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Tarkett

Société anonyme with Management Board and Supervisory Board with a share capital of €318 613 480 Registered office: Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense 352 849 327 RCS Nanterre

2017 Registration Document



The French version of this Registration Document was filed with the French financial markets authority (Autorité des marchés financiers – AMF) on March 21, 2018, pursuant to Article 212-13 of the AMF's General Regulations.

It may only be used in connection with a corporate finance transaction when accompanied by a prospectus approved by the AMF. The English language version of this report is a free translation of the original, which was prepared in French.

Copies of this Registration Document are available free of charge at Tarkett, 1 Terrasse Bellini – Tour Initiale – TSA 94200 – 92919 Paris La Défense Cedex, France, as well as on its website (www.tarkett.com).

Tarkett at a glance

A world leader in flooring and sports surface solutions

We are committed to designing innovative solutions to make a positive impact on people and the planet. Because our floors are part of people's daily lives, we collaborate with our customers to create living spaces that combine wellbeing, health, performance and design. With a history stretching back more than 130 years, Tarkett is a world leader in flooring and sports surface solutions.

A BROAD RANGE OF SOLUTIONS

We offer our customers - architects, installers, distributors... - one of the largest portfolios of flooring and sports surface solutions, and we share with them our expertise on multiple market segments.





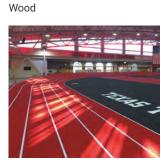












Laminate

Rubber & Accessories

Linoleum

Artificial Turf

Athletics Tracks







HEALTH CARE & STORES & AGED CARE



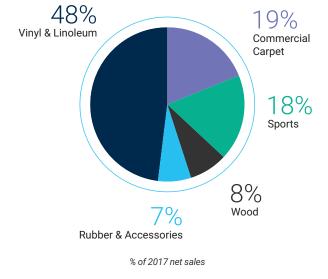






SHOPS





TARKETT WORLDWIDE 24 R&D laboratories — 1 research & innovation center — 4 design centers — 34 industrial sites — 7

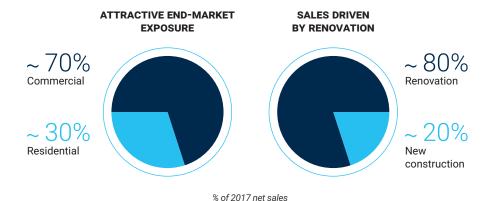
€2.8 billion

2017 net sales

 $\sim 13,000$

NI₀ 1

in vinyl worldwide



1.3 million square meters of flooring sold every day in over 100 countries

OUR COMMITMENT: "DOING GOOD. TOGETHER."

Doing Good means connecting our sustainability efforts with what our customers value and our world needs, in collaboration with all our stakeholders: healthy living spaces and wellness, responsible stewardship of resources of our planet and climate change.



recycling centers

Eco-design by applying Cradle to Cradle® principles.



Build a circular economy business model.



Contribute to global debates and combat climate change.

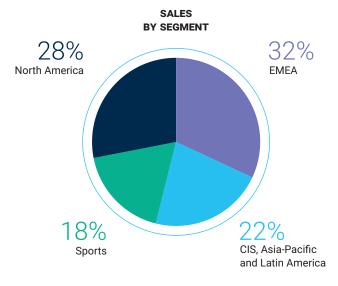




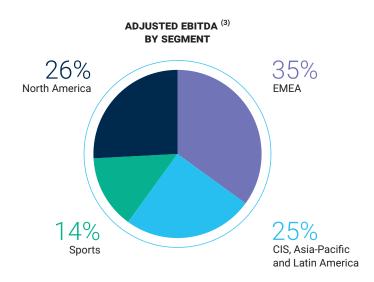
Contribute to the Sustainable Development Goals defined by the United Nations.

Tarkett in figures

Tarkett benefits from its global geographical presence and balanced economic model, which reinforce the stability and robustness of the Group.



% of 2017 net sales



In 2017, Tarkett experienced robust organic growth of 4.8%⁽¹⁾, driven by the Sports segment and the CIS, Latin America and Asia-Pacific segment, as well as good momentum across the entire EMEA region. In the fourth quarter of 2017, all the Group's segments showed a positive organic growth, confirming the positive trend in all business activities.

Adjusted EBITDA⁽²⁾ amounted to €315 million (compared with €334 million in 2016). The Group has implemented measures aimed at offsetting the unfavorable impacts of exchange rates and the rise in raw materials prices, which weighted on the 2017 EBITDA margin (11.1% compared with 12.2% in 2016).

In addition, the Group continues to invest (circa 5% of net sales in 2018) to support its long-term growth strategy and optimize its operations.

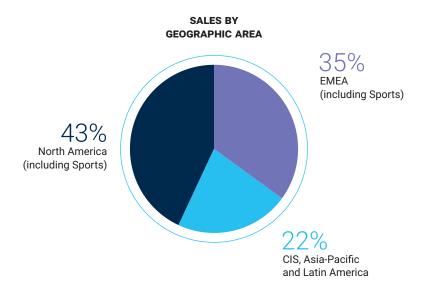
⁽¹⁾ Organic growth: at constant consolidation scope and exchange rates (NB: in the CIS region, price increases aimed at offsetting exchange rate fluctuations are not included in organic growth, which only reflects volume and price effects).

⁽²⁾ Adjusted EBITDA: adjustments include expenses relating to restructuring, acquisitions and other non-recurring items.

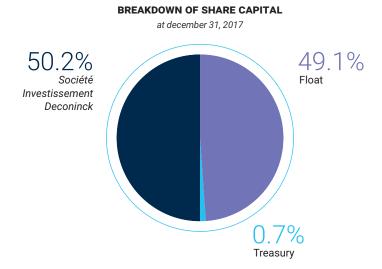
⁽³⁾ Excluding central costs.

⁽⁴⁾ Reported sales.

⁽⁵⁾ Net profit attributable to owners of the Company.



% of 2017 net sales



Tarkett is listed on the regulated market of Euronext and is included in the following indexes: SBF 120, CAC MID 60 (compartment 1, ISN code FR0004188670, mnemonic code: TKTT).

A stable dividend of €0.60 per share will be proposed at the Annual General Meeting on April, 26th 2018.



Governance

Executive Committee and Management Board

Led by Glen Morrison, CEO, Tarkett's Executive Committee is composed of 11 experienced leaders. This international and entrepreneurial leadership team shares common Group interest and values, while ensuring operational agility thanks to a decentralized organization.

Glen Morrison⁽¹⁾ 1 Chief Executive Officer

Fabrice Barthélemy⁽¹⁾ 2 President Tarkett EMEA and LATAM

Wendy Kool-Foulon 3 Group General Counsel

Éric Daliere 4
President Tarkett Sports

Gilles Lebret (5)
VP Customer Operations and Group CIO

Anne-Christine Ayed 6
EVP Research, Innovation and Environment

Antoine Prevost 7
EVP Operations

Slavoljub Martinovic® President Tarkett Eastern Europe

Raphaël Bauer 9 Group Chief Financial Officer Sharon MacBeath⁽¹⁾ 10 EVP Human Resources and Communications

Andrew Bonham President Tarkett North America⁽²⁾





⁽¹⁾ Members of Tarkett's Management Board

⁽²⁾ President Tarkett North America since March 2018

Supervisory Board

Tarkett's Supervisory Board is composed of nine members, five of whom represent the Deconinck family, the majority shareholder, the remaining four members being independent. The Board complies with standards and regulations regarding the proportion of independent members, women, and diversity of expertise.



Éric La Bonnardière Deconinck family Chairman as of April 2018⁽³⁾ Member since 2015



Didier Deconinck Vice-Chairman as of April 2018⁽³⁾ Member since 2001



Éric Deconinck Member since 2001



Julien Deconinck Member since 2018⁽³⁾



Agnès Touraine Member since 2016



Jacques Garaïalde Member* since 2007



Françoise Leroy Member* since 2013



Sabine Roux de Bézieux Member* since 2017



Guylaine Saucier Member* since 2015

Audit, risks and compliance Committee:

- Guylaine Saucier (Chair)*
- Françoise Leroy
- Éric La Bonnardière

Observers:

- Bernard-André Deconinck(3)
- Nicolas Deconinck

Nominations, compensations and governance Committee:

- Françoise Leroy (Chair)*
- Sabine Roux de Bézieux
- Agnès Touraine

^{*} Independent Member

 $^{^{(3)}}$ As of April 2018, subject to the final vote at the Annual General Meeting

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1.1 Overview

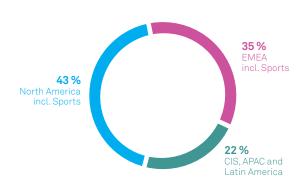
1.1.1 The Group's business

With more than 130 years of experience, Tarkett is a worldwide leader in innovative flooring and sports surface solutions.

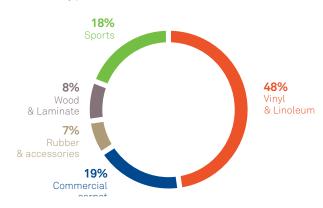
Tarkett offers one of the widest ranges of flooring solutions in the industry. With experienced teams and sales in more than 100 countries, the Group has acquired extensive knowledge and an excellent understanding of customer cultures, tastes and requirements, local regulations, and the use of flooring in each country.

With 34 industrial sites and customer service centers located close to the local markets, Tarkett is able to offer highly flexible solutions to meet customers' specific needs.

Net sales by geographies



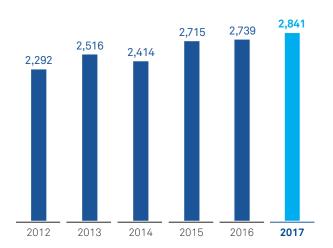
Net sales by products



1.1.2 Key figures

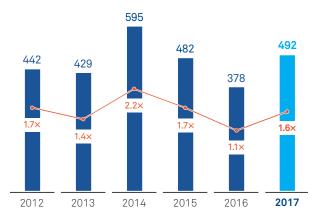
The financial data presented below is derived from the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2017, prepared in accordance with IFRS as adopted by the European Union, which are included in Section 5.1, "Consolidated Financial Statements for the year ended December 31, 2017". The Consolidated Financial Statements for the year ended December 31, 2017 were audited by the Company's Statutory Auditors. The Statutory Auditors' Report is included in Section 5.9, "Statutory Auditors' Report on the Consolidated Financial Statements".

Net sales (in € millions)



Net Financial Debt

(in \in millions and net debt ratio (1))



(1) Net Debt/Adjusted EBITDA.

The financial information shown below should be read in conjunction with (i) the Group's audited Consolidated Financial Statements for the year ended December 31, 2017 as presented in Section 5.1, "Consolidated Financial Statements for the year ended December 31, 2017"; (ii) the analysis of the Group's financial condition and results presented in Section 4.1, "Key figures"; and (iii) the analysis of the Group's net financial debt and net equity presented in Section 4.3, "Liquidity and Capital Resources".

Adjusted EBITDA

(in € millions and as a % of net sales)



Group headcount

(as of December 31, including temporary employees and excluding Laminate Park)



(in millions of euros)	December 31, 2017	December 31, 2016
Consolidated results		
Net revenue Organic growth	2,841.1 + 4.8%	2,739.3 + 1.7%
Adjusted EBITDA % of net sales	315.1 11.1%	334.4 12.2%
Adjusted EBIT % of net sales	196.3 6.9%	213.7 7.8%
EBIT % of net sales	12.7 0.4%	190.7 7.0%
Net Income – Group Share	(38.7)	118.6
Dividends per share (in euros)	0.60(1)	0.60
Return on invested capital (ROIC) (2)	8.9%	9.3%
Consolidated financial position		
Shareholder Equity	780.6	935.2
Net debt (2)	491.8	378.2
Balance sheet total	2,133.1	2,168.2
Consolidated cash flow		
Cash generated from operations	91.1	297.3
Capital expenditures	(110.9)	(91.5)
Net operating cash flow (2)	(19.8)	205.8
Free cash flow (2)	(65.4)	148.0
Market capitalization on December 31st	2,229	2,172
Headcount on December 31st	12,654	12,428

⁽¹⁾ Amount submitted to the Annual General Meeting of April 26, 2018.
(2) See Chapter 4, Note 4.7.

1.2 Company Background

The Group takes its name from Tarkett AB, its Swedish subsidiary that began its operations in the late 19th century.

The Group was formed in 1997 through the merger of the French company Sommer Allibert S.A. and Tarkett AG (which were at the time listed on the Paris and Frankfurt Stock Exchanges, respectively). Sommer Allibert S.A. was itself the result of the merger of two French companies created in the early 20th century. The members of the Deconinck family, who own SID (Société d'Investissement Deconinck), the majority shareholder of the Group, are the heirs of Mr. Allibert, the founder of one of these companies.

Beginning in 1997, the Group gradually sold off its non-flooring businesses, in particular Sommer Allibert S.A.'s automotive business in 2001, in order to focus its business exclusively on flooring.

At the same time, the Group began a strategy of dynamic growth in the flooring sector through a series of acquisitions and joint ventures. In 2002, the Group strengthened its business in Eastern Europe by forming a partnership with the Serbian company Sintelon AD (then listed on the Belgrade Stock Exchange), which had a particularly strong presence in Russia. The Group then progressively increased its investment in Sintelon AD's capital and bought out all of the minority shareholders in 2009). In 2003, the Group delisted its Canadian subsidiary, Domco-Tarkett, from the Toronto Stock Exchange, combining the Group's activities in North America. In 2004, it took a minority interest in the Canadian company FieldTurf, a manufacturer of artificial grass, acquiring control of that company the following year.

In 2005, the Group continued to pursue its development strategy by entering into two joint ventures: one with the Aconcagua group, to develop the Group's production of laminate flooring in North America, and another with Sonae Industria-SGPS, S.A., to develop the Group's production of laminate flooring in Western Europe. The Group also acquired the U.S. company Johnsonite Inc., a manufacturer of resilient flooring and accessories, which strengthened its presence in North America.

In 2006, the Group finalized the delisting of its subsidiary Tarkett AG from the Frankfurt Stock Exchange.

In 2007, investment funds advised and managed by Kohlberg Kravis Roberts & Co. L.P. ("KKR") indirectly acquired approximately 50% of the Company's shares while the Deconinck family retained approximately 50% of the share capital, the remaining shares being held directly or indirectly by management. Also, in 2007, Mr. Michel Giannuzzi was appointed as Chairman of the Management Board, and the Group began the process of overhauling its management team.

In the same year, the Group acquired the North-American company Defargo, which specialized in manufacturing sports surfaces, and began the process of selling its wood floor business in North America, which would be finalized in 2009.

In 2008, the Group acquired the U.S. company Beynon Sports Surfaces, a specialist in manufacturing athletic tracks, bought out the remaining minority shareholders in FieldTurf, and sold its share of the laminate-flooring joint venture in North America.

In 2009, to consolidate its leadership in sports surfaces in North America, the Group acquired Atlas Track, a U.S. company specialized in the manufacture of athletic tracks.

It also accelerated its international expansion in regions with strong growth potential. In order to strengthen its presence in Turkey, the Group created a distribution company through a joint venture with Aspen. In Brazil, the Group acquired Fademac (now called Tarkett Brasil Revestimentos LTDA), the leading Brazilian manufacturer of vinyl flooring.

In order to strengthen its positions in the residential market in Europe and to enrich its trademark portfolio, in 2010, the Group acquired some of Armstrong's assets in the UK. Next, the Group acquired Centiva, a U.S. company specializing in the design of LVT. It also acquired control of the Spanish company Poligras (which has since been renamed FieldTurf Poligras), the Spanish leader in the manufacture and distribution of sports surfaces, and a specialist in the manufacture of artificial grass.

In the same year, the Group entered into two joint ventures. The first was with the U.S. company EasyTurf, a specialist in the distribution of artificial grass for the U.S. landscaping market. The second was with the German company Morton ExtrusionsTechnik (MET), a specialist in producing fibers for artificial grass. These two partnerships reinforced the Group's artificial grass business and allowed it to in-source fiber production for its artificial grass.

In 2011, the Group continued to reinforce its positions by acquiring Parquets Marty (which became Tarkett Bois), a French wood flooring manufacturer, and creating two joint ventures: one with a Dutch distributor of artificial grass called AA SportSystems (now called FieldTurf Benelux BV) and the other with a Chinese distributor of resilient flooring, now called Tarkett Asia Pacific (Shanghai) Management Co. Ltd.

In 2012, the Group acquired Tandus, a U.S. company that designs, manufactures and sells carpeting for the commercial market. This acquisition enabled the Group to establish itself as a major player in the North American commercial carpet market.

In 2013, the Group completed its initial public offering on the Paris Stock Exchange.

In 2014, the Group completed four acquisitions. First, the Group reinforced its industrial and commercial presence in China through two transactions: the buyout of the 30% minority interest in the Group's subsidiary that markets Tarkett-brand products in China (located in Shanghai), and the acquisition of a vinyl floor production plant near Beijing. In the same year, the Group acquired Gamrat (a Polish company specialized in high-performance vinyl flooring), Renner Sports Surfaces (an expert in athletic tracks and tennis courts located in the Rocky Mountains in the United States) and the Desso group (an European leader in commercial carpet).

In 2015, the Group acquired some of the assets of California Track and Engineering (CTE), a specialist in the construction of athletic tracks in the United States. In addition, EasyTurf became a wholly owned subsidiary of the Group following the Group's acquisition of the minority interests. Finally, the Group acquired Ambiente Textil, Desso's exclusive distributor in Austria.

In 2016, the Group continued to integrate the companies that it had recently acquired and reinforced its position over all regions. In addition, KKR, which had already decreased its ownership stake at the time of the Group's IPO, sold the remainder of its ownership in the Company over the course of the year.

Strategy

In 2017, the Group purchased the 49% of the German Company Morton Extrusionstechnik (MET – manufacture of synthetic fibers for our Sports business) still owned by its founder and the 49% of FieldTurf Benelux BV (distributor of synthetic grass in the Netherlands) still held by the founders. The Group entered into a strategic partnership with AllSports Construction & Maintenance Limited, a Scottish-based synthetic turf distributor, and acquired the assets of AlternaScapes, a Florida-based synthetic grass distributor and installer.

In September 2017, Glen Morrison succeeded Michel Giannuzzi as Chairman of Tarkett's Management Board. Glen Morrison, a British and American national, joined Tarkett in May 2015 as President of Tarkett's North America division.

1.3 Strategy

The Group's vision is to be the global leader in innovative solutions that generate value for customers in a sustainable way. The Group creates safe and inspiring flooring and sports surfaces that enhance its customers' return on investment and quality of life. Tarkett is pleased with its values that make up the foundation of its strategic approach. Our five basic values include: adopting a positive attitude towards the customer, promoting team spirit, ensuring respect and integrity, fostering autonomy and responsibility, and finally continuing our environmental commitment.

In October 2016, Tarkett presented its 2017-2020 strategic plan, which is based on its values and reflects its vision.

1.3.1 The Group's strategic objectives

The strategic plan is based on several pillars:

 a) An exceptional customer experience: the Group's goal is to become the easiest and most pleasant company to work with in the flooring industry.

The Group aims to offer an incomparably smooth customer experience at every step in the process, as well as exemplary customer service, in order to increase customer satisfaction and loyalty. To accomplish this, the Group is working to improve logistics, customer service, and product-selection tools

Improving logistics, reliability, and delivery times is an ongoing goal for the Group, which is investing in the flexibility of its production tools and product-portfolio management tools. Reaching this goal requires solid IT infrastructure and coordinated digital platforms.

The Group also developed co-creation tools for its customers. Thus, during 2017, Tarkett opened the "Atelier Tarkett" in the heart of Paris, a place to exchange and gain inspiration dedicated to architects and designers, acting as an extension of the architect's office. This place consists of various areas centered around products and services, such as a library, lab, digital tools, a meeting room, and a kitchen. An identical concept was developed in San Francisco.

The Group would also like to expand its range of personalized, interactive services. A highly innovative service for example, was developed in the United States called: "Designer On Demand". This online tool puts designers in touch with a dedicated contact, an architect himself, offering personalized advice as well as the possibility of delegating the realization of a customized 3D visual for their project.

Moreover, the Group also enjoys long-term, close relationships with installers and contractors, who play an essential role in advising on the choice of flooring, especially for commercial users. The Group also created training programs, called "Tarkett Academy", aimed at building professionals and installers. These programs help develop the Group's brand loyalty and ensure higher quality installation services for the Group's products.

In fulfilling this ambition, the Group seeks to become the partner of reference for flooring solutions by offering personalized solutions and strengthening long-term relationships with its customers.

b) Maintaining and developing its leadership in design, innovation, and sustainable development, are key success and differentiation factors for the Group.

The Group has three regional design teams continuously monitoring trends in the various markets. This enables the Group to offer products in line with the latest market trends that correspond to customer expectations. the Group's sales teams, made up of approximately 1,500 people, are also in constant contact with the distributors and retailers, offering them a selection of products, brands, and services tailored to the users' demands. Furthermore, Tarkett offers its customers endless possibilities for customizing vinyl products through innovative digital printing technology that it recently developed in Europe and the United States. This year, Tarkett also launched a variety of easy-to-assemble slats, slabs, in PVC or carpet tiles that are easy to assemble, enabling the creation of unique designs.

The Group also aims to continue investing in innovation in order to satisfy its customers' increasing demand for a healthy environment and for unique and modular living spaces. To that end, the Group will continue to develop sustainable products and solutions and will expand the personalized and interactive services that it offers.

The Group builds on its long tradition of innovation, which dates back to the 1940s, when it first introduced three-layer hardwood flooring, continuing into the 1950s, with its offering of durable vinyl flooring and a wide choice of decorations, and then into the 1990s, with the launch of the first infilled artificial turf for athletes, and into recent years, with the Group's creation of various environmentally sustainable flooring solutions ahead of regulatory norms. The Group currently maintains one international research and innovation center and numerous product and process development labs. The Group also has a scientific council that brings together its senior R&I officers with external scientists, professors and other experts to review and challenge its technology roadmap, and develops formal partnerships with suppliers to involve them in the R&I process. the Group's future product innovation and development efforts are focused on renewing its offer with projects that it believes have significant market potential and environmentally sustainable qualities (see Section 1.6.4).

c) In recent years, Tarkett has demonstrated commercial and operational excellence. The Group will continue to pursue excellence, in particular through its proven World Class Manufacturing (WCM) program, as well as through its expertise in supply chain management and sales force.

This strategy requires a constant effort to improve the Group's day-to-day operational processes, as well as the implementation of cost saving action plans where required.

The strategy for optimizing the Group's ongoing operations consists of constantly seeking actions that improve Group productivity, in particular through the WCM continuous improvement program. This program is carried out by a dedicated team traveling regularly to the production sites, comparing and sharing the methods used on each site and helping local teams to put in place the best practices for their operations. This program also aims to improve product quality, increase Group productivity, control costs, and provide the best services.

The Group considers that the WCM program will enable it to achieve additional savings of approximately €40 million per year over 2017 to 2020, without compromising on quality or services. The Group also works constantly to optimize its supply chain strategy in order to offer the best service and lead-time in the most economical way. The Group is also continuing the rollout of its SAP system, with a goal of becoming the industry reference for supply chain management.

The Group's optimization strategy for its operational activities also consists in taking measures to adapt to changes in economic and market conditions. Going forward, the Group expects to continue the efforts already underway to improve its operations and to continue to implement restructuring initiatives such as these when necessary.

d) Creating value through acquisitions. With 22 successful acquisitions since 2007, Tarkett intends to continue pursuing its acquisition strategy with three aims: expanding its product portfolio, expanding geographically, and achieving cost synergies.

The Group has been able to develop the acquisitions made in the past thus accelerating its profitable growth. The Group expanded its range of products and solutions by successfully integrating the commercial carpet market through the acquisitions of Tandus - in 2012, present in the United States for the most part, and Desso - in 2014, present in Europe mainly. Tarkett also strengthened its presence in high-growth markets by acquiring Fademac in 2009, the leading manufacturer of PVC flooring in Brazil, and by creating in the same year a distribution company in Turkey through a partnership with the Aspen Company. the Group's acquisition strategy focuses on acquiring profitable, rapidly accretive companies to immediately benefit from their industrial and commercial strengths, taking advantage, as far as possible, of their expertise and the experience of the management team in place. Moreover, the Group can generate productivity improvements in acquired companies through the deployment of its WCM program. In the future, the Group intends to pursue this selective and value-creating acquisition strategy.

1.3.2 Tarkett's strengths

The Group has realized significant growth in recent years, while maintaining a high level of profitability and a sound financial structure. Its success is the result of numerous factors that the Group believes make it unique in the international flooring market. These factors include the following:

a) Global market leadership. The Group occupies leadership positions among flooring manufacturers for the products that constitute the heart of its business and in the principal geographical markets in which it does business. The Group is the third largest flooring supplier worldwide on the basis of 2017 sales. The Group is the leading supplier of vinyl flooring and sports surfaces in the world. The Group is also a leader in the vinyl flooring sector in Russia and more generally in the countries of the Commonwealth of Independent States (hereinafter "CIS"), as well as in a large number of European countries, notably in France and Sweden. The Group believes it has one of the broadest product offerings in the flooring industry, including vinyl, linoleum, wood and laminate, commercial carpet and rubber products, featuring one of the strongest brand portfolios, which is critical to the success of its multi-brand distribution strategy. In this way, the Group is able to create integrated solutions for various floor coverings thus becoming the sole point of contact for customers. The Group believes its product and technology development capabilities and in-house research and innovation teams are best-in-class, allowing it to provide innovative products that are tailored to the needs and demands of each of its markets, while promoting environmentally responsible solutions that keep it ahead of regulatory and industry norms.

Strategy

- b) A"GloCal" positioning.
- > The Group draws leverage from its global geographic footprint, one of the largest in the industry. It markets its products to thousands of customers in over 100 countries, having production and sales facilities in Europe, North America, the CIS countries, Latin America, and Asia-Pacific. This geographical location is the result of significant investments made over several years and various acquisitions. This broad geographical coverage is now a key competitive differentiator for the Group over its competitors, and one of the main reasons for its long-term success. The global scale and size of the Group also enable it to pool its research and innovation efforts and make the most of the investments made in these areas. Economies of scale are also essential for the Group, enabling it to reduce the cost of purchasing raw material, in particular PVC, plasticizers, and polyurethane, the largest purchases of which are centralized worldwide, and finally, to take advantage of the best operational practices across the various regions.
- > The Group also has in-depth knowledge of the technical specificities, designs, tastes, and local preferences of users in the major countries in which it operates. It can design products perfectly adapted to the needs and tastes of local users, thus distinguish itself from its competitors by its geographical location and knowledge of the markets.
- The Group has production sites in the main countries in which it operates. This enables it to offer its customers high quality service while reducing delivery times, transportation costs, customs duties, and working capital requirements.
- c) Balanced geographic and end-market exposure providing resilience to cycles. the Group's diversified geographic exposure and its large customer base provide the Group with natural protection against regional economic cycles in the construction and renovation sectors. Approximately 80% of the Group's product sales, in terms of square meters, are for renovation projects, a market that is subject to less volatility than the new construction market. Group sales are divided between commercial users (2/3 of 2017 sales) and residential users (1/3 of 2017 sales). It sells its products to vast numbers of customers worldwide, which limits concentration risk. In 2017, the Group's largest customer represented less than 5% of total consolidated net revenue. The Group believes its unique product range, diversified exposure to attractive end-use segments, extensive customer base and global footprint reduce its dependence on any one industry, region or sector of the economy.

The Group is indeed able to seize growth opportunities wherever they are.

- > In Europe, where the current outlook for economic growth seems relatively limited, the Group believes that the industrial adjustment processes it put in place over recent years, positions it to benefit from the medium and long-term growth of the region, while maintaining good competitive positioning and satisfactory short-term profitability levels. The Desso acquisition in 2014 enabled the Group to become the second largest commercial carpet manufacturer in Europe, providing opportunities to achieve commercial synergies in the United States and to offer relevant products in other regions. In 2017, the Group was even able to post higher growth than the GDP growth rates of the majority of countries in which it operates.
- In North America, the Group seeks to benefit from the ongoing economic boom to increase all of its commercial, residential, and sports surface businesses. For a long time now, the Group has pursued a strategy of developing products that make the most of this region's potential. The acquisition of Tandus in 2012 enabled the Group to become one of the leading commercial carpet manufacturers in North America. Thanks to this acquisition, Tarkett has been able to develop a coordinated product offering between its commercial carpet tiles and its LVT products (supplied by Centiva), generating thereby significant commercial synergies in the United States.
- > In the CIS countries, particularly Russia, where economic forecasts call for continued growth in 2018 (in January 2018 the IMF forecast GDP growth of 1.7% for 2018), the Group wishes to take advantage of its leading position, brand awareness, and unique local production capabilities in order to seize future growth opportunities in a market that is considered to represent, for Russia alone, a potential demand for renovation of approximately 2 billion square meters of residential flooring (source: Rosstat). As a large majority of Russian citizens own their own homes, renovation work will be one of the top items of expenditures for disposable income, once the country's economic environment improves.
- In other high-potential markets such as Asia-Pacific and Latin America, the Group takes a disciplined, selective approach, positioning itself in niche markets, to take advantage of the potential for profitable growth related to flexible floor coverings in these areas. In particular, the Group believes that there will be strong future demand in China and Brazil for high-end upscale commercial vinyl flooring, a segment in which the Group considers its innovative capacity and its added value to be a differentiating factor helping in its regional development.

- d) One of the widest range of products in the flooring and sports surfaces industry, enables the Group to offer unique integrated solutions, adapted to the technical specifications, budgets, safety, and design requirements of the various business segments (housing, health, education, offices, shops and stores, hotels, health and care for the elderly, health facilities, and sports facilities). This extensive range of solutions also enables the Group to position itself as the only point of contact with its customers, thus greatly facilitating their lives.
- e) An eco-innovation pioneer. Respect for the environment and the health of people at every stage of the product life cycle is at the heart of the Group's virtuous circuit design approach, applied to all of its activities around the world. By offering ever more innovative products having very low Volatile Organic Compound (VOC) emissions or phthalate-free plasticizers, Tarkett positions itself as a pioneer, influencing industry standards, encouraging a collaborative circular economy, involving all stakeholders in this sustainable approach.
- f) Track record of profitable growth, strong cash flow generation and Return on Invested Capital (ROIC). The Group has demonstrated a consistent ability to grow profitably, both organically and externally, even through periods of economic downturn. It has, for example, successfully integrated 22 acquisitions over the past ten years. Since 2009,

- consolidated net sales and adjusted EBITDA increased by an annual growth rate of 6.6% and 5.4% respectively. Since 2009, the Group has been able to maintain an adjusted EBITDA margin of between 9.1% and 12.3%. the Group's profitable operations, combined with disciplined asset management, have translated into strong cash generation and return on invested capital. the Group's ROIC (which the Group defines as (1) earnings before interest and after tax divided by (2) capital invested, which corresponds to the sum of tangible and intangible assets (including goodwill) and net working capital) has averaged 9% since 2010, allowing the Group to maintain a strong financial structure and giving it the financial capacity to invest in future development.
- g) Experienced and international management team leading a decentralized and agile organization. the Group's internationally diverse management team is deep and has extensive experience, encouraging an entrepreneurial spirit. The current management team has played a key role in the successful implementation of the Group's internal development strategy while restoring certain declining activities (such as sports surfaces) and by completing and integrating 22 new acquisitions since 2007. The members of the management team come from the largest international companies of the flooring industry, as well as the construction, automotive, and chemical industries

1.4 Overview of the Group's activities

1.4.1 Preamble on the sources of information

Unless otherwise noted, the information included in this section is based on Group estimates for 2016 and is provided solely for informational purposes. The Group is currently in the process of updating its estimates for 2017. To the best of the Group's knowledge, there are no authoritative external sources providing exhaustive and comprehensive coverage or analysis of the flooring market. Consequently, the Group makes estimates based on a number of sources, including studies and statistics from independent third parties (in particular Freedonia, the European Federation Parquet Industry Federation and the European Resilient Flooring Manufacturers' Institute), data published by other market participants and data from the Group's operating subsidiaries. These various studies, estimates, research and information, which the Group considers reliable, have not been verified by independent experts. The Group does not guarantee that a third party using other methods to analyze or compile the market data would obtain the same results. In addition, the Group's competitors may define their economic and geographic regions differently.

1.4.2 General presentation of the Group's activities

The Tarkett Group is a leading global flooring company, providing integrated flooring and sports surface solutions to professionals and end-users in the residential and commercial markets. Leveraging over 130 years of experience, the Group offers fully-integrated flooring solutions that it believes represent one

of the widest and most innovative product ranges in the industry. The Group currently sells in the aggregate an average of 1.3 million square meters of flooring per day, and operates 34 manufacturing sites located around the world in each of its principal geographic regions. The Group has a diversified geographical footprint, which enables it to capture growth opportunities wherever they arise. The Group holds leading positions in each of its principal product categories and geographic regions, built through robust organic development, as well as successful and profitable acquisitions.

In 2017, the Group generated net consolidated revenues of €2,841 million, adjusted EBITDA of €315 million and net profit attributable to owners of the Company of €-38.7 million. The Group's segment reporting is based on four operational segments-three of which relate to its flooring products and their geographic regions (EMEA; North America; and CIS, Asia Pacific ("APAC") and Latin America), and one of which relates to its sports surfaces products.

1.4.3 General presentation of the Group's markets

The Group sells its products in more than 100 countries. With local sales forces and manufacturing facilities in each of its principal geographic regions, the Group is able to match its products to local and regional demands and tastes. The Group's flooring sales are well balanced geographically, with 35% of 2017 sales realized in EMEA (including sports surfaces), 43% in North America (including sports surfaces) and 22% in CIS, APAC and Latin America.

The Group's sales are divided between commercial end-users, which represented approximately two-thirds of 2017 sales and residential end-users, which represented approximately one-third of 2017 sales. In these two principal channels, renovations typically account for the large majority of sales (approximately 80% of sales in terms of square meters). The Group sells residential products with designs and styles that are adapted to each geographical region that it serves. The CIS countries represent the Group's largest geographic region for residential products. the Group's products for commercial end-users are sold mainly in North America and Western Europe, although the Group's business is growing in the APAC and Latin American markets. the Group's commercial products benefit from its substantial research and innovation capacity, which is essential for meeting the technical specifications of commercial end-users such as schools, universities, hospitals, health care facilities, offices, hotels and retail establishments. the Group's innovation capacity is also a key factor in its success in the sports surface segment, where the Group is the leader in synthetic turf and athletic tracks in North America, and occupies a privileged position in the synthetic grass sector in many European countries.

The Group has strong global and national brands that are recognized by end-users and professionals and adapted to the distribution strategy used in each market. Tarkett uses a diversified mix of distribution channels that include wholesalers, specialty chains, installers and contractors, independent retailers, DIY (do-it-yourself) retailers, direct key accounts and builders-merchants. The quality of the Group's products is recognized by architects, installers and contractors who are instrumental in specifying and choosing flooring solutions, particularly for commercial applications. the Group's distribution strategy is tailored to each market in which it operates and includes service centers that put the Group close to its customers and training facilities for building industry professionals and installers that develop brand loyalty and ensure the highest quality installation services for the Group's products. The Group has a broad network of sales and marketing offices with a local sales force in each of its main markets.

1.4.4 General presentation of the Group's products

Tarkett offers products with innovative designs and textures adapted to local tastes and demand in each of its markets. It designs, manufactures, markets and sells five key types of flooring:

Resilient Flooring (Vinyl and Linoleum) (approximately 48% of 2017 revenues): the Group's resilient products include a broad range of flooring options, including vinyl sheet, vinyl tile, safety and static-control vinyl flooring, luxury vinyl tiles (LVT), and linoleum products. the Group's resilient products are offered to both residential and commercial end-users.

- The Group's strength in design and innovation allows it to offer resilient flooring in a wide variety of styles and colors, providing end-users with ease of installation, durability and reduced maintenance. The Group is currently the leading supplier of resilient flooring solutions worldwide.
- > Carpet Flooring (approximately 19% of the Group's 2017 revenues): the Group's carpet products include a wide range of modular, broadloom and hybrid products (such as Powerbond™) for commercial end-users such as offices, universities, schools, health care facilities and government facilities. Tarkett's presence in the carpet segment was reinforced by the 2014 acquisition of the Desso Group, which expanded the Group's product portfolio by adding carpet, a strong value-added product, for its European customers, reinforced the Group's European presence, and also allowed it to offer commercial carpet solutions to all of its customers worldwide, in conjunction with the 2012 Tandus acquisition.
- Wood and laminate flooring (approximately 8% of the Group's 2017 revenues): the Group's wood and laminate flooring products are used primarily in residential renovation projects and, to a lesser extent, in commercial applications such as retail, hospitality, offices and indoor sports facilities. the Group's wood product range includes high-quality engineered wood floors in a variety of wood species, colors, tones and finishes. the Group's laminate product range offers a functional alternative to wood flooring that is both stylish and affordable. The Group is a leading supplier of wood flooring in Europe and the CIS countries.
- > Rubber Flooring and Accessories (approximately 7% of the Group's 2017 revenues): the Group's rubber flooring products and rubber and vinyl accessories are sold mainly to commercial end-users in North America, primarily in the healthcare, education, industrial and indoor sports sectors. They include rubber tiles and sheets, vinyl baseboards, stair nosing, stair borders, tactile warning strips, decorative wall skirting and other accessories. They are shock-absorbent and slip-resistant and offer natural acoustic properties with low maintenance requirements. The Group is currently the leading supplier of vinyl accessories in North America.
- > Sports Surfaces (approximately 18% of the Group's 2017 revenues): the Group's sports products include innovative synthetic turf and track solutions for a wide range of sports venues ranging from community multi-purpose sports fields to professional football, soccer and rugby stadiums. The Group also offers artificial grass for landscaping purposes as well as indoor sports flooring. The Group has been recognized by the International Rugby Board (IRB) and FIFA (Fédération Internationale de Football Association) for the quality of its patented FieldTurf technology. The Group is currently the leading global supplier of artificial turf for sports surfaces worldwide and the leading provider of athletic tracks in North America.

1.5 General presentation of the flooring and sports surfaces market

The Group estimates that approximately 12.9 billion square meters of flooring were sold globally in 2016, excluding sales of specialized products such as concrete, bamboo and metal flooring. The categories of products that Tarkett sells account for approximately 27% of the total global flooring market, or approximately 3.5 billion square meters in 2016.

The table below presents an estimated breakdown of the global flooring market in 2016 by product category, based on the number of square meters of product sold.

(in millions of square meters)	Volume	% of global market
Resilient flooring (vinyl, linoleum and rubber)	1,152	9%
Wood and laminate	1,418	11%
Carpet (commercial)	925	7%
Total for product categories sold by the Group	3,495	27%
Carpet (residential)	1,230	10%
Ceramic	7,746	60%
Other	465	4%
Total	12,936	100%

The product categories in which the Group is present are resilient flooring (vinyl, linoleum and rubber), wood flooring, laminate flooring and carpeting products for the commercial market.

The Group believes that its current product categories benefit from strong growth potential, but it may expand its portfolio to new categories if they present opportunities for profitable growth in line with the Group's strategy. For more information, see Section 1.3, "Strategy".

The flooring market is divided into residential and commercial end-users. In 2017, for the product categories in which the Group is present, the residential market represented approximately 30% of global sales, while the commercial market represented approximately 70%. In these two primary market categories and in each region, the vast majority of sales (approximately 80% in terms of square meters) are for renovation projects, while a minority is for new construction.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. Artificial turf, on the other hand, is also sold to residential end-users, particularly for landscaping purposes in the southern United States.

1.5.1 General presentation of the flooring market

The demand for a particular flooring product can vary significantly from one geographic region to another as a result of cultural differences, as well as differences in climate and regulatory requirements that can vary from region to region.

The table below presents a breakdown of the global flooring market in 2016 by product category and geographic region, based on the number of square meters of product sold.

(in millions of square meters)	EMEA		North	CIS, APAC and Latin America			Total
	Western Europe (1)	Middle East/ Africa	America	CIS & Balkans ⁽²⁾	APAC	Latin America	
Resilient flooring							
(vinyl, linoleum and rubber)	290	39	317	155	329	24	1,152
Wood and laminate	327	124	238	142	544	44	1,418
Carpet (commercial)	119	153	276	5	343	30	925
Total for product categories sold by the Group	736	316	831	302	1,216	98	3,495
Carpet (residential)	302	65	651	72	69	70	1,230
Ceramic	455	1,068	297	164	4,843	919	7,746
Other	62	0	21	16	364	0	465
Total	1,555	1,449	1,800	554	6,492	1,086	12,936

⁽¹⁾ The countries included in Western Europe are Germany, Austria, Belgium, Luxembourg, Denmark, Finland, France, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden,

Switzerland, the United Kingdom and other Central and Southern European countries.

(2) The countries included in Balkans are: Albania, Bosnia, Bulgaria, Croatia, Greece, Macedonia, Montenegro, Romania, Serbia, Slovenia and western Turkey.

The information below presents the principal characteristics of the geographic regions in which the Group sells its products.

1.5.1.1 Europe Middle East & Africa (EMEA)

Characteristics of the market

In 2016, demand for flooring in Western Europe was 1.6 billion square meters, representing 12% of global demand for flooring. The categories of products that the Group sells accounted for 736 million square meters in 2016, or 47% of flooring products sold in Western Europe, including 21% of sales for wood and laminate products, 19% for resilient flooring and 8% for commercial carpet. Products in these categories are used in both the residential and commercial markets.

In Western Europe, demand for different categories of flooring products varies significantly from country to country, especially between Northern and Southern Europe. For example, carpet is frequently used in the United Kingdom, whereas wood floors are more popular in Nordic countries and ceramic is more in demand in the South. In Germany and France, the breakdown by product category is more balanced.

In Western Europe, the Group sells primarily vinyl resilient flooring, wood flooring and laminate flooring, as well as commercial carpet. Most of these sales are in France, Sweden, Germany and the United Kingdom, with the majority of resilient flooring in France, Germany, and the United Kingdom, while the majority of its wood and laminate flooring sales are in the Nordic countries

In 2016, demand for flooring in the Middle East and Africa was 1.4 billion square meters, representing 11% of global demand for flooring. In this region, where ceramic represents close to 74% of demand for flooring, the categories of products that the Group sells represented 316 million square meters in 2016, or 22% of volumes sold in the Middle East & Africa region, including 11% for commercial carpet, 9% for wood and laminate products, and 3% for resilient flooring.

Growth Drivers

Recent trends in the EMEA region vary from country to country. In the United Kingdom, total construction activity has decreased in recent years, despite an increase in do-it-yourself activities and home renovations. In France, the flooring market is recuperating in 2017 after suffering over several years from a difficult economic environment. In the Nordic countries and in Germany, the flooring market was less affected by the economic crisis, with, however, a decline in laminate flooring sales in a highly competitive environment.

The Group considers that the flooring market in this area is currently stable, although there is still an uncertain economic context due in particular to the Brexit vote and limited potential growth prospects. Demand for wood floors may stabilize, in particular in Nordic countries. On the other hand, volumes of laminate flooring are likely to decline slightly. In this region, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market.

The Group's Competitive Position

The Group is a leader in the Western European flooring industry. It is a leader in vinyl flooring in Europe and a leading flooring company overall in Sweden. It is also the third largest manufacturer of wood and linoleum flooring in Western Europe. It accounts for less than 5% of laminate flooring sales in most countries. However, it is a leader in wood and laminate flooring in Scandinavia, with approximately 15% of sales in that region. In addition, the Group is the second largest manufacturer of commercial carpet in EMEA region.

The Group's main competitors in this region are European groups, which generally concentrate their businesses on a limited number of countries and products. Its most important competitors in this region are Forbo (resilient flooring), Gerflor (resilient flooring), Kährs-Karelia Upofloor (wood and resilient flooring), IVC (resilient flooring, a company acquired by the Mohawk group in 2015), Beauflor (resilient flooring), James Halstead (resilient flooring), and Bauwerk-Boen (wood flooring). In addition, in certain countries the Group faces local competitors. Finally, concerning the commercial carpet market, the main competitor of Desso (brand of the Tarkett Group) is the American group Interface.

1.5.1.2 North America

Characteristics of the market

In 2016, demand for flooring in North America was 1.8 billion square meters, representing 14% of global demand for flooring products. Demand in North America is dominated by carpet, which represented 52% of total volumes sold in 2016. The product categories proposed by the Group represent 831 million square meters in 2016, or 46% of volumes sold in North America, of which 18% for soft floors, 15% for commercial carpet and 13% for parquet and laminate flooring. In North America, these product categories are sold by the Group primarily to commercial users and, to a lesser extent, to residential users. In North America, the Group sells these products primarily to commercial end-users and, to a lesser extent, to residential end-users.

The Group's flooring sales in North America are divided among commercial carpet, resilient flooring, rubber flooring, and vinyl and rubber accessories, with wood and laminate flooring accounting for a smaller portion of sales. The Group sells its products primarily in the United States, and to a lesser extent in Canada (approximately 10% of revenues in North America). The Mexican market is considered to be part of Latin America, in the CIS/APAC/Latin America segment.

Growth Drivers

Between 2006 and 2011, North American demand for flooring fell, in particular as a result of the decrease in new construction in that region. However, the U.S. construction market has grown since 2012

In the coming years, the Group expects a growth given the state of the US economy. The sources that the Company analyzed indicate a potential increase in demand for all products, including the Group's principal products in this geographical segment: residential and commercial resilient flooring, vinyl and rubber accessories for the commercial market, and commercial carpet. In addition, the strong growth of LVT continues at a faster

rate than the rest of the market.

The Group's Competitive Position

The Group has a strong presence in several product categories in North America. In this region, it is the third largest commercial flooring company. Due to the 2012 acquisition of Tandus, it is also the fourth largest commercial carpet company in North America. The Group's Johnsonite products occupy a leadership position in vinyl and rubber accessories.

The Group's main competitors in this region are the Mohawk, Shaw, Armstrong Flooring, Interface, Mannington, and Engineered Floors. For most of these competitors, the large majority of their sales are in the U.S. market. In keeping with the strong North American preference for carpet, this product category represents a significant share of these companies' sales (this is particularly the case for Mohawk, Shaw, Interface, and Engineered Floors). However, some of these companies, including Mohawk, Shaw, Armstrong Flooring, Mannington, and Interface, also market resilient flooring, as well as wood and laminate flooring. Johnsonite's competitors include Nora, a rubber flooring manufacturer, as well as local manufacturers.

1.5.1.3 CIS & Balkans

Characteristics of the market

In 2016, demand for flooring in Russia, the other CIS (Commonwealth of Independent States) countries, and the Balkans (the former Yugoslavia) was 554 million square meters, representing 4% of global flooring demand. In these countries, resilient flooring is most popular, representing 28% of total flooring demand, as compared with 9% for the global market as a whole. Other than resilient flooring, the main products sold are ceramic tiles (30% of total flooring demand), wood and laminate flooring (approximately 26%) and carpet (13%).

Unlike Western Europe and North America, resilient flooring is used primarily by the residential market in the CIS countries. Most of the residents of these countries became the owners of their homes following the dissolution of the Soviet Union. For these new homeowners, renovation is a high priority, and resilient flooring is both well suited to local tastes and to the climate, and attractive for household budgets. The commercial market in this region has been slower to develop, but shows strong growth potential. Commercial end-users initially chose residential resilient flooring for their first renovation projects. However, these floors are not well adapted to high-traffic commercial premises. Moreover, Russia has adopted stringent fire regulations for commercial products. As a result of these factors, the commercial resilient flooring market has shown moderate growth in recent years, and its size remains modest compared to the residential market. In Russia and the other CIS countries, the Group sells primarily vinyl flooring to residential end-users, and to a lesser extent wood, laminate flooring, and commercial carpet.

Growth factors

As indicated above, following the dissolution of the Soviet Union in 1991, most homes were given to their occupants, resulting in a very high homeownership rate. Due to economic growth in these countries, renovation demand has grown significantly in recent years. In the CIS countries, particularly in Russia, where economic forecasts predict moderate growth in 2018 (1.7%)

according to the IMF's January 2018 forecast) after a return to growth in 2017, the Group intends to benefit from the fact that two-thirds of Russia's residential sector has substantial renovation requirements, according to Rosstat, Russia's state statistical agency. Moreover, over the last several years Russians have begun to buy laminate floors in order to give the appearance of wood floors while remaining within a reasonable budget.

In CIS countries, growth is expected to continue to pick up gradually for resilient floor coverings in the residential and commercial market as well as for parquet and laminate flooring.

The Group's Competitive Position

The Group has been doing business for more than 20 years in the CIS and the Balkans, primarily in Russia, Serbia, Ukraine, Kazakhstan, and Belarus. As a result of its long-standing presence in this geographic region, the Group considers itself to be a local company and a market leader. It is the number one resilient flooring company in Russia, Ukraine, Kazakhstan, Serbia and Belarus. It is also the number four laminate flooring company in that region.

Tarkett's market leadership in the Russian resilient flooring market is the result of its well-known brands, local production, well-developed distribution platforms and deep understanding of local tastes. In the Group's opinion, Komiteks and Juteks/Beaulieu, two local companies, are the other leading companies in this region, alongside the international suppliers IVC/Mohawk and Forbo.

The Group is a significant distributor of laminate flooring. However, in the laminate flooring market, Chinese manufacturers occupy a significant position due to their ability to offer low-cost entry-level products. The other principal companies in this market are Kronostar, Kronospan, Egger, Classen and Unilin (a member of the Mohawk group).

Finally, the Group is the third largest seller of wood flooring in the CIS countries, where its main competitors are Barlinek and Kährs-Karelia Upofloor.

1.5.1.4 Latin America and Asia-Pacific

Characteristics of the market

In 2016, demand for flooring in Latin America and Asia-Pacific ("APAC") was 1.1 billion and 6.5 billion square meters, respectively, representing 8% and 50% of global flooring demand. Ceramic is the most frequently used material in Latin America and APAC, as a result of local climate, ease of manufacture and the multiplicity of local suppliers.

In Latin America, the Group does business principally in Brazil, where most of its sales are vinyl products for commercial end-users. In APAC, the Group sells primarily carpet and vinyl flooring to commercial users in Australia and China.

Growth Drivers

The Group believes that demand for the product categories that it offers in Latin America could grow, in the context of an overall market that is stagnant or even declining. In Brazil, sales of luxury vinyl tiles (LVT) continue to grow at a faster pace than the general flooring market.

With respect to APAC, governmental initiatives in China should

continue to sustain the construction market. The aging of the Chinese population should also fuel growth in the retirement home sector, in addition to projected growth from the healthcare and education markets. Given the size of its residential housing stock, China is, by volume, the largest in the world. Vinyl flooring's market penetration is still limited, but this product category may grow in the future.

The Group's Competitive Position

The Group is in a development phase in Latin America and APAC. Its position in Latin America was strengthened in 2009 with the acquisition of Fademac (now called Tarkett Brasil Revestimentos LTDA), a Brazilian vinyl flooring manufacturer; it is now the number one commercial vinyl flooring manufacturer in this country.

In 2014, the Group reinforced its manufacturing and sales presence in APAC through two transactions in China.

In addition, since the 2012 Tandus acquisition, the Group has benefited from a commercial carpet production site in China.

The Group's main competitors in vinyl flooring in Latin America are Gerflor and Forbo. Its main competitors in APAC for vinyl flooring are Armstrong Flooring, Gerflor, LG and Forbo, as well as local Chinese manufacturers.

1.5.2 Sports surfaces

Characteristics of the market

Within the sports surfaces segment, the Group primarily sells artificial turf, athletic tracks and indoor sports flooring. The Group sells sports surfaces mainly in the United States and Canada, but is also present in Europe, including France, Spain, the Benelux countries, the United Kingdom, and in Asia-Pacific.

The Group's sports surface products are generally intended for commercial use, primarily by universities, schools and public facilities. In addition, artificial turf is sold to residential end-users, particularly for landscaping purposes in the southern United States

Growth Drivers

The Group believes that the growth in demand for sports surfaces seen in 2017 should continue over the next few years, in particular with respect to artificial turf, which represents a significant share of the Group's sports surfaces sales. The artificial turf market in Europe, which was in decline until 2013, is expected to continue to grow, and growth is also expected to continue in the North American market. The growth in demand for artificial turf is due to the increased need for renovation of sports fields, the economic expansion underway in the United States, and governmental restrictions on water consumption (particularly in the United States). In addition, the Group is starting to benefit from the replacement cycle of fields that were installed between 10 and 15 years ago.

The Group's Competitive Position

The Group is one of the largest suppliers of synthetic turf in the world and the leading supplier of athletic tracks in the United States. It has numerous competitors, primarily small companies and resellers who outsource the manufacturing of synthetic fiber. In the artificial turf market, the Group's strongest competitors in North America are AstroTurf, Hellas, Shaw and Sprinturf. In Europe, the Group is the second artificial turf player behind Tencate, and its other large competitors include Polytan, Limonta and Domo. With regard to athletics tracks, the main competitors are Hellas, SportsGroup (APT), Mondo and Stockmeier.

1.6 Products sold by the Tarkett Group

The Group offers a diversified range of flooring solutions, enabling it to adapt to the needs of each market and region. The choice of a flooring solution depends heavily on the type of premises where the product is used. In addition, the products demanded by both professionals and individuals tend to vary significantly from one geographic region to another, due primarily to cultural differences but also due to differences in climate and environmental factors.

The Group designs and sells products as a function of the needs, tastes and budgets of various end-users and differentiates its products through choice of materials, design and compliance with differing regulatory standards, as well as resistance to varying levels of foot traffic. Its large product range allows it to offer integrated decorative and functional solutions using several product categories in a single project, by coordinating accessories with floor coverings. By combining and coordinating its products, the Group can respond to several different needs at a single site.

Each of the Group's products features technological enhancements that improve product quality for end-users. The products are also engineered with environmental stability in mind through a focus on product composition, manufacturing processes, and end-of-life. The controlled use of renewable raw materials and recycled materials is part of the products' eco-design. Products are designed to promote healthful air quality and indoor environments. For example, the levels of Volatile Organic Compounds ("VOCs") emissions given off by the Group's products are lower than current standards, and the Group uses phthalate-free plasticizers for its vinyl floors in certain regions.

The Group's products are also designed to be recyclable and may be reused either within its own production chain or in other uses. the Group's production process is designed to minimize the use of water and energy at its production sites.

The Group has been doing business for decades throughout the world, and its brands are internationally and locally recognized, associated with high quality at competitive prices. The Group provides training to local installers to optimize the performance of the products purchased by commercial end-users, thereby improving installation quality. the Group's customer service representatives provide support throughout the life of its products.

1.6.1 Presentation of the Group's products

The Group sells the following types of flooring:

- resilient flooring (vinyl and linoleum), including:
 - resilient flooring for residential end-users, including heterogeneous (multi-layer) vinyl, which can be sold in rolls or as tiles, especially high-end vinyl tiles (Luxury Vinyl Tiles, or "LVT"), and
 - resilient flooring for commercial end-users, including heterogeneous vinyl in rolls, tiles, or LVT, homogeneous vinyl (single-layer), and linoleum floors;

- > wood and laminate flooring, including engineered wood floors as well as multi-layer laminate floors, sold to both residential and commercial end-users;
- > carpets, principally for commercial users;
- > rubber flooring and accessories; and
- > sports surfaces (primarily artificial turf and athletic tracks).

The following table presents the breakdown of the Group's 2017 consolidated net revenues by product type:

2017 Net Revenue	(% of Net Sales)
Resilient flooring (vinyl and linoleum)	48%
Wood and laminate flooring	8%
Commercial carpet	19%
Rubber and accessories	7%
Sports Surfaces	18%
Total	100%

The Group's business is organized into four segments: three geographical segments for flooring (EMEA, North America and CIS, APAC & Latin America) and one global segment for sports surfaces. The following table presents the geographic breakdown of the Group's 2017 consolidated net revenues (including sports surfaces).

2017 Net Revenue	(% of Net Sales)
EMEA	35%
North America	43%
CIS, APAC and Latin America	22%
Total	100%

1.6.1.1 Resilient Flooring (Vinyl and Linoleum)

The Group offers a large range of resilient flooring, including homogeneous and heterogeneous vinyl and linoleum. Both residential and commercial end-users purchase heterogeneous vinyl. Homogeneous vinyl and linoleum, on the other hand, are purchased primarily by commercial end-users.

The Group has a very strong position in the resilient flooring market as a result of being the largest vinyl-flooring manufacturer in the world. Resilient flooring represents the largest portion of the Group's sales in the EMEA and CIS, APAC and Latin America regions, and also accounts for a significant share of its sales in North America. In particular, the Group is the largest manufacturer of resilient flooring in Germany, Sweden, Russia, and Ukraine. It is also the number three North American manufacturer of resilient flooring for commercial end-users, and it offers these products in Latin America (in particular in Brazil, where it is the largest manufacturer of commercial vinyl flooring) and in APAC (in particular in China).

Residential Vinyl Flooring

The Group offers a variety of heterogeneous vinyl floors for the residential market, which includes apartments and residential houses.

Design, appearance and price ranges of residential vinyl flooring must be adapted to the budgets, uses and tastes of the residential users in each geographical region, which can be very culturally specific.

Heterogeneous vinyl flooring is composed of several layers of PVC. A fiberglass reinforcement can be added to bring dimensional stability, as well as a foam or textile backing to bring specific acoustic or thermal resistance. On top, a printed decorative layer, a transparent wear-layer and a traffic resistant finishing treatment are added. Heterogeneous vinyl flooring for residential end-users contains a thin wear layer, which enables it to be sold at competitive prices while maintaining the level of durability needed for residential use.

In terms of the pattern printed on the flooring surface, the Group offers its end-users a variety of colors and designs. In order to keep up with decorating trends, the Group must tailor its product lines to conform to prevailing styles and fashions, which can vary widely from one geographic region to the next. Heterogeneous vinyl products offer several advantages in terms of livability and remain attractive over a long period of time.

Residential heterogeneous vinyl flooring can be sold in rolls or in modular format (tiles or plates). Rolls are generally installed with glue, whereas modular products may be installed using glue, self-adhesive attachments or they may be snapped together, which facilitates their transport, installation and repair. Tarkett also designed Starfloor Click, a line of modular, easy-to-install LVT with a solid click-locking installation system. It is beautifully designed and ultra-resistant. To support the strong growth of this product category, the Group launched ProGen in 2017 on the North American market, a range of semi-rigid tiles.

The Group helps residential customers choose flooring that matches their tastes and interior decoration.

Commercial Resilient Vinyl Flooring

Commercial resilient flooring is specifically designed for high-traffic areas and can withstand numerous shocks. It is used in commercial premises including offices, administrative buildings, schools, hospitals, retirement homes, hospitality, stores and shops, the common areas of apartment buildings and industry & transport.

Resilient flooring for commercial uses includes a large range of products, including homogeneous and heterogeneous vinyl.

Heterogeneous Vinyl Flooring

Heterogeneous vinyl flooring for commercial use is designed to withstand intense foot traffic. A thicker wear layer is applied to the product than is used on the Group's residential resilient flooring products in order to reinforce the product and ensure its durability. Heterogeneous vinyl flooring is suitable for almost any commercial use.

The Group classifies its heterogeneous vinyl flooring products into two types: acoustic products, which are designed to absorb ambient noise (such as footsteps and talking) and compact products, which reinforce the floor's robustness.

The Group offers a diverse range of designs and patterns printed on the decor layer, for both rolled and modular products (including LVT, as further described in the next paragraph, and loose lay tiles). These frequently updated product lines give end-users a wide product selection.

Among the Group's other heterogeneous vinyl flooring products, it has developed LVT, which is a high-end modular product designed primarily for the commercial market. This product offers a wide range of designs, which can easily be coordinated with other products, and precision printing using sophisticated graphics techniques.

Homogeneous Vinyl Flooring

Unlike heterogeneous flooring, homogeneous vinyl flooring is made in a single layer with the pattern embedded directly into the material. This type of flooring is covered with a layer of pigment and reinforced by a treatment that facilitates maintenance.

Homogeneous vinyl flooring has several advantages. Its resistance to wear-and-tear makes it a durable solution for high-traffic areas, and it comes in a compact version for high-traffic areas and in an acoustic version. The absence of multiple layers in its composition makes the design simple and offers advantages in terms of hygiene and maintenance.

As a result of its particular acoustic benefits, anti-bacterial properties and reinforced durability homogeneous vinyl flooring is frequently used in the healthcare and educational sectors, as well as in aged-care facilities.

Linoleum Flooring

The Group has been making linoleum for more than one hundred years.

Linoleum is composed of a jute backing treated with renewable raw materials such as linseed oil, rosin, cork flour or wood flour, to which a surface treatment is added.

Linoleum is a natural product covered with a surface treatment that makes it extremely robust and easy to maintain. the Group's linoleum products are extremely durable and therefore well adapted to the intense use of flooring that is typical of common areas in educational buildings and healthcare facilities, as well as offices and indoor sports facilities.

1.6.1.2 Wood and laminate flooring

Wood flooring

The Group sells wood flooring in Europe (EMEA segment), primarily in Nordic countries. It also markets these products in the CIS countries and the Balkans. The Group is a leading manufacturer of wood flooring in Europe and in the CIS. Wood floors are generally sold in the residential market. Although most of the wood the Group uses comes from Europe, it uses a staining process to adapt to demand in different markets and regions, in particular by offering wood flooring that resembles exotic wood.

The engineered wood flooring that the Group sells is composed of three main layers: the bottom stabilizing layer; a middle layer in soft wood such as pine or spruce or HDF (high density fiber board); and a top layer of high-quality wood. This composition results in a more responsible use of the high-quality wood, which is consistent with the Group's circular economy initiative, in a thin layer and allows the Group to optimize the hidden layers of fast-growing species of wood. These three stacked layers ensure the longevity of wood floors, in addition to reinforcing their structural integrity.

The Group uses high-performance protection techniques to reinforce resistance to scratches and wear. Engineered wood helps limit the use of high-grade wood, such as oak, which requires relatively long regeneration cycles. In this way, the Group contributes to sustainable forest management.

Laminate flooring

Laminate flooring is primarily sold to end-users in the residential market and can be designed to reproduce the pattern that the end-user wants: wood, stone, ceramic or a graphic design-but with enhanced durability and at a lower cost.

Laminate flooring consists of a paper balancing layer, a core board of high-density wood fiber or HDF, a decor layer of printed paper and an overlay to protect the visible surface.

Laminate flooring is sold at competitive prices compared to wood and provides a durable flooring solution. The Group offers a large range of designs to end-users to satisfy all of their wishes, although this product type is intended primarily for the residential market, in particular through DIY (do-it-yourself) distribution channels, and construction materials.

Laminate flooring is easy to install thanks to the Group's 2-Lock and T-Lock click systems, which make it possible to lock the plates to each other without gluing them to the supporting layer. Laminate flooring can also be adapted to the specific needs of each end-user: heavy use and weight, high resistance to shocks or high-traffic areas. Due to its modular nature, laminate flooring also allows users to easily change their flooring without incurring prohibitive costs.

1.6.1.3 **Carpets**

The Group primarily offers carpets for use in commercial spaces such as office buildings, governmental institutions, hospitals and schools. the Group's principal markets for commercial carpet are North America (since the acquisition of Tandus in 2012) and Europe (since the acquisition of Desso in 2014).

The Group offers three types of carpeting, which correspond to three generations of the product:

- > broadloom carpet, which is made from a polypropylene backing and fibers that are either tufted or woven:
- modular carpet, which is sold in tiles, and made of a vinyl or urethane backing and tufted (nylon) fibers; and
- > hybrid resilient sheet flooring, which is an inseparable structure made of a resilient base, a nylon carpet and a specific foam that contributes to its performance and enhances design options.

Carpet is a shock-absorbent floor covering with good acoustic properties that adds comfort and warmth to an interior environment. The Group offers a wide selection of colors and patterns that are frequently updated and tailored to appeal to customers in different geographic regions. The different carpet products also offer acoustic properties and high-performance resistance to rolling and heavy traffic, as well as ease of maintenance.

1.6.1.4 Rubber Flooring and Accessories

The Group sells a wide range of rubber flooring as well as vinyl and rubber accessories. Flooring products include rubber sheets and tiles, while accessories include stair nosing, tactile warning strips, tactile paving tiles, warning tiles, baseboards, decorative wall skirting, thresholds and adhesives.

Sold primarily in North America, these products are used mostly by commercial end-users in the healthcare, educational and industrial sectors, as well as in indoor sports facilities. The Group is the leading supplier of vinyl accessories in North America

As part of the Group's sustainable development initiative, it can produce these products with recycled rubber.

The Group offers rubber flooring and accessories in a wide variety of colors, patterns and textures, in order to coordinate with its other flooring solutions. These products and accessories are slip-resistant and shock-absorbent and provide a high level of safety. They have natural acoustic properties, require little maintenance, and are easy to install and replace.

1.6.1.5 Sports Surfaces

The sports surfaces that the Group manufactures are used throughout the world by amateur and professional athletes, providing safety, comfort, performance and aesthetic enjoyment. Sports surfaces are installed at universities, schools and public sports facilities, primarily in North America, as well as in Europe (including in France, Spain, Benelux, and the United Kingdom).

The Group has a strong presence in the sports market due to the diversity of its products. It is one of the only flooring manufacturers able to provide such a wide range of sports surface solutions.

The Group's sports surfaces include three product types: artificial turf, athletic tracks and indoor sports flooring.

Artificial Turf

Artificial turf represents the largest portion of the Group's sales of sports surfaces. The Group is the leading artificial turf manufacturer in the world, and particularly in North America. Artificial turf can be used for both sports surfaces and landscaping.

The Group is certified as an artificial turf manufacturer by FIFA (Fédération Internationale de Football Association) and the IRB (International Rugby Board), and its turf is used for training and competition fields by some of the leading European soccer clubs, for hockey, tennis and other multi-purpose sports facilities. However, the principal end-users of this product are universities and high school facilities, and to a lesser extent, local municipalities for landscaping purposes.

The manufacture of artificial turf is a three-step process for which the Group has numerous patented innovative processes: fiber production, tufting and backing coating.

For sports facilities, the Group produces high-quality fibers, whose properties result from the chemical composition, extrusion parameters and unique, carefully designed geometry.

The Group has become a leader in fiber extrusion technology since 2010, when it entered into a joint venture with Morton Extrusionstechnik (MET), a German company specialized in fiber extrusion, which was entirely taken over by the Group in 2017. This company enables the Group to control the fiber production process for its artificial turf.

Artificial turf is a cost-effective solution for owners or maintenance personnel of sports facilities because it is less expensive to maintain than natural turf. From a sustainable development standpoint, it also reduces water use and eliminates the need for fertilizers. Artificial turf offers resistance to wear and tear from constant, year-round play, and can be used every day, unlike natural turf.

The Group also offers an innovative range of landscaping products with a variety of designs that respond to the specific needs of end-users, in particular hospitality and commercial campuses. The Group also sells these products to residential end-users, particularly in the southern United States.

Athletic tracks

The Group offers athletic tracks that promote athlete speed, safety and comfort. It sells them principally in North America, where it is the leading manufacturer.

Athletic tracks are composed of successive shock-absorbing layers of composite rubber, to which a polyurethane layer is applied, with the surface then worked on to give a particular color and external appearance, whether smooth or rough.

Because of the polyurethane surface layer, the Group's athletic tracks are extremely durable and provide athletes with important safety advantages, in particular due to their stability and shock absorption. The track surface essentially acts like a trampoline, "propelling" the athlete slightly with each stride. Easy-to-install, these tracks can be used in any weather conditions and also have good acoustic properties.

Indoor Sports Flooring

The Group offers indoor sports surface products in wood, vinyl or linoleum for multi-purpose sports venues and gymnasiums.

Within the vinyl flooring line, the Omnisports collection is adapted to multi-purpose sports venues. It is available in several thicknesses to respond to the technical requirements of a wide range of sporting events, and to offer performance qualities adapted to the needs of its end-users. The Group also offers lines of wood flooring for sports such as basketball, handball, dance, volleyball, badminton, squash and martial arts.

The Group's wide range of indoor sports surfaces satisfies the requirements of both experienced athletes and amateurs in terms of shock absorption, ball bounce and anti-slip surfaces. Certain of the Group's wood flooring product lines are popular for their ease of installation, such as its removable wooden floors (*Sportable*).

Indoor sports surfaces are marketed by a dedicated sales force in the North America sports segment and by the general flooring sales forces in other regions. These indoor sports sales are then recorded in the corresponding segments.

1.6.2 Manufacture of the Group's products

1.6.2.1 Raw Materials and Suppliers

The Group uses various raw materials to manufacture its flooring products: PVCs and plasticizers for vinyl flooring; wood for wood and laminate flooring; polymers and fibers for carpets and artificial turf; rubber, which is used in several flooring types; and cork for linoleum flooring. The Group builds its supplier base on long-term relationships, while focusing on optimizing purchasing terms and adapting the Group's procurement policy to the specific needs of each country.

Raw Materials

PVC and Plasticizers for Vinyl Flooring

The Group primarily uses two raw materials to manufacture its products: PVC and plasticizers. These are used to manufacture homogeneous and heterogeneous vinyl.

Oil-derivative products accounted for slightly more than half of the Group's raw materials purchases in 2017. PVC and plasticizer producers have worldwide presences, but with regional differences relating to the supply and demand balance in different geographies.

When the Group makes acquisitions, it tries to reduce raw material costs by working jointly with the target's suppliers to honor the prices negotiated with the rest of the Group.

Despite its close relationships with its suppliers, the Group is constantly looking for raw materials opportunities, with regard to both technical characteristics and geographical location, to ensure continued competitiveness.

Other raw materials

Wood represented around 9% of the Group's raw material costs in 2017. The Group uses wood to make wood and laminate flooring. The wood flooring market remains very local, due to the significant cost of transporting logs or rough timber. The Group is therefore subject to local fluctuations in the price of wood.

The Group purchases other raw materials, in particular fiberglass for vinyl flooring; rubber for rubber flooring, accessories and artificial turf; nylon and polypropylene for carpet; melamine and decor paper for laminate floors; and linseed oil, jute and cork for linoleum floors.

Supplier Relationships and Purchasing Policy

Suppliers are essential partners of the Group. The Group has chosen to build long-term relationships with selected partners.

Supplier relations

The Group is careful to maintain relationships of trust over the long term with all of its suppliers. These relationships enable the Group to negotiate favorable commercial terms, but also to create value through innovations.

In order to adapt its procurement structure to different geographic regions, the Group favors partnerships with:

- > the leading international chemical companies, such as BASF, Inovyn, Eastman, Vinnolit, Vestolit, and Evonik, which supply the Group throughout the world; and
- > local suppliers.

Purchasing policy

The Group tries to centralize its purchases at the global level for the most important raw materials used to manufacture vinyl flooring, wood flooring, and, since 2015, carpet.

In the majority of the Group's supplier agreements, pricing is indexed monthly or quarterly to market prices of the raw materials used in manufacturing its products. These agreements have terms of between one and three years, with no obligation to purchase specific quantities of materials.

The Group's purchasing policy is based on four principles:

- > market analysis and construction of a world-wide pool of suppliers:
- > optimization of raw materials;
- > collaboration with key suppliers to achieve continuous improvement; and
- > annual review of its principal contracts.

The Group actively manages its portfolio of partner suppliers. The Group reviews its main contracts annually in order to renegotiate prices and determine supplier availability.

Diversification of the raw materials that the Group uses enables it to substitute inputs between several suppliers and thus reduce its dependence on certain specialized suppliers.

The Group tries to cooperate closely with its key suppliers on technical issues and innovations. It also shares its growth objectives with them in order to ensure that they increase production capacities sufficiently to respond to increased demand.

