**KPMG Audit**
Le Belvédère
1 Cours Valmy
CS 50034
92923 Paris La Défense Cedex
France

**Mazars**
61, rue Henri Regnault
92075 Paris La Défense
France

# Tarkett

# Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2014
Tarkett
Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense - France
*This report contains 23 pages*

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*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.*
*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*
*This report also includes information relating to the specific verification of information given in the Group's management report.*
*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**Tarkett**

Registered office: Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense - France
Share capital: €.318 613 480

**Statutory auditors' report on the consolidated financial statements**

Year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of Tarkett;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board ("Directoire"). Our role is to express an opinion on these consolidated financial statements based on our audit.

# 1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to the notes "2.2.1 Standards, amendments and interpretations", "8. Income tax" and "20. Deferred tax" to the consolidated financial statements, describing the implementation as at 1st January 2014 of paragraph 41 of IAS 12, previously not applied by Tarkett, and its impact on both the consolidated financial statements and the comparative financial information.

## 2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce"), we bring to your attention the following matters:

Accounting estimates:

- Notes "2.2.2 Use of estimates and judgments" and "27 Other contingencies" to the consolidated financial statements disclose the assessments and significant estimates made by Tarkett's management.
- In connection with our audit, we considered that those assessments and estimates related mainly to intangible and tangible assets (note 2.5.10, 2.5.11, 2.5.15, 9 and 10), deferred tax assets (notes 2.5.22, 8 and 20), provisions (notes 2.5.20 and 21) and employee post-retirement benefits (notes 2.5.18 and 22).
- For these accounts, our work consisted in assessing the data and assumptions underlying the assessments and estimates, reviewing on a sample basis, the calculations performed by the Company, comparing prior years accounting estimates with the corresponding actual results, reviewing management's approval procedures for such estimates and reviewing that the disclosures relating to these estimates in the notes to the financial statements are appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## 3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information relative to the Group, given in the parent company's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense, 18 February 2015

The statutory auditors,

| | | |
|---|---|---|
| KPMG Audit<br>*Department of KPMG S.A.* | Mazars | |
| Philippe Grandclerc<br>*Partner* | Juliette Decoux<br>*Partner* | Eric Schwaller<br>*Partner* |

Tarkett

# Consolidated financial statements
# Year ended December 31, 2014

*All figures are presented in million of euros unless stated otherwise.*

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# CONSOLIDATED INCOME STATEMENT

| | Note | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|---|
| **Net revenue** | | **2,414.4** | **2,516.4** |
| Cost of sales | | (1,842.8) | (1,892.8) |
| **Gross profit** | | **571.6** | **623.7** |
| Other operating income | (6) | 7.2 | 8.9 |
| Selling and distribution expenses | | (249.4) | (248.8) |
| Research and development expenses | | (26.0) | (25.8) |
| General and administrative expenses | | (151.9) | (162.3) |
| Other expenses | (6) | (14.9) | (14.8) |
| **Result from operating activities** | (4) | **136.6** | **180.9** |
| Financial income | | 1.8 | 1.6 |
| Financial expenses | | (32.8) | (33.0) |
| **Financial income and expense** | (7) | **(31.0)** | **(31.4)** |
| Share of profit of equity accounted investees (net of income tax) | | (1.7) | (1.4) |
| **Profit before income tax** | | **103.9** | **148.2** |
| Income tax expense | (8) | (40.7) | (49.3) |
| **Profit from continuing operations** | | **63.2** | **98.8** |
| Profit (loss) from discontinued operations (net of income tax) | | - | - |
| **Net profit for the period** | | **63.2** | **98.8** |
| **Attributable to:** | | | |
| Owners of Tarkett | | 61.2 | 97.6 |
| Non-controlling interests | | 2.0 | 1.2 |
| **NET PROFIT FOR THE PERIOD** | | **63.2** | **98.8** |
| **Earnings per share:** | | | |
| Basic earnings per share (in EUR) | (15) | 0.96 | 1.58 |
| Diluted earnings per share (in EUR) | (15) | 0.96 | 1.56 |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| **Net profit for the period** | **63.2** | **98.8** |
| **Other comprehensive income (OCI)** | | |
| Foreign currency translation differences for foreign operations | 55.7 | (31.0) |
| Changes in fair value of cash flow hedges | (0.5) | 6.4 |
| Income tax on other comprehensive income | 0.2 | (2.2) |
| **OCI to be reclassified to profit and loss in subsequent periods** | **55.4** | **(26.8)** |
| Defined benefit plan actuarial gains (losses) | (29.7) | 17.1 |
| Income tax on other comprehensive income | 4.8 | (5.0) |
| **OCI not to be reclassified to profit and loss in subsequent periods** | **(24.9)** | **12.1** |
| **Other comprehensive income for the period, net of income tax** | **30.5** | **(14.7)** |
| **Total comprehensive income for the period** | **93.7** | **84.2** |
| **Attributable to:** | | |
| Owners of Tarkett | 91.2 | 83.5 |
| Non-controlling interests | 2.5 | 0.7 |
| **Total comprehensive income for the period** | **93.7** | **84.2** |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | (9) | 532.6 | 425.6 |
| Intangible assets | (10) | 115.8 | 110.9 |
| Property, plant and equipment | (10) | 502.1 | 415.4 |
| Financial assets | (10) | 28.8 | 27.5 |
| Deferred tax assets | (20) | 109.3 | 82.6 |
| Other non-current assets | (13) | 0.5 | 0.2 |
| **Non-current assets** | | **1,289.1** | **1,062.2** |
| Inventories | (11) | 348.2 | 318.6 |
| Trade receivables | (12) | 312.0 | 279.7 |
| Other receivables | (13) | 72.9 | 59.2 |
| Cash and cash equivalents | (16) | 135.1 | 96.7 |
| **Current assets** | | **868.2** | **754.2** |
| **TOTAL ASSETS** | | **2,157.3** | **1,816.4** |

| | | | |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Share capital | (14) | 318.6 | 318.6 |
| Share premium and reserves | | 145.8 | 145.6 |
| Retained earnings | | 194.9 | 118.2 |
| Net result for the period | | 61.3 | 97.6 |
| **Equity attributable to equity holders of the parent** | | **720.6** | **680.1** |
| Non-controlling interests | | 5.2 | 6.1 |
| **Total equity** | | **725.8** | **686.2** |
| Interest-bearing loans and borrowings | (16) | 690.4 | 501.3 |
| Other financial liabilities | (17) | 3.8 | 4.7 |
| Deferred tax liabilities | (20) | 36.5 | 10.8 |
| Employee benefits | (22) | 155.4 | 122.3 |
| Provisions and other non-current liabilities | (21) | 44.6 | 41.2 |
| **Non-current liabilities** | | **930.7** | **680.2** |
| Trade payables | (18) | 224.4 | 219.8 |
| Other liabilities | (19) | 180.4 | 167.0 |
| Interest-bearing loans and borrowings | (16) | 40.2 | 24.4 |
| Other financial liabilities | (17) | 5.3 | 5.0 |
| Provisions and other current liabilities | (21) | 50.5 | 33.7 |
| **Current liabilities** | | **500.8** | **450.0** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,157.3** | **1,816.4** |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22)

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit before tax | | 103.9 | 148.2 |
| Adjustments for: | | | |
| Depreciation and amortization | | 100.8 | 105.5 |
| (Gain) loss on sale of fixed assets | | (0.8) | (0.3) |
| Net finance costs | | 31.0 | 31.4 |
| Change in provisions and other non-cash items | | 3.1 | 10.4 |
| Share of profit of equity accounted investees (net of tax) | | 1.7 | 1.4 |
| **Operating cash flow before working capital changes** | | **239.7** | **296.4** |
| Increase (-) / Decrease (+) in trade receivables | | 10.9 | - |
| Increase (-) / Decrease (+) in other receivables | | (4.3) | 2.4 |
| Increase (-) / Decrease (+) in inventories | | 19.5 | 2.0 |
| Increase (+) / Decrease (-) in trade payables | | (19.7) | (21.4) |
| Increase (+) / Decrease (-) in other payables | | 3.9 | 0.7 |
| **Effect of changes in working capital** | | **10.3** | **(16.3)** |
| **Cash generated from operations** | | **250.0** | **280.2** |
| Net interest paid | | (23.2) | (25.6) |
| Net income taxes paid | | (48.4) | (47.8) |
| Other | | 0.2 | (1.2) |
| **Other operating items** | | **(71.4)** | **(74.5)** |
| **NET CASH (USED IN) / FROM OPERATING ACTIVITIES** | | **178.6** | **205.6** |
| **Cash flows from investing activities** | | | |
| Acquisitions of subsidiaries net of cash acquired | (3) | (176.7) | (3.5) |
| Acquisitions of property, plant and equipment | (10) | (87.7) | (100.5) |
| Proceeds from sale of property, plant and equipment | (10) | 1.5 | 0.9 |
| **NET CASH FROM / (USED IN) INVESTMENT ACTIVITIES** | | **(262.9)** | **(103.1)** |
| **Net cash from / (used in) financing activities** | | | |
| Acquisition of NCI without a change in control | | (15.9) | (4.4) |
| Proceeds from loans and borrowings | | 278.0 | 504.0 |
| Repayment of loans and borrowings | | (103.6) | (496.3) |
| Payment of finance lease liabilities | | 0.1 | (0.4) |
| Sale of treasury shares | | - | 38.1 |
| Dividends | | (39.4) | (124.8) |
| **NET CASH FROM / (USED IN) FINANCING ACTIVITIES** | | **119.2** | **(83.8)** |
| | | | |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **34.9** | **18.5** |
| Cash and cash equivalents, beginning of period | | 96.7 | 81.4 |
| Effect of exchange rate fluctuations on cash held | | 3.5 | (3.2) |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | | **135.1** | **96.7** |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium and reserves | Translation reserves | Retained earnings | **Total** | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2013 - restated *** | **316.1** | **138.8** | **(71.8)** | **300.3** | **683.4** | **10.1** | **693.7** |
| Net profit for the period | - | - | - | 97.6 | **97.6** | 1.2 | **98.8** |
| Other comprehensive income | - | - | (30.5) | 16.4 | **(14.2)** | (0.5) | **(14.7)** |
| **Total comprehensive income for the period** | **-** | **-** | **(30.5)** | **114.0** | **83.5** | **0.7** | **84.2** |
| | | | | | | | |
| Dividends | - | - | - | (124.8) | **(124.8)** | - | **(124.8)** |
| Own shares (acquired) / sold | - | - | - | 38.1 | **38.1** | - | **38.1** |
| Share based payment | - | - | - | 6.2 | **6.2** | - | **6.2** |
| Acquisition of NCI without a change in control | - | - | - | (0.5) | **(0.5)** | (4.8) | **(5.3)** |
| Issue of shares | 2.5 | 6.8 | - | (5.6) | **3.6** | - | **3.6** |
| Other | - | - | - | (9.5) | **(9.5)** | - | **(9.5)** |
| **Total transactions with shareholders** | **2.5** | **6.8** | **-** | **(96.1)** | **(86.8)** | **(4.8)** | **(91.6)** |
| **Balance at December 31, 2013 - restated *** | **318.6** | **145.6** | **(102.3)** | **318.2** | **680.1** | **6.1** | **686.2** |
| | | | | | | | |
| **Balance at January 1, 2014** | **318.6** | **145.6** | **(102.3)** | **318.2** | **680.1** | **6.1** | **686.2** |
| Net profit for the period | - | - | - | 61.2 | **61.2** | 2.0 | **63.2** |
| Other comprehensive income | - | - | 55.2 | (25.2) | **30.0** | 0.5 | **30.5** |
| **Total comprehensive income for the period** | - | **-** | **55.2** | **36.0** | **91.2** | **2.5** | **93.7** |
| | | | | | | | |
| Dividends | - | - | - | (39.4) | **(39.4)** | - | **(39.4)** |
| Own shares (acquired) / sold | - | - | - | (1.4) | **(1.4)** | - | **(1.4)** |
| Share based payment | - | - | - | 2.8 | **2.8** | - | **2.8** |
| Acquisition of NCI without a change in control | - | - | - | (11.2) | **(11.2)** | (3.4) | **(14.6)** |
| Other | - | 0.2 | - | (1.7) | **(1.5)** | - | **(1.5)** |
| **Total transactions with shareholders** | **-** | **0.2** | **-** | **(50.9)** | **(50.7)** | **(3.4)** | **(54.1)** |
| **Balance at December 31, 2014** | **318.6** | **145.8** | **(47.1)** | **303.3** | **720.6** | **5.2** | **725.8** |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22)

# NOTE 1 - GENERAL INFORMATION

Tarkett's consolidated financial statements as of and for the year ended December 31, 2014 comprise the Company and its subsidiaries (hereafter the "Group") as well as its interests in associates and joint ventures.

The Group is a leading global flooring company, providing integrated flooring and sports surface solutions to business and residential end-users.

The Group completed its initial public offering on November 21, 2013.

The Group's registered office is located at *1 Terrasse Bellini - Tour Initiale - 92919 Paris La Défense, France*.

The Group's consolidated financial statements as of and for the year ended December 31, 2014 were finalized by the Management Board on February 16, 2015 and reviewed by the Supervisory Board on February 18, 2015. They will be submitted for shareholder approval on April 24, 2015.

# NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

## 2.1 GENERAL FRAMEWORK

The Group's consolidated financial statements as of and for the year ended December 31, 2014 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of such date, which are available at http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. These standards have been applied consistently for the fiscal years presented.

## 2.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.2.1 STANDARDS, AMENDMENTS AND INTERPRETATIONS

**a) Amendments or revisions to existing standards and interpretations applied during the period**

In preparing its consolidated financial statements, the Group has taken into account the following amendments and revisions to existing standards and interpretations. These amendments and interpretations have been approved by the European Union and their application is mandatory:

- Amendment to IAS 32, "Offsetting Financial Assets and Financial Liabilities": this amendment clarifies the rules for offsetting financial assets and financial liabilities and, more specifically, creates a legally enforceable right to offset the amounts reported.
- Amendment to IFRS 10, IFRS 12 and IAS 27, "Investment Entities": the purpose of these amendments is to improve disclosure for investors in investment entities.
- Amendment to IAS 36, "Recoverable Amount Disclosures for Non-Financial Assets": this amendment clarifies the disclosure required with respect to estimating the amount recoverable for non-financial assets.
- Amendment to IAS 39 and IFRS 9, "Novation of OTC Derivatives and Continuing Designation for Hedge Accounting": these amendments allow novation of an over-the-counter (OTC) derivative that is designated as a hedging instrument, where that novation is required by legislation/regulation of an otherwise unchanged hedging instrument, to be deemed to be a continuation of the existing hedging relationship.

The adoption of these amendments had no effect on the Group's consolidated financial statements.

The Group had early adopted, as of January 1, 2013, IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements" and IFRS 12, "Disclosure of Interests in Other Entities", and the above amendments had no effect on the information previously presented in the interim consolidated financial statements.

**b) Early adoption of new standards or interpretations during the period**

The Group did not implement early application of any new standards or interpretations during the period.

**c) New standards and interpretations not yet adopted**

IFRIC 21, "Levies", is the only recent change to IFRS standards that may be adopted early but has not yet been implemented by the Group.

**d) Application of standards during the period**

Before December 31, 2014, the Group had not applied IAS 12.41, on the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency. However, due to the devaluation of the Russian and Ukrainian currencies during the fiscal year, the impacts for the year on the income statement and the cumulative impact on the balance sheet became material, and the Group recorded deferred taxes in accordance with IAS 12.41 (see Note 2.5.22).

### 2.2.2 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities on the Group's balance sheet and reported income and expenses on its income statement. Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and various other factors considered to be reasonable, which form the basis for assessing the carrying amount of assets and liabilities. Actual results may differ significantly from these estimates.

These judgments and estimates relate principally to:

- Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed. Such allocations may involve the use of assumptions in respect of future cash flows (Note 3);

- Impairment testing of assets: Group management carries out these tests on the basis of its best estimates of the future activity of the relevant cash-generating units and of appropriate discount rates (Note 9 and Note 10);
- Accounting treatment of financial instruments: the Group has performed the requisite valuation procedures and has tested the effectiveness of its hedging instruments (Note 25);
- Provisions for employee benefits: provisions have been estimated with the assistance of an external actuarial firm (Note 22);
- The net tax position reflects the Group's best estimate of the trend of its future results for tax purposes (Note 20);
- All other provisions, such as for guarantees and litigation, have been booked on the basis of management's best estimates, when necessary using statistical approaches (Note 21).

In preparing these financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those used in preparing the consolidated financial statements as of and for the year ended December 31, 2013.

