3.4%

€ million	9M 2018	9M 2017	Change (%)	of which organic growth ⁽¹⁾
EMEA	689.6	708.5	-2.7%	-0.7%
North America	584.4	610.6	-4.3%	+2.3%
CIS, APAC & Latin America	427.1	453.7	-5.9%	-0.1%
Sports	456.3	414.7	+10.0%	+14.6%
Group total	2157.3	2187.5	-1.4%	+3.2%

Adjusted EBITDA⁽²⁾

€ million	Q3 2018	Q3 2017	Change
Adjusted EBITDA	97.7	101.2	-3.5%
<i>% of sales</i>	<i>11.6%</i>	<i>12.3%</i>	<i>-0.7pt</i>

€ million	9M 2018	9M 2017 ⁽³⁾	Change
Adjusted EBITDA	213.7	261.4	-18.2%
<i>% of sales</i>	<i>9.9%</i>	<i>12.0%</i>	<i>-2.1pt</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 therefore only reflects volume and price effects). See the definition of alternative performance indicators at the end of this press release.

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

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

Comments by reporting segment

Europe, Middle East, Africa (EMEA)

In the **third quarter**, the EMEA segment achieved **moderate organic growth of 0.9%**. Positive trends continued in Germany, Central Europe and Italy. Business levels in France remained lower than in 2017, and the slowdown in UK demand continued. In Turkey, the deteriorating economic environment dragged down volumes.

Sales of Luxury Vinyl Tiles (LVT) remained particularly strong, and new rigid board products launched in the second quarter (iD Click Ultimate and Starfloor Click Ultimate) proved popular.

Price rises intended to mitigate the adverse effect of rising raw materials and transportation costs had a positive effect. In Turkey, the Group significantly increased its prices, fully offsetting the devaluation of the Turkish lira. As with the CIS countries, these adjustments are not included when calculating organic growth.

Sales were down 0.8% on a reported basis in Q3 2018, penalized by adverse exchange-rate fluctuations (mainly the Swedish krona and Norwegian krone).

North America

Sales in North America maintained the strong momentum seen in Q2 with **organic growth of 4.3% in Q3 2018**, thanks to the combined effect of higher volumes and prices. Sales of resilient commercial and residential flooring products were particularly strong, supported by higher sales of accessories and ongoing excellent momentum in the LVT range. The segment benefited from large price increases applied earlier in the year, along with additional price rises applied in September.

Reported sales growth was 4.1% compared with Q3 2017, marginally held back by a slightly adverse currency effect.

CIS, APAC & Latin America

Organic sales fell 4.8% in Q3 2018 (excluding selling price increases in the CIS region). In Russia, the uncertain operating environment and weak ruble meant that consumers were cautious, leading to lower volumes. In the CIS, Tarkett maintained its strategy of adapting selling prices to movements in exchange rates, offsetting most of the adverse currency impact on its sales. The net lag effect on Group EBITDA resulting from selling prices and currency movements was positive at €3.5m.

In Asia-Pacific, growth was robust, due in particular to good business levels in China. Sales in Latin America continued to grow and in Brazil, prices were increased significantly to offset the weak real.

On a reported basis, sales decreased by 7.1% in Q3 2018, affected by the decline in the Brazilian real against the euro during the period.

Sports

Organic growth in the Sports segment remained particularly **strong at 11.8% in Q3 2018**, despite the high basis of comparison resulting from Q3 2017 growth of 13.6%. Growth remained firm in artificial turf in North America, landscape applications and running tracks.

Hybrid turf products (Grassmaster™, Playmaster™) also remained a popular choice for the most prestigious sports grounds, including the training ground of the Olympique de Marseille soccer club.

Reported sales grew 10.4% in Q3 2018, factoring in a slightly negative currency effect.

Outlook

The Group's business levels should remain globally well oriented. It should be noted that the basis for comparison in the fourth quarter is high, since year-on-year organic growth in Q4 2017 was 6.9% compared to Q4 2016. In the CIS, uncertainty about possible further sanctions against Russia might cause consumers to be more hesitant.

Given recent movements in raw materials, energy and transportation costs, the Group expects them to have a significantly high impact and should reach €50m to €55m in 2018. Selling price increases should offset about 40% of this effect, with an acceleration in the second half of the year.

Tarkett's teams remain focused on accelerating cost reduction initiatives and improving industrial performance in North America. Moreover, we expect a growing contribution of new products' sales.

The fast integration of Lexmark will have a positive impact on EBITDA margin in Q4 2018. Leverage ratio will remain contained (around 2.5x pro forma EBITDA) thanks to the tight management of working capital and investments.

The analysts' conference will be held on Wednesday October 24, 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

- **February 7, 2019**: 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.