1.6.2.2 Production Facilities

The Group's production facilities are located as close as possible to product delivery sites, while maintaining competitive production costs. The Group has 34 production sites in more than 15 countries in order to be close to its markets, minimize transport costs and customs duties and remain competitive with local players.

Since 2009, the Group has deployed a program for ongoing improvement program in its manufacturing plants called "World Class Manufacturing." This is a "lean manufacturing" type of program that aims to improve employee safety, customer service, product quality, its environmental footprint, and production costs.

The Group uses flexible assembly lines so that it can adapt production to changes in end-user demand.

Location of Production Sites

The Group has 34 production sites; of these, it owns 32 and rents two (in the United Kingdom and in China).

As a result of the Group's historical presence, it has 13 production sites (excluding Sports) in EMEA, including two major sites with more than 500 employees each in Luxembourg and Sweden. the Group's production sites supply the products it markets in this region: resilient flooring, laminate flooring, wood flooring, carpet and sports surfaces. A small portion of European production is also marketed in North America, the Middle East, Latin America and Asia.

The Group owns nine production sites (excluding Sports) in North America, which produce vinyl flooring, accessories, carpet tiles, and, to a lesser extent, sports surfaces.

The CIS, APAC and Latin America segment also has a substantial number of production sites to satisfy local demand. In this segment, the Group has seven production sites, including two major sites, one in Backa Palanka, Serbia, and the other in Otradny, Russia. The Otradny site, which has more than 1,000 employees, is the Group's largest site worldwide. The production sites in the CIS, APAC and Latin America regions make resilient flooring, wood flooring, laminate flooring, carpets, and rugs. The Group also has a carpet production site in China as a result of the Tandus acquisition and a recently acquired vinyl flooring production plant near Beijing. In Brazil, where the Group is the leading supplier of commercial vinyl flooring, it has a factory that produces vinyl to satisfy local demand.

The Sport segment includes five production sites. Two of them manufacture artificial turf (one in the United States and one in Western Europe), and two make athletic tracks in the United States. The remaining production site is a fiber extrusion factory for artificial turf in Germany. In 2017, the Group shut down the site of Valls (Spain) where it manufactured synthetic turf. Production was transferred to the Auchel site (France).

 $The following table \ presents \ the \ Group's \ manufacturing \ sites \ and \ the \ main \ products \ manufactured \ at \ each \ site.$

Division	Country	Site	Products	Location
EMEA	Germany	LaminatePark	Laminate flooring	Eiweiler
		MET	Fibers for artificial turf	Absteinach
		Tarkett	Resilient flooring	Konz
	France	FieldTurf	Artificial turf	Auchel
		Tarkett	Resilient flooring	Sedan
	Italy	Tarkett	Resilient flooring (linoleum)	Narni
	Luxembourg	Tarkett	Resilient flooring	Clervaux
	United Kingdom	Tarkett	Resilient flooring	Lenham
	Sweden	Tarkett	Wood flooring	Hanaskog
		Tarkett	Resilient flooring	Ronneby
	Poland	Tarkett	Wood flooring	Orzechowo
		Tarkett	Resilient flooring	Jaslo
	Netherlands	Desso	Carpet	Waalwijk
		Desso	Carpet	Goirle
	Belgium	Desso	Carpet	Dendermonde
North America	Canada	Johnsonite	Resilient flooring	Waterloo
		Tandus - Centiva	Carpet	Truro
		Tarkett	Resilient flooring	Farnham
	United States	Beynon	Athletic tracks	Hunt-Valley
		Beynon	Athletic tracks and tennis courts	Denver
		FieldTurf	Artificial turf	Calhoun
		Johnsonite	Resilient flooring	Chagrin Falls
		Johnsonite	Resilient flooring	Middlefield
		Tandus - Centiva	Carpet	Calhoun
		Tandus - Centiva	Carpet	Dalton
		Tarkett	Resilient flooring	Florence
		Tarkett	Premium vinyl tiles (LVT)	Florence
CIS	Russia	Tarkett	Laminate flooring	Mytishchi
		Tarkett	Resilient flooring	Otradny
	Serbia	Tarkett/Sintelon FieldTurf	Resilient flooring Wood flooring Carpets and rugs	Backa Palanka
	Ukraine	Tarkett	Resilient flooring Wood flooring Carpet	Kalush
APAC	China	Tandus	Carpet	Suzhou
		Tarkett	Resilient flooring	Beijing
Latin America	Brazil	Tarkett	Resilient flooring	 Jacarei

The Group's Investments in Production Sites

Over the last seven years, the Group has made significant investments in its production sites in order to respond to increasing demand, maintain competitiveness and continue reducing production costs.

Continued Improvement of Manufacturing Processes

The Group continuously strives to improve its manufacturing process, with the objective of improving Worker Safety, satisfying customers, reducing its environmental footprint, and lowering production costs.

In February 2009, the Group launched its World Class Manufacturing ("WCM") program, which is inspired by similar successful programs in the automobile sector.

This program seeks to improve:

- > product quality and customer service;
- > the safety and performance of production sites; and
- > the Group's financial profitability, while reducing its impact on the environment.

In connection with the WCM program, the Group is carrying out initiatives to improve product quality, on-time delivery and production yields, all while limiting effects on the environment.

The Group has appointed WCM directors for all of its sites who coordinate ongoing improvement projects on-site and develop related methodologies. They can then share their experiences within the WCM network, thus spreading efficiency improvements throughout the Group's production network to improve profitability. The Group also has a central dedicated WCM team that travels to each production site to help local teams deploy the WCM improvements. By traveling to the various production sites, the WCM team can adapt the program's methodologies to local conditions, while at the same time managing action plans centrally.

The Group has seen positive results from the WCM program. A study conducted by an independent party confirmed significant improvement in customer satisfaction in 15 countries where the Group sells its products. There has been a substantial decrease in accidents at the Group's production sites and a decreased environmental impact from the manufacture of its products. In addition, the WCM program has improved management of the Group's supply chain and led to a significant reduction in production costs over the course of the last seven years.

The Group believes that the WCM program will continue to generate substantial savings in production costs in the coming years.

Special Attention to Worker Safety

The WCM program emphasizes accident prevention in the Group's factories by requiring systematic analysis of all incidents, identification of principal causes and implementation of a rigorously monitored action plan.

At the same time, the Group conducts training to raise employee and management awareness of safety issues. the Group's Executive Committee is particularly sensitive to employee safety and discusses the subject with employees when it visits factories.

Strengthened Quality Control

The Group has implemented a quality-control structure in its factories to ensure rigorous monitoring of its products.

In connection with the WCM program, the Group's teams systematically analyze the principal causes of customer complaints and quality defects and create action plans to eliminate them.

A Manufacturing Process That Respects the Environment

The Group takes the environment into consideration at every stage of product design. For that reason, it does its best to select the materials that present the least risk to end-users and the environment, and that can be part of a biological or technical cycle. It prioritizes the use of renewable and recyclable materials in manufacturing its products.

The Group has also developed the ReStart system for collecting flooring, which consists of gathering clean installation waste and used flooring at the production sites and installation sites in order to reuse and/or recycle them to manufacture new flooring.

The Group has also entered into a partnership agreement with the German research institute Environment Protection Encouragement Agency ("EPEA") in order to deploy the Cradle to Cradle® ("C2C") concept in the Group. This program aims to reduce the environmental impact of industrial activities and to design products with materials that respect human health and the environment and that allow for indefinite recycling of the products at end of use.

1.6.3 Distribution and sale of the Group's products

The indoor flooring market is split between commercial and residential end-users. Residential users buy the Group's products primarily to renovate existing homes, but they may also purchase them in connection with new construction projects. Commercial users choose flooring for areas that are generally open to the public, in connection with both renovation and construction projects.

Residential end-users generally have a limited ability to distinguish between different products' various qualities and attributes and are therefore relatively dependent on the salesperson at the point of sale to select the appropriate flooring type. In general, residential purchases of flooring are made in DIY stores. These products may, however, also be purchased from specialized construction material suppliers, especially when the general contractor or installer is making the purchase. Therefore, brand awareness among installers and salespeople may have a large influence on product choice.

The commercial market ranges from large-scale projects to shopkeepers with small surface areas, such as artisans and boutiques, whose purchasing patterns tend to be similar to residential users. This segment is markedly more heterogeneous than the residential market in terms of technical requirements, but less varied in terms of design. In a commercial project, each space is designed for a very specific purpose, and materials must often be supplied in large quantities. For

example, in a hospital project, the flooring solutions must conform to strict hygiene requirements to prevent the spread of nosocomial infections. A hospital floor will also be required to meet minimum standards of slip-resistance, static-absorption and noise absorption. A large department store or a mall, on the other hand, would require an ultra-resistant flooring to bear intense foot traffic without showing signs of wear. Office flooring must possess the ability to absorb sound, comfort and durability. Most importantly, public areas are subject to explicit regulations, in terms of interior environmental health and safety, which can vary considerably from one country to the next, even within a single economic zone such as the European Union.

On the commercial market, construction materials must comply with many requirements in terms of design, cost, technical performance (including resistance and acoustics), durability, compliance with standards and public health. General contractors must make purchases in accordance with the terms dictated by the specifiers, who choose flooring in consultation with the end-user. Specifiers can include almost any type of construction industry professional: they may be architects, interior decorators, installers, project managers or general contractors. These professionals are tasked with studying each product and understanding the relative advantages and disadvantages of the various flooring solutions offered. As a result, specifiers are often open to examining the relative strengths and merits of specific technological innovations. The Group has teams dedicated to maintaining close relationships with specifiers at all stages of project development and management. These relationships constitute a key factor in the Group's sales success on the commercial market.

Because of the way products are chosen, the commercial flooring market has other particularities in terms of distribution channels. Unlike the residential market, where consumers go to a physical point of sale and order products immediately upon

selection, commercial buyers plan their purchases in detail prior to placing an order. In general, a project will begin with a detailed planning phase, during which the quantities and qualities of each type of construction material will be determined, and delivery and installation schedules for each phase of the project will be estimated. It is during the planning phase that a manufacturer has the opportunity to act as a consultant to the specification team and design a one-stop, customized solution based on the project's technical and aesthetic requirements. Once the building materials have been selected and the quantity specified, the installer simply places the order with a wholesaler or directly with the manufacturer, and takes delivery in accordance with the construction calendar.

1.6.3.1 Distribution Strategy

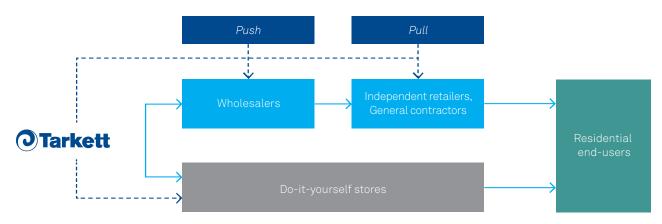
Distribution channels in the residential and commercial markets differ as a result of the characteristics of each market. The Group uses both "push" and "pull" strategies within both of these markets:

- > Push. Specialized teams implement the "push" strategy, whose objective is to encourage wholesalers to buy the Group's products. To that end, the Group's sales force meets with them to discuss the advantages of its flooring and present the brands under which it markets its products. The Group has entered into numerous agreements with the principal wholesalers in each market. In the residential market, in addition to wholesalers, this strategy also includes DIY chains and specialty retailers.
- > Pull. The Group also has teams to implement its "pull" strategy, whose objective is to encourage the sale of products stocked by wholesalers. In the commercial market, the sales force concentrates on the main specifiers, such as architects, interior design firms and construction companies.

The following diagrams illustrate the operation of the Group's distribution strategy for the residential and commercial market.

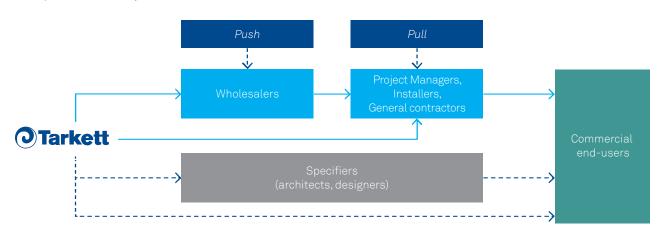
Residential market

→ Sales ---> Salesforces



Commercial market

→ Sales ---> Salesforces



The distribution strategy for the commercial market is complemented by training centers, called "Tarkett Academies," which promote awareness of the Group's products among specifiers and ensure the highest quality installation in order to reinforce the Group's image. There are 13 Tarkett Academies throughout the world, in eight countries. These training centers train mainly building industry professionals, such as architects, designers, flooring installers and general contractors.

In these training centers, installers learn how to correctly install Tarkett-brand products, which often influences them to choose or recommend Tarkett products for their future projects. By ensuring proper installation of its products, the Group also improves its reputation, increases brand loyalty, develops relationships with its commercial partners and improves customer satisfaction.

1.6.3.2 Distribution Channels

The Group's products are distributed primarily by distributors and wholesalers, retail chains, installers, specialized chains and independent stores.

The weight of each distribution channel is different in each geographic region:

- Most of the Group's sales in North America and in the CIS, APAC and Latin America segment are through distributors. This channel is characterized by large storage spaces, providing significant economies of scale in terms of logistics, with services being provided by distributors to a large number of retail stores. In Western Europe, on the other hand, a smaller share of sales is through distributors, though the number still remains significant.
- Large retail chains are common in Western Europe and North America, representing a significant share of the Group's sales in these regions. This distribution channel is currently less significant in the CIS countries, but could grow in the years to come.

- Independent stores represent a relatively significant share of the Group's distribution in Western Europe and in the CIS, APAC and Latin America segment, with a larger presence in high-end products such as wood flooring.
- Installers and builders represent a significant share of sales in Western Europe, particularly in the commercial sector.

It should be noted that commercial carpet (the activity of Tandus, acquired in 2012, and of Desso, acquired in 2014) is a special case, since it is generally distributed directly to commercial end-users in the form of "turnkey" solutions.

1.6.3.3 Customers

The Group has a large and diversified customer base, including, in particular, distribution companies and leading large retail chains. Distributors are the Group's principal customers and represent the majority of sales volume, followed by retail chains (including DIY chains).

The Group is not dependent on its principal customers. In 2017, the Group's largest customer represented less than 5% of total consolidated net revenue.

1.6.3.4 Organization of the Group's Sales Force

The Group employs roughly 1,500 sales professionals dedicated to selling the Group's products. They are spread over 38 countries, enabling the Group to adapt to local differences and better understand the needs of each market and region. Each sales office has its own organization, responding to the requirements and structure of the local region. One of the strengths of the Group's sales force is its ability to adapt to local demand.

1.6.3.5 Logistics

The Group's logistics is organized around three principles:

- improving the quality of customer service, in particular by offering a wide product selection and rapid delivery;
- > reducing costs, in particular storage, transport costs and customs duties; and
- > adapting the distribution network to the characteristics of local markets.

The Group works with its distributors to support their logistics needs and limit the Group's costs. For example, in 2013 and 2014 the Group extended its logistics platforms in the CIS, where there are 11 regional service centers located close to its principal distributors. This unique approach to distribution gives the Group a significant advantage over its competitors in the CIS. This proximity to customers also results in a clear improvement in service through a reduction in lead times and better training of the Group's customer service teams.

Logistics and Transport

Transport of the Group's products is organized with the objective of improving the quality of customer service while managing transportation costs both upstream and downstream.

Upstream, for delivery of raw materials and other materials needed to manufacture products, the Group negotiates framework agreements with its principal suppliers covering prices and lead times and tries to locate its production sites near its suppliers' manufacturing sites.

Downstream, for delivery of products to customers, the primary objective of the Group's logistics organization is to offer short lead times so that customers can optimize their inventory levels. In some countries the Group uses outside service providers.

Most of the Group's production sites are located in the regions in which it sells its products. By reducing the distance between production sites and customers, the Group improves service, significantly reduces transportation costs, saves on import duties and shortens lead times.

Logistics and Information Systems

The Group's information systems include various applications, in particular applications to manage purchases and product life cycles, resource planning, customer relations, supply-chain management, accounting and financial information and human resources

In 2010, the Group launched a wide scale program to rationalize, consolidate and secure its information systems Group-wide.

To do this, it invested in the deployment of an SAP system, which improves monitoring and management of the Group's activities, to make internal processes uniform, simplify the services offered to end-users and develop the Group's Internet presence.

The Group also made its computer infrastructure uniform with a single network and security system and a consolidation of data centers, while relying on a significantly strengthened risk management program for its information systems.

1.6.4 Product innovation and intellectual property rights

The Group has a long history of research and development. Innovations are incorporated into new products and procedures in order to provide residential and commercial end-users with new solutions.

To the extent permitted by local law, the Group patents, trademarks or registers its industrial know-how and research and development innovations in order to protect its intellectual property.

1.6.4.1 Research and Development

The Group's Research and Development Policy

Research and innovation are at the center of the Group's strategy. Spending on research, design and development doubled from 2011 to 2017, increasing from €18 million in 2011 to €36 million in 2017 (i.e. 1.3% of 2017 revenues), demonstrating the Group's commitment to making research and development one of its pillars of success. In 2017, the Group continued to make significant investments in state-of-the-art laboratory equipment at its Shanghai laboratory, inaugurated in 2016, as well as in its laboratories in Florence, Chagrin Falls (resilient floors) and Dalton (textile floors) in the United States, and Farnham in Canada.

The Group has created an organization allowing to design various innovating flooring solutions, for which it has won several awards.

In order to position its products to respond to the market's demands and to anticipate future needs, the Group includes in its research and development initiatives a quality-assurance process as well as a graphic-design service that targets market trends.

Organization of the Group's Research and Development Activity

A Network of Internal Experts

The Group's research and development activities are performed by more than 200 employees throughout the world. Research and development is organized around an international research and innovation center located in Luxembourg, a local innovation center in Dalton in the United States, as well as 24 development and application laboratories located in more than 15 countries around the world. This enables the Group to develop products that respond to the needs and tastes of local end-users, while relying on its center for excellence in research and innovation.

The directors of the research and development departments meet frequently to discuss product innovation, development and portfolio. Several networks have been formed to facilitate this collaboration: the resilient flooring network (PVC, linoleum, and rubber), the hard flooring network (wood and laminate), and the textiles network (carpet and artificial turf).

Close Relationships with Outside Scientific Experts, Universities and Suppliers

In order to imagine the most innovative flooring solutions, the Group has developed close relationships with outside experts.

For example, it created a scientific advisory board including both Tarkett experts and internationally known outside experts. the Group's directors of research and development consult with scientific experts to validate their scientific orientations with respect to the Group's technologies and processes.

The Group also formed an internal network of experts organized by specialty and accessible through a single digital platform. These internal experts support development and innovation project leaders throughout the world. They are also responsible for ensuring and developing the Group's level of technical and scientific knowledge and for identifying emerging technologies and market trends.

In connection with its "open innovation" policy, the Group spends approximately 30% of its research and innovation budget on external research activities.

In that regard, the Group has also entered into partnerships with research laboratories at some of the leading universities, engineering schools, and public research centers in the world, such as the German research institute EPEA (Environment Protection Encouragement Agency), UNISTRA (University of Strasbourg) and ESPCI (School of Physics and Industrial Chemistry of the City of Paris) to develop new expertise and attract young talents (Engineers, Doctors, PostDoc...). In addition, the startup eco-systems represent a powerful engine for open innovation, the Group has undertaken several institutional and private partnerships to maintain surveillance in order to identify the most relevant startups.

The Group has also developed privileged relationships with certain suppliers through innovation partnership contracts relating, for example, to odor control, the environmental qualities of floor coverings, the development of new categories of products or new materials providing new features.

1.6.4.2 An Effective Innovation Process

Key Principles

The Group's innovation strategy is based on four key principles.

First, it strongly emphasizes eco-design through a virtuous circle based on C2C principles. To implement this principle, Tarkett constantly seeks new materials and processes that protect the environment and human health. Since 2011, with the support of the EPEA, Tarkett has studied the impact on human health and the environment of 5,000 materials (in relation to the products). In 2017, more than 95% by weight of all materials used in the Group's flooring and accessories were evaluated. The Group is also working towards significantly increasing the share of renewable, abundant, recyclable and recycled materials used in the manufacture of its flooring products. This initiative, deployed throughout the Group, supports the development of a circular economy through collection systems (together with Veolia, in France) and partnerships with suppliers of secondary materials. Tarkett is among the companies with the highest number of C2C certified products in the world (flooring, adhesives and accessories).

It also aims to provide clear and precise information to consumers about its products' design. In Europe, a rating system is used to label products with the proportion of renewable materials used in the product's design, whether the product can be recycled, and its levels of VOC emissions. In partnership with the EPEA in North America, the Group freely discloses the composition of products with the evaluation of each material in terms of its impact on human health and the environment and the related explanation. This information is available on Tarkett's North American website in the document entitled, "Material Health Statement", delivered by the EPEA. The Group also rolled out a Circular Economy strategy and worked to develop new recycling technologies, particularly for textile floor coverings (Ethos in the United States).

The second pillar on which the Group bases its innovation strategy is the development of solutions that can create unique living spaces. Modular solutions are well adapted to both residential and professional users who want ease of use combined with a wide selection of designs and decorations. Therefore, the Group has developed a full range of modular, carpet and vinyl solutions, offering a large choice of innovative models and design. The Group has also developed various digital printing technologies on wood and vinyl in order to offer new

services, such as co-creation with designers. In addition, Tarkett was the first company to have developed this technology for the mass personalization of vinyl flooring.

The third pillar is structured around the performance of products and solutions. Performance for textile solution installers, for example, by offering solutions that can be installed faster, even on floors that are still wet (RollSmart adhesive). But also addresses users by providing them with easier maintenance or durability solutions like IQ4, a resilient floor offering an excellent resistance to tasks in a hospital environment.

Finally, the Group aims to build on its position as a leader in interactive flooring solutions. Its FloorInMotion™ solution, designed for hospitals, institutions, and for senior citizen residences and similar settings, provides fall detection and patient movements. In partnership with Philips, the Group also developed solutions for carpet and soft floor lighting to display messages. the Group's goal is to develop solutions that change the user's awareness of the interaction between the floor and the environment.

An Integrated Innovation Process

To offer innovative products to its clients, the Group regularly launches new product lines. To design and develop these new lines, the Group has perfected a five-phase innovation process.

During the exploratory phase, the Group monitors the latest flooring, design and interior decorating trends. The Group monitors major societal trends as well as those of the construction industry that will impact the future needs of our customers (Strategic Foresight) but also a technological and regulatory watch so that future products developed are in compliance with regulations in force. The Group has implemented a Customer Centric Innovation approach based on Design Thinking. This approach is based on observation and interview in order to identify the main 'pain points' that will lead to the definition of a "Job to be done". This will be translated into prototypes and 'Minimum Viable Products (MVP) that will be tested with users and specifiers.

Each year, the Group launches internal or external creative challenges to support this exploratory phase. In 2017, the Group invited a large number of design and engineering schools to participate in its challenge on the topic of "Transition".

Following the exploratory phase, the Group enters the pre-study phase. During this phase, the Group tests the designed product for market suitability, market demand, materials performance, technical feasibility and manufacturing process.

After validating the desirability, viability, and feasibility criteria from the exploration phase, the future project moves into an effective development phase following a robust product development process (Stage Gate Development Process). This phase involves an intimate collaboration between various resources including the design, marketing, operation, and research and development teams. Before its launching, the future product will be subjected to numerous pilot tests as well as industrial, technical, and installation tests to ensure its consistency with market expectations, performance, quality and financial expectations criteria.

The Group's Numerous Innovations

The Group's research and development strategy helps provide its end-users with excellent flooring products. As early as 1942, the Group developed a new process for manufacturing wood flooring that reduced the amount of wood used. Since then, the Group has always worked to develop products and concepts that simplify end-users' lives while reducing environmental impact.

The Group has developed numerous eco-innovations combining performance, design and respect for human health and the environment.

In 2009, the Group began producing vinyl flooring without phthalates, with the iQ^{\oplus} Natural product line, designed using renewable plasticizers.

In 2010, Tarkett deployed a new technology, a non-phthalate plasticizer for vinyl flooring for both commercial and residential use. In 2013 and 2014, Tarkett deployed its non-phthalate plasticizer technology widely in Europe and North America, conducting significant development and adaptation of the formulations. This eco-innovation, combined with that of products with low to very low TVOC emissions (10 to 100 times below the strictest standards), enables Tarkett to contribute to improving indoor air quality. (See Section 3.3.2.2 of the CSR Report, "Quality of Materials".) For example, in 2014 Tarkett launched a new line of residential vinyl flooring in Europe, using non-phthalate plasticizer technology and combining performance, design and respect for human health and the environment. This new generation of flooring contributes to improving indoor air quality through these two major eco-innovations: non-phthalate technology and total VOC emissions that are 10 to 100 times lower than the strictest standards in the world. As of the end of 2017, the Group's vinyl flooring production sites in Europe and North America had deployed non-phthalate plasticizer technology (except for recycled content). The sites in China also use non-phthalate plasticizer technology, as does Brazil for certain product groups. In 2016, the CIS region produced its first line of non-phthalate products.

In another example of eco-innovation, a sub-layer for Ethos® carpet tiles was developed, composed of recycled materials from glass films taken from windshields and safety glass. Some of Desso's carpet product lines are designed using only health-and environment-friendly materials (such as recycled nylon fibers and calcium carbonate from water softening) and can be fully recycled thanks to the ability to separate fibers from their backings at end of use.

In 2013, Tarkett launched its new Linoleum xf2® collection, recyclable flooring made from natural and renewable ingredients (linseed oil, pine resin, cork flour and wood flour). For this collection, a new surface treatment, xf2, was developed, for greater durability and resistance to wear and tear. In addition, one product in particular, the Veneto® Essenza 100% linen, was designed without pigment or with C2C pigments, offering an authentic decor, and obtained C2C gold-level certification in 2014

In 2016, a new non-PVC homogeneous flooring, iQ One, was developed to offer an alternative to vinyl, in particular for the Scandinavian market. This new product received C2C gold-level certification.

Tarkett also practices eco-innovation in its manufacturing process, by recycling its plasticizer emissions into its products, as is the case of the Farnham plant in Canada. The Group also innovates in its technologies for recycling carpet tiles, and in particular the Ethos® tiles with PVB (Polyvinyl butyral) under side

Tarkett also innovates in the area of self-adhering installation systems, in particular for its new modular lines. The loose-laid LVT line, launched in Europe in 2015, permits easy, rapid and durable installation.

In 2016, Tarkett Tandus's innovation led to the creation of OmniCoat carpet tiles, which can be installed on wet surfaces without causing any quality problems. This solution also saves time for installers, since they no longer need to test the floor for humidity before installing carpet.

In the CIS, the Group developed in 2014 and launched in 2015 a new line of wood flooring with a unique digital printing system, the first parquet that can be matched with original printed designs. Also, in the CIS in 2015, Tarkett developed an innovative vinyl flooring technology called "embossing in register" in which the grain of the surface mimics the pattern of wood veins, enabling Tarkett to offer vinyl products to its customers in the CIS and Europe that look just like wood.

Through its innovations, the Group also improves the performance of its products. For example, Cool Play™, launched by FieldTurf®, is a system that enables to significantly reduce the temperature of its artificial turf while maintaining the same level of quality. In addition, in 2014 and 2015 FieldTurf developed the VersaTile™ system, a sub-layer made from recycled synthetic grass that combines drainage and shock-absorption properties (installed, in particular, at Gillette Stadium in Foxborough, Massachusetts, USA). Tarkett Sports also innovates in the area of athletic tracks, with its Rise-n-Run™ technology, a hydraulically banked track system that creates a high-performance, safer indoor track for athletes.

Also, in 2014/2015, Tarkett launched FloorInMotion™, a solution intended primarily for healthcare settings and nursing homes. FloorInMotion™ is a service for caregivers, using an intelligent, connected floor that helps detect falls and wandering by elderly patients in real time and sends an alert to computers or mobile devices. This service also tracks a portion of the patient activity and provides additional support to health care teams by providing data on certain patient/resident movements. This significant innovation, providing an important service, is the result of an ambitious program undertaken by Tarkett's Research and Innovation department. The program relied on Tarkett's expertise in health as well as on numerous partnerships with hospitals, retirement homes and universities.

In 2017, the Group launched industrial digital printing in Europe, in the Eastern European countries, and in the United States through an open co-creation approach with architects and specifiers. Several new co-creation spaces were created at the Clervaux Design Center (Luxembourg) and at the Florence Design Center (USA) complementing the Textile Co-Creation Center of the Walwijk Design Center (Netherlands). This unique expertise and technology opens up enormous, valuable perspectives on flooring's ability to adapt to the needs of new spaces and user expectations.

In 2017 in Russia, the Diva resilient flooring collection brings a new aesthetic experience linked to the non-repeatability of designs (Unrepeatable Design Technology). The iD Mixonomi collection, created for architects and designers, is a new collection of modular vinyl tiles flooring enabling infinite combinations to create custom spaces. Built on the principle of combining colors, shapes and patterns, iD Mixonomi is an intuitive tool used for creating custom and bespoke flooring installations, from timeless patterns to the most vibrant collages. The collection offers an inspiring palette of 33 colors and 10 shapes to combine.

Also, in 2017, for the residential as well as the commercial market, a new range of LVT Click was launched, with the particularity of proposing graining to the proposed designs. This new range is manufactured in our factory in Poland.

Awards for the Group's Innovations

The Group has received numerous awards demonstrating that its innovations are internationally recognized.

Over the last five years, the Group has received awards and certifications in numerous areas, and in particular:

- > The application of C2C principles to flooring production. In recent years, Tarkett has obtained several C2C certifications⁽¹⁾: Basic level for artificial turf; Basic level in 2014 and Bronze level in 2015 for rubber tiles and rubber accessories (BaseWorks[®]); Silver level for linoleum, wood, Ethos[®] carpet tiles, and hybrid grass; and Gold level for Veneto[®] Essenza 100% Linen linoleum and the Desso EcoBase™ carpet sub-layer. In 2015, Desso's "Gold Collection" carpet line was certified C2C Gold. As of the end of 2015, 93% of Desso's commercial carpet tiles were C2C certified. In 2014, Evolay, a new resilient flooring that is an alternative to vinyl, was certified C2C Bronze level. In 2017, IQ One, the new non-PVC homogeneous flooring, received C2C Gold certification. See Chapter 3 for further details.
- > The development of products that contribute to resolve health problems, in particular for asthma and allergy sufferers. In 2013, the Asthma and Allergy Foundation of America (AAFA) awarded asthma and allergy friendly™ certification to several vinyl floors for hospitality, stores & shops (I.D. Inspiration®), hospitals (the vinyl floor iQ®) and for indoor sports flooring (Omnisports™ 6.5 mm and 8.3 mm). FiberFloor® received the same certification in 2012. Since 2017, all of the FiberFloor® lines have received this certification. In addition, since 2015, the Swedish Asthma and Allergy Association has recommended the vinyl modular product Starfloor Click.
- > Its global sustainable development strategy: Tarkett received the BFM Green Business Award in 2011; the strategic development trophy awarded by Ernst & Young and the Agence Française de l'Environnement et de la Maîtrise de l'Energie (French Agency for the Environment and Energy Management) in 2012; the responsible innovation prize awarded in 2013 by Bearing Point in partnership with Expansion magazine and the École des Ponts Paris Tech; the "Woman of Sustainable Development 2014" prize at the Women in Industry Awards organized by the French magazine Usine Nouvelle (New Factory), which rewarded the

⁽¹⁾ Cradle to Cradle® Certified™ is a certification brand owned by the Cradle to Cradle Products Innovation Institute.

commitment of Anne-Christine Ayed, Tarkett's director of Research, Innovation and Environment; and the Green Business Award of the Year prize in 2014 at the Green Business Summit in Luxembourg, initiated by GreenWorks and organized by the Farvest Group.

- Its innovation management strategy: Tarkett received A.T. Kearney's Best Innovator prize in 2013 and the IMProve innovation management prize in the large company category in 2015.
- > Innovation of the FloorInMotion connected floor: Tarkett was selected for the ninth issue of "Objets de la Nouvelle France Industrielle" (Objects of the New Industrial France) in 2014, organized by the Ministry of the Economy, Industrial Recovery and Digital Technology; it also received the Prix Janus de la Santé (Janus Health Prize) in 2014 in France, the official design seal sponsored by the Ministry of Industry and Foreign Trade (Ministère de l'Industrie et du Commerce Extérieur): Batiactu's Trophée de la Construction (construction prize) in 2015 in France, in the technical solutions category, for its project entitled "Creation of Connected Living Spaces at the Saint Laurent Blangy Nursing Home (Northern France)." In 2017, Tarkett FloorInMotion was awarded two Innovation Awards, one at the 1st AgeingFit Days in Lille where our solution won the Innovation Pitch Competition as well as in Spain by the Asensa Group.
- > The development of products that respect human health and the environment: Tarkett was awarded the *Prix Janus de l'Industrie* (Janus Industry Prize) in France in 2014, in the category "Components and Materials" in the service of People, Industry, and the Community for the Linoleum Veneto® Essenza 100% linen product, the official design seal sponsored by the Ministry of Industry and Foreign Trade.
- The development of digital printing technology for vinyl, with the innovation prize awarded by the Fedil in Luxembourg in 2016.
- The LVT Infinies collection, created by renowned designers in the United States and using digital printing technology, received the Best of Neocon prize award in 2016.
- The iD Mixonomi collection in 2016 won the RedDot Design award.

1.6.4.3 Standards Applicable to the Group's Products

The Group complies with a large number of regulations, standards and certifications in its various markets. These standards vary depending on the geographic region, the type of building in which a product is installed and the type of flooring. The Group also uses a monitoring process to ensure that its products comply with applicable regulations, standards and certifications

Mandatory Standards and Standards with Which the Group Complies Voluntarily

The Group is subject to two types of standards: mandatory standards based on legal requirements (such as European regulations or national decrees) and voluntary standards that it has chosen to comply with to respond to its customers' needs.

In most cases, compliance with mandatory standards must be certified by independent laboratories and/or organizations as well as by a governmental authority. Their principal objective is to ensure the safety and protect the health of end-users by demonstrating that the product complies with regulatory requirements, which relate primarily to fire-resistance, slip-resistance and limits on toxic fumes.

Voluntary standards are primarily testing standards to determine a product's technical characteristics such as acoustic properties or dimensional stability, and specifications relating to minimum thresholds for a specific use. These standards vary depending on the product and its intended use, such as schools, hospitals or homes.

Especially in the commercial market, specifiers often stipulate compliance with non-mandatory standards in their order specifications. Specifiers (such as architects and project managers) require compliance with such standards in their specifications. Moreover, compliance with non-mandatory standards is also required by certain national or municipal governments for the construction or renovation of buildings that will be used as public administrations or government agencies.

The Group discloses the standards with which it has voluntarily chosen to comply. The use of such standards allows buyers, specifiers and end-users to be informed of the characteristics of the Group's flooring in order to better differentiate between the Group's products and those of its competitors. The technical specifications that the Group chooses to communicate vary depending on the requirements of the market in question.

Standard Organizations and the Standards Used in Different Geographical Markets

Organizations for standardization define the technical characteristics and performance that a product must meet, as well as the tests to be used.

At the international level, the principal organization in charge of publishing the standards applicable to the Group is the International Organization for Standardization ("ISO"). Compliance with ISO standards is based on the principles developed by the World Trade Organization, and is technically voluntary, although is often required by architects and project managers, in particular for government buildings. Furthermore, agreements between ISO and the European Union enable the transposition of an ISO standard into a European standard.

In Europe, standards are established by the European Committee for Standardization ("CEN"). These standards, called "EN" standards, are mandatory when referenced by a European regulation. Each European Union Member State is required to transpose the European standards into its national standards, replacing the corresponding national standard.

The "CE" marking for construction products is governed primarily by Regulation No. 305/2011 of April 24, 2011, which entered into force on July 1, 2013. It covers health, user safety and energy savings, and defines the mandatory requirements in order to sell the Group's products in the European market. The CE marking indicates that the Group's products comply with the various harmonized standards specific to those products and attests that the flooring has been adequately tested. Among the requirements for the CE marking, products must demonstrate fire resistance, low levels of toxic fumes, and anti-slip properties. For example, the Group complies with the harmonized EN Standard 14041, which details requirements for resilient and laminate flooring and carpets.

In addition to CE marking, the Group is required to comply with Member State regulations, which may rely on national standards established by organizations in various European Union Member States, such as the Association Française de Normalisation ("AFNOR") in France and the Deutsches Institut für Normung ("DIN") in Germany. The Group is subject to national standards in the countries where it sells its products.

In the United States, environmental and workplace safety regulations are established at the federal level, whereas safety features such as fire resistance standards are generally regulated at the state or city level. The American Society for Testing and Materials ("ASTM") and the American National Standard Institute ("ANSI") develop most of the voluntary standards applicable to flooring products in the United States. Both the federal and state governments may decide to adopt ASTM or ANSI standards, thereby making them mandatory. ASTM and ANSI standards are mandatory when referenced in federal or state regulations.

In Russia, flooring products must comply with numerous technical standards imposed by various federal laws and technical regulations, including, in particular, Federal Law No. 184-FZ on the verification and compliance system for flooring and Federal Law No. 123 of July 22, 2008 on fire safety standards.

Countries such as Australia, New Zealand, Japan and China also develop standards as well as national regulations with which the Group may be required to comply.

Finally, certain laboratories and private sector organizations have established procedures for labeling products that comply with certain standards.

The Group actively participates with organizations such as ASTM, ANSI, ISO and CEN in the process of developing standards.

1.6.4.4 Intellectual Property Rights

The Group has a significant portfolio of trademarks and patents that it constantly works to protect, which gives it a strategic advantage over its competitors.

Trademark Portfolio

The Group's products are sold under known brands targeted at each geographic region.

The Group sells its products under its international brand, Tarkett®, which has worldwide name recognition, as well as under specialized international brands such as FieldTurf® and a variety of leading regional brand names that enjoy strong name-recognition in their various markets, such as Johnsonite® and Tandus in North America, Sinteros in the CIS, and Desso® in Western Europe, as well as Beynon for athletic tracks.

In certain markets, the Group uses a multi-brand strategy, using different brands for different distribution channels, to cover the entire market and optimize coexistence between the Group's different distributors.

The Group's trademarks are protected in most of the markets where it does business

Protection of the Group's trademarks can be based on registration or prior use of the marks. Such protections are the subject of national, European Community and international registrations for varying lengths of time.

Patent Portfolio

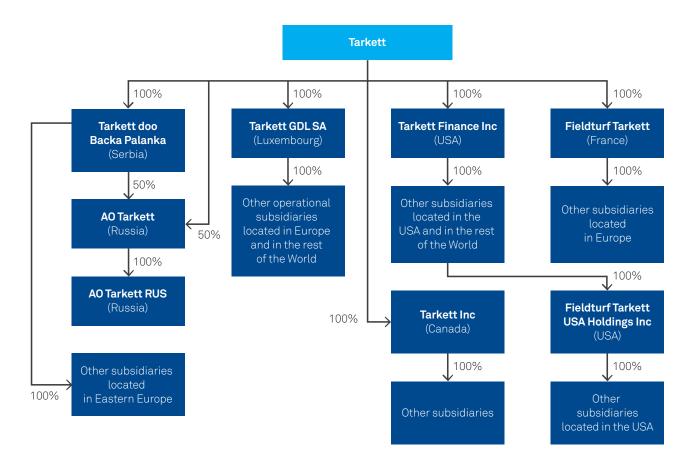
The Group holds full rights to a portfolio of numerous active patents in more than 42 countries. the Group's patents cover flooring and sports surface products as well as technologies for the development of new products.

The Group's patents cover approximately 15 different systems and technologies. Each year the Group files 10 to 15 new patent applications. The average age of the patents in the Group's portfolio is approximately eight years, which is the same as the average life span of its competitors' patents.

The geographical origin of the Group's patent portfolio is highly diversified, with 117 active patents originally filed in Western Europe, 10 in Eastern Europe and 50 in North America. Finally, the Group holds 46 patents relating specifically to its sports surfaces business.

Given the Group's research and development activity, it believes that it is not overly dependent on patents filed by third parties.

1.7 Simplified organizational chart



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2.1 Management and Supervisory Bodies

2.1.1 Management Board, Supervisory Board, and Executive Officers

The Combined General Meeting held on January 2, 2001 opted for the form of management structure for a "société anonyme" consisting of a Management Board and a Supervisory Board.

This management structure dissociates management and direction of the Company, which are the responsibility of the Management Board, from supervision of the management bodies, which is the responsibility of the Supervisory Board.

A description of the main provisions of the Company's Bylaws relating to its functioning and powers, as well as a brief description of the main provisions of the Internal Regulations of the Supervisory Board and its specialized committees, is included in Section 7.6.

2.1.1.1 Management Board

As of December 31, 2017, the Management Board was composed of the following three members:

	Year of Birth	Nationality	Date of 1st Appointment to the Management Board	Date of Most Recent Renewal	Expiration Date of Term in office	Number of Shares Held (1)
Chairman						
Glen Morrison	1962	British and American	September 1, 2017	-	October 26, 2019	2,094
Members						
Fabrice Barthélemy	1968	French	May 23, 2008	October 26, 2016	October 26, 2019	30,747
Sharon MacBeath	1969	British	January 3, 2017		October 26, 2019	

⁽¹⁾ Shares held by the executive and related persons.

The tables below show the main positions and offices held by the members of the Management Board outside the Company (whether inside or outside the Group) during the last five years.

GLEN MORRISON – Chairman of the Management Board

Experience and expertise

Glen Morrison, both a British and American citizen, has been Chairman of the Management Board since September 2017. He joined Tarkett in May of 2015 as President of the Group's North America division.

Prior to that, he spent five years as President of Buildings & Construction Systems business at Alcoa, a global leader in light metals.

Glen Morrison has recognized experience in senior management within the building and construction industry, both in the United States and in Europe.

List of positions and offices held in French and foreign companies during the last five fiscal years

$Positions \, and \, of fices \, within \, the \, Tarkett \, Group$

Current positions:

In France

Chairman of the Management Board, Tarkett

Abroad

Chairman of the Board of Directors of AO Tarkett (Russia)

Chairman of the Board of Directors of Tarkett Brasil Revestimentos LTDA (Brazil)

Chairman of the Board of Directors of Tarkett Hong Kong Limited (PRC)

Member of the Supervisory Board of Morton Extrusionstechnik GmbH (MET) (Germany)

Member of the Board of Tarkett Inc. (Canada)

Member of the Board of Johnsonite Canada Inc. (Canada)

Member of the Board of Tandus Centiva Ltd (Canada)

Member of the Board of Tarkett Enterprises Inc. (USA)

Member of the Board of Tarkett Finance Inc. (USA)

He graduated with a business degree from the Lanchester Polytechnic University in the United Kingdom.

Professional address

Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense Member of the Board of Tarkett Inc. (USA)
Member of the Board of Tarkett USA Inc (USA)
Member of the Board of Tarkett Alabama Inc. (USA)
Member of the Board of Diamond W. Supply Co. (USA)
Member of the Board of Tandus Centiva Inc. (USA)
Member of the Board of Desso USA Inc. (USA)

During the last five years:

In France

None

Abroad

Mandates in various Group subsidiaries

Positions and offices outside the Tarkett Group

None

FABRICE BARTHÉLEMY – Member of the Management Board and President of the EMEA & LATAM (1) Division

Experience and Expertise

Fabrice Barthélemy, born in 1968, graduated from ESCP – Europe.

Fabrice Barthélemy, a French national, has been President of Tarkett Europe, the Middle East, and Africa since February 2017, and he is a member of Tarkett's Management Board.

He joined Tarkett in 2008 as Chief Financial Officer and also supervised the Information Systems and Legal departments. He began his career as an industrial controller at Safran and joined Valeo in 1995 as Financial Controller of a division in the United Kingdom. From 2000 to 2003, he helped turn around Valeo's Lighting Division in France, before taking over the global financial management of the Valeo Connective Systems and then of the Valeo Wiping Systems.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Member of the Management Board and President of the EMEA & LATAM Division President of Tarkett France President of Tarkett Bois

Abroad

Co-general manager of Desso N.V. (Belgium)
Co-general manager of Desso Ltd. (United Kingdom)
Member of the Board of Tarkett Ltd. (United Kingdom)

Co-manager of Tarkett Czech Republic, S.r.o. (Czech Republic)

President of Tarkett Schweiz AG (Switzerland)

 ${\it Managing\,Director\,of\,Tarkett\,Holding\,GmbH\,(Germany)}$

 $Member of the \, Board \, of \, Tarkett \, Monoprosopi \, EPE \, (Greece)$

Member of the Board of Tarkett SpA (Italy)

Member of the Supervisory Board of Tarkett Polska Sp.z.o.o (Poland)

Chairman of the Board of Directors of Tarkett - Produtos Internacionias, S.A. (Portugal)

Member of the Board of Tarkett Floors, S.L. (Spain)

Chairman of the Board of Directors of Tarkett AB (Sweden)

Member of the Board of Directors of Tarkett Aspen Zemin Kaplamalari Ticaret A.S. (Turkev)

Member of the Board of Laminate Park GmbH & Co KG (Germany)

Member of the Board of Somalre (Luxembourg)

Member of the Board of Tarkett Capital SA (Luxembourg)

 $Member of the Board of Tarkett \,GDL\,SA\,(Luxembourg)$

Member of the Board of Desso Holding BV (Netherlands)

During the last five years:

In France

None

Abroad

Mandates in various Group subsidiaries

Positions and offices outside the Tarkett Group

None

⁽¹⁾ As of January 2, 2018 LATAM entities are included into the EMEA Division.

SHARON MACBEATH - Member of the Management Board and Director of Human Resources and Communications

Experience and expertise

Sharon MacBeath is a graduate of the University of Glasgow and holds a Master's degree in Human Resources from the Sorbonne, as well as an Executive MBA from INSEAD.

She began her career in Human Resources at McDonald's France, before founding a human resources consultancy firm called EMDS Consulting. Beginning in 1999, she served as Global SVP in charge of Human Resources and Communications, first at Rexam, and then for eight years at Redcats (part of the Kering group) until the division was sold. In 2013, she became Group SVP in charge of Human Resources for Rexel as well as a member of its Executive Committee, before joining Tarkett in January, 2017.

Professional address

Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Member of the Management Board and Director of Human Resources and communication, Tarkett

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board and Audit Committee, Hermes International SA $^{\scriptscriptstyle (1)}$ (France)

Board Member and Member of the Nominations and Compensation Committee, Coface () (France)

2.1.1.2 Supervisory Board

Composition of the Supervisory Board

At the time of the Company's initial public offering on November 21, 2013, the members of the Supervisory Board were either appointed or renewed early, for staggered terms. In accordance with the Afep-Medef Code and Article 18 of the Company's Bylaws, the entire Supervisory Board will be renewed for staggered terms over a period of four years.

Changes made in 2017

The Company's shareholders meeting at the annual General Meeting on April 27, 2017 decided to:

- renew the mandate of Mr. Jacques Garaïalde as an independent Member of the Supervisory Board, for a period of two (2) years;
- renew the mandate of Mrs. Guylaine Saucier as an independent Member of the Supervisory Board, for a term of four (4) years;
- > renew the mandate of Mr. Nicolas Deconinck as an observer of the Supervisory Board for a period of four (4) years;
- > to ratify the cooptation of Mrs. Agnès Touraine as a Member of the Supervisory Board to replace Mr. Josselin de Roquemaurel, who stepped down, for the remainder of her predecessor's term, which will expire at the close of the General Meeting called in 2017 to approve the financial statements for the fiscal year ended December 31, 2016;

- renew the mandate of Mrs. Agnès Touraine as a Member of the Supervisory Board, for a term of four (4) years;
- > to appoint Mrs. Sabine Roux de Bézieux as a Member of the Supervisory Board for a period of four (4) years.

The Supervisory Board meeting on October 24, 2017, took note of the resignation of Mr. Gérard Buffière, notified on October 5, 2017.

Changes proposed in 2018

Following examination and an opinion provided by the Nominations and Compensation Committee, the Supervisory Board will propose the following to the General Meeting to be held on April 26, 2018:

- renew the mandate of Mr. Didier Deconinck as a Member of the Supervisory Board for a period of four (4) years;
- renew the mandate of Mr. Éric La Bonnardière as a Member of the Supervisory Board, for a term of four (4) years;
- > appoint Mr. Julien Deconinck as a Member of the Supervisory Board for a period of four (4) years;
- appoint Mr. Bernard-André Deconinck as an observer of the Supervisory Board for a period of four (4) years.

Composition of the Supervisory Board as of December 31, 2017

 $As of \, December \, 31,2017, the \, Supervisory \, Board \, was \, composed \, of \, nine \, members \, and \, two \, observers.$

	Year of Birth	Nationality	Date of 1st Appointment to the Supervisory Board	Date of Most Recent Renewal	Expiration Date of Term in Office	Number of Shares Held
Chairman						
Didier Deconinck	1947	French	January 2, 2001	May 13, 2014	AGM 2018 Accounts 12/31/2017	1,000
Vice-Chairman						
Éric La Bonnardière	1981	French	April 24, 2015	-	AGM 2018 Accounts 12/31/2017	1,000
Members						
Bernard-André Deconinck	1944	French	January 10, 2007	April 26, 2016	AGM 2020 Accounts 12/31/2019	1,000
Éric Deconinck	1948	French	January 2, 2001	April 26, 2016	AGM 2020 Accounts 12/31/2019	1,000
Jacques Garaïalde	1956	French	January 10, 2007	April 27, 2017	AGM 2019 Accounts 12/31/2018	1,000
Françoise Leroy	1952	French	November 26, 2013	November 26, 2013	AGM 2019 Accounts 12/31/2018	1,000
Sabine Roux de Bézieux	1965	French	April 27, 2017	-	AGM 2021 Accounts 12/31/2020	1,000
Agnès Touraine	1955	French	December 5, 2016	April 27, 2017	AGM 2021 Accounts 12/31/2020	800
Guylaine Saucier	1946	Canadian	July 29, 2015	April 27, 2017	AGM 2021 Accounts 12/312/2020	1,000
Observers						
Julien Deconinck	1978	French	May 13, 2014	-	AGM 2018 Accounts 12/31/2017	
Nicolas Deconinck	1980	French	April 27, 2017	-	AGM 2021 Accounts 12/31/2020	

The above table does not take into account the 31,975,071 shares held by Société Investissement Deconinck ("SID"), of which Messrs. Éric Deconinck, Didier Deconinck, Bernard-André Deconinck, Julien Deconinck, Nicolas Deconinck, and Éric La Bonnardière are directly or indirectly shareholders.

The tables below show each Member of the Supervisory Board and his or her main positions and offices held inside and outside of the Group during the last five (5) years.

DIDIER DECONINCK – Chairman of the Supervisory Board

Experience and expertise

Didier Deconinck holds an engineering degree from École Polytechnique de Zurich and received additional training in marketing at the Wharton Business School and in finance at INSEAD (Fontainebleau).

Since 2005, he has been Chairman of the Company's Supervisory Board, and since 2013, he has been a Member of the Management Board and of the Bureau des Assemblées (as DDA's representative) of Société Investissement Deconinck ("SID"), a family company holding the Deconinck family's investment in the Company. He was a Managing Director of Société Investissement Familiale ("SIF"), a holding company controlling the Company, until its initial public offering in 2013. He also co-founded and was Managing Director of (until its sale in January 2017) Monin, a French hardware manufacturer for the building and industrial sectors.

From 1979 to 1984, Mr. Deconinck was the Managing Director of *Allibert-Mobilier-de-Jardin*. He then became Managing Director of the Video division of Thomson and an executive officer of its German holding company, DAGFU, until 1987. From 1987 to 1990, he was General Manager of Domco, a company traded on the Toronto Stock Exchange and the largest Canadian flooring manufacturer. He was also Chairman of ARDIAN Holding's Supervisory Board and Nominations and Compensation Committee from 2013 to 2015

Professional address

Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Chairman of the Supervisory Board

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

Member of the Management Board and *Bureau des Assemblées* (as DDA's representative) of SID.

Manager of DDA (France)

Vice-chairman of the Supervisory Committee and Chairman of the Compliance, Internal Control, Risk and Audit Committee of ARDIAN Holding SAS (France) Director of the Museum of the Army (France)

Mandates and offices held during the past five years that are no longer held

Member of the Management Board and Managing Director, SIF (France) Managing Director, Monin (France)

Chairman of the Supervisory Board and Nominations and Compensation Committee of ARDIAN Holding (France)

ÉRIC LA BONNARDIÈRE – Vice-chairman of the Supervisory Board

Experience and expertise

Éric is Chairman, Chief Executive Officer, and co-founder of Evaneos, a travel marketplace and European leader in its segment. Before creating Evaneos in 2009, Éric began his career in 2006 as a consultant at Capgemini and the Advancy strategy consulting firm where he carried out assignments in industry and distribution. He graduated from the Supelec engineering school and holds a Master in management from HEC Paris.

Professional address

Evaneos - 42 rue de Rochechouart - 75009 Paris

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Vice-Chairman and Member of the Supervisory Board Member of the Audit Committee

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

Chairman and Chief Executive Officer of Evaneos (France)

Mandates and offices held during the past five years that are no longer held

None

BERNARD-ANDRÉ DECONINCK - Member of the Supervisory Board

Experience and expertise

Bernard-André Deconinck holds a degree from the *École Centrale de Paris*.

He is a member of the Company's Supervisory Board and, since 2013, has been the Chairman of the Management Board and a member of the *Bureau des Assemblées* (as the representative of Heritage Fund) of SID. He was a Member of the Management Board of SIF, which has since been merged into the Company. He began his career with the Group in 1969 as a methods engineer, then beginning in 1970 held positions in factory management and operational and general management at the division level, and then finally, at the Group level, as vice-president of purchasing, investing, style, and research and development.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Member of the Supervisory Board

Abroad

None

During the last five years:

In France

Member of the Nominations and Compensation Committee

Abroad

None

Positions and offices outside the Tarkett Group

Chairman of the Management Board and *Bureau des Assemblées* (as a representative of Heritage Fund), SID Co-manager, Heritage Fund SPRL (Belgium)

Manager of Val Duchess SPRL (Belgium)

Mandates and offices held during the past five years that are no longer held

Member of the Management Board and Managing Director, SIF (France)

ÉRIC DECONINCK - Member of the Supervisory Board

Experience and expertise

Éric Deconinck holds a degree from the École Supérieure de Commerce de Lyon and served in the military as a part of the Chasseurs Alpins.

He is a member of the Company's Supervisory Board and, since 2013, has been a Member of the Management Board and a Chairman of the *Bureau des Assemblées* (as the representative of Demunich) of SID. He has served as CEO of SIF.

At Sommer Allibert, he was Managing Director of the subsidiary Sommer Brazil from 1976 to 1981, and then President of Allibert Habitat from 1993 to 1997.

Éric Deconinck began his career with Publicis and then worked as a Budget Manager for euro-Advertising from 1972 to 1976. He subsequently joined L'Oréal, where he was Managing Director of Garnier from 1981 to 1985 and then Managing Director of Lancôme from 1985 to 1988. He then joined LVMH Group as President of Christian Lacroix from 1990 to 1991.

He founded and developed the consulting company Marketing & Business from 1998-2013. Since 2013, he founded and runs Demunich.

Professional address

Demunich – 32 rue du Mont-Thabor – 75001 Paris

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France
Member of the Supervisory Board
Abroad
None

During the last five years:

In France None Abroad None

Positions and offices outside the Tarkett Group

Member of the Management Board and *Bureau des Assemblées* (as a representative of Demunich), SID Chairman of Demunich (France)

Mandates and offices held during the past five years that are no longer held

Member of the Management Board and Managing Director, SIF (France)

JACQUES GARAÏALDE – Independent Member of the Supervisory Board

Experience and expertise

Jacques Garaïalde holds an M.B.A from INSEAD (Fontainebleau) and is a graduate of École Polytechnique.

Jacques Garaïalde was Senior Adviser of Kohlberg Kravis Roberts & Co. (KKR) from 2014 to the end of 2016 and a Partner at KKR from 2003 to 2014. He was previously a Partner at Carlyle, in charge of the Technology Fund. From 1982 to 2000, he worked at the Boston Consulting Group, where he was Senior Vice President and Partner in charge of Belgium (from 1992 to 1995) and then France and Belgium (from 1995 to 2000).

Between 1979 and 1981 he held various positions at Esso France.

He is also a member of the Board of Directors of the Fondation de l'École Polytechnique, a trustee of the École Polytechnique Charitable Trust and a member of the Benefits Committee of the Institute of Genetic Diseases.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Independent Member of the Supervisory Board

Abroad

None

During the last five years:

In France

Member of the Nominations and Compensation Committee Independent Vice-Chairman of the Supervisory Board

Abroad

None

Positions and offices outside the Tarkett Group

None

Mandates and offices held during the past five years that are no longer held

Chairman of the Management Board of SIF (France)

President and CEO of Mediannuaire Holding (France)

Chairman of the Board of Directors of the Yellow Pages Group (France) (1)

Chairman of the Supervisory Board of SMCP SAS (France)

Member of the Board of Directors of KKR Flooring COMP (Luxembourg)

Director of Nexans (France)(1)

Director of Visma AS (Norway)

Director of Legrand SA (France) (1)

Director of Sorgenia SpA (Italy)

FRANÇOISE LEROY - Independent Member of the Supervisory Board

Experience and expertise

Françoise Leroy holds a degree from the École Supérieure de Commerce et d'Administration des Entreprises de Reims.

Françoise Leroy began her career in 1975 as Secretary General of the Union Industrielle d'Entreprise. She joined Elf Aquitaine in 1982, where she held various positions in financial management. In 1998, she became the Director of Financial Communications, and then, in 2001, she became Director of Chemical Subsidiaries Operations in the finance department of Total following its merger with Elf Aquitaine. She was also the secretary general of Total's Chemical division in 2004 and a member of its Steering Committee in 2006. She was head of acquisitions and disposals from January 2012 until June 2013.

Professional address

Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Independent Member of the Supervisory Board
Member of the Audit Committee

 ${\it Chairman\, of the \, Nominations\, and\, Compensation\, Committee}$

Abroad

None

During the last five years:

In France

Member of the Nominations and Compensation Committee

Abroad

None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board and Chairwoman of the Audit Committee, HIME (Saur Group) (France)

Board Member and member of the Audit and Risk Committee and of the Nominations and Compensation Committee of Gaztransport & Technigaz GTT (France) (1)

Member of the Supervisory Board of Argan SA⁽¹⁾

Mandates and offices held during the past five years that are no longer held

None

GUYLAINE SAUCIER - Independent Member of the Supervisory Board

Experience and expertise

Guylaine Saucier holds a business degree from the École des Hautes Études Commerciales of Montreal. She is a certified director with the Institute of Corporate Directors, and received the title of Fellow from the CPA Order of Quebec.

Guylaine Saucier was Chairwoman and CEO of the Gérard Saucier Ltée group from 1975 to 1989. A director of numerous large companies, including the Bank of Montreal, AXA Assurances Inc., Danone and Areva, she was also Chairwoman of the Mixed Committee on Corporate Governance (ICCA, CDNX, TSX) (2000-2001), Chairwoman of the Board of Director of the Canadian Institute of Chartered Professional Accountants (1999 to 2000) and a member of the Board of Directors of the Bank of Canada from 1987 to 1991. She was also named to chair the Quebec Chamber of Commerce.

Professional address

1000 rue de la Gauchetière-Ouest Bureau – 2500 Montreal QcH3BOA2 – Canada

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Independent Member of the Supervisory Board Chairwoman of the Audit Committee

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

Member of the Supervisory Board of Wendel (France) (1) Member of the Board of Directors of Junex Inc. (Quebec) (1)

Mandates and offices held during the past five years that are no longer held

Member of the Board of Directors, the Audit Committee and the Risk Management Committee of the Bank of Montreal (1992-2013)

Member of the Board of Directors of Scor (1)

Member of the Supervisory Board and Chair of the Areva Audit Committee (2015)(1)

⁽¹⁾ Listed company.

SABINE ROUX DE BÉZIEUX - Independent Member of the Supervisory Board

Experience and expertise

Sabine Roux de Bézieux is a graduate of ESSEC and holds a diploma in accounting and financial studies (DECF). After two years in investment banking, she spent 13 years in the Andersen Group in London and Paris. From 2002 to 2012, she ran her own consulting company, Advanceo, before joining the Board of Directors of several listed companies and taking over the General Management of Notus Technologies.

She has been involved with foundations for ten years, first with the ARAOK Foundation she founded in 2005 with her husband, then with the launch of Un Esprit de Famille, which brings together family foundations in France. She is also active in community life, as an administrator of United Way France, and President of Espoir Niger and of the Foundation of the Sea.

Professional address

Notus Technologie - 2 bis rue de Villiers. 92300 Levallois-Perret

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Independent Member of the Supervisory Board Member of the Nominations and Compensation Committee

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

General Manager of Notus Technologies SAS Member of the Board of Directors of ABC Arbitrage (1) $Member of the \, Supervisory \, Board \, of \, Altur \, Investment \, ^{(1)}$ Member of the Supervisory Board of ANF Real Estate (1) Member of the Supervisory Board of Banque Transatlantique

Mandates and offices held during the past five years that are no longer held

None

AGNÈS TOURAINE - Member of the Supervisory Board

Experience and expertise

Agnès Touraine is a graduate of Sciences Po Paris, has a law degree, and holds an MBA from Columbia University.

She is currently Chairwoman of the Institut Français des Administrateurs (IFA) and is also a founder and Chairwoman of Act III Consultants, a management consulting firm dedicated to digital transformation. Previously, she was the Chairwoman and CEO of Vivendi Universal Publishing, after spending 10 years at the Lagardère Group and five years at McKinsey.

Professional address

Act III Consultants - 32 rue Notre Dame des Victoires - 75002 Paris

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Member of the Supervisory Board Member of the Nominations and Compensation Committee Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

Chairwoman of the Institut Français des Administrateurs Chairwoman of Act III Consultants (France) Member of the Supervisory Board, 21 Partners (France) Board Member, Proximus (Belgium)

Mandates and offices held during the past five years that are no longer held

Member of the Board of Darty Plc (United Kingdom) Member of the Board of Neopost (France)

JULIEN DECONINCK - Observer of the Supervisory Board

Experience and expertise

Julien Deconinck is a graduate of HEC.

He is a founding partner of Clermount, a financial advisory firm specialized in impact investing. He began his career in 2002 as an analyst in mergers and acquisitions at Lazard. He then joined the Tarkett Group, where he held several positions in marketing development and project management from 2003 to 2006. From 2006 to 2009, he was a mergers and acquisitions associate at HSBC, then director of equity investments at the investment firm Parcom Capital, and then a director at Société Générale Corporate & Investment Banking.

Professional address

Clermount Ltd - 56 Lexham Gardens - London W8 5JA - UK

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Observer of the Supervisory Board

Abroad

None

During the last five years:

In France

None

Abroad

None

Positions and offices outside the Tarkett Group

None

Mandates and offices held during the past five years that are no longer held

None

NICOLAS DECONINCK - Non-voting Member of the Supervisory Board

Experience and expertise

Nicolas Deconinck graduated from Sciences-Po and the University of Paris Dauphine.

He is currently Advisory Director at Roxane, an agency specialized in Digital Strategies. He supports key accounts in their digital transformation through marketing, communications and management drivers.

He began his career in 2003 as a marketing analyst with Orange Mobile, and then became IT strategy consultant at Bearing Point. In 2006, he founded his own company, Attractive, later renamed SoActive, an international e-business platform specialized in sports equipment, which he sold to Bentley Hall Ivts fund in 2015.

Professional address

Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense

List of positions and offices held in French and foreign companies during the last five fiscal years

Positions and offices within the Tarkett Group

Current positions:

In France

Observer of the Supervisory Board

Abroad

None

During the last five years:

In France

None

Abroad None

Positions and offices outside the Tarkett Group

None

Mandates and offices held during the past five years that are no longer held

None

Balance in the composition of the Supervisory Board

As of December 31, 2017, the Supervisory Board was composed as follows:

> five members representing SID;

- four members deemed independent by the Board, on the recommendation of the Nominations and Compensation Committee;
- > two observers, in accordance with Article 26 of the Bylaws and Article 10 of the Supervisory Board's Internal Regulations.

The Supervisory Board is therefore composed of four independent members, along with five members of the Board appointed on the proposal of the main shareholder of the Company, as a result, 44% of the members of the Supervisory Board are considered independent under the following criteria (set forth in Article 1 of the Supervisory Board's Internal Regulations):

- > each independent member of the Board must have no relationship whatsoever with the Company, the Group or management (as an employee or representative, or a business or family relationship) that could compromise the free exercise of his judgment;
- he shall not hold any management position with the Company or the Group; and

> he shall have no special ties with the Company or the Group.

In accordance with the criteria used by the Company and the Afep-Medef Code with respect to the independence of members of the Supervisory Board, and after examination of the situation of each Member of the Supervisory Board, the Supervisory Board deemed Mrs. Guylaine Saucier, Mrs. Françoise Leroy, Mrs. Sabine Roux de Bezieux, and Mr. Jacques Garaïalde to be independent.

In addition, the Supervisory Board has worked to ensure that the composition of the Board reflected a diversity of skills as well as balanced representation of men and women, in proportions that comply with the legal requirements in effect since January 1, 2014. Indeed, as of December 31, 2017, the proportion of women on the Supervisory Board represents 44%.

2.1.1.3 Composition of Other Executive Officers

Composition of Other Executive Officers

The composition of the Group's Executive Committee as of December 31, 2017 is as follows:

Members	Position	Nationality	Age	Biography
Glen Morrison	Chairman of the Management Board	British and American	55 years See Section 2.1.1.1	
Fabrice Barthélemy	Member of the Management Board and President of the EMEA & LATAM Division	French	49 years	See Section 2.1.1.1
Sharon MacBeath	Member of the Management Board and Director of Human Resources and Communications	British	48 years	See Section 2.1.1.1
Raphaël Bauer	Chief Financial Officer	French	38 years	Raphael Bauer joined Tarkett in 2010 as a Financial Controller in the EMEA division, then in the Asia-Pacific and Latin America regions, and then he was finally appointed Financial Controller of the Group from 2014 to February 2017. He began his career as a management controller at Valeo from 2002 to 2007, then joined Rexam as a financial officer from 2007 to 2010. Raphaël Bauer is a graduate of Sciences Po Paris.
Anne-Christine Ayed	Executive Vice President, Research, Innovation and Environment	Franco-Canadian	56 years	Mrs. Ayed, who has a doctorate in polymer chemistry, joined Tarkett in 2009. Previously, she held various managerial and R&D positions with Dow Chemicals in Switzerland, Germany and the United States.
Wendy Kool-Foulon	Group General Counsel	French and Dutch	44 years	Mrs. Kool-Foulon is a graduate of the École de Formation des Barreaux de la Cour d'Appel de Paris (the training school for the Bars under the jurisdiction of the Paris Court of Appeals) and holds a Master in corporate taxation and a degree in management sciences from the University of Paris-Dauphine. She joined Tarkett in 2012 as General Counsel for the EMEA, Asia-Pacific and Latin America divisions and became Group General Counsel in 2016. She began her career as a lawyer (with PriceWaterhouse and with Salans) and then occupied various positions with IBM and Geodis.

Management and Supervisory Bodies

Members	Position	Nationality	Age	Biography
Éric Dalière	President of the Tarkett Sports division	American	50 years	Mr. Dalière received an MBA from the J.L. Kellogg School of Management at Northwestern University, and joined the Group in 2009. Previously, he spent ten years working on complex projects for KKR Capstone, after having started with the Boston Consulting Group.
Slavoljub Martinovic	President of the Eastern European Division	Serbian	47 years	A graduate of the Technological Faculty of Novi Sad, Mr. Martinovic has been with the Group since 1996, first with Sintelon, which was acquired by the Group in 2002. Prior to being appointed to his current position in January 2013, he held various operational management and general management positions in Serbia and Russia.
Andrew Bonham	President of the North American Division as of March 5, 2018	American	57 years	Holder of a Bachelor of Science degree from the Virginia Polytechnic Institute & State University and an MBA from Averett University, Andrew Bonham has solid experience in several industries such as construction, Industrial Equipment, and the specialty chemicals industry. He has held several international executive positions and has directed operations in North America and Europe in groups such as General Electric and Honeywell.
Antoine Prévost	Executive Vice President of Operations	French	47 years	A graduate of the École Nationale Supérieure des Mines de Paris, Mr. Prévost joined the Company in 2011. From 1995 to 2011, he held various managerial positions with Vallourec.
Gilles Lebret	Director of Customer Operations and Information Systems	French	44 years	Gilles Lebret received a Master in sociology from the University of Amsterdam and a Bachelor's degree in economics and an MBA from the Asian Institute of Technology. He has been with the Company since December 2012. He has been with the Company since December 2012. He was the Marketing Director and then the Managing Director of Central Europe for Knauf Insulation from 2006 to 2012.

Meetings

The Group's Executive Committee meets monthly to review the Group's operational and financial performance and to discuss strategic projects and business operations.

2.1.2 Statement relating to Corporate Governance

2.1.2.1 Conflicts of Interest

Other than as described in Section 2.1.2.2 "Statement Relating to the Management Board and the Supervisory Board" and Section 2.9.5 "Service Agreements", as of December 31, 2017, to the Company's knowledge, there are no potential conflicts of interest between the duties owed to the Company by the members of the Management Board or the Supervisory Board and their private interests or other duties.

As of December 31, 2017, and except as described in Section 2.5, "Free shares", the members of the Management Board and of the Supervisory Board have not agreed to any restriction on their right to sell shares of the Company, with the exception of the rules relating to the prevention of insider trading and the recommendations of the Afep-Medef Code with respect to the obligation to retain shares.

2.1.2.2 Statement Relating to the Management Board and the Supervisory Board

As of December 31, 2017, other than the family relationships among Didier Deconinck (Chairman of the Supervisory Board), Bernard-André Deconinck (Member of the Supervisory Board) and Éric Deconinck (Member of the Supervisory Board), as well as between these three members of the Supervisory Board and Éric La Bonnardière (Vice-Chairman of the Supervisory Board), Nicolas Deconinck (observer) and Julien Deconinck (observer),

their nephews, there are no family relationships among the Company's officers.

Other than the related party agreements described in Section 8.6 ("Statutory Auditors' Report on related-party agreements and commitments"), there are no business ties between the members of the Supervisory Board and the Management Board, on the one hand, and the Company, on the other.

To the Company's knowledge, over the course of the past five years:

- no Member of the Management Board or the Supervisory Board has been convicted of fraud;
- none of the above persons has been associated with any bankruptcy, receivership or liquidation;
- > no criminalization and/or official public sanction has been pronounced against any of the above-mentioned persons by statutory or regulatory authorities (including designated professional bodies) and none of the aforementioned persons has ever been prevented by a court to act as a member of an administrative, management, or supervisory body of an issuer, or to intervene in the management or conduct of the affairs of an issuer.

2.1.2.3 Independence of Members of the Supervisory Board

Pursuant to the recommendations of the Afep-Medef Code, Article 1.1 of the Internal Regulations of the Supervisory Board provides that at the time of each renewal or nomination of a Member of the Supervisory Board and at least once per year prior to the publication of the Company's Registration Document, the Board must evaluate the independence of each of its members

The determination of independence is discussed each year by the Nominations and Compensation Committee, which prepares a report relating thereto for the Supervisory Board. Each year, the Supervisory Board examines, based on such report, the status of each Member of the Supervisory Board with regard to the independence criteria. The Supervisory Board must inform the shareholders of the conclusions of its analysis in the Registration Document.