Where the accounting treatment of a specific transaction is not addressed by any accounting standard or interpretation, management applies its judgment to define and apply accounting policies that will lead to relevant and reliable information, so that the financial statements:

- provide a true and fair view of the Group's financial position, financial performance and cash flows;
- reflect the substance of transactions;
- are prepared on a prudent basis; and
- are complete in all material respects.

The Group's consolidated financial statements have been prepared on a historical cost basis with the exception of the following assets and liabilities, which have been measured at fair value: derivatives, investments held for trading and available-for-sale financial assets, pension plan assets and other assets when required. The carrying amount of assets and liabilities that are the subject of fair value hedges has been adjusted in line with the changes in fair value attributable to the hedged risks.

## 2.3 BASIS OF PRESENTATION

***Consolidated income statement***

Expenses are classified in the consolidated income statement according to their function.

***Consolidated statement of financial position***

The balance sheet distinguishes between current and non-current assets and between current and non-current liabilities. Current assets comprise assets intended to be sold or consumed during the Group's normal operating cycle and cash or cash equivalents. Other assets are classified as non-current assets. Current liabilities comprise liabilities with maturities during the Group's normal operating cycle or within twelve months of the balance sheet date. Deferred tax assets and liabilities are exclusively classified as non-current, as required by IAS 1 "Presentation of Financial Statements".

***Consolidated statement of cash flow***

The consolidated statement of cash flow is presented using the indirect method.

***Consolidated statement of comprehensive income***

The consolidated statement of comprehensive income includes other income or expenses that are not recognized in profit and loss, as authorized by IFRS.

## 2.4 BASIS OF CONSOLIDATION

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

In the event of a loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary.

Any surplus or deficit arising from the loss of control is recognized in profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

***Joint ventures***

The Group's interests in equity-accounted investees comprise only its interest in the joint venture Laminate Park GmbH & Co.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, as well as any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## 2.5 ACCOUNTING POLICIES

The accounting policies described hereafter have been applied to all the periods presented in the consolidated financial statements and have been uniformly applied by all Group entities acquired prior to December 31, 2014 (see Note 3.1, Changes in the Scope of Consolidation).

### 2.5.1 BUSINESS COMBINATIONS

***Consideration***

Business combinations are accounted for using the acquisition method on the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value on the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

### 2.5.2 ACQUISITION OF NCI WITHOUT A CHANGE IN CONTROL

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

### 2.5.3 PUT OPTIONS

***Share put options granted by the Group***

The Group may write a put option or enter into a forward purchase agreement with the non-controlling shareholders in an existing subsidiary on their equity interests in that subsidiary. The Group consolidates the entity as though the non-controlling interests had already been acquired. This position leads to recognizing a liability for the present value of the price payable in the event that the non-controlling interests exercise their option. This liability is discounted over the option or forward period and any change in its valuation is accounted for through equity.

### 2.5.4 FOREIGN CURRENCY TRANSLATION

These financial statements are presented in euros and the functional currency of Tarkett SA and its subsidiaries located in the Euro zone is the euro. Group entities operate on an autonomous basis; therefore, the functional currency of entities operating outside the euro zone is generally their local currency, with the exception of the entities located in the CIS ("Commonwealth of Independent States"), which use the euro as their functional currency.

***Foreign currency transactions***

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the foreign exchange rate as of the date of the transaction. Foreign exchange rate differences arising on these transactions are recognized either in operating profit for operational transactions or in financial result for financing transactions.

Some items are covered by hedging transactions; the accounting treatment for those transactions is described in Note 2.5.19.

Non-monetary items are not revalued as of the closing date and remain translated using historical exchange rates, while monetary items are translated using the foreign exchange rates in effect at the balance sheet date.

***Financial statements of foreign operations***

On the balance sheet date, assets and liabilities of foreign operations are translated at the closing rate, and income and expenses are translated at the average exchange rate for the period.

Foreign currency differences are recognized in other comprehensive income (OCI) and presented in the translation reserve in equity.

When a foreign operation is disposed of, the cumulative amount in the translation reserve related to that foreign operation is reclassified to P&L as part of the gain/loss on disposal classified as financial expenses. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

***Net investment in foreign operations***

When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income (OCI) and recorded in the translation reserve.

### 2.5.5 SEGMENT INFORMATION

IFRS 8, "Operating Segments", requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or an aggregation of operating segments that do not meet certain quantitative thresholds.

The chief operating decision maker of the Group within the meaning of IFRS 8 is the CEO, Michel Giannuzzi.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the various segments, as well as to assess its performance; and
- for which discrete financial information is available.

In addition, IFRS 8 requires the entity to report selected information by geographical area.

The Group's activities have been segmented based on its management structure or divisions and differences in products reflecting the Tarkett Group's internal structure. The Group is organized around four segments:

- Europe, Middle East and Africa (EMEA);
- North America;
- CIS, APAC & LATAM; and
- Sport Surfaces.

For each reportable business segment, separate disclosure is provided of the related net revenue, gross profit, adjusted EBITDA, EBITDA, EBIT and capital expenditures.

***Grouping of the CIS, APAC & LATAM divisions***

The reporting reviewed by the CFO is organized by Division, of which there are currently five: EMEA, North America, CIS, Asia Pacific/Latin America ("APAC & LATAM") and Sport Surfaces.

The CIS and APAC/LATAM divisions were regrouped in 2013 to form the "CIS, APAC & LATAM" segment for the following reasons:

- The corresponding markets of these two divisions have similar economic characteristics (the growth trends on the concerned markets are similar); and
- The products sold, the production processes, the typology of the customers and the distribution modes used in the two zones are similar.

The relatively low weight of the sales and operating profits of the Asia Pacific/Latin America division (less than 10% of the net sales and of the adjusted EBITDA reported by the Group) support the decision that it was unnecessary to present this division in a separate segment.

### 2.5.6 REVENUE RECOGNITION

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered or from construction contracts is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognized immediately in profit or loss.

Net sales comprise revenue from the sale of goods and services net of rebates, and after elimination of intragroup sales.

### 2.5.7 GRANTS

Grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants relating to assets are deducted from the carrying amount of the property, plant and equipment. The grants are thus recognized as income over the lives of the assets by way of a reduced depreciation charge.

Other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs that they are intended to offset.

### 2.5.8 EXPENSES

***Cost of sales***

Cost of sales comprises the cost of manufactured products, the acquisition cost of purchased goods which have been sold, and the supply chain costs for logistic and freight.

***Selling and distribution expenses***

Selling and distribution expenses comprise the expenses of the marketing department and the sales force, as well as advertising expenses, distribution expenses, sales commissions and bad debts.

***Research and development***

Research and development costs are recognized as expenses when incurred, unless the criteria are met for them to be capitalized, as per Note 2.5.10.

***General and administrative expenses***

General and administrative expenses comprise the remuneration and overhead expenses associated with management and administrative personnel with the exception of amounts charged to other cost centers.

***Financial income and expense***

Financial expense includes bank fees and interest payable on borrowings accounted for at amortized cost using the effective interest method.

Other financial income and expense includes the income and expenses associated with loans and receivables accounted for at amortized cost, the gains recognized in respect of investment of cash and cash equivalents, impairment losses relating to financial assets, and dividends, which are recorded in net income when the right to payment vests.

Foreign exchange gains and losses on financial items are presented net, since those gains and losses are neutralized by the related impacts of the FX hedging instruments or they are hedged or arise from non-significant individual transactions, by interpretation of IAS 1, "Presentation of Financial Statements".

***Operating lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Please refer to Note 2.5.11, Property, plant and equipment, for more details on lease contract classification.

***Capital lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Please refer to Note 2.5.11, Property, plant and equipment, for more details on lease contract classification.

### 2.5.9 INCOME TAXES

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items in equity or in other comprehensive income, in which case it is recognized in those items.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years. Income tax expense /income are defined in Note 2.5.22, Deferred taxes.

Income tax is calculated based on the rules applicable in each country where the Group operates.

The "*Cotisation sur la Valeur Ajoutée des Entreprises* (C.V.A.E.)" tax contribution due in France on the basis of value added as determined based on the statutory accounts of French entities meets the definition of income tax under IAS 12, "Income Taxes," and is classified on the current income tax line. Similar treatment has been adopted for similar other tax contributions based on a net of products and costs, even though that amount may differ from accounting net income.

### 2.5.10 INTANGIBLE ASSETS

***Goodwill***

For the measurement of goodwill at initial recognition, Tarkett applies IFRS 3 Revised (see Note 2.5.1), except for acquisitions accounted for before December 31, 2009, for which IFRS 3 (2004) was applied.

Negative goodwill (badwill) is recognized directly in profit or loss.

Goodwill is allocated to cash-generating units and is not amortized, but instead is tested at least annually for impairment on the basis described in Note 2.5.15, or following any event that could lead to a loss of value.

Subsequently, goodwill is measured at cost less accumulated impairment losses.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity accounted investee.

***Research and development***

Expenditure on research and development are expensed as incurred (IAS 38.5 and IAS 38.11–38.23) except when the criteria for capitalization of such expenditure are met.

Development expenditure is capitalized if and only if the expenditure can be measured reliably and if and only if the Group is able to demonstrate the technical and commercial feasibility of the product or process, the existence of probable future economic benefits, and its intention and the availability of sufficient resources to complete development and to use or sell the assets. Otherwise, it is recognized in profit and loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

***Patents***

Patents obtained by the Group are stated at cost less accumulated amortization and impairment losses.

Capitalized costs for internally generated patents principally relate to the costs of legal counsel. Patents capitalized are amortized on a straight-line basis over the shorter of the length of the patent or estimated length of use.

***Software***

Software is stated at cost less accumulated amortization and impairment losses. Software is amortized on a straight-line basis from the date it is available for use.

***Depreciation***

Other intangible assets are amortized from the date that they are available for use. The estimated useful lives are as follows:

- Patents and trademarks: the shorter of the length of the patent or its length of use
- Development costs: 3 - $6^{2/3}$ years
- IT Software: 3 to 5 years

### 2.5.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

***Acquisition cost***

Acquisition cost includes purchase cost or production cost plus the other costs incurred for bringing the items to their operating location and condition. The cost of a self-constructed asset includes the costs of raw materials and direct labor, the initially estimated cost of any obligation for dismantling, removing and restoring the site on which the asset is located, and an appropriate allocation for directly attributable production overhead.

Borrowing costs attributable to the acquisition of items of property, plant and equipment that meet the definition of qualifying asset under IAS 23 are capitalized.

If the acquisition is made in foreign currency, the exchange rate difference that may later appear has no effect on the initial capitalization estimate.

When an item of property, plant and equipment includes material components with different useful lives, each major component is accounted for separately.

***Subsequent costs***

Replacements and improvements are capitalized, while general repairs, day to day servicing and maintenance are charged to expenses as incurred.

***Depreciation***

Assets are depreciated and charged to profit or loss over their expected useful lives using the straight-line method. The estimated useful lives are as follows:

- Buildings: 20 - 30 years
- Industrial plant and equipment: $6^{2/3}$ - 10 years
- Printing cylinders: 2 years
- Other equipment and supplies: 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate.

***Finance and operating leases***

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases.

Assets acquired under finance leases are recognized as items of property, plant and equipment at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The bases of depreciation and subsequent measurement of the related assets are similar to those applying to other tangible fixed assets, except in the case where the lease period is shorter than the asset's estimated useful life and it is not reasonably certain that transfer of title will take place at the end of the lease.

Leases for which a significant portion of the risks and rewards incidental to ownership of the leased assets remains with the lessor are classified as operating leases, with lease payments recognized as an expense on a straight-line basis over the lease term.

### 2.5.12 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held for sale, the carrying amounts of assets (and groups of related assets and liabilities) are revised in accordance with the applicable standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss.

Following classification as held for sale, tangible and intangible assets cease to be depreciated or amortized, and equity investments cease to be accounted for by the equity method.

A discontinued operation is a component of a Group's business that represents a separate major business line or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

### 2.5.13 ACCOUNTS RECEIVABLE

Accounts receivable are stated at their invoiced value converted at the closing rate, less any allowance for doubtful accounts.

The allowance for doubtful accounts is based on management's assessment of the recoverability of specific customer accounts and the aging of the accounts receivable.

***Provision for doubtful receivables***

Provisions for doubtful receivables are constituted as follows:

- Bad debts identified and provisioned at 100%;
- A statistical provision, based on the age of the outstanding receivables, defined as follows:

| Overdue receivables | Impairment (as a percentage of the gross amount) |
|---|---|
| From 61 to 180 days | 25% |
| From 181 to 270 days | 50% |
| From 271 to 360 days | 75% |
| More than 360 days | 100% |

- An additional provision on a case-by-case basis based on an application of professional judgment.

### 2.5.14 INVENTORIES

Inventories are stated on a FIFO (first in, first out) basis, at the lower of manufacturing/acquisition cost and net realizable value. Manufacturing costs of self-produced inventories comprise all direct costs and a proportionate share of production overhead and depreciation of production facilities based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Inventories can be categorized as raw materials, consumables, semi-finished goods and work in progress, and finished goods.

### 2.5.15 IMPAIRMENT

**a) Non-financial assets**

***Annual impairment testing***

Goodwill and other intangible assets with indefinite useful lives are systematically tested for impairment once a year.

The carrying amounts of the Group's assets, other than financial and deferred tax assets and liabilities, are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use.

Value in use is calculated by discounting estimated future cash flows for each cash-generating unit, excluding borrowing costs and tax.

***Cash-generating units***

In carrying out impairment testing, assets are tested at the level of cash-generating units ("CGU") that reflect the segment organization of the Group and its products offerings. Goodwill has been allocated to the CGUs.

Due to recent acquisitions that have affected the allocation of the Group's activities as well as changes in the organization of its divisions, the Group reviewed its CGUs in 2014 and decreased their number from 15 in 2013 to 12 in 2014.

The main changes are the following:

- Creation of the APAC and LATAM CGUs after their sales organizations were made autonomous and after production was localized in China and Brazil;
- Creation of the EMEA – Carpet CGU following acquisition of the Desso Group as of December 31, 2014;
- Merger of the EMEA – Homogeneous /Linoleum/Resilient and Other CGUs into an EMEA – Resilient and Other CGU because they generate interdependent cash inflows;
- Merger of the CIS – Wood/Resilient and Laminate CGUs into one CIS CGU because they generate interdependent cash inflows;
- Merger of the Centiva and Tandus CGUs into a single North America – Tandus and Centiva CGU because they generate interdependent cash inflows.

Impairment testing would have given the same results for the 2013 CGUs, namely no loss in value to record in 2014 (see Note 10).

***Impairment process***

The Group analyzes future cash flows over a period of three years based on the most recent forecasts, corresponding to the best estimate of a full business cycle. The forecasts are established taking into account cyclical variations affecting selling prices, volumes and raw material costs. Beyond three years, the Group determines a standard year calculated by extending the third year on the assumption of a stable revenue and margin, a need for working capital and investments determined on normative renewal based on historical observations. This standard year is then projected to infinity according to the Gordon-Shapiro method.

Future cash flows are discounted to present value at a weighted average cost of capital (WACC) discount rate that reflects current market assessments of the time value of money and the risks specific to each financing means. In 2014 this rate was adjusted, where necessary, to reflect country risk varying by geographic area.

In 2014, the discount rate is an after-tax rate applied to after-tax cash flows. The use of this rate gives recoverable values that are identical to those that would be obtained using a pre-tax rate applied to pre-tax cash flows.

The assumptions used for 2014 are as follows:

| | After-tax discount rate | Perpetual growth rate |
|---|---|---|
| EMEA | 9.0% | 2% |
| North America | 9.0% | 3% |
| CIS | 11.6% | 4% |
| APAC | 10.0% | 4% |
| LATAM | 11.2% | 4% |
| Sports | 9.0% | 3% |

Tarkett takes into account the risks and performance specific to each activity through the following:

- Changes in revenue and operating profit (EBITDA) considered for the next 3 years, by specific segment/product, testing for impairment by CGU, and defined by the Group as part of its strategic plan;
- Working capital needs (including inventory) defined based on known history of the different segments and assumptions of change in revenue by CGU;
- Renewal investments, in line with recent historical investments by CGU and taking into consideration specific projects requiring more significant investment in the coming years or, conversely, a potential slowdown in investment in certain CGUs, especially as in certain CGUs existing investments are approaching maturity.

***Operating assumptions***

For each CGU (or group of CGUs) operational assumptions that were considered key by the Group are as follows:

- Evolution of the markets in which these CGUs are present on the basis of internal estimates, supported where possible by external forecasts on the concerned segments or products;
- Evolution of the Group in its various markets;
- General hypothesis of stability of inflation balance (purchase prices stable, or if changes are considered, full offset by changes in selling prices to balance the impact on value);
- Continual implementation of productivity plans for factories working on these CGUs to improve profitability; and
- EBITDA margin, resulting from the combination of the factors discussed above.