Investor Relations Contact

Tarkett – Catherine David (assistant to Investor Relations Director)
catherine.david@tarkett.com

Media contacts

Tarkett - Véronique Bouchard Bienaymé - communication@tarkett.com
Brunswick - tarkett@brunswickgroup.com - Tel.: +33 (0) 1 53 96 83 83

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Appendices

1/ Bridges

Change in sales by segment in the third quarter (€ millions)

Q3 2017	823.5
+/- EMEA	+2.1
+/- North America	+8.9
+/- CIS, APAC & Latin America	-8.5
+/- Sports	+25.8
H1 2018 sales like-for-like⁽¹⁾	851.7
+/- Scope	+4.1
+/- Currencies	-15.1
+/- Selling price lag effect in CIS	-0.8
Q3 2018	839.9

(1) Like-for-like: a constant scope and exchange rates. (NB: In the CIS, price increases implemented to offset currency fluctuations are not included in organic growth, which therefore only reflects volume and price effects). See the definition of alternative performance indicators at the end of this press release.

9M 2017	2,187.5
+/- EMEA	-5.1
+/- North America	+14.1
+/- CIS, APAC & Latin America	-0.4
+/- Sports	+60.3
H1 2018 sales like-for-like⁽¹⁾	2,256.4
+/- Scope	+8.3
+/- Currencies	-91.7
+/- Selling price lag effect in CIS	-15.8
9M 2018	2,157.3

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Change in adjusted EBITDA by segment in the third quarter (€ millions)

Q3 2017	101.2
+/- Currencies	-3.2
+/- Selling price lag effect in CIS	3.5
+/- Volume / Mix	+0.5
+/- Selling prices	+7.1
+/- Purchasing prices	-13.4
+/- Productivity	+3.0
+/- Scope	+1.0
+/- Salary increase, SG&A and other	-1.9
Q3 2018	97.7

9M 2017	261.4
+/- Currencies	-9.7
+/- Selling price lag effect in CIS	+0.1
+/- Volume / Mix	-6.6
+/- Selling prices	+14.5
+/- Purchasing prices	-36.5
+/- Productivity	+16.6
+/- Scope	+2.2
+/- Salary increase, SG&A and other ⁽¹⁾	-28.5
9M 2018	213.7

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

2/ Key figures

Sales by segment

€ million	Q1 2018	Q1 2017	% change	of which 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%
Group total	567.9	611.7	-7.2%	+0.1%

€ million	Q2 2018	Q2 2017	% change	of which 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%
Group total	749.4	752.3	-0.4%	+5.3%

€ million	H1 2018	H1 2017	% change	of which 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%
Group total	1,317.3	1,364.0	-3.4%	+3.0%

€ million	Q3 2018	Q3 2017	% change	of which organic growth ⁽¹⁾
EMEA	225.2	227.2	-0.8%	+0.9%
North America	206.0	197.9	+4.1%	+4.3%
CIS, APAC & Latin America	165.4	178.0	-7.1%	-4.8%
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€ million	9M 2018	9M 2017	% change	of which organic growth ⁽¹⁾
EMEA	689.6	708.5	-2.7%	-0.7%
North America	584.4	610.6	-4.3%	+2.3%
CIS, APAC & Latin America	427.1	453.7	-5.9%	-0.1%
Sports	456.3	414.7	+10.0%	+14.6%
Group total	2157.3	2187.5	-1.4%	+3.2%

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Quarterly Group adjusted EBITDA⁽²⁾

€ million	2018	2017	2018 margin (% of sales)	2017 margin (% of sales)
Q1	29.8	51.5	5.2%	8.4%
Q2	86.3	108.8 ⁽³⁾	11.5%	14.5%
Q3	97.7	101.2	11.6%	12.3%
9M	213.7	261.4 ⁽³⁾	9.9%	12.0%

Half-year adjusted EBITDA by segment⁽²⁾

€ million	H1 2018	H1 2017	H1 2018 margin (% of sales)	H1 2017 margin (% of 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%
Unallocated central costs	(21.5)	(23.1)	-	-
Group total	116.1	160.3	8.8%	11.8%

⁽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.

3/ Definition of alternative performance measures (not defined under IFRSs)

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 and Turkey 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	2018	2017	% change	<i>o/w exchange rate effect</i>	<i>o/w scope effect</i>	of which organic growth
Total Group – Q1	567.9	611.7	-7.2%	-7.5%	+0.3%	+0.1%
Total Group – Q2	749.4	752.3	-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%
Total Group – Q3	839.9	823.5	2.0%	-1.9%	+0.5%	3.4%
Total Group – 9M	2157.3	2,187.5	-1.4%	-4.9%	+0.4%	+3.2%

- **Adjusted EBITDA:**

- o Adjusted EBITDA is calculated by deducting the following income and expenses from operating income 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 reversals of provisions relating to impairment losses;
 - costs arising on corporate and legal restructuring;
 - share-based payment expenses;
 - other one-off items considered non-recurring owing to their nature.