The process for evaluating the independence of each corporate officer was examined by the Nominations and Compensation Committee at its meeting on February 7, 2018, and then by the Supervisory Board at its meeting of February 8, 2018. Based on this analysis, four members of the Supervisory Board are independent: Guylaine Saucier, Françoise Leroy, Sabine Roux de Bézieux and Jacques Garaïalde.

In addition, this analysis showed that as of December 31, 2017, the Audit Committee has three members, of which two are independent (Guylaine Saucier (Chairwoman) and Françoise Leroy). The Nominations and Compensation Committee has three members as of December 31, 2017, including two independent members (Françoise Leroy (Chairwoman) and Sabine Roux de Bézieux).

At its meeting on February 8, 2018, the Supervisory Board reviewed the terms of all members of the Supervisory Board, and proposed:

- > the renewal of the mandate of Mr. Didier Deconinck;
- > the renewal of the mandate of Mr. Éric La Bonnardière;
- > the appointment of Julien Deconinck as a Member of the Supervisory Board; and
- > the appointment of Mr. Bernard-André Deconinck as observer of the Supervisory Board.

2.2 Operation of the Management and Supervisory Boards

2.2.1 Operation of the Management Board

Articles 11 through 16 of Tarkett's Bylaws (see Sections 7.6, "Bylaws of the Company"), within the framework of applicable laws and regulations, sets forth the allocation of tasks among members of management, the organization and operation of the Management Board, and the rights and obligations of its members.

During 2017, the Management Board met six times (six times in 2016). The attendance rate was 100%.

The items discussed at its meetings included mainly:

Activities relative to the results and to the annual General Meeting:

- > fourth quarter 2016 activity report;
- > first quarter 2017 activity report;
- third quarter 2017 activity report;

- > approval of the interim consolidated financial report as of June 30.2017:
- > review and approval of the annual and Consolidated Financial Statements for the year ended December 31, 2016;
- > proposed allocation of results for the 2016 financial year;
- > management report on the Company and the Group;
- > convening and drafting the resolutions of the General Meeting of April 27, 2017;
- > regulated agreements;
- > status of the mandates of the members of the Supervisory Board:
- > review of press releases;
- > approval of forecast results documents.

Other activities:

- > approval of the LTIP 2017-2020;
- issuance of a new semi-bond investment under German law "Schuldschein";
- > finalization of the 2018-2020 strategic plan.
- > compliance with the international sanctions against Iran.

2.2.2 Operation and evaluation of the Supervisory Board

The operation of the Supervisory Board is described in Articles 17 to 23 of the Company's Bylaws, prepared in accordance with the laws and regulations in effect (See Section 7.6, "Bylaws of the Company"). On November 21, 2013, pursuant to the Company's Bylaws, Tarkett's Supervisory Board adopted Internal Regulations governing its organization and operation and the rights and responsibilities of its members.

The Internal Regulations follow best practices, in particular the recommendations of the Afep-Medef Code, with respect to ensuring compliance with fundamental principles of corporate governance. They may be modified at any time by vote of the Supervisory Board.

Pursuant to the provisions of Article L.225-68 of the French Commercial Code, the Supervisory Board must prepare a report, in particular, on the conditions for preparing and organizing the Board's work, in order for the functioning of the Board and its specialized committees, as well as the verification of important issues to be properly prepared and discussed, and finally to measure the effective contribution of each member to the work of the Board.

This assessment is carried out either by the Board itself or, at least every three years, through a formal evaluation, under the direction of an independent Member of the Supervisory Board, along with the assistance of an outside consultant.

A formalized evaluation took place during 2017, with the help of Korn Ferry firm, which was able to meet with all the Board members.

After this study, the Supervisory Board discussed its operation and performance at its meeting on October 24, 2017 without the presence of the Management Board members.

Although it appeared that the Board members were generally satisfied with this operation, several proposals however were made to optimize it further:

- > reflection on the composition and development of the Board: a clarification of roles of members, of the Chairman and of the Vice-Chairman (some mandates expiring soon), as well as a reflection on developing the missions of the Board committees;
- > holding of systematic meetings without the presence of the Management Board members (executive session);
- > systematization of recurrent thematic sessions on financial communications, the review of share ownership, compliance, acquisitions, market studies and monitoring, etc.
- training proposal for Board members (ad hoc training, French Institute of Administrators (IFA) registration, and e-learning compliance).

During the year ended December 31, 2017, the Supervisory Board met eleven times versus five times in 2016. The attendance rate was 97% on average, reflecting the interest of the members of the Supervisory Board for the Company.

At Board meeting called to approve the financial statements for the first half of the year N, dates are set for all of the following year's meetings N+1, in order to ensure that all members are able to be present. Notice is sent by email to each Member of the Supervisory Board prior to each meeting, specifying the place, time, and agenda for the meeting. Detailed presentations on each item on the agenda are sent to each member in advance through a secure digital platform.

During the meeting, each item on the agenda is explained to the members of the Board. For certain technical subjects, presentations are made by qualified experts on the subject. Each item on the agenda is followed by questions, a discussion, and a vote. Written minutes are prepared and delivered to the members of the Supervisory Board for approval at the next meeting.

The Supervisory Board spends a significant amount of its time elaborating the Company's strategy and analyzing the financial results. The Board also reviews the Company's activity, liquidity position and debt. It examines the annual company financial statements as well as the quarterly reports, half-year, and annual Consolidated Financial Statements, along with the related press releases. It authorizes entry into related-party agreements and significant agreements, as defined in Article 16 of the Bylaws, as well as the implementation of the share buyback program, in accordance with the terms and conditions set by the General Meeting.

All of the items that came before the Board in 2017 were analyzed in a satisfactory manner, thanks in particular to the work done in advance by the Supervisory Board's special committees.

2.2.2.1 Supervisory Board Special Committees

In accordance with Article 22 of the Company's Bylaws and Article 9 of its Internal Regulations, at its meeting on September 17, 2013 the Supervisory Board decided to create two committees — an Audit Committee and a Nominations and Compensation Committee. These committees do not replace the Management Board or the Supervisory Board, which have sole decision-making power in their respective areas of authority, but rather issue proposals, recommendations, and opinions in their areas of expertise.

The Internal Regulations of the Supervisory Board and its committees were adopted at the Supervisory Board's meeting of September 17, 2013 and entered into effect on November 26, 2013.

It is specified that during the 2018 financial year the Supervisory Board intends to change the names and missions of its two committees, in order to underline the importance of their involvement in risk management and corporate governance, respectively.

The descriptions below reflect the Internal Regulations of the committees (see Section 7.6, "Bylaws of the Company" for more information on the Supervisory Board's Internal Regulations).

Audit Committee

The Company's Supervisory Board decided to establish an Audit Committee and set the following rules for its internal governance.

Composition

Members of the Audit Committee are appointed for a term coinciding with their terms as members of the Supervisory Board and are selected in particular for their knowledge in the areas of finance and/or accounting.

Based on its Internal Regulations, the Audit Committee is required to have between two (2) and four (4) members appointed by the Supervisory Board, at least two (2) of whom (including the Chairman) must be independent members of the Supervisory Board under the independence criteria adopted by the Company.

As of January 1, 2018, this committee is composed of Mrs. Guylaine Saucier (Chairwoman), Mrs. Françoise Leroy, and Mr. Éric La Bonnardière (see Section 2.1.1.2, "Supervisory Board", for biographical information). Independent members represent two-thirds of the Audit Committee.

As a result, the Audit Committee's composition complies with the Afep-Medef Code, which requires that at least two-thirds of the Committee be independent and that there be no company officers on the Committee.

The Audit Committee's Internal Regulations provide that the secretary may be any person designated by the chairman of the committee or with the chairman's approval.

Duties

The Audit Committee is responsible for monitoring the preparation and auditing of accounting and financial information, as well as for ensuring the effectiveness of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and approval thereof.

Accordingly, the Audit Committee's Internal Regulations set out its main responsibilities as follows:

- > monitoring the preparation of financial information (in particular, annual or interim reports and Consolidated Financial Statements);
- > monitoring internal control, internal audit and risk management systems relating to financial and accounting information;
- > monitoring the review of the individual company and Consolidated Financial Statements by the Company's Statutory Auditors; and
- > monitoring the independence of the Statutory Auditors.

The Audit Committee regularly reports to the Supervisory Board and informs it without delay of any difficulties that it encounters.

Operation

The Audit Committee may conduct meetings in person or via video or telephone conference pursuant to the same rules as the Supervisory Board, when convened by its chairman or secretary, so long as at least half of its members are present.

The Audit Committee issues recommendations to the Supervisory Board, indicating the number of votes a particular matter of business has received.

The Audit Committee meets as often as necessary and, in any event, at least twice a year in connection with the Group's preparation of annual and interim financial statements. The Audit Committee's meetings are held prior to the meeting of the Supervisory Board and, to the extent possible, are held at least two (2) days prior when the Audit Committee's agenda includes examination of interim or annual financial statements prior to their review by the Supervisory Board.

Activities of the Audit Committee in 2017

The Audit Committee met six (6) times during the 2017 financial year (unchanged from 2016), in particular prior to the meetings of the Supervisory Board called to approve the accounts prepared by the Management Board, and reported on its work to the Supervisory Board.

In 2017, the Audit Committee's work focused principally on reviewing (i) the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2016 (ii) the Group's interim Consolidated Financial report as of June 30, 2017, (iii) the execution of the 2016 audit plan and the new audit plan for 2017, (iv) specific line items including operating income, exceptional items, financial and tax income, the Group's balance sheet, cash flows and the Group's indebtedness and (v) the Group's annual risk mapping exercise for 2017.

The Audit Committee also examined the situation and then the progress of the 2017 internal audit plan, the status of the main risks and litigation, the points of attention on the 2017 accounts, the various relevant regulatory developments, in particular regarding compliance following the adoption of the "Sapin 2" Act, and finally the Group's IT security.

Audit Committee attendance was 100% in 2017.

Nominations and Compensation Committee

The Company's Supervisory Board decided to establish a Nominations and Compensation Committee and set the following rules for its internal governance.

Composition

Members of the Nominations and Compensation Committee are appointed for a term coinciding with their terms as members of the Supervisory Board. When selecting members of the Nominations and Compensation Committee, particular consideration is given to their independence (see Article 1 of the Board's Internal Regulations for the definition of independence), as well as their competence in the selection and remuneration of senior executives and company officers for listed companies.

Based on its Internal Regulations, the Nominations and Compensation Committee is required to have between two (2) and four (4) members, at least two (2) of whom (including the Chairman) must be independent members of the Supervisory Board under the independence criteria adopted by the Company.

As of January 1, 2018, the Nominations and Compensation Committee was composed as follows: Françoise Leroy (Chairwoman), Agnès Touraine and Sabine Roux de Bézieux, (see Section 2.1.1.2 "Supervisory Board" for a presentation of their biographies).

The Nominations and Compensation Committee's Internal Regulations provide that the secretary may be any person designated by the Chairman of the Committee or with the Chairman's approval.

Operation of the Management and Supervisory Boards

Duties

The Nominations and Compensation Committee is a specialized committee of the Supervisory Board whose main function is to assist the Supervisory Board in appointing members of the Executive Committees of the Company and the Group, as well as in determining and regularly reviewing the compensation and benefits awarded to the Company's senior executives, including any deferred benefits and/or voluntary or compulsory redundancy payments awarded by the Group.

Accordingly, it carries out the following functions:

- > proposing the appointment of independent members of the Supervisory Board, of the Management Board and of the Supervisory Board's committees, and examining and assessing the application of non-independent members to the Supervisory Board;
- conducting an annual assessment of the independence of the Supervisory Board members;
- > evaluation of the Organization and Operation of the Supervisory Board;
- > preparation of a succession plan for the members of the Management Board as well as for the Group's senior executives;
- examining and proposing all aspects of and conditions to the remuneration of principal senior executives and the Group's executive management;
- > reviewing and making proposals to the Supervisory Board with respect to attendance fees; and
- reviewing any exceptional compensation relating to assignments given by the Supervisory Board to any of its members outside the ordinary course of business.

Operation

The Nominations and Compensation Committee may conduct meetings in person or via video or telephone conference pursuant to the same rules as the Supervisory Board, when convened by its Chairman or secretary, so long as at least half of its members are participating.

The Nominations and Compensation Committee makes recommendations to the Supervisory Board, indicating the number of votes a particular matter of business has received.

The Nominations and Compensation Committee meets as often as necessary and, in any event, at least once (1) a year prior to the Supervisory Board's meeting on its members' independence and in advance of any Supervisory Board meeting during which matters of Management Board compensation or Supervisory Board attendance fees are to be decided.

The executive compensation policy is determined by reference to comparable issuers.

In respect of the appointments of the corporate officers and senior management, and in accordance with the recommendation of the Afep-Medef Code, it is specified that the Chairman of the Management Board is associated with the work and meetings of the Nominations and Compensation Committee.

Activities of the Nominations and Compensation Committee in 2017

The Nominations and Compensation Committee met eight (8) times during the fiscal year ended December 31, 2017 (five times in 2016) and reported on its work to the Supervisory Board.

In 2017, the work of the Nominations and Compensation Committee included examination of the following:

- > the development of the management teams within the Group and the succession plan of these teams (and in particular the Chairman of the Management Board, following the resignation of Mr. Michel Giannuzzi);
- > the performance of the senior executives;
- the accomplishment of the economic objectives set for the senior executives;
- changes in compensation and the establishment of long-term incentive plans taking into account benchmarks prepared by external advisers;
- > the preparation of the "Say on Pay" shareholder vote, following its reinforcement by the "Sapin 2" Act;
- the compensation section of the management report and the report of the Chairman of the Supervisory Board on corporate governance and on internal control;
- > the resignation and succession of Mr. Gérard Buffière as an independent Member of the Supervisory Board and Chairman of the Nominations and Compensation Committee;
- Mrs. Roux de Bézieux' status as independent member.

Nominations and Compensation Committee attendance was 100% in 2017.

2.2.2.2 Statement Relating to Corporate Governance

The Company adheres to the Corporate Governance Code for Listed Companies of the *Association Française des Entreprises Privées* ("AFEP") and of the *Mouvement des Entreprises de France* ("MEDEF") (the "Afep-Medef Code").

The Afep-Medef Code may be consulted online at http://www.afep.com.

The Company keeps copies of such code available to the members of its governing bodies at all times. The Company ensures compliance with all the principles of corporate governance as defined by the Afep-Medef Code, insofar as the principles laid down are compatible with the organization, size, and resources of the Tarkett Group. As of December 31, 2017, and following an analysis performed by the Supervisory Board at its meeting on February 8, 2018, the Company believes that it is in full compliance with the recommendations of the Afep-Medef Code.

2.3 Compensation and Benefits granted to the Management and Supervisory Bodies

The Company's policy is to comply with all of the recommendations of the Afep-Medef Code.

The tables below show the compensation and benefits of any kind paid to members of the Management Board and the Supervisory Board in connection with their offices, by (i) the Company; (ii) companies controlled by the Company; (iii) companies controlled by companies that control the Company; or (iv) companies that control the Company, all within the meaning of Article L.233-16 of the French Commercial Code. Since the Company belongs to a Group, this information includes amounts due by any company in the Group's control structure and relating to the office held in the Company.

The Company put its compensation policy in place in order to recruit, develop, and retain its executives. This policy is based on the following principles:

- Base salaries are in line with market practices, in order to ensure that the Company remains competitive and attractive. This position is regularly measured through compensation surveys conducted by specialized firms using a benchmark of comparable companies in the SBF 120 for France.
- 2. Variable compensation based on annual objectives where the target payout is in line with market practices that reflect Tarkett's level of ambition and performance requirements:
 - quantifiable criteria based on the year's performance compared with budgetary commitments. These criteria (adjusted EBITDA and cash flow from operations) have been unchanged for the last nine years,

- and on qualitative criteria precisely defined each year, with regard to the Group's main challenges.
- Incentives to motivate sustainable value creation and favour retention in the medium term:
 - the long-term Incentive Plan (LTIP), implemented as of July 2011, with an annual allocation of performance-based shares – or their cash equivalent for grants prior to 2015. The final vesting of the shares is subject to a dual condition of presence after three years, which encourages retention and the Company's economic performance, reflecting value creation. In each plan, "performance" is measured by achieving the objectives of the medium-term strategic plan with regard to growth in EBITDA and debt reduction.

The actual payout rate, compared to the target envelope for the 2012-2015, 2013-2016, and 2014-2017 plans was 43%, 45%, and 52.88% respectively. Regarding the current plans, the target capital amount was 0.644% for the 2015 plan and the target amount of the 2016 and 2017 LTIP plans was 0.5% of the capital.

4. Unlike most listed companies of comparable size, the Group has chosen not to set up a supplemental retirement plan. Preference was given to the LTIP, allowing management a stake in the share capital, leaving each executive the flexibility to build their own supplemental retirement portfolio, if desired.

2.3.1 Total compensation of members of the Management Board for fiscal years 2016 and 2017

The following table presents the summary of compensation, options, and shares granted to Michel Giannuzzi, Glen Morrison, Fabrice Barthélemy, Vincent Lecerf, and Sharon MacBeath during the years ended December 31, 2016 and 2017.

 $Table \ 1-Summary \ Table \ of \ Compensation \ and \ options \ and \ shares \ granted \ to \ each \ Member \ of \ the \ Management \ Board$

(in euros)	Fiscal year 2017	Fiscal year 2016
Michel Giannuzzi, Chairman of the Management Board until 31 August 2017		
Compensation due for the fiscal year (pro rata temporis)	1,795,534	1,780,200
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year (1)	0	678,050
Total	1,795,534	2,458,250
Glen Morrison, Chairman of the Management Board from September 1, 2017		
Compensation due for the fiscal year (pro rata temporis)	216,667	
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year	1,184,000	
Total	1,400,667	
Fabrice Barthélemy		
Compensation due for the fiscal year (2)	552,198	531,342
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year	740,000	463,624
Total	1,292,198	994,966
Vincent Lecerf, Member of the Management Board until January 3, 2017		
Compensation due for the fiscal year (pro rata temporis)	198,007	506,040
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year (3)	0	0
Total	198,007	506,040
Sharon MacBeath, Member of the Management Board since January 3, 2017		
Compensation due for the fiscal year (pro rata temporis)	319,865	N/A
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year	503,200	463,624
Total	823,065	463,624

Following the departure of Michel Giannuzzi, his 2016 allocation of performance shares was reduced in proportion to his actual time present.
 Fabrice Barthélemy became President of the EMEA Division on February 13, 2017.
 Following the departure of Vincent Lecerf, his allocation of performance shares in 2016 was canceled.

Compensation of each Member of the Management Board 2.3.2 for fiscal years 2016 and 2017

The table below shows the breakdown of fixed, variable, and other benefits granted to Michel Giannuzzi, Glen Morrison, Fabrice Barthélemy and Sharon MacBeath during the years ended December 31, 2016 and 2017.

Table 2 – Summary table of compensation of each Member of the Management Board

(in euros)		2017		2016
_	Amounts due (2)	Amounts paid (3)	Amounts due (2)	Amounts paid (3)
Michel Giannuzzi, Chairman of the Management Board until August 31, 2017				
Fixed compensation (1) (4)	500,000	500,000	750,000	750,000
Variable compensation based on annual objectives (1)	253,863	1,030,200	1,030,200	994,342
Exceptional compensation (1) (5)	300,000	300,000		
Benefits in Kind	3,484	3,484	5,226	5,226
Total	1,057,347	1,833,684	1,785,426	1,749,568
Glen Morrison, Chairman of the Management Board from Sept. 1, 2017				
Fixed compensation (1) (4)	216,667	216,667		
Variable compensation based on annual objectives (1)	129,489			
Exceptional compensation (1)				
Benefits in Kind ⁽⁶⁾	24,805	24,805		
Total	370,961	241,472		
Fabrice Barthélemy				
Fixed compensation (1) (7)	335,856	335,856	315,000	315,000
Variable compensation based on annual objectives (1)	107,274	216,342	216,342	222,632
Exceptional compensation (1)				
Benefits in Kind	3,243	3,243	3,128	3,128
Total	446,373	555,441	534,470	540,760
Sharon MacBeath				
Fixed compensation (1) (4)	319,865	319,865		
Variable compensation based on annual objectives (1)	93,232			
Exceptional compensation (1)				
Benefits in Kind	3,179	3,179		
Total	416,276	323,044		

⁽¹⁾ Gross compensation before tax.

Compensation of Mr. Michel Giannuzzi, Chairman of the Management Board

Pursuant to the recommendation of the Nominations and Compensation Committee, in his capacity as Chairman of the Management Board until 31 August 2017, Mr. Giannuzzi has received the following compensation:

- > a fixed annual amount of €750,000, unchanged in 2017, i.e. pro rata temporis €500,000; and
- a variable amount capped at 170% of the fixed amount, payable no later than the month following the Annual General

Meeting authorizing this variable for the previous year. The award criteria are reviewed each year by the Nominations and Compensation Committee and the amount is set by the Supervisory Board upon the Committee's proposal and based on the criteria set forth below. The Supervisory Board proposed to pay the annual variable compensation portion for the 2017 financial year pro rata temporis of his presence in 2017, subject to a favorable vote at the Annual General Meeting in 2018, based on the achievement of the 2017 quantifiable and qualitative objectives approved at the Annual General Meeting of April 27, 2017.

Compensation due in respect of relevant fiscal year, regardless of payment date. Compensation paid during fiscal year.

These relate to pro rata payments from the date of the beginning or end of their term of office in 2017.

The sum of €300,000 corresponds to a bonus granted at the time of the IPO by the Supervisory Board on September 27, 2013, the payment of which was deferred until 2017.

Includes a company car (€1,005) and temporary accommodation as part of his international relocation (€5,950 per month).

Takes into account the change in compensation from €315,000 to €340,000 following the appointment from Chief Financial Officer to EMEA Division President.

Compensation and Benefits granted to the Management and Supervisory Bodies

The Supervisory Board offered to pay Mr. Michel Giannuzzi the sum of €300,000 gross corresponding to the bonus granted at the time of the IPO by the Supervisory Board on September 27, 2013, the payment of which had been deferred to 2017.

Taking into account the market practices identified by a specific survey carried out by MERCER on cases of executive departures under comparable conditions, and taking into account the performance of Mr. Michel Giannuzzi during a period of 10 years, the Supervisory Board meeting of July 26, 2017, on the recommendation of the Nominations and Compensation Committee, has partially maintained the benefits of the last two performance-based share plans which had not yet vested, fully for the LTIP 2015-2018 plan and pro rata of the actual time of presence for the LTIP 2016-2019 plan, i.e. 39% (14 months out of 36 months). The definitive acquisition of the two plans remains subject to the initial date of the vesting and on the achievement of the performance criteria initially set out at the time of the award.

Mr. Michel Giannuzzi benefited from the use of a company car until the end of his mandate on August 31, 2017.

Compensation of Mr. Glen Morrison, Chairman of the Management Board as of September 1, 2017

The Supervisory Board decided to maintain the same principles and remuneration structure for Mr. Glen Morrison as those of Mr. Michel Giannuzzi approved by the Annual General Meeting of April 27, 2017.

The Supervisory Board meeting of July 26, 2017, on the proposal of the Nominations and Compensation Committee, validated the compensation of Mr. Glen Morrison, in his capacity as Chairman of the Management Board, effective September 1, 2017. This compensation consists of:

- > a fixed annual salary of €650,000, i.e. pro rata €216,667 for 2017. This annual salary should remain the same over the duration of his current mandate. It should be noted that Mr. Glen Morrison received from January 1 to August 31, 2017, a salary and variable component for his position as President of Tarkett's North America Division;
- > a variable amount capped at 170% of his base salary, with a payment of 100% of his base salary if 100% of the objectives are achieved, payable no later than the month following the General Meeting authorizing this variable for the previous year. The award criteria are reviewed each year by the Nominations and Compensation Committee and the amount is set by the Supervisory Board upon the Committee's proposal. The criteria are detailed below. The variable compensation component will be applied pro rata temporis starting September 1, 2017. Note that for the period from January 1 to August 31, 2017, Mr. Glen Morrison's variable compensation for his position as President of Tarkett's North America Division was capped at 119% of his base salary, or 70% of his base salary if 100% of his objectives are achieved, and will be calculated according to the terms initially provided for in his previous employment contract.

No exceptional compensation was awarded to Mr. Glen Morrison for the year ended December 31, 2017.

Mr. Glen Morrison benefited from a company car and over the last four months of 2017 his temporary accommodation costs in the Paris region were covered as part of his international relocation to France.

Compensation of Mr. Fabrice Barthélemy

Mr. Barthélemy receives no compensation for his duties as a Member of the Management Board.

Mr. Barthélemy has an employment agreement with the Company. Under this contract, he receives fixed annual salary as well as variable compensation based on performance criteria that are reviewed annually by the Nominations and Compensation Committee, and the amount of which is fixed by the Supervisory Board upon such Committee's proposal and based on the criteria set forth below.

The amount of Mr. Fabrice Barthélemy's variable compensation for his position as President of the EMEA & LATAM Division may vary between 0% and 119% of the fixed portion of his salary depending on the attainment or exceeding of the objectives set by the Supervisory Board, or 70% of his base salary at 100% of the objectives achieved.

It should be noted that Mr. Fabrice Barthélemy's variable compensation for his position as Chief Financial Officer, i.e. until February 12, 2017 inclusive, could vary between 0% and 85% of his fixed annual salary depending on the attainment or exceeding of the objectives set by the Supervisory Board.

No exceptional compensation was awarded Mr. Barthélemy for the year ended December 31, 2017.

Mr. Barthélemy also has the use of a company car.

Compensation of Mr. Vincent Lecerf

Mr. Vincent Lecerf left Tarkett on January 3, 2017.

He received a fixed remuneration under his employment contract with Tarkett in 2017 corresponding to three days of work and the balance of his paid leave. He did not receive remuneration for his mandate.

The amount of Mr. Vincent Lecerf's variable compensation could vary between 0% and 85% of the fixed portion depending on the attainment or exceeding of the targets set by the Supervisory Board, and was paid in January 2017, for 2016.

Compensation of Mrs. Sharon MacBeath

Mrs. Sharon MacBeath receives no compensation for her duties as a Member of the Management Board.

Mrs. Sharon MacBeath has an employment agreement with the Company. Under this contract, she receives fixed annual salary as well as variable compensation based on performance criteria that are reviewed annually by the Nominations and Compensation Committee, and the amount of which is fixed by the Supervisory Board upon this Committee's proposal and based on the criteria set forth below.

The amount of Mrs. Sharon MacBeath's variable compensation may vary between 0% and 85% of the fixed portion of her salary depending on the attainment or exceeding of the objectives set by the Supervisory Board, or 50% of her base salary at 100% of the objectives achieved.

No exceptional compensation was awarded Mrs. Sharon MacBeath for the year ended December 31, 2017.

Mrs. Sharon MacBeath also benefits from a company car.

Criteria for Variable Compensation of Members of the Management Board

Members of the Management Board receive a fixed annual salary as well as variable compensation based on performance criteria that are reviewed annually by the Nominations and Compensation Committee, the amount of which is fixed by the Supervisory Board upon such Committee's proposal. In 2017, variable compensation was determined as follows:

- > 70% for the achievement of economic goals (as defined by the adjusted EBITDA and the level of operating cash flow), each multiplied by a coefficient of 0% to 200%;
- 30% was based on the achievement of individual qualitative objectives, multiplied by a coefficient of 0% to 100%. In 2017:
 - the qualitative objectives of Michel Giannuzzi were mainly focused on accelerating the transformation of the company, the pursuit of organic growth at least in line with

- the market, investments in customer innovation and marketing, strengthening sustainable development actions, and team and corporate culture development to ensure sustainable growth,
- for the last four months of 2017, those of Glen Morrison were linked to successfully stepping up to the challenges of the new role as Chairman of the Management Board,
- those of Fabrice Barthélemy focused on the continuous improvement of the customer experience, marketing and logistic performances, organic growth, in particular in certain segments and product lines, the strengthening of actions in the field of sustainable development, and team development to ensure sustainable growth,
- Sharon MacBeath's main priorities included supporting the transformation of the company and the business lines, strengthening the organization and team development to ensure sustainable growth.

The table below summarizes the achievement of the variable compensation criteria applicable to Mr. Glen Morrison (effective September 1, 2017) and to Mrs. Sharon MacBeath:

2017 Group Criteria	Reference	Minimum	Target (100% of objectives achieved)	Maximum	Achievement rate in 2017
Quantifiable criteria					
Consolidated adjusted EBITDA	Budget	0%	40%	80%	55.9%
Operating cash flow	Budget	0%	30%	60%	24.7%
Sub-total quantifiable criteria		0%	70%	140%	42.5%
Qualitative criteria	(see details in 2.6)	0%	30%	30%	See table below
Total		0%	100%	170%	

Note that the variable compensation criteria of Mr. Fabrice Barthélemy for his position as President of the EMEA & LATAM Division are based on:

- for 20% of his quantifiable criteria (up to 40% of these criteria) on the same Group objectives as for Mr. Glen Morrison and Mrs. Sharon MacBeath, i.e. an achievement rate for the Group in 2017 as indicated in the table above;
- for 50% of his quantifiable criteria (up to 100% of these criteria) on EMEA objectives, notably adjusted EBITDA and Operational Cash Flow targets, with a 2017 achievement rate of 17.7%.

Mr. Fabrice Barthélemy's position changed on February 13, 2017 and the calculation rules for the two periods were taken into account for the calculation of his 2017 variable compensation.

The table below breaks down the achievement of performance goals by individual and presents variable compensation due as a % of fixed compensation:

	Variable compensation	Rate of achievement in 20	Rate of achievement in 2017 as a % of target		
	target as a % of fixed compensation	Quantifiable criteria (70%)	Qualitative criteria (30%)	compensation due for 2017 as a % of fixed compensation	
Michel Giannuzzi (until 08/31/2017)	100%	42.5%	70%	50.77%	
Glen Morrison (as of 09/01/2017)	100%	42.5%	100%	59.76%	
Fabrice Barthélemy	70%	24.87%	100%	31.55%	
Sharon MacBeath	50%	42.5%	95%	29.13%	

2.3.3 Stock subscription or purchase options granted during 2017 to each Member of the Management Board by the Company or any Group entity

No stock subscription or purchase options were granted to members of the Management Board in 2017.

2.3.4 Stock subscription or purchase options exercised during 2017 by each Member of the Management Board

N/A.

2.3.5 Performance shares granted to Company officers in 2017

No performance shares within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code vested to the members of the Management Board during the fiscal year ended December 31, 2017.

During the same fiscal year, the long-term Incentive Plan referred to as, "LTIP 2014-2017" reached its term. The plan provided for payment in either shares or a cash equivalent if the performance condition (based on the business plan's objectives) was achieved and the beneficiary was still employed with the Group on July 1, 2017. 62.2% of the shares corresponding to this plan were vested by the beneficiaries subject to their presence at July 1, 2017.

Based on the recommendation of the Nominations and Compensation Committee, the plan was paid in cash in July 2017. Table 7 below shows the amounts distributed to the members of the Management Board in connection with this plan.

Table 6 below sets forth information on performance shares within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code that were awarded to members of the Company's Management Board in 2017.

Table 7 – Performance shares definitively vested during the financial year by each corporate officer per issuer and any Group company (AMF nomenclature)

Name of Company Officer	Number of performance shares initially granted	Percentage achievement of performance criteria	Number of shares vested during the year	Cash payment in lieu of shares (gross compensation in euros)
Plan no. 4 – LTIP 2014-2017				
Michel Giannuzzi	27,200	62.2%	16,918	776,534
Glen Morrison	17,000	62.2%	10,574	440,936
Fabrice Barthélemy	8,800	62.2%	5,474	251,256
Sharon MacBeath	N/A	N/A	N/A	N/A
Total	53,000	62.2%	32,966	1,374,683

The calculation of the achievement rate of the LTIP 2014-2017 plan was based on a theoretical value creation indicator for shareholders.

The theoretical value for shareholders is calculated as follows:

Adjusted EBITDA (audited and published financial aggregate) x valuation multiple (based on market multiples) – Net debt (audited and published financial aggregate) – Other liabilities (Pension debt and option to purchase minority interests).

The theoretical value for the target shareholders is defined in the strategic three-year plan, by applying the above formula and considering the adjusted EBITDA and net debt targets set by the plan.

The strategic plan and its objectives are reviewed and approved by the Supervisory Board.

The creation of theoretical value is measured as the difference between the theoretical value for the shareholders at the end of the plan (2016 in the case of the LTIP 2014-2017 plan, calculated on the basis of audited and published aggregates) and the theoretical value for the shareholders of the reference year of the plan (2013 in the case of the 2014 plan, based on the audited and published aggregates).

In the event dividends were paid to shareholders during the years covered by the plan, they are reintegrated into the value creation for the period.

The EBITDA multiple used to calculate the theoretical value actually reached for the shareholders is the same as that set down in the strategic plan.

The achievement rate resulting from the application of this formula for the LTIP 2014-2017 plan is 62.2%. This rate was confirmed by the Supervisory Board on July 3, 2017 after prior review by the Nominations and Compensation Committee.

Table 6 — Performance shares granted during the financial year to each company officer by the issuer and by any Group company (AMF nomenclature)

Name of Company Officer	Number of shares granted	Valuation of the shares according to the method used for the consolidated financial statements (1) (in euros)	Vesting date
Plan no. 7 – LTIP 2017-2020 (1)			
Michel Giannuzzi	0	0	N/A
Glen Morrison	32,000	1,184,000	July 1, 2020
Fabrice Barthélemy	20,000	740,000	July 1, 2020
Sharon MacBeath	13,600	503,200	July 1, 2020
Total	65,600	2,427,200	July 1, 2020

⁽¹⁾ Valuation at a unit price of €37.00 for Plan No. 7.

2.3.6 History of grants of stock subscription or purchase options

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2017, 2016, and 2015.

There was no stock subscription or purchase option plan in effect as of December 31, 2017.

2.3.7 Stock subscription or purchase options granted to the top ten employees

No stock subscription or purchase options were granted during the fiscal years ended December 31, 2017, 2016, and 2015. There was no stock subscription or purchase option plan in effect as of December 31, 2017.

2.3.8 Employment contracts, retirement payments, and severance for members of the Management Board

Table 11-Employment contracts, retirement payments, and severance for members of the Management Board (AMF nomenclature)

Members of the Management Board	Employment Contract	Supplemental Pension Plan	Severance or other benefits due or likely to become due as a result of termination or change of office	Compensation under a non-compete clause
Michel Giannuzzi Chairman of the Management Board Beginning of mandate: 11/26/2013 End of mandate: 8/31/2017	No	No	Yes	Yes
Glen Morrison Chairman of the Management Board Beginning of mandate: 09/01/2017 End of mandate: 10/26/2019	No	No	Yes	Yes
Fabrice Barthélemy Member of the Management Board and President of the EMEA & LATAM Division Beginning of mandate: 11/26/2013 End of mandate: 10/26/2019	Yes	No	No	Yes
Sharon MacBeath Member of the Management Board and Director of Company Human Resources and Communications Beginning of mandate: 1/3/2017 End of mandate: 10/26/2019	Yes	No	No	Yes

2.3.8.1 Supplemental Pension Plan

No Member of the Management Board benefit from supplemental pension plans. The Supervisory Board believes that it is the responsibility of the executive officers to set aside capital for retirement using the bonus shares granted under the LTIP, and it was decided as a result not to set up a supplemental retirement plan.

2.3.8.2 Severance or other benefits due or likely to become due as a result of termination or change of office

Subject to the performance requirements, Mr. Giannuzzi benefitted from a severance clause which would have entitled him to a payment equal to two years of his gross base salary and bonus during the twelve months prior to his departure as Chairman of the Management Board. According to the clause, in the event Mr. Giannuzzi is to receive both severance pay and the non-compete payment described below, the total amount that he received would be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

Following his resignation and the end of his mandate on August 31, 2017, no severance was paid and Michel Giannuzzi's non-compete Clause was lifted by decision of the Supervisory Board on July 26, 2017, on the proposal of the Nominations and Compensation Committee.

In the case of termination, Mr. Glen Morrison would be entitled to a severance payment equal to two years of his gross fixed compensation and variable compensation during the twelve months prior to his departure as Chairman of the Management Board. In the event Mr. Glen Morrison is to receive both severance pay and the non-compete indemnity described below, the total amount that he receives will be limited to two years of the fixed gross compensation and variable compensation received during the twelve months prior to his departure as Chairman of the Management Board.

The payment of this severance indemnity is subject to a minimum performance standard which is measured based on the achievement of annual performance goals defined by the Supervisory Board upon the recommendation of the Nominations and Compensation Committee, and this performance rating serves as the basis for calculating variable compensation. This same performance rating will be used to calculate the amount of severance due, only the rating will be based on the average performance rating achieved by Mr. Glen Morrison during the three calendar years preceding his departure.

The severance pay is subject to a performance rate of between 50% and 100%. If the performance rate is less than 50%, no compensation is due, and if the performance rate is at least equal to 100%, the compensation is due in full. Between these two limits, the calculation percentage of the severance pay will be equal to the performance rate (e.g. if the performance rate is 90%, the severance pay is paid up to 90% of its amount as defined above).

The severance payment will be due by the Company, subject to the achievement of performance conditions, in the event of a forced dismissal, including in particular the consequence of a change of control or a disagreement on strategy, the functions of the corporate officer, on the initiative of the Supervisory Board, regardless of the method of the mandate termination (revocation

or non-renewal), except in cases of gross negligence (defined as a fault of extreme gravity preventing any continuation of the corporate office) or misconduct (defined as a fault of extreme gravity committed by the officer with intent to harm the Company).

The Supervisory Board finds that the above conditions are consistent with the recommendations of the Afep-Medef Code.

2.3.8.3 Company Officer Unemployment Insurance

The Company provides unemployment insurance on behalf of Mr. Giannuzzi, then Mr. Glen Morrison, which would cover them in the event of their forced departure (an "F 70" policy, with an extension of coverage to 24 months depending on applicable rules)

2.3.8.4 Compensation under a non-compete clause

Mr. Giannuzzi benefited from a clause providing for payment in the event that the non-compete clause provided for in connection with his office is enforced by the Company.

The non-compete clause of Michel Giannuzzi was lifted by the Supervisory Board on July 26, 2017, on the proposal of the Nominations and Compensation Committee.

Mr. Glen Morrison benefits from a clause providing for payment in the event that the non-compete clause provided for in connection with his office is enforced by the Company.

Mr. Fabrice Barthélemy and Mrs. Sharon MacBeath both benefit from compensation relating to the non-compete clauses provided for in their respective employment contracts.

If the non-compete clause is enforced by the Company, Mr. Glen Morrison will receive an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. In which case, this compensation will be deducted from Mr. Glen Morrison's severance payment, such that the total amount received in severance and non-compete payments will not exceed two years of gross base salary and bonus received during the twelve months preceding his departure. The Company has the right to waive the non-compete clause.

Based on the non-compete clause in his contract, Mr. Barthélemy would receive, each month for twelve months, a payment equal to 50% of his average monthly salary during the twelve months preceding the termination of his employment contract (assuming termination at the Company's initiative). The Company has the right to waive the non-compete clause.

Mrs. Sharon MacBeath will receive a monthly remuneration of 12 months equal to 40% of the gross monthly remuneration calculated on the average of the actual remuneration received during the 12 months preceding the termination of her employment contract with the Company. The Company has the right to waive the non-compete clause.

Mr. Glen Morrison also has a non-poaching clause, with which he undertakes not to solicit any employee or corporate officer of Tarkett, directly or indirectly, during the 24 months following his departure from Tarkett.

2.3.9 Amount of provisions made or recorded by the Company or by its subsidiaries for the payment of pensions, retirement plans or other benefits

No members of the Management Board benefit from specific pension plans. Mr. Michel Giannuzzi and Mr. Glen Morrison, under their terms of office, and Mr. Fabrice Barthélemy and Mrs. Sharon MacBeath, under their employment agreement with the Company, benefit from the same pension plan as the other Company employees. The Company has therefore not set aside any amounts for the payment of pension, retirements or other similar benefits for the members of the Management Board.

2.3.10 Attendance fees and other remuneration received by members of the Supervisory Board during the 2016 and 2017 financial years

The following table presents the directors' attendance fees and other types of remuneration received by members of the Supervisory Board. The General Meeting of April 27, 2017 revised the overall amount of Directors' attendance fees to an overall fixed amount of ${\in}500,\!000$. The distribution of this envelope is unchanged since the Supervisory Board meeting of October 9, 2013, and is as follows:

Amount of directors' attendance fees by position

Position	Annual base
	(in euros)
Members of the Supervisory Board	35,000
Chairman of the Supervisory Board	35,000
Vice-Chairman of the Supervisory Board	10,000
Committee Members	5,000
Chairman of the Audit Committee	15,000
Chairman of the Nominations and Compensation Committee	15,000
Penalty in case of absence	
Absence from a specialized committee meeting	1,000
Absence from a Supervisory Board meeting	3,000

This allocation will remain in effect until the Board decides otherwise or reduction of the overall annual envelope allocated by the General Meeting of the Company.

Compensation and Benefits granted to the Management and Supervisory Bodies

 $Table\,3-Summary\,of\,the\,remuneration\,of\,each\,Member\,of\,the\,Supervisory\,Board\,(AMF\,nomenclature)$

Members of the Supervisory Board (in euros)	Gross amounts allocated for FY 2016	Gross amounts allocated for FY 2017
Didier Deconinck		
Attendance fees	70,000	70,000
Other remuneration	-	
Jacques Garaïalde (1)		
Attendance fees	40,644	50,000
Other remuneration	-	
Gérard Buffière (1)		
Attendance fees	41,740	55,000
Other remuneration	-	
Bernard-André Deconinck		
Attendance fees	35,000	40,000
Other remuneration	-	
Éric Deconinck		
Attendance fees	35,000	35,000
Other remuneration	-	
Agnès Touraine (1)		
Attendance fees	37,000	2,589
Other remuneration	-	
Éric La Bonnardière (1)		
Attendance fees	44,356	32,000
Other remuneration	-	-
Françoise Leroy ⁽¹⁾		
Attendance fees	47,836	45,000
Other remuneration	-	
Guylaine Saucier		
Attendance fees	52,000	55,000
Other remuneration	-	
Sabine Roux de Bézieux (1)		
Attendance fees	22,775	-
Other remuneration	_	-

 $^{(1) \}quad \text{Pro rate temporis has been applied in the event of appointment, resignation, or change of mandate during the year.}$

2.4 Other information about the Company Officers

2.4.1 Direct and indirect shareholding of the members of the Management Board and of the Supervisory Board in the Company's share capital

As of December 31, 2017, direct and indirect shareholding of the members of the Management Board and of the Supervisory Board in the Company's share capital is as follows:

Company Officers	Number of ordinary shares	Percentage of share capital	Number of voting rights	Percentage of voting rights	Number of shares granted under plans		
					LTIP 2017-2020 (2)	LTIP 2016-2019 (2)	LTIP 2015-2018 ⁽²⁾
Members of the Management Board							
Glen Morrison ⁽¹⁾	2,094	0.00%	2,094	0.00%	32,000	20,000	20,000
Fabrice Barthélemy ⁽¹⁾	30,747	0.05%	58,494	0.06%	20,000	13,600	16,000
Sharon MacBeath	0	-	0	-	13,600	13,600	0
Members of the Supervisory Board							
Didier Deconinck (3)	1,000	0.00%	2,000	0.00%			
Jacques Garaïalde	1,000	0.00%	2,000	0.00%			
Guylaine Saucier	1,000	0.00%	1,000	0.00%			
Bernard-André Deconinck (3)	1,000	0.00%	2,000	0.00%			
Éric Deconinck ⁽³⁾	1,000	0.00%	2,000	0.00%			
Éric La Bonnardière	1,000	0.00%	1,000	0.00%			
Françoise Leroy	1,000	0.00%	2,000	0.00%			
Agnès Touraine	800	0.00%	800	0.00%			
Sabine Roux de Bézieux	1,000	0.00%	1,000	0.00%			
Total	41,641	0.06%	74,388	0.08%	65,600	47,000	36,000

Shares held by the executive and related persons.

2.4.2 Stock subscription or purchase options

As of December 31, 2017, no members of the Management Board or the Supervisory Board held stock subscription or purchase options.

⁽²⁾ The number of bonus shares that will be definitively granted under the 2015-2018, 2016-2019, and 2017-2020 LTIPs may vary between 0.5 and 1.5 times the number of shares

initially granted, as they appear in this table, depending on the performance of the Company.

(3) Messrs. Didier, Éric, and Bernard-André Deconinck are directly and indirectly shareholders of the Deconinck – SID Investment Company, which itself holds 31,975,071 shares of the Company. Didier Deconinck is also a partner of DDA and DDA Bis, which holds respectively 78,000 and 49,987 Tarkett shares as of December 31,2017.

2.5 Performance shares (LTIP)

In connection with its policy to incentivize sustainable value creation and encourage the loyalty of its management teams, the Company has implemented annual long-term incentive plans (LTIP) since 2011.

The LTIPs are performance-based Company share allocations based on a performance criterion requiring value creation and the beneficiary's presence during the vested in their cash equivalent. This is no longer the case since the 2015-2018 plan.

The vesting period of the plan (3 years) is the same whether the beneficiaries are in France or abroad.

The performance conditions are applicable to all performance shares granted and to all beneficiaries.

The use of hedging instruments is prohibited for members of the Group Executive Committee.

As of December 31, 2017, three incentive plans could result in the grant of Company shares. These are the LTIP 2015-2018, 2016-2019, and 2017-2020, corresponding to the year in which the plan was implemented and the year in which the grant vests.

Table 10 – History of LTIP or "performance share allocations" (AMF nomenclature)

	Plan no. 5 LTIP 2015-2018	Plan no. 6 LTIP 2016-2019	Plan no. 7 LTIP 2017-2020
General Meeting date	April 26, 2016	April 26, 2016	April 27, 2017
Date of Management Board's decision	July 27, 2016	July 27, 2016	July 25, 2017
Number of shares potentially granted (1)	375,000	325,000	325,000
Number of shares granted to:			
– Michel Giannuzzi (2)	60,000	19,890	0
– Glen Morrison	20,000	20,000	32,000
– Fabrice Barthélemy	16,000	13,600	20,000
- Sharon MacBeath		13,600	13,600
Date on which shares will vest (2)	July 1, 2018	July 1, 2019	July 1, 2020
End date of retention period	July 1, 2018	July 1, 2019	July 1, 2020
Performance conditions	(3)	(3)	(3)
Number of shares vested as of the date of the visa on this Registration Document	0	0	0
Cumulative number of canceled or expired shares	49,040	47,965	4,235
Number of shares remaining on December 31 2017	325,960	274,835	321,115

⁽¹⁾ The total number of shares delivered will be between 50% and 150% the number of shares originally granted, depending on the degree to which the Company achieves its

Retention Period

Mr. Glen Morrison shall hold, for the duration of his mandate as Chairman of the Management Board, a number of Company shares equal to 50% of the Company shares granted to him (after payment of the taxes and payroll taxes on the share grant) within the context of the long-term incentive plan that may give rise to the allocation of performance shares referred to as the long-term Incentive Plan (LTIP). It should be noted that this retention period obligation applies to the number of Tarkett shares to be held until the end of his mandate. This obligation will be deemed to be satisfied in the event Mr. Glen Morrison sells the shares received without charge, provided that he immediately buys back the necessary number of Tarkett shares for his retention obligation and holds them for the remainder of his mandate. In addition, the members of the Management Board and the members of the Executive Committee are required to maintain a number of Company shares corresponding to 33% of the Company's shares granted to them (after payment of taxes and payroll taxes).

⁽²⁾ In the event of termination before the end of the vesting period, the shares may be awarded, under certain circumstances and upon the decision of the Management Board, on the basis of a pro rata temporis allocation. Regarding the departure of Mr. Michel Giannuzzi on August 31, 2017, the Supervisory Board meeting of July 26, 2017, on the recommendation of the Nominations and Compensation Committee, proposed to retain his benefit of the last two share option plans not yet acquired; thus, maintaining the 2015-2018 LTIP plan in full, and in proportion to the actual presence time for the LTIP 2016-2019 plan, i.e. 39% (14 out of 36 months). The initial allocation of the LTIP 2016-2019

plan was 51,000 performance-based shares, this figure was revised down to 19,890 performance shares.

(3) The performance conditions are set forth in Sections "LTIP 2015-2018", 2.5.2 "LTIP 2016-2019" and 2.5.3 "LTIP 2017-2020" as follows

2.5.1 LTIP 2015-2018

The LTIP 2015-2018, was amended by the Management Board pursuant to the 12th resolution of the General Shareholders' Meeting on April 26, 2016, and gives the right:

- (i) With respect to beneficiaries who are residents of France for tax purposes, to a grant of existing bonus shares governed by Articles L.225-197-1 et seq. of the French Commercial Code;
- (ii) With respect to beneficiaries who are not residents of France for tax purposes, to a grant of bonus shares that does not come within the scope of Articles L.225-197-1 et seq. of the French Commercial Code, or, at the Company's discretion and depending on applicable law, the equivalent amount in exceptional compensation.

These shares or cash payments will be vested or paid in July 2018, subject to presence and performance conditions relating to the achievement of the Group's strategic objectives. These share grants or cash payments will be effective in July 2018, with no additional holding period.

The number of bonus shares that will be vested pursuant to the LTIP 2015-2018 may vary based on the Company's performance and subject to the beneficiary remaining with the Group at the time of the final grant date.

With respect to the members of the Management Board, the LTIP 2015-2018 represents 25.6% of the total number of shares that may be granted.

2.5.2 LTIP 2016-2019

The LTIP 2016-2019 is a performance-based incentive plan that falls within the scope of Articles L.225-197-1 et seq. of the French Commercial Code, and gives the right to grant bonus shares.

This bonus allocation relates to shares that must be existing shares on the final vesting date, July 1, 2019 and are not subject to any holding period.

This allocation is subject to performance conditions (accomplishment of the objectives in the strategic plan).

The number of bonus shares that will be definitively allocated pursuant to the LTIP 2016-2019 may vary based on the Company's performance and the beneficiary remaining with the Group on the allocation date.

With respect to the members of the Management Board, the LTIP 2016-2019 represents 20.6% of the total number of shares potentially allocated.

2.5.3 LTIP 2017-2020

The LTIP 2017-2020 is a performance incentive plan of the Company falling within the framework Articles L.225-197-1 *et seq.* of the Commercial Code entitling the holder to the grant of performance shares.

This performance share grant relates to shares that must be in existence on the day of the definitive allocation, on July 1, 2020, and does not have a holding period.

The grant is subject to performance conditions (accomplishment of the objectives in the strategic plan) and continued presence within the Group.

The number of performance shares definitively awarded pursuant to the 2017-2020 LTIP may vary depending on the performance of the Company and the presence of the employee in the Group on the grant date.

Regarding the members of the Management Board, the LTIP 2017-2020 plan represents 20.15% of the total number of potentially allocated shares.

It is specified that the settlement of this plan expressly provides, in accordance with the recommendation of the Afep-Medef Code, that the members of the Management Board must not resort to hedging operations on their performance shares until the end of the retention period.

2.6 Consultation of Shareholders regarding Compensation of Corporate Officers

2.6.1 Consultation on compensation principles and criteria composing the elements of remuneration of the corporate officers ("ex ante" vote – resolutions nos. 14 to 16 of the AGM of April 26, 2018)

2.6.1.1 Principles of the Management Board member's compensation

2.6.1.1.1 Basic principles

These principles have been established in compliance with the recommendations of the Afep-Medef Code, which the Company uses as its reference in matters relating to corporate governance.

- > Principle of balance: The Group ensures that each component of the compensation paid to Management Board members is clearly justified and that no component is disproportionate.
- > Principle of competitiveness: The Group ensures that the compensation paid to Management Board members is competitive, in particular by carrying out industry compensation benchmarks.
- Principle of alignment of interests: the Group's compensation policy is a management tool designed to attract, motivate, and retain the talent that the business needs, and this principle ensures that the interests and expectations of shareholders and management are aligned, in particular in terms of correlating compensation with the Company's performance.
- > Principle of performance: the compensation paid to Management Board members is directly linked to the Company's performance, in particular the annual variable compensation. The payment of this variable portion is subordinated to the achievement of specific and measurable objectives (both quantifiable and qualitative), directly linked to the Group's objectives regularly communicated to the shareholders. It is specified that annual variable compensation does not result in any guaranteed minimum payment, and is based on coherent, demanding operational performance criteria.

It is stated that, except in exceptional cases, as part of his mandate, the payment of all the variable and exceptional remuneration components of the Chairman of the Management Board, is subject to the favorable "ex post" vote at the Annual General Meeting following the financial year in question, under the conditions set out in Article L.225-100 of the French Commercial Code.

In addition, in order to incentivize Management Board members over the long term, a portion of their compensation comprises of

performance shares. This component of compensation is linked to the Group's performance in two ways:

- > the number of shares ultimately granted at the end of the vesting period based on achieving the performance criteria; and
- > the Company's stock price at the end of the vesting period.

2.6.1.1.2 Methods for determination and evolution of principles

The principles for determining the compensation of the Management Board members are set by the Supervisory Board based on the recommendation of the Nominations and Compensation Committee.

They are reviewed annually, taking into account the Group's strategic plan and any changes in regulations and good governance practices.

It should be noted that only the Chairman of the Management Board is compensated for his work on the Management Board. Mr. Barthélemy and Mrs. MacBeath receive no compensation in their capacities as members of the Management Board, but instead are compensated pursuant to their employment contracts.

2.6.1.2 Criteria composing the remuneration of the Chairman of the Management Board

2.6.1.2.1 Criteria composing the remuneration of the Chairman of the Management Board

The compensation components are as follows:

- > fixed compensation;
- > annual variable compensation;
- > performance shares and other medium-term remuneration components:
- > severance subject to performance conditions;
- non-compete compensation;
- > other compensation and benefits of kind.

2.6.1.2.1.1 Fixed compensation

Fixed compensation is determined by the Supervisory Board, based on the recommendation of the Nominations and Compensation Committee. It is benchmarked and aligned with market practices, in order to ensure that the Company remains competitive and attractive. This positioning is measured through national and international compensation surveys, as well as information from executive search firms if necessary.

2.6.1.2.1.2 Variable compensation

<u>Objective</u>: Annual variable compensation is designed to reward performance for the previous fiscal year. The payment of this variable portion is subject to the achievement of strategic and measurable objectives (both quantifiable and qualitative), closely linked to the Group's objectives regularly communicated to the shareholders.

<u>Functional principles:</u> Variable compensation includes two components:

The first is based on quantifiable objectives from the financial budget which are agreed at the beginning of the year, representing 70% of the variable annual compensation for members of the Management Board achieving 100% objectives.

For the last nine years, adjusted EBITDA and cash flow from operations have been the key indicators for measuring this quantifiable portion of annual variable compensation. These key indicators may be supplemented by other relevant indicators in a given year. The weighting given to each of the criteria is decided by the Supervisory Board.

The exact number for each of the quantifiable criteria is strategic and economically sensitive information that cannot be made public.

Accomplishment of the objective will be disclosed once the financial year has ended and the performance officially communicated.

> The second component of the variable compensation is based on qualitative objectives defined at the beginning of the fiscal year with regard to the Group's challenges.

Annual variable compensation may vary from:

> 0% to 200% on the quantifiable economic criteria that make up 70% of the variable; and from 0% to 100% maximum on qualitative criteria that constitute 30% of the variable.

2.6.1.2.1.3 Exceptional compensation

By definition and in accordance with the AFEP/MEDEF recommendations, exceptional compensation may only be granted under very specific circumstances.

2.6.1.2.1.4 Long-Term Incentive plan – LTIP

<u>Objective</u>: The objective of the long-term incentive plans is to reward sustainable value creation and loyalty by compensating beneficiaries for achieving or surpassing the objectives of the medium-term strategic plan.

The long-term Incentive Plans ("LTIP") were put in place in July 2011 to offer annual performance share grants or their equivalent in cash. The grants vest only if the beneficiary remains with the Group for three years and if the Company achieves its economic performance goals. The Company intends to set up an "LTIP 2018-2021" in 2018 with same purpose as plans set up in previous years.

<u>Legal framework:</u> The LTIP were initially put in place in the form of free share grants within the scope of Articles L225-197-1 *et seq.* of the French Commercial Code. Between 2012 and 2014, the LTIP were set up outside the scope of this legal framework could be paid out in cash. Since 2015, the LTIP falls within the scope of Articles L225-197-1 *et seq.* of the French Commercial Code. The Company plans to continue this practice in the future, barring regulatory or legal changes making it difficult or impossible to use this regime.

<u>Performance level</u>: In each LTIP, "performance" is defined as achieving the objectives of the medium-term strategic plan with regard to growth in EBITDA and debt reduction.

The exact number set for each of the quantifiable criteria is strategic and economically sensitive information that cannot be made public before year end.

 $\label{lem:complex} \mbox{Accomplishment of the objective will be communicated once the performance analysis is complete.}$

Continued employment condition: Except under exceptional circumstances, vesting of the shares is subject to the beneficiary remaining with the Company until the end of the vesting period.

Retention obligation: The Chairman of the Management Board is a beneficiary of these plans and is subject to a 50% retention obligation (after taxes and payroll taxes) for Tarkett shares actually paid at the end of the plans, for the duration of his mandate

With the exception of the LTIPs, the Chairman of the Management Board does not benefit from any other multi-year reward.

2.6.1.2.1.5 Compensation in case of termination

The Chairman of the Management Board is entitled to severance pay under certain conditions (see below).

2.6.1.2.1.6 Supplemental Pension Plan

Unlike most listed companies of comparable size, the Group has chosen not to set up a supplemental retirement plan. Preference was given to the LTIP, allowing management a stake in the share capital and leaving the initiative with the executive to build their own supplemental retirement portfolio, if desired.

2.6.1.2.1.7 Non-compete compensation

The Chairman of the Management Board is bound by a non-compete commitment that the Company reserves the right to waive.

2.6.1.2.2 Application to the Chairman of the Management Board's 2018 annual remuneration

The annual remuneration of the Chairman of the Management Board was reviewed by the Supervisory Board at its meeting of February 8, 2018, as follows:

- > Fixed annual compensation of €650,000;
- Variable compensation, divided into two sub-parts:
 - 70% of his annual variable compensation, is based on quantifiable objectives. Depending on the achievement level, a coefficient of between 0% to 200% is applied, such that he may receive up to 140% of his annual fixed compensation if the objectives are exceeded, based on a linear progression.

For the 2017 financial year, the indicators making up the quantifiable objectives of the variable compensation of the Chairman of the Management Board are weighted as follows according to (i) adjusted EBITDA of 40% and (ii) the level of operating cash flow of 30%, each with a coefficient of 0% to 200%.

 30% is based on qualitative objectives defined at the beginning of the year, representing 30% of the fixed annual remuneration if the objectives are fully met and is assigned a coefficient from 0% to 100% with no overachievement possibility.

For financial year 2018, the qualitative objectives of the Chairman of the Management Board, Mr. Glen Morrison, include the revision of the strategic plan to accelerate the growth of the Group, to boost acquisitions through the systematic identification of high-potential targets, to deploy the Customer Centric Innovation approach for a better customer experience, and to pursue the constant efforts in terms of operational excellence and sustainable development.

> LTIP: The Chairman of the Management Board is one of the beneficiaries of the various LTIPs and is bound by the terms of these plans.

The Chairman of the Management Board would be a beneficiary of the LTIP 2018-2021 subject to its implementation.

> Severance pay: The Chairman of the Management Board is entitled to severance pay, subject to the performance conditions set out below, for an amount equal to two years of gross fixed and variable compensation received during the twelve months preceding the departure under the Chairman of the Management Board's mandate. In the event the Chairman of the Management Board is to receive both severance pay and the non-compete payment described below, the total amount that he receives will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

Performance is measured using the same achievement rate that is used to calculate annual variable compensation. It will be equivalent to the average performance rating achieved by the Chairman of the Management Board during the three calendar years preceding his departure.

The severance pay is subject to a performance rate of between 50% and 100%. If the performance rate is less than 50%, no compensation is due by the Company, and if the performance rate is at least equal to 100%, the compensation is due in full. It will be calculated strictly in proportion to this performance rate. For example, if the performance rate is 90%, the severance pay is paid up to 90% of the amount as defined above.

- Non-compete compensation: The Chairman of the Management Board will receive an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. The Company has the right to waive the non-compete clause. The non-compete compensation will be deducted from his severance compensation, if applicable.
- A non-poaching commitment: The Chairman of the Management Board undertakes not to solicit any employee or corporate officer of Tarkett, directly or indirectly, during the 24 months following his departure from Tarkett.
- > Benefits in Kind: The Chairman of the Management Board also has the use of a company car. As part of his international relocation, during the Supervisory Board meeting of February 8, 2018, on the recommendation of the Nominations and Remuneration Committee, it was decided that the Company would extend the offer of temporary accommodations in the Paris region. The monthly cost of €5,950 will be paid by Tarkett until the end of his current mandate (October 2019).

The Chairman of the Management Board does not receive attendance fees for any mandate within the Tarkett Group. He does not receive any deferred compensation, multi-year or exceptional nor a supplementary pension plan.

2.6.1.3 Principles and criteria making up the remuneration components of the members of the Supervisory Board

2.6.1.3.1 Principle

The Supervisory Board allocates attendance fees among its members, based on the recommendation of the Nominations and Compensation Committee, and within the limits of the overall amount approved at the Annual General Meeting.

The allocation of attendance fees among the members of the Supervisory Board takes into account their actual participation in the meetings of the Board and its committees.

Finally, it is noted that the Company's Bylaws require the members of the Board use one-half of their attendance fees paid each year to acquire and retain at least 1,000 shares of the Company.

2.6.1.3.2 Application

The maximum amount of attendance fees authorized by the General Meeting of April 27, 2017 is €500,000.

The Supervisory Board of October 9, 2013 (this rule has remained unchanged since then) has decided, as of the 2014 financial year, to allocate the attendance fees paid to members as follows:

- > each Member of the Supervisory Board receives €35,000 annually;
- > the Chairman of the Supervisory Board receives an additional €35,000 annually, and the Vice-Chairman receives an additional amount of €10,000;
- each Member of the Supervisory Board's specialized committees receives €5,000 annually; and
- > the Chairmen of such committees receives an additional €15,000 annually (prior to 2015, this amount was €10,000 for the Chairman of the Nominations and Compensation Committee).

A penalty of €1,000 euros is applied for absence from a Committee meeting, and a penalty of €3,000 is applied for absence from a Supervisory Board meeting.

2.6.2 Consultation on the components of the compensation paid or granted for the year ended December 31, 2017 ("ex post" vote – resolutions nos. 9 to 13 of the General Meeting of April 27, 2018)

2.6.2.1 Components of compensation paid or attributed to Michel Giannuzzi (Chairman of the Management Board until August 31, 2017) during the financial year ended December 31, 2017 (resolution no. 9 of the AGM of April 26, 2018)

Components of compensation paid or granted for the year ended December 31, 2017	Amount or accounting value submitted for approval (in euros)	Presentation
Fixed compensation	500,000	Or 750,000 on an annual basis
Annual variable remuneration not yet paid	253,863	As a reminder, the 2017 personal objectives were: - to accelerate the transformation of the company, - to pursue organic growth at least in line with the market, - to invest in customer and marketing innovation, - to strengthen actions in the field of sustainable development, - to develop the company's teams and culture to ensure sustainable growth.
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares and any other long-term compensation	Options = N/A	No option grants
Attendance fees	N/A	Mr. Giannuzzi does not receive attendance fees
Valuation of benefits of all kinds	3,484	Company car

Components of compensation paid or granted during the fiscal year that are or were voted on by the General Meeting as related-party agreements or commitments	Amount submitted for approval (in euros)	Presentation	
Retention bonus	300,000	A retention bonus of €300,000 was paid to Mr. Michel Giannuzzi on August 31,2017	
Severance payment (1)	0 No severance payment was made to Mr. Michel Giannuzzi following his departure on August 31, 2017		
Non-compete compensation (1)	0	The non-compete indemnity of Mr. Michel Giannuzzi was lifted	
Supplemental Pension Plan	N/A	No supplemental retirement plan	

⁽¹⁾ In the event Mr. Giannuzzi is to receive both severance pay and the non-compete payment described below, the total amount that he receives will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

2.6.2.2 Components of compensation paid or attributed to Glen Morrison (Chairman of the Management Board as of September 1, 2017) during the financial year ended December 31, 2017 (resolution no. 10 of the AGM of April 26, 2018)

Components of compensation paid or granted for the year ended December 31, 2017	Amount or accounting value submitted for approval (in euros)	Presentation	
Fixed compensation	216,667	i.e. €650,000 on an annual basis	
Annual variable compensation for his mandate as Chairman of the Management Board, not yet paid	129,489	For the record, the personal objectives for 2017 were linked to the success of his appointment as Chairman of the Management Board	
Deferred variable compensation	N/A		
Multi-year variable compensation	N/A		
Exceptional compensation	N/A		
Stock options, performance shares	Options = N/A	No option grants	
and any other long-term compensation	32,000 shares (worth €1,184,000)	Target amount for the allocation of performance-based shares under the LTIP 2017-2020 plan	
Attendance fees	N/A	Mr. Glen Morrison does not receive attendance fees	
Valuation of benefits of all kinds	24,805	Company care and temporary accommodation	
Components of compensation paid or granted during the fiscal year that are or were voted on by the General Meeting as related party agreements or commitments	Amount submitted for approval (in euros)	Presentation	
Retention bonus	N/A		
Severance payment (1)	0	Severance pay subject to the performance conditions set out in section 2.3.8.2, in an amount equal to two years of fixed and variable compensation received by Mr. Glen Morrison during the 12 months prior to his departure as Chairman of the Management Board.	
Non-compete compensation (1)	0	Non-compete indemnity equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board, payable in 24 monthly payments throughout the duration of his non-compete commitment. The Company reserves the right to waive the non-compete clause	
Supplemental pension plan	N/A	No supplemental pension plan	

⁽¹⁾ In the event Mr. Glen Morrison is to receive both severance pay and the non-compete payment described below, the total amount that he receives in this regard will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board.

2.6.2.3 Components of compensation paid or awarded to Fabrice Barthélemy, Member of the Management Board, under his employment contract, during the year ended December 31, 2017 (resolution no. 11 of the AGM of April 26, 2018)

Components of remuneration, under the terms of his employment contract, paid or awarded for the financial year ended December 31, 2017	Amount submitted for approval (in euros)	Presentation	
Fixed compensation	335,856	Note that the fixed annual compensation of Mr. Fabrice Barthélemy was €315,000 until January 31, 2017, and rose to €340,000 starting from February 1, 2017	
Annual variable remuneration	107,274	For the record, the 2017 personal objectives were: - continuous improvement of the customer experience marketing, and logistics performance, - organic growth, in particular in certain segments and product lines, - strengthening actions in the sustainable developme field, and - team development to ensure sustainable growth.	
Deferred variable compensation	N/A		
Multi-year variable compensation	N/A		
Exceptional compensation	N/A		
Stock options, performance shares	N/A		
and any other long-term compensation	20,000 shares (value of €740,000)	Target amount for the allocation of performance-based shares or their cash equivalent under the LTIP 2017-2020 plan	
Attendance fees	N/A	Mr. Fabrice Barthélemy does not receive attendance fees	
Valuation of benefits of all kinds	3,243	Company car	
Components of compensation paid or granted during the fiscal year that are or were voted on by the General Meeting as related party agreements or commitments	Amount submitted for approval (in euros)	Presentation	
Severance payment	N/A		
Non-compete compensation	0	A payment equal to 50% of his average monthly salar during the twelve months preceding the termination his employment contract with the Company (assumi termination at the Company's initiative). The non-compete duration is two years following the effective termination of Mr. Barthélemy's duties. The Company has the right to waive the non-compete clause	
		the effective termination of Mr. Barthélemy's duties. The Company has the right to waive the non-compete	

2.6.2.4 Components of compensation paid or awarded to Mrs. Sharon MacBeath, Member of the Management Board, under her employment contract, during the year ended December 31, 2017 (resolution no. 12 of the AGM of April 26, 2018)

Components of remuneration, under the terms of his employment contract, paid or awarded for the financial year ended December 31, 2017	Amount submitted for approval (in euros)	Presentation
Fixed compensation	319,865	320,000 on an annual basis
Annual variable remuneration	93,232	As a reminder, the 2017 personal objectives were as follows: supporting the transformation of the company and the business lines, further strengthening the organization and teams' development actions to ensure sustainable growth.
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares,	N/A	
and any other long-term compensation	13,600 (worth €503,200)	Target amount for the allocation of performance-based shares under the LTIP 2017-2020 plan
Attendance fees	N/A	Mrs. Sharon MacBeath does not receive attendance fees.
Valuation of benefits of all kinds	3,179	Company car
Components of compensation paid or granted during the fiscal year that are or were voted on by the General Meeting as related party agreements or commitments	Amount submitted for approval (in euros)	Presentation
Severance payment	N/A	
Non-compete compensation	0	Payment during a period of twelve months equal to 40% of the gross monthly remuneration calculated on the average of the actual remuneration received during the twelve months preceding the termination of her employment contract with the Company. The Company has the right to waive the non-compete clause.
Supplemental Pension Plan	N/A	No supplemental retirement plan

2.6.2.5 Components of compensation paid or attributed to Didier Deconinck in his capacity as Chairman of the Supervisory Board during the financial year ended December 31, 2017 (resolution no. 13 of the AGM of April 26, 2018)

Components of compensation paid or granted for the year ended December 31, 2017	Amount or accounting value submitted for approval (in euros)	Presentation
Fixed compensation	N/A	
Annual variable compensation	N/A	
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	N/A	
Stock options, performance shares, and any other long-term compensation	N/A	
Attendance fees	70,000	See Section 2.3.10
Valuation of benefits of all kinds	N/A	
Components of compensation paid or granted during the fiscal year that are or were voted on by the General Meeting as related-party agreements or commitments	Amount submitted for approval (in euros)	Presentation
Severance payment	N/A	
Non-compete compensation	N/A	
Supplemental Pension Plan	N/A	

2.7 Profit-sharing agreements and incentive schemes

2.7.1 Profit-sharing agreements and incentive schemes

Incentive schemes and profit-sharing agreements have been in place for many years within the Group companies in France, cover all French employees.

There are four main profit sharing agreements having their own calculation formulas, adjusted to the reality of each entity, taking into account value creation. The duration of each agreement is three years.

2.7.2 Company savings and similar plans

The Group created a company savings plan on June 29, 2004 for a term of one year, renewable automatically. This plan offers employees, based in France, who have been with the Company for over three months the ability to allocate amounts paid to them immediately and in full to subscribe for shares in company investment funds (FCPE). In particular, this plan can receive amounts from a compulsory or non-compulsory profit-sharing agreement, as well as voluntary payments.