***Change in the discount rate and growth rate***

Sensitivity analysis with variations in key assumptions was performed based on three assumptions:

- The discount rate (WACC);
- The perpetual growth rate; and
- The EBITDA margin.

Changes of 50 basis points in the discount rate and growth rate are reasonably possible variations for the Group (see Note 10). Tarkett operates in a large number of countries, with a balance between three main areas (EMEA, North America and CIS, APAC & LATAM). The Group believes that economic developments in these geographic areas can offset each other, as has been demonstrated in the past.

In 2014, the combination of a 50 point increase in the discount rate and a 50 point decrease in the perpetual growth rate would not lead to recording any impairment losses.

In addition, a decrease of 100 points in the EBITDA margin, a key assumption for the Group, would lead to recording losses in the amount of €(4.9) million for the EMEA – Wood CGU and of €(6.9) million for the North America – Residential CGU.

***Impairment losses***

An impairment loss is recognized whenever the carrying amount of a cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**b) Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

For financial assets available for sale, a significant or prolonged decline in its fair value below its costs leads to an impairment loss on the income statement. Impairment loss on an available-for-sale financial asset is measured as the difference between its carrying amount and its fair value, less any impairment loss previously recognized and recorded in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

### 2.5.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity classified as own shares. When own shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

### 2.5.17 SHARE-BASED PAYMENT TRANSACTIONS

The Group regularly implements share grant plans. The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the shares awarded. At the end of each fiscal year, the amount recognized as an expense is adjusted to reflect the number of shares awarded for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of shares awarded that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment would be measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

Share-based payment programs include both programs allowing Group employees to acquire shares of the Company under specific conditions and programs awarding free shares to Group employees. The current existing programs are described in Note 24.

### 2.5.18 EMPLOYEE BENEFITS

Within the Tarkett Group, there are various systems for providing for retirement benefits depending on the legal, economic and tax environment of each country. In accordance with the laws and practices of each country, the Group participates in pension, welfare, health and retirement benefit plans whose benefits are dependent on various factors such as length of service, salary and the contributions paid to institutions.

***Defined contribution plans***

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These contributions, based on services rendered by employees, are recognized as an expense in profit or loss as incurred.

***Defined benefit plans***

Defined benefit plans are post-employment benefit plans under which the Group assumes the obligation of providing employees with future benefits and thus also assumes the related actuarial and investment risks. The defined benefit liability is calculated using the projected unit credit method and is discounted to its present value from which the amount of past service cost for the period may also be deduced.

The detailed actuarial calculation requires the use of actuarial hypotheses for demographic variables (such as mortality and employee turnover) and economic variables (such as future increases in salaries and medical costs, as well as the discount rate).

When defined benefit plans are totally or partially funded by contributions paid to a separate fund or insurance company, those entities' assets are measured at their fair value and their amount is deducted from the obligation to define net liability disclosed in the Group's balance sheet.

The Group's obligation in respect of such arrangements is calculated by independent actuaries, in accordance with IAS 19, "Employee Benefits".

Following adoption of the revised IAS 19, the Group changed its accounting methods with respect to the bases used to calculate the income or expense relating to post-employment defined benefit plans.

Under IAS 19R, the Group now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. As a result, the net interest on the net defined benefit liability (asset) comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect of asset ceiling.

***Actuarial gains and losses***

Actuarial gains and losses on defined benefit liabilities and plan assets comprise both the effects of changes in actuarial assumptions and the effects of differences between the previous actuarial assumptions and what has actually occurred.

Actuarial gains and losses for retirement benefit plans are immediately recognized in other comprehensive income (and are never recycled in profit and loss).

***Past service cost***

When changes occur to a defined benefit plan, past service cost for the changed benefit liability is recognized as an expense immediately in profit and loss.

***Curtailment and liquidation***

The effects of any liquidation of plans or reduction of benefits are recognized in profit or loss at the date of liquidation or reduction.

### 2.5.19 FINANCIAL INSTRUMENTS

The Group has applied IFRS 7, "Financial Instruments: Disclosures" and IFRS 13, "Fair Value Measurement", which define the disclosure to be made in respect of financial assets and liabilities.

Financial transactions are recorded based on the effective date of payment.

***Non-derivative financial assets***

Financial assets are initially recognized at their fair value plus any applicable transaction costs, except for financial assets at fair value through profit or loss, for which transactions costs are recognized in profit or loss as incurred.

At the date of acquisition the Group classifies its financial assets in one of the four categories provided for by IAS 39, "Financial Instruments: Recognition and Measurement". The classification determines the basis of measurement of each financial asset at the subsequent balance sheet dates, whether at amortized cost or at fair value.

Held-to-maturity investments are exclusively securities with fixed or determinable payments (other than items defined as loans and receivables) acquired with the intention of holding them to maturity. They are accounted for at amortized cost using the effective interest method. The net income recognized in respect of such assets comprises the aggregate of interest receivable and any impairment losses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest method, less any impairment losses reflecting the risk of non-recovery. The category includes trade and other loans and receivables. The net income recognized in respect of such assets comprises the aggregate of interest receivable and any impairment losses.

Available for sale financial assets are measured at fair value, and the gains or losses resulting from that valuation are recognized in reserves in equity until sale. In the event of a significant or lasting decrease in value, the accumulated loss is recorded in the Group's results (see Note 2.5.15).

The category mainly comprises non-consolidated long-term investments, which are measured in the balance sheet at their acquisition cost assuming the absence of an active market for the securities held. The net income recognized in respect of such assets comprises the aggregate of dividends receivable, any impairment losses and the gains or losses arising on disposal.

Financial assets and liabilities at fair value through profit or loss include both items held for trading, i.e. that the Group has from the outset the intention to sell in the near future (including derivatives not qualified as hedging instruments), and assets specifically designated as at fair value through profit or loss. These assets are adjusted to their fair value at each balance sheet date and the resulting gains and losses are recognized in profit or loss.

This category includes cash and cash equivalents. The net income recognized in respect of such assets comprises the aggregate of interest receivable, changes in fair value and the gains or losses arising on disposal.

Cash and cash equivalents comprise cash at bank and on hand, term deposits and other monetary investments with initial maturities not exceeding three months and subject to an insignificant risk of changes in value. The Group has opted to classify cash equivalents as assets measured at fair value through profit or loss.

For purposes of cash flows statement presentation, cash and cash equivalents are defined on the same basis as in the balance sheet.

***Non-derivative financial liabilities***

Financial liabilities comprise financial debt and trade and other operating payables.

With the exception of items classified as financial liabilities at fair value through profit or loss, loans payable and other financial liabilities are initially recognized at their fair value less any applicable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method.

Given their short maturities, trade and other operating payables are measured at historical cost since use of the amortized cost basis would produce very similar results.

***Derivative instruments***

The Group uses derivative financial instruments to hedge its exposure to the foreign currency risk and interest rate risk associated with its purchases and sales denominated in foreign currencies and with its financing and investment transactions.

The derivatives employed comprise in particular interest rate swaps and options, other forward contracts and foreign currency options.

In accordance with its policy in respect of financial instruments, the Group neither uses nor issues derivative financial instruments for trading purposes, but derivatives that do not meet the criteria qualifying them for hedge accounting are nevertheless accounted for similarly to speculative instruments.

Derivatives are recognized in the balance sheet at their fair value (whether positive or negative), with changes in fair value immediately recognized in profit or loss.

Derivative instruments that qualify for hedge accounting and meet the applicable effectiveness tests are classified either as fair value hedges (when their purpose is to hedge an existing asset or liability's exposure to the risk of changes in its fair value) or cash flow hedges (when their purpose is to hedge the exposure to changes in the cash flows associated with highly probable future transactions).

Changes in the fair value of fair value hedges of exposure to foreign currency and interest rate risk are recognized as part of financial income or expense. The hedged assets and liabilities are also adjusted to their fair value and the changes in fair value attributable to the hedged risk(s) are equally recognized as part of financial income or expense.

Changes in the fair value of cash flow hedges of exposure to foreign currency and interest rate risk are recognized within other comprehensive income with the exception of any ineffective portion of changes in fair value which is recognized in financial income or expense.

If a derivative instrument ceases to meet the criteria for hedge accounting, the cumulative amount recognized in other comprehensive income at that date remains in other comprehensive income until the date of occurrence of the transaction initially hedged, but if the transaction is no longer expected to occur then the amount is immediately transferred in full to profit or loss.

Derivative instruments that cease to meet the criteria for hedge accounting are reclassified as held for trading and changes in their fair value are recognized as part of financial income or expense.

Finally, the effective portion of the foreign exchange gain or loss associated with hedges of net investments in foreign operations is recognized directly in other comprehensive income; the ineffective portion is recognized immediately in profit or loss.

***Fair value method***

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

However, if the fair value of an equity instrument cannot be reasonably estimated, it is measured at cost.

The fair value of all the Group's financial assets and liabilities is determined as at the balance sheet date either for inclusion in the balance sheet or for disclosure in the notes to the consolidated financial statements.

The fair value of interest rate swaps and of interest rate and foreign currency options is the estimated amount that the Group would expect to receive or have to pay in order to cancel each derivative instrument at the balance sheet date, taking into account the current level of interest rates and the credit risk associated with the counterparties to these instruments. The fair value of forward exchange contracts is determined based on their market value at the balance sheet date, i.e. the present value of their quoted forward prices.

The derivative financial instruments (swaps, caps, floors etc.) entered into by the Group are entered into by private arrangement and are thus not subject to quoted prices. They are therefore measured using the valuation models commonly employed by operators in the market and in particular:

- Interest rate swaps are measured on the basis of the present value of the contractual future cash flows;
- Options are measured using Black and Scholes type valuation models based on published market quotations and/or on quotations provided by third party financial institutions;
- Other foreign currency and interest rate derivative instruments are measured on the basis of the present value of the associated interest rate differentials.

Derivative instruments are entered into exclusively with leading banks or other financial institutions, and with the sole purpose of providing security for the Company's current operations and for the financing thereof.

The fair value of non-quoted borrowings is calculated on the basis of the present value of the contractual cash flows discounted at the market rate of interest, including the applicable risk premium.

In the case of receivables and payables with maturities of less than a year and certain floating rate receivables and payables, historical cost is considered a reasonable approximation of their fair value given the limited credit periods granted and received within the Group.

### 2.5.20 PROVISIONS

Provisions and non-current liabilities comprise liabilities for which the amount or the timing is uncertain. They arise from environmental risks, legal and tax risks, litigation and other risks.

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reversed when they are no longer required.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced. Future operating losses are not provisioned.

### 2.5.21 TRADE PAYABLES

Trade payables are stated at their repayment amounts. Payables due more than a year in the future are discounted to net present value.

Payables of uncertain timing or amount are shown as accrued charges.

### 2.5.22 DEFERRED TAXES

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The following temporary differences are not provided for:

- Goodwill not deducted for tax purposes;
- The initial recognition of assets or liabilities, other than in the context of transactions involving business combinations that affect neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred income tax asset is recognized only to the extent that it is probable that there will be future taxable profits over the next five years against which this asset can be utilized. Deferred income tax assets are reduced to the extent that it is no longer likely that a sufficient taxable benefit will support the asset recovery.

In accordance with IAS 12, where an entity's tax return is prepared in a currency other than its functional currency, changes in the exchange rate between the two currencies generate temporary differences with respect to the valuation of non-monetary assets and liabilities. As a result, deferred tax is recognized in profit or loss.

In 2014, due to the devaluation of the Russian ruble and the Ukranian hryvnia, the Group began applying IAS 12.41. The effect of this application in 2014 on the financial statements is a deferred tax liability of €21.7 million (€10.1 million as of December 31, 2013), of which €(11.6) million is applied against 2014 profit or loss, €(1.4) million is applied against 2013 profit or loss (see Note 8, “Income Tax Expense”) and €(8.7) million against 2013 retained earnings. The comparative periods have been retroactively restated in accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”.

### 2.5.23 NET DEBT

Net debt is defined as the sum of interest bearing loans, borrowings and bank overdrafts, minus cash and cash equivalents.

Interest-bearing loans and borrowings refer to any obligation for the repayment of funds received or raised that are subject to repayment terms and interest charges. They also include liabilities on finance lease.

# NOTE 3 - SCOPE OF CONSOLIDATION

The Tarkett Group's scope of consolidation is as follows (see Note 30 for a list of principal consolidated entities).

| Number of companies | Dec. 31, 2013 | Acquisition | Creation | Merger | Dec. 31, 2014 |
|---|---|---|---|---|---|
| Fully consolidated companies | **70** | 26 | 3 | (4) | **95** |
| Equity-accounted companies | **1** | - | - | - | **1** |
| **TOTAL** | **71** | **26** | **3** | **(4)** | **96** |

## 3.1 CHANGES IN THE SCOPE OF CONSOLIDATION

***Acquisitions***

On April 30, 2014, the Group acquired the Polish company Gamrat Flooring in order to reinforce its business on the vinyl flooring market in Central Europe in growing, high value-added market segments such as health and education. Gamrat Flooring entered the Group as a new legal entity, Tarkett Jaslo Sp.z.o.o, and has been fully consolidated and 100% owned since its acquisition by Tarkett.

On October 24, 2014, the Group acquired the Renner company, a leading manufacturer of athletic tracks and tennis courts located in the Rocky Mountain region of the United States. This acquisition enables the group to enrich its product offerings in the Sport Surfaces segment and to expand its geographical footprint, thus reinforcing its leadership position in North America.

On December 31, 2014, the Group acquired the Desso group, a leader in commercial carpeting and athletic fields in Europe, in order to reinforce its presence in the EMEA zone. This acquisition, along with the Group's acquisition of the Tandus group in North America in 2012, enables the Group to offer commercial carpeting solutions throughout the world. This group comprises 24 companies.

These three acquisitions have been fully consolidated since the date on which Tarkett acquired control.

***Creations***

Tarkett Belux was formed in January 2014.

In April 2014, the Group created Tarkett Industrial (Beijing) Co, Ltd., and through that company acquired a vinyl flooring production plant located near Beijing.

Tarkett Flooring Mexico S. de R.L. de C.V. was created in September 2014.

***Mergers***

In February 2014, Caf Extrusion Llc was merged into Tandus Centiva Inc.

In February 2014, Johnsonite Inc. was merged into Tarkett USA Inc.

In March 2014, Tarkett IFA Inc. was merged into Tarkett Enterprises Inc.

In September 2014, Tarkett Asia Pacific Ltd. was merged into Tarkett Floor Covering Co. Ltd.

## 3.2 PURCHASE ACCOUNTING

### 3.2.1 PURCHASE ACCOUNTING OF THE GAMRAT FLOORING ACQUISITION

On April 30, 2014, Tarkett acquired Gamrat Flooring, which was then renamed Tarkett Jaslo Sp.z.o.o.

Payment for the acquisition of Gamrat Flooring totaled €22.1 million (PLN 92.4 million).

Acquisition costs, reported in general and administrative expenses, amounted to €0.1 million.

The acquisition impact on the consolidated cash flow statement is presented in the line item "Acquisitions of subsidiaries net of cash acquired" for an amount of €(20.7) million.

| | |
|---|---|
| Consideration paid | (22.1) |
| Cash and cash equivalents acquired | 1.4 |
| **Acquisition of subsidiaries net of cash acquired** | **(20.7)** |

This combination was accounted for on a provisional basis in accordance with the revised IFRS 3, and may be revised within the 12-months limit provided for by IFRS 3 (revised).

In 2014, Tarkett identified and valued the tangible fixed assets acquired, such as machines and equipment.

As of December 31, 2014, goodwill from the Gamrat company was calculated at €(9.2) million.

| | |
|---|---|
| Consideration paid | (22.1) |
| Net assets acquired | 13.0 |
| Fair value for net assets identified | (0.1) |
| **Total goodwill recognized** | **(9.2)** |

This goodwill is explained primarily by the following:

- Gamrat's industrial presence and expertise in Poland;
- Gamrat Flooring's excellent service and recognized offerings on its markets;
- The reinforcement of Tarkett's leadership in the production and marketing of high-performance vinyl floor coverings in Central Europe; and
- Gamrat Flooring's current market share.

The main fair value adjustments relate to the following:

- Employee-related expenses;
- Calculation of depreciation on finished products and customer receivables in accordance with Tarkett's internal rules; and

- The deferred tax assets and liabilities resulting from these adjustments.

### 3.2.2 PURCHASE ACCOUNTING OF RENNER ACQUISITION

On November 1, 2014, Tarkett acquired Renner Sport Surfaces. Based in the United States, Renner specializes in athletic tracks and tennis courts. This acquisition enables the group to enrich its product offerings and to expand its geographical footprint, thus reinforcing its leadership position in North America.