2.8 Security transactions by corporate officers

The table below shows, for the fiscal year ended December 31, 2017, the share acquisitions, disposals and exchanges, as well as transactions in closely related Financial Instruments, that come within the scope of Articles L.621-18-2 and R.621-43-1 of the French Monetary and Financial Code and Article 19 of Regulation (EU) No. 596/2014 dated April 16, 2014 on market abuse:

Name of Reporting Person	Positions Held Within the Company	Nature of the transaction	Place	Description and Number of Financial Instruments	Date	Amount (in euros)
Fabrice Barthélemy	Member of the Management Board	Sale	Euronext Paris	2,000 shares	March 6, 2017	81,000
Michel Giannuzzi	Chairman of the Management Board	Sale	Euronext Paris	2,941 shares	March 13, 2017	117,346
Michel Giannuzzi	Chairman of the Management Board	Sale	Euronext Paris	3,209 shares	March 14, 2017	128,039
Michel Giannuzzi	Chairman of the Management Board	Sale	Euronext Paris	11,125 shares	March 15, 2017	443,887
Fabrice Barthélemy	Member of the Management Board	Sale	Euronext Paris	2,000 shares	March 28, 2017	81,000
DDA	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	15,000 shares	July 27, 2017	543,864
DDA	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	12,000 shares	August 2, 2017	434,665
DDA bis	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	21,798 shares	August 17, 2017	782,587
DDA bis	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	8,202 shares	August 18, 2017	290,594
DDA	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	12,000 shares	August 25, 2017	420,000
DDA	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	12,000 shares	August 29, 2017	414,000
DDA bis	Legal entity related to the Chairman of the Supervisory Board	Purchase	Euronext Paris	2,400 shares	Sept. 11, 2017	80,232

2.9 Principal related party transactions

Material transactions entered into or ongoing between the Company and related parties (whether individuals or entities) consist of the following.

2.9.1 Guarantees

The Company:

- > 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 \$116 million, a significant number of which are in the process of being released;
- > granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 188.9 million;
- > granted a guarantee covering 50% of one credit facility, with a maximum amount of €10 million, granted to its joint venture Laminate Park GmbH & Co KG;
- > granted a guarantee to a raw material supplier of its Morton Extrusiontechnik subsidiary in order to secure its payables commitments up to a maximum of €7 million, committed for an amount of €3.9 million at the balance sheet date.
- > granted guarantees on special purpose bank accounts to the operating bank of the European receivables transfer line, but not drawn down as of year-end. Similarly, Tarkett granted its guarantee as parent company to banks of, notably, Tarkett Limited (GB), Desso Holding (Netherlands) and Tarkett Asia Pacific Ltd (People's Republic of China) for overdraft facilities and for issuing letters of credit for an aggregate maximum amount equivalent to €18 million, committed for an amount of €7.9 million at the balance sheet date.

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, either directly or through bank guarantees. These guarantees are not material either individually or in the aggregate.

2.9.2 Service agreement with Société Investissement Deconinck (SID)

Tarkett and SID have entered into a service agreement, effective as of January 1, 2014, pursuant to which Tarkett provides SID with administrative support including administrative, tax and accounting services, for an annual cost of $\[\in \]$ 75,000, excluding taxes. In 2017, the services that Tarkett provided to SID were invoiced in the amount of $\[\in \]$ 75,000, excluding taxes.

2.9.3 Assistance agreement with Société Investissement Deconinck (SID)

The Société Investissement Deconinck - SID and the Company entered into an assistance agreement pursuant to which SID assists in determining the Company's strategy. Under this agreement, SID receives an annual payment of €500,000 (excluding taxes), which can be subject to revision based on an index chosen by SID and the Company, in exchange for its services, including the time spent by the members of its Management Board and its role in defining the Company's strategy.

2.9.4 Cash management agreements

The Company has cash management agreements in place with some of its subsidiaries to organize financing between the Group's entities and manage centralization of the Group's treasury.

2.9.5 Service agreements

The Company has entered into service agreements with some of its French and foreign manufacturing subsidiaries. The purpose of these agreements is to provide management, financial, legal, human resources, marketing and communications services. These agreements represented an aggregate amount of €18.9 million in 2017.

The Company has also entered into IT assistance agreements with certain of its subsidiaries. The purpose of these agreements is to provide IT, project management, development, IT licensing and consulting services (audit and SAP project preparation). These agreements represented an aggregate amount of €29.4 million in 2017.

2.10 Report of the Supervisory Board on corporate governance

The report of the Supervisory Board on corporate governance, prepared in accordance with Article L.225-68 of the French Commercial Code, was adopted at its meeting of February 8, 2018.

The various elements relating to corporate governance are set out in various sections of this Registration Document and detailed in the table below.

Information required by Article L.225-68 of the Commercial Code	References to sections of the Registration Document		
Composition of the Board and application of the principle of balanced gender representation within it	Section 2.1.1.2	"Supervisory Board"	
Preparation and organization conditions	Section 2.2.2	"Operations and evaluation of the Supervisory Board"	
Limitation of the Management Board's powers	Section 7.6.2.1	"Management Board"	
Mandates and functions exercised by each corporate officer	Section 2.1.1	"Management Board, Supervisory Board, and Executive Officers"	
Officer compensation and benefits of any kind	Section 2.3	"Compensation and benefits allocated to the management and supervisory bodies"	
Consultation on executive pay	Section 2.6.1	"Consultation on compensation principles and crite composing the elements of remuneration of the corporate officers"	
	Section 2.6.2	"Consultation on the components of the compensation paid or granted for the year ended December 31, 2017"	
Dispositions of the Afep-Medef Code that were rejected	Section 2.2.2.2	"Statement relating to Corporate Governance"	
Where the Afep-Medef Code can be consulted	Section 2.2.2.2	"Statement relating to Corporate Governance"	
Specific terms and conditions for attending general meetings	Section 7.6.5	"Shareholders' meetings (Article 25 of the Bylaws)"	
Delegations for capital increases	Section 7.4	"Financial authorizations"	
Elements likely to have an influence in the event of a public offering	Section 7.8	"Information likely to have an impact in the event of a tender offer"	
Supervisory Board observations on the management report and the financial statements for the past financial year	Section 8.3 "Supervisory Board observations on the Mana Board report and on the 2017 financial statem		
Agreements concluded between an officer or significant shareholder and a subsidiary	Section 8.6 "Special report of the Statutory Auditors on the regulated agreements and commitments"		

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3.1 Tarkett's CSR ambition

3.1.1 A strong commitment and an ambitious strategy to contribute to tomorrow's challenges

Three questions to Glen Morrison, CEO of Tarkett



How is sustainable development integrated within Tarkett?

We have put sustainability at the heart of our strategy over the past few years. It's part of who we are as a company and it is central to our values and our culture. This strong commitment to our sustainability journey is reflected across our business, with Tarkett employees around the world upholding our ambition to "Doing Good" each day through their decision-making and actions.

"We must actively work with all stakeholders to meet the world's future challenges; we must "do good" through collaboration. This is the essence of our "Doing Good. Together" philosophy, which guides our day-to-day choices and decisions and transforms our commitment into practical actions."

From helping us attract, retain and engage top talent to fostering innovation through a focus on designing for life and circular economy, sustainable development has been critical to the growth of our business. We are pioneers in many areas of sustainability, leading the industry in developing flooring with very low levels of VOC (Volatile Organic Compounds) emissions thus contributing to indoor air quality; plasticizers without phthalate, adopting the Cradle to Cradle® approach to product design and implementing recycling programs for our products – I am convinced we will continue to pursue our efforts in that field.

At Tarkett, we take a strategic approach to sustainability, connecting our efforts with what our customers value and what our world needs. We have a very collaborative approach with the different stakeholders, which allows us to simultaneously nurture our ambition and progress. We are contributing to discussions inside the World Economic Forum, we are following UN Global Compact principles and we are aligned with UN Sustainable Development Goals. These collaborations are challenging us and are guiding our commitment to making a positive contribution to global challenges.

Which achievements would you like Tarkett to be recognized for in the future?

My ultimate ambition for Tarkett is that we are recognized as an example in all aspects of Corporate Social Responsibility (CSR), being a good steward of the world's resources, a trusted partner in the communities in which we live and work and an employer of choice around the world.

"Our sustainable commitment is a performance accelerator, motivating our teams and attracting tomorrow's talents. It also drives our innovation, through our eco-design approach and our circular economy initiatives."

This begins with establishing a proper circular economy in the flooring industry, with a focus on giving old materials new life through the take back, reuse and recycling of products; enabling the floors we produce today to become the raw materials used in the flooring of tomorrow or as resources for other industries.

Of course, to do this effectively we know there are challenges we have already begun to address and must continue to work to overcome: optimizing the collection and sorting of products at the end of their use, engaging our customers in this process; recycling all types of flooring depending on their various components; furthering to design products upstream to make them more easily recyclable; reducing and recycling industrial waste. Our teams are committed to addressing these challenges and developing solutions, and I am confident in our enthusiasm and our ability to make our ambition a reality.

It is also important for us to be recognized as a "good neighbor" in all local communities. This means contributing to local ecosystems in a sustainable manner and actively participating in our communities across all dimensions: economic, environmental, social and cultural. Wherever Tarkett is located throughout the world, my goal is for communities to perceive us as the type of company they would like to partner with.

At Tarkett, we strive to create a diverse and inclusive environment where People feel comfortable bringing their whole selves to work each day; a safe and respectful workplace where each employee understands and contributes to our company purpose and objectives in a meaningful way. In doing so, we will not only attract and retain top talent, but will also attract customers and partners who share our same values and have the desire to collaborate with us. In my experience, developing diversity and fostering a culture of inclusion unleashes employees' potential and engagement thus accelerating company's performance.

What are the required conditions to address these challenges?

First, we must stay true to our values. Our values guide how we conduct business each day. This comes down to being transparent: ensuring we clearly communicate our ambition, objectives and challenges so they are understood by all – our employees, our customers and partners. Doing so allows us to attract the best talents, partners and NGOs to join us on this journey.

"We have a strategic vision of sustainable development, connecting our efforts with what our customers value and our world needs: developing the circular economy to responsibly stewards resources and combating global warming, contributing to indoor air quality and well-being through our products, fostering diversity and creating a culture of inclusion, and supporting local communities as a responsible partner."

We also encourage public authorities in defining regulations that promote the responsible development of our sector as a whole, with particular focus on the circular economy and climate change. We will do this most effectively by maintaining an open dialogue and collaborative approach with various key stakeholders and building our decisions and arguments on solid scientific knowledge and technical expertise.

Next, we must focus on governance. Consistent with our CSR commitment, we must ensure we are not only complying with laws and regulations around the world, this is the least we can do, but that our actions and behaviors are in accordance with our values and our Code of Ethics.

Finally, we must be able to empower all stakeholders and encourage innovation through an approach that encourages "calculated risk" and is accepting failure as part of the innovation process. For individuals, this is important to motivating them to contribute their best ideas and effort, while also ensuring they have accountability for results. More broadly, "calculated risk" is essential for imagining and implementing breakthrough solutions necessary to respond to future key challenges.

In a nutshell, to meet the world's future challenges, we must "Do Good", through close collaboration with all stakeholders. This is the essence of our "Doing Good. Together" philosophy, which guides our day-to-day choices and decisions and transforms our commitment into practical actions.

Glen Morrison, CEO of Tarkett

Hen Ham

Key points - Tarkett's CSR commitment



The global challenges to which Tarkett strives to contribute:

- > combat resource scarcity;
- > combat global warming;
- > quality of life in cities with indoor air quality and healthy environment.

Tarkett's ambition:

To build a sustainable economic model that fully integrates the challenges of tomorrow while fostering a collaborative approach for a circular economy that respects health, fully inspired by Cradle to Cradle® principles and creating value for the various stakeholders.

Tarkett actively contributes to the UN's Sustainable Development Goals through its structured and engaging "Doing Good. Together" approach:

- > designing for life: eco-designing products that respect health and the environment;
- > closing the loop: by developing circular economy models;
- > supporting local communities;
- > developing talents;
- > driving collaboration: promoting a collaborative approach.

3.1.2 A world in full (r)evolution: integrating future challenges

The world is presently undergoing profound changes at an unprecedented pace. By 2050, more than one third of the world's population will be over 60 years old according to the World Business Council for Sustainable Development (WBCSD), and nearly two thirds of this population will live in cities, according to the United Nations.

In parallel, the ecological challenges are immense. COP21 set out a course of action aimed at keeping the rise of global temperature per year below two degrees. This commitment implies a drastic reduction in the use of fossil fuels and more reliance on alternative energies.

With a global population expected to reach 9 billion people by 2050, according to the WBCSD, and aspiring for a better quality of life, the pressure on natural resources will continue to rise and become an even greater critical issue in the future.

The solutions needed for building a sustainable future are complex, and involve many challenges. As one of the world's leading flooring companies, it is Tarkett's responsibility to play a part in achieving the fundamental changes required to address these challenges.

It is essential to rethink flooring as being part of a larger system that takes into account construction projects and city planning. Indeed, new products and solutions should integrate the future challenges of cities in terms comfort and well-being. Bearing in mind that cities are increasingly polluted, a real effort must be made to find solutions that will improve indoor air quality and achieve building healthier environments in which we spend the vast majority of our time. Moreover, given current climate and resource scarcity issues, circular economy initiatives must become drivers of innovation, in order to decouple economic growth from environmental and resource impact.

To achieve this, companies need to integrate these major trends in their core values. Instead of trying to improve the existing system, they must take steps towards generating more fundamental changes. Companies must therefore renew their business models, in the economic sense of the term, as well as their relationships with all stakeholders, be they economic, institutional, associative or related to the civil society.

3.1.3 Our goal: developing a health-friendly, fair, and value-creating circular model

At Tarkett, sustainable development is a long-standing commitment and a lever for business growth. This commitment is at the base of our strategy and is integrated in all our activities, namely in our eco-innovation strategy via our closed-loop circular design methodology and our industrial excellence program via World Class Manufacturing. Finding ways to integrate this has been the driving force behind our actions.

We have come a long way in our move towards for responsible development, and we understand that the progress achieved is only the first step in this journey. Indeed, the expectations of our stakeholders – employees, customers, investors, NGOs, the

scientific community – have evolved and are pushing us to speed up our transformation. Thus, we have completely integrated this transformation within our business philosophy: "Doing Good. Together."

Doing Good. Together reflects the vital need for the company to go beyond simply "doing better", through improvements to the existing model, and actually "doing good" by building a sustainable business model that fully integrates the challenges of tomorrow's world. This approach is primarily based on two concrete constituent of Tarkett's sustainable development approach: the circular economy based on Cradle to Cradle® principles, and collaboration.

Circular economy is at the heart of our innovation, and visible through the pursuit of the Cradle to Cradle® approach in all of our activities. We seek to eco-design our products using materials that respect people's health and the environment (abundant mineral materials, rapidly renewable, recycled or recyclable). However, we must go further and put in place new circular business models, which create economic, social and environmental value and are fair to each of the stakeholders involved: our customers, our suppliers and our employees.

To achieve this, we rely on collaboration, a key value of the Group. This collaborative approach is already present in many of our projects, both in-house between departments and regions, and externally with several industrial, institutional, or associative partners. We strive to enhance it, value it, and make this practice systematic. We believe that collective intelligence and a full integration of our stakeholders – including NGOs – in our process will help us transform Tarkett into a model of sustainability and corporate responsibility in the decades to come.

3.1.4 Our CSR Commitment "Doing Good. Together": an integrated approach aligned with the UN Sustainable Development Goals and Principles

In 2015, the United Nations adopted a set of Sustainable Development Goals. This global framework defines global ecological, social, and humanitarian changes that must be implemented and which benefit all. The action plan aims to address key issues in areas such as poverty eradication, environmental protection, and economic development. These

goals are associated with 169 individual targets and define the framework of CSR procedures in companies and particularly in international companies. Through its corporate Social Responsibility initiatives, Tarkett contributes in particular to 7 of the 17 UN Sustainable Development Goals.

Tarkett contributes to Sustainable Development Goals defined by the United Nations

Our "Doing Good, Together" approach tackles complementary areas of work that align with the UN Goals:





> Designing for life: eco-design with respect for the environment and health: firstly, dedicating innovation and operational excellence, to respect "natural capital" while reducing our environmental footprint (SDG 13) and fighting climate change (SDG 15). Secondly, promoting people-friendly spaces, with good health and well-being in working, leisure, and living spaces (SDGs 3 and 11).



- > Closing the loop: transitioning from a linear model to a global circular model through the collection, recycling and re-use of products (SDG 12).
- > Supporting communities: contributing to the development of communities and territories in which we are active, and making sure our business is inclusive by bringing together various stakeholders, namely suppliers and encouraging them to take part in our responsible value chain (SDG 11).
- > Developing talents: making sure that every employee adheres to our approach, which we consider crucial for the successful implementation of our projects. Therefore creating a safe, respectful, inclusive and rewarding work environment (SDG 8).



> *Driving collaboration:* enhancing internal and external collaboration by building partnerships that help us achieve our objectives and by collaborating with key stakeholders to face together global challenges (SDG 17).

3.2 Managing the CSR policy

"At Tarkett, we're bringing our best thinking and efforts together to make a positive impact on people and the planet by implementing our "Doing Good. Together" approach. Because we believe in the power of collaboration, we're closely working with our employees and customers, with thought leaders and the entire industry to build a circular economy with good materials, creating happier, healthier and beautiful spaces. We believe in a future for all, where people and the planet prosper in balance. Through our commitment to sustainable development and its governance principles, Tarkett abides by the ten principles of the United Nations Global Compact and contributes to the United Nations' Sustainable Development Goals."

Glen Morrison, CEO of Tarkett

3.2.1 Materiality

3.2.1.1 The materiality assessment: a tool to build stakeholder engagement

The materiality assessment helps identify and specify the material CSR issues and challenges for Tarkett, in other words the most important issues in the context of the Group's activities, their impact on our business model and our stakeholders' expectations.

In 2016, for the first time a survey was completed by external organizations and partners to ensure that our CSR strategy and

our objectives were aligned with these material stakes. This process is part of a commitment to engaging in ongoing dialogue with our stakeholders, and meets the requirements of internationally recognized CSR reporting standards such as the Global Reporting Initiative (GRI G4 option).

The key CSR issues for Tarkett, which are developed and assessed throughout the report, still comply with the results of the 2016 survey. In particular four specific issues emerged: health and safety at work, health and safety related to products and materials, the environmental impact of products, and responsible use of materials and resources.

In addition, our open, regular contacts with our different stakeholders enable us to adjust and complete this assessment in keeping with changes in issues.

3.2.1.2 Our materiality approach

A stakeholders' map was completed followed by a survey that was sent to both external stakeholders (customers, suppliers, sales partners, NGOs, trade organizations, experts, research and educational institutions, etc.) and internal stakeholders (members of the Tarkett Supervisory Board and the Executive Management Committee, senior executives and Tarkett employees). The survey involved stakeholders based in France, Germany, the Netherlands, Serbia, Sweden, Russia, the United Kingdom and the United States.

The survey covered key topics included in the GRI standard and Cradle to Cradle® principles, organized into five categories: the environmental impacts of production, responsible products, work, Human Rights, and societal issues.

3.2.1.3 The materiality matrix

	Environmental impacts of production	Product Stewardship	Labor, Human Rights & Societal issues
Priority topics for both external and internal stakeholders, and relevant for Tarkett's activities		Environmental impact of products Health & Safety of products and materials Resource and material use	Health & Safety at work Child Labor (a key priority for external stakeholders, but not a potential risk for Tarkett activities)
Other priority topics for internal stakeholders	Energy Consumption Production waste	Cradle to Cradle® principles Recyclability of products	Training and talent development Anti-corruption
Other topics of importance	Air emissions from production Waste water from production Assessment of suppliers on environmental topics	Transparent marketing communication	Support for local job and income Assessment of suppliers on human rights Forced Labor Diversity, equality, non-discrimination, labor rights

Our commitments and progress made in figures in 2017 3.2.1.4

Good materials for people's health and the environment

Assessment of materials



of raw materials are assessed based on their impact on health and the environment according to Cradle to Cradle® criteria and by a third party organization.

Indoor air quality



of floorings have low levels emissions of volatile organic compounds (1), i. e. 10 to 100 times lower than the strictest standards.

Healthy indoor environment



of our vinyl production sites in Europe and North America are using non-phthalate (2) technology. On a global level, **57%** of our vinyl flooring are non-phthalate products.

Respecting resources through circular economy

Selection of materials



materials do not contribute to resource scarcity (abundant mineral materials, rapidly renewable or recycled), against 68% in 2016.

Recycled materials



160,000 tons

of recycled materials used as raw materials, i.e. 12% of the volume of purchased raw materials.

Flooring collection program



99,000 tons

of flooring collected **from 2010 to 2017** by Tarkett inside ReStart® program in Europe and North-America (collection of post-installation and post-consumer flooring: vinyl, linoleum or carpet).

Water consumption



of production sites are equipped with closed loop water circuits (or do not consume any water in their manufacturing process), against 60% in 2016.

Climate change



of energy consumption comes from renewable energies compared to 25% in 2016.



of greenhouse gas emissions per m² of manufactured product compared to 2010: 0.92 kgCO₃e/m² (scope 1 & 2).

Safety and Diversity

Safety



Recordable Lost Time Accident Frequency Rate FR1t⁽³⁾ in production sites, compared to 3.68 in 2016.

Diversity



of members of the Executive Committee are women.

of management positions are filled by women.

Local Communities



2 days

of volunteering opportunities at charity initiatives possible for all employees.

1,400

employees involved in Tarkett Cares.



professionals or students trained as professional installers or in installation techniques from 2012 to 2017.

 ⁽¹⁾ Total volatile organic compounds < 100 µg/ m³ (% of m² produced, flooring only).
 (2) Except recycled content for certain products.

 $^{(3) \ \} Number of accidents with lost time < 24 hours per million hours worked of employees and external workers at Tarkett production sites at Tarkett production sites and external workers at Tarkett production sites at Tarkett production sites and external workers at Tarkett production sites and external workers at Tarkett production sites at Tar$

3.2.2 CSR governance

Key points



CSR governance at Tarkett:

- > integrated into the Group's strategy, with 2020 targets for certain environmental indicators;
- > deployed at all levels of the Group: functions, divisions, industrial sites, and monitored by the Executive Committee;
- > driven by structured, rigorous and robust CSR reporting; audited by a third party; published in the Registration Document (Chapter 3);
- > aligned with recognized global standards: GRI, United Nations Sustainable Development Goals (SDG) and the 10 principles of the United Nations Global Compact, GHG Protocol, Cradle to Cradle® principles; and compliant with the French Grenelle 2 regulations.

3.2.2.1 CSR governance integrated at all levels of the Group

President of Tarkett North America for over two years, and CEO of Tarkett since September 2017, Glen Morrison is convinced that the successful transition of the Group towards the circular economy and the successful implementation of Tarkett's sustainable development strategy will mainly depend on two factors: on engaging all Tarkett employees, and on integrating CSR objectives at all levels of the Group, within each of the divisions and cross-business functions.

"Our strong commitment to sustainable development is something that sets us apart from our competitors. [...] When we decide to create new products, to improve our production processes, or to make acquisitions, we always take into account the sustainable development dimension."

All functions and divisions are involved in CSR strategy and implementation. Hence, Research & Innovation & Environment, Operations, the Legal department, Human Resources, Purchasing and Marketing & Sales are all involved in different CSR issues through a vigilance plan to prevent any risk of serious infringement of human rights and fundamental liberties, the health and safety of people as well as the environment. These risks concern the activities of the Group and its subsidiaries and the activities of its suppliers and sub-contractors. Our WCM (World Class Manufacturing) industrial excellence program (read page 92), driven by the Group's operational functions and implemented locally, also makes it possible to control and reduce the environmental impact of production sites.

In terms of impact of our products, the research and innovation department teams integrate eco-innovation and circular economy principles into all their work.

Finally, marketing and sales teams are also acutely involved of this issue in order to accurately answer client questions and meet their expectations concerning the environmental and social performance of end products.

The sustainable development strategy is driven and supervised by the President of the Management Board, and discussed with the Executive Management Committee (EMC). The President of the Management Board also shares his sustainable development vision as well as progress achieved and upcoming challenges with company employees, shareholders and the financial community. Employees are informed via the internal

newsletter and at the annual meeting in December 2017 for the 150 senior executives, while shareholders have the opportunity to discuss these issues during the annual Shareholders Meeting.

3.2.2.2 Committees taking up CSR key topics

Within Tarkett there is a committee focused on the environment and overseen by the Executive Vice President of Research, Innovation and Environment (member of the Executive Management Committee). CSR issues are also addressed within management committees of divisions and support functions networks

The Audit Committee also deals with CSR issues by updating the Group's risk mapping. Updating was carried out during the Audit Committee which took place in October, 2017.

Since 2015, sustainable development and CSR have also been an integral component of internal audit programs.

3.2.2.3 A robust auditing process

A sustainable development dashboard measures and guides the performance of the Group, using a series of quantitative and qualitative indicators. These indicators are verified by a third party independent organization, and their reliability is guaranteed via a robust reporting process, which is strengthened every year. The report from the third party independent organization (KPMG) covers both the quantitative and qualitative indicators which are available in the appendix to the CSR Report.

Reporting of CSR information is jointly managed by the financial department and the communication & CSR department. The CSR Report is included in the Registration Document which presents the Group's financial results.

In 2017, the reporting process was reinforced thanks to the completion of an accurate and comprehensive CSR reporting guide, which provides the Group with a foundation of common knowledge shared by all people involved in CSR reporting at all levels of the organization. This guide describes in detail CSR reporting principles, the scope, the available tools, as well as calculation methods and controls carried out by contributors at the local level (for each entity), consolidation of data at the Group level and definition of indicators.

Formalization of the reporting process and existing rules reinforces the commitment of the Group to being rigorous and

transparent in all dealings with stakeholders. It also enables Tarkett to drive its performance and focus its efforts on the material challenges associated with its activities. Analyzing the evolution in indicators year after year is crucial to measure progress achieved, identify room for improvement, and the challenges which still need to be met. It creates the dynamic needed to set up ambitious action plans, and develops empowerment across all levels of the organization.

3.2.2.4 From reporting to driving CSR performance

Already in 2012, Tarkett developed a CSR dashboard with twenty key indicators specific to the Group's activities. For certain indicators (environmental and product ones), the Group defined 2020 objectives.

As part of the formalization of CSR reporting, progress review meetings are held involving management and operational teams at Group and Divisions levels. The purpose of these meetings is to review the consolidation of indicators on an intermediate basis, three times a year, and not only to drive the reporting process but also to drive performance on different issues being assessed. The meetings provide an opportunity to analyze quantitative indicators, to discuss significant evolutions, in particular relative to 2020 objectives, and to identify concrete actions which in turn make it possible to improve the Group's environmental, social and corporate performance. The intermediate reporting and the Divisions/Corporate meetings were implemented in the second half of 2017, and shall be more systematically deployed starting in 2018.

Furthermore, discussions during monthly meetings of the Environment & sustainable development network are an opportunity to review results and different initiatives. Finally, certain indicators are also very regularly assessed and monitored within different departments and programs (HR, WCM...).

3.2.2.5 CSR approach and engagements in line with world standards

The CSR report, the indicator dashboard and 2020 objectives, which are the result of a strengthened reporting process, abide by the regulatory requirements of the Grenelle II law which apply to French companies traded on the Stock Exchange. They are also in line with several internationally recognized standards such as the Global Reporting Initiative and the Ten Principles of the United Nations Global Compact.

In 2017, we tailored the definition of the most relevant indicators to manage our CSR performance, in order to more accurately assess 2016 GRI Standard (Core option) indicators. We also comply with Greenhouse Gas Protocol standards to calculate greenhouse gas emissions and we report these indicators in keeping with the principles of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol. Like every year, we also communicate our results to the United Nations Global Compact to comply with the "Advanced" level standard.

Initiatives as well as indicators also encompass certain Sustainable Development Goals (SDGs) defined by the United Nations.

A concordance table covering Tarkett Reporting/Grenelle 2/GRI is available in the annex to this report.

3.2.3 Dialogue with stakeholders

Key points



Promote dialogue and collaboration with all stakeholders:

- > by participating in conferences, notably on topics of circular economy (World Circular Economy Forum), the application of the principles of Cradle to Cradle®, the quality of materials in interior architecture, the responsible use of PVC;
- > contributing to debates and working groups in the World Economic Forum and the "Circular Economy 100" initiative of the Ellen MacArthur Foundation;
- > by engaging with other companies and economic actors to combat global warming: member of Alliance of CEO Climate Leaders starting with COP 21 in 2015;
- > sharing our experience with public authorities (Europe, countries, cities) and NGOs, particularly on the challenges of the circular economy, regulations and standards;
- \gt by involving our clients in our approach and training our teams.

Communicate with transparency:

- > to explain the composition of our products, their impact on health and the environment, and therefore help our customers in their choice: publication of MHS (Material Health Statements in the United States) carried out by EPEA, an independent scientific institute; health & environment labelling in Europe;
- > to publish and share our progress and challenges, notably with non-financial rating agencies and the financial community, and public platforms (CDP, Global Compact, etc.).











3.2.3.1 A well-established, genuine dialogue with stakeholders

It is essential to establish sustainable relationships and an ongoing dialogue with stakeholders so as to provide solutions that answer their needs, as well as to work in collaboration with NGOs, experts and public institutions and together find solutions to tomorrow's challenges. This vision is supported by the CEO of Tarkett, Glen Morrison: "The challenge we are currently facing is to overcome trials but also to talk about our successes transparently and with pride, while recognizing that we face difficulties and that we need to work with NGOs and experts to move forward and find innovative solutions."

Tarkett regularly participates in international innovation and sustainable development-focused programs and events, alongside NGOs, assessment agencies, and governmental organizations.

Tarkett is an active member of the World Economic Forum and in particular is involved through the participation of the CEO and a member of the Executive Management Committee in the annual Davos Meeting:

- in January 2017, our CEO (at that time, Michel Giannuzzi) shared his vision of "Engaged, Responsible Leadership", which fosters the development of a circular economy model, helps fight climate change and promotes innovative solutions for tomorrow's cities;
- in January 2018, Glen Morrison (CEO since September 1st, 2017) participated in a round table discussion on urban development and infrastructures, sharing his ambition for a more human built environment in light of the challenges of "Sustainability and Affordability";
- in 2018, within the steering committee of The Future of Urban Development & Services, Glen Morrison exchanged ideas with both public and private stakeholders on major urban development challenges such as the circular economy in cities and affordable housing;
- Slen Morrison also participated in the climate conference organized by the Alliance of CEO Climate Leaders, a world platform that Tarkett joined in 2015. This group of CEOs plays a key role in mobilizing companies and governments all over the world to implement ambitious measures concerning climate change;
- in addition, still in 2018, during the debate, "Decoding biases: diversity by design", Glen Morrison shared his vision and engagement in talent philosophy, based on diversity and inclusion: "For companies, the most important challenge is winning the war for talent, attracting and retaining the best people. As business leaders, our role is to create an inclusive environment where People feel comfortable bringing their whole selves to work each day. In my experience, developing diversity and fostering a culture of inclusion unleashes employees' potential and engagement thus accelerating company's performance."

Other Tarkett's contribution to conferences and events:

- in September 2017, Tarkett participated in the Living Product Expo (Pittsburgh, USA) which brings together designers, architects, industry representatives and experts to present and share their innovations, both in terms of design and the production process. Tarkett contributed to the debate, highlighting the use of products that are safe for the environment and health, with a particular focus on responsible use of PVC;
- Tarkett also participated in many debates on the circular economy, to share its experience and together reflect on solutions for the future. In April 2017, Tarkett participated in the PVC 2017 Conference in Brighton (United Kingdom). At this event, Tarkett presented PVC management in circular economy models, along with participants from 35 countries;
- in October and November 2017, Tarkett participated in a series of events organized by the "Cradle to Cradle® Products Innovation Institute" in Boston, New York and San Francisco to promote the actions of industrial actors who engage in a circular approach. This consists for example in designing recyclable products, or integrating recycled raw materials in products;
- at the World Circular Economy Forum, which took place in Helsinki in June 2017, Tarkett presented how its business model is based on circular economy principles;
- finally, at an event organized by the Luxembourg Government on the development of international trade, Tarkett had the opportunity to participate in different round tables. One of the latter, which took place in June 2017, at the Luxembourg Chamber of Commerce, focused on the issue of waste treatment within the Benelux region;
- Anne-Christine Ayed, EVP Research, Innovation and Environment at Tarkett, and a Member of the Executive Committee, participated in October 2017 in the annual conference, "Alliances for cities in transition" organized by the HEC business school in Paris. This year, the theme was "Accelerating the third industrial revolution - the Luxembourg case". At the conference, Anne-Christine Ayed explained the principles of the Tarkett economic model, with a focus on the following challenges: How to shift from a linear economy to a circular economy? What are Cradle to Cradle® principles? The conference was part of the following process: In November 2016, the Luxembourg Government launched its Third Industrial Revolution strategy, which was developed in collaboration with Tarkett and others. This strategy is a fundamental economic shift towards decentralized digital energy, mobility, more intelligent data management, and circular economy principles. The strategy is based on the conclusions of a nine month study on the theme of the circular economy, carried out by experts, and in which Tarkett was a major contributor;
- on October 12, 2017, Anne-Christine Ayed, also analyzed the challenges of a circular economy taking the example of Tarkett during the debate "Frugal innovation: Co-building a sustainable world with fewer resources", organized at New York University (NYU). The participants in the conference were Navi Radjou, author of the book, "Frugal Innovation", Jaykumar Menon, social entrepreneur and human rights lawyer and Vijay V. Vaitheeswaran, writer for The Economist;

- on October 21, 2017, Anne-Christine Ayed participated in the Cradle to Cradle® conference organized at Leuphana University in Lüneburg, Germany. This was an opportunity to present the Tarkett approach to implementing Cradle to Cradle® principles at the core of its business strategy, challenges encountered and the value of implementing these principles across the eco-innovation strategy;
- in addition, Tarkett continues to engage with its different customers (architects & designers, installers, distributers), through customer surveys and the Customer Centric Innovation program which is based on the Design Thinking approach to better understand customer needs, within the framework of events or meetings organized in certain countries:
- > for example, in September 2017, Tarkett organized at the Waalwijk factory in the Netherlands, the Circles of Architects® event which brought together over twenty architects and designers from nine countries (the Netherlands, Belgium, France, Sweden, the United Kingdom, Poland, Turkey, the United Arab Emirates and Slovakia) to present their next innovations in the carpet field and to gather their opinions. This discussion platform was set up in 2007 by the Desso activities acquired by Tarkett in 2015.

3.2.3.2 Communicating more transparently

The transparency of information published is a value to which Tarkett is strongly committed and a constantly improving area. We are convinced that transparency is crucial to earn the trust of all our stakeholders, in particular concerning the materials used in our products, the impact of our products on health and the environment, and the carbon footprint of our businesses. We wish to share with our stakeholders including employees, clients, suppliers and NGOs, among others, both our successes, as well as the challenges we face and the solutions we intend to implement in order to improve. We believe that dialogue and collaboration with NGOs, experts and any other organization that wishes to work with us, will enable us to develop innovative solutions together.











There are several tools to help us achieve this first objective of transparency.

Since 2011, most of our products in Europe have had an environmental labeling system, which specifies the percentage of recycled content, usage or not of phthalates, as well as the total VOC emissions

In 2013, to continue to move forward, Tarkett North America introduced Environmental and Health Statements (EHS). These statements, verified by third parties, present ingredient composition and any health or environmental impacts in detail, and they take into account the end-of-use phase of products. Originally developed for our linoleum and rubber products, they were extended in 2014 to the ethos® carpet backings then in 2015 to homogenous vinyl products and rubber accessories. In 2016, this approach was replaced by the introduction of MHS or Material Health Statements, carried out by the EPEA, an independent scientific institute. These statements make it possible to transparently share easily understandable, accurate information (see page 99) with our clients (architects and designers). In 2018, MHS should be progressively implemented across the EMEA zone.

The Group is also involved in a proactive process with its investors and the financial community. Tarkett openly shares its information with non-financial rating agencies and networks focused on sustainable development, such as the CDP (Carbon Disclosure Project), Vigeo, MSCI, Gaia, Ofi, and BMO, working with them in their evaluation processes. Thanks to this proactive dialogue, investors – such as Sycomore – have included Tarkett in their socially responsible investment portfolio (ISR). In 2017, we continued to promote sustainable development with our shareholders. Around ten investors were invited to the Clervaux site (Luxemburg) in November 2017 to learn more about production processes as well as the environmental performance of the production site during the "Green Tour" visit of the site.

3.2.4 Operational tools for our CSR approach

Key points



Structured programmes and robust methodologies to support our CSR commitment:

- > "World Class Manufacturing" to foster operational excellence in our industrial sites, with two major pillars: Safety and Environment;
- > "Closed-loop circular design": the circular eco-design tool for our products, based on Cradle to Cradle® principles, taking into account the impact on health and the environment;
- > "Talent philosophy": an approach to developing talent based on the Group's values (in particular respect and integrity), in order to enhance expertise, support employees in their development and foster a culture of diversity and inclusion.

To ensure that sustainable development plays a key role in its strategy, Tarkett has developed and implemented several methodologies. The latter are major levers to improve our environmental performance, help set up circular economy models, and attract the best talents.

3.2.4.1 World Class Manufacturing for operational excellence

For many years now, the Group has implemented the WCM (World Class Manufacturing) program with the following objectives:

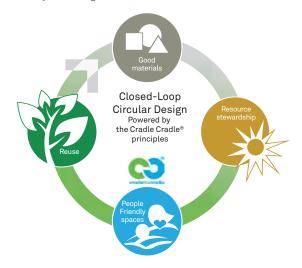
- > reinforcing customer service and quality;
- reducing work accidents and the impact of the Group's operations on the environment;
- > improving productivity and industrial performance.

For many years, the Group has generated positive results related to implementation of the WCM program. On industrial sites, the program plays a fundamental role in improving security outcomes, as well as in reducing the environmental impact of product manufacturing, while enabling better resource management: monitoring key indicators, implementation and follow-up of action plans, continuous improvement of operational excellence.

The WCM program is implemented by a dedicated team which defines objectives, assesses deployment of the program, compares and identifies the best methods used on each site and works with local teams to implement the best practices for their operations. The Group has appointed WCM managers across all its sites to coordinate continuous improvement projects and deploy related methodologies. They can then share their experiences within the WCM network, and hence together help improve production and profitability within the Group. Completion of internal WCM audits enables the teams to monitor the progress of production sites and define action plans.

3.2.4.2 Closed-loop circular design supporting eco-design

Actively engaged in developing a circular economy, Tarkett has created "Closed-loop circular design" in other words a circular economy eco-design or "virtuous circle".



This methodology aims to respect the well-being of people and the environment, while encouraging eco-innovation, based on four pillars:

- Good Materials: selecting materials that respect health and the environment and which can be recycled;
- Resource Stewardship: promoting optimized, sustainable use of resources in all phases of production while protecting the environment (water, energy, greenhouse gas emissions...);
- > People-Friendly Spaces: contributing to the health and well-being of people during the product use and maintenance phase;
- Reuse: recycling or reusing no longer used products to eliminate waste, while helping to design new products with quality recycled materials.

The system is based on circular economy principles, supported by the Cradle to Cradle® philosophy which assesses the chemical composition of products as well as their health and environmental risks. Cradle to Cradle® principles are applied across all of the Group's products and businesses. In addition, we use C2C principles to evaluate ingredients (read page 99) and some product categories are also C2C certified (read page 105).

What is the Cradle to Cradle® philosophy

The Cradle to Cradle® philosophy relies on three main principles to develop eco-effective economic models:



- > considering waste as "food", i.e. a quality resource for new products;
- > using renewable energies (sun, wind, water...);
- > fostering diversity through nature-inspired design.

The Cradle to Cradle® philosophy was developed at the end of the eighties by the German chemist, Michael Braungart and the American architect, William McDonough.

Concretely, this includes eco-design tools and methodologies which encompass different aspects from design to manufacture through end-of-use and recovery, in particular for product certification (Cradle to Cradle® Certified™):

- > healthy materials: using materials that are safe for health and the environment, i.e. recycled and recyclable materials in a natural environment (biological cycle) or in a new "technical cycle" (industrial);
- > using renewable energies and carbon management (greenhouse gas emissions...);
- > water management, in other words, managing drinking water as a precious resource and as a fundamental human right;
- > social responsibility, by creating a positive impact on the life of employees and the local community.

3.2.4.3 Talent Philosophy for talent management

Tarkett has experienced continuous growth for the last ten years. Because our 13,000 employees are an essential asset and the leading actors in this growth, the human resources function is strategic.

The sense of belonging to the Group is very strong. It is the result of a human resources policy that has both preserved entrepreneurial spirit in the field, and the advantages of an international group.

To further support Tarkett's growth and talent development, we have strengthened our human resources management and talent development by structuring our Talent Philosophy approach in 2017. The latter contains guidelines to ensure that the same management approach is implemented across the entire Group and which will ensure that our employees are aware of all the opportunities available to them throughout their career, fostering more internal promotions (see page 115).

Promoting our talents

To promote the expertise of its teams and career development opportunities, Tarkett decided to launch in 2017 an active policy to define and promote its employer brand, both internally and externally to attract talents. A specific career website was created with employee testimony videos. Three Tarkett promises as an employer were defined for this new policy:

"Designing for life" - eco-design with respect for the environment and health

- "Expand your horizons" Because Tarkett offers a wide range of jobs and geographic opportunities, from manufacturing to sales, along with research, design and support functions.
- "Change the game" In line with our entrepreneurial roots, we expect our employees to actively take initiative and we create a trust-based, empowering environment so that they can fully express their talents and personalities, directly contributing to the success of the Group.
- "Design the future of society" By having a long term vision, Tarkett invites its employees to make CSR and sustainable development issues a part of their decisions, their operations and activities, to design sustainable economic models.

3.3 "Designing for life" – eco-design with respect for the environment and health

3.3.1 Preserving natural capital

Key points



Tarkett is committed to preserving "natural capital" in order to responsibly use scarce resources and reduce the impact of its industrial activities on climate change.

By reducing energy and water consumption and limiting industrial waste, Tarkett strives to reduce the environmental footprint of its production sites while conserving natural resources as much as possible.

By assessing the environmental impact of its industrial activity and products, and by reducing greenhouse gas emissions, notably through the use of renewable energies, Tarkett actively supports combating global warming.

Concrete initiatives in production sites to preserve natural capital:

- ${\color{blue} > \ optimization of industrial processes, ISO 50001 certification for energy efficiency;} \\$
- > production and consumption of renewable energies within production sites (biomass, geothermal, solar);
- > purchase of renewable electricity (7 plants at 100%);
- > installation of closed loop water systems;
- $> \ \ development\ of\ internal\ or\ external\ recycling\ of\ production\ waste, rather\ than\ land filling.$

3.3.1.1 Our two-pronged engagement: combating preserving resources and climate change

Preservation of resources and climate change are key environmental issues which guide Tarkett in defining a global strategy. This reflects the Group's commitment to helping to overcome certain major challenges which our society faces today.

> Limited resources: currently, certain resources have been considerably depleted, and this trend will only accelerate as demand in emerging markets continues to skyrocket. Transitioning to a circular economy, in which products are designed so that their materials can be easily recovered and reused or recycled at end of use is the most effective way to preserve the planet's natural resources.

Climate change: industrial activity is one of the main contributors to greenhouse gas (GHG) emissions. To achieve the objectives of reducing these emissions, defined at the national and international levels, industrial companies must take action beyond the scope of their direct responsibility, and impact the entire life cycle of their products. This involves systematically promoting eco-innovation, using recycled raw materials, reducing energy needs and increasing usage of renewable energies. In all the expert scenarios, more effective use of resources is a key factor to attenuate climate change. The two challenges are linked, and encompass the entire range of Tarkett's activity, from design to production and distribution: strategic efforts in these areas are the fruit of all of the Group's environmental actions.

3.3.1.1.1 Assessing the environmental impact of our activity: the life cycle analysis

In addition to MHS (Material Health Statements) which we implement for certain products to assess their impact on health and the environment (see page 99), in some cases we also use life cycle analysis (LCA), one of the methodologies to produce an environmental assessment of a product. This certified method (ISO 14040 and ISO 14044) identifies and compares the environmental impacts of a system throughout its lifecycle, from extraction of raw materials to its fabrication and processing at end-of-life or end-of-use (landfill, recycling...) including use phases, maintenance and transportation.

In 2016, Tarkett updated the life cycle analysis of some of its products manufactured in Europe including linoleum, certain ranges of heterogeneous vinyl and the iQ homogeneous vinyl range. This analysis covers the use phase, which varies depending on the application: assessment of the impact of cleaning and maintaining flooring is in fact different for health organizations and offices. The calculations were performed by LCA experts from the LIST (Luxembourg Institute of Science and Technology) and combine real data, generic data, and expert assumptions.

Ultimately, we may plan to extend LCA to some other future product ranges. This will help us to identify other areas for improvement, beyond the scope of our production sites. In 2018, to strengthen our engagements and to answer the growing demand of customers and prime contractors, the EMEA segment shall be equipped with a dedicated software. This software would be used to systematically perform LCA with the prime goal of completing specific Environmental Product Declarations (EPD), FDES (Fiche de Déclaration Environnementale et Sanitaire), etc.

The life cycle analyses that have been completed thus far have integrated climate change. For example, we have measured the impact of our linoleum flooring in the health sector, and our compact heterogeneous vinyl range used in the education sector. In both cases, the highest contributions in terms of Greenhouse Gas Emissions come from raw material extraction and the usage phase (with an assumption of 20 years). The production phase, and transportation of raw materials and finished products contributes less significantly to total GHG emissions, if the entire life cycle is taken into account. These results have encouraged us to study a wider scope than the manufacturing processes of our flooring products, in particular integrating the entire upstream component of our value chain, as well as the usage phase and the end-of-life of our flooring products.

3.3.1.1.2 Reducing Greenhouse Gas Emissions

Tarkett has progressively and continuously contributed to reducing greenhouse gas emissions. This has been achieved by implementing the following set of actions:

- > optimize and reduce energy consumption on our production sites (see page 95) in particular via our WCM (World Class Manufacturing) operational excellence program;
- developing the use of renewable energies and promoting external sources of green energy sources (see page 96);
- making the transition to a circular economy: using recycled materials (reducing emissions related to raw material extraction) and limiting waste production (recycling, reuse). See page 106;
- > optimize transportation-related emissions: in some countries and in certain situations, we use modes of transport that release less GHG emissions (train transportation between Sweden and Germany or in Russia...);
- > implementing carefully planned development of existing sites: Tarkett is committed to limiting the impact of the Group's continual growth in recent years. To this end, the Group is committed to reusing existing space without engaging additional building whenever possible (optimization and development of existing production lines, for example at the Jaslo site in Poland or Mytishchi in Russia, or the acquisition of existing industrial areas in China...).

Zoom on key indicators



Climate change

The Tarkett goal in terms of reducing greenhouse gas emissions is: -20% in 2020 compared to 2010 (per square meter of manufactured product kgCO_.e/m²).

- In 2017, greenhouse gas emissions (per square meter of manufactured product kgCO₂e/m²) were 0.92 kgCO₂e/m² (scope 1 & 2), or a significative reduction of -9% over 2010, and a decrease of -2% over 2016.
- In 2017, growing use of renewable energies and deployment of energy efficient initiatives in factories have helped reduce GHG emissions.
- In 2017, one out of two sites (51%) reduced its greenhouse gas emissions (per m² of manufactured product kgCO₂e/m² and in value).
- > To better assess the impact of our activities on climate change, we have improved our indicators and have introduced methodological evolutions impacting the evolution of results: we have expanded our reporting, including all sources of energy used and added biomass-related emissions (in the scope 1) representing an impact of +1.2%, and the evolution in emission factors in certain countries, thereby reducing GHG emissions by -3.2% over 2016.

Intensity of GHG emissions (kgCO,eq/m²)



3.3.1.1.3 Adapting to climate change

The Group continually monitors and anticipates industrial and environmental risks, and the effects of climate change (in particular extreme climate events) are included in the latter. As such, we have carefully defined and implemented emergency plans for all our sites.

In addition, provisions for environmental risks amount to approximately 1.2 million euros in 2017 (vs. 1.3 million euros in 2016).

It should be noted that certain products, such as synthetic grass, can help our customers adapt to climate change in particular in arid zones or areas that lack water.

3.3.1.2 Reducing the environmental footprint of production sites

3.3.1.2.1 Energy management

3.3.1.2.1.1 Improved energy efficiency

Zoom on key indicators



Energy efficiency

- Since 2010, we have continued to make progress in terms of energy efficiency, with a decrease in average energy consumption per m² of manufactured product (-4% from 2010 to 2017), one of the aspects of the WCM program.
- > From 2016 to 2017, the slight increase of energy consumption per m² of manufactured product (4.17 kWh per m² in 2017 compared to 4.09 kWh per m² of manufactured product in 2016) is mainly due to the fact that we more comprehensively take into account the energy sources used.
- > In view of improving our reporting methodology in 2017, the energy consumption reported also includes the quantities of fuel used by lifting equipment on production sites (see details in the methodological notes on page 132).
- > In 2017, half our sites (51%) improved their energy efficiency, reducing their energy consumption per meter squared of manufactured product.

- Since 2011, the ISO 50001 European standard has recognized the engagement of companies towards better energy management. In 2017, all Tarkett European sites that employ more than 250 people are ISO 50001 certified. In addition, a few factories outside of Europe have begun the ISO 50001 certification process.
- > Independent from certification systems, some of our production sites already engage in practices that meet standards similar to ISO standards. This provides us with our own feedback and enables us to identify best practices to implement.

Examples



- > A highly efficient energy plan in Bačka Palanka (Serbia): in 2009, the Tarkett site in Bačka Palanka defined and deployed an energy management strategy with two objectives: using more renewable energy and optimizing its energy efficiency. Over the years, the engagement of our teams has made it possible to exceed these initial goals and to set up a wider, more structured operational energy strategy, capitalizing on the daily engagement of teams and improvements in equipment, and on specific initiatives. Every morning, energy managers, team managers and operators meet to analyze the energy indicators for the last 24 hours, define corrective measures to be implemented, and optimally adjust energy flows. In addition, more targeted initiatives have been defined, such as trying to find ways to transform waste into energy. As such, in 2009 the site was equipped with a wood fuel boiler using sawdust from the production of parquet. The heat produced is reused in the vinyl flooring manufacturing process. Thanks to these efforts, 52% of total energy needs of the site in 2017 come from self-production of energy from biomass or renewable energy supply.
- > Improving the energy efficiency of the Konz factory (Germany) water cooling system: the Konz team has reduced the energy consumption of the site by optimizing the cooling system. Inspired by a student's thesis, the team completed a project in four stages from June 2016 to April 2017. The project consisted in providing different technical upgrades of the system, optimizing parameters to achieve maximum efficiency and comply with standards. The result: energy consumption was reduced by 50% for the system without impacting production quality, reducing in parallel greenhouse gas emissions and saving costs.
- > Energy reduction thanks to LED bulbs in the Middlefield factory (United States): the Middlefield factory replaced all site lighting with LED bulbs at the end of 2016 and the start of 2017, in other words 1,979 bulbs in all. Movement detectors were also placed in offices, hallways, as well as in certain areas in the factory. As a result of this initiative, the factory's total electricity consumption was reduced by 5.6%.

Example



> Ceasing thermal oxidation treatment at the Farnham factory (Canada): this action is part of the changes made in flooring manufacturing since 2010, which has resulted in a reduction in the quantity of VOC (volatile organic compounds), in the raw materials used. In order to efficiently process VOCs, usually regenerative thermal oxidizers, often called incinerators, are used, which transform all the volatile organic compounds into inorganic compounds by total oxidation. The site has two types of manufacturing waste treatment systems: an electrostatic filter and an incinerator. The resulting decrease in VOCs has made it possible to stop using thermal oxidation while meeting regulatory standards. The process was deployed in 2014 and has resulted in a 32% decrease from 2014 to 2017 in consumption of natural gas required to operate the incinerator. Other advantages: the decrease in noise levels and lower maintenance costs.

3.3.1.2.1.2 Developing renewable energy sources

Developing the use of renewable energy sources is a high potential, local opportunity to combat climate change.

In this area, different initiatives have been implemented which continue to produce and use renewable energy on-site:

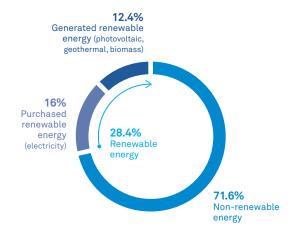
- > wood waste from our factories is used as biomass for energy production. The nine factories using biomass have increased renewable energy usage by 14% between 2016 and 2017;
- > geothermal and solar energies are used in some administrative buildings and in factories, in particular at Desso carpet sites in Dendermonde (Belgium) and in Waalwijk (The Netherlands), as well as on the linoleum site at Narni (Italy).

In addition to on-site actions, Tarkett also encourages the **use of green energy sources produced by third parties**, such as hydraulic, wind or solar energies, as well as purchasing certified renewable electricity.

In all, throughout the world, 7 factories buy 100% renewable electricity: Chagrin Falls (United States), Middlefield (United States), Narni (Italy), Dendermonde (Belgium), Goirle and Waalwijk (The Netherlands) and Jacarei (Brazil). This prevents 22.5 kt $\rm CO_2e$ per year (base 2017 for these seven factories) of greenhouse gas emissions.

In particular, the different initiatives have increased the share of renewable energies, which account for over 28% of the Group's total energy consumption in 2017, compared to 25% in 2016.

Share of renewable energies in energy consumption (%)



Examples



- > The Ohio sites (United States) purchase 100% renewable energy: launched in 2016 at North American headquarters in Solon and then extended in 2017 to the Middlefield and Chagrin Falls production sites, Tarkett has signed renewable energy procurement contracts. All of the energy purchased is certified by ENGIE Resources, which provides the related renewable energy certificates (REC). For the period from November 2016 to April 2019, for all sites in Ohio, this corresponds to an estimated consumption of nearly 62 million kWh per year of renewable energy. This represents the equivalent of 39,000 tons of CO₂e (greenhouse gas). The quantity coming from renewable energies is equivalent to the annual greenhouse gas emissions of 9,166 cars or the CO₂ emissions coming from the annual energy consumption of 4,582 households.
- > In 2017, the Hanaskog site in Sweden used 80% renewable energies, mainly from on-site biomass combustion, but also thanks to renewable electricity contained in the energy mix of electricity purchased.

3.3.1.2.2 Water management

Most industrial processes use water as a raw material or because it is needed in certain processes, and the flooring sector is no exception to this rule. For example, certain processes during carpet production may require large quantities of water. Aware of the critical importance of preserving this vital resource, Tarkett has been managing water responsibly on its production sites for many years. Our environmental strategy aims to avoid having to remove large quantities of water from external sources. Even if polluting effluents are not a major issue for Tarkett, we nevertheless are committed to controlling them.

3.3.1.2.2.1 Ambitious objectives

Tarkett has defined two objectives: to reduce external consumption of water at our sites and optimize the quality of water discharged.

> Our 2020 water consumption goal is ambitious: all our industrial sites should not use water in their industrial process, or be equipped with a closed loop water system, in other words reusing a minimum of 98% of the water used. This measure shall allow us to directly reduce our water consumption. While working to increase the number of these systems on our existing sites, we are also improving water management on newly acquired sites to which the same standards apply.

Zoom on key indicators $\langle \overline{\varsigma} \rangle$ Water consumption > The proportion of sites using closed loop water systems or not consuming any water in their manufacturing process increased sharply: 57% in 2015, 60% in 2016 and 67% in 2017. > Thanks to these actions, Tarkett was able to reduce by 5% water consumption, in absolute value between 2016 and 2017 (0.96 million m³ in 2017), and improved by 7% water consumption per m² of manufactured product (3.09 l/m² in 2017, compared to 3.33 in 2016). Share of sites which have implemented a closed loop water system, or which do not use water in their manufacturing process (%) 60 57 2010 2015 2016 2017 Target 2020

3.3.1.2.2.2 Improving effluent-related standards

In general, our products and processes do not generate effluents that require important wastewater treatment. However, owing to the wide range of our products and our innovation strategy in terms of materials and production methods, we pay close attention to the quality of our effluents in the framework of our World Class Manufacturing program.

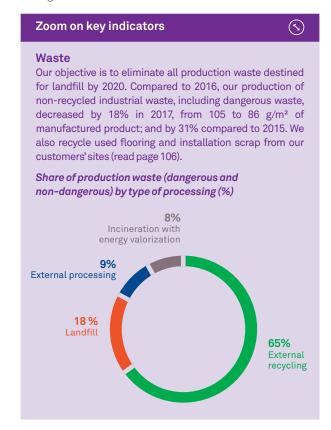
3.3.1.2.3 Management of production waste

Recycling of materials is a key component of our circular economy approach and is part of the WCM operational excellence program (read page 92). We develop, define and implement operational efficiency and cost reduction plans across all our manufacturing sites, all over the world.

In line with our commitment to adopting the widest possible approach to waste management, we have developed many systems to valorize waste. To this end, on several sites we have installed systems for collecting and recycling manufacturing waste, including both defective products and production loss. Waste collected is either directly recycled and reinjected into our manufacturing cycle, or sent to other industries for external recycling.

From an environmental and economic point of view, recycling has three advantages:

- > reducing waste production and management;
- > minimizing our use of raw materials;
- > and reducing our GHG emissions compared to the use of virgin materials.



Example



Waste reduction at the Waalwijk plant (Netherlands): during carpet tiles production, 50 cm per side squares are cut into 2 meter wide rolls. The cut edges represent nearly 2% of the total production volume. To reduce these cut edges, the plant team worked on standardization and control at various stages of the process. Improvements in the manufacturing process not only contributed to improved product quality, but also reduced costs. Other carpet sites will also be able to use this innovation.

3.3.1.2.4 Local environmental impacts and footprint

Tarkett is engaged in global issues such as climate change and resource scarcity, but we also take into account other potential impacts of our industrial activities in local communities. Given its manufacturing processes, the Group is less concerned than other industries by issues related to direct emissions into the air, or treatment of polluted effluents on site. However, flooring production has a local impact that we take into account.

Our environmental management system allows us to monitor some impacts such as noise pollution. In accordance with our policy of dialogue and openness, we share our internal data transparently with local authorities.

In recent years, Tarkett has experienced continual growth, often through acquisitions. As we grow and develop, we implement the principle of reusing existing space, wherever possible. In addition to reducing the visual impact and any inconvenience caused to local communities, this approach based on reusing existing space is also part of our efforts to resolve global problems. For example, it enables us to reduce our greenhouse gas emissions and our raw material requirements, by pooling the needs of several units on the same industrial site.

3.3.1.2.5 Preserving resources

Like climate change, natural resources scarcity is one of the challenges that Tarkett continues to try to provide answers to. Making the transition to a circular economy, which in particular

depends on product design that encourages recovery and recycling of materials is one of the solutions to this challenge (read page 102). Reducing and optimally using energy and water at each phase of our manufacturing process is another.

Resource management is the second pillar of our "Closed-Loop Circular Design" approach (read page 92). Tarkett is making progress in this area thanks to implementation of its WCM (World Class Manufacturing) program across all its industrial sites throughout the world. This program plays a fundamental role in monitoring resource management: monitoring key indicators, implementation and follow-up of action plans, continuous improvement of operational excellence.

3.3.2 People-Friendly Spaces

Key points



Tarkett also strives to contribute to key challenges of our society, related to urbanization and the ageing of the population: how to build and live in healthy, quality indoor environments as we spend most of our time inside, how can floorings contribute to quality of life, health and well-being in everyday life.

The Group assesses and selects materials and designs products that respect human health and the environment, according to the Cradle o Cradle principles.

Tarkett designs flooring and sports surfaces that contribute to healthy indoor environments and indoor air quality, including:

- > with products at very low levels of volatile organic compound emissions;
- > by using plasticizers without phthalate;
- > by offering solutions adapted to asthma and allergies;
- $> \ \ by offering installation, glue or maintenance systems that also respect indoor air quality;$
- > by integrating the acoustic and visual comfort dimension, as well as the impact of colours, depending on use of indoor space (office, school, hospital, retirement home, etc.).

From a societal point of view, the increasing and ageing population, as well as the concentration of populations in cities, are challenges that Tarkett must continue to address.

- > Demographic growth: global population growth will be accompanied by the development of a middle class that will reach 4.9 billion individuals in 2030, who will rapidly adapt to the aspirations and standards of urban life and the consumer society. What could seem to be a positive development from an economic point of view, will only be one if business models in general, and industrial models in particular evolve towards a sustainable conception of production and consumption.
- An aging population: strong population growth combined with the global improvement in living conditions will have the demographic consequence of an aging population. Flooring, in particular in hospitals and retirement homes, has a major role in the interior architecture contributing to quality of life of the elderly or patients.
- > **Urbanization:** like population growth, urbanization continues to accelerate. It is crucial for designers and people in industry to think carefully and deeply about designing solutions that

provide access for the greatest number of people to pleasant, healthy living, working and leisure spaces. And this must be achieved while answering the expectations of the real estate market for modular design, customization and innovation.

3.3.2.1 Evaluating and selecting materials that respect health and the environment: towards greater transparency

Tarkett works closely with the EPEA (Environmental Protection and Encouragement Agency), a research institute founded in 1987 which promotes the Cradle to Cradle® approach. The goal is to evaluate our products and materials based on health and environmental impact criteria, to optimize the composition and manufacturing of our products. The results of these assessments enable us to better understand the impact of our products and to more carefully select our raw materials by sharing our specifications with our suppliers.

Zoom on key indicators



Material assessment

Material assessment respecting Cradle to Cradle® principles: 95.6% of materials were assessed in 2017 compared to 94.6% in 2016. The goal of the Group is to reach 100% in 2020.

This work with the EPEA is the origin of the creation of a new transparency tool, Material Health Statements (MHS) launched in 2016 in North America. In the longer term, it is planned to deploy the MHS information tool at the global scale, beginning with the EMEA division in 2018. An MHS accurately describes the composition of a product and provides information related to ingredient concentration (chemical molecules), their role in the product, and any health or environmental risks in case of exposure to these substances for the user of the flooring, those who install the floors. etc.

The MHS includes several phases:

- inventory: perform, in collaboration with our suppliers, an inventory of the ingredients used, up to 100 ppm (parts per million);
- > evaluation: analyze ingredients throughout the life cycle using the Cradle to Cradle® methodology;
- > verification: have them verified by a third party to classify the chemical molecules in terms of their potential risk level.

The MHS tool was developed in order to promote product transparency, making available to our customers easy to read and easy to understand information tools. Once the materials have been evaluated, they are assigned a score, which is associated with a color code.

The MHS results are taken into account for optimization purposes, to reformulate the product in keeping with Cradle to Cradle® principles, selecting materials that are safe and healthy for human health and for the environment, and which can be recycled as many times as possible.

At the end of 2017, in North America we published MHS for the following products: vinyl flooring (Johnsonite iQ homogeneous flooring, Amerisport/Tarkett Indoor Sport), carpet (Tandus Centiva ethos®), modular vinyl tiles and strips (Tandus Centiva Victory® range), linoleum (Harmonium, Veneto Essenza Natural Clay, Veneto Acoustiflor) and rubber (Baseworks, Rubber Sheet, Rubber Stair Treads, Rubber Tiles).

Example



> In February 2017, Tarkett North America participated in the seminar, Healthy Materials Industry Days in San Francisco. Participation in this event broadened understanding of Portico, a unique building materials decision-making and analysis tool developed by the Healthy Building Network in partnership with Google. Portico helps owners, architects, entrepreneurs and manufacturers to choose building products which satisfy their specific goals in terms of health and sustainability, on the basis of their certification(s). Tarkett was one of the first companies to feed the Portico data base.

Example



> Since March 2017, over 800 Tarkett products presented in the Sustainable Minds® Transparency catalogue in North America: Sustainable Minds is a supplier of applications, data and services which strives to help manufacturers, architects, and designers design, commercialize, and deploy more ecological, healthier products. The company, based in Massachusetts, makes a catalogue, Sustainable Minds® Transparency, available to architects, and engineering and building professionals. The catalogue includes information about building products, on the basis of certificates such as Living Building Challenge, Well Building Standard, Green Globes, LEED V4, C2C and The Collaborative for High Performance Schools and tools such as MHS or EPD (Environmental Product Declarations). Thanks to this partnership between Tarkett and Sustainable Minds, more than 800 Tarkett products are now presented in this catalogue.

3.3.2.2 Contributing to better indoor air quality

For the past twenty years, both new and renovated buildings, have made huge progress in terms of energy efficiency. One consequence of this progress is a possible degradation of indoor air quality, if provisions are not made to counterbalance the insulation levels that do not foster renewal of air. Yet, we spend nearly 90% of our time indoors, which makes indoor air quality a major public health issue.

Tarkett is committed to designing products which help create healthy indoor spaces in particular by improving indoor air quality. These products contribute to the wellbeing of the people using the spaces in which they are installed, and especially the most sensitive populations such as the elderly, young children, or people with allergies or asthma.

Non-allergic flooring with low total VOC emissions: since 2011, Tarkett has been a pioneer in developing flooring with low or very low total VOC emissions in nearly all of its product ranges. Tarkett offers products with TVOC emissions that are 10 to 100 times lower than the most stringent world standards, at levels that are so reduced they are non-quantifiable. This effort are recognized in several certifications. The following are a few examples:

- iQ One, a multi-polymer-based product, obtained Cradle to Cradle® Orcertification in 2016;
- the modular vinyl Starfloor Click was recommended by the Swedish association against asthma and allergies in 2015;
- > the Asthma and Allergy Foundation of America (AAFA) awarded the asthma and allergy friendly™ certification to certain FiberFloor® ranges in 2012, and then gradually over the years to all FiberFloor® ranges as well as to other products: iD Inspirations, Acczent, and several laminated ranges. In addition, in December 2017, several linoleum ranges, manufactured in the Narni factory, received a certificate from the British association, Allergy UK. This certificate is valid in 135 countries.

Zoom on key indicators



Indoor air quality

Our 2020 objective is to reach 100% of our flooring with low Total Volatile Organic Compounds emissions (TVOC <100 μ g/m³). In 2017, the percentage of m² of products, with this low VOC emissions rate once again increased to reach 96%, compared to 92% in 2016.

Examples



- Carpet tiles which retain dust particles: the Desso AirMaster® carpet tile combined with the EcoBase® backing range is designed using a patented technology which retains four times more fine dust particles than traditional carpets. Since 2015, this product has received Gold Plus certification from GUI, a German Institute specialized in indoor air quality analyses. In 2017, the certificate was still valid.
- > Fluorine free treatment to protect soft surface floorings in North America: Eco-Ensure is a fluorine free, non-volatile treatment, which avoids negative impacts on the ozone layer and on greenhouse gas emissions. This new spot-protection technology is now deployed on all Tandus Centiva carpet and woven or tufted rugs in North America. This treatment was assessed by the EPEA scientific institute in accordance with Cradle to Cradle® principles.
- > Tarkett also innovated with the Tandus Centiva ethos® Modular carpet tiles equipped with Omnicoat technology. Thanks to this technology, it is possible to install carpet tiles on humid surfaces and on any type of complex floor surface without deteriorating the quality of the flooring. When installed with Tarkett TAPE (polyester film with silicone based adhesive), ethos® Modular with Omnicoat Technology, is not affected by humidity and the pH, hence eliminating the need to test for floor humidity before installing the carpet. Using this system saves installers time and installation costs. The entire system has low levels of VOC emissions, contributing to good indoor air quality.

3.3.2.3 Living in healthy indoor spaces

Flooring materials that respect health, such as phthalate-free plasticizers: Phthalates are mainly used in the manufacturing process of certain plasticizers, which are used to give the plastic a certain flexibility. The potential impact on human health of certain phthalates in this group of chemical products is currently the subject of scientific debate and is regularly featured in regulatory news and general public news stories:

- > through work carried out by health agencies that assess the impact of substances on health and the environment (ANSES in France and EEESA at the European level);
- > at the level of ECHA (European Agency for Chemical Products), within the framework of evolutions in REACH and CLP regulations;
- in information campaigns run by health and environmental protection non-profit organizations.

Tarkett has been proactively seeking alternatives, in collaboration with its suppliers. We have considerably invested in research and development and consequently have been able to modify our formulas and our processes to manufacture vinyl flooring with phthalate-free plasticizer technology.

All of our vinyl production sites in Europe and in North America use a phthalate-free technology. At some sites, we also use recycled contents in addition to virgin raw materials for some products which may then contain very small traces of plasticizers with phthalate. Our carpet and vinyl sites in China also use this phthalate-free technology, which was deployed gradually in Brazil since 2016 as well as in Serbia and the Ukraine. Tests are underway in 2017 and 2018 for the Russian site in Otradny.

The entire flooring industry followed our example in the interest of flooring customers and users. In North America, certain DIY and decoration retailers also have changed their supplier specifications, excluding phthalate products.

Zoom on key indicators



Healthy indoor spaces

At Tarkett, we measure the percentage (% of sqm products) of non-phthalate vinyl flooring (except recycled content), with a goal of 100% by 2020.

- > At global level: 57% in 2017.
- > In Europe and North America, 100% of our vinyl production sites are using non-phthalate technology (except for recycled content for certain products).

3.3.2.4 Living well with our flooring solutions

Tarkett products have the qualities which create pleasant spaces, improving people's well-being and comfort. Here are a few examples:

- color perception: Tarkett products created for educational organizations (schools, day-care centers, etc.) and nursing or retirement homes are specifically designed with colors and patterns that stimulate mobility and cognitive capacities;
 - a 2017 study, carried out by Tarkett in collaboration with color specialists, designers and educational specialists, focused on the impact of colors on the development and well-being of children, in educational environments. The results of the study show that children and adolescents develop their learning capacities differently depending on their ages but always with a strong interaction with the world surrounding them, and with the colors of which it is composed. Hence, for example, memory capacities are 55-78% greater when the child is in an environment where he or she likes the colors (1),
 - already in 2012, Tarkett carried out a scientific study involving doctors and Alzheimers specialists, analyzed the sensory and psychological impact of flooring on patient quality of life. In addition to hygiene, safety and other regulatory aspects, the patterns and colors of flooring provoked emotions that can stimulate or calm patients with Alzheimer's disease, thereby helping to better manage the effects of the disease. Flooring also influences the biological rhythms and acoustic comfort of patients (2);
- acoustics: sound absorbing products improve the acoustic environment of buildings. The Desso SoundMaster® carpet improves sound insulation (+15 dB) and sound absorption (+100% improvement, compared to standard carpets);
- > safety and hygiene: seamless, anti-slip flooring, solutions for bathrooms, or athletic flooring which improves athlete safety.

From flooring product design to installation and maintenance:

Tarkett does not limit its research to its products. Using a holistic approach, we also are interested in the entire system, in other words the impact of our products on health and the environment during the installation, use and maintenance phase. Within the scope of our Cradle to Cradle® commitment, we also strive to develop partnerships with other industrial firms engaged in the same approach so as to be able to recommend complete C2C product solutions, installation and maintenance.

In North America, for example, Tarkett has worked closely with supply chain actors to ensure that the adhesives we provide are assessed using the Cradle to Cradle® methodology. In 2016 and in 2017, Royal Adhesives & Sealants worked closely with Tarkett to carry out C2C certification. This process makes it possible to ensure that the different stakeholders use best practices for raw materials supply, manufacturing processes and waste treatment.

- > Installation: products designed for easy installation, maintenance and removal. The modular LVT range, loose-lay and with clip-on system, requires no adhesive. Installation solutions (adhesives and sealants) evaluated in North America in keeping with the Cradle to Cradle® methodology also allow to reduce the level of VOC emissions during installation and makes it easy to maintain healthy indoor areas. Quick-Fix carpet tiles (produced in partnership with Velcro®) and Tandus Tape+ products ensure that carpets can be installed, reinstalled and recycled easily, without damaging the flooring surface.
- > Maintenance: ecological systems of maintenance and cleaning such as our drybuffing system for vinyl flooring, which reduces the amount of water and detergents needed, and also limits VOC emissions during usage of cleaning products. For example, cleaning the iQ Natural vinyl floor by using the dry buffing cleaning system can reduce the consumption of water (-18%), detergents (2.3 times less) and electricity (-20%). On the basis of a 20 year life cycle, this flooring can reduce the impact of the product on limited resources and climate change by 40%.

⁽¹⁾ http://kidsstudy.tarkett.co.uk/

⁽²⁾ https://professionals.tarkett.com/en_EU/node/designing-facilities-for-alzheimer-s-and-dementia-patients-830

3.4 "Closing the loop" – a collaborative approach for circular economy

Key points



Committed to a circular economy that respects health, Tarkett has set up a number of initiatives in order to gradually move away from the linear economy and thus reduce the use of limited resources while ensuring that the Group's growth.

Deployment of "Green Tour" in its production sites and active contribution to debates on the circular economy with various economic and public stakeholders illustrate the Group's strong commitment in this field.

Concrete initiatives to move towards a circular economic model that respects health and natural capital:

- > our "Closed-loop circular design" eco-design approach applies Cradle to Cradle® principles: any product at the end of its use life can become a resource. The notion of waste disappears;
- > we seek to use mineral materials that are abundant in nature, rapidly renewable or recycled: 75% of our materials we use do not contribute to resource scarcity;
- > we use more and more recycled materials from our production lines, used flooring materials or from other industries: 160,000 tons, which represents 12% of raw material purchases;
- > we continue to deploy in certain countries our ReStart® collection program for post-installation and post-use flooring. We continue our efforts in setting up collection logistics which is cost incentive for our customers, as well as training our sales teams and customers;
- > we seek to improve product design and disassembly and recycling techniques for used floors in order to facilitate the recycling of the various ingredients (glue-free installation system, carpet backing...).

3.4.1 Our circular economy approach

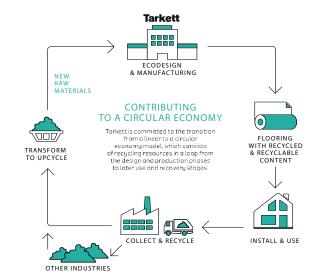
3.4.1.1 What is the circular economy?

The so-called linear economy corresponds to the production and consumption model that has been dominant since the industrial revolution and which goes directly from manufacture to use followed by destruction of a product. Putting great pressure on natural resources, this development model is facing challenges raised by the foreseeable depletion of the latter, the difficulty of absorbing the quantity of waste generated, in the context of a steadily increasing world population.

In response to these challenges, the circular economy replaces the linear scheme with a "closed loop" dynamic. This model is inspired from the way natural ecosystems work, and embodies the goal of moving from a model based on reducing impact to a model that creates positive value on a social, economic, and environmental level. In particular, it emphasizes new modes of design and production, an increase in how long products can be used, usage rather than ownership of a good, reuse and repairs of products, and recycling.

3.4.1.2 The Tarkett engagement

Engaged in favor of a circular economy, Tarkett has implemented a certain number of important initiatives to gradually shift away from the linear approach. Our long-term goal is to be able to reuse or recycle all of our products in a closed loop, the phases of which are illustrated by the following diagram:



Today, to design products which will be tomorrow's raw materials, and choose products that are healthy and safe for people and for the environment and which can be recycled several times, we rely on four pillars:

- > eco-design and production of recyclable, recycled products;
- > valorization and recycling of production waste (this part is described in the chapter Reducing the environmental footprint of production sites, page 95);
- creation of business models and logistic chains that enable efficient collection and valorization of flooring post-installation cuts or used flooring;
- > development of recycling technologies and capacities, internally or through partnerships.

In a highly competitive sector like flooring, this evolution involves many technical, logistic and economic challenges. In light of Tarkett's circular economy goals, and the complexity of projects to be achieved, we have chosen to adopt a collaborative approach, working with partners that are affiliated with our value chain.

Hence, we work closely with institutions such as the Ellen MacArthur Foundation and its Circular Economy 100 program, the EPEA scientific institute (Environmental Protection Encouragement Agency), and companies and organizations specialized in the field such as Veolia in France for our ReStart® program or Carpet America Recovery Effort (CARE) in the United States. CARE is a non-profit trade organization that fosters recycling of carpets and rugs, of which Tarkett is a founding member through Tandus Centiva rug activities.

3.4.1.3 Actively contributing to debates on circular economy

Tarkett plays an important role in the World Economic Forum discussions and at a local level in collaboration with multiple stakeholders, with the aim of encouraging broader engagement of economic actors in favor of the circular economy (read page 90).

The Group also contributes to debates and conferences on this topic.

- In June 2017, Tarkett presented its circular economy model to the World Circular Economy Forum in Helsinki, Finland, which was attended by 1,500 participants from 105 countries.
- In September 2017, Tarkett also attended the Stakeholders Conference organized by the European Commission in Brussels. The theme of the conference was: Reinventing plastics - closing the loop. Tarkett presented its commitment for responsible use of PVC and for transparency regarding recycled raw materials quality.

Examples

- > Promoting the circular economy at Almedalen Week, in Sweden: Almedalen Week is an annual event which takes place every first week in July, in Visby, Gotland (a Swedish island on the Baltic Sea). It is the largest political gathering in Sweden and a unique combination of a political summit and an open, democratic forum. It is within this framework that in 2017, Tarkett led a seminar and a debate on sustainable sourcing in building materials for municipal authorities and the private sector.
- > Participation in the second international Circular Economy Hotspot event: after a first occasion held in the Netherlands in 2016, this event took place on June 20-22, 2017 in Luxembourg. The goal was to discuss what is holding back and driving development of the circular economy, on the basis of projects completed in Luxembourg over the last two years. Several Tarkett employees spoke about their experiences and participated in the debate: Anne-Christine Ayed, EVP Research, Innovation and the Environment at Tarkett, Member of the Executive Committee, presented the priorities and ambitions of companies in the Wiltz region, including Tarkett, which have joined together to foster the emergence of a circular dynamic.

A "Green Tour" visit of the Clervaux site was also organized to show, through practical demonstration and concrete actions, how sustainable development is integrated at the level of our industrial sites, in particular in the area of recycling and the circular economy.

Tarkett also had the opportunity to present diverse recommendations in view of fostering transition to a circular economy at the European Union level, during meetings with the official delegation representing, among others, members of the DG Environment of the European Commission and during a round table in partnership with Veolia.

> Contribution to the "circular economy roadmap", overseen by the Ministry of Ecology and Solidarity Transition, in France (September-December 2017): The key challenge for the working groups convened by the French Government for this initiative was to forge a path to achieve the main goals of transition to a circular economy, as defined by the Energy Transition for Green Growth Act of 2015: to reduce the amount of landfill waste by 50% and use 100% recycled plastics by 2025. Various stakeholders were involved in this action program: businesses, consumers, local authorities, non-profits, and the Government. Tarkett formalized several recommendations and participated in the working group, "Consumption and sustainable production", which dealt with the following topics: consumer information, product lifetime and the fight against programmed obsolescence (re-employment-repair-reuse), service economy, incorporating recycled materials into products, preserving resources and sustainable sourcing, the public procurement lever, eco-design of products and services. The French Ministry plans to finalize the roadmap in February 2018.

"Closing the loop" - a collaborative approach for circular economy

3.4.1.4 The Tarkett Green Tour: promoting the circular economy and sustainable development

The Green Tour is a factory visit that is open to all employees, partners and customers, and delivered from the sustainable development angle. This visit teaches about our engagement and our approach, presenting the way a production site can operate to promote sustainable development and help the Group transition to a circular economy.

The Green Tour is also a lever to incite our partners to be engaged along with us. For example, it stimulated the ReStart® initiative in Europe (read page 107), helping installers, sub-contractors, architects and building owners to clearly understand how they can work with Tarkett to reduce the quantity of landfill waste and develop recycling of flooring. It also helps build employee pride in and commitment to the Tarkett engagement.

Example



A Green Tour at the Otradny factory (Russia): members of the Tarkett Supervisory Board participated in the Green Tour in June 2017. During this visit, the main sustainable development



initiatives of the factory were presented to participants. Among these, initiatives especially focused on the circular economy included: a technique to separate residual raw materials from their paper waste bags, then to reintroduce the recovered raw materials in the production cycle (project winner of the Tarkett Awards 2010), recycling of PVC waste and creation of new types of products made from recycled materials (winner of the Tarkett Awards 2016). Certification of products through the "Vitality Leaf" eco-labelling system and continual participation of the factory in an eco-building board were especially appreciated.

3.4.2 Eco-design

Eco-design is an approach which strives, right from the upstream phase of a design process, to find the best balance between environmental, social, technical and economic requirements throughout the entire life cycle (1).

All impacts on health and the environment are studied and assessed and the approach requires the engagement of many functions within the company: research & innovation, marketing, purchases, production and quality, among others.

At Tarkett, eco-design is mainly within the scope of application of the Cradle to Cradle concept and is articulated through three main areas:

- > choosing quality materials for health and for the environment, both in terms of raw materials and secondary/recycled materials;
- the availability of materials, whether from recycling or made from abundant or rapidly renewable materials;
- and recyclability of products or the use of recycled products as a secondary material.

Hence, any product that is at the end-of-use phase is perceived as a resource and the concept of waste gradually disappears. The term, Cradle to Cradle® symbolizes this closed loop.

These Cradle to Cradle® principles inspired the "Closed loop circular design" eco-design tool, developed by Tarkett (read page 109).

3.4.2.1 Cradle to Cradle® certifications

Within the scope of product assessments carried out by EPEA, Tarkett has obtained several *Cradle to Cradle®* certifications. The C2C − *Cradle to Cradle® Certified™* validates the eco-design approach on the basis of five criteria:



- > respect for health;
- > recycling materials;
- > renewable energies and carbon management;
- water management;
- > social Responsibility.

We guarantee to keep this certification updated to ensure a high transparency level for all our products.

Tarkett was one of the first manufacturers to obtain C2C Gold level certifications for certain product categories. In 2015, Desso carpets earned the C2C Gold certification for "Gold Collection" carpet tiles. Efforts to optimize the Johnsonite BaseWorks® rubber flooring collection also allowed to move up from a Bronze to a Silver certification level in 2017.

Tarkett earned Cradle to Cradle® certifications for different product categories including carpet, linoleum, rubber, wood, artificial grass and adhesives.

In 2017, Tarkett had the largest number of C2C certifications in the flooring sector, covering a wide range of product categories: see product details with Cradle to Cradle® certifications in page 109.

Examples



Gold level C2C certification for the new Linoleum collection: the *Originale* range by Tarkett (6 products) is the first certified Cradle to Cradle® Gold linoleum collection. This certification was earned in April 2017. It is composed of 100% natural and renewable raw materials (linseed oil, rosin, cork and wood flour, natural pigments and jute). The Narni site in Italy, including its products of which are used for example in the health segment, is especially involved in this process.

⁽¹⁾ Standard NFX30-264 Environmental management – Assistance to the implementation of an eco-design approach, 2013.

3.4.2.2 Choosing materials responsibly

Choosing quality materials is one of the pillars of our closed-loop design approach, inspired by *Cradle to Cradle®* principles (read page 92). The term quality materials includes the concepts of respect for the health of people and the environment, and the circular economy.

To assess and select such materials, Tarkett works closely with the EPEA (*Environmental Protection and Encouragement Agency*), a research institute founded in 1987, which created the Cradle to Cradle® concept.

From an environmental point of view, Tarkett strives to privilege raw materials sourced from abundant raw materials (for example calcium carbonate), rapidly renewable materials (such as wood or cork) and recycled materials, so that the materials used for our products do not contribute to resource scarcity.

Zoom on key indicators $(\overline{\varsigma})$ Selection of quality materials Our goal is to select materials which do not contribute to resource scarcity (abundant mineral materials, rapidly renewable and recyclable) Share of raw materials which do not contribute to resource scarcity 67 68 2015 2016 2017 Target 2020 Breakdown of raw materials used in 2017 12% Recycled materials 27% 32% Abundant Renewable mineral materials materials 29% Limited fossil and mineral materials

Zoom on key indicators



Recycled materials

In 2017, we are using more than 160,000 tons of recycled materials used as raw materials, which represents more than 12% of raw materials in purchased volumes. The important increase in 2016 (80,000 tons) is partly due to reporting methodology allowing to follow more closely this indicator.

Example



Tarkett is committed to a responsible use of PVC: PVC, or polyvinylchloride, is a plastic resin of which the building industry is the first consumer, mainly because of the technical performances of this material (resistance, easy maintenance and hygiene, acoustics...). However, manufacturing, use and management at end-of-life of PVC is controversial for some applications (in particular for plastic bags or packaging) linked to potential impacts on health and the environment.

Since 2010, in cooperation with the EPEA (*Environmental Protection Encouragement Agency*) and in the framework of our Cradle to Cradle® approach, we have initiated a transparent dialogue on the topic defining conditions for sustainable design and production, usage and recycling of PVC for long-term applications such as flooring.

Hence, in terms of design, Tarkett has been a pioneer in the flooring industry in using phthalate-free plasticizers for vinyl flooring and to propose flooring with very low levels of Volatile Organic Compound emissions (read page 100).

As far as PVC recycling is concerned, Tarkett started to recycle production waste at its plant in Sweden in 1957, and since 1996 in Sweden has been setting up collection schemes for scrap and post-use floorings for the purpose of recycling (read page 107).

3.4.3 Recycling: from end of life to end of use

In line with our collaborative, open approach, Tarkett sets up different circular economy initiatives, providing complementary solutions to transform waste or products after use into new quality materials and resources:

- recycling our production waste;
- > integrating flooring waste into our manufacturing processes;
- > valorizing flooring waste in other industries;
- using recycled materials from other industries as secondary materials;
- > setting up flooring collection networks on our customers' premises;
- eco-designing flooring with the installation system for easy removal and disassembly.

3.4.3.1 Recycling our production scraps

As we described in our chapter, Designing for Life (page 94), we have historically sought to optimize our factories operations by recycling our own production waste as much as possible, whether within the scope of our own manufacturing processes, or in partnership with other industrial firms. Our goal is to limit the quantity of industrial waste to be processed.

3.4.3.2 Integrating flooring waste into our products

We have developed our capacity to recycle production scraps, or post-installation flooring scrap and post-used flooring in our own manufacturing processes. This approach requires developing on-site recycling units. Tarkett has seven recycling units on its production sites all over the world: Florence (USA), Dalton (USA), Ronneby (Sweden), Clervaux (Luxembourg), Otradny (Russia), Jacarei (Brazil) and Narni (Italy).

For instance, the recycling center located in Luxembourg, on the Clervaux site, treats both production loss from other European sites, and flooring post-installation scraps. The backing produced this way is used on several vinyl flooring production sites in Europe and vinyl production line in Clervaux.

In the United States, the Tarkett "Dalton Environmental Center" operates on the same principle and its recycled products are used to manufacture "ER3" backings for Tandus carpets.

3.4.3.3 Using recycled materials from other industries

We purchase waste or recycling-based transformed materials from many industrial partners that we use as raw materials.

An emblematic example of this approach is the Desso carpet that we are manufacturing in Europe:

- on the one hand, we buy Econyl® fibers which are composed of 100% regenerated nylon threads and used fiber waste from Desso carpets, from Aquafil, an Italian company. 74% of Desso carpet tile collections are available in Econyl® yarn;
- on the other hand, we have developed, in partnership with a drinking water distribution company in the Netherlands, a technique to valorize calcium carbonate from water treatment. This calcium carbonate, of which the size and distribution have been adapted, is hence used as a raw material for EcoBase® carpet backings. In 2017, teams set up an initiative (which won a Tarkett Award) to improve the industrial process while reducing the environmental impact and costs.

In North America, the Tandus ethos® carpet tile backing also respects the circular economy principles. We have developed a carpet tile backing made from recycled PVB (polyvinyl butyral) security films from windshields and used protective glass. From 2004 to 2017, we reused nearly more than 18,500 tons of PVB films from 18 million windshields. In addition, when the carpet tile is removed from an installation after use, the ethos® carpet backing can be recycled and reused.

One of the main goals of initiatives to promote the use of recycled materials is to trace the precise composition of materials that we incorporate into our manufacturing processes, and to guarantee their health and environmental quality. In addition to recycling our own products, we only work with partners able to provide this traceability.

3.4.3.4 Collection of post-installation and post-consumer flooring: the ReStart®program

ReStart®, a flagship Tarkett program on collecting and recycling, meets a double goal:

- increase collection of post-consumer and post-installation Tarkett flooring products (or from other flooring manufacturers), in order to use fewer virgin resources and develop a circular model with quality and economically viable products;
- > offer our customers and specifiers a responsible solution to avoid incineration or landfilling.

Today, this program exists in several formats in different countries:

- in Sweden, a system for collection of post-installation products, free for the customer, has existed since the 90's for vinyl flooring;
- in France, ReStart® has been in place since 2010. Since 2016, a partnership with Veolia, has been aiming to optimize collection and sorting logistics of post-installation scraps from vinyl and linoleum products;
- > in Belgium and in the Netherlands, a palette system to recover carpet tiles, or RollerDoc[™], has been specifically developed to simplify their removal, handling and collection, and in particular to adapt to the needs of renovation worksites:
- in North America finally, the program has existed since the end of the nineties for collection and recycling of carpet tiles and was expanded to vinyl flooring in 2010.

Zoom on key indicators





Flooring collection program ReStart®

From 2010 to 2017, Tarkett collected 99,000 tons of flooring (Collection of post-installation and post-consumer

flooring: vinyl, linoleum or carpet). In 2017, 4,100 tons of installation scrap and used flooring were collected through the ReStart® program.

In spite of Tarkett's commitment to the circular economy, collected volumes in 2017 represent a significant decrease over 2016 (8,900 tons collected) and compared to preceding years, which sets us back from our 2020 objective of doubling the volume collected (38,000 tons) compared to 2010 (16,000 tons).

This strong decrease of ReStart® program can be explained by two structural reasons:

- > first of all, the main decrease in volume concerns North America, where the products collected after several years of use (mainly carpets) no longer correspond to materials used in manufacturing of new Ethos carpet. In sum, the former Tandus carpets are no longer compatible with the compositions of new eco-designed carpets. Unfortunately, this trend should continue a few years, before strongly reversing itself to the advantage of more recent products, for which we more efficiently control recycling (both technically and economically);
- > in Europe, we have reduced the collection of used carpets due to technical difficulties in recycling, since some Desso carpets did not have a backing that could be easily removed from the fibers. Separation technologies of different layers and materials employed are being improved. In addition, we deploy for all of our carpet tile ranges the EcoBase eco-designed backing, which allows more comprehensive, easier recycling of these products when they arrive at end-of-use. Finally, the ReStart® program for vinyl and linoleum flooring is being redeployed in France and in other European countries and we hope to accelerate our customers'engagement.

Examples



- > Awarding of the Tarkett ReStart Reclamation to the Katy Independent School District: every year, Tarkett North America awards a ReStart prize (Tarkett ReStart Reclamation Award) to honor the actors involved in the recycling process of Tarkett products. In January 2017, the prize was awarded to Katy Independent School District in Texas, which has been a Tarkett partner for nearly ten years. This longstanding partnership has enabled Tarkett to collect and recycle over 110,000 meters squared of flooring since 2008, in 17 different schools, or the equivalent of 15 soccer fields.
- > Linoleum, a sustainable flooring: for example, on the Tarkett site in Narni Italy, some linoleum production waste is used to produce packing caps for flooring rolls. The waste is treated in the internal recycling center, where it is transformed into powder before being sent to an external company to be transformed into recycled caps. Tarkett linoleum has been manufactured from the same original formula since 1898. Yet, it continues to be a modern, durable flooring, made from natural, renewable ingredients such as linseed oil, pine resin, wood, wood flour, cork and plant pigments. Tarkett's Originale Essenza linoleum is designed like a technical, entirely recyclable nutriment. In fact, dried, ground linoleum can be used to "produce" new linoleum, thereby saving raw materials and having a positive impact on the environment.

3.4.3.5 Eco-designing the flooring installation system for easy removal

For some products, Tarkett integrates easy removal right from the design stage, allowing more efficient collection, sorting and recycling.

For example, the modular vinyl ranges in freestanding installation and with clip-on system, for example, do not require any adhesives: the flooring can be removed very easily.

In North America, Tarkett has launched a new LVT range, ProGenTM, a new generation flooring which is waterproof, and resistant to shocks, traffic and heavy use, while being easy to install thanks to a fast lock mechanism.

Desso Quick-Fix carpet tiles (produced in partnership with Velcro®) and the Tandus Tape+ products offer solutions so that carpets can be installed, re-installed, and recycled easily, without damaging the flooring surface.

3.4.4 Tarkett feedback: the challenges of circular economy

Thanks to its experience of several years with the ReStart® program and circular economy initiatives, Tarkett has identified the main challenges in terms of collection and reuse of flooring:

- > ensuring product traceability, as well as that of collected, recycled materials. In fact, in view of recycling, it is essential to know exactly the composition of products that have been collected. The eco-design work of Tarkett with "quality" materials (phthalate free for example) designed to be reused or recycled (easy removal, separation of different layers) ultimately facilitates collection, sorting and reuse of materials for manufacturing new flooring;
- > implementing reverse logistics with a tightly woven network of collection points, near building or renovation sites, to facilitate the process for customers who must sort and bring their production loss or post-installation scrap;
- > fostering a viable ecosystem via incentive based economic models for the different stakeholders: include the prime contractor or the architect/designer so that they demand and recommend floorings made from recycled and recyclable products; the installer to incite him to sort and carry away his waste rather than paying for them to be sent to landfill; the intermediary who collects and sorts to optimize the quality of volumes collected and ensure traceability; the flooring manufacturer who must train his sales teams and customers, identify the composition of recycled materials, design upstream products made from recycled materials and adapt his own manufacturing processes;
- designing flooring systems including products, installation and removal methods, facilitating recovery of flooring at end of use while allowing separation of the different layers.

"Closing the loop" – a collaborative approach for circular economy

ANNEX - Cradle to Cradle® Certifications

Cradle to Cradle® certifications per product category (at the end of December 2017)

		Level
Carpet	Desso® PA6 Solution Dyed Carpet Tiles Gold	Gold
	EcoBase® Carpet Tile Backing	Gold
	Ecobase™ PA 6 Continuous Dyed Carpet Tiles	Silver
	Ecobase™ PA 6 Solution Dyed Carpet Tiles	Silver
	Ecobase™ PA 6.6 Continuous Dyed Carpet Tiles	Silver
	Tandus Centiva ethos®	Silver
	Continuous Dyed Broadloom	Bronze
	Desso® PA6 Continuous Dyed Carpet Tiles	Bronze
	Desso® PA6.6 Continuous Dyed Carpet Tiles	Bronze
	Emco ECOLINE® Pionier/emco ECOLINE® Pioneer	Bronze
	PA6 Solution Dyed Carpet Tiles	Bronze
	Solution Dyed Broadloom	Bronze
Resilient flooring	Evolay	Bronze
	iQOne	Gold
Linoleum	Linoleum Originale Essenza/Linosom Originale Essenza	Gold
	Linoleum/Linosom	Silver
	Tarkett Linoleum Silencio/Acoustic/Acoustiflor/Ecopure) ⁽¹⁾	Bronze
Rubber	Johnsonite Rubber Wall Base (BaseWorks®)	Silver
	Johnsonite Rubber Tile and Sheet	Bronze
Artificial turf	FieldTurf	Bronze
Wood	Parquet	Silver
Adhesives	Tandus Centiva B-19 Adhesive	Gold
	Tandus Centiva C-56 Floor Primer	Gold
	Tarkett 959 Vinyl Tile and Plank Adhesive	Gold
	Tandus Centiva C-12e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-14e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-TR Adhesive	Silver
	Tarkett 901 Resilient Flooring Spray Adhesive and Sports HS Spray Adhesive	Silver
	Tarkett C-EX Pressure Sensitive Adhesive	Silver
	Tarkett RollSmart Adhesive	Bronze

⁽¹⁾ This product will be certified Silver in February 2018.

3.5 "Value chain and communities" - supporting communities and promoting a responsible supply chain

3.5.1 Towards a responsible, collaborative value chain

Key points



Tarkett associates its suppliers with a responsible procurement approach but also through the set-up of genuine partnerships, in accordance with the Group's objectives.

Initiatives for a responsible and collaborative value chain:

- > we commit our suppliers to respecting the principles of the United Nations Global Compact, which cover the themes of human rights, working conditions, the fight against corruption and respect for the environment;
- > we involve our suppliers in our eco-design approach and in the evaluation of materials according to Cradle to Cradle criteria;
- > we have established partnerships with wood suppliers that are either FSC® (Forest Stewardship Council®) or PEFC (Program for the Endorsement of Forest Certification) certified;
- > we have obtained SA 8000 certification (Social Responsibility) for the linoleum manufacturing plant in Narni, Italy, which is engaged in an evaluation process of its suppliers;
- > we train our employees according to principles of Tarkett's Code of Ethics, which includes a section on supplier relations and business partnerships.

3.5.1.1 Engaging suppliers in a responsible supply approach

The commitment of Tarkett to shifting to a circular economy model, founded on a Cradle to Cradle® approach (see page 92), necessarily depends on the engagement and cooperation of the different stakeholders' throughout the entire value chain.

To this end, we carefully select suppliers with whom we can develop genuine partnerships and we seek to develop long-term sales relationships with companies that share our values. In this way, we ensure that our main suppliers and sub-contractors respect the ten principles of the United Nations Global Compact (UNGC), which covers issues such as Human Rights, work conditions, environmental issues, and the fight against corruption.

Zoom on key indicators



Responsible suppliers

In 2017, we purchased 74% of our raw materials from suppliers that respect UNGC principles (compared to 64% in 2016). They commit to respect these principles within the scope of our contractual terms and conditions.



Naturally, we ourselves respect the principles of the United Nations Global Compact, and we encourage our employees and our partners to apply these principles on a daily basis, in all sales activities in which they are involved.

Sub-contractors account for a very small share of total Tarkett production, and include a small number of suppliers. As such, industrial production of our products is mainly carried out internally.

In addition to our commitments to UNGC principles, we are committed to establishing genuine collaborative partnerships with our main suppliers, inviting them to share a common vision and goals in terms of responsible procurement. For example, this involves ensuring that our suppliers are involved each time that we assess new materials in keeping with our *Cradle to Cradle®* (read page 105) principles or when we need data for the lifecycle analysis of our products.

"Value chain and communities" – supporting communities and promoting a responsible supply chain

The two following examples illustrate this collaborative approach:

Examples



> Partnerships with our wood suppliers. We help our suppliers develop responsible purchasing programs for their raw materials and in particular for wood, above and beyond meeting their regulatory obligations. Hence, we have established partnerships with suppliers of FSC[®] (Forest Stewardship Council[®]) or PEFC[™] (Program for the Endorsement of Forest Certification) certified wood. This guarantees both sustainable management of forests and respect for human rights, in keeping with "Control Chain" principles, certified by an independent third party.

Internally, the guarantee of these same principles is ensured by internal audits on production sites, in particular in Hanaskog in Sweden and Orzechowo in Poland. In addition, in agreement with our circular economy approach, our parquet flooring (10 mm or more thickness) are certified Cradle to Cradle® Silver.

In EMEA division, Tarkett in 2017, Tarkett renewed its multi-site "Control Chain" certificate, both for PEFC™ and FSC®. This represents a total of 12 production sites and sales subsidiaries. Over 60% of our total wood purchases are thus certified FSC® (FSC®C008972) or PEFC™ (PEFC™/05-35-125).

In Eastern Europe division, where the "Control Chain" certificate was renewed for FSC®, 13% of the purchased wood is concerned (SGS-COC009951).

Finally, in North America, on the maple wood ClutchCourt range, used for production of basket ball courts, FieldTurf/Tarkett Sport offers an FSC® certified product.

> Responsible procurement for the linoleum production site in Narni (Italy). Since 2009, the factory has implemented the World Class Manufacturing (WCM) operational excellence program. The maturity level achieved by the factory over the last seven years has enabled it to develop sustainable partnerships with outside companies (suppliers and sub-contractors) to deploy its responsible sourcing approach. The Narni factory also obtained the SA 8000 (Social Responsibility) certification, for its capacity to evaluate and identify suppliers the most at risk depending on their country of origin and on the code of conduct applied. This process enabled the factory to choose its suppliers totally transparently while minimizing risks. The decision to work with a particular supplier is based on a calculation grid taking into account scores in terms of quality, reliability, costs as well as environmental and Social Responsibility, which the suppliers must demonstrate. If needed, an audit carried out on the supplier's production site makes it possible to collect useful information to develop an improvement plan.

3.5.1.2 Reinforcing tools to provide a more comprehensive framework for Tarkett's responsible procurement approach

To develop our responsible procurement approach even further, in 2017 Tarkett formalized a responsible sourcing program, which shall be consolidated in 2018 and then more widely deployed. This program aims to provide a comprehensive, specific framework for the Group's actions which are part of this approach, through clearly defined procedures. Strengthening the tools used will also support deployment of the approach.

Tarkett maintains its commitment to promote respect of UNGC principles through formalization of this program, which emphasizes the importance of transparency and continuous improvement within the supply chain.

The program will be gradually deployed to all suppliers, depending on the risk analysis. It shall include the following aspects:

- > a supplier code of conduct;
- risk evaluation tools, to establish the list of suppliers which could involve risks and assess with them the improvement actions to be implemented;
- a self-assessment tool allowing suppliers to know where they stand relative to the Group's requirements;
- > a warning mechanism to alert Tarkett to any risks that fall within the scope of its duty of care:
- > supplier awareness and support actions in case of audits.

3.5.1.3 Applying the Code of Ethics

At Tarkett, we also want our employees to be ambassadors of these principles (integrity, transparency, etc.) within the scope of their sales activities and relations with sales partners. This is the goal of The Ethics Code (read page 116) which has existed at Tarkett since 2009: this document defines the basic principles which guide Group employees as well as fundamental principles which must not be infringed.

There are different measures to ensure that employees embody the company's values, apply its Code of Ethics and fulfill their legal and regulatory obligations. For example, in 2017, as a minimum, all new employees who joined Tarkett during the year participated in the Code of Ethics training session (either through e-learning or face to face training). In 2018, all employees will participate in this training.

Extracts from the Code of Ethics: "When choosing suppliers and service providers of the Tarkett Group, quality, needs, performances and costs must be taken into account. During negotiations with suppliers and service providers, it is the responsibility of each manager and employee of Tarkett Group to defend as best as possible the interests of the Group in keeping with the law and to obtain the best terms, excluding any favoritism resulting from ties of friendship or discriminatory criteria which are formally prohibited by this Code."

3.5.2 A direct impact on local communities

Key points



Through its production and commercialization activities close to customers (architects & designers, installers, distributors, contractors...), Tarkett is part of the local economic activities of the countries in which the Group operates: 34 industrial sites in 16 countries and sales in more than 100 countries. The Group also seeks to engage with local communities.

Main initiatives as a "responsible neighbor" within local communities:

- > **Tarkett Academy:** sharing of expertise to train professional installers and architects, and young people in the flooring profession and installation techniques: 19,500 people from 2012 to 2017 in 8 countries around the world.
- > Tarkett Cares: Tarkett encourages each employee to spend up to two days a year of his or her work time on a charitable initiative and to share his time and expertise on a volunteer basis: 1,400 employees involved in 2017. This program is complemented by financial and product donations.

3.5.2.1 Locally rooted activities

The nature of Tarkett activities and the Group's decentralized structure are part of and contribute to local economic activity. Tarkett sells its products in over 100 countries in the world and is based throughout the world across its 34 industrial sites. Products are manufactured in 16 countries (France, Italy, Luxemburg, United Kingdom, Poland, Belgium, Sweden, the Netherlands, Germany, Russia, Serbia, Ukraine, USA, Canada, China and Brazil), and located in the heart of commercialization areas to serve our highly fragmented and diverse customer base. We involve a series of local stakeholders including installers, sub-contractors, and distributors. Tarkett develops relationships with local players, respecting local cultures: in its way, Tarkett is Russian in Russia, American in the United States and Chinese in China for example.

While benefiting from a global presence, the Group has always striven to anchor its activities locally, favoring the quality and sustainability of its relationships with its customers, in order to offer local service.

We adapt our products as well as their technical characteristics, in particular their designs (colors, patterns, formats, materials...) to the tastes and local habits of our customers and to local regulations.

In addition to our production sites, we have a solid distribution network to guarantee fast, efficient delivery and sufficient volumes to our local customers. From local manufacturing sites in China and in Brazil, to customer service and distribution centers in Russia, as well as a strong presence in North America and Europe, the Tarkett network is the right choice for many flooring installation projects in the world, both for local customers and for key international accounts.

3.5.2.2 Sharing expertise: the Tarkett Academy

The *Tarkett Academy* trains professionals and future flooring installers in techniques for installing and laying floors. The training programs are delivered at 12 Tarkett Academy centers in 8 countries: Australia, Brazil, China, France, Poland, Sweden, Russia and Serbia. The training is designed for both young professionals and experienced installers. Sessions last a few hours to a week and mainly focus on flooring installation and maintenance.

In North America, Tarkett experts directly train architects and designers, via their trade organizations, allowing them to earn a certain number of continuous education credits.

Zoom on Key Performance Indicators



Tarkett Academy

"Value chain and communities" – supporting communities and promoting a responsible supply chain

Tarkett Academy

From 2012 to 2017, Tarkett trained close to 19,500 professionals and

students in the flooring profession and in installation techniques, at Tarkett Academy centers all over the world; including 2,723 people in 2017.



- > FloorSkills is the first official Tarkett training partner in the United Kingdom. This center offers different levels of training and answers the highest standards in the industry in the United Kingdom. FloorSkills trainers know cutting edge installation techniques for Luxury Vinyl Tiles, linoleum, wood flooring and laminates.
- > At the *Tarkett Academy* of Bačka Palanka (Serbia), a team of trainers and experienced product managers organize training sessions for people seeking to develop and improve their Tarkett flooring installation skills. In addition to the training, the center offers advice and assistance to Group partners, in particular for technically complex projects which require specific assistance.
- > In France, Tarkett Academy, created in 1993 in the Sedan factory, trains professionals or future professionals in vinyl, linoleum, wood and carpet flooring techniques. Today, the tooling facilities in the two schools in Sedan and Toulouse provide excellent learning conditions. Training is validated by a degree (CAP carpet-flooring installer) recognized by the Minister of National Education or a professional degree (flooring-carpet installer) recognized by the Minister of Employment. Over 368 young adults have obtained a degree (CAP or title) after a work-linked training scheme, since creation of Tarkett Academy in 1992 and every year some 180 professional installers acquire new skills within the scope of continuous education.

"Value chain and communities" – supporting communities and promoting a responsible supply chain

3.5.2.3 Tarkett Cares: engaging with and helping local communities

In 2016, the Tarkett Cares program formalized the Group's and employees' engagement with local communities in many countries. One of the main goals of this program is to help improve people's lives in communities in which we are based, and more generally to help meet local needs.

Tarkett Cares is a flexible program that provides this support in different ways, corresponding to our corporate values and our sustainable development approach:

- > volunteer work: Tarkett encourages each employ to spend up to two days a year of his or her work time on a charitable initiative and to share his time and expertise on a volunteer basis. This can be individually or on a team;
- > co-opting based recruitment: for every successful hire of a new employee who has been recommended by a Tarkett employee, the Group makes a donation to a non-profit organization:
- > donations: Tarkett entities can also support local initiatives through making financial, material or product donations and involving employees in these projects.

There are many, diverse local initiatives: helping to build or beautify living areas, improving the quality of life and health of local populations, sharing expertise and developing talents, encouraging entrepreneurship or environmental protection.

For Tarkett teams, these voluntary initiatives offer invaluable opportunities to share common values, in particular generosity, solidarity, and goodwill.

Zoom on key indicators



Tarkett Cares in 2017

- > 2 days of volunteer activity for charity initiatives possible for all employees.
- \rightarrow Over 140 initiatives at the world scale.
- > Nearly 1,400 employees involved.
- > 700 work days, the equivalent of 4,900 hours of work.
- > 16,322 m² of flooring donated.
- > A total value of more than 500,000€ (values of financial and product donations and employee hours donated).

In 2017, Tarkett Cares supported many communities through different initiatives:



- Cleaning the shore at Palolem Beach, India: the sales team of Tarkett India successfully completed its first Tarkett Cares initiative of 2017 by cleaning the famous 1.6 km long Palolem beach in southern Goa, which is enjoyed by many Indian and foreign tourists. Similar initiatives were planned in 2017 in other regions.
- > A day involving three charitable organizations in Southern California, USA: in February 2017, along with the annual sales meeting which took place in Palm Springs (Southern California, the United States), Tarkett organized a volunteer day for its employees. 325 of the latter donated five hours of their time to helping three local charitable organizations (one of these organizations for example welcomes victims of domestic violence) by doing different tasks: installing new flooring, building an access ramp, installing air conditioners, repainting fences, etc. This type of volunteer action enables Tarkett employees to get involved in the local communities surrounding them.
- > Volunteers to help the Food Angel organization in Hong Kong in March 2017: Food Angel is a food assistance program which helps underprivileged families and retired people, created in 2011 by the Bo Charity Foundation, the motto of which is "Waste not, hunger not". Out of the 3,600 tons of surplus food waster every day, Food Angel recovers 4,000 kg of edible food from different sectors of the food industry. Volunteer teams from Tarkett Hong Kong prepared over one thousand "dinner box" meals ready to be distributed by Food Angel.
- > An ambitious solidarity day in Sedan (France): within the scope of the Tarkett Cares program in November 2017, 182 volunteers from the Tarkett site helped 18 local organizations by participating in one of 28 workshops set up on the site and on the premises of other charitable organizations. The actions were very wide-ranging, allowing many employees to take part in the program: collection of clothing and toys for social organizations (Croix Rouge, Restos du Cœur, etc.), training in how to use a defibrillator, installation of 70 m² of Tarkett flooring at Secours Catholique, etc.

"Value chain and communities" – supporting communities and promoting a responsible supply chain

Examples



- > Tarkett France volunteers for Les Restos du Cœur during its annual seminar: in September 2017, 170 employees volunteered for this organization which is most well-known for distributing meals to those most in need throughout the year. Teams collected school supplies for the start of the school year purchased by customers in local supermarkets, prepared food packages and sorted toys from the organization's different centers.
- > FieldTurf Tarkett in the United States and the Georgia "Make A Wish" association offered an unforgettable day to a sick child: In September 2017, volunteers from FieldTurf Tarkett and the Make-A-Wish organization allowed a child sick with a rare disease to meet the Atlanta Falcons, an American football team. The young Benjamin met the team and watched a game. The day finished with a visit behind the scenes where the turf is manufactured at the FieldTurfTarkett factory in Calhoun.
- > Earth Day in North America: "Earth Day" is a global annual event which was celebrated on April 22nd, 2017 for the 47th year. The North America Tarkett division mobilized several sites for activities focused on environmental protection. In Florence East (Alabama), volunteers picked up nearly 52 kg of waste from roads, planted trees, and set up garden boxes. Employees received bags containing vegetable seeds and brochures with gardening advice. In Dalton (Georgia), nearly 90 kg of waste were picked up from roads near installations and a flower garden was planted. In Solon (Ohio), reusable ceramic coffee cups were given to all employees to reduce the waste generated by throw away plastic cups.

3.6.2.4 Supporting development projects all over the world

The Group and its employees also get involved in projects supporting the economic and social development of local communities.



- > The first Tarkett RoA ("Rest of Asia") conference supports a humanitarian aid program in Thaïland: in Bangkok, in May 2017, the first conference of Tarkett RoA network partners was held. Thirty distribution partners of Tarkett, representing over twenty countries in Asia met to better understand the Tarkett RoA growth strategy and debate the following topic: "A partnership for sustainable growth". Conference attendees were invited to give their opinion on distribution models of the different partners. During the event, Tarkett involved its partners in its program, Tarkett Cares by giving a donation of 900 US dollars to the project, The Baht for a better Life, a program for educational access for children from poor neighborhoods in Bangkok and rural areas in the country. This donation will help finance building and renovation of schools, the purchase of school supplies and scholarships and job training.
- > For a safe trip from home to school: in May 2017, the Safety team of the Bačka Palanka site (Serbia), in ${\tt cooperation} \ {\tt with} \ {\tt the} \ {\tt Center} \ {\tt for} \ {\tt the} \ {\tt Promotion} \ {\tt of} \ {\tt Safety} \ {\tt in}$ Traffic (CPST), set up an initiative with young students, to make them aware of safety on a daily basis. During the educational workshops organized by Tarkett teams, 100 students from the primary school Vuk Karadzic in Bačka Palanka, learned about safety behaviors to follow at school, in the street and during games. At the same time, CPST representatives organized a series of events following the same model, with practical activities on a simulated traffic course, produced with Tarkett textile flooring. Over 7,000 children from 28 different primary schools benefited from this series of events. The initiative has been renewed twice in September 2017, involving 30 employees from the Bačka Palanka site.
- > Tarkett donates a collection of 83 paintings to a major cultural institution in Serbia: In October 2017, Tarkett made this donation to the Galery of Matica srpska, one of the most important cultural institutions in Serbia, in the presence of the Prime Minister and the Minister of Culture of Serbia. The collection includes works by some of the most important artists of the 20th century in Serbia as well as icons by Serbian and Russian artists.

3.6 "Developing talents"

Key points



Tarkett is strongly committed to developing its talents through its "Talent Philosophy" approach, its human resources management policy and the empowerment of its teams. Fueled by the Group's values of respect and integrity, Tarkett also aims to promote an inclusive work environment that respects the diversity and safety of each employee.

Talent development initiatives:

- > Code of Ethics and "compliance": enhanced training program for teams.
- > Safety: progress made at all levels of the Group and best practices shared within the World Class Manufacturing program. 2017 was a record year for plant safety.
- > Health and quality of life at work: numerous initiatives have been set up locally to train and mobilize teams on subjects such as balanced diet, sport and tobacco.
- > Equity and diversity: ensure non-discrimination of employees, increase the proportion of women among managers.
- > Career development: through robust training programs, performance and development reviews, professional mobility, sharing of expertise within a network of experts, recognition of successes by the Tarkett Awards.
- > Social dialogue: through internal surveys of all employees every two years followed by local action plans, the Tarkett Forum (the Group's European Works Council), collective agreements covering all countries and many subjects, and the adjustment of the workforce to the activity when necessary.

3.6.1 A common approach to accountability

3.6.1.1 "Talent Philosophy"

Tarkett has grown continually for the last ten years.

Because 13,000 employees are an essential asset and the key actors driving this growth, the human resources department is highly strategic.

While Tarkett has grown as a result of many acquisitions, the sense of belonging to the Group is very strong. This is the fruit of a human resources policy which has made it possible to gradually implement a strong strategy, preserving both entrepreneurial spirit in the field, and the advantages of an international group.

To further support Tarkett's growth and talent development, we have strengthened our human resources management and talent development by structuring our Talent Philosophy approach in 2017.

At Tarkett, Talent Philosophy is based on five main pillars:

- > talent acquisition: we are committed to the principle, "inside first, outside with potential, diversity always". This means that first of all we promote internal mobility. If we need to look for a candidate outside, we recruit the best profile for the position, while taking into account his or her growth potential. Finally, we strive to systematically foster and encourage the diversity of our international Group;
- > engaging managers: the role of managers is crucial when it comes to developing employees' skills, strengthening their autonomy, incarnating the values of the company and driving performance. Nothing can be achieved if Managers are not actively engaged in Talent Management;

- > growing skills: we value continuous training very highly and we anticipate career advancement by developing qualifications and skills. We foster career developments through experience, across a variety of missions, by participating in specific projects and through internal promotion;
- > aiming for high performance: Tarkett has extremely high performance standards and the Group endows itself with the resources to meet this high standard. Our employees have ambitious objectives and track their progress on a regular basis with their manager through dedicated tools such as the Development and Performance review;
- > motivating through recognition: we are committed to rewarding our employees proportionally to their contribution to the success of the Group. This recognition goes beyond tangible compensation or traditional advantages and is articulated in other ways through visibility, promotion or participation in prestigious programs such as the Business Leader@Tarkett, in partnership with the London Business School (cf. page 121).

3.6.1.2 Respect for the individual, a core value of the Group

Employer responsibility is first of all articulated through respecting employees and the commitment to creating a safe, positive work environment which makes it possible for each employee to succeed, with no discrimination. This is one of the core values of Tarkett, and an integral component of the Code of Ethics and human resources policy and Talent Philosophy, as well as through the Group's commitment to abide by the 10 principles of the United Nations Global Compact.

Example



Ambassadors to promote Tarkett values: the "Promoting Tarkett's Values" project was implemented in 2016 and 2017 on the Bačka Palanka (Serbia) site, to ensure that the company's core values are shared by all and actively integrated into daily work life. The goal is for employees to be fully aware of their individual contribution to values such as a positive customer attitude, team spirit, empowerment and accountability, respect, integrity and a commitment to the environment. These values were defined and articulated into concrete behaviors in different stages, over the course of workshops in which more than 400 employees participated. Today, an ambassador is selected every quarter to incarnate each of these values. This ambassador is nominated and voted for by all employees.

3.7.1.3 Empowering Tarkett teams: setting up a program to prevent compliance risks

One of the main assets of a company is its reputation and its credibility, which are rooted in strong ethical principles. We have developed our ethical engagement based on five values:

- > positive customer attitude;
- > team spirit;
- > empowerment & accountability;
- > respect & integrity;
- > commitment to the environment.

Tarkett must comply with all laws and regulations into place. We are committed to growing our businesses in accordance with shared principles which clearly reflect our ethical values and our accountability. These principles must boost and guide the actions of all employees in the company: this is the purpose of the Code of Ethics that we developed in 2009.

The Code of Ethics covers many sales practices. While it cannot encompass every situation, it does define fundamental principles which guide employees, as well as fundamental principles which should not be infringed. On each site, managers are responsible for ensuring that employees are aware of and respect these ethical values. They also make sure that their decisions and practices are consistent with this Code and all other internal policies and procedures.

To ensure that all Tarkett employees are aware of and have assimilated the values and behaviors that we wish to share, we have launched Tarkett Code of Ethics compliance programs, in particular in terms of prevention of fraud, corruption, or unfair competition. These programs include training for employees who are the most exposed to these risks. The training, which is required for employees who have been requested to attend, is delivered through e-learning or face-to-face sessions, and in particular focuses on identifying prohibited behavior likely to be qualified as fraudulent practices, unfair competition practices, corruption or conflict of interest practices, as well as focusing on the appropriate behavior to prevent these risks.

Every other year, all employees who have access to a computer participate in the e-learning program on the Code of Ethics. This was the case in 2016, when 99% of the latter completed this training.

During the gap year, as was the case in 2017, all new hires with access to a computer participated in the e-learning program devoted to the Code of Ethics. In addition, face-to-face sessions were set up for employees who do not use a computer or who were unable to complete the e-learning program. In 2017, 5,198 employees were trained in the Code of Ethics (in class learning or on-line).

In the area of risk compliance prevention, other trainings were delivered to selected employees (read page 122).

3.6.2 Safety, a priority

3.6.2.1 Global objective, local implementation

Beyond regulatory compliance, Tarkett Group has made safety a priority, considering that the only acceptable objective is to achieve a zero accident rate by 2020. This standard must be guaranteed by a first-class working environment, which we will achieve by sharing expertise, feedback, and best practices all over the world.

This objective is common to the entire Group, however it must be implemented at the local level. Safety must be an integral part of operations and the daily production routine, in order to foster a genuine safety culture.

Accountability in safety matters starts at the highest management level. The Group's Executive Management Committee meeting in June 2017 reviewed in detail safety results. Quarterly Information Sessions for executives also begin with safety issues. These outcomes are as well presented to Tarkett's Supervisory Board.

The issue of safety is also closely monitored in the employee survey that is completed every two years (read page 124). The survey completed in 2016 showed that 85% of our employees consider that the Group is sufficiently mindful to the safety of employees. In addition, 74% of the latter consider that managers lead by example (or a 2% improvement over 2014). These are encouraging results which nevertheless must be continually improved.

Within the scope of World Class Manufacturing (WCM), practical provisions have been adopted to ensure a high level of awareness and to develop skills in the area of safety, in particular on industrial sites. These include regular employee training, frequent audits of the practices on our sites, and in particular, cultivating and maintaining open, continuous dialogue between managers and employees.

Hence, the Safety pillar of the WCM program encourages teams in each factory to implement new initiatives discussed after annual site audits. Every month, a telephone conference provides the 40 members of the safety teams on the different sites the opportunity to share their outcomes in terms of risk reduction, to present their initiatives and to express any needs for help they may have from other sites. During the conference, the safety managers are informed of the latest developments in safety issues in order to raise and spread awareness of the latter in their workplace.

"Developing talents"

A rigorous assessment of causes ("root cause analysis") is carried out after each incident or accident. Action plans are then developed and deployed, within the scope of our continuous improvement strategy.

By the end of 2017, 89% of sites had implemented WCM, the Tarkett operational excellence program, thatmakes health and safety a priority.

In addition, 69% of the Group's sites obtained the OHSAS 18001 safety certification (compared to 64% in 2016). This international standard is a benchmark in managing workplace health and safety.

We carefully monitor our progress thanks to a number of safety indicators

In recent years, major progress has been made in the safety area in factories thanks to deployment of WCM program practices.

Zoom on key indicators



Safety

2017 was a record year in terms of safety results for Tarkett production sites. For example, Recordable Lost Time Accident Frequency Rate FR1t (number of accidents with days off work less than 24h per million hours worked for employees and external workers at production sites) was 1.87 (compared to $3.68^{(1)}$ in 2016). In other words, this is an improvement of -49% over 2016 and -69% over 2013.

- (1) 3.68 This figure has been restated versus 2016 (3,56). Please see methodological note.
- > The Group also monitors accidents concerning teams outside of factories (in administrative buildings or the sales teams). Safety outcomes in terms of frequency for these populations have not yet achieved the level of excellence as for in-factory safety outcomes. The Group is committed to improving outcomes in this area in coming years.
- > Finally, the number of work-related sick leaves in the factories was stable in 2017 (or 10).

3.6.2.2 Raising and spreading awareness about the best safety practices on our sites

Continuously improving our activity depends on our capacity to learn lessons from our experiences, and in turn share and put these lessons into practice. Consequently, we encourage our teams to formalize their expertise. We also foster the sharing of best practices.

It is with this goal in mind that the main World Class Manufacturing team has been reinforcing application of the "Safety" pillar of this program. Its role is to support and lead Tarkett sites all over the world.



- > Deployment of WCM standards in all countries training teams on safety in China: in January 2017, the head of deployment of the safety pillar spent two weeks on two vinyl and carpet production sites in China, close to Pekin and Suzhou, to work with employees to improve standards using a safety-focused approach: training of local safety teams, best practice sharing about assessing risks and developing safety behaviors, discussions about the current situation on each site and improvements to be made in existing work methods. The best international practices of Tarkett were shared with local teams, to clarify what could be achieved in the short term and how this could be achieved, while defining specific objectives.
- > Develop a safety culture in North America: in February 2017, our vinyl production site in Florence West in Alabama (United States) organized for the second time in a row a two and a half day safety seminar. The event focused in particular on members of the general management of Tarkett North America and EHS (Environmental Health & Safety) directors from the distribution and production sites. The objective of the seminar was to stimulate an even stronger safety culture, by encouraging employees in the EHS department in North America to communicate even more with each other. The program was based on a series of presentations, training and hands-on activities.
- An athletics competition to prevent fire in Russia: in May 2017, firemen in the Tarkett factory of Otradny in Russia organized the 9th fire fighting athletics competition. Local voluntary fire brigades were created in 1995 to reinforce fire safety of facilities and to encourage the active participation of employees in fire prevention and extinction. The goal of the competition is to train fire men to effectively deal with a real fire situation. From 2009 to 2017, 384 employees in the factory participated in the competitions, keeping in mind that presently there are 1,123 employees working at the factory. Theoretical and hands-on practice training for these teams is delivered throughout the year.
- > Tarkett S.p.A. in Italy becomes an international example with its Zero LTA⁽¹⁾ project: for its project "Reducing work-related risks for employees over fifty", Tarkett in Italy earned a special mention for the European Good Practice Award 2016-2017, a prestigious award promoted by the European agency for occupational health and safety. The Tarkett project in Italy was set up in 2010, through a series of precautionary measures. It was among the best 15 European practices distinguished during the ceremony which took place in Malta. The competition brought together 42 commercial entities from 23 European Union Member States.
- (1) LTA = Lost Time Accident

3.6.3 Health and well being at work

3.6.3.1 Work-Life-Balance

The way that work is organized on the Group's sites varies depending on the regulatory framework of the country and the specific needs of each production site. A large part of work organization is established through collective bargaining, and agreements have been signed in areas such as working hours, part-time work, and teleworking (or telecommuting). However, beyond collective agreements, Tarkett is also concerned about psycho-social risks, and pays attention to sources of stress and issues related to work life balance.

We analyze the general trend through two questions that we have added to our biannual employee survey (read page 124). The 2016 survey indicates a slight decrease in these indicators, even if results differ from one country or department to another:

- > 72% of employees consider their work load to be "reasonable", as compared to 73% in 2014, and 70% in 2012 with the industrial average at 69%;
- > 62% consider that they have "a good balance" between their work life and personal life, compared to 63% in 2014 and 60% in 2012.

In addition to these general indicators, the results for each entity are also analyzed and monitored. Hence each HR manager of each Tarkett entity analyzes in detail the results of the survey in terms of well-being. Any site with results going down must systematically define and implement a formal improvement plan.

Examples



- > In Narni (Italy), design and implementation of a policy to reconcile work and personal life: in place since 2014, this policy aims to answer the personal needs of employees to help them balance their work and personal life. Their working hours (including lunch time) are sufficiently flexible to adapt to family life. A specific data base, "banda ore", or time window allows them to match up personal needs with organizational constraints. Part time work is made easier. An extended leave allows all employees to access higher education or to occasionally provide assistance to family members. In addition, Family Day (which is organized twice a year) gives employees the opportunity to show their family members their work environment.
- > Flexible work practices and part time work to care for children at Castle Hill (Australia): to foster a positive work life balance, hours are made flexible for parents. Each case is individually assessed by the human resource departments. Whether a child is ill, or has a special emergency situation, or simply to pick up the child after school in the evening, work hours can be flexible to meet childcare needs.

3.6.3.2 Promoting health and wellbeing in the workplace

Promoting health and improving wellbeing at work comes in addition to the measures related to occupational safety and work-life balance. The initiatives engaged are focused on raising the awareness of all employees through prevention and assistance programs in the areas of work-related stress, diet, physical activity, and tobacco use, among others.



- > A basket of fruit every week at Cacem (Portugal): a company delivers a basket of fruit every week. This measure has also been implemented in Madrid (Spain) and in Castle Hills (Australia). In addition, on the Clervaux site (Luxembourg), a total of 400 kg of fruit per week are provided to all local employees.
- > Initiatives related to sports, diet, and tobacco in Jacarei (Brazil): the objective is to encourage employees to do sports and have a healthy diet, and to help them stop smoking: this is achieved through a partnership with a gym, the opportunity to measure health indicators (weight, blood pressure, blood sugar), nutritional programs, conferences on cancer and cigarettes, elimination of smoking areas...
- > Focus on well-being at work on the Waterloo site (Canada): as part of their "Health and wellbeing program", the Johnsonite activity teams have set up three health-related initiatives. Discounts are offered to any employees who wish to join health clubs. A nurse is now available on site to answer employee questions about health issues. Finally, the "Travel Canada 60 days" challenge offers different teams the opportunity to travel across 10 provinces and three territories in Canada. 60% of employees have participated. Since then some employees have begun to walk to work, or have started walking for an hour at lunch time.
- Objective Health in Sedan (France): every month, a different action is implemented to raise employees' awareness about an employee health-related issue, including health screening. An information day on the societal consequences of a hearing impairment was also organized during the 20th National Day on Hearing in March 2017, and a Giving blood day was also organized. In addition, a special nutrition day was held in May 2017: employees were provided with baskets of fruit, a film was shown on nutrition and flyers were distributed in chilling areas.
- > At Tarkett headquarters (Paris La Défense), the human resources department organized an internal event for employees during "the well-being week at work", a week devoted to quality of life at work, during which some fifty events took place all over France, initiated by Anact (or the National Agency for the improvement in working conditions), in October 2017. The focus of the day was: knowing yourself better, working better together, and feeling good at work. The program offered: yoga courses, the presence of a nurse at work to give advice about working on screens, and workstation ergonomics, raising the awareness of employees traveling the most about road risks, as well as provision of fresh fruit, juices and cereal bars.

Example



A medical service available to all on the Bačka Palanka site (Serbia): open daily, this medical service has been operational since May 2017. Today, all employees in the factory have access to medical exams (electrocardiograms, vision tests...) and prevention consultations or quick medical visits in case of need, thanks to the presence of a doctor and a nurse in renovated, equipped premises.

3.6.4 Equity and diversity

3.6.4.1 Guaranteeing non-discrimination, equality and inclusion

The fundamental principles of non-discrimination and equality are an integral component of Tarkett values (Respect & Integrity), our human resources policies and our Code of Ethics. These tools are being used on a daily basis in various circumstances (read p. 116 on the Code of Ethics).

These principles cover issues including equality between men and women, respect for the rights of disabled people, age diversity, maternity rights and benefits, as well as non-discrimination on the basis of sexual orientation, ethnical background, nationality or religion.

Example



An anti-discrimination policy in the UK: on the Lenham site, the HR department has included in its Internal Regulations a chapter describing how employees can make claims relating to violations of the equal opportunity principle, as well as the procedure followed by the company to handle and investigate these allegations. All employees are encouraged to adopt a specifically described code of behavior, to ensure coherent, equitable treatment for all. Each Manager must ensure that all team members know these rules and why they exist, and he or she must ensure that any discrimination allegations are rightly handled and as quickly as possible. The HR department is responsible for ensuring that this policy is working properly and carrying out regular audits for this purpose.

3.6.4.2 Promoting equal treatment for men and women

Like his predecessor, our CEO, Glen Morrison cares deeply about the principle of diversity and inclusion, and personally defends equal treatment for men and women as well respect for Tarkett values. (read page 83).

Zoom on key indicators



Equality between men and women

- > Several indicators allow us to monitor the number of women executives in the company. After achieving a certain stability in recent years, in 2017 we noted a significant increase in the share of women among senior executives (24% compared to 18%, or 20 women out of 84 top senior executives for the Executive Committee and n-1 positions). In terms of managers, the share of women is stable at 27% (in other words 492 women out of 1,811 managers), which is a slight improvement (26% in 2016, 25% in 2015), taking into account the fact that there are generally less women than men working in industrial and building sectors.
- > It should be noted that the share of women in the governing bodies has also increased with 44% of women in the Supervisory Board and 1/3 of women in the Executive Management Committee (EMC) in 2017.

This positive trend remains moderate, and we are striving to implement concrete measures in the field to promote the role of women within the company, in particular through internal mobility or during the external recruitment process.

In Sweden for example, an equal opportunity plan was deployed with the aim of reducing the risks of discrimination on the basis of sex, ethnical background, disability, etc.

3.6.4.3 Promoting the employment of people with disabilities

Depending on the country, the identification and tracking of people with disabilities within the company can be permitted or prohibited. For this reason, it is difficult to determine a unique global indicator to track progress in this area.

In 2017, the share of Tarkett disabled employees was 1.3%.

Tarkett is working to facilitate the integration of disabled employees in the work environment, through implementation of concrete measures at the local scale on all sites. For example, on the Sedan site in France, certain work areas have been tailored to allow disabled workers to perform the same work as other employees.

In addition, certain entities are working in collaboration with companies which encourage the employment of people with disabilities. Since 2010, the Eiweiler factory in Germany, is working with the non-profit organization, AWO, in which some twenty people with disabilities perform around 700 cuts of laminated floor samples per day.

Example



An awareness campaign in France: on the occasion of the 21st edition of the European Disability Employment Week, in November 2017, a communication and awareness campaign aimed at 400 employees at the Tarkett headquarters was carried out (Paris – La Défense). The message of the campaign: "Our differences are our strength. And it is up to us all to create an inclusive working environment!" To change the employees' perception about the employment of people with disabilities, posters and a comic book were put in the café areas, and short movies to raise awareness were shared with employees.

3.6.5 Developing and recognizing talents

3.6.5.1 Anticipating needs to develop talents

For a company, anticipating its organizational and skills management needs is the opportunity to move from a reactive management approach to a proactive human resources management approach, in other words to plan the evolution of the market and the corresponding human resources needs. It is also the opportunity to bring another perspective to the way the company operates and to its work organization, in particular to plan for the retirement of experienced employees, anticipate career transitions, or to meet recruitment challenges, foster career development as well as geographic and professional mobility.

The Talent Management approach, implemented in 2008, is a formal process for resource and talent planning. It is a way to adapt human resources to the constraints of the business environment and to align with the company's strategic objectives, in other terms: to ensure that resources match needs both on the quantitative level (jobs) and the qualitative level (skills). The process anticipates the needs of the company for the next three to five years and is based on the vision of the future presented in the strategic plan of the Group. This formal approach is concretely articulated through a set of initiatives, described below.

Example



Creating an attractive work environment for young talents in the Eastern European division of Tarkett (TEE). Over the last 10 years, the efforts of the TEE division to build a strong employer brand have made it possible to recruit a significant number of young talents. Tarkett has developed partnerships with the most important universities in Serbia: students regularly visit the company. The best students can complete their research projects there. Tarkett also offers summer internships and grants. Several training programs designed for young people without professional experience have also been successfully run. Former interns become the best ambassadors of the company in their home universities. Over the years, Tarkett has acquired a solid reputation in Serbia as an employer who cares about its employees and values them, offers robust training and real career opportunities: 80% of managers, including those in division management, are recruited internally.

3.6.5.1.1 The Performance and Development Review

This annual interview is the foundation of our performance management system. It is an opportunity for managers and their teams to spend invaluable time together to engage in a constructive, attentive dialogue. From the company's perspective, this allows us to understand the career goals of our employees and to assess their progress. In this way, we can best manage their skills, expertise and future career.

Zoom on key indicators



Performance and Development review

55% of Tarkett employees had a Performance and Development review (or the equivalent).

3.6.5.1.2 Talent Inside

Talent Inside, a career management digital platform, completed this program in 2016. Easy to use, the platform makes it possible to monitor and manage the Performance and Development Review and the definition of each employee's career goals. The system allows employees to track their own progress (annual assessments, objectives, development plans...). As for managers, they can monitor the progress of employees and inform them about team requirements. In this way, managers directly participate in the HR performance monitoring process, and career management. The system also makes it possible to consolidate action plans concerning talent management and to effectively monitor them.

3.6.5.1.3 The Talent Review

The Talent Review is a structured process which aims to assess career opportunities against the company's long-term needs. It involves people from the management and human resources team during regular meetings where anticipated organizational changes are examined in accordance with the needs and business environment of the company, and in light of the skills, potential and career development goals of employees. The talent review makes it possible to make decisions and to implement action plans by combining the coming organizational changes and the career development opportunities of employees. This process is targeting specific groups of employees including managers, engineers and technicians. In 2017, 398 employees were included in the Talent Review process carried out by HR teams and supervisors.

3.6.5.1.4 WCM program development plan

The purpose of this initiative is to identify key skills for implementation of the WCM program (*World Class Manufacturing* – read page 92) and achievement of industrial objectives. Structured WCM training programs are implemented in factories in the light of the priorities there, with the aim of developing the growth potential of all employees, whether they are senior executives or workers.

3.6.5.2 Fostering career mobility

The growing international dimension of the Group makes career mobility of great importance and offers employees motivating career perspectives. To foster career mobility opportunities, Tarkett has set up the appropriate processes and tools.

- > The COACH program is used to develop the management skills of managers (first level) and to empower them to effectively fulfill their crucial role in the management of operations teams. The program is implemented in most factories in the European division. It has multiple objectives: to develop the skills of operational managers within the scope of World Class Manufacturing (WCM), to help them organize their work day, to lead a team, and to commit to managing factories and operations teams. Program strengths: Designed specifically for operational managers, the program is based on practical experience and concrete result rather than theory. It is tailored to each factory in order to address the issues faced by each of the latter. In 2017, 274 people took part in the program.
- > Tarkett Careers, a new platform for international mobility and recruitment: After a deployment in North America, in 2017 the Europe division opened the Tarkett Careers platform. Employees who join the platform can be informed about job opportunities in the North American and European divisions, and may recommend or communicate this information to their professional network. The platform is also used by managers to post job offers and follow-up associated recruitment processes. The platform will be deployed across the entire Group.
- Orientation documents are available: The internal mobility charter is available to all employees via intranet and the Mobility Guide is a reference document used by the human resources network.
- > The Talent Review Committee: HR directors from the various divisions meet regularly to discuss international career opportunities that may be offered to employees and make proposals to the Executive Committee in this area, meeting the Group's current and future needs. The Performance and Development Review (RDP) and the Talent Review are essential sources of data for this purpose.
- The WCM program development plan also promotes career mobility. It is implemented in many factories.

Zoom on key indicators



Internal mobility

52% of open management positions were filled by internal candidates. This represents nearly one out of two positions. This figure accounted for 45% in 2016 and 49% in 2015.

3.6.5.3 Training

We are convinced that training programs, whether for experienced employees or new hires, must be tailored to people's specific needs.

Examples



At Group level

- > A new e-learning platform common to the entire Group in 2018: the Group's new e-learning platform, which is still under development, will replace the existing online training platform which features were relatively limited and which was not accessible to all the entities of the Group. The objective of the new platform is to offer a complete range of training that is easily accessible and easy to monitor thanks to a single, cutting-edge digital platform. It makes it possible to develop training programs and skills development answering all needs, fostering collaborative learning and bringing employees together with experts, trainers, and tutors. The goal is also to accelerate sharing of best practices and knowledge transfer, to stimulate continual learning rooted in genuine experience and daily situations, and to facilitate follow-up of all activities related to training and skills development. After a successful experiment in the North American division in 2017, this platform shall be implemented at the global level in 2018.
- > The BusinessLeader@Tarkett program, launched in 2016 in partnership with the London Business School (LBS), this program aims to train tomorrow's leaders by developing their in-depth understanding of the Tarkett entrepreneurial culture, and their strategic skills in an ever-changing economic context. The program alternatively delivers a complete week of training at LBS, plenary sessions and group workshops. In 2017, 78 people from 12 different countries participated in this advanced managerial improvement program. Additional sessions are planned in 2018.
- > Online training on the Tarkett environmental strategy:
 e-learning training was launched in 2017 to raise
 employees' awareness about the Group's environmental
 engagement and train them in relation to that topic. The
 main themes of this training are the following: what is
 sustainable development for Tarkett? How should we
 define and apprehend the Closed-loop circular design
 approach? Definition aspects, examples of specific
 initiatives and 2020 objectives are also presented. In
 North America in 2017, five classroom training sessions
 (from 3-7 hours) were organized for the sales teams to
 present the environmental commitment and help them
 communicate about the Group's ambition in a very easy
 way to customers.

Example



More local initiatives

Tarkett North America is one of the winners of the Training Top 125: every year Training magazine makes a ranking of companies which implement the best training and development programs. The North American division of Tarkett is one of 125 winners of the Training Top 125 announced for 2018. The ranking will be revealed at the awards ceremony gala in February 2018, in Atlanta.

Other training programs:

- > targeted programs: aimed at reinforcing the management skills (Manager@Tarkett), project management skills (ProjectManagement @Tarkett), and sales excellence for the sales teams (PowerUp in Europe);
- a program focused on innovation and creativity: the Customer Experience 2.0 program aims to promote the use of new methodologies and tools, within the scope of the Group's innovation process. For example, a training program, Customer Centric Innovation@Tarkett, was designed with the renowned Parisian school – d.school – focused on design thinking concepts and agile methods. 62 people participated in this training program in 2017;
- > classroom and e-learning training programs on business ethics and compliance: training on compliance risk awareness and presentation of good practices must be attended by a selection of employees each year. In 2017, a training module on prevention of unfair competition practices was attended by a selected sample of over 4,000 employees. Classroom training set up by the legal departments has also strengthened this on-line training system, in particular in terms of fair competition, the prevention and fight against corruption and in the area of personal data protection;
- > the program to integrate new hires is used to train all our new hires. Within the scope of the program, new hires are introduced to a reference person who helps them with a smooth integration within the company. In Europe, the Tarkett's Live Campus module rounds up this integration with a 1-4 day in-factory training program to better understand the Group's business activities and products;
- > developing the managerial skills of first-level executives in the factory: the objective is to accelerate adoption of WCM program best practices, to motivate teams, create greater professional mobility and a wider skills pool. Two key training modules are currently in place in all production factories: Problem Solving Methodologies and COACH (managerial skills for team managers read page 121). Our local WCM teams have developed these skills, and can in turn train operators in the field.

3.6.5.4 Sharing expertise: pluridisciplinary teams and expert networks

The development of "collective expertise" is a key element to anticipate the changes needed in order to fulfil the company strategy. It involves sharing of expertise which also allows employees to improve their know-how, their employability and their mobility. The company can thus value its talent pool and improve results.

To promote this sharing of expertise, we strongly encourage pluridisciplinary team work, by bringing together employees from diverse backgrounds on projects taking place at the Group or division scale. We also encourage networking, best practice sharing, internal benchmark forums (comparative analysis), as well as knowledge transfer.

Within the scope of the WCM program, every year we organize a series of specific meetings on one of the Tarkett manufacturing sites. The objective is to develop the skills of our experts in manufacturing processes and share knowledge in terms of operational excellence. Since 2012, comparative analysis initiatives have been organized within the Group's factories. The WCM program also encourages factory operators to commit themselves and bring innovative ideas to improve processes, hence becoming actors in the development of their own work environment.

Equally, in 2015 we launched the Tarkett Expert Network to capitalize on the technical expertise of our Research & Innovation and Operations teams. Our objective is to use the know-how of our technical experts, and to help them develop their long-term career development, via tutoring, training and knowledge sharing.



- > The third world forum on professional maintenance:
 the aim of professional maintenance is to set up an
 effective maintenance system to increase availability
 of equipment while reducing costs to maintain them in
 operational order. The Tarkett Professional Maintenance
 Forum is an annual meeting organized by the WCM
 Central team with the aim of sharing experiences and
 best practices in the field, consolidating this world
 network and accelerating deployment of professional
 maintenance on Tarkett sites. In 2017, the Forum brought
 together 50 participants from 21 sites on the Bačka
 Palanka site (Serbia), bringing together teams from all
 continents for the first time.
- > An international meeting on *Cost Deployment*: in 2017, the linoleum factory of Narni hosted 23 people from different Tarkett sites all over the world, for the Group's benchmark meeting on Cost Deployment (CD). The aim of the event was to encourage networking of experts, identification of best practices, and reinforcement of exchanges between factories. Cost Deployment is the methodology used by factories to construct and deliver a solid, reliable Productivity Action Plan.

"Developing talents"

Examples



- > An Early Equipment Management forum (EEM): 35 people from the technical and engineering departments from 20 sites met in 2017 at the Ronneby site (Sweden), for two days to continue building the EEM community (industrial project management method). During this event, the industry 4.0 concept and key points to develop the "Factory of the future" at Tarkett were addressed. For example, within the framework of preventive maintenance, Tarkett plans to install connected sensors in its factories in the coming years to facilitate remote diagnostics of its facilities. This makes targeted operations easier on site as soon as the machine sends an alert in case of a specific maintenance need. The Hanaskog (Sweden) and Orzechowo (Poland) sites are already equipped with connected sensors.
- > Launch of the *Trusted Peer* platform: launched in September 2017, this peer platform aims to foster communication between all knowledge holders in the company. It makes it easy to look for specific information and get into contact with people that have a particular expertise, on issues related to Tarkett products, industrial processes, manufacturing processes, the environment, and technical design. It also makes it easy to get in touch with external experts (universities, institutes, etc.). This system should be a quick, easy way to share expertise in all areas related to the company.