Payment for the acquisition of Renner Sport Surfaces totaled €4.7 million (USD 5.9 million).

The acquisition impact on the consolidated cash flow statement is presented in the line item "Acquisitions of subsidiaries net of cash acquired" for an amount of €(4.6) million.

| | |
|---|---|
| Consideration paid | (4.7) |
| Cash and cash equivalents acquired | 0.1 |
| **Acquisition of subsidiaries net of cash acquired** | **(4.6)** |

This combination was accounted for on a provisional basis in accordance with the revised IFRS 3, and may be revised within the 12-months limit provided for by IFRS3 (revised).

In particular, in 2015 Tarkett must identify and value the assets acquired and liabilities assumed or incurred.

As of December 31, 2014, goodwill from the Renner Sport Surfaces entity was calculated at €(3.5) million.

| | |
|---|---|
| Consideration paid | (4.7) |
| Net assets acquired | 1.5 |
| Price adjustment | (0.3) |
| **Total goodwill recognized** | **(3.5)** |

This goodwill is explained primarily by the following:

- Renner Sport Surfaces' expertise in tennis courts and PTC technology;
- Renner Sport Surfaces' excellent service and recognized offerings;
- The reinforcement of Tarkett's competitive advantage through its ability to offer complete sports facility solutions;
- Renner Sport Surfaces' current market share.

### 3.2.3 PURCHASE ACCOUNTING OF DESSO ACQUISITION

On December 31, 2014, Tarkett acquired the Desso group, a leader in the commercial carpeting and athletic field market in Europe, in order to enlarge its product portfolio by adding the high value-added carpet category for its European customers. This transaction enables the Tarkett Group to reinforce its presence in the EMEA zone as well as to offer commercial carpeting solutions to all of its clients throughout the world.

Through its high-quality carpeting solutions and its innovative capacity, the Desso group primarily serves the commercial market (offices, education, hospitality, sea and air transport) and is also present on the residential market in Europe. On the Sport Surfaces market, the group also sells artificial turf as well as a unique semi-natural reinforced lawn system, GrassMaster®.

Based in the Netherlands, the Desso group had revenue of €208 million in 2014, has approximately 820 employees and has three production plants in Europe.

The Desso group comprises 24 legal entities, including two production entities located in Belgium and the Netherlands and distribution entities located primarily in Europe.

Consideration paid totaled €154.3 million and includes repayment of the Desso group's debt in the amount of €52.4 million.

Acquisition costs, reported in "General and administrative expenses," amounted to €0.5 million.

The acquisition impact on the consolidated cash flow statement is presented in the line item "Acquisitions of subsidiaries net of cash acquired", broken down as follows:

| | |
|---|---|
| Consideration paid | (154.3) |
| Cash and cash equivalents acquired | 4.1 |
| **Acquisition of subsidiaries net of cash acquired** | **(150.2)** |

This combination was accounted for on a provisional basis in accordance with the revised IFRS 3, and may be revised within the 12-months limit provided for by IFRS 3 (revised).

In particular, in 2015 Tarkett must identify and value the assets acquired and liabilities assumed or incurred.

As of December 31, 2014, goodwill from the Desso group was calculated at €(60.0) million.

| | |
|---|---|
| Consideration paid | (154.3) |
| Repayment of Desso debt | 52.4 |
| Purchase and sale of assets | 10.8 |
| Net assets acquired | 31.0 |
| **Total goodwill recognized** | **(60.0)** |

This goodwill is explained primarily by the following:

- Specific technology and know-how;
- Expected commercial synergies from the cross-marketing of Desso and Tarkett products;
- Market share already acquired by the Desso group.

## 3.3 JOINTLY CONTROLLED ENTITIES

Laminate Park GmbH & Co KG, a company jointly held with the Sonae Group in Germany, is the Group's only remaining jointly controlled entity.

Laminate Park GmbH & Co KG is a company that produces laminate and board for the EMEA market.

The following tables summarize the information relating to this joint venture (figures are presented at 50%):

**Statement of financial condition**

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **% of equity held** | **50%** | **50%** |
| **ASSETS** | | |
| Intangible assets | 0.2 | 0.1 |
| Property, plant and equipment | 0.5 | 0.7 |
| Deferred tax assets | 0.3 | 0.3 |
| **Non-current assets** | **1.0** | **1.2** |
| Inventories | 4.1 | 5.5 |
| Trade receivables | 1.7 | 2.2 |
| Other receivables | 0.4 | 0.2 |
| Cash and cash equivalents | 0.3 | 0.2 |
| **Current assets** | **6.6** | **8.0** |
| **TOTAL ASSETS** | **7.6** | **9.2** |
| **EQUITY AND LIABILITIES** | | |
| Share capital | - | - |
| Share premium and reserves | - | - |
| Retained earnings | (11.3) | (13.0) |
| Net result for the period | (1.6) | 1.6 |
| **Equity attributable to equity holders of the parent** | **(13.0)** | **(11.3)** |
| Non-controlling interests | - | - |
| **Total equity** | **(13.0)** | **(11.3)** |
| Interest-bearing loans and borrowings | 14.2 | 14.2 |
| **Non-current liabilities** | **14.2** | **14.2** |
| Trade payables | 2.2 | 2.6 |
| Other liabilities | 0.6 | 0.5 |
| Interest-bearing loans and borrowings | 3.5 | 3.1 |
| Other financial liabilities | 0.1 | 0.1 |
| **Current liabilities** | **6.3** | **6.3** |
| **TOTAL LIABILITIES** | **7.6** | **9.2** |

**Income statement**

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| | | |
| **% of equity held** | **50%** | **50%** |
| | | |
| **Net revenue** | **22.7** | **22.7** |
| | | |
| Cost of sales | (22.0) | (21.4) |
| **Gross profit** | **0.8** | **1.4** |
| | | |
| Other operating income | 0.2 | 1.1 |
| Selling and distribution expenses | (0.5) | (0.2) |
| Research and development | - | - |
| General and administrative expenses | (0.5) | (0.5) |
| Other operating expenses | (0.9) | (2.2) |
| **Result from operating activities** | **(1.0)** | **(0.4)** |
| | | |
| Financial income | - | 3.7 |
| Financial expenses | (0.7) | (1.4) |
| **Financial income and expense** | **(0.7)** | **2.3** |
| | | |
| Share of profit of equity accounted investees (net of income tax) | - | - |
| **Profit before income tax** | **(1.6)** | **1.9** |
| | | |
| Income tax expense | - | (0.3) |
| **Profit** | **(1.6)** | **1.6** |

# NOTE 4 - ADJUSTED EBITDA

***Adjusted EBITDA is a key indicator permitting the Group to measure its operating and recurring performance.***

It is calculated by taking operating income before depreciation and amortization and removing the following revenues and expenses:

- restructuring costs to improve the future profitability of the Group;
- gains or losses on disposals of significant assets;
- impairment and reversal of impairment based on Group impairment testing only;
- costs related to business combinations and legal reorganizations, including legal fees, transactions costs and consulting fees;
- expenses related to share-based payments due to their non-cash nature.

The Group's adjusted EBITDA breaks down as follows:

| | | Of which adjustments: | | | | | |
|---|---|---|---|---|---|---|---|
| | Dec. 31, 2014 | Restructuring | Impairment and Customer's list amortization | Business combinations | Share-based payments | Other | Dec. 31, 2014 adjusted |
| **Net revenue** | **2,414.4** | **-** | **-** | **-** | **-** | **-** | **2,414.4** |
| Cost of sales | (1,842.8) | (26.1) | - | - | - | - | (1,816.7) |
| **Gross profit** | **571.6** | **(26.1)** | **-** | **-** | **-** | **-** | **597.7** |
| Other operating income | 7.2 | 1.1 | - | - | - | - | 6.1 |
| Selling and distribution expenses | (249.4) | (0.6) | - | - | - | (0.3) | (248.5) |
| Research and development expenses | (26.0) | - | - | - | - | - | (26.0) |
| General and administrative expenses | (151.9) | (0.5) | (1.3) | (0.9) | (2.7) | (3.7) | (142.8) |
| Other operating expenses | (14.9) | (0.3) | - | (3.0) | - | (0.6) | (11.0) |
| **Result from operating activities** | **136.6** | **(26.4)** | **(1.3)** | **(3.9)** | **(2.7)** | **(4.6)** | **175.5** |
| Depreciation and amortization | 100.8 | - | 1.3 | - | - | - | 99.5 |
| **EBITDA** | **237.4** | **(26.4)** | **-** | **(3.9)** | **(2.7)** | **(4.6)** | **275.0** |

| | | Of which adjustments: | | | | | |
|---|---|---|---|---|---|---|---|
| | Dec. 31, 2013 | Restructuring | Impairment and Customer's list amortization | Business combinations | Share-based payments | Other | Dec. 31, 2013 adjusted |
| **Net revenue** | **2,516.4** | **-** | **-** | **-** | **-** | **-** | **2,516.4** |
| Cost of sales | (1,892.8) | (1.8) | (4.8) | - | - | (0.6) | (1,885.5) |
| **Gross profit** | **623.7** | **(1.8)** | **(4.8)** | **-** | **-** | **(0.6)** | **631.0** |
| Other operating income | 8.9 | - | - | - | - | 0.1 | 8.8 |
| Selling and distribution expenses | (248.8) | (2.3) | - | - | - | (0.8) | (245.8) |
| Research and development expenses | (25.8) | - | - | - | - | - | (25.8) |
| General and administrative expenses | (162.3) | (1.1) | (1.3) | (0.5) | (6.1) | (8.8) | (144.5) |
| Other operating expenses | (14.8) | - | - | - | - | (1.9) | (12.9) |
| **Result from operating activities** | **180.9** | **(5.3)** | **(6.1)** | **(0.5)** | **(6.1)** | **(11.9)** | **210.9** |
| Depreciation and amortization | 105.5 | - | 6.4 | - | - | - | 99.1 |
| **EBITDA** | **286.4** | **(5.3)** | **0.2** | **(0.5)** | **(6.1)** | **(11.9)** | **310.0** |

# NOTE 5 - SEGMENT INFORMATION

***By operating segment***

| Dec. 31, 2014 | Flooring | | | Sport Surfaces | Central | Group |
|---|---|---|---|---|---|---|
| | EMEA | North America | CIS, APAC and LATAM | | | |
| **Net revenue** | **681.3** | **658.0** | **771.1** | **304.0** | **-** | **2,414.4** |
| **Activity (*)** | **757.4** | **660.9** | **787.0** | **306.4** | **-** | **-** |
| **Gross profit** | **172.3** | **168.7** | **172.7** | **58.7** | **(0.8)** | **571.6** |
| *% of net sales* | *25.3%* | *25.6%* | *22.4%* | *19.3%* | | *23.7%* |
| **Adjusted EBITDA** | **77.0** | **63.8** | **146.0** | **26.7** | **(38.5)** | **275.0** |
| *% of net sales* | *11.3%* | *9.7%* | *18.9%* | *8.8%* | | *11.4%* |
| **Adjustments for:** | **(20.9)** | **(7.5)** | **(1.6)** | **(1.0)** | **(6.7)** | **(37.7)** |
| **EBITDA** | **56.1** | **56.2** | **144.6** | **25.7** | **(45.2)** | **237.4** |
| *% of net sales* | *8.2%* | *8.5%* | *18.8%* | *8.5%* | | *9.8%* |
| **EBIT** | **29.9** | **22.8** | **97.5** | **11.8** | **(25.4)** | **136.6** |
| *% of net sales* | *4.4%* | *3.5%* | *12.6%* | *3.9%* | | *5.7%* |
| **Capital expenditures** | **19.3** | **27.5** | **20.6** | **4.6** | **5.6** | **77.6** |

***(*) including inter-segment revenue***

| Dec. 31, 2013 | Flooring | | | Sport Surfaces | Central | Group |
|---|---|---|---|---|---|---|
| | EMEA | North America | CIS, APAC and LATAM | | | |
| **Net revenue** | **669.6** | **673.6** | **887.5** | **285.8** | **-** | **2,516.4** |
| **Activity (*)** | **746.5** | **674.0** | **900.7** | **288.1** | **-** | **-** |
| **Gross profit** | **181.7** | **180.7** | **215.6** | **45.7** | **-** | **623.7** |
| *% of net sales* | *27.1%* | *26.8%* | *24.3%* | *16.0%* | | *24.8%* |
| **Adjusted EBITDA** | **71.3** | **74.0** | **190.1** | **15.0** | **(40.3)** | **310.0** |
| *% of net sales* | *10.6%* | *11.0%* | *21.4%* | *5.2%* | | *12.3%* |
| **Adjustments for:** | **(1.9)** | **(5.3)** | **(1.2)** | **(0.4)** | **(14.8)** | **(23.6)** |
| **EBITDA** | **69.4** | **68.6** | **188.9** | **14.6** | **(55.1)** | **286.4** |
| *% of net sales* | *10.4%* | *10.2%* | *21.3%* | *5.1%* | | *11.4%* |
| **EBIT** | **34.6** | **38.9** | **143.2** | **(1.2)** | **(34.7)** | **180.9** |
| *% of net sales* | *5.2%* | *5.8%* | *16.1%* | *(0.4)%* | | *7.2%* |
| **Capital expenditures** | **19.2** | **20.9** | **37.3** | **4.4** | **5.9** | **87.8** |

***(*) including inter-segment revenue***

***Information on activity in France and in other significant countries***

The Group's activity in France represented less than 10% of revenue in 2014 and in 2013.

Non-current assets in France, excluding the non-affected goodwill arising out of the merger between Tarkett and Sommer in the early 2000's, also represent less than 10% of the Group's total non-current assets in 2014 and in 2013.

Tarkett considers the threshold for significance to be 25% of revenue. Only the United States meets this criterion, representing 32.6% of the Group's revenue in 2014 and 30.8% of the Group's revenue in 2013.

The United States represents 40.5% of the Group's total non-current assets as of December 31, 2014 and 42.2% on December 31, 2013.

None of Tarkett's customers represents more than 10% of its sales. The largest customer in 2014 and 2013 represented approximately 5% of the sales, in line with previous years.

## NOTE 6 - OTHER OPERATING INCOME - OTHER OPERATING EXPENSES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Gain on disposal of fixed assets | 1.1 | 0.3 |
| Other operating income | 6.1 | 8.6 |
| **Other operating income** | **7.2** | **8.9** |
| Gain on disposal of fixed assets | (0.3) | - |
| Other operating expenses | (14.6) | (14.8) |
| **Other operating expenses** | **(14.9)** | **(14.8)** |
| **Total other operating income and expenses** | **(7.7)** | **(5.9)** |

This category includes all operating income and expenses that cannot be directly attributed to business functions, including operating expense related to retirement commitments and costs with respect to certain disputes.

## NOTE 7 - FINANCIAL RESULT

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Interest income on loan assets & cash equivalents | 1.5 | 1.3 |
| Other financial income | 0.3 | 0.3 |
| **Total financial income** | **1.8** | **1.6** |
| Interest expenses on loans and overdrafts | (14.0) | (16.2) |
| Leasehold & similar rights | (0.1) | (0.2) |
| Commissions expense on financial liabilities | (5.6) | (5.0) |
| Interest on provisions for pensions | (5.4) | (6.4) |
| Foreign exchange losses | (7.5) | (4.1) |
| Impairment on financial assets | (0.1) | (0.1) |
| Changes in value of rate derivatives used to hedge debt | 1.2 | (0.8) |
| Other financial liabilities | (1.3) | (0.3) |
| **Total financial expenses** | **(32.8)** | **(33.0)** |
| **FINANCIAL RESULT** | **(31.0)** | **(31.4)** |

# NOTE 8 - INCOME TAX

Income tax (current and deferred) is detailed as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| Current tax | (38.9) | (51.9) |
| Deferred tax | (1.8) | 2.6 |
| **Total income tax** | **(40.7)** | **(49.3)** |

*The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22).

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2014 and 2013 can be reconciled as follows to the actual income tax charge:

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| Income tax at French income tax rate | (35.8) | (51.0) |
| Effect of: | | |
| Taxation of foreign companies at different rates * | 18.7 | 31.3 |
| Exchange rate effects on tax bases ** | (11.6) | (1.4) |
| Recognition of deferred tax assets relating to previous years | 22.4 | 19.6 |
| Changes in unrecognized deferred tax assets | (14.0) | (21.5) |
| Permanent differences - non-deductible items | (7.1) | (4.6) |
| Tax costs related to dividends (WHT, French 3% surtax) | (14.4) | (17.8) |
| Other items | 1.1 | (3.9) |
| **Income tax expenses** | **(40.7)** | **(49.3)** |
| **Effective rate** | **39.2%** | **33.3%** |

*The comparative periods have been retroactively restated following application of IAS 12.41 (see Note 2.5.22).