3.6.5.5 Promoting entrepreneurial culture

3.6.5.5.1 Fostering entrepreneurial spirit through training

In recent years, Tarkett has pursued a growth strategy through acquisitions and has successfully integrated companies from all over the world recognized for excellence in their field.

Within this scope, we wish to keep alive and stimulate an entrepreneurial spirit at the scale of the company. Hence, we encourage our employees to take initiatives and calculated risks, and to assess opportunities in accordance with tangible criteria.

That is why we have set up an Entrepreneurial Leadership framework at the Group level to specify expectations in the field. This model is now a benchmark for the skills development of senior managers and is planned to be extended to other populations within the Group.

Example



Training-related projects in Serbia: Galerija Podova is the biggest chain of stores specialized in flooring solutions in the Balkans. The stores also sell interior design objects, to offer customers a complete range of products for interior design planning. Sales teams, Tarkett employees, provide technical advice to professional customers, architects, and interior decorators. Training programs about continuous performance improvement and the problem solving methodology have been organized for employees at all levels and in all sectors. They have enabled employees to be proactive regarding new ways of working and new sales methods, and hence to grow their entrepreneurial spirit. Many projects were designed following these programs, and these innovations have been implemented in 45 stores.

3.6.5.5.2 Recognition: Tarkett Awards

Implemented in 2010, *Tarkett Awards* celebrate successful initiatives and best practices across the entire company. The goal of the awards is to encourage exceptional achievements and the ambitious projects of each team. The 2017 awards in particular distinguished design, innovation and sustainable development. Out of more than 241 projects submitted, 7 teams were celebrated for their impressive, inspiring achievements. The representatives of each team took part in the awards ceremony attended by our CEO, members of the Executive Committee, and 150 senior executives in the Group.

Example



A Tarkett Award for the installation of a new production line in Jasto (Poland): this award commends a pluridisciplinary team which implemented a new LVT (Luxury Vinyl Tiles) production line on the Jaslo site, to answer the growing market demand for modular flooring. By applying the ProjectManagement@Tarkett methodology and tools, the teams met the different strategic objectives of cost, production efficiency, and product quality.

3.6.6 Social dialogue

3.6.6.1 Listening: the internal survey

To efficiently organize on-going dialogue with all employees, across all our sites, we issue an **internal satisfaction survey every two years**. The survey covers all of the Group's businesses and sites and includes all employees. It is translated into 17 languages, is totally anonymous and entirely overseen by an independent third party to prevent any bias. It includes 70 questions in 13 different categories:

- > communication;
- > company image;
- > empowerment and accountability;
- > leadership;
- > loyalty and engagement;
- management;
- > performance management;
- > teamwork and cooperation;
- training and Development;
- > work organization;
- industrial excellence (WCM);
- > ethics and integrity;
- > entrepreneurial leadership.

The survey is completed by a specific version that is sent to 150 Tarkett senior executives. The latter survey focuses on strategy, future perspectives, and management. In 2016, five new questions were added, covering key issues such as strategy implementation, manager engagement and motivation, the definition of innovation, and lessons to be learned from mistakes

3.6.6.1.1 Key conclusions for 2016

In 2016, 89% of employees participated in the survey (a 5 point rise over 2014) or 10,500 people. The high participation rate reflects employee approval of and confidence in the independent nature of the survey. A positive trend has also been noted in terms of how their opinion of the company is expressed. Based on a certain number of positive signals, already present in 2014, 2016 results showed progress in most areas covered by the survey. This illustrated at different levels of the organization, the situation and progress achieved or to be continued in order to create an attractive work environment that fosters personal and professional development.

The trends are also encouraging for CSR issues, as shown in the following table.

Spotlight on the employee survey: Tarkett's employees' views on the Group responsibility **Survey statement** Percentage of employees who agree with the statement 2012 2014 2016 Ethics and integrity are central to Tarkett's culture 66% 71% Unethical practices are not tolerated within Tarkett Not asked 76% Not asked 76% I Know how to report unethical practices Tarkett provides adequate focus on safety for employees 81% 85% 85% I Believe that Tarkett is an environmentally responsible company 85% 83%

3.6.6.1.2 From listening to action: implementing progress plans

At both the scale of the Group and locally, the Tarkett employee satisfaction survey is an invaluable management tool. The global analysis of the survey results clearly shows the Group's strengths and areas for improvement. Based on this analysis, each site/entity develops a customized action plan to be implemented at the local level. These local plans are reinforced by action plans determined at the Group and division levels, and coherently implemented.

Example

(+)

Employee satisfaction in Narni (Italy). Following the latest employee satisfaction survey, the Narni production site (Italy) identified a slight decrease in the satisfaction of employees working in the customer service department. The Narni team decided to focus on customer service to provide regular collective and individual feedbacks on performance and results. It was also decided to expand the sales excellence program (Power Up, developed within the EMEA divisions) to the order office and marketing department, and to develop trainings in telephone communication and computer skills.

"Developing talents"

3.6.6.2 Organizing social dialogue

The regulatory scope of dialogue between employers and employee representatives varies from one country to another. However, in addition to respecting local labor legislation, Tarkett applies in all the countries in which it operates the same respect for its fundamental values and principles of freedom of association, and in particular respect for trade unions. A constructive dialogue at all Group levels is encouraged.

The *Tarkett Forum*, the Group's European works council, has been created to foster dialogue in Europe. Several times per year, this council brings together trade union representatives of our main European sites to dialogue with Group Management, including our CEO. This council strengthens cooperation and social dialogue and focusses on issues pertaining to the general functioning of the company and discusses HR issues common to different sites and countries in Europe.

3.6.6.3 Collective agreements

Tarkett is committed to respecting, in addition to the legal obligations specific to each country, employee freedom of association, collective bargaining and representation.

We apply these principles without exception and in the same way in all countries where the Group operates whether in Europe, the United States, Russia, Serbia, Ukraine, Kazakhstan, Brazil, China or India.

Following this deliberate policy, 144 collective agreements are in place at Tarkett, 100 of which concern the Group or sites overall and 15% of which cover issues related to occupational health or safety. The agreements cover a wide range of topics such as compensation and benefits, overall work time, work organization, and employment classification. They apply in 20 countries where Tarkett engages in sales and/or industrial activity.

To ensure that essential, current human resource issues are handled and formally accepted, the agreements are regularly updated. This results in better work relationships, fostering good work conditions and a global positive spirit.

3.6.6.4 Changes and Adjustment of the workforce to local activity

Tarkett has a mid and long term vision of its development plan and strives to ensure profitable, sustainable growth. The Group is committed to growing the skills and employability of its employees, not only to allow each individual to contribute and to grow within the company, but also to anticipate any consequences of an evolution in the organization.

Whenever possible, the Group strives to anticipate the consequences of variations in activity. In case of reduction in activity, without a perspective for recovery, the Group may be called to occasionally or structurally downsize. Adapting work organization to the activity level, downsizing or restructuring plans are carried out in compliance with local regulations and the principles of the Tarkett Code of Ethics, in consultation with employee representatives. Within the scope of measures to adjust to reduced activity, Tarkett seeks above all to adapt work organization (taking paid vacation, reorganization of work time, partial unemployment, etc.), reduce temporary employees (interim and fixed term contracts), favor internal re-employment solutions, and include social criteria for people leaving the company (retirement, age, career or personal projects...).

In 2017, Tarkett did not put a restructuring plan in place, but made some adjustments to the workforce based on local activity. Following the management's decision to reorganize the carpet production activity in Ukraine starting from January 2018, we have begun restructuring the Tarkett Vinisin Ukrainian production factory: 6 employees were laid off at the end of December 2017. At the same time, in order to increase the productivity of our Serbian production factory, it was decided to reduce the number of employees in certain departments, which resulted in a restructuring process. In all, 4 employees were laid off at the end of December, 2017. In addition, in 2017, FieldTurf Poligras, a company in Tarkett Group, announced the closing of its factory in Valls (Spain) which produces artificial grass for playing fields. This decision was made owing to the difficult economic situation of the factory. 17 employees were let go, including 15 people at the end of December and two people at the end of June 2018. All employees received support to pursue their professional projects from an external specialized company.

Appendix

ICPE of production sites in France (ICPE: Installations Classées pour la Protection de l'Environnement – Classified Installations for Environmental Protection Purposes)

The vinyl production facility in Sedan, France is ranked as an Authorization-level Classified-Installation by a Prefecturial Decree of July 2008 in particular for sections with regard to the processing and storage of plastic materials. Hence the site is subject to "an Authorization" for sections:

- > 2450-2-a Rotogravure printing;
- > 2663-2-b Storage of polymers (for its finished products);
- > 2662-2 Storage of polymers (for its raw materials).

The Sedan site has entrusted its regulatory watch to a specialized firm which in particular allowed it to identify evolutions in ICPE regulations. In particular, the site communicated all elements to the authorities concerning the new 3,000 and 4,000 sections. The site is organized in case of a major fire or pollution disaster thanks to a POI (Internal Operation Plan) and an internal team of firemen capable of intervening 24 hours a day and 7 days a week.

The site organization complies with the highest standards. Hence, the site is certified for the following standards: ISO 9001 (Quality), ISO 14001 (Environment), ISO 50001 (Energies) and OHSAS 18 001 (Safety), and has confirmed the bronze WCM level in September 2016.

Thanks to the site's deliberate policy, it has considerably reduced its environmental impact. In fact, since 2011, VOC industrial waste has been reduced 3 times, water consumption has been cut in half from 2012 to 2014 and non-recyclable waste has been reduced more than 4.5 times.

To achieve this, the site uses a structured method for analyzing and reducing environmental impacts. Finally, to protect the environment from accidental pollution, the site has set up oil separators on storm water discharges and a system that continually analyzes the pollution level on industrial water outputs.

The authorization request to operate the **Auchel site** (France) was validated by the Préfecture (territorial authorities) on 22/08/2016 and the final report was issued on 25/08/2016. The report was completed by the firm, ENVIRO CONSEIL. The Auchel site factory installations are subject to the registration scheme. The nomenclature version taken into account to carry out this classification is version 27.01 (October 2015).

Accordingly, the site is now subject to registration for the section: 2661.1 and 2661.2 – Transformation of polymers.

The following sections were classified as being subject to declaration (the regulatory level below Registration):

- > 2662 Storage of polymers;
- 2663.2 Storage of tires and products of which a minimum of 50% of the total unit weight is composed of polymers;
- > 4719 Acetylene storage.

Section 2910.A – Combustion except for facilities subject to sections 2770 and 2771 was classified as being subject to declaration with periodic controls.

Food waste

At Tarkett, food waste is limited to restaurant services and is managed by external suppliers with their own action plan, like in our headquarters in France.

3.7 Social and Environmental Report

3.7.1 Dashboard – Social, environmental and other CSR indicators

Social indicators

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
	Workforce					
102-7a	Total number of employees	=	=	12,819	12,428(1)	
102-8a	Total number of permanent contract female employees	-	-	3,221		
102-8a	Total number of permanent contract male employees			8,576		
102-8a	Share of permanent employees	-		92%		
102-8a	Total number of fixed-term contract female employees			385		
102-8a	Total number of fixed-term contract male employees	-		637		
102-8a	Share of fixed-term employees	-		8%		
102-8b	Total number of permanent contract employees			11,797		
102-8b	Total number of fixed-term contract employees			1,022		
102-8c	Total number of full-time female employees	-	-	3,370		
102-8c	Total number of full-time male employees	-	_	9,020		
102-8c	Total number of part-time female employees	_	_	236		
102-8c	Total number of part-time male employees	-	-	193		
102-8c	Share of part-time employees [base year 2014]	0.3%	1.4%	3.3%	3.0%	2.9%
102-8d	Number of external workers (FTE)	-		381		
102-8d	Share of external workers (% of total FTE)			3.0%		
102-41a	Percentage of total employees covered by collective bargaining agreements			62%		
-	Total compensation and benefits (€m)	5.0%		672	639	618

 $^{(1) \}quad \text{Total workforce as of 31.12.2016 according to methodology of financial report, i.e. excluding Laminate Park.}$

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
401-1	New employee hires and employee turn	nover				
401-1a	Number of employee hires	-	-	2,713	1,883	2,111
401-1a	Rate of employee hires			21%		-
-	Number of permanent contracts ended by employee (e.g. resignation, retirement)	-2.6%	-	1,073	1,102	-
-	Number of permanent contracts ended by employer (e.g. lay-off)	-19.5%	-	474	589	-
-	Permanent employee turnover rate			13%	14%	12%
401-1b	Total number of employee departures			-	2,470	
401-1b	Total employee turnover rate			-	19%	_
405-1	Diversity					
405-1a	Percentage of female administrators in Tarkett Supervisory Board		-	44%	33%	33%
405-1a	Percentage of administrators in Tarkett Supervisory Board below 30 years			0%		
405-1a	Percentage of administrators in Tarkett Supervisory Board between 30 to 50 years		-	11%		
405-1a	Percentage of administrators in Tarkett Supervisory Board above 50 years		-	89%		
405-1b	Percentage of females in Executive Management Committee (EMC)		-	30%	20%	18%
405-1b	Percentage of female top senior executives (EMC to EMC-1)	6.1%	-	24%	18%	18%
405-1b	Percentage of female senior executives (EMC to EMC-2)	-3.9%		24%	28%	
405-1b	Percentage of female managers	1.2%		27%	26%	25%
405-1b	Percentage of female other employees			28%		-
405-1b	Percentage of female employees	0.1%		28%	28%	27%
405-1b	Percentage of employees below 20 years	0.0%		0%	0.5%	0.3%
405-1b	Percentage of employees between 20 to 29 years	0.9%	_	15%	13.8%	14.5%
405-1b	Percentage of employees between 30 to 39 years	0.3%	_	29%	28.6%	29.1%
405-1b	Percentage of employees between 40 to 49 years	-1.7%		27%	28.5%	28.2%
405-1b	Percentage of employees between 50 to 59 years	0.3%		23%	22.8%	22.5%
405-1b	Percentage of employees above 60 years	0.1%		6%	5.8%	5.4%
405-1b	Percentage of employees with disabilities	-0.1%		1.3%	1.4%	1.3%

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
	Training and Development					
-	Share of employees having received training [base year 2011]	2.4%	19.4%	56%	54%	58%
-	Training hours (thousand hours) [base year 2013]	35%	72%	345	255	273
412-2a	Total number of hours of employee training on Code of Ethics	-	-	10,396		
412-2b	% of employees who have received training on Code of Ethics	-	-	41%	99%	73%
404-1	Average number of training hours – all employees	-	-	27		
-	Total training costs (€m)			2.4	3.2	3.3
404-3	% of employees who had a PDD, Polyvalence Matrix or equivalent appraisal this year		-	55%		-
-	% of permanent contract employees who had a PDD, Polyvalence Matrix or equivalent appraisal this year	0.1%	-	56%	56%	57%
-	% of Talent Review conducted for management positions	-	_	18%	_	-
-	% of open management positions filled with an internal candidate	7.4%	-	52%	45%	49%
203-2	Number of external people who received Tarkett Academy training			2,723	3,575	3,974
	Proactive internal communication and	Social dialogue				
-	Progress on "Listen to employees and engage in social dialogue" in employee feedback survey [base year 2010]	-	+6.5pts	-	60.0	-
-	Progress on "Communicate proactively towards all employees" in employee feedback survey [base year 2010]	_	+6pts	_	61.7	-
	Occupational safety & health					
403-2a	Injury frequency rate - LTA only [FR0t] - employees	24%	-	1.55	1.25 ⁽¹⁾	-
403-2a	Injury frequency rate - LTA and lost time < 24 hours [FR1t] - employees			2.07		-
403-2a	Lost day rate due to LTA - accident severity rate [TG0t] - employees	36%		0.062	0.045(2)	
403-2a	Occupational illnesses (OI) frequency rate – employees			0.90		

^{(1) 2016} restated (1.17). (2) 2016 restated (0.035).

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
	Occupational safety & health					
403-2a	Absentee rate % - employees	0.2%	=	2.5%	2.3%	
403-2a	Absentee rate % - employees and external workers - plants only [base year 2014]	0.1%	0.3%	2.6%	2.5%	2.5%
403-2a	Injury frequency rate - LTA only (FR0t) - employees and external workers - plants only [base year 2010]	-6%	-45%	1.38	1.46 (1)	2.32
403-2a	Injury frequency rate - LTA and lost time < 24 hours [FR1t] - employees and external workers - plants only [base year 2013]	-49%	-69%	1.87	3.68 (2)	6.26
403-2a	Injury frequency rate - LTA, lost time < 24 hours & first aid [FR2t] - employees and external workers - plants only [base year 2013]	-25%	-41%	14.32	19.0	25.6
403-2a	Lost day rate due to LTA - accident severity rate - employees and external workers - plants only [base year 2013]	27%	-1%	0.075	0.059 (3)	0.070
403-2a	Number of fatal accidents - plants only			0	0	0
403-2b	Injury frequency rate - LTA only [FR0t] - external workers			6.62		_
403-4b	% of formal agreements covering health & safety topics		_	15%		
-	Progress on "Ensure respect and integrity through adhesion to Tarkett values" in employee feedback survey [base year 2010]	-	+5.5pts	-	61.5	_
	Tarkett Cares					
203-2	Number of community initiatives supported through time, flooring, other material or funding contributions	-	-	141	-	-
203-2	Number of employees involved in community initiatives			1,398		-
203-2	Number of days of donated time through volunteering (based on 7 hours per day)			700		
203-2	Quantity of flooring products donated to community initiatives (m²)			16,322		
203-2	Total value of contributions to community initiatives (in keuros)			508		

^{(1) 2016} restated (1.38).(2) 2016 restated (3.56).(3) 2016 restated (0.044).

Social indicators by region

GRI	Indicator	2017	Europe ⁽¹⁾	North America (2)	Rest of World ⁽³⁾
	Workforce				
102-7a	Total number of employees	12,819	37%	31%	32%
102-8b	Total number of permanent contract employees	11,797	4,391	3,613	3,793
102-8b	Total number of fixed-term contract employees	1,022	397	341	284
401-1	New employee hires and employee turnover				
401-1a	Number of employee hires	2,713	739	1,247	727
401-1a	Rate of employee hires	21%	15%	32%	18%
401-1b	Total number of employee departures	2,470	714	1,148	608
401-1b	Total employee turnover rate	19%	15%	29%	15%
	Occupational health & safety				
403-2a	Injury frequency rate - LTA and lost time < 24 hours [FR1t] - employees	2.07	3.85	1.58	0.66
403-2a	Lost day rate due to LTA - accident severity rate [TG0t] - employees	0.062	0.083	0.006	0.530
403-2a	Occupational illnesses (OI) frequency rate – employees	0.90	1.74	0.92	0.00
403-2a	Absentee rate % - employees [base year 2016]	2.5%	3.2%	2.0%	2.1%
403-2b	Injury frequency rate – LTA only [FR0t] – external workers	6.62	5.96	10.11	0.00

Europe: Corporate, EMEA & Tarkett Sports EMEA.
 North America: Tarkett North America + Tarkett Sports North America
 Rest of World: Tarkett Eastern Europe + LATAM + APAC

Environmental indicators

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
	Good materials					
416-1	Share of raw materials for which material assessment following Cradle to Cradle® principles has been performed (% of purchase volume) [base year 2011]	+1pt	88pts	96%	95%	80%
	Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume) [base year 2011]	+2pts		71%	68%	67%
301-1	Share of renewable and recycled materials (% of raw material purchasing)	+9pts		39%	31%	-
301-2	Share recycled materials (% of raw material purchasing)	+6pts		12%	6%	-
	Resourcestewardship					
	Water consumption (litres/m²) [base year 2010]	-7.2%	-40%	3.09	3.33	3.32
303-1	Water consumption (million cubic metres)	-5%		0.96	1.00	
303-3	Share of manufacturing sites that have implemented closed-loop water circuits (or do not use water in their process) [base year 2010]	+7pts	+6pts	67%	60%	57%
302-3	Energy intensity (kWh/m²) [base year 2010]	2.1%	-4%	4.17	4.09	4.21
302-1a	Non-renewable fuel energy consumption (GWh)			583		
302-1b	Renewable fuel energy consumption (GWh)			160		
302-1c	Purchased electricity consumption (GWh)			547		
302-1d	Generated electricity sold (GWh)			0		
302-1e	Total energy consumption (GWh)			1,290		
305-4a	GHG market-based emissions intensity (Scope 1 & Scope 2) (kgCO ₂ e/m²) [base year 2010]	-1.9%	-9%	0.92	0.94	1.02
305-1a	Gross direct (Scope 1) GHG emissions (t CO ₂ equivalent)			112,972		
305-1c	Biogenic CO ₂ emissions (t CO ₂)			56,057		
305-2a	Gross location-based indirect (Scope 2) GHG emissions (t CO ₂ equivalent)			222,479		
305-2b	Gross market-based indirect (Scope 2) GHG emissions (t CO ₂ equivalent)			171,549		

GRI	Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
	People-friendly spaces					
416-1	Share of non-phthalate products (% of m² produced) [base year 2010]		57pts	57%	57%	55%
416-1	Share of low Volatile Organic Compound (VOC) emission products (% of m² produced) [base year 2010]	+4pts	+75pts	96%	92%	92%
	Recycling and Reuse					
	Non-recycled waste intensity (g/m²) [base year 2015]	-18%	-31%	86	105	125
306-2a	Hazardous waste (thousand metric tonnes)			9.5		
306-2b	Non-hazardous waste (thousand metric tonnes)			66.6		
306-2	Total waste to landfill (thousand metric tonnes) [base year 2015]	-26%	-33%	13.6	18.4	20.3
306-2	Share of total waste sent to landfill			18%	-	-
306-2	Share of total waste sent to external recycling			65%		
306-2	Share of total waste sent for energy recovery			8%	-	
306-2	Share of non-recycled waste sent to landfill [base year 2015]	-8pts	-13pts	51%	58%	63%
301-3	Post-installation or post-consumer products collected <i>(metric tonnes)</i> [base year 2010]	-54%	-78%	4,100	8,900	9,900

Other CSR indicators

Indicator	Variation 2017 vs 2016	Variation 2017 vs base year	2017	2016	2015
Share of raw materials purchased with suppliers committing to UN Global Compact (% of purchase value) [base year 2011]	+10pts	+32pts	74%	64%	72%
Audited entities [base year 2011]	-1pt	+44pts	96%	97%	92%

3.7.2 CSR methodology note

Since becoming a listed company in 2013 Tarkett publishes, as required by French regulatory requirements, information on the social, environmental and societal aspects of its activities in its annual management report (Registration Document). This information includes Tarkett's Corporate Social Responsibility (CSR) Key Performance Indicators (KPIs) taken from Tarkett's Sustainability Dashboard. The Dashboard is an essential tool for monitoring and guiding performance. Its principal objective is to provide the Group with relevant indicators to evaluate the deployment of its strategy and fulfil its regulatory obligations. Progress is measured against a base year set for each indicator.

In accordance with French regulatory requirements, the corporate environmental and social information has been verified by an independent third-party organization (the report on corporate, environmental and social information by one of the Statutory Auditors, appointed as an independent third-party organization).

Guiding frameworks

Tarkett's CSR reporting and sustainability dashboard have been developed based on the following frameworks:

- the Group's sustainable development strategy: each strategic initiative relies on one or more quantified indicators, certain of which are the subject of long-term objectives (2020);
- > the French 2010 Grenelle 2 law and subsequent amendments: the social, environmental and societal information required by Article L.225-102-1 of the French Commercial Code is included in the form of indicators or quantified statistics in the dashboard (the qualitative information is presented in other sections of the management report);
- > the UN Global Compact: in connection with the Group's voluntary commitment, the dashboard is a tool for managing performance in every dimension of the Global Compact;
- > the Global Reporting Initiative (GRI) Standards 2016. This report discloses as far is currently possible the GRI Standards: Core option. A GRI content table (see section 3.7.3) indicates where the relevant standard disclosures can be found in this report;
- > the Greenhouse Gas Protocol: Greenhouse emissions are quantified and reported according to the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol.

The sustainability dashboard is built around three dimensions: Social Responsibility, Environmental Responsibility, and corporate governance.

Methodological Procedures

In 2017 Tarkett reviewed and improved the documentation of its CSR reporting procedures. This work aimed to further align its reporting with the new 2016 GRI Standards: core option and to incorporate learnings from its 2016 reporting campaign. The new CSR Reporting Handbook sets out:

- the aims of Tarkett's CSR reporting and its 2020 objectives for certain indicators:
- > the reporting principles, reporting scope, reporting tools, internal controls and consolidation rules;
- > the reporting organisation, responsibilities and planning; and
- > the detailed definitions, specific guidelines and control points of all reported indicators.

The CSR Reporting Handbook was prepared in consultation with the different internal CSR topic owners and involved gathering feedback during a trial run with the end of June reporting. The finalised version of the Handbook was presented to and approved by the Executive Management Committee. The Handbook will be reviewed each year taking into account feedback and any changes in reporting requirements or objectives.

The following is a summary from the CSR Reporting Handbook:

Reporting principles

> Stakeholder Inclusiveness

Tarkett is committed to meeting the expectations of its stakeholders by investing in long-term relations. Tarkett engages with stakeholders through diverse means to ensure that its strategies and reporting account for their expectations.

> Sustainability Context

Tarkett is determined to contribute, wherever its business activities allow, to addressing several of the most important and pressing challenges that face society in the 21st century (combating climate change, managing scarce natural resources sustainably and promoting people's well-being and the development of healthy living spaces).

> Materiality

Tarkett conducted a stakeholder survey in 2016 to identify Tarkett material topics and ensure that its Sustainability policies are aligned with stakeholder expectations.

> Completeness

Tarkett's CSR report covers the same scope as the consolidated financial report. Topics covered in the report reflect the organization's significant economic, environmental and social impacts. Material CSR topics are not omitted. Furthermore, Tarkett strives to explore new and upcoming topics in appropriate detail.

> Accuracy

Tarkett strives to ensure the accuracy of reported data, with clearly documented definitions and procedures in its CSR Reporting Handbook and with multiple controls.

> Balance

Tarkett tracks performance in order to report on progress as well as challenges, thus reflecting in a transparent manner both positive and negative aspects of its CSR performance.

> Clarity

CSR information is presented by Tarkett in a clear manner, with sufficient detail, that can be easily understood by stakeholders.

> Comparability

Tarkett promotes consistent reporting through well documented procedures and presents indicators with comparisons to previous periods and base years.

> Reliability

Reported data is documented and traced to source with internal controls and third party external verification providing additional confidence in the veracity of published content.

> Timeliness

Tarkett publishes CSR information annually with financial reports in March/April.

Reporting period

The annual reporting period is aligned with the financial year which is the calendar year from 1st January to 31st December. This report concerns the period 1st January 2017 to 31st December 2017.

Reporting frequency

CSR reporting for external publication needs is conducted annually. Intermediary reporting for internal purposes are conducted for certain topics (e.g. monthly reporting of WCM industrial KPI). Following the implementation of the new CSR Reporting Handbook, Tarkett carried out a complete intermediary reporting exercise at the end of October 2017. This helped to prepare for the end of year campaign and accompanied the deployment of the new handbook.

Social and Environmental Report

Scope of reporting

The scope of reporting is Group-wide, covering all activities of which the Group has operational control, except for Cuzorn, where production ceased in 2014.

Social reporting covers:

- > the workers (employees and external workers) at all entities in the consolidated financial scope. This includes all manufacturing plants, sales network and administrative offices;
- > safety & absenteeism are reported for 2 scopes:
 - Plants only = all manufacturing plants in Tarkett WCM Industrial program (all manufacturing operations) including both Tarkett payroll employees and external workers,
 - 2) Group = all Tarkett payroll employees (except where specific limits to scope of reporting are given).

Environmental reporting covers:

- the manufacturing activities at all plants in the consolidated financial scope;
- the flooring and sports surface finished goods produced at all plants in the consolidated financial scope.

Rules for Joint Ventures and participations less than 100%: Tarkett currently has one participation less than 100% and one Joint Venture (Laminate Park). For social reporting both entities are consolidated at 100% (Headcount figures in other chapters of Tarkett's management report exclude the headcount at Laminate Park). For environmental reporting at the Laminate Park plant at Eiweiler, Germany, the MDF line is consolidated at the relative share of the production. This means the plant environmental indicators for the MDF line are consolidated pro rata to the Tarkett share of the MDF semi-finished goods production volume. Plant environmental indicators for the laminate line at the same plant are consolidated at 100%, corresponding to the 100% Tarkett share of the laminate finished goods production volume.

Reporting organisation

The CSR Reporting is coordinated jointly by the CFO and the VP Group Communications and CSR. Each CSR topic and its relevant indicators are owned by a member of the Tarkett Executive Management Committee (EMC). The clear ownership and responsibility ensure accurate, reliable and timely reporting of CSR data and indicators.

Reporting tools

HR CSR scorecard: data on workforce, headcount, diversity, etc. topics collected in a specific reporting Excel scorecard and consolidated by the group.

Tarkett Cares scorecard: data compiled in a specific reporting Excel scorecard and consolidated by the group.

Employee satisfaction: measured every two years through the internal employee satisfaction survey. Next survey in 2018.

Compliance: data on compliance topics training (e.g. competition) collected in a specific reporting Excel scorecard and consolidated by the group

Academy: data on Tarkett Academy training collected in a specific reporting Excel scorecard and consolidated by the group.

WCM environmental, safety and absence indicators: data reported in a dedicated scorecard for each manufacturing plant with data uploaded monthly to a group data repository.

People Friendly Spaces: phthalate free, low VOC emission and production volume data collected from plants in a specific reporting Excel scorecard and consolidated by the Group.

Good materials: indicators on resource scarcity and Cradle to Cradle® assessment compiled from raw material purchase data and material classification and consolidated by Group in a specific reporting Excel scorecard.

Restart & re-use: data on post-installation, post-consumer and post-manufacturing waste collection and re-use collected in a specific reporting Excel scorecard and consolidated by the group.

 $\mbox{UN Global Compact supplier commitment:}$ data compiled from raw material supplier purchase data.

Specific limits to scope of reporting

Safety: excluding Beynon Sales Network. Grassmaster activities does not track first aid injuries.

Absence: excluding the following entities in the US, where hours lost for unplanned absence are not tracked according to Group rules: Diamond West, Solon & Resilient Sales Network, FieldTurf North America & Sales Network, FieldTurf USA Sales Network, Beynon Sales Network (these entities represent approximately 25% of Tarkett's North American headcount).

Training hours: excluding FieldTurf EMEA HQ & Sales Network, FieldTurf Spain Sales Network.

Share of employees receiving training: excluding FieldTurf EMEA HQ & Sales Network.

Training costs: excluding FieldTurf EMEA HQ & Sales Network, Tandus US.

Annual performance appraisal: Absteinach & Laminate Park.

Internal management positions filled internally: Laminate Park.

Raw material assessment & resource scarcity: all raw materials purchased for the production of finished and semi-finished flooring and sports surface products, excluding outsourced finished goods, process chemicals and packaging.

Environmental manufacturing indicators: water, energy, greenhouse gas emissions and waste indicators are reported for all industrial sites within the scope of reporting.

People Friendly Spaces indicators: share of phthalate free, share of low VOC emission and share of non-quantifiable VOC emission products exclude all semi-finished production volume, the production volume for automotive industry at Clervaux and the laminate flooring branded Hornitex and Easium produced by Laminate Park.

Supplier commitment to UN Global Compact: all raw materials purchased for all sites worldwide for the production of finished and semi-finished flooring products, including packaging materials where these are included in the Bill of Materials including main outsourced finished goods (LVT), excluding sports surface products.

CSR indicator definitions (extract from Tarkett CSR Reporting Handbook)

> Social

Full time equivalent (FTE): used to measure the effective workforce during the reporting period as opposed to the headcount which is the number of employees present at the end of the reporting period. Reported for both Tarkett payroll employees and external workers.

Headcount: number of Tarkett payroll employees at the last day of the month of reporting period.

Tarkett payroll employees: all workers who are engaged by Tarkett and are on the Tarkett payroll, including interns/trainees and apprentices if on payroll. Excluding non-active staff (employees on leave greater than 6 months)

Permanent contract: employee engaged by Tarkett for no specified duration (i.e. indefinite contract for an indeterminate period). Exception for China where employees on 2 or more years fixed-term contract are considered as permanent.

Fixed-term contract: employee on Tarkett payroll engaged for a specified limited duration (i.e. employee temporary contract).

Geographical zones: Europe comprises Tarkett EMEA, Tarkett Sports EMEA & corporate; North America comprises Tarkett North America & Tarkett Sports North America; Rest of World comprises Tarkett Eastern Europe, Asia Pacific and Latin America.

External workers: any worker who does not have an employment contract with Tarkett/is not on Tarkett payroll (e.g. external workers on contract with a temporary staff employment or leasing agency hired to support regular operations).

Manager: a manager is an employee with at least one direct report at the date of reporting (e.g. 31.12), including blue collar workers (e.g. shift leaders, group leaders, extension supervisors and team managers are considered as managers).

Other employees: all employees other than managers at the date of reporting.

Disabled employees: reported according to local labour laws where permitted.

Top senior executives (EMC to EMC-1): CEO, members of Executive Management Committee (EMC) and the senior executives reporting to them (with or without direct report).

Senior executives (EMC to EMC-2): top senior executives and the senior executives directly reporting to them (with or without direct report).

Employees hired: number of employees (with permanent or fixed-term contracts) added to the payroll including employees hired on the final day of reporting period.

 $\textbf{Rate of employee hires:} \ employees \ hired/head count.$

Total number of employee departures: number of employees (with permanent or fixed-term contracts) removed from the payroll.

Total employee turnover rate: employee departures/headcount.

Permanent employee turnover rate: permanent contract employee departures/permanent employee headcount.

Share of employees having received training: an employee is considered as "having received training" if the cumulative number of training hours received over the full year exceeds 1 full day (8 hours).

Training hours: training in Tarkett as considered as development activity, with specific support, and confirmation of attendance.

PDD, Polyvalence Matrix or equivalent appraisal: the annual appraisal ("Performance and Development Dialogue" and "Polyvalence Matrix") is an annual exchange between the employee and his/her manager to discuss achievements, skills, opportunity for improvement and development program.

Talent Review conducted for management positions: a structured process for making the key decisions related to the organization needs, employee development priorities, and careers progression.

Open management positions filled with internal candidate: a management position is a position (manager) with at least one direct report. An internal candidate is a candidate already a Tarkett employee.

Number of external people who received Tarkett Academy training: number of people (excluding employees and external workers) having completed a Tarkett Academy technical training session/programme in the Tarkett Academy network.

Tarkett Academy network: the Tarkett Academy organises and provides specific technical training programmes (in flooring installation and maintenance) at dedicated training centres and at other locations.

Dedicated Tarkett Academy technical training centre: a Tarkett facility that is dedicated to giving technical training (including training to external people).

Number of injuries – employees: Excluding accidents to visitors and commuting accidents which are tracked separately; where visitors may include Tarkett employees visiting other sites.

LTA: a Lost Time Accident (including fatality) where the individual is more seriously injured and as a result they are unavailable to attend work for a period greater than 24 hours.

Injuries with lost time < 24hours: a workplace injury which is sufficiently serious to mean that the injured person is unable to attend work for the remainder of the day, however are available to return to work the next day.

Injuries with first aid: a workplace minor injury where the injured party is able to return to work following a brief period of minor treatment from an occupational nurse or trained staff member.

Injury frequency rate - LTA only [FR0t]: # LTA x 1,000,000/worked hours

> Restatement: 2016 values (Group & Plants only) restated to include 2 LTAs for Tarkett employees (installers) previously omitted.

Injury frequency rate – LTA and lost time < 24 hours [FR1t]: # LTA + # Injuries with lost time < 24 hours x 1,000,000/worked hours

Restatement: 2016 value (Plants only) restated to include 2 LTAs for Tarkett employees (installers) previously omitted.

Injury frequency rate - LTA, lost time < 24 hours & first aid [FR2t]: # LTA + # Injuries with lost time < 24 hours + # injuries with first aid x 1,000,000/worked hours

Lost day rate due to LTA – accident severity rate [TG0t]: # of working days lost for LTA \times 1,000/worked hours.

Restatement: 2016 values (Group & Plants only) restated to include lost days for an accident occurring before 2016. Occupational illnesses: an occupational illness (or disease) is defined as, "any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to factors associated with employment."

Occupational illnesses frequency rate: # Occupational illnesses/worked hours x 1,000,000.

Hours lost for absence: worked hours lost for unplanned absence (i.e. illness, worked-related accidents, strikes or other unexcused absence) of all employees during the reporting period up to 30 days. Excluding "planned sick leave" absence (e.g. in North America where certain categories of workers, such as office workers, have pre-determined quota of "paid sick days" that they can take without justification and where actual sick days are not tracked).

Absentee rate %: # hours lost for absence/# total scheduled hours.

% of total employees covered by collective bargaining agreements: all negotiations which take place between employers, on the one hand, and workers' organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and employees.

% of formal agreements covering health & safety topics: share of all formal agreements which cover health and safety topics.

Progress on "Ensure respect and integrity through adhesion to Tarkett values": average score to 2 questions in the biennial (every two years) employee feedback survey: "I believe that Tarkett's values provide employees with clear guidance" and "I believe that manager conduct is consistent with Tarkett values".

Progress on "Listen to employees and engage in social dialogue": average score to 2 questions in the biannual employee feedback survey: "In my department, differing views are openly discussed when making decisions" and "Sufficient effort is made to get the opinions and thinking of people who work in Tarkett".

Progress on "Communicate proactively towards all employees": average score to 3 questions in the biannual employee feedback survey: "My manager does a good job of keeping me informed about matters that affect me", "Senior management does a good job of explaining the reasons behind important business decisions" and "Overall, I receive enough information at Tarkett".

Total compensation and benefits: total of short-term employee benefits.

Tarkett Cares

Community initiatives: the Tarkett Cares programme promotes the participation of Tarkett employees and Tarkett entities in local community initiatives which help the community for better living and contributes to local community's needs. As per Tarkett Cares guidelines the initiative should be connected to Tarkett's values, core business or sustainability commitment and carried out with an officially recognised non-profit organization (including public services such as schools).

Employees involved: the total number of employees who have volunteered 1 or more hours to community initiatives.

Hours volunteered: the total number of hours volunteered during working hours. As per Tarkett Cares rules, each employee can volunteer (share time and talent) between 1 hour and 2 days per year during working hours. Hours volunteered outside of working hours (e.g. evenings, weekends, holidays) are not included.

 $\begin{tabular}{ll} Flooring products donated: total square meters of flooring products donated to community initiatives. \end{tabular}$

Total value of contributions to community initiatives: Value of flooring products donated based on standard factory price (cost of production) + value of other in-kind contributions (cost of purchased materials) + cash donations + value of volunteered hours (calculated using total employee compensation and FTE).

Code of Ethics

% of employees who have received training on Code of Ethics: share of employees (total headcount) who have completed the Tarkett online e-learning module on Tarkett's Code of Ethics, or who have received "in-person[EG]"/face to face training on Tarkett's Code of Ethics.

Total number of hours of employee training on Code of Ethics: based on a standard duration for online e-learning or in-person training on Tarkett's Code of Ethics of 2 hours.

Social and Environmental Report

> Environmental

Indicators on raw materials: purchases of raw materials only (i.e. materials included in the Bill of Materials) (excluding indirect purchases and finished products). Most raw material purchase data comes from Tarkett's global SAP data warehouse. The remaining (26%) is reported by plants.

Share of raw materials for which material assessment has been performed (% of purchase volume): share of materials purchased (in metric tonnes), for which an impact study was carried out pursuant to Cradle to Cradle® principles "Product Standard Material Health Methodology Nov. 2013" available at www.c2certified.com. Tarkett uses ABC-X classification, which evaluates risks related to the impact of chemical substances on the environment and the recyclability of those substances. For raw materials in SAP the ratings A, B, C, [], X and [X] are considered as assessed at a SKU level. For other raw materials the ratings A, B, C, [], X, [X] and Grey are considered as assessed by raw materials family. For PVC materials, all raw materials are considered as assessed

Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume): materials characterized based on resources used in their production process (fossil, limited minerals, abundant minerals, renewable, recycled). The 3 categories not contributing to resource scarcity are: mineral abundant, renewable and recycled.

Fossil origin: every resource synthetized from fossil fuel, especially oil, but also sulphates. The category excludes fossil minerals like Calcium carbonate. Polyvinyl Chloride (PVC) is considered as 43% fossil (petrol) and 57% mineral abundant (sea salt).

Mineral origin: a chemical element or inorganic combination of chemical elements occurring naturally, extracted from the ground or water and used in economic activities. The category includes fossil-formed minerals like charcoal or limestone. Mineral abundant resource – that is not threatened by scarcity. It can have important reserve (sea salt – sodium chloride, limestone – calcium carbonate...), very good recycling process (like Aluminium) or be virtually inexhaustible (chlorine in sea water). Mineral limited resource – that is threatened by exhaustion in a short term (as defined by selected models) and that is to be substituted in priority.

Renewable origin: a resource of which reserves can be replenished in the same or less time than the one needed for its consumption.

Recycled origin: as per ISO14021 definition, including post-consumer and post-installation flooring waste collected by Tarkett (e.g. ReStart®) and effectively recycled and used in Tarkett products, recycled post-manufacturing waste from Tarkett used in Tarkett production, recycled (post-consumer and/or post-manufacturing) waste procured by Tarkett from other industries for Tarkett production and recycled content of other procured raw materials.

Manufacturing environmental intensity indicators: Tarkett tracks and reports its environmental performance per square metre of floor covering. These intensity ratios are calculated by dividing the (numerator) environmental manufacturing indicators (water, energy, greenhouse gas emissions and non-recycled waste) by the (denominator) volume of finished goods – floor covering in square metres. The volume of semi-finished goods is not included.

Water consumption: all water consumed in the production/technical process, including for cooling as well as water not consumed in the production process, but consumed on site (e.g. in sanitary, in canteens). Water sources are groundwater, surface water and municipal water. Excluding rainwater consumption (11800 cubic metres).

Share of manufacturing plants that have implemented closed-loop water circuits (or do not use water in their process): closed-loop water circuit considered as when water is recycled and reused in a closed loop. The only make-up normally required is that needed to replace small water losses. Each plant calculates % of reused water using flow data and formula A/A+B+C where A = volume of water re-used or recycled; B =

volume of water consumed and discharged directly and C = volume of water consumed to refill the loop. Plants considered as having closed-loop water circuit when results > 98%.

Non-renewable fuel consumption: includes the consumption of fuel oil, natural gas, liquefied petroleum gas, propane and butane.

Renewable fuel consumption: includes the consumption of biomass, biofuel, geothermal, solar thermal and solar photovoltaic energy. Excluding the purchase of renewable electricity reported separately as part of purchased electricity.

Purchased electricity consumption: renewable and non-renewable purchased electricity consumption.

- Non-renewable electricity: share of electricity purchased from a supplier using a non-renewable energy source to generate the electricity supplied during the reporting period. Including a small amount (0,3%) of purchased heat from a district heating network.
- > Renewable electricity: share of electricity purchased from a supplier using a renewable energy source to generate the electricity supplied during the reporting period.

Generated electricity sold: renewable electricity generated and sold to the grid (currently a negligible quantity).

Total energy consumption: renewable fuel + non-renewable fuel + purchased electricity consumption. Steam consumption is excluded (17 GWh in 2017 at one plant).

Greenhouse gas (GHG) emissions reporting:

- In 2017 Tarkett further aligned its inventory of GHG emissions with the GHG Protocol and GRI 2016 standards.
- As such it now includes the CH₄ and N20 biomass scope 1 emissions (impact +0,7%) as well as reporting separately the outside of scope biogenic CO₂ emissions. Furthermore, it now reports both market-based and location-based scope 2 GHG emissions (which also now include CH₄ and N₂0 as well as CO₂ emissions).

Gross direct (scope 1) GHG emissions: natural gas, fuel oil, LPG, propane, butane and biomass consumption multiplied by their respective emission factors (for biomass consumption this relates only to scope 1 CH $_4$ and N $_2$ 0 emissions, out of scope biogenic CO $_2$ emissions are reported separately).

Biogenic CO_2 emissions (out of scope): CO_2 emissions arising from the combustion of biomass or biofuel are reported outside of scope 1, scope 2 and scope 3 GHG emissions. These emissions are reported outside of the scope because the Scope 1 impact of these fuels has been determined to be a net "0" (since the fuel source itself absorbs an equivalent amount of CO_2 during the growth phase as the amount of CO_2 released through combustion).

Gross location-based indirect (scope 2) (GHG) emissions: total electricity consumption multiplied by the location-based emission factors, where the location-based method reflects the average GHG emissions intensity of grids on which energy consumption occurs, using mostly grid-average emission factor data.

Gross market-based indirect (scope 2) (GHG) emissions: electricity consumption multiplied by a market-based emission factor which corresponds to the characteristics of the electricity purchased. For purchased renewable electricity the factor is 0 kgCO $_2$ e/kWh. In other cases, the supplier specific emission factor communicated by the electricity provider or in the absence of a specific supplier factor the emission factor based on the regional electricity generation mix or finally the default location-based emission factor.

Source of emission factors: Scope 1 and out of scope biogenic emission factors (kgCO $_2$ e per kWh) are taken from Defra's 2017 – UK Government GHG Conversion Factors for Company Reporting. Scope 2 location-based emission factors (kgCO $_2$ e per kWh) are taken from 3 sources: Defra 2017 for UK purchased electricity; US EPA: eGRID 2014v2 – Subregion Emissions – Greenhouse Gases for US regional purchased electricity and IEA "CO $_2$ emission from fuel combustion 2017 (2015 emission factors)" all other countries purchased electricity.

Phthalate free products: products "without added phthalates" mean that no phthalate plasticizers (DOP or DINP) are contained in virgin raw material (not greater than 0.1% in mass) in the product composition, but recycled material content could contain some residual phthalates.

Share of phthalate free: share of production volume (m²) of products potentially containing phthalates, i.e.: all vinyl products (including LVT outsourced) and all other products containing PVC parts (e.g. certain carpets produced in North America).

VOC: volatile organic compounds.

Low VOC emission products: products with TVOC emissions $\leq 100 \, \mu g/m^3$ according to ISO 16000-9 guidelines (emission chamber) and local test methods (wood floorings: excluding natural emissions coming from wood itself)

Non-quantifiable VOC emissions products: products with TVOC, SVOC and formaldehyde emissions \leq 10 µg/m³ according to ISO 16000-9 guidelines (emission chamber) and local test methods.

Share of low VOC emission: share of production volume (m²) of indoor flooring and indoor sports surface products potentially releasing VOCs, i.e.: all products excluding outdoor grass and outdoor track surfaces.

Waste: all waste removed from the manufacturing plants, (e.g. industrial waste, office waste, waste from canteens,...) removed by a contracted service provider (this may exclude certain non-industrial waste removed by municipal authorities who do not provide any tracking information such as quantity and type of waste removed). Tarkett splits waste by hazardous and non-hazardous and by destination: landfill, incineration with energy recovery, incineration without energy recovery, other treatment and recycling. Non-hazardous waste-water is excluded.

Hazardous waste: hazardous waste as defined by national legislation at the point of generation.

Non-hazardous waste: waste not classified as hazardous as defined by national legislation at the point of generation.

Non-recycled waste: all waste excluding waste sent for external recycling.

Waste to landfill: all waste sent to landfill.

Waste sent for external recycling: waste sent for external recycling, including waste sent to other Tarkett plants for internal recycling. Also including carpet waste sent to cement industry as a source of calcium carbonate as well as a replacement to fossil fuel.

Post-installation or post-consumer products collected: post-consumer waste includes flooring and sports surface products that have been used and are removed for disposal (e.g. old products retrieved from the floor during a renovation project, potentially with remaining concrete and/or glue) and other waste material (e.g. Polyvinyl butyral (PVB) resin from recycled vehicle windscreens/windshields). Post-installation flooring waste incurred during the installation of flooring and sports surface products (e.g. not used pieces of clean flooring, reclaimed from installers during installation). Collected through Tarkett organised collection of post-consumer or post-installation waste (e.g. through ReStart® program).

> Other CSR indicators

Supplier commitment to UN Global Compact: share of direct purchases made with suppliers who have committed to UN Global Compact. Tarkett started in 2011 to integrate in all its supply agreement a clause requiring suppliers to "maintain a corporate policy that will respect the commitments of the United Nation Global Compact by applying in their company and to their own suppliers the ten principles of the Global Compact which the Supplier undertakes to abide by". Therefore, the suppliers who have signed a formal supply agreement or UN Global Compact clauses with Tarkett are accounted as committing to UN Global Compact principles.

Internal audit: share of operating assets audited over the cause of the last $4\,\mbox{years}.$

3.7.3 Concordance Table Grenelle 2/GRI/Tarkett Report

Tarkett has developed a reporting system that follows and goes beyond French law's requirement (Grenelle 2), based on challenging frameworks and guidelines published by international bodies such as the Global Reporting Initiative (GRI).

GRI Content Index/Concordance Table Grenelle 2/GRI/Tarkett Report

GRIStandard	Disclosure/Description	Page number/ Section inside Registration Document	Correspondance Grenelle II
General Disclosures			
	102-1 Name of the organization	Cover	II.a) 1.1
	102-2 Activities, brands, products, and services	1.4.4 and 1.6.1	-
	102-3 Location of headquarters	7.1.1.	-
	102-4 Location of operations	1.4.3. and 1.5.	-
	102-5 Ownership and legal form	7	_
	102-6 Markets served	1.5	_
	102-7 Scale of the organization	3.7	I. a) 1.1
	102-8 Information on employees and other workers	3.7	I.a) 1.2
	102-9 Supply chain	3.5.1	III.c) 2
	102-10 Significant changes to the organization and its supply chain	3.2.1 and 3.7	PG1
	102-11 Precautionary Principle or approach	3.1.1 and 3.1.2	-
	102-12 External initiatives	3.2.3	PG3
	102-13 Membership of associations	3.2.3	I. a) 1.1
	102-14 Statement from senior decision-maker	3.1.1	II.a) 1.1
	102-16 Values, principles, standards, and norms of behavior	3.1.1,3.6.1 and 3.6.4	III. d) 1
	102-18 Governance structure	3.1.1, 3.6.1 and 3.6.4	III. d) 1
	102-40 List of stakeholder groups	3.2.1.2	III. b) 1
	102-41 Collective bargaining agreements	3.6.6.4	I.c) 2
	102-42 Identifying and selecting stakeholders	3.2.1	I.c) 2
	102-43 Approach to stakeholder engagement	3.2.1 and 3.2.3	III. b) 1
	102-44 Key topics and concerns raised	3.2.1	III. b) 1
	102-45 Entities included in the Consolidated Financial Statements	3.2.1	III. b) 1
	102-46 Defining report content and topic Boundaries	Methodological note	PG4
	102-47 List of material topics	3.2.1	-
	102-48 Restatements of information	3.2.1. and Methodological note	PG1
	102-49 Changes in reporting	3.2.1 and 3.7	PG1
	102-50 Reporting period	3.7	-
	102-51 Date of most recent report	3.7	-
	102-52 Reporting cycle	3.7	

GRI Standard	Disclosure/Description	Page number/ Section inside Registration Document	Correspondance Grenelle II
General Disclosures			
	102-53 Contact point for questions regarding the report	3.7	-
	102-54 Claims of reporting in accordance with the GRI Standard	3.7	
	102-55 GRI content index	3.7	PG3
	102-56 External assurance	3.7	PG5, PG6, PG7
Material topics			
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2The management approach and its components	3.1 and 3.4.1	-
	103-3 Evaluation of the management approach	3.5.1	
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	3.5.2	III.a)
Anti-corruption			
GRI 103:			
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	_
	103-2The management approach and its components	3.5.1	
	103-3 Evaluation of the management approach	3.5.1	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	3.5.1,3.6.1.3 and 3.6.5.3	III.d) 1
Materials			
GRI 103:			
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	_
	103-2The management approach and its components	3.4.1,3.4.2 and 3.2.4.2	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	3.7	II.c) 2.1
	301-2 Recycled input materials used	3.4.3	II.c) 2.2
	301-3 Reclaimed products and their packaging materials	3.4.3.4 (except packaging)	II. b) 2
Energy			
GRI 103:			
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2The management approach and its components	3.3.1 and 3.2.4.1	_
	103-3 Evaluation of the management approach	3.5.1	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	3.3.1.2	II. c) 3.1
	302-3 Energy intensity	3.3.1.2	-

GRI Standard	Disclosure/Description	Page number/ Section inside Registration Document	Correspondance Grenelle II
General Disclosures			
Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.3.1.2 and 3.2.4.1	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 303: Water 2016	303-1 Water withdrawal by source	3.3.1.2	II. c) 1.1
	303-3 Water recycled and reused	3.3.1.2	II. c) 1.2
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.3.1	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	3.3.1.1	II. d) 1
	305-2 Energy indirect (Scope 2) GHG emissions	3.3.1.1	II. d) 1
	305-4 GHG emissions intensity	3.3.1.1	II. d) 1
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.3.1.2 and 3.2.4.1	_
	103-3 Evaluation of the management approach	3.5.1	_
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	3.3.1.2	II. b) 2
Supplier Environmental Asses	sment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.5.1	
	103-3 Evaluation of the management approach	3.5.1	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	3.5.1	III.c) 2
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	
.0	103-2 The management approach and its components	3.6.1 and 3.2.4.3	
	103-3 Evaluation of the management approach	3.5.1	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	3.7	I. a) 1.1, I. a) 1.2, I. a) 1.3, I. a) 1.4, I. a) 2.1 and I. a) 2.2

GRI Standard	Disclosure/Description	Page number/ Section inside Registration Document	Correspondance Grenelle II
General Disclosures			
Occupational Health and Safe	ty		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2The management approach and its components	3.6.1 and 3.2.4.3	-
	103-3 Evaluation of the management approach	3.5.1	=
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases lost days, and absenteeism, and number of work-related fatalities		I.b) 2 and I.d) 3
	403-4 Health and safety topics covered in formal agreements with trade unions	3.6.6.4	I. d) 2
Training and Education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2The management approach and its components	3.6.1 and 3.2.4.3	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	3.6.5 and 3.7	I. d) 2
	404-2 Programs for upgrading employee skills and transition assistance programs	3.6.5 and 3.7	I.e) 2
	404-3 Percentage of employees receiving regular performance and career development reviews	3.6.5 and 3.7	I.e) 1
Diversity and Equal Opportuni	ty		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	_
	103-2 The management approach and its components	3.6.1 and 3.2.4.3	-
	103-3 Evaluation of the management approach	3.5.1	_
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	3.6.4	I. a) 1.2, I. a) 1.3, I. a) 1.4, I. f) 1, I. f) 2.2 and I. f) 3
Freedom of Association and Co	ollective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	_
	103-2 The management approach and its components	3.6.1 and 3.2.4.3	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	I. g) 1

GRI Standard	Disclosure/Description	Page number/ Section inside Registration Document	Correspondance Grenelle II
General Disclosures			
Child Labor			
GRI 103:			
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.5.1	
	103-3 Evaluation of the management approach	3.5.1	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor		I.g) 4
Forced or Compulsory Labor			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.5.1	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	I.g) 3
Human Rights Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.5.1	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 412: Human Rights Assessment 2016	412-2 Employee training on human rights policies or procedures	3.5.1 and 3.6.1.3	I. e) 2, III. e
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	
	103-2 The management approach and its components	3.1.1, 3.1.3 and 3.4.1	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	3.3.2 and 3.4.2.2	III.d) 2
Marketing and Labeling			
GRI 103:			
Management Approach 2016	103-1 Explanation of the material topic and its Boundary	3.2.1.3 and 3.7	-
	103-2 The management approach and its components	3.2.3.2	-
	103-3 Evaluation of the management approach	3.5.1	-
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	3.3.2.1	-

3.7.4 Report of an Independent third-party Organization

This is a free English translation of the Statutory Auditors' Report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders.

In our capacity as Statutory Auditor of Tarkett S.A., (hereinafter named the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049 (1), we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of Ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditors's responsibility

On the basis of our work, our responsibility is to:

- > attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- > express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);

However, it is not our responsibility to pronounce on the compliance with the relevant legal provisions applicable if necessary, in particular those envisaged by article L.225-102-4 of the French Commercial Code (Duty of care) and by the law n° 2016-1691 of December 9, 2016 known as Sapin II (fight against corruption).

Our work involved six persons and was conducted between August 2017 and February 2018 during an eleven weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement and with ISAE 3000 (2) concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in section 3 of the 2017 Registration Document which contains the CSR Information of the Board of Directors report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

⁽¹⁾ Whose scope is available at www.cofrac.fr.

⁽²⁾ ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted approximately twenty interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- > verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important (1):

- > at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- > at the level of a representative sample of sites selected by us (2) on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 25% of headcount considered as material data of social issues and between 16% and 100% of environmental data considered as material data (3) of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not $detecting \, a \, material \, misstatement \, in \, the \, CSR \, information \, cannot \, be \, totally \, eliminated.$

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris-La Défense, February 8, 2018

The Statutory Auditors French original signed by

KPMGS.A.

Philippe Arnaud Partner Sustainability Services Philippe Grandclerc Partner

⁽¹⁾ Quantitative social information: Total headcount on 31 December 2017 (split by gender, age and geographical region); Recruitments; Departures including layoffs; Training hours;

Absenteeism rate; Frequency rate of work-related accidents and Severity rate of work-related accidents, Percentage of female top senior executives.

Quantitative environmental information: Energy consumption; Greenhouse Gas emissions; Water consumption; Quantity of non-recycled waste; Quantity of waste collected post-installation and post-consumer waste recovered; Quantity of phthalate-free products; Quantity of low VOC products; Percentage of raw materials assessed according to Cradle or Cr

Qualitative social information: Organization of social dialogue including information procedures, consultation and negotiation with the employees; Measures implemented to promote employment and integration of disabled people; Occupational health and safety conditions.

Qualitative environmental information: The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Energy consumption and measures implemented to improve energy efficiency and renewable energy use; Consumption of raw materials and measures implemented to improve efficiency in their use; Information and training measures for employees regarding the protection of the environment.

Qualitative societal information: Action implemented against corruption; Integration of social and environmental issues into the company procurement policy; Measures

implemented to promote consumers health and safety

Social and Environmental information: AO "Tarkett" (Russia); Tarkett Sommer LLC (Russia); Tarkett Brasil Revestimentos LTDA (Brazil); Desso BV (Netherlands); Tarkett Alabama INC. (USA): Tarkett USA INC. (USA). Social information only: AO "Tarkett RUS" (Russia); FieldTurf INC. (Canada); Easyturf INC. (USA); Tarkett France (France).

Environmental information only: Tarkett GDL SA (Luxembourg). Verification work was carried out only on the indicators related to water consumption, quantity of waste non-recycled, percentage of phthalate free products and percentage of low VOC products.

⁽³⁾ See list of quantitative environmental information disclosed in footnote 1 on the same page

4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Key figures

4.1 **Key figures**

The following information concerning the Group's financial condition and results of operations should be read in conjunction with the $Consolidated\ Financial\ Statements\ as\ of\ and\ for\ the\ year\ ended$ December 31, 2017 and the notes thereto, free English language translations of which are included in Sections 5.1 and 5.2.

The Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union for the fiscal years in question. The Consolidated Financial Statements as of and for the year ended December 31, 2017 have been audited by the Company's Statutory Auditors. The report of the

Company's Statutory Auditors is presented in Section 5.9, "Statutory Auditors' Report on the Consolidated Financial Statements"

The Group is a global leader in flooring and sports surfaces offering the most extensive geographical base and one of the most comprehensive product lines in the industry. the Group's business is organized into four segments: three geographical segments for flooring (EMEA, North America and CIS, APAC and Latin America) and one global segment for sports surfaces.

Key figures

(in millions of euros)	December 31, 2017	December 31, 2016
Consolidated results of operations		
Net revenue Organic growth ⁽¹⁾	2,841.1 4.8%	2,739.3 1.7%
Adjusted EBITDA ⁽¹⁾ % of net revenue	315.1 11.1%	334.4 12.2%
Adjusted EBIT % of net revenue	196.3 6.9%	213.7 7.8%
Result from operating activities (EBIT) % of net revenue	12.7 0.4%	190.7 7.0%
Net result for the period – Group Share	(38.7)	118.6
Dividends per share (in euros) (3)	0.60	0.60
Return on invested capital (ROIC) (1)	8.9%	9.3%
Consolidated financial position		
Shareholders' Equity	780.6	935.2
Net debt (2)	491.8	378.2
Total Balance Sheet	2,133.1	2,168.2
Consolidated cash flows		
Cash generated from operations	91.1	297.3
Capital expenditures	(110.9)	(91.5)
Cash flow from operations (1)	(19.8)	205.8
Free cash flow (1)	(65.4)	148.0
Market capitalization as of December 31	2,229.0	2,172
Headcount at December 31	12,654	12,428

 ⁽²⁾ Net Debt - See Section 4.3.3 and Section 5.2, Note 7 "Financing and Financial Instruments".
 (3) 2017: amount to be proposed for distribution at the Annual Shareholders' Meeting on April 26, 2018.

The tables below show the breakdown of the Group's principal performance indicators by segment. Changes in these indicators as compared with the previous year are discussed in Sections 4.1.2.2 through 4.1.2.8:

2017 (in millions of euros)			Flooring	Sports Surfaces	Central	Group
(mmaioris of editos)	EMEA	North America	CIS, APAC and Latin America	Guriades		
Net revenue	926.4	783.4	619.0	512.3		2,841.1
Gross profit	274.4	218.2	124.4	87.1	(1.1)	703.0
% of net revenue	29.6%	27.8%	20.1%	17.0%	0.0%	24.7%
Adjusted EBITDA	126.8	95.0	88.5	51.5	(46.7)	315.1
% of net revenue	13.7%	12.1%	14.3%	10.0%	0.0%	11.1%
Adjustments	(168.5)	(2.4)	(1.8)	(2.6)	(4.8)	(180.1)
EBITDA	(41.7)	92.6	86.7	48.9	(51.5)	135.0
% of net revenue	(4.5)%	11.8%	14.0%	9.5%	0.0%	4.8%
Result from operating activities (EBIT)	(73.7)	25.3	42.6	30.1	(11.6)	12.7
% of net revenue	(8.0)%	3.2%	6.9%	5.9%	0.0%	0.4%
Capital expenditures	36.5	30.8	17.3	16.1	10.2	110.9

2016 (in millions of euros)			Flooring	Sports Surfaces	Central	Group
(irrinialoris or euros)	EMEA	North America	CIS, APAC and Latin America	Juliaces		
Net revenue	906.5	816.7	549.6	466.5		2,739.3
Gross profit	289.7	244.8	109.4	99.8	(0.8)	742.9
% of net revenue	32.0%	30.0%	19.9%	21.4%	0.0%	27.1%
Adjusted EBITDA	136.7	113.0	81.0	54.1	(50.4)	334.4
% of net revenue	15.1%	13.8%	14.7%	11.6%	0.0%	12.2%
Adjustments	(3.5)	(5.4)	(2.3)	(1.3)	(8.1)	(20.6)
EBITDA	133.2	107.6	78.7	52.8	(58.5)	313.8
% of net revenue	14.7%	13.2%	14.3%	11.3%	0.0%	11.5%
Result from operating activities (EBIT)	93.2	54.9	35.9	37.2	(30.5)	190.7
% of net revenue	10.3%	6.7%	6.5%	8.0%	0.0%	7.0%
Capital expenditures	35.8	23.6	14.1	10.0	8.0	91.5

4.1.1 Key indicators and segment information

4.1.1.1 Key indicators

Revenue Recognition

Consolidated net revenues are equal to revenues, excluding taxes on sales, of the Group's products and services, as well as transportation costs and customs duties that are invoiced to customers, net of rebates, discounts, returns and intragroup sales. They depend primarily on the growth factors described in Section 1.5.

The countries and regions where the Group operates have different demand trends, primarily as a result of local economic conditions, which affect the renovation and construction markets. The choice of flooring solutions in each market is influenced by local lifestyles, end-user tastes, climate and the condition of existing flooring, among other factors.

The Group estimates that the large majority of its revenues for the financial years under review were generated by renovation projects. The construction of new housing and commercial buildings represented a small percentage of revenues during this period.

The Group's organic revenue growth (see Section 4.7) (i.e. the positive or negative variation of sales due to changes in sales volumes and prices, excluding the effects of changes in scope of consolidation and exchange rates) depends mainly on the following factors, the details of which per segment are described in Section 1.5.1:

- > competitive advantage;
- the growth potential and structure of each of the Group's markets;
- > the Group's product-promotion strategy;
- > the economic climate.

Key figures

Cost of sales

The Group's cost of sales is composed primarily of variable costs, due to the large effect of the cost of raw materials, and, to a lesser extent, transportation and logistics costs. The primary components of cost of sales include the following:

- > raw materials used in the Group's manufacturing processes. The Group primarily uses PVC and plasticizers, the cost of which is related in part to the price of crude oil. Wood is another raw material that the Group uses. In 2017, the Group's raw materials costs consisted mostly of PVC and plasticizers (approximately 33%), wood (approximately 8%), fiberglass (approximately 4%) and packaging (approximately 3%). For developments about recent trends in the prices of raw materials used by the Group, see Section 1.6.2.1, "Raw Materials and Suppliers":
- > labor costs, consisting principally of salaries and benefits of production personnel. These costs vary depending on the number of employees and average level of salaries and benefits. In order to control labor costs, the Group uses temporary workers in certain factories to handle the seasonality of some of its activities. Labor costs were stable, increasing by 0.3 point as a percentage of net sales from 2016 to 2017 (excluding restructuring costs).

Transportation and logistics costs, which depend on fuel prices and the Group's operational efficiency (including, for example, its ability to ship products in fully loaded trucks, the location of production sites and the distance from the points of delivery to final customers).

Other costs, including energy costs such as electricity and gas, maintenance costs associated with the Group's various factories and depreciation and amortization of production and logistics assets.

Purchases of raw materials and similar products, labor costs and transportation and logistics costs represented 55%, 16% and 10%, respectively, of the Group's 2017 cost of sales.

As described in Section 1.6.2.2, over the past several years the Group has implemented a WCM (World Class Manufacturing) program.

The Group believes that this program has enabled it to realize cumulative savings of €303 million over the 2011-2017 period (more than 2% of cost of sales).

Selling, General and Administrative Expenses

Selling expenses include compensation of the Group's sales force, advertising and marketing costs and the cost of providing samples to customers and decision-makers such as architects and installation companies. The level of selling expenses is tied in part to the number of product or collection launches, which require specific sales efforts.

General and administrative expenses include administrative personnel costs at the central and division levels, which are managed through a decentralized model. Expenses relating to the management of information systems as well as amortization and depreciation of related investments are also included in administrative expenses.

Research and development

Innovation is critical to the Group's success, ensuring product quality, compliance with regulatory standards and reduced environmental impact. The Group seeks to maintain the highest level of excellence while controlling Research and Development costs, which are small as compared with other operational

expenses. These costs include compensation of Research and Development personnel as well as amortization and depreciation of patent-related expenses. Research and development costs represented 1% of the Group's consolidated net revenue in 2017.

Adjusted EBITDA

To evaluate its business performance, the Group uses an indicator that it calls "adjusted EBITDA" (see Section 4.7), which is equal to operating income before depreciation, amortization and before certain revenues or expenses considered as unusual or non-recurring, such as:

- > restructuring costs intended to grow the Group's future profits;
- > gains or losses on significant asset sales;
- costs relating to corporate and legal restructuring, including legal fees and acquisition costs as well as the impact on margins of recording inventory of acquired companies in the Group's balance sheet at fair value;
- > management fees invoiced by the shareholders of the Company; and
- expenses relating to share-based payments without any related cash payment;
- > management believes that adjusted EBITDA is a useful indicator because it measures the performance of the Group's activities without taking into effect past expenditures (depreciation and amortization) or unusual costs that are not representative of trends in the Group's results of operations. EBITDA and adjusted EBITDA are not standardized accounting terms with generally accepted definitions. They should not be taken as a substitute for operating income, net income or cash flows, nor should they be treated as a measure of liquidity. Other issuers may calculate EBITDA and adjusted EBITDA differently.

Financial income and expense

Net financial costs include interest expense incurred on borrowings and their transactional costs, interest income on investments of cash balances, discounting charges relating to retirement commitments, and gains and losses on financial and hedging instruments, to the extent recognized in the Group's income statement

Total income tax

Income tax expense includes corporate income taxes payable by the Group's entities, as well as withholding taxes on dividends paid (in particular, dividends paid by the Group's Russian and Serbian entities), as well as changes in the deferred tax assets on the Group's balance sheet.

4.1.1.2 Segment information

The Group monitors and analyzes its performance by product type (flooring and sports surfaces) and by geographic region.

The Group's four segments are as follows:

- > EMEA, a market that is described in Section 1.5.1.1;
- > North America, a market that is described in Section 1.5.1.2;
- CIS, APAC, and Latin America, markets that are described in Section 1.5.1.3 and 1.5.1.4;
- > Sports Surfaces, described in Section 1.5.2.

4.1.1.3 Foreign exchange differences

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, due to the conversion into euros of income statement and balance sheet items of the Group's foreign subsidiaries located outside the euro zone. The principal currencies for which the Group bears this risk are the U.S. dollar (40.7% of consolidated net revenues in 2017), the Swedish krona (7.5%), the pound sterling (2.8%), the Canadian dollar (1.9%), the Brazilian real (1.5%) and the Australian dollar (1.3%).

The Group seeks to develop production capacity in the geographic regions where it distributes its products, thereby creating a natural hedge for a significant portion (although not all) of its gross margin and operating income against exchange rate fluctuations. It enters into derivative contracts to manage the remaining exchange rate risk (especially the risk related to the lag between the time customers are invoiced and the time the Group is paid) with respect to certain currencies (see Note 7.6, "Financial Risks and Financial Instruments," in Section 5.2).

The functional currency of the Group's entities in Russia and the other CIS countries is the euro. Products are sold in rubles, but the Group's policy is to reflect exchange rate fluctuations between the ruble and the euro in its product prices. Only the impact of the lag between the exchange rate fluctuation and the price increase is treated as an exchange rate effect in the analysis at constant scope of consolidation and exchange rates presented in the analysis below. Although a significant portion of the Group's Russian operating expenses are in euros (since PVC and plasticizers are for the most part imported from the European Union), labor, logistics and transportation costs, as well as other production costs such as energy and maintenance, are almost entirely in rubles.

4.1.1.4 Seasonality

The Group's activities are to some extent seasonal, with an increase in sales generally occurring in the second and third quarters of the year, whereas its working capital requirements are generally higher in the first two quarters of the year. Sales of sports surfaces are particularly influenced by seasonality, as installation work is mainly done between May and October, with a peak in activity during the summer. Moreover, in certain geographic regions, winter climate conditions can affect work sites and, therefore, flooring installation. In the educational sector, demand is generally higher during school vacation.

In 2017, 55.5% of the Group's consolidated net revenues were generated in the second and third quarters, as compared with 44.5% in the first and fourth quarters.

4.1.1.5 Acquisitions

The Group has completed 22 acquisitions since 2007 in connection with its growth strategy. Most of the companies the Group acquired were of moderate-size or mid-size and had product lines or activities in markets that complement those of the Group. For more information, see Section 4.2.1, "Principal investments in 2017 and 2016".

The Group did not complete any acquisitions in 2017. However, this remains a priority component of its strategy, and the Group's financial condition at the end of 2017 allows for the possibility of external growth transactions.

Key figures

4.1.1.6 Presentation of accounting and financial data

The following table reconciles adjusted EBITDA to operating income for the 2016 and 2017 fiscal years.