(**) In 2014, the Group applied IAS 12.41 on the recognition of deferred tax assets for temporary differences between the assets' tax basis (calculated at the rate on the balance sheet date) and their book value in the financial statements (calculated at the historical rate). As a result, in 2014 the Group recognized deferred income tax expense of €(11.6) million due to the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency. Recognition of this expense is required by IFRS, even if the revalued tax basis does not generate any tax obligation in the future.

# NOTE 9 - GOODWILL

The evolution of goodwill can be analyzed as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Opening carrying amount | 425.6 | 449.1 |
| New goodwill | 72.5 | - |
| Adjustment to initial purchase price allocation of Gamrat Flooring | 0.1 | - |
| Adjustment to initial purchase price allocation of Tandus | - | (12.5) |
| Effect of movements in exchange rates | 34.4 | (10.9) |
| Impairment losses | - | - |
| Other | - | - |
| **Closing carrying amount** | **532.6** | **425.6** |

The main variation is explained by the allocation of goodwill following purchase price allocation of the Desso group and results in an increase of €60.0 million in goodwill. See Note 3.2, Purchase Accounting, for more detail.

An impairment test has been performed according to the methodology explained in note 2.5.15. On this basis, no impairment loss was recognized in 2014 (neither in 2013).

The allocation of goodwill among the various CGUs is as follows:

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| | Gross value | Net value | Gross value | Net value |
| Resilient & Other | 71.2 | 70.7 | 62.5 | 61.9 |
| Carpet | 60.0 | 60.0 | - | - |
| Wood | - | - | - | - |
| Laminate | - | - | - | - |
| **EMEA** | **131.2** | **130.7** | **62.5** | **61.9** |
| Commercial | 69.9 | 52.9 | 64.0 | 46.8 |
| Tandus & Centiva | 173.5 | 173.5 | 152.2 | 152.2 |
| Residential | - | - | - | - |
| **North America** | **243.4** | **226.4** | **216.2** | **199.1** |
| CIS | 96.5 | 95.5 | 96.5 | 95.5 |
| APAC | - | - | - | - |
| LATAM | 0.2 | 0.2 | - | - |
| **CIS, APAC & LATAM** | **96.7** | **95.7** | **96.5** | **95.5** |
| Athletic tracks | 35.2 | 29.4 | 28.4 | 23.0 |
| Synthetic grass & other | 50.6 | 50.3 | 46.4 | 46.1 |
| **Sport Surfaces** | **85.8** | **79.8** | **74.8** | **69.1** |
| **TOTAL GOODWILL** | **557.1** | **532.6** | **449.9** | **425.6** |

# NOTE 10 - INTANGIBLE, TANGIBLE AND FINANCIAL ASSETS

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Research and development | 4.8 | 4.3 |
| Patents | 39.7 | 44.0 |
| Trademarks | 18.5 | 17.8 |
| Software | 30.6 | 31.0 |
| Other intangible assets | 5.9 | 6.6 |
| Advance payments and fixed assets in progress | 16.3 | 7.1 |
| **Intangible assets** | **115.8** | **110.9** |
| Real property and rights equivalent to real property | 234.9 | 181.0 |
| Leased buildings | - | 4.8 |
| Technical equipment and machinery | 233.8 | 191.6 |
| Leased equipment | 2.0 | 4.9 |
| Advance payments and fixed assets in progress | 31.4 | 33.1 |
| **Property, plant and equipment (*)** | **502.1** | **415.4** |
| Bonds, debenture loan & other sec. Invest - Long-term | 1.1 | 2.7 |
| Financial investments and receivables - Long-term (**) | 23.7 | 22.1 |
| Loan receivables - Long-term | 0.3 | 0.3 |
| Security deposit - Long-term | 3.7 | 2.4 |
| **Other financial assets** | **28.8** | **27.5** |

*(*) Equipment that is currently under construction has been allocated to individual items.*

*(**) Financial investments and receivables – long term include shares of companies accounted for by the equity method.*

At December 31, 2014, intangible assets with an indefinite life totaled €7.4 million gross and net (€7.4 million at December 31, 2013).

***Impairment testing***

Impairment losses recognized during 2014 and 2013 can be broken down as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| EMEA – Wood CGU | - | (5.1) |
| **Total** | **-** | **(5.1)** |

The variations in gross value, depreciation and amortization break down as follow:

| Acquisition cost | At Dec. 31, 2013 | Acquisition | Disposal | Change in scope | Transfer | Change in accounting policies* | Foreign exchange differences | At Dec. 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| Research and development | 9.3 | 1.5 | (0.2) | - | 0.1 | - | 0.4 | 11.1 |
| Patents | 117.8 | 0.1 | (0.1) | - | - | - | 15.3 | 133.1 |
| Trademarks | 28.7 | - | - | - | - | - | 3.1 | 31.8 |
| Leasehold & similar rights | - | - | - | - | - | - | - | - |
| Software | 66.8 | 5.9 | (0.4) | 10.7 | 5.3 | - | 4.2 | 92.5 |
| Other intangible assets | 6.9 | - | (0.5) | - | - | - | 1.2 | 7.5 |
| Advance payments and fixed assets in progress | 7.1 | 12.8 | - | - | (4.5) | - | 0.8 | 16.3 |
| **Intangible assets** | **236.6** | **20.4** | **(1.2)** | **10.7** | **0.9** | **-** | **25.1** | **292.3** |
| | | | | | | | | |
| Real property and rights equivalent to real property | 389.2 | 16.6 | (4.5) | 68.7 | 25.9 | 0.3 | 7.6 | 503.7 |
| Leased buildings | 19.5 | - | (4.6) | - | (12.2) | - | 0.2 | 2.8 |
| Technical equipment and machinery | 1,080.8 | 16.9 | (37.7) | 108.2 | 56.7 | 0.3 | 22.6 | 1,247.8 |
| Leased equipment | 15.0 | - | - | 0.3 | (12.6) | 0.2 | (0.1) | 2.7 |
| Advance payments and fixed assets in progress | 33.1 | 49.7 | (0.1) | 3.3 | (56.5) | - | 1.9 | 31.4 |
| **Property, plant and equipment** | **1,537.5** | **83.2** | **(47.0)** | **180.3** | **1.4** | **0.7** | **32.2** | **1,788.4** |
| | | | | | | | | |
| Bonds, debenture loan & other sec. Invest - Long-term | 2.7 | (1.6) | - | 0.1 | - | - | - | 1.1 |
| Financial investments and receivables - Long-term | 22.1 | (1.1) | (0.1) | - | - | - | 2.8 | 23.6 |
| Loan receivables - Long-term | 0.3 | - | - | - | - | - | - | 0.3 |
| Security deposit - Long-term | 5.1 | 1.3 | - | - | - | - | 0.1 | 6.5 |
| **Other financial assets** | **30.2** | **(1.4)** | **(0.1)** | **0.1** | **-** | **-** | **2.9** | **31.6** |

*Impact related to adjustments in fair value following the acquisition of Tarkett Jaslo

| Accumulated depreciation and amortization | At Dec. 31, 2013 | Addition | Disposal | Decrease | Impairment losses | Change in scope | Transfer | Change in accounting policies* | Foreign exchange differences | At Dec. 31, 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Research and development | (5.0) | (1.2) | 0.2 | - | - | - | - | - | (0.4) | **(6.4)** |
| Patents | (73.8) | (9.3) | 0.1 | - | - | - | - | - | (10.3) | **(93.3)** |
| Trademarks | (10.9) | (1.6) | - | - | - | - | - | - | (0.8) | **(13.3)** |
| Leasehold & similar rights | - | - | - | - | - | - | - | - | - | **-** |
| Software | (35.8) | (13.6) | 0.4 | - | - | (10.4) | (0.6) | - | (1.9) | **(61.9)** |
| Other intangible assets | (0.3) | (1.5) | 0.5 | - | - | - | 0.1 | - | (0.5) | **(1.7)** |
| **Intangible assets** | **(125.7)** | **(27.2)** | **1.2** | **-** | **-** | **(10.4)** | **(0.5)** | **-** | **(13.9)** | **(176.5)** |
| | | | | | | | | | | |
| Real property and rights equivalent to real property | (208.2) | (16.7) | 2.2 | 0.1 | - | (34.0) | (8.3) | - | (3.9) | **(268.8)** |
| Leased buildings | (14.7) | 0.3 | 4.2 | (0.6) | - | - | 8.0 | - | - | **(2.8)** |
| Technical equipment and machinery | (889.2) | (58.4) | 37.2 | 1.9 | - | (80.0) | (10.3) | (0.2) | (15.0) | **(1,014.0)** |
| Leased equipment | (10.0) | (0.2) | - | - | - | - | 9.5 | - | - | **(0.7)** |
| **Property, plant and equipment** | **(1,122.1)** | **(75.1)** | **43.6** | **1.4** | **-** | **(114.0)** | **(1.1)** | **(0.2)** | **(18.9)** | **(1,286.4)** |
| | | | | | | | | | | |
| Security deposit - Long-term | (2.7) | - | - | - | (0.1) | - | - | - | - | **(2.8)** |
| **Other financial assets** | **(2.7)** | **-** | **-** | **-** | **(0.1)** | **-** | **-** | **-** | **-** | **(2.8)** |

*Impact related to adjustments in fair value following the acquisition of Tarkett Jaslo

## NOTE 11 - INVENTORIES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Raw materials and supplies | 107.6 | 88.3 |
| Work in progress | 60.0 | 48.7 |
| Finished goods | 212.0 | 201.5 |
| Samples | 3.2 | 6.1 |
| Consumables and spare parts | 22.0 | 21.4 |
| **Total Gross Value** | **404.8** | **366.0** |
| Provision for inventory impairment | (56.6) | (47.5) |
| **Total Net Inventory** | **348.2** | **318.6** |

**Detail of the provision for inventory impairment**

| | Dec. 31, 2013 | Allowance | Reversals | Scope | Foreign exchange gain & loss | Dec. 31, 2014 |
|---|---|---|---|---|---|---|
| Raw materials and supplies | (7.9) | (2.7) | 1.7 | (1.2) | (0.6) | (10.7) |
| Work in progress | (6.5) | (6.0) | 2.8 | (0.5) | (0.5) | (10.7) |
| Finished goods | (25.3) | (10.8) | 10.9 | (2.3) | (1.4) | (28.9) |
| Samples | (1.9) | 1.0 | - | - | (0.1) | (1.0) |
| Consumables and spare parts | (5.8) | 0.3 | 0.2 | - | - | (5.3) |
| **Total Provision for Inventory Impairment** | **(47.5)** | **(18.2)** | **15.6** | **(4.0)** | **(2.6)** | **(56.6)** |

The rate of inventory provisions is applied in a similar way for the different periods.
Cost of sales in 2014 amounted to €1,105.9 million (as compared with €1,162.1 million in 2013).

## NOTE 12 - TRADE RECEIVABLES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Related party receivables | 7.8 | 7.6 |
| Third party receivables | 328.6 | 294.0 |
| **Total Gross Value** | **336.4** | **301.6** |
| Provisions for doubtful receivables | (24.5) | (21.9) |
| **Total Trade Receivables** | **312.0** | **279.7** |

The variation of the provision for doubtful receivables totals €2.6 million and is mainly explained as follows:

- €(2.9) million of allowance,
- €5.8 million of reversal,
- €(0.2) million of foreign exchange impact.

**Details of unimpaired overdue receivables**

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Receivables, trade 0-180 days overdue | 34.0 | 24.3 |
| Receivables, trade 181-270 days overdue | 0.3 | - |
| Receivables, trade 271-360 days overdue | 0.2 | 0.1 |
| Receivables, trade >360 days overdue | 1.7 | (3.2) |
| Receivables, bankruptcy procedure / legal cases | 1.4 | 3.8 |
| **Unimpaired Overdue Receivables** | **37.6** | **25.0** |

## NOTE 13 - OTHER RECEIVABLES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Total other receivables non-current** | **0.5** | **0.2** |
| Prepaid expenses current | 19.6 | 18.1 |
| Income tax receivable current | 19.4 | 13.4 |
| VAT and other taxes | 17.3 | 17.4 |
| Other accounts receivable and other assets current | 16.5 | 10.3 |
| **Total other receivables current** | **72.9** | **59.2** |

## NOTE 14 - SHARE CAPITAL

As of December 31, 2014 the Company's share capital totaled €318,613,480, identical to December 31, 2013, and was divided into 63,722,696 shares of par value €5 each, identical to December 31, 2013.

## NOTE 15 - EARNINGS PER SHARE & DIVIDENDS

**Weighted average number of shares outstanding (basic)**

| In thousands of shares | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Weighted average number of shares during the period | 63,723 | 63,276 |
| Weighted average number of treasury shares held by Tarkett | (216) | (1,335) |
| **Weighted average number of shares outstanding (basic)** | **63,506** | **61,941** |

**Basic earnings per share**

Basic earnings per share as of December 31, 2014 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period (and after deduction of the weighted average number of treasury shares).

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| Profit for the period attributable to Tarkett shareholders (in millions of €) | 61.2 | 97.6 |
| Weighted average number of shares outstanding | 63,506 | 61,941 |
| **Basic earnings per share (in euros)** | **0.96** | **1.58** |

*The comparative periods have been retroactively restated following application of IAS 12.41 (see note 2.5.22).

**Weighted average number of shares outstanding (diluted earnings)**

| In thousands of shares | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Weighted average number of shares during the period | 63,723 | 63,276 |
| Weighted average number of treasury shares held by Tarkett | (216) | (1,335) |
| Impact of share-based payment plans | 518** | 624 |
| **Weighted average number of shares outstanding (diluted)** | **64,025** | **62,565** |

*** the Group's share-based payment plans were amended as of the Group's initial public offering at the end of 2013, and now provide solely for the grant of existing shares, without issuance of new shares.*

**Diluted earnings per share**

Diluted earnings per share as of December 31, 2014 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period and the weighted average number of potential shares outstanding (and after deduction of the weighted average number of treasury shares).

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| Profit for the period attributable to Tarkett shareholders (in millions of €) | 61.2 | 97.6 |
| Weighted average number of shares outstanding (diluted) | 64,025 | 62,565 |
| **Diluted earnings per share (in euros)** | **0.96** | **1.56** |

*The comparative periods have been retroactively restated following application of IAS 12.41 (see note 2.5.22).

**Dividends**

Tarkett paid dividends in the amount of €0.62 per share to its shareholders on July 7, 2014, in accordance with the decision of the General Shareholders' meeting of May 13, 2014.

# NOTE 16 - NET DEBT – INTEREST-BEARING LOANS AND BORROWINGS

## 16.1 Net Debt

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Interest-bearing loans and borrowings - non-current | 690.4 | 501.3 |
| Interest-bearing loans and borrowings – current | 40.2 | 24.4 |
| Cash and cash equivalents | (135.1) | (96.7) |
| **Net Debt** | **595.4** | **429.0** |

## 16.2 Interest bearing loans and borrowings

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| | Long-term | Short-term | Long-term | Short-term |
| Bank loans (unsecured) | 689.0 | 36.9 | 498.7 | 22.8 |
| Other loans (unsecured) | 0.1 | 0.2 | 0.6 | - |
| Bank overdrafts (unsecured) | - | 2.8 | - | 1.1 |
| Finance lease obligations | 1.3 | 0.3 | 2.0 | 0.6 |
| **Interest bearing loans and borrowings** | **690.4** | **40.2** | **501.3** | **24.4** |

Unsecured bank loans include mainly:

- A €450.0 million syndicated term facility drawn down in two tranches in October 2013 and January 2014, and maturing in full in October 2018.
- €55.0 million drawn against a multicurrency syndicated revolving facility executed by Tarkett in June of 2011 for up to €450.0 million and maturing in June 2016.
- An installment loan composed of one tranche of €85.0 million and one tranche of $34.0 million, maturing in May 2016 after installment payments in May 2015 for €25.0 million and $10.0 million. The loan will be accelerated in the event that Tarkett issues a capital increase or bonds in the capital debt market.