Adjusted EBITDA		Fiscal year	l year ended December 31	
(in millions of euros)	2017	2016	Change	
Result from operating activities (EBIT)	12.7	190.7	-93.4%	
Depreciation and amortization	122.3	123.1		
EBITDA	135.0	313.8	-57.0%	
Adjustments				
Restructuring costs	3.1	5.0		
Gains/losses on asset sales	0.1	2.4		
Costs related to business combinations	(1.3)	4.6		
Costs related to share-based payments	12.1	8.7		
Other ⁽¹⁾	166.1	2.3		
Adjusted EBITDA	315.1	334.4	-5.8%	

^{(1) &}quot;Other adjustments" includes the €165.8 million fine imposed by the French Competition Authority as well as legal costs incurred in connection with those proceedings. "Other adjustments also includes management fees invoiced by the shareholders of the Company.

The adjustments used in determining adjusted EBITDA for each fiscal year are described in the comparative analyses of the Group's results of operations presented below.

Estimates and assumptions used in preparing financial statements

The preparation of the Group's Consolidated Financial Statements in accordance with IFRS requires it to make a number of estimates and assumptions that have an effect on the amounts of its assets and liabilities, as well as on its income and expenses. Management continually revisits these estimates and assumptions based on its experience and other reasonable factors used in its evaluation. Actual results may differ significantly from these estimates.

These estimates and assumptions relate primarily to the following:

- > impairment of goodwill;
- > provisions for retirement and other employee benefit obligations;
- > other provisions for litigation, warranties and potential liabilities:
- deferred tax assets (tax loss carryforwards, in particular);
- the fair value of consideration paid, acquisitions of minority interests, and acquired assets and liabilities; and
- > accounting treatment of Financial Instruments.

The management estimates used in connection with the preparation of the Group's financial statements, particularly those relating to the application of accounting techniques and the inclusion of uncertainties, are described in more detail in Note 1.2, "Significant Accounting Principles" to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Group's Consolidated Financial Statements".

Goodwill

Goodwill represents the difference between the cost of a business combination and the Group's share of the fair value of the identifiable assets acquired and liabilities assumed on the date control is transferred, corresponding, for example, to the value

that the Group assigns to expected synergies and profits. Therefore, evaluation of goodwill may rely on assumptions relating to future cash flows (see Notes 5.1 and 5.3 to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Group's Consolidated Financial Statements").

Goodwill is allocated to cash-generating units ("CGUs"), whose accounting value is tested for impairment annually or whenever there is any indication of an impairment loss. Impairment tests seek to determine whether the net recoverable value of an asset or CGU is less than its net book value. If the net recoverable value is lower than the net book value, an impairment charge is recorded in the income statement in the amount of the difference, allocated first to reduce goodwill of such CGU.

The recoverable value of an asset or a CGU is equal to the higher of the market value minus cost to sell, or the value in use. Value in use is determined by discounting estimated future cash flows for each CGU using certain assumptions and estimates of management. Market value is the price that could be obtained under normal competitive conditions from an informed buyer minus the cost to sell.

The calculations used to determine value in use are subject to management's judgment. Cash flows used to calculate value in use are derived from the Group's budgets and business plans, which are in turn based on assumptions relating to revenues, adjusted EBITDA, working capital requirements and investments. If other assumptions or projections were to be used, impairment testing would produce different values in use.

Management conducts impairment testing using its best estimate of the future activity of the CGU in question over the next three years, discounted to present value. After-tax discount rates vary depending on the risk premium used for each geographic market, which were 8.0% for EMEA and North America, 8.3% for APAC, 11.5% for Latin America and 11.6% for the CIS. The primary assumptions for sales growth through 2021 range from 2% (for certain CGUs in Europe) to 7% (essentially in emerging markets). The value in use calculation also includes the CGU's end value, which projects standard cash flows to infinity with an annual growth rate of between 2% and 4%, depending on the geographic market.

For more information, see Note 5.3 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

Provisions for retirement and similar obligations

In accordance with the laws and practices of each country where the Group operates, it maintains retirement, health and disability plans and retirement packages for eligible employees and former employees, as well as for their beneficiaries who meet required conditions. As of December 31, 2017 the Group had such retirement commitments in the United States, Canada, the United Kingdom and Germany, as well as in France, Italy, Sweden, Serbia and Russia.

In accordance with IAS 19, these commitments are valued or updated every six months by independent actuaries. Accounting for actuarial values is based on predicted changes in salaries, medical costs, long-term interest rates, average seniority and life expectancy. An expected rate of return on funds invested is calculated for each plan in accordance with its composition and the projected return of comparable markets. Actuarial values and rates of return are sensitive to changes in predictions and estimates, which are based on assumptions. For more information, see Note 4.1 to the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2017 included in Section 5.2, "Notes to the Consolidated Financial Statements". As of December 31, 2017, the Group had €234.1 million in liabilities relating to employee benefit commitments, of which €98.7 million are covered by funds invested pursuant to the Group' various plans, and the remaining €135.4 million relate to unfunded or partially funded plans for which provisions have been recorded. The most significant of these liabilities are in the United States, Canada, the United Kingdom and Germany; the entities in these countries maintain sufficient externally-managed investments to cover more than 50% of their liabilities.

For more information on provisions for retirement and similar obligations, see Note 4.1 to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Consolidated Financial Statements".

Provisions for Litigation, Product Warranties and Restructuring Costs

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), provisions for litigation, warranties and other potential liabilities are recorded when, at the close of the fiscal year, there exists a legal or implicit obligation resulting from a past event that is more likely than not to result in a cash outflow to a third party, and whose amount can be reliably estimated. The amount recorded as a provision is management's best estimate of the expenditure required to settle the current obligation as of the closing date. Where the time value of money has a significant effect, future outflows are discounted to present value. These provisions relate to environmental, legal, tax and other risks.

The probability of an outflow is calculated based on management's analysis and assumptions and estimates that depend, in turn, on the nature of the risk. For example, in determining the amount of provisions for litigation, the Group's management must evaluate the probability of an unfavorable decision, as well as the amount of potential damages. These items are by their nature uncertain. On the other hand, a warranty provision is recorded at the time a given product is sold, with the amount based on historical data on warranty payments. An additional provision is recorded when an event occurs that may give rise to warranty claims for greater amounts than the hypothetical provision. A restructuring provision is recorded when management approves a detailed restructuring plan and the restructuring is announced publicly or implemented. The provision may prove higher or lower than the amount actually incurred. Provisions may also be reversed, if necessary.

As of December 31, 2017, the Group had €35.8 million in provisions for warranties, restructurings, claims and litigation. For more information on estimation of and accounting for provisions or their impact on the Group's results of operations, see Note 6.1 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

Deferred tax assets

In accordance with IAS 12 (Income Taxes), the Group recognizes deferred tax assets and liabilities on its balance sheet. A deferred tax asset must be recognized for all temporary differences deductible in the future, unused tax loss carryforwards or income tax credits if it is probable that the Group will have future taxable profits that will allow these future tax savings to be utilized.

A deferred tax asset is recognized when it is probable that the Group will use it in the future. Management must use its judgment in determining the amount of the net tax asset to recognize. Projected net taxable profits are estimated on the basis of Management's budget and assumptions, as well as models relating to market conditions. These assumptions and models may have a significant impact on the amounts of deferred tax assets recognized on the Group's balance sheet.

The Group had €25.1 million in deferred tax assets relating to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €6.4 million related to the Group's North American (United States) tax consolidation group, and €1.8 million related to the Serbian subsidiaries.

For more information, see Note 8.2 to the Group's Consolidated Financial Statements, included in Section 5.2, "Notes to the Consolidated Financial Statements".

Key figures

4.1.2 Comparison of results of operations for the years ended December 31, 2017 and December 31, 2016

The analysis below discusses the Group's results of operations for the fiscal year ended December 31, 2017.

4.1.2.1 Overview

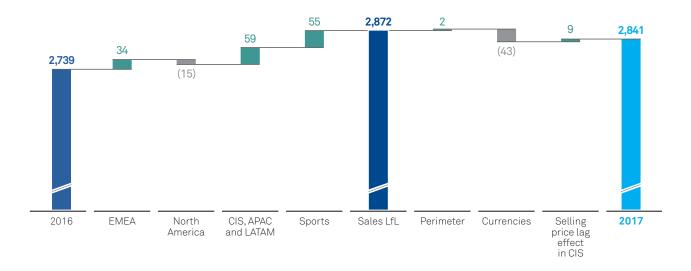
The key figures of the consolidated financial statement are presented in Section 4.1.1.

4.1.2.2 Net revenue

In 2017, the **Group's revenues** totaled **€2,841.1 million**, as compared with **€2,739.3** million in 2015, an increase of 3.7%.

The Group recorded organic growth of +4.8%, excluding the contribution of acquisitions and fluctuations in exchange rates \in (31) million, of which \in (9) million resulted from the lag between changes in exchange rates and the corresponding price increases in Russia.

The chart below presents the key factors explaining the evolution of net revenue between 2016 and 2017:



EMEA

The **EMEA** segment's sales grew strongly, by +3.7%, thanks to a dynamic economic environment throughout the region.

North America

Sales in **North America** decreased slightly, by -1.8%, over the year, but the fourth quarter trended upwards (+0.8%), benefiting from progressive improvement in the commercial carpet business.

CIS, APAC and Latin America

The CIS, APAC and Latin America segment saw organic growth in sales of +10.8%, thanks to strong positive trends in the three regions.

Revenues in the CIS countries grew steadily throughout the year. Stronger real revenues and improved consumer confidence contributed to a growth in volumes and improvement in the product mix.

In the Asia-Pacific region, sales increased over the year, buoyed by positive trends in China and Southeast Asia. Latin America began growing again in 2017, thanks to strong LVT sales in Brazil, despite a difficult market environment in the construction industry.

Sports Surfaces

The **Sports Surfaces** segment continued its strong growth, with sales up 11.7% on a comparable basis in 2017, owing to continued growth in artificial turf sales in North America and in Europe. The athletic tracks business in North America also maintained its growth this year.

4.1.2.3 Gross profit

The Group's gross profit decreased by €39.9 million, from €742.9 million in 2016 to €703.0 million in 2017. Gross profit represented 24.7% of revenues in 2017, a decrease of 2.4 points as compared with 2016. The €39.9 million decrease was principally due to the following factors:

- > the unfavorable change in raw materials costs;
- > unfavorable changes in exchange rates with respect to the pound sterling and the U.S. dollar, as well as the lag effect between the impact of changes in the exchange rate with respet to the ruble and the increase in prices;
- > partially offset by the continued effort to increase productivity through the WCM program, which generated net production cost savings.

4.1.2.4 Result from operating activities

The Group's operating income totaled €12.7 million in 2017. Excluding the €165.0 million fine imposed by the French Competition Authority, the Group's 2017 operating income was €177.6 million, a 6.8% decrease as compared to 2016, and representing 6.4% of revenues.

4.1.2.5 Adjusted EBITDA

Adjusted EBITDA was \le 315.1 million in 2017 – a 5.8% decrease as compared with \le 334.4 million in 2016. The ratio of adjusted EBITDA to consolidated net revenues went from 12.2% in 2016 to 11.1% in 2017.

The main factors explaining the change in the Group's adjusted EBITDA are the same factors described with respect to gross profit, as presented in the chart below:



The main factors in the per-segment changes in adjusted EBITDA are as follows:

- > EMEA: adjusted EBITDA margin decreased to 13.7% from 15.1% in 2016, impacted mainly by the increase in raw materials costs and the negative effect of movements in the exchange rate with the pound sterling. Price increases were implemented in 2017 and began to bear fruit in the fourth quarter. We anticipate the full effect of their contribution in 2018;
- > North America: adjusted EBITDA margin in North America decreased to 12.1% from 13.9% in 2016, due to higher raw materials prices, a slight decrease in sales volumes, and a decrease in operational efficiency in the third quarter as compared with the previous year (efficiency returned to normal in the fourth quarter). The increases in sales prices put in place in 2017 began to contribute positively during the fourth quarter and should bear their full fruit in 2018;
- CIS, APAC and Latin America: adjusted EBITDA margin remained robust, at 14.3%, as compared with 14.7% in 2016, despite the comparison with the second quarter of 2016, when adjusted EBITDA margin reached 17.9% due to a positive lag effect (the net impact of changes in exchange rates and changes in sales prices) of €11.6 million.

In 2017 the annual lag effect on adjusted EBITDA totaled \in -4.5 million, due to the decline in the ruble during the second half of the year, combined with lower sales prices (resulting in a negative impact of \in -12.0 million on adjusted EBITDA in the second half of 2017). However, the segment's margin held up well at 14.3%, thanks to a strong contribution from additional volumes and operational efficiencies.

- > Sports Surfaces: adjusted EBITDA margin was steady, at 10.0%, as compared with 11.6% of revenues in 2016. During the first half of 2017, adjusted EBITDA benefited from a payment of USD 12 million made to the Group in connection with enforcement of a judgment against a competitor (AstroTurf), following a claim of patent infringement. Despite this positive impact, the significant share of sales represented by turnkey projects (the civil engineering portions of which generate smaller margins), as well as the increase in raw materials prices and legal expenses and the decline in operational efficiency during the third quarter held down profitability. In order to rationalize its business, the Group closed its 17-employee artificial turf plant in Spain. Production was transferred to its site in France:
- > central costs decreased slightly, to €46.7 million, as compared with €50.4 million in 2016, in part thanks to subsidies granted for R&D projects and the capitalization of certain R&D costs, which are beginning to generate an additional contribution.

4.1.2.6 Financial income and expense

The Group's financial result was \in (23.4) million in 2017, as compared with \in (21.0) million in 2016, primarily due to the impact of exchange-rate volatility in the CIS countries on monetary assets denominated in those currencies, with interest paid remaining stable overall.

Investments

4.1.2.7 Income tax expense

Income tax expense for 2017 was \leq (30.3) million, a 42.8% decrease as compared with \leq (53) million in 2016.

This decrease was primarily due to a more favorable country mix and the revaluation of income tax credits in connection with changes in the financial condition of certain entities and in local legislation. Moreover, Tarkett benefited from a \$9.2 million tax product following cancellation of the 3% tax on dividends ordered by the French Constitutional Council (Conseil constitutionnel).

4.1.2.8 Net profit

The Group's net profit was €(38.0) million in 2017, as compared with a profit of €119.3 million in 2016. Net profit attributable to non-controlling interests was €0.7 million in 2017 as compared with €0.7 million in 2016.

As a result, net profit attributable to owners of the Company was €(38.7) million in 2017 and €118.6 million in 2016.

Excluding the fine imposed by the French Competition Authority, net profit attributable to owners of the Company increased by 6% as compared with 2016, to €126.0 million.

4.2 Investments

4.2.1 Principal investments in 2017 and 2016

Cash used in investing activities was \in (107.0) million in 2017 and \in (91.7) million in 2016.

Investment in property, plant and equipment and intangible property increased significantly in 2017. Investments in property, plant and equipment include acquiring and constructing new factories as well as purchasing new equipment following the acquisition or creation of new entities. They also include "ongoing investments," which consist of all investments in property, plant

and equipment other than those relating to new factories and acquisitions. To illustrate the Group's commitment to its long-term growth strategy and the continual optimization of its activities, investment expense is expected to amount to 5% of revenues in 2018.

The table below shows the Group's main investments in 2017 and 2016.

(in millions of euros)	For the year ended December 3	
	2017	2016
Acquisition of subsidiaries net of cash acquired	(0.4)	(0.1)
Acquisitions of intangible assets and property, plant and equipment	(111.1)	(91.9)
Proceeds of disposals and dividends received	4.5	0.7
Effect of changes in the scope of consolidation	0.0	-0.4
Net cash from/(used in) investment activities	(107.0)	(91.7)

4.2.1.1 Principal investments carried out in 2017

The Group's main investments in 2017 were as follows:

- EMEA: strengthening carpet-production capacity in the Netherlands by purchasing a mixture-preparation machine for the bottom layer of carpet tiles;
- North America: actions to improve productivity and reinforcement of capacity to produce LVT (Luxury Vinyl Tiles);
- > Sports: acquisitions of new tufting machines at the Auchel site in France:
- > Group: continued deployment of the Group's ERP and IT investments.

4.2.1.2 Principal investments carried out in 2016

The Group's main investments in 2016 were as follows:

- EMEA: finalizing installation of a new LVT production line in Jaslo (Poland);
- North America: purchase of a mixture-preparation machine for the bottom layer of carpet tiles in Dalton and completion of the new headquarters for the North America division in Solon:
- > Asia-Pacific: finalizing installation of a new homogeneousflooring production line at the Beijing site.

4.2.2 Principal investments underway

Principal investments underway in 2017 included continuing projects from the previous year, in particular projects aimed at strengthening production of luxury vinyl tiles (LVT) in North America and in Europe, while at the same time improving the efficiency and ecological footprint of their manufacture.

In the United States, a €50 million (USD 60 million) investment over three years is underway to increase the production capacity of two plants in Florence, Alabama. This project will enable the Group to satisfy increasing demand for luxury vinyl tiles. Tarkett will also build a new distribution center in Florence. These projects are expected to create 50 new jobs.

In Europe, an investment of more than €20 million over three years will be allocated to the European production sites, in particular in Luxembourg and in Poland.

4.2.3 Principal future investments

The Group continually seeks new investment opportunities, rigorously analyzing the potential for a attractive return on its investment. With respect to internal investments, the Group's main objectives are to continually improve competitiveness, reinforce operational excellence, and acquire and modernize equipment in order to support the Group's expected growth.

The Group's external growth strategy is based on three main objectives: geographical development, the expansion of its product lines, and industry consolidation. For more information, see Section 1.3, "Strategy".

4.3 Liquidity and Capital Resources

For a description of the Company's share capital and financial structure, see Notes 7.2, "Net Debt," 7.3, "Other Financial Liabilities," and 9.1, "Share Capital" to the Group's Consolidated Financial Statements included in Section 5.2, "Notes to the Consolidated Financial Statements."

4.3.1 Overview

The Group generates significant net cash from its operating activities. This cash flow represents the Group's principal source of liquidity and is more than sufficient to finance its ongoing investments.

The Group's objective is to increase its ongoing investments to approximately 5% of consolidated net revenues in 2018. Current investments are defined as investments in tangible and intangible assets other than acquisitions and factory construction.

Investments in the Group's growth (primarily factory construction and acquisitions) are financed through debt and the Group's own financial resources, in line with its policy of maintaining a sound financial structure.

As of December 31, 2017, the Group's net debt was €491.8 million, an increase of €113.6 million from net debt of €378.2 million as of December 31, 2016. the Group's shareholders' equity attributable to equity holders of the parent totaled €778.4 million as of December 31, 2017, as compared with €932.9 million as of December 31, 2016, resulting in a ratio of net debt to shareholders' equity of 0.60x (as compared with 0.40x as of December 31, 2016) and a ratio of net debt to adjusted EBITDA for the 12-month period ended December 31, 2017 of 1.6x (as compared with 1.1 for the 12-month period ended December 31, 2016).

As of December 31, 2017, cash and cash equivalents totaled €114.7 million, as compared with €93.1 million as of December 31, 2016. In addition, the total amount available under the Group's credit facilities as of December 31, 2017 was €791.6 million.

In 2017, the Group decided to distribute a dividend of \le 38.0 million to its shareholders based on 2016 net profit.

The Group believes its available credit lines are sufficient to cover its liquidity needs for the next fiscal year.

4.3.2 Overview

(in millions of euros)	December 31, 2017	December 31, 2016
Cash flows from operating activities		
Net profit before tax	(7.7)	172.3
Adjustments for:		
Depreciation and amortization	122.3	123.1
(Gain) loss on sale of fixed assets	(0.3)	0.4
Net finance costs	23.4	21.0
Change in provisions and other non-cash items	(6.6)	0.3
Share of profit of equity accounted investees (net of tax)	(3.0)	-2.6
Operating cash flow before working capital changes	128.1	314.5
Changes in working capital	(37.0)	(17.2)
Cash generated from operations	91.1	297.3
Other operating items (tax and financial items)	(50.1)	(58.5)
Net cash (used in)/from operating activities	41.0	238.8
Net cash from/(used in) investment activities	(107.0)	(91.7)
Net cash from/(used in) financing activities	90.9	(122.7)
Net increase/(decrease) in cash and cash equivalents	24.9	24.4
Cash and cash equivalents, beginning of period	93.1	67.9
Effect of exchange rate fluctuations on cash held	(3.3)	0.8
Cash and cash equivalents, end of period	114.7	93.1

4.3.2.1 Cash flow from operating activities

Net cash from operating activities was €128.1 million in 2017, a decrease of €186.4 million as compared with 2016. Excluding the fine imposed by the French Competition Authority, net cash from operating activities was €293.1 million, a decrease of €21.3 million. This decrease was primarily due to the decrease in adjusted EBITDA, as discussed in Section 4.1.1.6, "Presentation of Accounting and Financial Information."

Changes in the Company's working capital requirements had a negative effect on net cash flow from operating activities of \in (37.0) million in 2017, as compared with \in (17.2) million in 2016.

4.3.2.2 Cash from/(used in) investment activities

Cash used in investment activities increased from \in (91.7) million in 2016 to \in (107.0) million in 2017. the Group's main investments during the period are described in Section 4.2, "Investments."

4.3.2.3 Cash flow from/(used in) financing activities

Net cash from/(used in) financing activities was positive in 2017, moving from €(122.7) million in 2016 to €90.9 million in 2017, in particular due to changes in the Group's debt structure.

4.3.3 Financial debt

4.3.3.1 Summary of net financial debt

As of December 31, 2017, the Group's net debt was \leqslant 491.8 million. the Group's gross debt as of the same date was \leqslant 606.5 million. Net financial debt increased in 2017 due to payment of a fine to the French Competition Authority, but cash from operating activities remained positive.

4.3.3.2 Cash and cash equivalents

As of December 31, 2017 and December 31, 2016, cash and cash equivalents totaled €114.7 million and €93.1 million, respectively. As of December 31, 2017, the principal concentrations of available cash were located primarily in Serbia (€19.5 million), in the United States (€17.2 million), in Russia (€10.7 million) and in the Group holding company (€10.8 million). As of December 31, 2016, available cash was located primarily in Serbia (€19.1 million) and in the Group holding company (€24.5 million).

4.3.3.3 Gross financial debt

As of December 31, 2017, the Group's gross debt was composed principally of two German private placements (known as "Schuldscheins") with a total balance of €591.3 million at year-end. The €650 million revolving syndicated credit facility had not been drawn down as of December 31, 2017. The table below presents the Group's total gross debt as of the dates indicated.

(in millions of euros)		December 31, 2017	December 31, 2016		
	Long-term	Short-term	Long-term	Short-term	
Bank loans (unsecured)	-	3.2	152.3	4.2	
Private placements (unsecured)	591.3	-	303.6	-	
Other loans (unsecured)	0.2	0.1	0.3	0.1	
Bank overdrafts (unsecured)	-	8.1		6.1	
Finance lease obligations	2.6	1.0	3.8	0.9	
Interest bearing loans and borrowings	594.1	12.4	460.0	11.3	
Total interest bearing loans and borrowings	606	.5	471	.3	

As of December 31, 2017, the Group's principal sources of debt were the following:

- > Revolving syndicated credit facility (RCF): the RCF is a €650 million floating rate multi-currency Revolving Credit Facility entered into on June 22, 2015. It also includes two swingline loans in euros and US dollars for a total amount of €60 million. Under this loan, the Group is required to comply with the financial covenants described in Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility".
- > Schuldscheins: This includes a private placement entered into in June 2016 for €250 million and USD 56.5 million, as well as a second private placement of the same type entered into in April 2017 for €252.5 million and USD 50 million, described below. These private placements were entered into in order to extend the average maturity of the Group's financing, to refinance the October 2013 term loan at lower cost, to create additional liquidity, and to diversify the Group's sources of financing.
- > European factoring agreement: the Group has a French-law, German-law, and Spanish-law assignment of receivables line of credit, the maturity of which was extended until December 31, 2018 pursuant to an amendment dated June 3, 2016. This revolving financing mechanism takes the form of a pledge of special purpose bank accounts dedicated to recovery of the assigned receivables, but its balance is generally zero in the ordinary course of business. The assigned receivables are recorded in accounts receivable for purposes of calculating working capital requirements (with an offsetting liability being recorded on the Group's balance sheet). The Group can borrow up to €50 million under this facility at a floating rate of one-month Euribor plus 0.45%, but uses the facility only to supplement its other sources of funds. As a result, there were no amounts outstanding under the facility as of December 31, 2017 or December 31, 2016.

Liquidity and Capital Resources

The following table provides a summary of the maturities and interest rates applicable to the Group's debt as of December 31, 2017:

December 31, 2017 (in millions of euros)	Currency of draw-down	Interest rate	Total	12 months or less until 6/30/2018	2 years until 6/30/2019	3 to 5 years until 6/30/2022	More than 5 years
Unsecured loans							
Term loans	EUR	0.40%	2.3	2.3		=	
Other bank loans	EUR-BRL	25.6%	0.9	0.9	=	-	
Total bank loans			3.2	3.2	-	-	-
Private placements	EUR	1.15%- 1.72%	502.5	-	_	502.5	-
Private placements	USD	2.96%- 3.39%	88.8	-	_	88.8	
Otherloans		0.25%	0.3	0.1	0.1	0.1	
Bank overdrafts			8.1	8.1	-	-	
Finance lease obligations			3.6	1.0	1.0	1.1	0.5
Total interest-bearing loans			606.5	12.4	1.1	592.5	0.5

4.3.4 Revolving Syndicated Multi-Currency Credit Facility

The Group's principal reserve source of financing is the RCF, which is available for a term of five years as from June 22, 2015, under which Tarkett is the borrower. This credit facility was unused as of December 31, 2017 and December 31, 2016. The RCF includes a ${\in}650$ million floating-rate credit line that can be drawn in several currencies for periods of between two weeks and six months, and two swinglines in an aggregate amount of ${\in}60$ million, which can be drawn for periods of one to five days.

Interest Rates under the RCF

The effective interest rate for each drawdown under the RCF is composed of a base rate plus an applicable margin. The base rate is Euribor for drawdowns in euro and Libor for drawdowns in US dollar. The applicable margin is determined based on the Group's leverage ratio (as defined below) at the end of the most recent half-year period. The relationship between the leverage ratio and the applicable margin is summarized in the table below.

Leverage Ratio	Applicable Margin
≤ 1.00x	0.45%
1.00x ≤ 1.50x	0.55%
1.50x ≤ 2.00x	0.60%
2.00x ≤ 2.50x	0.75%
2.50x ≤ 3.00x	0.90%
3.00x ≤3.50x	1.25%

 $The \ last \ tranche, from \ 3.00 \ to \ 3.50, applies \ only \ under \ certain \ conditions, described \ below.$

Financial Covenants

The RCF requires the Group to comply with several financial covenants so long as the funds remain available. Failure to comply with these covenants could result in the loan's repayment being accelerated.

Leverage ratio

The first financial covenant limits the Group's indebtedness and leverage. Under this covenant, known as the "leverage ratio", the

Group's net debt as of the end of each half-year must be less than three times its adjusted EBITDA (as defined in the loan agreement) over the twelve months preceding the end of the relevant half-year. However, under the RCF, net debt of up to three and a half times adjusted EBITDA is permitted for a limited time if the ratio is the result of an acquisition of more than €50 million. As of December 31, 2017 and December 31, 2016, the Group was in compliance with this covenant, with leverage ratios of, respectively, 1.6x and 1.1x adjusted EBITDA over the period.

Net Interest Cover

The second financial covenant concerns the Group's "net interest cover", which is the ratio of adjusted EBITA to net interest expense. This covenant requires the Group to maintain gross operating income (adjusted EBITA) of at least 2.5 times its total net interest on financial debt and cash. As of the end of 2017 and

the end of 2016, the Group was in compliance with this covenant, with a ratio of net interest cover to adjusted gross operating income ("adjusted EBITA") of, respectively, 20.7x and 23.0x.

The table below presents the status of the Group's financial covenants as of December 31, 2017 and December 31, 2016.

	Definition	Required ratio	As of	December 31
			2017	2016
			Actual Ratio	
Leverage ratio	Net Debt to Adjusted EBITDA	Ratio ≤3.0x	1.6x	1.1x
Net Interest Cover	Adjusted EBITA to net interest expense	Ratio ≥ 2.5x	20.7x	23x

Change of Control Provisions

The RCF syndicated credit facility contains a change of control clause in the event that the Deconinck family ceases to control the Company. For this purpose, the Deconinck family is defined as "Ms. Catherine la Bonnardière (née Deconinck), Mr. Bernard André Deconinck, Mr. Didier Deconinck, Mr. Éric Deconinck and their children and spouses, acting individually or collectively and directly or indirectly through a company held exclusively by them." If the Group were to fail to reach an agreement with its banks in such case, each lender would have the right to demand immediate repayment of its portion of the loan. The word "control" as used in this clause is defined by the French Commercial Code and includes actions "in concert", as defined in such Code.

4.3.5 German law private placements (Schuldscheins)

On April 13, 2017, Tarkett issued debt in a German private placement (known as a "Schuldschein") in the following tranches:

- > €72 million at fixed rate for five years;
- > €30 million at floating rate for five years;
- > USD 50 million at floating rate for five years;
- > €118 million at fixed rate for seven years;
- > €32.5 million at floating rate for seven years.

On June 21, 2016, Tarkett issued a first Schuldschein in the following tranches:

- > €56.5 million at fixed rate for five years;
- > €67.5 million at floating rate for five years;
- > USD 56,5 million at floating rate for five years;
- > €91 million at fixed rate for seven years;
- > €35 million at floating rate for seven years.

The main legal and financial covenants under the two agreements are similar to those under the June 2015 revolving syndicated credit facility. The proceeds from this issuance were primarily used for the early repayment of the €450 million term loan entered into in October 2013, for €300 million in 2016 and the remaining €150 million in 2017.

4.3.6 Other liabilities

As of December 31, 2016, the minority shareholders of Morton Extrusionstechnik (MET) and FieldTurf Benelux BV (formerly AA SportSystems) held put options that enabled them to require the Group to acquire their respective shares.

As of December 31, 2017, all of the put options have been exercised. The two companies were already fully consolidated.

4.3.7 Shareholders' equity

The Group's shareholders' equity was €780.6 million and €935.2 million as of December 31, 2017 and December 31, 2016, respectively. Changes in shareholders' equity in 2017 resulted primarily from changes in the Group's net income, as described in Section 4.1.2.8, "Net Income".

4.3.8 Off-balance sheet commitments

Lease commitments

Off-balance sheet lease commitments are described in the notes to the Consolidated Financial Statements in Chapter 5.

Material contracts

Guarantees and Off-Balance Sheet Commitments

The following table presents guarantees given by the Company as of December 31, 2017 (including those relating to debt already included on the balance sheet), as well as guarantees received from customers:

Group Off-Balance Sheet Commitments (in millions of euros)	December 31, 2017	December 31, 2016
Federal Insurance Company	(96.8)	(90.9)
Factoring	-	-
Swedish retirement insurance company (Pri-Pensionsgaranti)	(19.2)	(19.2)
Other	(13.8)	(12.1)
Tarkett SA parent company guarantees	(129.8)	(122.2)
Other commitments given to subsidiaries (1)	10.4	15.6
Commitments given	(140.2)	(137.8)
Corporate or personal guarantees from clients or other debtors	7.8	7.9
Commitments received	7.8	7.9

(1) Includes a parent company guarantee given by Tarkett Inc.

The foregoing commitments include the following:

- > a counter guarantee provided to Federal Insurance Company ("FIC") pursuant to a general indemnity agreement for a maximum amount of USD 75.0 million to permit FIC to issue bonds on behalf of FieldTurf Tarkett Inc. As of the end of the fiscal year, the amount outstanding subject to this guarantee was the dollar equivalent of €96.8 million, including numerous expired guarantees in the process of discharge;
- > a guarantee covering 50% of a credit line for a maximum amount of €10 million granted to the Group's Laminate Park GmbH & Co KG joint venture, which was unused as of December 31, 2017;
- a guarantee given to the retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 188.9 million;
- > a guarantee for raw materials provided by a supplier of the Group's subsidiary Morton Extrusionstechnik (MET) in order to secure its debt for an amount of up to €7.0 million, of which €3.9 million was used as of December 31, 2017;
- > a security on special purpose accounts given by Tarkett S.A. to a lending bank under an assignment of receivables credit line for a maximum of €50.0 million. However, no assignment subject to the surety was in progress at year-end;
- guarantees provided by Tarkett S.A. to the banks of certain subsidiaries, including Tarkett Limited (United Kingdom), Desso Holding (Netherlands), Tarkett Asia-Pacific (China), and

FieldTurf Poligras (Spain) in order to enable them to obtain short-term financing or letters of credit for a total amount used of €7.9 million, as of year-end 2017.

Other

One of the Group's subsidiaries is a defendant in a group of cases in the United States relating to injuries allegedly caused by asbestos. In addition to provisions recorded, the Group maintains three funds (for a total amount of USD 25.1 million as of December 31, 2017) as well as insurance policies in respect of this litigation and the possibility of additional cases being brought. For more information, see Section 4.5, "Legal and Administrative Proceedings."

In addition, the Group is currently engaged in a proceeding to rectify the terms of a 2008 sale of a preferred share of FieldTurf Tarkett Inc. by Tarkett France to Tarkett Inc. for a total of USD 36.2 million. Pursuant to Canadian tax legislation, the capital gains realized in connection with the Tarkett France transaction should have been treated by Tarkett Inc. as a distribution of dividends subject to withholding tax. Tarkett Inc. and Tarkett France filed a motion for rectification of documents and declaratory judgment before the Quebec courts in order to reduce the price of the sale by USD 21.3 million. Given the timeframe and the uncertainty as to whether the requested rectification will be granted, the Group's financial statements as of December 31, 2017 include a provision for CAD 9.6 million.

4.4 Material contracts

See Section 4.3.4, "Revolving Syndicated Multi-Currency Credit Facility."

4.5 Legal and administrative proceedings

The Group may be involved in legal, administrative or regulatory proceedings in the ordinary course of its business. The Group sets aside a provision for the cases that it considers likely to result in financial loss for Tarkett or one of its subsidiaries.

The aggregate amount of provisions relating to legal proceedings was €11 million as of December 31, 2017.

As of the date of this Registration Document, apart from the matters described below, the Group is not aware of any governmental, legal or arbitration proceedings (including any threatened or suspended proceedings) that could have or have had in the past 12 months a material effect on the Group's financial condition or the profitability of Tarkett or the Group.

Germany

Appraisal Procedure Relating to Valuation of Tarkett Holding GmbH Shares

In August 2006, a former minority shareholder of Tarkett AG (now known as Tarkett Holding GmbH) initiated an appraisal procedure relating to the valuation of Tarkett Holding GmbH shares before the Court of Frankenthal in Germany. The purpose of the procedure is to determine whether the share price paid by Tarkett S.A. to former minority shareholders of Tarkett AG in connection with the privatization of Tarkett AG in 2005 was appropriate. Fifty-five shareholders are currently party to the procedure. According to the initial opinion of a court-appointed expert in October 2011. the share price paid was insufficient. After objections by the parties, the expert submitted a supplemental report in August 2012, in which the value of the shares was determined to be higher than the value initially presented in the October 2011 report. Following further objections, the court ruled on July 1, 2013 that the share price paid by Tarkett should have been €1.62 higher than the share price of €19.50 that was actually paid. As the procedure covers 1,150,000 shares, the potential impact of this decision is approximately €1.9 million, excluding interest. Tarkett appealed from this decision, which was rendered on October 2, 2017. On appeal, the court found that the price per share that Tarkett had paid to the minority shareholders was adequate and that, as a result, Tarkett did not owe any additional compensation. A minority shareholder has appealed from this decision.

France

French Competition Authority Investigation

In connection with an investigation of the French vinyl flooring market launched in 2013, on October 18, 2017, the French Competition Authority rendered Decision No. 17-D-20 concerning practices in the French resilient flooring industry (the "Decision"). Tarkett incurred a fine of €165 million, which it has already paid. Tarkett, together with all of the other parties sanctioned in the Decision (Gerlor, Forbo, and the Syndicat Français des Enducteurs Calandreurs, or French Union of Coating and Calendaring Companies) agreed to participate in the Competition Authority's settlement procedures. The Authority's Decision is final, as none of the parties appealed.

United States

Asbestos Litigation

Domco Products Texas Inc. ("Domco"), a subsidiary that Tarkett acquired in 1991 (then known as Azrock Industries ("Azrock")), is subject to several lawsuits related to its production of vinyl floor tiles containing asbestos between 1940 and 1982. As of December 31, 2017, there were 795 pending lawsuits filed against Domco in multiple U.S. jurisdictions. Of the 795 lawsuits pending, 48 are cases involving both an identification of Azrock products and a diagnosis of mesothelioma. Of all of the claims filed against Domco over approximately the last 15 years, three reached the verdict stage – two of which were granted in favor of Domco, and one of which was granted to a plaintiff in the State of Washington, requiring Domco to pay an amount of USD 1,071,705 (USD 371,000 after offsets).

As of December 31, 2017, Domco had succeeded in obtaining dismissal of 1,367 cases since 2013, and had entered into approximately 28 to 42 settlements per year since 2013 for an aggregate amount of approximately USD 12.1 million (or an average of USD 2.4 million per year). Domco maintains cost-sharing policies with its insurance companies to cover the liabilities associated with these claims. Domco also covers a portion of these expenses itself. For further information on the Group's management of these cases, see Section 4.3.8, "Off-Balance Sheet Commitments".

Duraspine fiber litigation

In December 2016, 2 customers filed lawsuits against FieldTurf in federal court in New Jersey claiming that Intheir sports fields made with Duraspine fiber had prematurely deteriorated, They also claimed to represent a class of all other FieldTurf customers who had purchased Duraspine fields.

These lawsuits alleged that FieldTurf misled customers about the durability of their Duraspine fields, breached their warranties, and violated various consumer protection laws.

Since then, 15 other customers have asserted similar claims. The claims of all of these customers, in addition to the claim of another customer filed earlier in California, are now consolidated in the federal court in New Jersey before the same judge.

The case is in its preliminary stages; more particularly, fact discovery is currently on-going and is expected to continue until January 2019, with additional proceedings to follow thereafter. As ordered by the New Jersey court, certain of the plaintiffs filed a single consolidated class action complaint in October 2017. Other plaintiffs are pursuing individual claims in the same proceeding. In January 2018, FieldTurf filed a motion to dismiss all or parts of the consolidated complaint.

In addition to the consolidated class actions, there are four other cases that were brought by individual customers in state courts in Texas. Two of the cases have been scheduled for trial in Q2 2018, one is in the process of being settled, and one went to trial in July-August 2017. In this case, the jury awarded USD 151,000 in damages to the plaintiff for breach of warranty. FieldTurf intends to appeal the decision. In the meantime, the plaintiff has filed a motion seeking permission to hold a new trial to recover attorney's fees. No decision has yet been rendered on this motion.

4.6 Future prospects

For purposes of preparing its internal budgets and planning its operations and investments, the Group makes estimations regarding outlook and sets certain objectives relating to its results of operations. These estimations and the Group's goals, summarized below, are based on information, assumptions and estimates that the Group's management considers to be reasonable as of the filling date of this Registration Document. These estimations and objectives are not projections or profit forecasts, but result from the Group's strategic orientation and action plan.

4.6.1 Evolution of recent results

For a detailed analysis of the Group's results of operations in 2016 and 2017, see Section 4.1.2, "Comparison of Results of Operations for the Years Ended December 31, 2017 and 2016."

4.6.2 Medium-term outlook

4.6.2.1 Macro-Economic Climate

The Group expects its growth to depend to a certain extent on increases in gross domestic product ("GDP") in the main geographic regions in which it operates.

The Group uses the GDP growth forecasts published by the International Monetary Fund (the "IMF") as a reference.

For the main geographic markets in which the Group does business, the January 2018 publication shows:

- in the United States, more sustained growth in 2018 (+2.7%) than in 2017 (+2.3%);
- in the euro zone, slightly lower growth in 2018 (2.2%) as compared with 2017 (+2.4%);
- > in Russia and Brazil, positive growth rates (for Russia, +1.7% in 2018; for Brazil, +1.9% in 2018 and +2.1% in 2019).

GDP growth forecasts	2017	2018	2019
United States	2.3%	2.7%	2.5%
Euro Zone	2.4%	2.2%	2.0%
Germany	2.5%	2.3%	2.0%
France	1.8%	1.9%	1.9%
UK	1.7%	1.5%	1.5%
Sweden	3.1%	2.4%	2.1%
Russia	1.8%	1.7%	1.5%
Brazil	1.1%	1.9%	2.1%
China	6.8%	6.6%	6.4%
World	3.7%	3.9%	3.9%

Source: IMF - World Economic Outlook - January 2018, except Sweden, for which the forecasts are from October 2017.

4.6.2.2 Outlook for the Group

Thanks to the quality of the Group's products, its broad geographic footprint and its exposure to diversified markets, the Group believes that it is well positioned to continue to grow over the coming years.

At an Investor Day in October 2016, the Group unveiled the objectives of its 2017-2020 strategic plan, which included the following financial objectives (excluding strategic acquisitions):

- > net sales of approximately €3.5 billion (1);
- adjusted EBITDA margin (2) greater than 12% and Return on invested Capital (ROIC) (3) greater than 9%;
- > approximately €500 million in additional sales as a result of acquisitions;
- maintenance of a strong financial structure, with a debt ratio (4) of below 2.5x.

commitment to shareholders: minimum annual dividend of €0.60 per share.

The Group has confirmed that it hopes to reach those objectives by the end of the plan. Given the current economic environment, including rising raw materials costs and unfavorable exchange rate movements, achieving the Group's goals for profitability and return on investment (adjusted EBITDA margin greater than 12% and ROIC greater than 9%) is expected to be more difficult

- > to achieve these objectives, the Group has defined four main strategic initiatives, as described in Section 1.3:
 - 1. an exceptional customer experience,
 - 2. leadership in design, innovation, and sustainable development.
 - 3. commercial and operational excellence,
 - 4. creating value through acquisitions.

Non-IFRS financial indicators

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

- > organic growth;
- adjusted EBITDA;
- > operating cash flow;
- free cash flow (annual results only);
- > return on invested capital ("ROIC").

These indicators are calculated as follows:

4.7.1 Organic growth

- > This indicator measures the evolution of net revenue as compared with the same period in the previous year, excluding foreign exchange effects and changes in the scope of consolidation.
- > The foreign exchange effect is obtained by applying the previous year's exchange rates to the current year's sales and

calculating the difference from the current year's sales. It also includes the effect of price adjustments in the CIS countries that are intended to offset local currency fluctuations against the euro.

- The consolidation effect consists of:
 - the current year's sales by entities that were not consolidated during the same period of the previous year, until the anniversary of their consolidation,
 - the reduction in sales relating to activities that have been sold, which are not consolidated in the current year but were included in sales for the same period during the previous year, until the anniversary of their disposal.
- > The evolution of net sales for the year is broken down as follows:

(in millions of euros)	2017	2016	Change (as a %)	Of which exchange rate effect	Of which consolidation effect	Of which organic growth
Group Total	2,841.1	2,739.3	3.7%	-1.2%	0.1%	4.8%

⁽¹⁾ Net sales including acquisitions; organic growth outperforming estimated market growth.
(2) Adjusted EBITDA: adjustments include expenses related to restructurings, acquisitions, and certain other non-recurring items. See definition of alternative performance indicators at the end of this Registration Document

⁽³⁾ Defined as operating income after taxes [Adjusted EBIT* (1 – standard tax rate of 35%)] divided by capital employed [Goodwill + Property, plant and equipment and intangible assets + working capital].

(4) Net debt divided by adjusted EBITDA.

Non-IFRS financial indicators

4.7.2 Adjusted EBITDA

- > Operating income before depreciation, amortization and the following adjustments:
 - restructuring costs to improve the future profitability of the Group,
 - gains or losses on disposals of significant assets,
 - provisions and reversals of provisions for impairment,
- costs related to business combinations and legal reorganizations,
- expenses relating to share-based payments,
- other one-off expenses considered non-recurring by their nature.

Below is a reconciliation of operating income (EBIT) to Adjusted EBITDA, as well as the distribution of adjustments by type:

(in millions of euros)					Adjus	tments ⁽¹⁾ (B)	
	2017 (A)	Restruc- turing	Gains/losses on asset sales/ impairment	Business combi- nations	Share- based payments	Other ⁽¹⁾	2017 adjusted (A + B)
Net revenue	2,841.1	_	_	-	-	_	2,841.1
Cost of sales	(2,138.1)	1.6	3.9		1.0	0.0	(2,131.6)
Gross profit	703.0	1.6	3.9	_	1.0	0.0	709.5
Other operating income	30.1	0.2	0.1	(1.9)		(0.1)	28.4
Selling and distribution expenses	(319.4)	(1.2)	-		0.5		(320.1)
Research and development	(36.4)	0.4	-		0.3		(35.7)
General and administrative expenses	(187.5)	0.8	0.6	0.6	10.3	0.4	(174.8)
Other operating expenses	(177.1)	0.3	-	-	-	165.8	(11.0)
Result from operating activities (EBIT)	12.7	2.1	4.6	(1.3)	12.1	166.1	196.3
Depreciation and amortization	122.3	1.0	(4.5)	-	-	-	118.8
EBITDA	135.0	3.1	0.1	(1.3)	12.1	166.1	315.1

⁽¹⁾ Adjustments are reported as follows:

4.7.3 Operating cash flow

- > Cash flow from operations minus current investments.
- Current investments are defined as investments in tangible and intangible assets other than the construction of new

factories or distribution sites and the acquisition of companies or activities.

> Annual operating cash flow is broken down as follows:

(in millions of euros)	2017	2016
Cash generated from operations (1)	91.1	297.3
Acquisitions of intangible assets and property, plant and equipment	(111.1)	(91.9)
Restatement of capital investments	0.2	0.4
Net operating cash flow	(19.8)	205.8

⁽¹⁾ Cash generated from operations decreased significantly due to the fine imposed by the French Competition Authority.

4.7.4 Free cash flow (company results of operations only)

Free cash flow is presented only in the Company results of operations. $\,$

- > Operating cash flow, as defined above, plus or minus the following inflows and outflows:
- net interest received (paid),
- net income taxes collected (paid),
- miscellaneous operating items received or paid, and
- proceeds (losses) from sale of property, plant and equipment.

⁻ cancellation of an expense is presented with a positive sign;
- cancellation of income is presented with a negative sign.

> Free cash flow is broken down as follows:

(in millions of euros)	2017	2016
Net operating cash flow	(19.8)	205.8
Net interest paid	(11.3)	(15.3)
Net income taxes paid	(37.8)	(41.1)
Miscellaneous operating items	(1.0)	(2.1)
Proceeds from sale of property, plant and equipment	4.5	0.7
Free cash flow	(65.4)	148.0

4.7.5 Return on invested capital

The Group uses the indicator Return on Invested Capital, or "ROIC," to measure the effectiveness of the Group's capital allocation and to measure the financial return generated by its investments.

ROIC corresponds to the ratio between:

- > operating income before financial items and after taxes and;
- > capital invested (which corresponds to the sum of property, plant and equipment, intangible assets (including goodwill), and net current assets).

Operating income before financial items and taxes is calculated as follows:

(in millions of euros)	For the year	r ended December 31
	2017	2016
Result from operating activities (EBIT)	12.7	190.7
Exceptional items		
Restructuring costs	2.1	5.0
Gains/losses on asset sales	4.6	2.4
Business combinations	(1.3)	4.6
Share-based payments	12.1	8.7
Other	166.1	2.3
Adjusted EBIT	196.3	213.7
Standard tax rate	35%	35%
Operating income before financial items and after taxes/NOPAT (1) (A)	127.6	138.9

(1) NOPAT: Net Operating Profit After Tax (NOPAT).

Capital invested is calculated as follows:

(in millions of euros)	For the year ended December 31	
	2017	2016
Property, plant and equipment	467.4	488.6
Intangible assets	91.4	108.5
Goodwill	510.5	550.4
Working capital (1)	365.1	347.8
Total capital invested (B)	1,434.4	1,495.3

⁽¹⁾ Working capital is defined as inventory, trade receivables, other receivables, deferred tax assets and liabilities, trade payables, other liabilities and other short-term provisions, restated for financial items (€3.3 million) and amounts payable on assets (€5.8 million).

The Group's ROIC is as follows:

(in millions of euros)	For the year ended December 31	
	2017	2016
Return on invested capital (ROIC) (A/B)	8.9%	9.3%

5 FINANCIAL STATEMENTS

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5.1 Consolidated Financial Statements as of December 31, 2017

the Group's Consolidated Financial Statements as of December 31, 2017, prepared in accordance with the IFRS as adopted by the European Union, appear in the section below. The report of the Company's Statutory Auditors is presented in Section 5.9, "Statutory Auditors' Report on the Consolidated Financial Statements".

the Group's Consolidated Financial Statements and Company Financial Statements as of December 31, 2016 and the related Statutory Auditors' reports appear respectively on pages 158 and 228 (for the Consolidated Financial Statements) and pages 206 and 229 (for the Company Financial Statements) of the

Registration Document filed with the AMF on March 21, 2017 under number D.17-0199 and are incorporated by reference into this Registration Document.

The Consolidated Financial Statements and Company Financial Statements as of December 31, 2015 and the related Statutory Auditors' reports appear respectively on pages 132 and 200 (for the Consolidated Financial Statements) and pages 179 and 201 (for the Company Financial Statements) of the Registration Document filed with the AMF on April 1, 2016 under number R.16-016 and are incorporated by reference into this Registration Document.

Consolidated income statement

(in millions of euros)	Note	2017	2016
Net revenue		2,841.1	2,739.3
Cost of sales		(2,138.1)	(1,996.4)
Gross profit		703.0	742.9
Other operating income	(3)	30.1	13.0
Selling and distribution expenses		(319.4)	(318.7)
Research and development		(36.4)	(37.3)
General and administrative expenses		(187.5)	(188.9)
Other operating expenses	(3)	(177.1)	(20.3)
Result from operating activities	(3)	12.7	190.7
Financial income		1.3	1.4
Financial expenses		(24.7)	(22.4)
Financial income and expense	(7)	(23.4)	(21.0)
Share of profit of equity accounted investees (net of income tax)		3.0	2.6
Profit before income tax		(7.7)	172.3
Total income tax	(8)	(30.3)	(53.0)
Profit from continuing operations		(38.0)	119.3
Profit (loss) from discontinued operations (net of income tax)		-	-
Net profit for the period		(38.0)	119.3
Attributable to: Owners of Tarkett		(38.7)	118.6
Non-controlling interests		0.7	0.7
Net profit for the period		(38.0)	119.3
Earnings per share: Basic earnings per share (in EUR)	(9)	(0.61)	1.87
Diluted earnings per share (in EUR)	(9)	(0.61)	1.86

Consolidated statement of comprehensive income

(in millions of euros)	2017	2016
Net profit for the period	(38.0)	119.3
Other comprehensive income (OCI)	-	-
Foreign currency translation differences for foreign operations	(77.2)	19.7
Changes in fair value of cash flow hedges	(0.8)	0.5
Income tax on other comprehensive income	0.2	(0.1)
OCI to be reclassified to profit and loss in subsequent periods	(77.8)	20.1
Defined benefit plan actuarial gain (losses)	7.8	(10.4)
Other comprehensive income (OCI)	-	
Income tax on other comprehensive income	(7.2)	10.2
OCI not to be reclassified to profit and loss in subsequent periods	0.6	(0.2)
Other comprehensive income for the period, net of income tax	(77.2)	19.9
Total comprehensive income for the period	(115.2)	139.2
Attributable to:		
Owners of Tarkett	(115.5)	138.8
Non-controlling interests	0.3	0.4
Total comprehensive income for the period	(115.2)	139.2

Consolidated statement of financial position

Assets

(in millions of euros) Note	December 31, 2017	December 31, 2016
Goodwill (5)	510.5	550.4
Intangible assets (5)	91.4	108.5
Property, plant and equipment (5)	467.4	488.6
Other financial assets (7)	31.7	34.9
Deferred tax assets (8)	80.1	94.0
Other non-current assets	-	0.2
Non-current assets	1,181.1	1,276.6
Inventories (3)	404.2	396.3
Trade receivables (3)	356.2	343.4
Other receivables (3)	76.9	58.8
Cash and cash equivalents (7)	114.7	93.1
Current assets	952.0	891.6
Total assets	2,133.1	2,168.2

Equity and liabilities

(in millions of euros) Note	December 31, 2017	December 31, 2016
Share capital (9)	318.6	318.6
Share premium and reserves	145.8	145.8
Retained earnings	352.7	349.9
Net result for the period	(38.7)	118.6
Equity attributable to equity holders of the parent	778.4	932.9
Non-controlling interests	2.2	2.3
Total equity	780.6	935.2
Interest-bearing loans (7)	594.1	460.0
Other financial liabilities (7)	0.5	4.1
Deferred tax liabilities (8)	37.8	38.6
Employee benefits (4)	135.4	154.1
Provisions and other non-current liabilities (6)	49.7	58.7
Non-current liabilities	817.5	715.5
Trade payables (3)	288.9	270.3
Total other liabilities (3)	197.4	193.5
Interest-bearing loans and borrowings (7)	12.3	11.3
Other financial liabilities (7)	7.0	4.4
Provisions and other current liabilities (6)	29.4	38.0
Current liabilities	535.0	517.5
Total equity and liabilities	2,133.1	2,168.2

Consolidated statement of cash flows

(in millions of euros)	Note	2017	2016
Cash flows from operating activities			
Net profit before tax		(7.7)	172.3
Adjustments for: Depreciation and amortization		122.3	123.1
(Gain) loss on sale of fixed assets		(0.3)	0.4
Net finance costs		23.4	21.0
Change in provisions and other non-cash items		(6.6)	0.3
Share of profit of equity accounted investees (net of tax)		(3.0)	(2.6)
Operating cash flow before working capital changes		128.1	314.5
(Increase)/Decrease in trade receivables		(32.9)	(17.2)
(Increase)/Decrease in other receivables		(9.1)	(2.2)
(Increase)/Decrease in inventories		(30.1)	(15.3)
Increase/(Decrease) in trade payables		32.8	19.3
Increase/(Decrease) in other payables		2.3	(1.8)
Changes in working capital		(37.0)	(17.2)
Cash generated from operations	(3)	91.1	297.3
Net interest paid		(11.3)	(15.3)
Net income taxes paid		(37.8)	(41.1)
Other		(1.0)	(2.1)
Other operating items		(50.1)	(58.5)
Net cash (used in)/from operating activities		41.0	238.8
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(0.4)	(0.1)
Acquisitions of intangible assets and property, plant and equipment	(5)	(111.1)	(91.9)
Proceeds from sale of property, plant and equipment	(5)	4.5	0.7
Effect of changes in the scope of consolidation		-	(0.4)
Net cash from/(used in) investment activities		(107.0)	(91.7)
Net cash from/(used in) financing activities			
Acquisition of NCI without a change in control		(8.3)	(4.2)
Proceeds from loans and borrowings		362.0	491.0
Repayment of loans and borrowings		(224.3)	(567.3)
Payment of finance lease liabilities		(0.1)	(0.1)
Acquisition of treasury shares		(0.0)	(9.1)
Dividends		(38.4)	(33.0)
Net cash from/(used in) financing activities		90.9	(122.7)
Net increase/(decrease) in cash and cash equivalents		24.9	24.4
Cash and cash equivalents, beginning of period		93.1	67.9
Effect of exchange rate fluctuations on cash held		(3.3)	0.8
Cash and cash equivalents, end of period		114.7	93.1

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium and reserves	Translation reserves	Reserves	Equity attributable to equity holders of the parent	Non- controlling interests	Total equity
Balance at January 1, 2016	318.6	145.8	1.4	369.0	834.8	1.9	836.7
Net profit for the period				118.6	118.6	0.7	119.3
Other comprehensive income	_		20.0	0.2	20.2	(0.3)	19.9
Total comprehensive income for the period		_	20.0	118.8	138.8	0.4	139.2
Dividends				(33.0)	(33.0)		(33.0)
Own shares (acquired)/sold	_	-	-	(9.1)	(9.1)		(9.1)
Share-based payments	_		-	2.0	2.0		2.0
Acquisition of NCI without a change in control				(0.1)	(0.1)		(0.1)
Other	_	_	-	(0.5)	(0.5)		(0.5)
Total transactions with shareholders	-	_		(40.7)	(40.7)		(40.7)
Year ended December 31, 2016	318.6	145.8	21.4	447.1	932.9	2.3	935.2
Balance at January 1, 2017	318.6	145.8	21.4	447.1	932.9	2.3	935.2
Net profit for the period	_			(38.7)	(38.7)	0.7	(38.0)
Other comprehensive income	_	_	(76.8)	0.0	(76.8)	(0.4)	(77.2)
Total comprehensive income for the period	-		(76.8)	(38.7)	(115.5)	0.3	(115.2)
Dividends				(38.0)	(38.0)	(0.4)	(38.4)
Own shares (acquired)/sold	-		-	(1.5)	(1.5)	=	(1.5)
Share-based payments	_	-	-	5.1	5.1		5.1
Acquisition of NCI without a change in control	-			(4.6)	(4.6)		(4.6)
Other	-	-	-	-	-	_	-
Total transactions with shareholders	-		_	(39.0)	(39.0)	(0.4)	(39.4)
Year ended December 31, 2017	318.6	145.8	(55.4)	369.4	778.4	2.2	780.6

5.2 Notes to the consolidated financial statements

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Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2017 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 a large range of flooring and sports surface solutions to business and residential end-users.

The Group completed its initial public offering on November 21, 2013, and is listed on Compartment A of Euronext Paris, ISIN code: FR00004188670 – Stock symbol: TKTT.

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, 2017 were finalized by the Management Board on February 6, 2018 and reviewed by the Supervisory Board on February 8, 2018. They will be submitted for shareholder approval on April 26, 2018.

1.2 Significant accounting principles

1.2.1 Statement of compliance and applicable standard

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2017 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.

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 standards and interpretations. These amendments and interpretations have been approved by the European Union and their application is mandatory:
 - Amendment to IAS 7, "Statement of Cash Flows".

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

The Group has not implemented early application of any new standards or interpretations during the period.

c) New standards and interpretations not adopted

The following published standards have not been applied by the Group:

IFRS 15: Revenue from contracts with customers. On May 28, 2014, the IASB published a new standard on accounting for revenue to replace most of the existing IFRS provisions, in particular IAS 11 and IAS 18. At this stage of its analysis, given the manner in which the Group's customer relations are structured, the Group believes that the application of IFRS 15 will not have a major impact. The new standard, as adopted by the European Union, is effective beginning on January 1, 2018, using the "simplified retrospective method."

> IFRS 16: Leases. On January 16, 2016, the IASB published IFRS 16, "Leases". IFRS 16 will replace IAS 17 and the related IFRIC and SIC interpretations and will eliminate the distinction between operating leases and finance leases. This standard, applicable as of January 1, 2019 (or 2018, if adopted early), which has been adopted by the European Union, requires lessors to record all leases with terms of over one year in the manner currently required for finance leases under IAS 17, and thus to record an asset and a liability for the rights and obligations created by a lease agreement.

In the project's first phases, in 2017, the Group identified all of its leases.

The Group is now in the process of gathering the additional information necessary to ascertain the impacts of the new standard on its financial statements.

The new standard, will be effective as of January 1, 2019, using the "simplified retrospective method."

> IFRS 9: Financial Instruments. On July 24, 2014, the IASB published a new standard on Financial Instruments that replaces most of the existing IFRS provisions on Financial Instruments, in particular IAS 39. The new standard, which has been adopted by the European Union on November 22, 2016, will apply beginning January 1, 2018. IFRS 9 modifies the rules for recording hedging transactions, the classifications for financial assets and liabilities, and recognition of credit risk with respect to financial assets based on expected losses rather than incurred losses. Due to the nature of its business, the Group does not expect any significant changes in the classification and valuation of its financial assets. In addition, the Group believes that its existing hedging arrangements classified as effective hedges will still meet the criteria for hedge accounting under IFRS 9 and does not expect any significant impact on its hedge transaction accounting. Finally, implementation of a new method of credit risk valuation does not have a significant impact.

1.2.2 Accounting estimates and judgments

The preparation of the Group's Consolidated Financial Statements requires it to make a number of estimates and assumptions that have an effect on the amounts recorded on its balance sheet and income statement.

These judgments and estimates relate principally to:

	Notes
Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed	
Impairment testing of assets	5.3
Accounting treatment of Financial Instruments	7.6
Provisions for employee benefits	4.1
Valuation of deferred tax assets	8.2
Determination of other provisions (warranties and disputes)	6

Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and information deemed significant given the current environment. Actual results may differ significantly from these estimates.

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

1.3 Significant event

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

Based on the information Tarkett had, in the half-year financial statements Tarkett decided to record a provision in the amount of €150 million.

On October 18, 2017, the French Competition Authority, in its decision number 17-D-20, ordered Tarkett to pay a fine of €165 million. The Group recorded an additional expense of €15 million in the fourth quarter. The full amount was recognized in "other operating expenses." The entire amount of the fine was paid in December.

Note 2 > Changes in scope of consolidation

2.1 Consolidation methods

2.1.1 Full consolidation

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.

2.1.2 Equity method accounting for joint ventures and associates

A joint venture, for purposes of IFRS 11, 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. the Group's interests in equity-accounted joint ventures comprise only the joint venture Laminate Park GmbH & Co.

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.

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, 2017 (see Note 2.4, Changes in Scope of Consolidation).

2.2 Business combinations

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.

Transactions costs, other than those associated with the issue 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 at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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.

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.

As of December 31, 2017, all of the put options have been

Notes to the consolidated financial statements

2.3 Foreign currency translation

These financial statements are presented in euro and the functional currency of Tarkett and its subsidiaries located in the euro zone is euro. Group entities operate on an autonomous basis and therefore the functional currency of entities operating outside the euro zone is generally their local currency.

The functional currency of the Commonwealth of Independent States ("CIS") is the euro. After analyzing the primary and secondary indicators set forth in IAS 21.9, the Group has confirmed this choice for the 2017 financial statements.

The Group presents its financial statements in euros.

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 the operating profit for operational transactions or in the financial result for financing transactions.

Some items are covered by hedging transactions; the accounting treatment for those transactions is described in Note 7.6.1.

Non-monetary items are translated using the historical exchange rates, while monetary items are translated using the foreign exchange rates ruling 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.

Net investments in foreign operations

When long-term loan in foreign currency is granted to a subsidiary, it may be deemed a net investment in a foreign company. Foreign exchange gains and losses relating to these long-term loans are then recognized in translation reserves in other comprehensive income.

2.4 Changes in the scope of consolidation

The Tarkett Group's scope of consolidation is as follows. (See Note 13 for a list of principal consolidated entities.)

Number of companies	Dec. 31, 2016	Mergers	Acquisitions	Liquidations	Dec.31,2017
Fully consolidated companies	85	(7)	1	(1)	78
Equity-accounted companies	1	-	=	=	1
Total	86	(7)	1	(1)	79

2.4.1 Transactions completed in 2017

The year's principal transactions are as follows:

a) Mergers

In Canada in 2017, Nova Scotia Limited and Tandus Centiva GP were merged into Tandus Centiva Limited.

In Serbia, Sintelon RS DOO Backa Palancka and Sintelon DOO Backa Palancka were merged into Tarkett DOO Backa Palancka.

In addition, in France, Desso SAS was merged into Tarkett France.

Finally, in the United States, Tarkett Entreprises Inc. was merged into Tarkett Finance Inc., and Texas Tile Manufacturing LLC was merged into Domco Products Texas Inc.

b) Call options

In November 2017, Tarkett exercised its option to acquire the 49% minority interest in FieldTurf Benelux B.V. FieldTurf Benelux B.V. was already fully consolidated.

In December 2017, Tarkett exercised its option to acquire the 49% minority interest in Morton Extrusionstechnik (M.E.T GmbH). Morton Extrusionstechnik (M.E.T GmbH) was already fully consolidated.

2.4.2 Transactions completed in 2016

a) Mergers

In September 2016, Sintelon UA Ltd was merged into Tarkett Vinisin LLC.

b) Liquidation

In April 2016, Galerija Podova D.o.o Banja Luka was liquidated.

In June 2016, Desso Sports Systems GmbH was liquidated.

2.5 Joint ventures

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

The joint venture produces laminate and board for the EMEA market.

Note 3 > Operating Data

3.1 Components of the income statement

3.1.1 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, payment is likely, the associated costs and potential return of the merchandise can be reliably assessed, the Group is no longer involved in managing the merchandise, and the revenue from the merchandise can be reliably assessed. Revenue is recognized net of returns, rebates, commercial discounts and bulk discounts.

Revenue from services rendered or from construction contracts, in connection with the sports surfaces division, 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 price reductions and taxes, and after elimination of intragroup sales.

3.1.2 Operating result

a) Grants

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.

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

b) 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 5.2.1.

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.

c) Other operating income and expenses

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.

3.1.3 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, advisory fees and other adjustments;
- expenses related to share-based payments due to their noncash nature; and
- > other one-off expenses considered exceptional by their nature.

(in millions of euros)						Adjustments	
	2017	Restruc- turing	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other ⁽¹⁾	2017 adjusted
Net revenue	2,841.1	_	_	-	-	-	2,841.1
Cost of sales	(2,138.1)	1.6	3.9	=	1.0	0.0	(2,131.6)
Gross profit	703.0	1.6	3.9	-	1.0	0.0	709.5
Other operating income	30.1	0.2	0.1	(1.9)		(0.1)	28.4
Selling and distribution expenses	(319.4)	(1.2)			0.5		(320.1)
Research and development	(36.4)	0.4			0.3		(35.7)
General and administrative expenses	(187.5)	0.8	0.6	0.6	10.3	0.4	(174.8)
Other operating expenses	(177.1)	0.3			-	165.8	(11.0)
Result from operating activities (EBIT)	12.7	2.1	4.6	(1.3)	12.1	166.1	196.3
Depreciation and amortization	122.3	1.0	(4.5)			=	118.8
EBITDA	135.0	3.1	0.1	(1.3)	12.1	166.1	315.1

⁽¹⁾ Other includes the €165 million adjustment recorded following the decision of the French Competition Authority (see Note 1.3).

(in millions of euros)						Adjustments	
	2016	Restruc- turing	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other	2016 adjusted
Net revenue	2,739.3	-	_	_	_	_	2,739.3
Cost of sales	(1,996.4)	3.1	-	-	1.0	1.1	(1,991.2)
Gross profit	742.9	3.1	-	-	1.0	1.1	748.1
Other operating income	13.0						13.0
Selling and distribution expenses	(318.7)	1.1	0.9		0.5		(316.2)
Research and development	(37.3)		-		0.2		(37.1)
General and administrative expenses	(188.9)	0.8	1.5	0.6	7.0	1.1	(177.9)
Other operating expenses	(20.3)	-	-	4.0		0.1	(16.2)
Result from operating activities (EBIT)	190.7	5.0	2.4	4.6	8.7	2.3	213.7
Depreciation and amortization	123.1		(2.4)				120.7
EBITDA	313.8	5.0	_	4.6	8.7	2.3	334.4

3.2 Segment information

In accordance with IFRS 8, "Operating Segments," the Group's activities have been segmented based on the organization of its internal management structure and of its products. The Group is organized in four segments:

- > Europe, Middle East and Africa ("EMEA");
- > North America;
- > Commonwealth of Independent States ("CIS"), Asia Pacific ("APAC") and Latin America; and
- > Sports Surfaces.

Certain expenses are not allocated, in particular costs by the Group's headquarters and its $R\&D\,Group.$

By operating segment

2017 (in millions of euros)		Flooring			Central	Group
(ITTTIRROTS OF EUROS)	EMEA	North America	CIS, APAC and Latin America	Surfaces		
Net revenue	926.4	783.4	619.0	512.3		2,841.1
Gross profit	274.4	218.2	124.4	87.1	(1.1)	703.0
% of net sales	29.6%	27.8%	20.1%	17.0%		24.7%
Adjusted EBITDA	126.8	95.0	88.5	51.5	(46.7)	315.1
% of net sales	13.7%	12.1%	14.3%	10.0%		11.1%
Adjustments (1)	(168.5)	(2.4)	(1.8)	(2.6)	(4.8)	(180.1)
EBITDA	(41.7)	92.6	86.7	48.9	(51.5)	135.0
% of net sales	(4.5)%	11.8%	14.0%	9.5%		4.8%
Result from operating activities (EBIT)	(73.7)	25.3	42.6	30.1	(11.6)	12.7
% of net sales	(8.0)%	3.2%	6.9%	5.9%		0.4%
Ongoing capital expenditures	36.5	30.8	17.3	16.1	10.2	110.9

 $^{(1) \}quad \mathsf{EMEA} \, \mathsf{includes} \, \mathsf{the} \, \\ \\ \mathsf{\in} \, \mathsf{165} \, \mathsf{million} \, \mathsf{adjustment} \, \mathsf{recorded} \, \mathsf{following} \, \mathsf{the} \, \mathsf{decision} \, \mathsf{of} \, \mathsf{the} \, \mathsf{French} \, \mathsf{Competition} \, \mathsf{Authority} \, (\mathsf{see} \, \mathsf{Note} \, \mathsf{1.3}).$

2016 (in millions of euros)			Flooring	Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America	Juriaces		
Net revenue	906.5	816.7	549.6	466.5		2,739.3
Gross profit	289.7	244.8	109.4	99.8	(8.0)	742.9
% of net sales	32.0%	30.0%	19.9%	21.4%		27.1%
Adjusted EBITDA	136.7	113.0	81.0	54.1	(50.4)	334.4
% of net sales	15.1%	13.8%	14.7%	11.6%		12.2%
Adjustments	(3.5)	(5.4)	(2.3)	(1.3)	(8.1)	(20.6)
EBITDA	133.2	107.6	78.7	52.8	(58.5)	313.8
% of net sales	14.7%	13.2%	14.3%	11.3%		11.5%
Result from operating activities (EBIT)	93.2	54.9	35.9	37.2	(30.5)	190.7
% of net sales	10.3%	6.7%	6.5%	8.0%		7.0%
Ongoing capital expenditures	35.8	23.6	14.1	10.0	8.0	91.5

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2017 and in 2016.

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 2017 and in 2016.

Tarkett considers the threshold for significance to be 25% of revenue. Only the United States is above that threshold, with 40.0% of the Group's consolidated revenue in 2017 (41.0% in 2016).

The United States represents 40.0% of the Group's total non-current assets as of December 31,2017 (42.0% on December 31,2016).

None of Tarkett's customers represents more than 10% of its sales. In 2017, the largest customer represented 3% of the Group's consolidated net revenues, as compared with 3% in 2016.

3.3 Other operating income – other operating expenses

(in millions of euros)	2017	2016
Losses on disposal of fixed assets	0.3	
Other operating income	29.8	13.0
Other operating income	30.1	13.0
Losses on disposal of fixed assets	-	(0.4)
Other operating expenses (1)	(177.1)	(19.9)
Other operating expenses	(177.1)	(20.3)
Total other operating income and expenses	(147.0)	(7.3)

⁽¹⁾ Includes the €165 million fine imposed by the French Competition Authority.

3.4 Breakdown of working capital requirements

3.4.1 Inventories

Inventories are stated on a FIFO (first in, first out) basis, at the lower of manufacturing/acquisition costs and net realizable value. Manufacturing costs of self-produced inventories comprise all

costs that are directly attributable and a systematic allocation 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 the estimated costs of completion and selling expenses.