## 16.3 Details of loans and borrowings

| Dec. 31, 2014 | Currency | Interest rate | Total | 12 months or less until 12/31/2015 | 2 years until 12/31/2016 | 3 to 5 years until 12/31/2019 | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Unsecured loans** | | | | | | | |
| Term Facilities Europe | EUR | 0.6%-2.0% | 538.8 | 26.3 | 61.2 | 451.3 | - |
| Term Facilities Europe | USD | 2.6% | 28.0 | 8.2 | 19.8 | - | - |
| Revolving Facilities Europe | EUR | 0.9% | 55.0 | - | 55.0 | - | - |
| Revolving Facilities Europe | USD | 0.9% | 101.3 | - | 101.3 | - | - |
| Other bank loans | | 3.6%-18% | 2.8 | 2.4 | 0.2 | 0.2 | - |
| **Total bank loans** | | | **725.9** | **36.9** | **237.5** | **451.5** | **-** |
| Other loans | EUR | 0.5% | 0.3 | 0.2 | 0.1 | - | - |
| Bank overdrafts | | 0.6%-5.3% | 2.8 | 2.8 | - | - | - |
| Finance lease obligations | | | 1.6 | 0.3 | 0.3 | 0.9 | 0.1 |
| **Total interest-bearing loans** | | | **730.6** | **40.2** | **237.9** | **452.4** | **0.1** |

| Dec. 31, 2013 | Currency | Interest rate | Total | 12 months or less until 12/31/2014 | 2 years until 12/31/2015 | 3 to 5 years until 12/31/2018 | More than 5 years |
|---|---|---|---|---|---|---|---|
| **Unsecured loans** | | | | | | | |
| Term Facilities Europe | EUR | 0.7%-2.1% | 465.0 | 16.3 | 26.2 | 422.5 | - |
| Term Facilities Europe | USD | 2.6% | 29.0 | 4.4 | 7.3 | 17.3 | - |
| Revolving Facilities Europe | EUR | 1.1% | 25.0 | - | - | 25.0 | - |
| Other bank loans | | 3.7%-5.3% | 2.6 | 2.0 | 0.3 | 0.3 | - |
| **Total bank loans** | | | **521.6** | **22.7** | **33.8** | **465.1** | **-** |
| Other loans | EUR | 0.7%-4.5% | 0.4 | 0.1 | 0.1 | 0.2 | - |
| Bank overdrafts | | | 1.1 | 1.1 | - | - | - |
| Finance lease obligations | | | 2.6 | 0.6 | 0.6 | 1.2 | 0.2 |
| **Total interest-bearing loans and** | | | **525.7** | **24.5** | **34.5** | **466.5** | **0.2** |

The facilities mentioned above contain covenants binding on the borrower, including financial ratio covenants: the ratio of net debt to adjusted EBITDA may not exceed 3.0, and the ratio of EBIT to net interest may not be lower than 2.5.

The Group is in compliance with all of its banking commitments as of December 31, 2014, as well as with the financial ratio covenants, as detailed below:

### 16.4 Covenants

| Net Debt / Adjusted EBITDA | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Net Debt | 595.4 | 429.0 |
| Adjusted EBITDA | 275.0 | 310.0 |
| **Ratio (1)** | **2.2** | **1.4** |

(1) must be below 3.0

Net debt includes debt related to the acquisition of the Desso Group for €154 million whereas Desso's adjusted EBITDA is not reported in the adjusted EBITDA of the Group (acquired on December 31, 2014).

| EBIT / Net interest | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| EBIT | 175.5 | 210.9 |
| Net interest | 12.6 | 15.0 |
| **Ratio (2)** | **13.9** | **14.1** |

(2) Must be above 2.5

### 16.5 Cash and cash equivalent by nature

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Current cash | 28.4 | 35.6 |
| Remunerated cash balances | 69.0 | 35.5 |
| Short term treasury notes and Money Market funds | 37.8 | 25.5 |
| **Cash and cash equivalents** | **135.1** | **96.7** |

## NOTE 17 - OTHER FINANCIAL LIABILITIES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Fair value of derivatives non current | (0.3) | 2.0 |
| Other financial liabilities non current | 3.8 | 4.7 |
| **Other financial liabilities non current** | **3.5** | **6.7** |
| Accrued interest expenses current | 2.7 | 1.6 |
| Fair value of derivatives current | 1.4 | 0.3 |
| Other financial liabilities current | 1.5 | 1.1 |
| **Other financial liabilities current** | **5.6** | **3.0** |

# NOTE 18 - TRADE PAYABLES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Trade payables | 221.3 | 216.3 |
| Trade notes payable | 3.1 | 3.5 |
| **Trade payables** | **224.4** | **219.8** |

# NOTE 19 - OTHER LIABILITIES

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Liabilities related to employees | 83.0 | 80.1 |
| Current tax | 15.9 | 18.6 |
| VAT and other taxes | 16.4 | 13.8 |
| Sales rebates | 39.8 | 27.9 |
| Other liabilities | 25.4 | 26.6 |
| **Total other liabilities** | **180.5** | **167.0** |

**Written put options or forward contracts granted to non-controlling shareholders**

Share put options on non-controlling interests

As of December 31, 2013 and December 31, 2014, the amount of debt booked in the Group's consolidated financial statements relative to share put options on non-controlling shareholders was €2.1 million and €3.1 million, respectively.

As of December 31, 2014, this debt is composed of two options, granted to non-controlling shareholders of:

- Morton Extrusionstechnik (MET) for €3.1 million, corresponding to 49% of residual shares held by non-controlling interests;
- Fieldturf Benelux BV for €0.04 million, corresponding to 49% of residual shares held by non-controlling interests.

# NOTE 20 - DEFERRED TAX

Deferred taxation is shown on the balance sheet separately from current tax assets and liabilities and is categorized in non-current items.

| | Dec. 31, 2014 | Dec. 31, 2013 restated * |
|---|---|---|
| Net operating losses and credits carried forward | 219.6 | 184.9 |
| Provision for valuation allowance on NOLCF | (148.6) | (130.4) |
| DTA for pensions and healthcare benefits | 44.8 | 32.6 |
| Other items temporarily non deductible | 60.1 | 54.6 |
| Change in unrecognized deferred tax assets | (15.6) | (18.1) |
| Internal profit eliminations | 4.4 | 3.1 |
| Netted against deferred tax assets | (55.3) | (44.1) |
| **Deferred tax assets** | **109.3** | **82.6** |
| | | |
| **Deferred tax liabilities** | | |
| Fixed assets revaluation | 57.3 | 39.8 |
| Other deferred tax liabilities | 34.5 | 15.1 |
| Netted against deferred tax assets | (55.3) | (44.1) |
| **Deferred tax liabilities** | **36.5** | **10.8** |

* The comparative periods have been retroactively restated following application of IAS 12.41 (see note 2.5.22).

Net deferred tax assets for tax losses and unused tax credits carried forward are recognized for a total amount of €71.0 million, of which €44.7 million related to the affiliates within the US tax Group, €2.0 million related to the French tax group, and €5.2 million related to the Canadian subsidiary.

The €71.0 million is split between €61.2 million of net deferred tax assets for tax losses, and €9.8 million of net unused tax credits.

Other deferred tax liabilities include the effect of the application of IAS 12.41, for €21.7 million in 2014 and €10.1 million in 2013, relating to the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency (see Note 2.5.22). The booking of this liability is required by the IFRS, even if the revaluated fiscal basis will not generate any fiscal obligation in the future.

# NOTE 21 - PROVISIONS

| | At Dec. 31, 2013 | Allowance | Decrease | Change in scope | Transfer | Foreign exchange gain & loss | At Dec. 31, 2014 |
|---|---|---|---|---|---|---|---|
| Product warranty provision | 2.8 | 0.1 | (0.3) | 0.1 | - | - | 2.7 |
| Restructuring provisions | 0.6 | - | - | - | (0.6) | - | - |
| Claims & litigations provisions | 2.1 | 0.8 | (1.8) | - | - | - | 1.1 |
| Other provisions | 3.6 | 0.8 | (0.1) | - | - | - | 4.3 |
| Provision for additional tax assessments | 2.4 | 0.6 | (0.8) | - | - | - | 2.1 |
| Financial liabilities | 29.7 | 0.6 | - | - | - | 4.1 | 34.3 |
| **Total Provisions - Long-term** | **41.2** | **2.9** | **(3.1)** | **0.1** | **(0.6)** | **4.1** | **44.5** |
| | | | | | | | |
| Product warranty provision | 9.4 | 11.0 | (7.6) | 1.6 | 11.3 | 2.1 | 27.9 |
| Restructuring provisions | 3.2 | 13.1 | (2.6) | - | 0.6 | - | 14.3 |
| Claims & litigation provisions | 20.9 | 3.1 | (5.6) | - | (10.9) | 0.6 | 8.2 |
| Other provisions | 0.1 | 0.3 | (0.3) | - | (0.1) | - | - |
| **Total Provisions - Short-term** | **33.7** | **27.5** | **(16.0)** | **1.6** | **0.9** | **2.8** | **50.5** |
| | | | | | | | |
| **Total Provisions** | **74.8** | **30.4** | **(19.2)** | **1.7** | **0.2** | **6.9** | **95.0** |

The decrease of €(5.6) million in claims and litigations provisions includes €(2.7) million in unused decreases.

| | At Dec. 31, 2012 | Allowance | Decrease | Change in scope | Transfer | Foreign exchange gain & loss | At Dec. 31, 2013 |
|---|---|---|---|---|---|---|---|
| Product warranty provision | 2.2 | 0.8 | - | (0.3) | 0.1 | (0.1) | 2.8 |
| Restructuring provisions | - | 0.6 | - | - | - | - | 0.6 |
| Claims & litigation provisions | 2.3 | 0.3 | (0.4) | - | - | (0.1) | 2.1 |
| Other provisions | 3.6 | 0.3 | (0.2) | 0.7 | (0.7) | - | 3.6 |
| Provision for additional tax assessments | 1.0 | 1.4 | (0.3) | - | 0.4 | - | 2.4 |
| Financial liabilities | 29.0 | 2.0 | - | - | - | (1.3) | 29.7 |
| **Total Provisions - Long-term** | **38.1** | **5.3** | **(0.9)** | **0.4** | **(0.3)** | **(1.5)** | **41.2** |
| | | | | | | | |
| Product warranty provision | 10.6 | 1.7 | (3.2) | - | 0.7 | (0.4) | 9.4 |
| Restructuring provisions | 3.5 | 2.2 | (2.4) | - | - | (0.1) | 3.2 |
| Claims & litigation provisions | 21.7 | 9.0 | (8.7) | - | (0.5) | (0.6) | 20.9 |
| Other provisions | 0.4 | 0.2 | (0.1) | - | (0.3) | - | 0.1 |
| **Total Provisions - Short-term** | **36.2** | **13.2** | **(14.5)** | **-** | **-** | **(1.1)** | **33.7** |
| | | | | | | | |
| **Total Provisions** | **74.3** | **18.5** | **(15.4)** | **0.4** | **(0.3)** | **(2.6)** | **74.8** |

As of December 31, 2014, the variations in provisions for financial liabilities relate to the provision for asbestos litigation recorded by Tarkett Domco Products Texas Inc. (See Note 27 - Other Contingencies)

# NOTE 22 - EMPLOYEE BENEFITS

**Provisions for pensions, retirement and similar obligations**

In accordance with the laws and practices of each country in which it operates, Tarkett participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, other long term benefits (jubilees) and post-employment benefits (retirement indemnities, pre-retirement) to eligible employees, former employees, retirees and their beneficiaries fulfilling the required conditions.

These employee benefit plans expose Tarkett to actuarial risks, such as interest rate risk.

Valuation of these obligations is carried out yearly at the balance sheet date by independent actuaries.

| Amounts recognized in the statement of financial position | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| Defined benefit obligations | 247.9 | 6.3 | 254.2 | 201.9 | 3.3 | 205.2 |
| Fair value of plan assets | (98.8) | - | (98.8) | (83.0) | - | (83.0) |
| **Net liability booked in the statement of financial position** | **149.1** | **6.3** | **155.4** | **118.9** | **3.3** | **122.2** |

| Amounts recognized in the income statement | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| Current service cost | 3.2 | 2.9 | 6.1 | 3.4 | 0.1 | 3.5 |
| Past service cost | - | - | - | (0.4) | - | (0.4) |
| Interest expense | 4.7 | 0.1 | 4.8 | 4.8 | 0.1 | 4.9 |
| Re-measurements of other long-term benefits | (0.1) | - | (0.1) | 0.7 | - | 0.7 |
| Administrative expenses and taxes | 0.7 | - | 0.7 | 0.8 | - | 0.8 |
| **Total expenses included in income statement** | **8.4** | **3.0** | **11.4** | **9.3** | **0.2** | **9.5** |

| Amounts recognized in statement of comprehensive income (gross of tax) | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| Effect of changes in demographic assumptions | 4.6 | 0.2 | 4.8 | 1.5 | - | 1.5 |
| Effect of changes in financial assumptions | 29.7 | (0.1) | 29.6 | (15.2) | (0.2) | (15.3) |
| Effect of experience adjustments | 0.6 | (0.2) | 0.4 | 1.0 | (0.3) | 0.8 |
| (Return) on plan assets (excluding interest income) | (4.9) | - | (4.9) | (4.4) | - | (4.4) |
| **Total pension cost recognized in the OCI** | **30.0** | **(0.1)** | **29.9** | **(17.0)** | **(0.4)** | **(17.5)** |

| Change in net liabilities recognized in the balance sheet | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| **Balance sheet liability/asset at beginning of year** | **118.9** | **3.3** | **122.2** | **138.4** | **3.8** | **142.2** |
| Total expenses recognized in income statement | 8.4 | 3.0 | 11.4 | 9.3 | 0.2 | 9.5 |
| Amounts recognized in OCI in the financial year | 30.0 | (0.1) | 29.9 | (17.0) | (0.4) | (17.5) |
| Business combinations / divestitures / transfers | (0.1) | - | (0.1) | 0.2 | - | 0.2 |
| Employer contributions made in the financial year | (5.6) | - | (5.6) | (5.0) | (0.2) | (5.2) |
| Benefit payments from employer | (4.8) | (0.3) | (5.1) | (4.6) | - | (4.6) |
| Exchange rate adjustment (gain) / loss | 2.3 | 0.4 | 2.7 | (2.3) | (0.2) | (2.4) |
| **Balance sheet liability/asset at end of year** | **149.1** | **6.3** | **155.4** | **118.9** | **3.3** | **122.2** |

| Changes in benefit obligation | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| **Benefit obligation at beginning of year** | **201.9** | **3.3** | **205.2** | **224.7** | **3.8** | **228.5** |
| Current service cost | 3.2 | 2.9 | 6.1 | 3.4 | 0.1 | 3.5 |
| Past service cost | - | - | - | (0.4) | - | (0.4) |
| Interest expense | 8.6 | 0.1 | 8.7 | 8.0 | 0.1 | 8.1 |
| Benefit payments from plan | (7.3) | - | (7.3) | (6.4) | (0.2) | (6.5) |
| Benefit payments from employer | (4.8) | (0.3) | (5.1) | (4.6) | - | (4.6) |
| Plan settlement | - | - | - | (5.9) | - | (5.9) |
| Plan participants' contributions | 0.1 | - | 0.1 | 0.2 | - | 0.2 |
| Expenses paid | (0.3) | - | (0.3) | (0.2) | - | (0.2) |
| Business combinations / divestitures / transfers | (0.1) | - | (0.1) | 0.2 | - | 0.2 |
| Effect of changes in demographic assumptions | 4.6 | 0.2 | 4.8 | 1.5 | - | 1.5 |
| Effect of changes in financial assumptions | 29.8 | (0.1) | 29.7 | (15.2) | (0.2) | (15.3) |
| Effect of experience adjustments | 0.5 | (0.2) | 0.2 | 2.1 | (0.3) | 1.9 |
| Exchange rate adjustment (gain) / loss | 11.7 | 0.4 | 12.1 | (5.5) | (0.2) | (5.6) |
| **Benefit obligation at end of year** | **247.9** | **6.3** | **254.2** | **201.9** | **3.3** | **205.2** |

| Change in plan assets | Dec. 31, 2014 | | | Dec. 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | TOTAL | Pensions | Post-employment healthcare benefits | TOTAL |
| **Fair value of plan assets as of January 1** | **83.0** | **-** | **83.0** | **86.7** | **-** | **86.7** |
| Interest expense | 4.0 | - | 4.0 | 3.2 | - | 3.2 |
| Employer contributions | 5.6 | - | 5.6 | 5.0 | 0.2 | 5.2 |
| Employer direct benefit payments | 4.8 | 0.3 | 5.1 | 4.6 | - | 4.6 |
| Plan participants' contributions | 0.1 | - | 0.1 | 0.2 | - | 0.2 |
| Benefit payments from plan | (7.3) | - | (7.3) | (6.4) | (0.2) | (6.5) |
| Benefit payments from employer | (4.8) | (0.3) | (5.1) | (4.6) | - | (4.6) |
| Plan settlement | - | - | - | (5.9) | - | (5.9) |
| Expenses paid | (1.0) | - | (1.0) | (1.1) | - | (1.1) |
| Business combinations / divestitures / transfers | - | - | - | - | - | - |
| (Return) on plan assets (excluding interest income) | 4.9 | - | 4.9 | 4.4 | - | 4.4 |
| Exchange rate adjustment (gain) / loss | 9.4 | - | 9.4 | (3.2) | - | (3.2) |
| **Fair value of plan assets as of December 31** | **98.8** | **-** | **98.8** | **83.0** | **-** | **83.0** |

**Assumptions:**

Accounting for actuarial values is based on long-term interest rates, predicted future increases in salaries and rates of inflation. The main assumptions are presented below:

| | Dec. 31, 2014 | | Dec. 31, 2013 | |
|---|---|---|---|---|
| | Pensions | Post-employment healthcare benefits | Pensions | Post-employment healthcare benefits |
| Discount rate | 3.30% | | 4.30% | |
| Including: | | | | |
| US | 4.25% | 4.50% | 5.00% | 5.00% |
| Germany | 1.50% | | 3.10% | |
| Sweden | 2.75% | | 4.00% | |
| UK | 3.50% | | 4.40% | |
| Salary increases | 2.55% | | 3.03% | |
| Inflation | 2.02% | | 2.21% | |

Discount rates are determined by reference to rates of return for high-quality bonds. They are calculated on the basis of external indices commonly used as references:

- United States: iBoxx $ 15+ year AA
- Euro zone: iBoxx € Corporate AA 10+
- Sweden: bonds of Swedish companies
- United Kingdom: iBoxx £ 15+ year AA

**Allocation of plan assets by type of investment:**

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Equity | 49.6% | 48.5% |
| Bonds | 29.5% | 28.4% |
| Real Estate | 3.3% | 3.2% |
| Other | 17.6% | 19.8% |

All shares are listed on active markets. Assets in the “Other” category consist primarily of insurance contracts in Germany, for 8.9%. The remainder corresponds to cash and cash equivalent linked to pensions plans in the United States and Canada.

Expected employer contributions for 2015 amount to €10.1 million.

**Sensitivity to discount rate assumptions**

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Increase of 50 basis points** | | |
| Increase/(Decrease) in Defined Benefit Obligation | (16.9) | (12.5) |
| **Decrease of 50 basis points** | | |
| Increase/(Decrease) in Defined Benefit Obligation | 18.0 | 14.2 |

# NOTE 23 - PERSONNEL COSTS AND COMPENSATION OF SENIOR MANAGEMENT

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Wages and salaries | (510.0) | (507.5) |
| Pension costs | (11.7) | (9.5) |
| **Total Personnel costs** | **(521.7)** | **(517.0)** |
| Employees (average number) | **11,660** | **11,134** |

**Key management personnel compensation**

The key management personnel includes the members of the Executive Management Committee and the members of the Supervisory Board.
Key management personnel received the following compensation:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Short-term employee benefits | 7.2 | 7.1 |
| Post-employment benefits | | |
| Other long-term benefits | | |
| Employment agreement termination benefits | | |
| Share-based payments | 1.5 | 2.3 |
| **Total** | **8.7** | **9.4** |

Compensation of the Group's key management personnel includes salaries and non-cash benefits.

# NOTE 24 - SHARE-BASED PAYMENT TRANSACTIONS

**LONG-TERM INCENTIVE PLANS**

On December 22, 2011 a Long-Term Incentive Plan called "LTIP 2011" was created for selected key executives of the Group.

Ordinary shares were granted to the beneficiaries at the end of a two-year vesting period ending June 30, 2014. The grant was subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through June 30, 2014. This plan has been placed under IFRS2 treatment "share-based payment" (equity settled plan).

The fair market value of the shares granted on the first day of the plan was calculated as follows: 7 times adjusted EBITDA less net debt. On the basis of the Group's results of operations as of year-end 2011, this was estimated at €15 per share.

Income of €0.5 million was recorded in personnel costs in 2014 with respect to this plan (expense of €1.9 million as of December 31, 2013), with a counterpart in equity.

In July 2014, the final number of shares granted was 158,302. These shares are also subject to a two-year holding period. The granted shares can be freely sold by the recipients after July 2016 (note that the Group has not undertaken to repurchase these shares after 2016).

On December 17, 2012 a second Long-Term Incentive Plan, called "LTIP 2012" was implemented for selected key executives of the Group.

Ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period ending June 30, 2015. The grant is subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through June 30, 2015. This plan was classified in accordance with IFRS 2, "Share-Based Payment" (equity settled plan). The final amount to be granted will be determined in mid-2015 and the granted shares will not be subject to a holding period and may be freely sold immediately after being granted.

In 2015, the Group may decide instead to grant the cash equivalent of the shares, calculated at market value, since the Group is now listed.

The total number of shares to be granted is estimated at 185,790 as of December 31, 2014 (374,532 as of December 31, 2013). The fair market value at the time of the issuance of the plan is calculated as follows: 7 times EBITDA less net debt. This has been accordingly estimated at €23.5 per share based on December 31, 2012 figures.

Income of €0.1 million before tax was recognized in administrative expense in the P&L in 2014 relating to this plan (as compared with an expense of €3.5 million as of December 31, 2013), with a counterpart in equity.

On October 9, 2013, a new share-grant plan, the "LTIP 2013", was implemented for certain key executives of the Group.

The plan is generally subject to the same terms as the LTIP 2012.

Ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period ending June 30, 2016. The grant will be subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through June 30, 2016. This plan will be classified in accordance with IFRS2, "share-based payment" (equity settled plan). The final amount granted will be determined in mid 2016 and the granted shares will not be subject to a holding period and may be sold immediately after being granted.

The Group may decide in 2016 to grant, instead of shares, the equivalent value in cash calculated at the market price.

The total number of shares to be granted is estimated at 254,670 as of December 31, 2014 (406,112 as of December 31, 2013). The market value at the time of the issuance of the plan has been defined at the price of the Company's initial public offering on the Paris stock exchange on November 22, 2013, which was €29.00 per share.

The expense in 2014 amounts to €2.4 million before tax (€1.0 million in 2013), and has been booked as administrative expense in the P&L with a counterpart in equity.

# NOTE 25 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Exposure to interest rate, currency, liquidity and credit risk arises in the normal course of Tarkett's activities. Derivative financial instruments are used to reduce certain exposures to fluctuations in both foreign exchange and interest rates. Liquidity and credit risk are managed following risk management policies approved by the Group's executive board.

## 25.1 FINANCIAL MARKET RISKS

***Fair value of derivative financial instruments***

The Group uses derivative financial instruments for risk hedging purposes only, and accounts for them in accordance with hedge accounting rules. The fair values of the Group's derivative financial instruments are recorded on the balance sheet in "Other financial liabilities, current" for derivatives hedging future cash flows, and in the relevant accounts for derivatives hedging recorded items.

The totals are as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Currency swaps | 0.2 | (0.2) |
| Forward exchange contracts | (0.5) | - |
| Options | 0.1 | (0.1) |
| **Total currency derivatives** | **(0.2)** | **(0.3)** |
| Cash flow hedges | (0.9) | (2.0) |
| **Total interest rate derivatives** | **(0.9)** | **(2.0)** |

### 25.1.1 INTEREST RATE RISK

The Group manages its exposure to interest rate risk centrally. The Group's general debt strategy is to give preference to variable interest rate debt over fixed interest rate debt, but also to protect a part of the debt over a period of three to five years against a rate increase that could result in extensive damage. The hedging tools used are mainly cap or tunnel type derivatives. In certain circumstances, swaps have been entered into to fix rates. The interest rate derivatives outstanding at closing are all purposed for cash flow hedging and none is purposed for fair value hedging.

Following is the interest rate structure of the Group's net debt before and after application of interest rate hedges. Net debt is defined as interest-bearing loans minus cash and cash equivalents.

Before interest rate hedge:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Fixed rate debt | 1.5 | 2.0 |
| Floating rate debt | 729.0 | 523.7 |
| Cash and cash equivalents | (135.1) | (96.7) |
| **Net Debt** | **595.4** | **429.0** |

After interest rate hedge:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Fixed rate debt | 1.5 | 2.0 |
| Capped floating rate debt | 178.8 | 167.0 |
| Floating rate debt | 550.2 | 356.7 |
| Cash and cash equivalents | (135.1) | (96.7) |
| **Net Debt** | **595.4** | **429.0** |

***Interest rate derivatives***

The financial instruments hedging floating rate debt are classified as cash flow hedges and recognized at fair value. At the balance sheet date, they represented a total notional amount of €178.8 million, maturing over the next four years. Their fair value is calculated using the market rates prevailing at the balance sheet date as obtained from financial service companies. The fair value of the Group's interest rate cash flow hedges at the balance sheet date amounted to a latent liability of €1.0 million (as compared with a liability of €2.0 million in 2013). The net effect of their variations on the period's income statement represents a gain of €1.0 million (as compared with a charge of €0.4 million in 2013).

***Sensitivity analysis***

The Group's income statement is exposed to risk from the fluctuation of interest rates on its interest-bearing financial instruments. Further, the interest rate derivatives qualified as cash flow hedges have an impact on equity.

Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative financial instruments. Non-derivative financial instruments are the interest-bearing borrowings net of cash and cash equivalents, and net of interest-bearing loans granted to third parties or joint ventures. The analysis is based on the assumptions of constant debt and constant debt management policy over one year, using indebtedness and market rates as of December 31, 2014.

On those bases, a simultaneous 1% increase in all interest rates would lead to an increase of €5.2 million in financial expenses before tax (as compared with a charge of €3.5 million in 2013), and a decrease of 1% or to 0%, where applicable, would lead to a decrease of €0.8 million in financial expenses before taxes (as compared with a charge of €0.7 million in 2013).

### 25.1.2 EXCHANGE RATE RISK

***Transaction risk***

Exchange rate fluctuations have a direct impact on the Group's consolidated financial statements, derived from transactions regarding Group entities that incur revenues and expenses in currencies other than their functional currency.

The Group has attempted to develop its production capacities in the same geographic and monetary areas where it distributes its products. Moreover, through the choice of the invoicing currency for certain intra-Group transactions, the Group aims to offset revenues with costs in the same currency. In certain unstable currency countries, the Group may also offset the local currencies fluctuations with price indexations. Therefore the remaining exposure on cross-border transactions is moderate. The currencies to which the Group is most exposed are the US dollar, the British pound, the Australian dollar, the Norwegian crown, the Polish zloty, the Russian ruble and the euro as a foreign currency for certain subsidiaries, in particular Swedish, Russian, and Serbian subsidiaries.

The Group has attempted to reduce the impact of short-term fluctuations of currencies on its revenue through centralized management of exchange risks and the use of derivatives. Nevertheless, in the long-term, significant and long lasting variations in exchange rates could affect the Group's competitive position in foreign markets, as well as its results of operations.

The Group's policy is to hedge approximately 75% of its remaining net estimated exposure. This exposure includes exposure recorded on the balance sheet, namely all recognized trade receivables, trade payables and borrowings denominated in a foreign currency, and unrecorded exposure, which consists of forecast sales and purchases over a six-month period.

***Foreign exchange exposures and derivatives***

As of the balance sheet date, the exposure recorded in the balance sheet in the main currencies hedged with derivatives, and the nominal amount of the derivatives hedging such recorded exposures, are as follows:

| Currency of Exposure | Dec. 31, 2014 | | | | Dec. 31, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | USD | GBP | AUD | EUR | USD | GBP | AUD | EUR |
| Financial receivables and liabilities | 66.3 | (5.3) | 1.0 | (9.6) | 134.4 | (3.9) | - | 13.0 |
| Trade receivables and payables | 0.2 | 1.2 | 2.6 | 3.7 | 3.5 | 2.4 | 2.1 | 3.4 |
| Nominal amount of derivatives | (64.7) | 4.5 | (3.0) | 9.6 | (133.3) | 1.4 | (2.3) | (13.4) |
| **Net recorded exposure to main currencies** | **1.9** | **0.4** | **0.6** | **3.8** | **4.6** | **(0.1)** | **(0.2)** | **3.0** |

Tarkett uses forward exchange contracts and options when hedging with derivatives its exposure to foreign currency risk in respect of both recognized receivables and payables and forecast transactions that may cover a forward six-month period. When necessary, forward exchange contracts are rolled over.

The Tarkett Group classifies the currency hedging contracts covering operating transactions as cash flow hedges and records them at fair value in the balance sheet. The fair value of these contracts at the balance sheet date amounted to an unrealized liability of €0.5 million (as compared with an unrealized asset of €0.05 million in 2013). Of this fair value, the amount reported directly in equity is an unrealized liability of €0.6 million (as compared with an unrealized liability of €0.1 million in 2013). The difference is recognized in the income statement and represents the change in the time value of currency options hedging forecast transactions and in the fair value of forward contracts or options hedging recognized transactions.

The effect on the income statement of the change in value of these contracts is income of €0.2 million (as compared with income of €0.5 million in 2013), and all the potential gains and losses reported directly in equity are expected to enter into the determination of profit and loss of the coming 12 months.

**Monetary items denominated in foreign currencies**

When financing its foreign subsidiaries, the Group incurs exposure to foreign currency risk on intra-group loans and borrowings denominated in foreign currencies. The Group minimizes this risk either (i) by borrowing in the same currency or (ii) by entering into currency swaps or forwards reflecting the maturity of the hedged item, with the aim that fluctuations in the swaps' fair values will offset, in profit or loss, the foreign exchange gains and losses arising from conversion of the hedged monetary items. At December 31, 2014, the main financial exposures so covered are the euro against the US dollar for €66.3 million, against the Polish zloty for €21.4 million, against the British pound for €5.3 million and against the Swedish crown for €13.1 million. The fair value of these contracts at the balance sheet date amounted to a latent gain of €0.2 million.

## 25.2 LIQUIDITY RISKS

### 25.2.1 FUTURE CASH FLOWS ON FINANCIAL INSTRUMENTS

The following table shows the estimated future cash flows on interest-bearing loans and borrowings recorded as liabilities on the balance sheet.

The estimate of the future cash flows on interests is based on the forecast debt amortization, and the future floating rate interests are calculated on the assumption of a crystallization of the interest rates outstanding as of the closing date, except if a better estimate is available.

| Interest-bearing loans | Dec. 31, 2014 | | Less than 12 months | | 2 years | | 3 to 5 years | | More than 5 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total future cash flows | Carrying amount | Interest | Carrying amount | Interest | Carrying amount | Interest | Carrying amount | Interest |
| **Total interest-bearing loans** | | | | | | | | | | |
| Bank loans | 725.8 | 762.6 | 36.9 | 12.0 | 237.5 | 9.8 | 451.4 | 15.0 | - | - |
| Bonds | - | - | - | - | - | - | - | - | - | - |
| Other loans | 0.3 | 0.3 | 0.2 | - | 0.1 | - | - | - | - | - |
| Bank overdrafts | 2.8 | 2.8 | 2.8 | - | - | - | - | - | - | - |
| Finance leases | 1.6 | 1.6 | 0.3 | - | 0.3 | - | 0.9 | - | 0.1 | - |
| **Total** | **730.5** | **767.3** | **40.2** | **12.0** | **237.9** | **9.8** | **452.3** | **15.0** | **0.1** | **-** |
| **Other financial liabilities** | | | | | | | | | | |
| Trade payables | 224.4 | 224.4 | 224.4 | - | - | - | - | - | - | - |
| Other financial liabilities non-current | 3.8 | 3.8 | - | - | 0.5 | - | 3.2 | - | 0.1 | - |
| Other financial liabilities current | 5.3 | 5.3 | 5.3 | - | - | - | - | - | - | - |
| **Total** | **233.5** | **233.5** | **229.7** | **-** | **0.5** | **-** | **3.2** | **-** | **0.1** | **-** |
| **TOTAL FINANCIAL LIABILITIES** | **964.0** | **1,000.8** | **269.9** | **12.0** | **238.4** | **9.8** | **455.5** | **15.0** | **0.2** | **-** |

| Interest-bearing loans | Dec. 31, 2013 | | Less than 12 months | | 2 years | | 3 to 5 years | | More than 5 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Total future cash flows | Carrying amount | Interest | Carrying amount | Interest | Carrying amount | Interest | Carrying amount | Interest |
| **Total interest-bearing loans** | | | | | | | | | | |
| Bank loans | 521.6 | 562.0 | 22.7 | 10.2 | 33.8 | 9.4 | 465.1 | 20.8 | - | - |
| Bonds | - | - | - | - | - | - | - | - | - | - |
| Other loans | 0.4 | 0.4 | 0.1 | - | 0.1 | - | 0.2 | - | - | - |
| Bank overdrafts | 1.1 | 1.1 | 1.1 | - | - | - | - | - | - | - |
| Finance leases | 2.6 | 2.6 | 0.6 | - | 0.6 | - | 1.2 | - | 0.2 | - |
| **Total** | **525.7** | **566.1** | **24.5** | **10.2** | **34.5** | **9.4** | **466.5** | **20.8** | **0.2** | **-** |
| **Other financial liabilities** | | | | | | | | | | |
| Trade payables | 219.8 | 219.8 | 219.8 | - | - | - | - | - | - | - |
| Other financial liabilities non-current | 4.7 | 4.7 | - | - | 0.6 | - | 3.7 | - | 0.4 | - |
| Other financial liabilities current | 5.0 | 5.0 | 5.0 | - | - | - | - | - | - | - |
| **Total** | **229.6** | **229.6** | **224.9** | **-** | **0.6** | **-** | **3.7** | **-** | **0.4** | **-** |
| **TOTAL FINANCIAL LIABILITIES** | **755.3** | **795.7** | **249.4** | **10.2** | **35.1** | **9.4** | **470.2** | **20.8** | **0.6** | **-** |

### 25.2.2 LIQUIDITY POSITION

As of the balance sheet date, consolidated net debt is €595.4 million. The Group's debt capacity is €1,150.8 million, used in the amount of €730.6 million (see Note 16). Including cash and cash equivalents, the Group’s liquidity position amounts to €555.4 million, and is enough to cover the financial obligations related to the current net debt.

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Amount available on credit facilities | 420.3 | 642.3 |
| Cash and cash equivalents | 135.1 | 96.7 |
| **Total** | **555.4** | **739.0** |

The €450.0 million syndicated facility and the €100.0 million and US$40.0 million term loans contain obligations which are all based on the main following covenants:

- the ratio to Net debt to EBITDA (as defined in the credit agreements) must be lower than 3.0;
- the ratio of EBITDA to net interest expense (as defined in the credit agreements) must be higher than 2.5;
- cross-acceleration above certain materiality thresholds and material adverse change clauses.

As of December 31, 2014, the Group is in compliance with these covenants (see Note 16.4).

## 25.3 CREDIT RISK

Credit risk represents the risk of financial loss for the Group in the event that a counterparty to a financial instrument defaults in paying its contractual obligations.

The financial assets potentially bearing this risk are mainly:

- cash deposits;
- financial derivatives;
- accounts receivable;
- loans granted.

The maximum potential credit risk on the financial assets is equal to their net accounting value less the indemnification receivable from credit insurance.

### 25.3.1 CUSTOMER CREDIT RISK

The Group believes that its exposure to counterparty risk is limited, because of its large number of customers, its dispersion in many geographical areas, and its follow-up policy. The Group has established a credit policy that includes, among other things, a credit limit for each customer, collections processes, and a computer-aided credit scoring and customer payment behavior follow-up.

The total of receivables overdue over 60 days amounts to 9.3% of the total amount of accounts receivables as of December 31, 2014 (8.3% of the total amount of accounts receivables as of December 31, 2013).

The Group believes that there is no need to assume that there is risk on outstanding receivables less than 60 days overdue.

With respect to outstanding receivables that are more than 60 days overdue, the Group believes that risks are limited given existing procedures for customer risk management (as detailed above).

### 25.3.2 CREDIT RISK MANAGEMENT ON EQUITIES AND DERIVATIVES

The counterparties to the Group's financial derivatives are leading banks or state-owned banks, all of which have business relationships with the Group for debt or cash management. The Group's policy with regard to investments and cash deposits is to only invest in liquid securities and only with the leading credit institutions in the countries where the investments are made.

The Group is not exposed to a material risk due to any significant concentration, and does not anticipate any counterparty default.

The effect of Credit and Debit Valuation Adjustments (CVA/DVA) on the measurement of the fair value of the derivative financial instruments was not material as at the closing date and was therefore not booked.

| Dec. 31, 2014 | Gross amounts as presented in the balance sheet | Impact of offsetting rules | Net amount |
|---|---|---|---|
| Fair value of derivative assets | 1.1 | (1.1) | - |
| Fair value of derivative liabilities | (2.3) | 1.1 | (1.2) |
| **Total** | **(1.2)** | **-** | **(1.2)** |

| Dec. 31, 2013 | Gross amounts as presented in the balance sheet | Impact of offsetting rules | Net amount |
|---|---|---|---|
| Fair value of derivative assets | 0.6 | (0.6) | - |
| Fair value of derivative liabilities | (2.9) | 0.6 | (2.3) |
| **Total** | **(2.3)** | **-** | **(2.3)** |

## 25.4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

| Dec. 31, 2014 | Fair Value Category | Hedging Derivatives | Assets designatived at fair value through profit and loss | Loans and receivables | Liabilities at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| Non current financial assets valued at amortized value | Level 2 | - | - | 17.9 | - | **17.9** | **17.9** |
| Non current financial assets valued at fair value | Level 2 | 1.1 | 9.8 | - | - | **10.9** | **10.9** |
| Accounts receivable | | - | - | 312.0 | - | **312.0** | **-** |
| Cash and cash equivalents | Level 2 | - | 135.1 | - | - | **135.1** | **135.1** |
| Interest-bearing loans and borrowings | Level 2 | - | - | - | 730.5 | **730.5** | **730.5** |
| Other financial liabilities, non-current | Level 2 | - | - | - | 3.8 | **3.8** | **4.3** |
| Other financial liabilities, current | Level 2 | 2.3 | - | - | 3.0 | **5.3** | **5.3** |
| Accounts payable | | - | - | - | 224.4 | **224.4** | **-** |
| Assets held for sale | | - | - | - | - | **-** | **-** |

| Dec. 31, 2013 | Fair Value Category | Hedging Derivatives | Assets designatived at fair value through profit and loss | Loans and receivables | Liabilities at amortized cost | Carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| Non current financial assets valued at amortized value | Level 2 | - | - | 7.6 | - | **7.6** | **7.6** |
| Non current financial assets valued at fair value | Level 2 | 0.7 | 19.2 | - | - | **19.9** | **19.9** |
| Accounts receivable | | - | - | 279.7 | - | **279.7** | **-** |
| Cash and cash equivalents | Level 2 | - | 96.7 | - | - | **96.7** | **96.7** |
| Interest-bearing loans and borrowings | Level 2 | - | - | - | 525.7 | **525.7** | **525.7** |
| Other financial liabilities, non-current | Level 2 | - | - | - | 4.7 | **4.7** | **4.7** |
| Other financial liabilities, current | Level 2 | 3.1 | - | - | 1.9 | **5.0** | **5.0** |
| Accounts payable | | - | - | - | 219.8 | **219.8** | **-** |

# NOTE 26 - LEASE COMMITMENTS

The Group's operating lease commitments are mainly commitments for buildings, vehicles, computer hardware and software, and offices.

Future minimum rental commitments under operating leases with initial or remaining non-cancellable terms in excess of one year, are summarized below:

| Operating leases | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| Less than 1 year | 20.9 | 13.6 |
| 1 to 5 years | 32.2 | 21.9 |
| More than 5 years | 3.5 | 3.4 |
| **Total future minimum lease payments** | **56.5** | **38.9** |

# NOTE 27 - OTHER CONTINGENCIES

***Asbestos***

In the United States, the Group has been a defendant in lawsuits by third parties relating to personal injury from asbestos. Expected costs of the current or future cases are covered by Group's insurances, sellers' guarantees granted by third-parties and by provisions that management, based on the advice and information provided by its legal counsel, considers to be sufficient.

***Guarantees***

Tarkett:

- has granted a General Indemnity Agreement of a maximum amount up to $75.0 million in favor of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of Fieldturf Tarkett Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total $75.6 million;
- has provided its guarantee on 50% of a credit facility of up to €10.0 million granted to its joint venture subsidiary Laminate Park GmbH & Co KG;
- has provided its guarantee to Swedish pension insurer Pri-Pensionsgaranti to secure the pensions commitments of Tarkett AB for an amount of SEK 173.1 million;
- has provided its guarantee to a raw materials supplier of its subsidiary Morton Extrusion Technik to secure its payables up to €5.0 million;
- has provided its guarantee to Tarkett Finance Inc. in order to permit it to become an additional lender on the Syndicated Revolving Credit Facility signed on June 27, 2011 up to a maximum amount of $100.0 million;
- has provided its guarantee as parent company to the lending bank of an asset backed facility of €55.0 million to the extent that this facility, aimed to finance the Group, was subscribed by its subsidiary Tarkett France SAS for technical reasons. Tarkett has also provided its guarantee as parent company to the banks of Tarkett Limited (UK) and Poligras (Spain) to secure technical overdraft facilities for these companies, for a total amount of €3.9 million.
- Furthermore, in the ordinary course of business, Tarkett and several of the Group's subsidiaries have given payment guarantees to various suppliers, customers, government offices, lessors, and cash pooling or trade finance operators. These guarantees are not material either individually or in the aggregate.

***Other***

In late March 2013, the "Autorité de la concurrence" (French Competition Authority) began an investigation against several flooring manufacturers, including Tarkett, in relation to possible anti-competitive practices in the French market for vinyl flooring.

The investigations remain ongoing. The timing of their finalization is currently not known and it is not yet possible to evaluate their potential outcome.

# NOTE 28 - RELATED PARTIES

In compliance with IAS 24, the Group has identified the following related parties:

1. Joint ventures;
2. The Group's principal shareholders, the Société d'Investissement Deconinck ("SID") SA and KKR International Flooring 2 SARL;
3. The members of Tarkett's Management Board and Supervisory Board.

Transactions entered into during the first half of the year with the Group's joint ventures and principal shareholders are detailed below.

## 28.1 Joint ventures

All transactions between fully consolidated entities are eliminated in consolidation.

Transactions with related entities and jointly held entities are entered into on arm's length terms.

Joint ventures

The Group has only one joint venture, Laminate Park GmbH & Co KG in Germany, which is held jointly with Sonae Industria.

The Group's transactions with its joint venture may be summarized as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 |
|---|---|---|
| **Joint ventures** | | |
| Sale of goods to Tarkett | 29.7 | 32.9 |
| Purchase of services from Tarkett | (1.7) | (2.1) |
| Loans from Tarkett | 9.2 | 14.2 |

## 28.2 Principal shareholders

Société Investissement Deconinck holds 50.2% of Tarkett's share capital and as such, controls and coordinates the Group's activities. Tarkett is party to a management services agreement with SID, with the services remunerated on the basis of the actual costs incurred by SID.

As of December 31, 2014, SID had invoiced a total of €0.5 million in fees under the assistance agreement (as compared with €0.6 million as of December 31, 2013).

As of December 31, 2014, Tarkett had invoiced a total of €0.1 million to SID in services (as compared with no amounts invoiced by Tarkett to SID in 2013).

KKR International Flooring 2 SARL (KKR) holds 21.5% of Tarkett's share capital and as such, has significant influence. SID and KKR are contractually bound by a shareholders' agreement.

In 2013, KKR International Flooring 2 SARL invoiced a total of €0.6 million in fees under the assistance agreement. This agreement was terminated in 2013.

# NOTE 29 - SUBSEQUENT EVENTS

As of the date hereof, there are no material subsequent events to be disclosed.

# NOTE 30 - PRINCIPAL CONSOLIDATED ENTITIES

| Companies | Country | Consolidation method | % ownership as of Dec. 31, 2014 | % ownership as of Dec. 31, 2013 |
|---|---|---|---|---|
| G: Fully consolidated<br>E: Accounted for using the equity<br>NC: Not consolidated | | | | |
| Tarkett AB | Sweden | G | 100% | 100% |
| Tarkett AS | Norway | G | 100% | 100% |
| Tarkett OY | Finland | G | 100% | 100% |
| Tarkett Belux | Belgium | G | 100% | 0% |
| Tarkett INC. (Delaware) (TKT) | US | G | 100% | 100% |
| Tarkett Australia Pty. Ltd. | Australia | G | 100% | 100% |
| Tarkett A/S | Denmark | G | 100% | 100% |
| Tarkett Polska Sp.z.o.o. | Poland | G | 100% | 100% |
| Tarkett Jaslo | Poland | G | 100% | 0% |
| Fademac | Brazil | G | 100% | 100% |
| Tarkett Aspen Zemin AS | Turkey | G | 70% | 70% |
| Tarkett Flooring Mexico | Mexico | G | 100% | 0% |
| Laminate Park GmbH & Co KG | Germany | E | 50% | 50% |
| Tarkett Holding GmbH | Germany | G | 100% | 100% |
| Tarkett | France | Parent company | 100% | 100% |
| Tarkett Services | France | G | 100% | 100% |
| Tarkett GDL SA | Luxembourg | G | 100% | 100% |
| Tarkett Capital SA | Luxembourg | G | 100% | 100% |
| Tarkett SpA | Italy | G | 100% | 100% |
| Tarkett - Produtos Internacion | Portugal | G | 100% | 100% |
| Tarkett Monoprosopi Ltd. | Greece | G | 100% | 100% |
| Tarkett Floors S.A. Spain | Spain | G | 100% | 100% |
| Tarkett Asia Pacific Ltd. | Hong Kong | NC | 0% | 100% |
| Tarkett Hong Kong Ltd. | Hong Kong | G | 100% | 70% |
| Tarkett Floor Covering Co, Ltd | China | G | 100% | 70% |
| Tarkett Industrial Co, Ltd | China | G | 100% | 0% |
| Tarkett France | France | G | 100% | 100% |
| Tarkett Bois SAS | France | G | 100% | 100% |
| Fieldturf Tarkett SAS | France | G | 100% | 0% |
| Tarkett Inc. | Canada | G | 100% | 100% |
| ZAO Tarkett | Russia | G | 100% | 100% |
| ZAO Tarkett Rus | Russia | G | 100% | 100% |
| Tarkett Sommer OOO | Russia | G | 100% | 100% |
| Tarkett d.o.o. | Serbia | G | 100% | 100% |
| Tarkett SEE | Serbia | G | 100% | 100% |
| Tarkett UA | Ukraine | G | 100% | 100% |
| Tarkett Kazakhstan | Kazakhstan | G | 100% | 100% |
| Tarkett Kft | Hungary | G | 100% | 100% |
| Tarkett Bel | Belarus | G | 100% | 100% |
| Fieldturf Poligras SA | Spain | G | 100% | 100% |
| M.E.T. GmbH | Germany | G | 100% | 100% |
| Fieldturf Benelux BV | Netherlands | G | 100% | 0% |
| Desso BV | Netherlands | G | 100% | 0% |
| Desso Holding BV | Netherlands | G | 100% | 0% |
| Desso BV | Belgium | G | 100% | 0% |
| Tarkett Ltd. | Great Britain | G | 100% | 100% |
| Somalré | Luxembourg | G | 100% | 100% |
| Sintelon RS | Serbia | G | 100% | 100% |
| Sintelon doo | Serbia | G | 100% | 100% |

| Companies | Country | Consolidation method | % ownership as of Dec. 31, 2014 | % ownership as of Dec. 31, 2013 |
|---|---|---|---|---|
| Galerija Podova | Serbia | G | 100% | 100% |
| Galerija Podova - Sintelon | Bosnia | G | 100% | 100% |
| Sintelon UA | Ukraine | G | 100% | 100% |
| Vinisin | Ukraine | G | 100% | 100% |
| Tandus Centiva Inc | US | G | 100% | 100% |
| Nova Scotia Ltd | Canada | G | 100% | 100% |
| Tarkett Flooring Singapore | Singapore | G | 100% | 100% |
| Tandus Centiva US LLC | US | G | 100% | 100% |
| CAF Extrusion LLC | US | NC | 0% | 100% |
| Tandus Centiva Limited | Canada | G | 100% | 100% |
| Tandus Flooring Suzhou Co. Ltd. | China | G | 100% | 100% |
| Tandus Centiva GP | Canada | G | 100% | 100% |
| Tandus Flooring India | India | G | 100% | 100% |
| Tarkett Enterprises Inc. | US | G | 100% | 100% |
| Domco Products Texas Inc. (AZR) | US | G | 100% | 100% |
| Tarkett Alabama Inc. (NAF) | US | G | 100% | 100% |
| Tarkett Finance Inc. | US | G | 100% | 100% |
| Tarkett USA Inc. (DUS) | US | G | 100% | 100% |
| Texas Tile Manufacturing LLC | US | G | 100% | 100% |
| Tarkett IFA Inc. | US | NC | 0% | 100% |
| Fieldturf Inc. | Canada | G | 100% | 100% |
| L.E.R. Inc. | US | G | 100% | 0% |
| Easy Turf | US | G | 51% | 51% |
| Beynon Sport Surfaces Inc. | US | G | 100% | 100% |
| Fieldturf Tarkett USA Holding | US | G | 100% | 100% |
| Fieldturf USA Inc. | US | G | 100% | 100% |
| Johnsonite Inc. | US | NC | 0% | 100% |
| Johnsonite Canada Inc. | Canada | G | 100% | 100% |
| Diamond W | US | G | 100% | 100% |

The percentages of equity and voting rights held for each entity of the Group are identical. They include put options, where applicable.