(in millions of euros)	December 31, 2017	December 31, 2016
Raw materials and supplies	132.7	134.7
Work in progress	66.1	63.5
Finished goods	239.1	241.2
Samples	1.0	1.5
Consumables and spare parts	22.4	22.1
Total Gross Value	461.3	463.0
Provision for inventory depreciation	(57.1)	(66.7)
Total net inventory	404.2	396.3

${\it Breakdown}\ of\ the\ provision\ for\ inventory\ depreciation$

(in millions of euros)	Dec. 31, 2016	Allowance	Decrease	Foreign exchange gain & loss	Other	Dec. 31, 2017
Raw materials and supplies	(16.7)	(2.3)	7.1	1.2	0.2	(10.5)
Work in progress	(6.9)	(1.7)	2.6	0.3		(5.7)
Finished goods	(36.9)	(9.6)	9.7	2.5	0.5	(33.8)
Samples	(0.4)	(0.2)	0.2	0.1	-	(0.3)
Consumables and spare parts	(5.8)	(1.9)	0.8	0.1	-	(6.8)
Total provision for inventory depreciation	(66.7)	(15.7)	20,4	4.2	0.7	(57.1)

 $The \ rate \ of inventory \ provisions \ is \ applied \ in \ a \ similar \ way \ for \ the \ different \ periods.$

Cost of raw materials was €1,164.7 million in 2017 (as compared with €1,100.0 million in 2016).

3.4.2 Trade receivables

Trade receivables 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 the 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.

(in millions of euros)	December 31, 2017	December 31, 2016
Related party receivables	7.8	12.1
Third party receivables	368.1	353.5
Total Gross Value	375.9	365.6
Provisions for doubtful receivables	(19.7)	(22.2)
Total Trade Receivables	356.2	343.4

The change in the provision for doubtful receivables totals \in 2.50 million and is mainly explained as follows:

- > €(2.80) million of allowance;
- > €4.90 million of reversals;
- \rightarrow €0.40 million of foreign exchange impact.

Breakdown of unimpaired overdue receivables

(in millions of euros)	December 31, 2017	December 31, 2016
Receivables, trade overdue 0-180 days	39.5	31.3
Receivables, trade overdue 181-270 days	0.6	0.7
Receivables, trade overdue 271-360 days	0.1	0.4
Receivables, trade overdue > 360 days	1.2	1.5
Receivables, bankruptcy procedure/legal cases	0.9	1.1
Total unimpaired overdue Receivables	42.3	35.0

3.4.3 Other receivables

(in millions of euros)	December 31, 2017	December 31, 2016
Total Other receivables non-current	-	0.2
Prepaid expenses current	15.5	16.1
Income tax receivable current	23.9	8.9
VAT and other taxes	18.6	13.0
Other accounts receivable and other assets current	18.9	20.8
Total other receivables current	76.9	58.8

3.4.4 Trade payables

Trade payables are stated at their repayment amounts. Payables due more than a year in the future, including \$3.9 million in deferred income, are discounted to net present value.

(in millions of euros)	December 31, 2017	December 31, 2016
Trade payables	284.6	93.9
Trade notes payable	4.3	176.4
Trade payables	288.9	270.3

3.4.5 Other liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Liabilities related to employees	96.5	103.4
Currenttax	19.7	14.3
VAT and other taxes	16.8	15.6
Sales rebates	41.2	37.9
Other liabilities	23.2	22.3
Total other liabilities	197.4	193.5

3.5 Net cash flow from operations and free cash flow

The Group uses net cash flow from operations and free cash flow as performance indicators.

Net cash flow from operations is defined as follows:

> cash flow from operations minus capital expenditures;

> capital expenditures are defined as investments in intangible assets and property, plant and equipment, excluding construction of new plants or distribution sites and acquisitions of companies or activities.

(in millions of euros)	2017	2016
Cash generated from operations (1)	91.1	297.3
Acquisitions of intangible assets and property, plant and equipment	(111.1)	(91.9)
Restatement of non-recurring investments	0.2	0.4
Net cash flow from operations	(19.8)	205.8

⁽¹⁾ Cash generated from operations decreased significantly due to the fine imposed by the French Competition Authority (see Note 1.3.).

Free cash flow is composed of the following items:

> net cash flow from operations, as defined above.

Plus or minus the following deposits and disbursements from the consolidated cash flow statement:

- > net interest received (paid);
- > net income taxes collected (paid);
- > miscellaneous operational items deposited (disbursed); and
- > proceeds (losses) from sale of property, plant and equipment.

(in millions of euros)	2017	2016
Net cash flow from operations	(19.8)	205.8
Net interest paid	(11.3)	(15.3)
Net income taxes paid	(37.8)	(41.1)
Miscellaneous operational items	(1.0)	(2.1)
Proceeds from sale of property, plant and equipment	4.5	0.7
Free cash flow	(65.4)	148.0

Note 4 > Employee benefits

4.1 Post-employment benefits

Within the Tarkett Group, various systems for providing for retirement benefits depending on the legal, economic and tax environment of each country exist. In accordance with the laws and uses applied in 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 (mortality, employee turnover) and economic variables (future increases in salaries and medical costs, 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.

Their amount is then 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".

Description of plans

As of December 31, 2017, the Group's largest retirement plans were in the United States, Germany, Sweden, Canada and the United Kingdom. Those five countries represent close to 85% of total commitments under defined benefits plans.

In the United States and the United Kingdom, the Group's retirement plans have been closed to new participants and to the accrual of rights for several years. Most of the Group's plans in Canada are now closed. These plans are prefinanced in accordance with local legislation. Additionally, the Group operates medical and life-insurance benefit plans for certain employees in the United States. These plans are not covered by financing assets and are now closed.

In Sweden, defined benefit retirement plans are mandatory for employees born prior to 1979 under the applicable collective bargaining agreement. Employees born after that date participate in the mandatory defined contribution plan. In Germany, the Group offers a pension plan, service awards and early retirement.

The Group also offers lump-sum retirement payments as provided for by applicable legislation or collective bargaining agreements in certain countries, including France and Italy.

The weighted average duration of defined benefit obligation is 13 years.

Special Events

In 2017, the Group decided to terminate a medical-cost reimbursement plan for its active employees in the United States.

No other major special events occurred in 2017.

Assumptions

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

		December 31, 2017		December 31, 2016
	Pensions	Post- employment healthcare benefits	Pensions	Post- employment healthcare benefits
Discount rate	3.06%		3.12%	
Including:				
United States	3.75%	3.75%	4.00%	3.50%
Germany	1.50%		1.25%	
Sweden	2.75%		3.00%	
United Kingdom	2.40%		2.50%	
Canada	3.75%		4.00%	
Salary increases	2.87%		2.71%	
Inflation	2.40%		2.29%	

Discount rates are determined by reference to the yield on 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;
- > Canada: Canadian AA "Mercer Yield Curve Canada" bonds.

Amounts recognized in the		December 31, 2017 December 31, 2		Dec		mber 31, 2016
statement of financial position (in millions of euros)	Pensions	Post- employment healthcare benefits	Total	Pensions	Post- employment healthcare benefits	Total
Defined benefit obligations	232.1	2.0	234.1	246.3	8.4	254.7
Fair value of plan assets	(98.7)	-	(98.7)	(100.6)	-	(100.6)
Net liability booked in the statement of financial position	133.4	2.0	135.4	145.7	8.4	154.1

Pension obligations (in millions of euros)		De	ecember 31, 2017		De	ecember 31, 2016
(IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position
Balance at January 1	246.2	(100.6)	145.6	228.9	(94.5)	134.4
Current service cost	4.2	-	4.2	3.6		3.6
Past service cost	(0.1)	-	(0.1)			-
(Gains)/Losses on settlements	-	-	-			-
Interest expense	7.2	(3.2)	4.0	8.1	(3.7)	4.4
Remeasurements of other long-term benefits	-	-	-	0.1		0.1
Administrative and tax expenses (expenses paid)	(0.2)	1.6	1.4	(0.2)	1.6	1.4
Expense/(income) for the fiscal year in income statement	11.1	(1.6)	9.5	11.6	(2.1)	9.5
Benefit payments from employer	(4.8)	-	(4.8)	(4.8)	_	(4.8)
Benefit payments from plan	(7.7)	7.7	-	(7.5)	7.5	-
Plan participants' contributions	0.3	(0.3)	-	0.3	(0.3)	-
Employer contributions	-	(4.7)	(4.7)	-	(4.1)	(4.1)
Effect of changes in demographic assumptions	(1.7)	-	(1.7)	(1.9)		(1.9)
Effect of changes in financial assumptions	3.7	-	3.7	13.8	_	13.8
Effect of experience adjustments	(0.9)	-	(0.9)	0.6		0.6
(Return) on plan assets (excluding interest income)	-	(8.4)	(8.4)	-	(4.0)	(4.0)
Total pension cost/(income) recognized in the OCI	1.1	(8.4)	(7.3)	12.5	(4.0)	8.5
Change in scope	-	-	-	5.6	(3.2)	2.4
Foreign exchange differences	(14.1)	9.2	(4.9)	(0.4)	0.1	(0.3)
As of December 31	232.1	(98.7)	133.4	246.2	(100.6)	145.6

Other benefit obligations (in millions of euros)		December 31, 2017			Decem	
(mmadile of editor)	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position
As of January 1	8.5	-	8.5	11.1		11.1
Current service cost	0.3	-	0.3	1.5		1.5
Past service cost	(5.9)	-	(5.9)			
(Gains)/Losses on settlements	-	-	-			
Interest expense	(0.0)	-	(0.0)	0.2		0.2
Remeasurements of other long-term benefits	-	-	-			
Administrative and tax expenses (expenses paid)	-	-	-		-	
Expense/(income) for the fiscal year in income statement	(5.6)	-	(5.6)	1.7	-	1.7
Benefit payments to beneficiaries	-	-	-	-	_	-
Benefit payments from employer	(0.1)	-	(0.1)	(6.5)	_	(6.5)
Plan participants' contributions	-	-	-	-	_	-
Employer contributions	-	-	-	-	_	-
Effect of changes in demographic assumptions	-	-	-			-
Effect of changes in financial assumptions	-	-	-	0.7		0.7
Effect of experience adjustments	(0.3)	-	(0.3)	1.3	_	1.3
(Return) on plan assets (excluding interest income)	-	-	-			-
Total pension cost/(income) recognized in the OCI	(0.3)	-	(0.3)	2.0		2.0
Change in scope	-	-	-	-	_	-
Foreign exchange differences	(0.5)	-	(0.5)	0.2	_	0.2
As of December 31	2.0	_	2.0	8.5	_	8.5

${\it Allocation of plan \, assets \, by \, type \, of \, investment}$

	December 31, 2017	December 31, 2016
Shares	47.7%	47.5%
Bonds	28.3%	28.6%
Insurance contracts	12.7%	12.2%
Cash & cash equivalent	8.5%	8.3%
Real Estate	2.8%	3.4%

$Sensitivity \,to\,discount\,rate\,assumptions$

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(14.5)	(17.0)
Decrease of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	15.9	18.3

Sensitivity to inflation rate assumptions

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	3.2	5.5
Decrease of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(3.2)	(5.5)

Benefits to be paid in the next five years

Benefits to be paid in the next five years under retirement and similar plans are estimated as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
2017	-	11.8
2018	12.3	10.7
2019	11.7	11.1
2020	11.5	11.5
2021	10.7	11.4
2022	11.1	-
Total	57.3	56.6

4.2 Personnel costs and compensation of senior management

(in millions of euros)	December 31, 2017	December 31, 2016
Wages and salaries	(671.5)	(639.4)
Pension costs	1.5	(5.1)
Total Personnel costs	(670.0)	(644.5)
Employees (average number)	12,764	12,621

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:

(in millions of euros)	December 31, 2017	December 31, 2016
Short-term employee benefits	11.2	9.7
Retirement benefits	_	
Other long-term benefits	-	-
Lump-sum retirement payments	-	0.3
Share-based payments	2.9	2.5
Total	14.1	12.5

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

4.3 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 such that 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 the three plans in effect, ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period. 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 the end of the vesting period.

In 2017, the LTI 2014 plan resulted in a cash payment of ${\it \in 7.7}$ million.

	LTIP 2015	LTIP 2016	LTIP 2017
Grant date	Dec. 21, 2015	Dec. 1, 2016	Sept. 25, 2017
End of the vesting period	June 30, 2018	June 30, 2019	June 30, 2020
Number of shares	331,130	278,885	322,365
Estimated value as of the plan's start date (in euros)	27.38	32.00	37.00
Estimate of number of shares to be delivered as of December 31, 2017	313,249	193,267	322,365
Form of settlement		Share distribution	
Expenses 2017 (in millions of euros)	(3.7)	(3.1)	(1.4)
Expenses 2016 (in millions of euros)	(5.1)	(0.4)	
Expenses 2015 (in millions of euros)	(0.1)		

Note 5 > Tangible and intangible assets

5.1 Goodwill

For the measurement of goodwill at initial recognition, Tarkett applies IFRS 3 Revised (see 2.2), 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

The changes in goodwill can be analyzed as follows:

basis described in note 5.3, 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.

(in millions of euros)	December 31, 2017	December 31, 2016
Opening carrying amount	550.4	538.4
Goodwill on acquisitions during the period	0.5	-
Adjustment to initial purchase price allocation	-	1.7
Foreign exchange gain & loss	(40.4)	10.3
Closing carrying amount	510.5	550.4

5.1.1 Allocation of goodwill between the various CGU's

The allocation of goodwill between the various CGU's is as follows:

(in millions of euros)		December 31, 2017	December 31, 2016		
	Gross value	Net value	Gross value	Net value	
Resilient and miscellaneous	70.9	70.3	70.6	70.0	
Carpet	33.5	33.5	33.5	33.5	
Wood	-	-	_	_	
Laminate	-	-	_	_	
EMEA	104.4	103.8	104.1	103.5	
Commercial (out of carpet)	70.5	53.5	77.3	60.3	
Tandus & Centiva	175.7	175.7	200.5	200.5	
Residential	-	-	_	_	
North America	246.2	229.2	277.8	260.8	
CIS	96.5	95.5	96.5	95.5	
APAC	-	-	(0.0)	0.0	
Latin America	0.1	0.1	0.1	0.1	
CIS, APAC and Latin America	96.6	95.6	96.6	95.6	
Athletictracks	36.0	30.5	40.9	34.7	
Synthetic grass & other	51.8	51.4	56.2	55.8	
Sports Surfaces	87.8	81.9	97.1	90.5	
Total goodwill	535.0	510.5	575.6	550.4	

5.2 Tangible and intangible assets

5.2.1 Intangible assets

Research and development

In accordance with IAS 38, expenditures on research and development are expensed as incurred except when the criteria for capitalization are met.

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.

Depreciation

Amortization of intangible assets is recorded on a straight-line basis from the date of their availability:

- > patents and trademarks: the shorter of the length of the patent or its length of use;
- > development costs: 3 6^{2/3} years;
- > computer software: 3 5 years.

5.2.2 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.

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 and recorded as a separate asset if it is probable that the Group will derive economic advantages from the item, while general repairs, day to day servicing and maintenance are charged to expenses as incurred.

Depreciation

Depending on the economic use of the asset, straight-line depreciation is recorded over the following periods:

- > real estate: 20-30 years;
- > machines and equipment: 6 2/3-10 years;
- > printing cylinders: 2 years;
- > other equipment and supplies: 3-5 years.

Finance leases

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

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.

 $\label{location} \textbf{Allocation of the net values of tangible and intangible assets is as follows:}$

(in millions of euros)	December 31, 2017	December 31, 2016
Research and development	6.0	4.9
Patents	14.5	23.7
Trademarks	31.8	37.6
Software	28.9	35.3
Other intangible assets	3.5	4.6
Advance payments and fixed assets in progress	6.7	2.4
Intangible assets	91.4	108.5
Goods and real property	203.2	215.2
Technical equipment and machinery	210.5	233.0
Leased equipment	2.9	4.0
Advance payments and fixed assets in progress	50.8	36.4
Property, plant and equipment	467.4	488.6

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

Acquisition costs (in millions of euros)	Dec. 31, 2016	Acquisitions	Disposals	Change in scope	Transfer	Foreign exchange differences	Dec.31,2017
Research and development	13.4	2.5	(0.2)			(0.3)	15.4
Patents	152.7	-	(0.7)			(17.9)	134.1
Trademarks	58.2	-		-		(3.7)	54.5
Software	130.4	11.2	(6.7)	-	1.4	(6.6)	129.7
Other intangible assets	10.4	-	(6.4)		4.4	(1.2)	7.2
Advance payments and fixed assets in progress	2.4	5.6			(1.2)	(0.1)	6.7
Intangible assets	367.5	19.3	(14.0)	_	4.6	(29.8)	347.6
Goods and real property	516.5	7.3	(4.0)		5.1	(12.4)	512.5
Leased buildings	0.3	-	-	-	-	-	0.3
Technical equipment and machinery	1,315.7	21.0	(35.6)		41.8	(44.9)	1,298.0
Leased equipment	8.0	0.4				(0.1)	8.3
Advance payments and fixed assets in progress	36.4	63.1	(1.4)		(45.1)	(2.2)	50.8
Property, plant and equipment	1,876.9	91.8	(41.0)	-	1.8	(59.6)	1,869.9

Accumulated depreciation and amortization (in millions of euros)	Dec.31,2016	Allowance	Disposals/ reversal	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2017
Research and development	(8.5)	(1.4)	0.2		=	0.3	(9.4)
Patents	(129.0)	(6.8)	0.7			15.5	(119.6)
Trademarks	(20.6)	(3.3)	-		(0.2)	1.4	(22.7)
Software	(95.1)	(17.5)	6.7		0.1	5.0	(100.8)
Other intangible assets	(5.8)	(0.7)	6.4		(4.4)	0.8	(3.7)
Intangible assets	(259.0)	(29.7)	14.0		(4.5)	23.0	(256.2)
Goods and real property	(301.3)	(20.8)	4.3		1.1	7.4	(309.3)
Leased buildings	(0.3)	-	-				(0.3)
Technical equipment and machinery	(1,082.7)	(71.4)	33.9		(3.2)	35.9	(1,087.5)
Leased equipment	(4.0)	(1.6)	-	-	0.1	0.1	(5.4)
Property, plant and equipment	(1,388.3)	(93.8)	38.2	-	(2.0)	43.4	(1,402.5)

5.3 Impairment of assets

5.3.1 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. For this purpose, goodwill was allocated over the cash-generating units.

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 have been established taking into account 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.

 $The \ discount\ rate\ is\ an\ after-tax\ rate\ applied\ to\ after-tax\ cash\ flows. The\ following\ assumptions\ were\ used\ for\ 2017:$

	Discount rate	Perpetual	
	aftertax	growth rate	
EMEA	8.0%	2%	
North America	8.0%	2%	
CIS	11.6%	4%	
APAC	8.3%	4%	
Latin America	11.5%	4%	
Sports Surfaces	8.0%	2%	

Operating assumptions

For each CGU, operational assumptions that were considered key by the Group are as follows:

- evolution of the markets in which these CGU are involved on the basis of internal estimates, supported if 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 CGU to improve profitability; and
- > EBITDA, resulting from the combination of factors listed above.

Sensitivity analysis

The sensitivity analysis was carried out on three assumptions:

- > the discount rate (WACC);
- > the perpetual growth rate; and
- > EBITDA.

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

In 2017, the combination of an increase in the discount rate of 50 basis points and a decrease in the growth rate of 50 basis points would not result in additional impairment.

Furthermore, a decrease of 100 basis points in EBITDA margin, a key hypothesis for the Group, would not result in accounting for an impairment.

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.

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.

5.3.2 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 held for sale, a significant or prolonged decline in fair value as compared with cost is results in recognition of impairment 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 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.

Impairment testing

Impairment losses recognized during 2017 and 2016 can be broken down as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
North America	(3.9)	
Total	(3.9)	

5.4 Lease commitments

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

Operating lease payments

Minimum lease payments under operating leases are recorded as expenses on a straight-line basis over the term of the lease. (See Note 5.2.2 for more information on the rules for categorizing leases as operating or financial leases.)

Capital lease payments

Minimum lease payments under a finance lease are apportioned between the finance charge and the reduction in the outstanding liability. (See Note 5.2.2 for more information on the rules for categorizing leases as operating or financial leases.)

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

(in millions of euros)	December 31, 2017	December 31, 2016
Less than 1 year	25.9	26.2
1 To 5 years	53.9	49.3
More than 5 years	11.8	6.8
Total future minimum lease payments	91.6	82.3

Note 6 > Provisions

6.1 Provisions

Provisions arise primarily from legal and tax risks, and 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, without any expected compensation that can be reliably estimated. 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. An additional provision may be recorded for specific risks relating to particular assets.

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.

(in millions of euros)	Dec.31,2016	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2017
Product warranty provision	3.7	0.8	(0.5)		=	(0.3)	3.7
Restructuring provisions			-			-	-
Claims & litigation provisions	3.1	0.2	(0.1)			(0.3)	2.9
Other provisions	4.9	0.5	(0.2)			-	5.2
Provision for additional tax assessments	0.6	0.8	(0.2)	-		-	1.2
Financial liabilities (1)	46.4		(4.4)	-		(5.3)	36.7
Total Provisions – long-term	58.7	2.3	(5.4)	-	-	(5.9)	49.7
Product warranty provision	25.6	7.4	(11.0)		(0.6)	(2.3)	19.1
Restructuring provisions	3.8	0.8	(2.6)			-	2.0
Claims & litigation provisions	8.6	3.5	(4.2)		0.6	(0.4)	8.1
Other provisions		0.2	-			-	0.2
Total Provisions – short-term	38.0	11.9	(17.8)	-	-	(2.7)	29.4
Total Provisions	96.7	14.2	(23.2)		_	(8.6)	79.1

 $^{(1) \}quad \text{Provisions for financial liabilities consists primarily of the provision for as bestos litigation recorded by Domco Products Texas Inc.}$

(in millions of euros)	Dec. 31, 2015	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2016
Product warranty provision	2.3	1.5	(0.2)			0.1	3.7
Restructuring provisions			-				
Claims & litigation provisions	3.0	0.1	(0.3)			0.3	3.1
Other provisions	3.6	1.3	(0.2)		0.2		4.9
Provision for additional tax assessments	1.8	0.1	(1.3)		_		0.6
Financial liabilities (1)	36.2	10.0	(1.4)		_	1.6	46.4
Total Provisions – long-term	46.9	13.0	(3.4)	-	0.2	2.0	58.7
Product warranty provision	24.2	5.8	(5.1)		=	0.7	25.6
Restructuring provisions	8.8	2.3	(7.4)		0.1		3.8
Claims & litigation provisions	11.3	1.2	(4.3)		0.3	0.1	8.6
Other provisions	0.1	-	(0.1)		_		
Total Provisions – short-term	44.4	9.3	(16.9)	-	0.4	0.8	38.0
Total Provisions	91.3	22.3	(20.3)		0.6	2.8	96.7

 $^{(1) \}quad \text{Provisions for financial liabilities consists primarily of the provision for as bestos litigation recorded by Domco Products Texas Inc.}$

6.2 Potential liabilities

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.

Note 7 > Financing and Financial Instruments

7.1 Financial result

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".

(in millions of euros)	December 31, 2017	December 31, 2016
Interest income on loan assets & cash equivalents	1.0	0.8
Other financial income	0.3	0.6
Total financial income	1.3	1.4
Interest expenses on loans and overdrafts	(10.2)	(9.8)
Leasehold & similar rights	(0.2)	(0.3)
Commission expenses on financial liabilities	(4.0)	(4.7)
Cost of loans and debt renegotiation	(1.0)	(0.8)
Interest on provisions for pensions	(5.6)	(6.1)
Foreign exchange gains or losses	(2.6)	1.8
Impairment on financial assets	(0.1)	(0.1)
Changes in value of interest rate derivative instruments to hedge debt	(0.9)	(2.0)
Other financial liabilities	(0.1)	(0.2)
Total financial expenses	(24.7)	(22.4)
Financial result	(23.4)	(21.0)

7.2 Net debt – interest-bearing loans and borrowings

7.2.1 Significant accounting policies

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, "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. These assets are valued at amortized cost using the effective interest method. Loans and receivables are accounted for subject to deduction of impairment for loss of value in the case of doubtful receivables. 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 changes therein, other than impairment losses, are recognized in other comprehensive income. In the event of significant or lasting impairment of these assets, the cumulative loss is recorded on the income statement (see Section 5.3.2).

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.

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.

7.2.2 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.

(in millions of euros)		December 31, 2017	December 31, 2016		
	Long-term	Short-term	Long-term	Short-term	
Bank loans (unsecured)	-	3.2	152.3	4.2	
Issuance of unsecured notes	591.3	-	303.6	-	
Other loans (unsecured)	0.2	0.1	0.3	0.1	
Bank overdrafts (unsecured)	-	8.1		6.1	
Finance lease obligations	2.6	1.0	3.8	0.9	
Interest bearing loans and borrowings	594.1	12.4	460.0	11.3	
Total interest bearing loans and borrowings	606	606.5			
Cash and cash equivalents	(114	.7)	(93.1)		
Net debt	491	.8	378.2		

On April 13, 2017, Tarkett entered into a debt issuance through in a German private placement (known as a "Schuldschein") in the following tranches:

- > €72.0 million at fixed rate for five years;
- > €30.0 million at floating rate for five years;
- USD 50.0 million at floating rate for five years;
- > €118.0 million at fixed rate for seven years;
- > €32.5 million at floating rate for seven years.

The main legal and financial covenants under the agreement are the same as those under the 2016 "Schuldschein," which were the same as those under the revolving syndicated credit facility entered into in June 2015. The proceeds of this issuance were primarily used for the early repayment of the €150 million remaining balance under the October 2013 term loan and for the repayment of USD 50 million in drawdowns under the revolving syndicated credit facility, with the remainder held in cash.

All of the bank loans are unsecured, except for the assignment of receivables line of credit, and include mainly:

- > the above-mentioned "Schuldschein" for €252.5 million and USD 50.0 million entered into on April 13, 2017 and of which €150.5 million matures in April 2024, with the remainder maturing in April 2022;
- > a "Schuldschein" for €250 million and USD 56.5 million entered into on June 21, 2016 and of which €126 million matures in June 2023, with the remainder maturing in June 2021;
- > a €650.0 million multicurrency revolving syndicated credit facility entered into in June 2015, which expires in June 2020, and which had not been used as of December 31, 2017;
- > a French-law, German-law, and Spanish-law assignment of receivables line of credit for €50.0 million, which expires on December 31, 2018, and which had not been used as of December 31, 2017.

7.2.3 Details of loans and borrowings

December 31,2017 (in millions of euros)	Currency of draw-down	Interest rate	Total	12 months or less until 6/30/2018	2 years until 6/30/2019	3 to 5 years until 6/30/2022	More than 5 years
Unsecured loans							
Term Facility Europe	EUR	0.40%	2.3	2.3			
Other bank loans	EUR-BRL	25.56%	0.9	0.9			
Total bank loans			3.2	3.2			
Private Placement Europe	EUR	1.15%-1.72%	502.5	-		502.5	
Private Placement Europe	USD	2.96%-3.39%	88.8	-		88.8	
Otherloans		0.25%	0.3	0.1	0.1	0.1	
Bank overdrafts			8.1	8.1			
Finance lease obligations			3.6	1.0	1.0	1.1	0.5
Total interest-bearing loans			606.5	12.4	1.1	592.5	0.5

December 31,2016 (in millions of euros)	Currency of draw-down	Interest rate	Total	12 months or less until 12/31/2017	2 years until 12/31/2018	until	More than 5 years
Unsecured loans							
Term Facility Europe	EUR	0.40% - 1.75%	154.6	2.3	152.3		
Other bank loans	EUR-BRL	1.75% – 20.27%	1.9	1.9			
Total bank loans			156.5	4.2	152.3		
Private Placement Europe	EUR	1.25% – 1.65%	250.0	-		124.0	126.0
Private Placement Europe	USD	2.74%	53.6			53.6	
Otherloans		0.5%	0.4	0.1	0.1	0.2	
Bank overdrafts			6.1	6.1			
Finance lease obligations			4.7	0.9	1.0	2.1	0.7
Total interest-bearing loans			471.3	11.3	153.4	179.9	126.7

7.2.4 Financial ratio covenants

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, 2017, as well as with the financial ratio covenants, as detailed below:

Net debt/Adjusted EBITDA (in millions of euros)	December 31, 2017	December 31, 2016
Net debt	491.8	378.2
Adjusted EBITDA	315.1	334.4
Ratio ⁽¹⁾	1.6	1.1

⁽¹⁾ Must be below 3.0.

Adjusted EBIT/Net interest (in millions of euros)	December 31, 2017	December 31, 2016
Adjusted EBIT	196.3	213.7
Net interest	9.5	9.3
Ratio (2)	20.7	23.0

⁽²⁾ Must be above 2.5.

7.2.5 Cash and cash equivalent by nature

(in millions of euros)	December 31, 2017	December 31, 2016
Current cash	32.4	23.3
Remunerated cash balances	80.7	66.8
Short term treasury notes and Money Market funds	1.6	3.0
Cash and cash equivalents	114.7	93.1

7.3 Other financial liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Fair value of derivatives non-current	-	
Other financial liabilities non-current	0.5	4.1
Other financial liabilities non-current	0.5	4.1
Accrued interest expenses current	1.5	1.5
Fair value of derivatives non-current	0.2	0.2
Other financial liabilities current	5.3	2.7
Other financial liabilities current	7.0	4.4

7.4 Other financial assets

(in millions of euros)	December 31, 2017	December 31, 2016
Long-term investments	-	
Financial investments and receivables – long-term (1)	31.7	34.9
Loan receivables - long-term	-	-
Security deposit – long-term	-	-
Other financial assets	31.7	34.9

 $^{(1) \}quad \text{Financial investments and receivables} - \text{long-term include shares of companies accounted for by the equity method}.$

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

Acquisition costs (in millions of euros)	Dec. 31, 2016	Increases	Decreases	Transfer	Foreign exchange differences	Dec. 31, 2017
Long-term investments	-	-	-	-		-
Financial investments and receivables – long-term	37.9	3.7	(3.5)	_	(3.7)	34.4
Loan receivables – long-term		-	-	-		-
Security deposit – long-term		-	-	-		-
Other financial assets	37.9	3.7	(3.5)	-	(3.7)	34.4

Accumulated depreciation and amortization (in millions of euros)	Dec. 31, 2016	Allowance	Disposals	Decrease	Impairment losses	Transfer	Foreign exchange differences	Dec. 31, 2017
Security deposit – long-term						-		-
Financial investments and receivables – long-term	(3.0)	(0.1)		_		_	0.4	(2.7)
Other financial assets	(3.0)	(0.1)	_	-	_	_	0.4	(2.7)

7.5 Changes in financing liabilities

Below is a reconciliation between changes in financing liabilities as presented in the statement of financial position and financing activities as presented in the statement of cash flows:

(in millions of euros)	Dec. 31, 2016	Cashflows	Reclas- sification		Dec. 31, 2017		
				Acquisitions	Exchange rate adjustment (gain)/loss	Changes in fair value	
Financial liabilities, long-term	464.1	139.2			(8.7)		594.6
Financial liabilities, short-term	11.9	(2.4)			4.2		13.7
Financial assets, long-term (1)	(48.5)	8.2			3.7		(36.6)
Financial assets, short-term	(1.1)	0.9					(0.2)
Other		(8.4)					-
Total changes from financing activities (2)		137.5					
Net cash from financing activities (2)		137.5					

⁽¹⁾ excluding shares of companies accounted for by the equity method.

7.6 Financial risks and Financial Instruments

7.6.1 Derivative instruments

The Group uses derivative Financial Instruments to hedge some of its exposure to 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 include interest rate 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.

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.

However, 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, 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. However, if the transaction is no longer expected to occur then the amount is immediately transferred in full to profit or loss.

7.6.2 Financial market risks

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 the exposure 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.

⁽²⁾ excluding dividends, acquisition of treasury shares, and acquisition of non-controlling interests.

Fair value of derivative Financial Instruments

The totals are as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Currency swaps	0.1	0.4
Forward exchange contracts	-	1.1
Options	0.2	0.6
Total currency derivatives	0.3	2.1
Cash flow hedges	0.1	0.4
Total interest rate derivatives	0.1	0.4

a) 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 use interest rate derivatives 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. The cost of the cap may be offset in part or in full by a tunnel. 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.

Before interest rate hedge

(in millions of euros)	December 31, 2017	December 31, 2016
Fixed rate debt	337.8	152.7
Floating rate debt	268.7	318.6
Cash and cash equivalents	(114.7)	(93.1)
Net Debt	491.8	378.2

After interest rate hedge

(in millions of euros)	December 31, 2017	December 31, 2016
Fixed rate debt	337.8	152.7
Capped floating rate debt	41.7	104.4
Floating rate debt	227.0	214.2
Cash and cash equivalents	(114.7)	(93.1)
Net debt	491.8	378.2

Sensitivity analysis

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, 2017.

Sensitivity to interest rates based on the market index in effect at year-end

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 100 basis points Increase/(Decrease) in financial expense	1.4	2.3
Decrease of 100 basis points (1) Increase/(Decrease) in financial expense	(0.3)	(0.5)

⁽¹⁾ With a floor of 0%.

b) Exchange rate risk

Transaction risk

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, derived from transactions regarding the 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 Norwegian crown, the Polish zloty, the Australian dollar, the Russian ruble and the euro as a foreign currency for some Swedish, Asian, 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 certain significant residual exposure, decided upon periodically by the finance department. 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- to eighteen-month period.

Foreign exchange exposures and derivatives

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

Currency of Exposure	December 31, 2017					17 Decemb			
(in millions of euros)	USD	GBP	AUD	EUR	USD	GBP	AUD	EUR	
Financial receivables and liabilities	86.5	2.7	3.1	-	11.9	(1.8)	5.3		
Trade receivables and payables	14.7	3.3	3.1	(5.3)	7.5	0.5	3.1	7.0	
Nominal amount of derivatives	(86.5)	(5.4)	(3.1)	-	(11.9)	1.8	(5.3)		
Net recorded exposure to main currencies	14.7	0.6	3.1	(5.3)	7.5	0.5	3.1	7.0	

Tarkett uses forward exchange contracts and options when hedging with derivatives its exposure to foreign currency risk.

Tarkett 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 is an unrealized asset of 0.2 million (as compared with an unrealized asset of 1.7 million at the end of 2016). The amount of fair value directly recorded in equity is an unrealized liability of 0.1 million (as compared with an unrealized liability of 0.1 million in 2016). The difference is recorded 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.

Nearly all of the potential gains and losses reported directly in equity are expected to enter into the determination of profit and loss for 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. At December 31, 2017, the main financial exposures so covered are the euro against the US dollar for €86.5 million, against the Polish zloty for €38.8 million, and against the Swedish crown for €7.6 million. The fair value of these contracts at the balance sheet date amounted to unrealized income of €0.1 million

7.6.3 Liquidity risks

a) Future cash flows on Financial Instruments

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

The estimate of future cash flows on interest is based on the debt amortization table and on the assumption of a crystallization of the interest rates outstanding as of the closing date, unless a better estimate is available.

Interest-bearing loans	Decem	ber 31, 2017	Less than	12 months	1 to 2 years		3 to 5 years		More than 5 years	
(in millions of euros)	Carrying amount	Total future cash flows	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest
Total interest-bearing loans										
Bankloans	3.2	3.3	3.2	0.1		_		_		-
Bonds	591.3	644.6		11.9		11.9	314.8	25.3	276.5	4.2
Other loans	0.3	0.5	0.1	0.2	0.1		0.1			_
Bank overdrafts	8.1	8.4	8.1	0.3						_
Finance leases	3.6	3.6	1.0		1.0		1.1		0.5	
Total	606.5	660.4	12.4	12.5	1.1	11.9	316.0	25.3	277.0	4.2
Other financial liabilities										
Trade payables	288.9	288.9	288.9	_		_				
Other financial liabilities, non-current	0.5	0.5		-	0.5	-				-
Other financial liabilities, current	7.0	7.0	7.0	_		_				
Total	296.4	296.4	295.9		0.5					
Total financial liabilities	902.9	956.8	308.3	12.5	1.6	11.9	316.0	25.3	277.0	4.2

Interest-bearing loans	Decem	ber 31, 2016	Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
(in millions of euros)	Carrying amount	Total future cash flows	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest
Total interest-bearing loans										
Bankloans	156.5	166.0	4.2	4.0	152.3	3.5	-	2.0		-
Bonds	303.6	332.2		5.1	_	5.1	177.6	15.4	126.0	3.0
Otherloans	0.4	0.6	0.1	0.1	0.1	0.1	0.2		-	-
Bank overdrafts	6.1	6.1	6.1	-	_	-	-	_	-	-
Finance leases	4.7	4.7	0.9	-	1.0	-	2.1	_	0.7	-
Total	471.3	509.7	11.3	9.2	153.4	8.7	179.9	17.4	126.7	3.0
Other financial liabilities										
Trade payables	270.3	270.3	270.3	-	_	-	-		_	_
Other financial liabilities, non-current	4.1	4.1			4.1					_
Other financial liabilities, current	4.4	4.4	4.4	-	_	_	-	_	_	-
Total	278.8	278.8	274.7	-	4.1		_	_	_	-
Total financial liabilities	750.1	788.5	286.0	9.2	157.5	8.7	179.9	17.4	126.7	3.0

b) Liquidity position

As of the balance sheet date, net debt totals \leqslant 491.8 million. the Group's debt capacity is \leqslant 1,398.1, of which \leqslant 606.5 million has

been used (see Note 7.2.2). Including cash and cash equivalents, the liquidity position of the Group amounts to $\tt \$906.3$ million, which is enough to cover the financial obligations related to the current net debt.

(in millions of euros)	December 31, 2017	December 31, 2016
Amount available on credit facilities	791.6	787.1
Cash and cash equivalents	114.7	93.1
Total	906.3	880.2

7.6.4 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.

a) 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 which 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 approximately 8.0% of total accounts receivable as of December 31, 2017 (9.0% of total accounts receivable as of December 31, 2016).

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).

b) Credit risk management on equities and derivatives

The counterparties to the Group's financial derivatives are leading 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.

7.6.5 Fair value of financial assets and liabilities

Fair value method

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

Fair values are categorized into three levels 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 (prices) or indirectly (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 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 these instruments' counterparties.

The derivative Financial Instruments (swaps, caps, floors etc.) that the Group enters into are traded on over-the-counter markets on which there are no listed prices, and are therefore measured using the valuation models commonly employed by operators in the market.

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 first class banks or other financial institutions, and with the sole purpose of providing security for the Group's current operations and for the financing thereof.

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

December 31, 2017 (in millions of euros)	Fair Value Category	Hedging Derivatives		Assets designated at fair value rough profit and loss	Loans and receivables	Liabilities at amortized cost	Carrying amount	Fair value
Non current financial assets valued at amortized value	Level 2		-		9.3		9.3	9.3
Non current financial assets valued at fair value	Level 2	-	-	22.3	-	-	22.3	22.3
Other financial assets	Level 2	0.7					0.7	0.7
Accounts receivable					356.2		356.2	-
Cash and cash equivalents	Level 2		114.7				114.7	114.7
Interest-bearing loans and borrowings	Level 2		-			606.5	606.5	606.5
Other financial liabilities, non-current	Level 2	-	_			0.5	0.5	0.5
Other financial liabilities, current	Level 2	-	_	_	-	7.0	7.0	7.0
Accounts payable		-	_	_	-	288.9	288.9	-

December 31, 2016 (in millions of euros)	Fair Value Category	Hedging Derivatives	Cash t	Assets designated at fair value hrough profit and loss		Liabilities at amortized cost	Carrying amount	Fairvalue
Non current financial assets valued at amortized value	Level 2	-	-	-	14.4	-	14.4	14.4
Non current financial assets valued at fair value	Level 2	-	-	20.5			20.5	20.5
Other financial assets	Level 2	2.8	-				2.8	2.8
Accounts receivable		-	-		343.4		343.4	-
Cash and cash equivalents	Level 2	-	93.1				93.1	93.1
Interest-bearing loans and borrowings	Level 2			-		471.3	471.3	471.3
Other financial liabilities, non-current	Level 2	-	-	-	-	4.1	4.1	4.1
Other financial liabilities, current	Level 2	-	=	-	_	4.4	4.4	4.4
Accounts payable		-	_	-	_	270.3	270.3	-

7.7 Guarantees

Tarkett:

- has granted a General Indemnity Agreement of a maximum amount up to USD 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 USD 116.0 million;
- has granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 188.9 million;
- > has granted a guarantee covering 50% of a line of credit for a maximum amount of €10.0 million granted to its joint venture Laminate Park GmbH & Co KG, which had not been used as of December 31, 2017;

- > has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusiontechnik GmbH (M.E.T GmbH) to secure its payables up to €7.0 million, used for €3.9 million as of December 31, 2017;
- has granted sureties on special purpose bank accounts to the bank operating a credit line by factoring of European receivables, of which none was drawn down at year end. In addition, Tarkett has granted its guarantee as parent company to the lenders of certain subsidiaries, including Tarkett Limited (GB), Desso Holding (Netherlands) and Tarkett Asia Pacific (Shanghai) Management Co Ltd to obtain overdraft facilities or letters of credit for a maximum total amount equal to €18 million as of the balance sheet date, used for €7.9 million as of December 31, 2017.

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, either directly or through bank guarantees. These guarantees are not material either individually or in the aggregate.

Note 8 > Income tax expense

8.1 Income tax expense

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 8.2 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 the value added as determined based on the statutory accounts of French entities the statutory accounts 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.

Following passage of the tax reform bill in the United States, an expense of €2.5 million relating to the taxation of profits earned abroad was recorded in net income in 2017 and may be adjusted during the valuation period.

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

(in millions of euros)	2017	2016
Currenttax	(28.7)	(41.6)
Deferred tax	(1.6)	(11.4)
Total income tax	(30.3)	(53.0)

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2017 and 2016 can be reconciled as follows to the actual income tax charge:

(in millions of euros)	2017	2016
Pre-tax profit from continuing operations (a)	(7.7)	172.3
Profit from equity-accounted subsidiaries (b)	3.0	2.6
Pre-tax profit from fully consolidated activities (a-b)	(10.7)	169.7
Income tax at nominal French income tax rate (34.43%)	3.7	(58.4)
Effect of:		
Taxation of foreign companies at different rates	11.3	12.3
Exchange rate effects on non-monetary assets	(2.1)	5.0
Changes in unrecognized deferred tax assets	9.3	6.7
Permanent differences	2.7	(13.4)
Other permanent differences (1)	(56.8)	
Taxes on dividends (Withholding tax at source, French 3% contribution)	6.1	(3.3)
Other items	(4.5)	(1.9)
Income tax expenses	(30.3)	(53.0)
Effective rate	-283.2%	31.2%

⁽¹⁾ Consists solely of the fine imposed by the French Competition Authority (see Note 1.3.).

Taxation of foreign companies at different rates

The main contributing countries are Russia, with a local income tax rate of 20%, Sweden, with a local tax rate of 22%, the Netherlands, with a local tax rate of 25%, and Luxembourg, with a local tax rate of 30%.

Exchange rate effects on non-monetary assets

The deferred tax expense of €2.1 million is 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.

Changes in unrecognized deferred tax assets

Due to the taxable future results of certain subsidiaries, the Group was able to recognize a net amount of $\in 9.3$ million.

Taxes on dividends

Tax effects related to distributions primarily relate to withholding tax, the portion of dividends taxable in France ("quote-part de Frais et Charges") and the French 3% contribution. Following the decision of the Conseil constitutionnel (French Constitutional Court) on October 6, 2017, which found the French 3% contribution to be unconstitutional, income of $\ensuremath{\in} 9.2$ million was recorded.

Taking the foregoing information into account and excluding the fine imposed by the French Competition Authority (see Note 1.3), the pre-tax income of the fully consolidated companies would have been €154.3 million, which would have brought the effective tax rate to 19.7%.

8.2 Deferred tax

Deferred tax is calculated using the balance sheet 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 data.

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.

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.

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

(in millions of euros)	2017	2016
Deferred tax on tax loss carryforwards	25.1	39.4
DTA for pensions and healthcare benefits	37.6	46.6
Other items temporarily non deductible	38.9	46.8
Change in unrecognized deferred tax assets	(1.9)	(1.3)
Internal profit eliminations	1.6	6.6
Netted against deferred tax assets	(21.2)	(44.1)
Total Deferred tax assets	80.1	94.0
Fixed assets revaluation	40.8	63.2
Other deferred tax liabilities	18.2	19.5
Netted against deferred tax assets	(21.2)	(44.1)
Total Deferred tax liabilities	37.8	38.6

The Group had €25.1 million in deferred tax assets related to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €6.4 million related to the Group's North American (United States) tax consolidation group, and €1.8 million related to Serbia.

The €25.1 million was broken down as follows: €16.9 million of net deferred tax assets for tax loss carryforwards, and \in 8.2 million of net unused tax credits.

As of December 31, 2017, unrecognized deferred tax assets related to tax loss carryforwards amount to \in 159.4 million.

Following passage of the tax reform bill in the United States, lowering the federal corporate tax rate to 21%, the Group recorded a decrease in the value of its deferred tax assets in the amount of €4.1 million.

This decrease primarily relates to deferred taxes concerning the recognition of assets and liabilities under U.S. retirement plans, which were initially recorded in equity.

As a result, the revaluation of these assets was mainly recognized in other comprehensive income.

Note 9 > Shareholders' equity and earnings per share

9.1 Share capital

Share capital comprises the par value of the ordinary shares minus incremental costs directly attributable to the issue of ordinary shares and share options, 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.

	December 31, 2017	December 31, 2016
Share capital (in €)	318,613,480	318,613,480
Number of shares	63,722,696	63,722,696
Par value (in €)	5.0	5.0

9.2 Earnings per share & dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	December 31, 2017	December 31, 2016
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett during the period	(417)	(211)
Weighted average number of shares outstanding (undiluted)	63,306	63,512

Basic earnings per share

Basic earnings per share as of December 31, 2017 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).

	December 31, 2017	December 31, 2016
Profit for the period attributable to Tarkett shareholders (in m€)	(38.7)	118.6
Weighted average number of shares outstanding (undiluted)	63,306	63,512
Basic earnings per share (in €)	(0.61)	1.87

Weighted average number of shares outstanding (diluted earnings)

(in thousands of shares)	December 31, 2017	December 31, 2016
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett during the period	(417)	(211)
Impact of share-based payment plans	382 (1)	191 (1)
Weighted average number of shares outstanding at the end of the period (diluted)	63,688	63,703

⁽¹⁾ Free share grant plans provide only for the grant of existing shares and not for issuance of new shares.

Diluted earnings per share

Diluted earnings per share as of December 31, 2017 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).

	December 31, 2017	December 31, 2016
Profit for the period attributable to Tarkett shareholders (in m€)	(38.7)	118.6
Weighted average number of shares outstanding at the end of the period (diluted)	63,688	63,703
Diluted earnings per share (in €)	(0.61)	1.86

Dividends

Tarkett paid dividends in the amount of \in 0.60 per share to its shareholders on July 6, 2017, in accordance with the decision of the General Shareholders' Meeting of April 27, 2017. In 2016, the Group had paid a dividend of \in 0.52 per share.

Note 10 > Related parties

In accordance with IAS 24, "Related Party Disclosures," the Group has identified the following related parties:

- Joint ventures:
- 2. The Group's principal shareholder, Société Investissement Deconick ("SID")
- 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.

10.1 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.

The Group has only one joint venture, Laminate Park GmbH & Co KG, jointly controlled with the group Sonae in Germany.

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

(in millions of euros)	December 31, 2017	December 31, 2016
Joint ventures		
Sale of goods to Tarkett	27.8	24.8
Purchase of services from Tarkett	(1.0)	(0.9)
LoansfromTarkett	9.2	9.2

10.2 Principal shareholders

Société d'Investissement Deconinck holds 50.18% of Tarkett's share capital and as such controls and coordinates the Group's activities.

As of December 31, 2017, SID had invoiced a total of \in 500,000 in fees under the Assistance Agreement (as at December 31, 2016).

As of December 31, 2017, Tarkett had invoiced a total of €75,000 in fees under the Service Agreement (as at December 31, 2016).

10.3 Members of Tarkett's Management Board and Supervisory Board

None.

Note 11 > Subsequent events

In early February 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grassman, an Australian artificial grass manufacturer, extending the Group's local presence there. With more than 30 employees, Grassman's net revenue amounted to 15 million of Australian dollars in 2017 (approximately €10 million).

Note 12 > Statutory auditor fees

(in thousands of euros excluding taxes)	KPMG S.A.	KPMG S.A.	Mazars	Mazars
	Statutory Auditor	Network	Statutory Auditor	Network
Certification of company and consolidated accounts and limited first-half review				
Tarkett	256.8	-	197.0	=
Controlled entities	141	1,221.3	57.2	647.1
Subtotal (A)	397.8	1,221.3	254.2	647.1
Services other than certification of the financial statements required by laws and regulations				
Tarkett	0	0	0	0
Controlled entities	20.0	8.5	2.0	10.5
Subtotal (B)	20.0	8.5	2.0	10.5
Services other than certification of the financial statements provided at the entity's request	0	0	0	0
Tarkett	78.5	0	0	0
Controlled entities	0	35.4	0	0
Subtotal (C)	78.5	35.4	0	0
Services other than certification of the financial statements (1)	0	0	0	0
Sub-total D = B + C	98.5	43.9	2.0	10.5
Total E + A + D	496.3	1265.2	256.2	657.6
Total	1,761.5		913.8	

⁽¹⁾ Nature of services other than certification of the financial statements provided by the Statutory Auditor to the consolidating entity and its controlled subsidiaries: verification of CSR information by a third-party, independent organization; tax compliance.

Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Percentage interest as of December 31, 2017	Percentage interest as of December 31, 2016
F:Full consolidation E:Accounted for using the equity method NC:Not consolidated	_			
EMEA				
Tarkett AB	Sweden	F	100%	100%
Tarkett AS	Norway	F	100%	100%
Tarkett OY	Finland	F	100%	100%
Tarkett Belux	Belgium	F	100%	100%
Desso NV	Belgium	F	100%	100%
Tarkett A/S	Denmark	F	100%	100%
Tarkett Polska SP.z.o.o.	Poland	F	100%	100%
Tarkett Aspen Zemin AS	Turkey	F	70%	70%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Tarkett Holding GmbH	Germany	F	100%	100%
M.E.T.GmbH	Germany	F	100%	100%
Tarkett	France	Parent company	100%	100%
Tarkett Services	France		100%	100%
Tarkett France	France	F	100%	100%
Tarkett Bois SAS	France		100%	100%
FieldTurfTarkett SAS	France		100%	100%
Desso SAS ⁽¹⁾	France		0%	100%
Tarkett GDL SA	Luxembourg		100%	100%
Tarkett Capital SA	Luxembourg		100%	100%
Somalré	Luxembourg		100%	100%
Tarkett SpA	Italy		100%	100%
Tarkett - Produtos Internacionias, SA	Portugal		100%	100%
Tarkett Monoprosopi Ltd	Greece		100%	100%
Tarkett Floors S.A. Spain	Spain		100%	100%
FieldTurf Poligras SA	Spain		100%	100%
FieldTurf Benelux BV	Netherlands		100%	100%
Desso BV	Netherlands		100%	100%
Desso Sports BV	Netherlands		100%	100%
Desso Sports System BV	Netherlands		100%	100%
Desso Refinity BV	Netherlands		100%	100%
Desso Holding BV	Netherlands		100%	100%
Tarkett Ltd	Great Britain		100%	100%
Desso Ltd	Great Britain		100%	100%
Desso Czech Republic	Czech Republic		100%	100%
Tarkett Schweiz	Switzerland		100%	
Desso Ambiente Textil Handelsgesellschaft m.b.h	Austria		100%	100%
	Austria		10076	10076
North America				
Tarkett INC. (Delaware) (TKT)	United States	F	100%	100%
Tandus Centiva Inc.	United States	F	100%	100%
Tandus Centiva US LLC	United States	F	100%	100%
Tarkett Enterprises Inc. (1)	United States	F	0%	100%

Companies	Country	Consolidation method	Percentage interest as of December 31, 2017	Percentage interest as of December 31, 2016
Domco Products Texas Inc. (AZR)	United States	F	100%	100%
Tarkett Alabama Inc. (NAF)	United States	F	100%	100%
Tarkett Finance Inc.	United States	F	100%	100%
Tarkett USA Inc. (DUS)	United States	F	100%	100%
Texas Tile Manufacturing LLC ⁽¹⁾	United States	F	0%	100%
L.E.R.Inc.	United States	F	100%	100%
Easy Turf	United States	F	100%	100%
Beynon Sport Surfaces Inc.	United States	F	100%	100%
FieldTurfTarkett USA Holding	United States	F	100%	100%
FieldTurf USA Inc.	United States	F	100%	100%
Diamond W	United States	F	100%	100%
Desso (U.S.A.) Inc.	United States	F	100%	100%
Tarkett Inc.	Canada	F	100%	100%
Nova Scotia Ltd (1)	Canada	F	0%	100%
Tandus Centiva Limited	Canada	F	100%	100%
Tandus Centiva GP ⁽¹⁾	Canada	F	0%	100%
FieldTurf Inc.	Canada	F	100%	100%
Johnsonite Canada Inc.	Canada	F	100%	100%
CIS, APAC and Latin America				
Tarkett Australia Pty. Ltd	Australia	F	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	F	100%	100%
Tarkett Flooring Mexico	Mexico	F	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co Ltd	China	F	100%	100%
Tarkett Hong Kong Ltd	Hong Kong	F	100%	100%
Tarkett Industrial (Beijing) Co, Ltd	China	F	100%	100%
Tandus Flooring (Suzhou) Co. Ltd	China	F	100%	100%
AO Tarkett	Russia	F	100%	100%
AO Tarkett Rus	Russia	F	100%	100%
Tarkett Sommer 000	Russia	F	100%	100%
Tarkett d.o.o.	Serbia	F	100%	100%
Tarkett SEE	Serbia	F	100%	100%
Sintelon RS ⁽¹⁾	Serbia	F	0%	100%
Sintelon doo (1)	Serbia	F	0%	100%
Galerija Podova	Serbia	F	100%	100%
Tarkett UA	Ukraine	F	100%	100%
Vinisin	Ukraine	F	100%	100%
Tarkett Kazakhstan	Kazakhstan	F	100%	100%
Vinisin Kft	Hungary	F	100%	100%
Tarkett Bel	Belarus	F	100%	100%
Tarkett Flooring Singapore	Singapore	F	100%	100%
Tarkett Flooring India Private	India	F	100%	100%

⁽¹⁾ See Note 2.4.

 $The \,percentages\,of\,equity\,and\,voting\,rights\,held\,for\,each\,entity\,of\,the\,Group\,are\,identical.$

5.3 Company financial statements as of December 31, 2017

Balance sheet assets

(in euros)		Fiscal year er	nded 12/31/2017	12/31/2016	Change
	Gross	Prov.for deprec.	Net	Net	
Start-up costs					
Research and development					
Concessions, patents and similar rights	36,106,698	23,400,768	12,705,930	9,637,749	3,068,181
Goodwill	3,939,892		3,939,892	3,939,892	-
Other intangible assets			-		-
Intangible assets	1,612,546		1,612,546	714,095	898,451
Advances and deposits on intangible assets			-		
Land			-	-	-
Buildings	105,795	105,795	-	4,880	(4,880)
Technical facilities, equipment and machinery			-	-	-
Other property, plant and equipment	8,772,797	5,935,039	2,837,758	4,012,426	(1,174,668)
Property, plant and equipment	-		-		-
Advances and deposits			-		
Investments accounted for by the equity method			-		
Other equity investments	1,259,907,375	24,988,985	1,234,918,390	1,195,506,874	39,411,517
Receivables relating to equity investments			-		
Other fixed investments	2,323,220		2,323,220	668,940	1,654,280
Loans	269,884,470		269,884,470	288,758,101	(18,873,631)
Other financial assets	864,717		864,717	824,765	39,952
Total (I)	1,583,517,511	54,430,587	1,529,086,924	1,504,067,722	25,019,202
Raw materials, supplies					
Work-in progress, goods					
Work-in-progress, services					
Intermediate and finished products					
Merchandise					
Advances and deposits on orders	3,958		3,958	42,536	(38,578)
Trade receivables	10,429,156		10,429,156	10 645 521	(216,365)
Other receivables			-		
- Supplier receivables	669		669	775,879	(775,210)
- Personnel	1,000		1,000	17,220	(16,220)
- Social welfare bodies	-		-		
- Government, income taxes	14,524,002		14,524,002	2,801,737	11,722,265
- Government, revenue taxes	2,364,741		2,364,741	2,015,272	349,469
- Other	532,171,036		532,171,036	422,389,677	109,781,359
Share capital subscribed and called but not paid			-		
Marketable securities	9,033,000		9,033,000	9,033,000	_
Available funds	9,785,735		9,785,735	21,971,446	(12,185,711)
Cash Instruments	1,061,541		1,061,541	2,558,646	(1,497,105)
Prepaid expenses current	1,386,187		1,386,187	2,381,765	(995,578)
Total (II)	580,761,025	_	580,761,025	474,632,697	106,128,328
Charges allocated among several fiscal years (III)					
Bond redemption premiums (IV)					
Unrealized foreign exchange losses (V)	8,586,325		8,586,325	6,305,271	2,281,054
					133,428,585

Balance sheet liabilities

(in euros)	Fiscal year ended 12/31/2017	12/31/2016	Change
Share capital, company or individual (of which paid up: 318,613,480)	318,613,480	318,613,480	-
Issuance, merger, and contribution premiums	113,982,295	113,982,295	-
Revaluation differences			-
Legal reserve	31,861,348	31,861,348	-
Statutory or contractual reserves			
Regulated reserves			
Other reserves			
Retained earnings	715,991,071	744,255,618	(28,264,546)
Results of the fiscal year	51,920,613	9,769,475	42,151,138
Investment grants			
Regulated provisions	1,836,655	1,241,674	594,981
Total (I)	1,234,205,462	1,219,723,889	14,481,572
Proceeds from issuance of equity securities			
Conditional advances			
Total (II)		-	
Provisions for risks	1,293,252	637,473	655,780
Provisions for charges	26,706,862	25,544,502	1,162,360
Total (III)	28,000,114	26,181,975	1,818,139
Convertible bonds			
Other bonds			
Borrowings and debts from credit institutions			
- Borrowings	597,386,167	460,051,134	137,335,032
- Bank overdrafts and loans	-		
Other borrowings and financial debt			
- Other			
- Shareholders			
Advances and deposits received on orders in progress			
Trade Payables	13,174,680	12,708,608	466,072
Tax and social security liabilities			
- Personnel	2,867,081	4,166,089	(1,299,008)
- Social welfare bodies	871,118	950,735	(79,617)
- Government, income taxes	1,876,259	849,694	1,026,565
- Government, revenue taxes		314,386	(314,386)
- Government, guaranteed bonds			
- Other taxes and related	363,301	196,950	166,351
Payables on fixed assets	1,622,302	544,026	1,078,276
Other liabilities	228,679,671	254,253,385	(25,573,714)
Cash Instruments			
Income recorded in advance	422,508	552,504	(129,996)
Total (IV)	847,263,087	734,587,512	112,675,575
Unrealized foreign exchange gains (V)	8,965,611	4,512,313	4,453,298
Total liabilities (I to V)	2,118,434,274	1,985,005,689	133,428,585

Income statement

(in euros)		Fiscal year en	ded 12/31/2017	12/31/2016	Change	%
	France	Exports	Total	Total		
Sales of merchandise						
Produced goods sold						
Produced services sold	8,408,183	43,161,057	51,569,240	40,350,943	11,218,297	28
Netrevenue			51,569,240	40,350,943	11,218,297	28
Inventory						
Capitalized production						
Operating subsidies received						
Reversal of depreciation and provisions, transfer of expenses			8,336,434	138,890	8,197,545	5,902
Other income			262,694	167,111	95,583	57
Total operating income			60,168,369	40,656,944	19,511,425	48
Purchases of merchandise for resale (including customs duties paid)						
Change in inventories (merchandise)						
Purchases of raw materials and other supplies						
Changes in inventory of raw materials and other supplies						
Other purchases and external expenses			35,019,480	35,291,214	(271,734)	(1)
Taxes and similar payments			968,378	1,682,234	(713,856)	(42)
Salaries and wages			10,200,286	10,388,569	(188,284)	(2)
Social security contributions			4,310,410	4,098,957	211,453	5
Allocations to depreciation on fixed assets			7,242,950	5,715,150	1,527,800	27
Allocations to provisions on fixed assets						
Allocations to provisions on current assets						
Allocations to provisions for risks and expenses			10,149,635	14,187,991	(4,038,356)	(28)
Other expenses			525,472	419,754	105,718	25
Total operating expenses			68,416,610	71,783,869	(3,367,259)	(5)
Result from operating activities			(8,248,241)	(31,126,925)	22,878,684	74
Allocated gain or transferred loss						
Loss borne or gain transferred						
Financial income from equity investments			36,205,709	25,355,400	10,850,309	43
Income from other securities			28,928,565	27,028,967	1,899,598	7
Other interest and similar income			612,553	333,178	279,375	84
Reversal of provisions and transfer of expenses				-	-	
Foreign exchange losses			-	-	-	
Net income from disposals of marketable securities						
Total financial income			65,746,827	52,717,545	13,029,282	25
Financial allocations to depreciation and provisions				3,615,085	3,615,085	100
Interest and similar expense			10,902,010	11,708,465	(806,455)	(7)
Foreign exchange losses			273,659	158,885	114,774	72
Net income from disposals of marketable securities						
Total financial expenses			11,175,669	15,482,435	(4,306,766)	(28)
Financial income and expense			54,571,158	37,235,110	17,336,049	47
Current result before taxes			46,322,917	6,108,184	40,214,733	658

Income statement (continued)

(in euros)	Fiscal year ended 12/31/2017	12/31/2016	Change	%
	Total	Total		
Exceptional operating income	-	-	-	-
Exceptional income on capital transactions	-	-	=	-
Reversal of provisions and transfer of expenses	601,150	9,332,355	(8,731,205)	(94)
Income from disposals of assets	-	-	=	
Other exceptional income			-	
Total exceptional income	601,150	9,332,355	(8,731,205)	(94)
Exceptional operating expense		132,873	(132,873)	(100)
Exceptional expense on capital transactions	-	-	-	-
Exceptional allocations to depreciation and provisions	1,196,131	3,418,200	(2,222,069)	(65)
Other exceptional expenses	511	296,157	(295,646)	(100)
Total exceptional expenses	1,196,642	3,847,229	(2,650,588)	(69)
Exceptional result	(595,492)	5,485,126	(6,080,618)	(111)
Employee profit-sharing	-	-	-	-
Incometax	6,193,188	(1,823,838)	8,017,026	(440)
Totalincome	132,709,533	100,744,116	31,965,417	32
Total expenses	80,788,920	90,974,641	(10,185,721)	(11)
Net profit	51,920,613	9,769,475	42,151,138	431
Of which Equipment leasing				
Of which Property leasing				

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Note 1 > Accounting principles

The annual financial statements were prepared in accordance with Regulations 2014-03, 2015-06, and 2016-07 of the *Autorité des Normes Comptables* (French accounting standards authority).

1.1 Accounting principles

General accounting conventions were applied in compliance with the principle of prudence and in accordance with the following assumptions:

- > continuity of operations;
- > maintenance of accounting principles from one fiscal year to the next:
- > independence of fiscal years;

and in accordance with the general rules concerning preparation and presentation of annual accounts.

The primary method used to value recorded items is the historical cost method.

The main methods used are detailed below.

The Company Financial Statements integrate the provisions of Regulation 2015-05 of the Autorité des Normes (French accounting standards authority) with respect to forward contracts and hedging transactions, the application of which is mandatory beginning in fiscal year 2017. This regulation, the objective of which is to specify the procedures for accounting for forward contracts and hedging transactions, has no significant impact on the Company's annual financial statements.

1.2 Tangible and intangible assets

The primary method used to value recorded items is the historical cost method.

The main methods used are as follows:

1.2.1 Intangible assets

Intangible assets primarily comprise licenses, software and capitalization of external costs for implementing software within the Group's subsidiaries, grouped together under the item "concessions and patents".

Gross value consists of acquisition cost.

Software and software licenses are depreciated on a straight-line basis over a period of 1 to 5 years.

1.2.2 Property, plant and equipment

Property, plant and equipment primarily constitute office equipment, computer equipment, fixtures and facilities.

The gross value of these items corresponds to their initial value upon acquisition, taking into account the costs required to make them usable.

Depreciation is calculated on a linear basis over the expected useful life of the items.

Depreciation for impairment is calculated on a linear or declining balance basis depending on the expected useful life:

Office and computer equipment and other property, plant and equipment are depreciated on a straight-line basis over a period of 3 years.

1.3 Financial assets and marketable securities

Financial assets primarily comprise equity securities and guarantees paid.

Gross value consists of acquisition cost, excluding fees.

Where the value in use is lower than the gross value, an impairment provision is recorded for the difference.

Value in use is analyzed taking into account such factors as the percentage of shareholders' equity represented by such securities, changes in the subsidiary's profitability, and others approaches, including the multiples method and expert valuations.

1.4 Receivables and liabilities

Receivables and liabilities are valued at their nominal value.

Receivables, where necessary, have been impaired by provision to take into account likely difficulties in recovery.

1.5 Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate as of the date of the transaction.

Assets and liabilities denominated in foreign currency as of the balance sheet date are converted into euros using the exchange rate on such date. Exchange differences resulting form the conversion are recorded in conversion rate adjustments. Unrealized exchange losses that are not offset and not covered by hedging instruments are the subject of provisions for risk.

1.6 Provisions

1.6.1 Provisions for pensions and similar obligations

Provisions have been calculated by an outside actuary on the basis of data as of December 31, 2017, in accordance with the main assumptions described below:

- > inflation rate: 1.25%;
- > discount rate: 1.5%;
- salary indexation rate: 1.5%;
- > retirement age: 65.

1.6.2 Other provisions for risks and expenses

Provisions are recorded at the end of the fiscal year to cover risks and expenses relating to the following:

- > exchange rate risks;
- > obligation of the Company to a third party likely or certain to result in an outflow of resources without expected consideration.

1.7 Provision for long-term employee incentive plans (LTIP)

The Tarkett Group, for which Tarkett is the holding company, regularly implements share grant plans.

For the three plans in effect, ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period. 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 the end of the vesting period. Grants will be carried out through share distributions.

In accordance with CNC (the French accounting regulation agency) Notice No. 2008-17 dated November 6, 2008 on the accounting treatment of free share grant plans for employees, a provision of €26,229,478 was recorded as of December 31, 2017 (€24,054,718 on December 31, 2016) to cover Tarkett's obligation to deliver shares to the beneficiaries at the time of the definitive share grant.

The provision relating to shares not distributed at the balance sheet date is valued at a price of €34.98, except for those shares relating to the 2015 LTI Plan that vested in 2016 and are valued at their current price. Of note in 2017 are the vesting of the 2014 LTIPs and the creation, on September 25, 2017, of a new LTIP with 322.365 shares.

	LTIP 2015	LTIP 2016	LTIP 2017
Grant date	Dec. 21, 2015	Dec. 1, 2016	Sept. 25, 2017
End of the vesting period	June 30, 2018	June 30, 2019	June 30, 2020
Number of remaining shares	325,960	274,835	321,115
Stock price as of 12/31/2017	34.98	34.98	34.98
Provision recorded as of 12/31/2017 (in euros)	(10,143.342)	(6,756,192)	(9,329,944)
Form of settlement:		Share distribution	
Income and expenses 2017 (in euros)	1,076,828	916,909	(9,329,944)
Expenses 2016 (in euros)	(3,878,076)	(7,673,009)	-
Expenses 2015 (in euros)	(7,248,068)		

1.8 Significant events

1.8.1 Capital increases and decreases of Tarkett subsidiaries

Tarkett increased the share capital of its subsidiaries FieldTurf Tarkett S.A.S and Tarkett GDL by €6 million and €40 million, respectively. In addition, Tarkett decreased the share capital of its subsidiary Tarkett Inc. by CAD 10 million.

1.8.2 Request for reimbursement of the 3% contribution on dividend distributions

On October 6, 2017, the French Constitutional Council (Conseil constitutionnel) found that Article 235 ter ZCA of the French General Tax Code treated parent companies differently for tax purposes depending on whether the dividends that they re-distributed came from subsidiaries located inside or outside the European Union, despite the fact that all such companies were required to pay the contribution. As a result, Article 235 ter ZCA was held unconstitutional. Following the decision, Tarkett filed a request during the 2017 fiscal year to obtain reimbursement of its 3% contribution on dividend distributions, for a total of

€8,072,876 in contributions paid over the period running from 2013 to 2017, plus €1,084,200 in penalty interest. This request for reimbursement was recorded as an income tax credit.

1.8.3 Partial repayment of the 2013 term loan and entry into new Schuldschein loans

On April 13, 2017, Tarkett issued debt in a German private placement (known as a "Schuldschein") in the following tranches:

- > €72 million at fixed rate for five years;
- > €30 million at floating rate for five years;
- > USD 50 million at floating rate for five years;
- > €118 million at fixed rate for seven years;
- > €32.5 million at floating rate for seven years.

The main legal and financial covenants under the agreement are the same as those under the 2016 "Schuldschein," which were the same as those under the revolving syndicated credit facility entered into in June 2015. The proceeds from the issuance were used mainly for the early repayment of the remaining €150 million balance on the October 2013 term loan and for the repayment of USD 50 million in drawdowns from the revolving syndicated credit facility, with the balance held as cash.

1.8.4 URSSAF Audit

1.9 Subsequent events

An audit by the URSSAF (the body that collects social security contributions in France) for fiscal years 2015 and 2016 was in progress as of year-end 2017.

None.

Note 2 > Financial statements

2.1 Statement of fixed assets

(in euros)	Gross value of fixed	Incr		
	assets at beginning — of fiscal year	Revaluations during the year	Acquisitions, creations, inter-item transfer	
Start-up costs, research and development				
Intangible assets	31,352,186		8,694,404	
Intangible assets	714,095		1,602,047	
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions	105,795		_	
Technical facilities, equipment and machinery				
Other facilities, fixtures, improvements				
Transportation equipment				
Office equipment, IT equipment, furniture	8,335,618		437,179	
Recoverable packaging and other				
Property, plant and equipment	-		-	
Advances and deposits				
Total	40,507,694		10,733,630	
Investments accounted for by the equity method				
Other equity investments	1,220,495,859		39,411,517	
Other fixed investments	668,940		1,654,280	
Loans and other financial assets	289,582,866		0	
Total	1,510,747,665		41,065,797	
Total general	1,551,255,359		51,799,426	

(in euros)		Decreases	Gross value of	Leg. Reev. Orig. Val. at year-end
	By inter-item transfer	By disposal or decommissioning	fixed assets at year-end	
Start-up costs, research and development			-	
Intangible assets			40,046,590	
Intangible assets	703,595		1,612,546	
Property, plant and equipment	703,595			41,659,136
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions	-		105,795	
Technical facilities, equipment and machinery				
Other facilities, fixtures, improvements				
Transportation equipment				
Office equipment, IT equipment, furniture	-		8,772,797	
Recoverable packaging and other				
Property, plant and equipment	-		-	
Advances and deposits				
Total	703,595		50,537,728	
Investments accounted for by the equity method				
Other equity investments	-		1,259,907,375	
Other fixed investments		-	2,323,220	
Loans and other financial assets	-	18,833,679	270,749,187	
Total	-	18,833,679	1,532,979,783	
Total general Total general	703,595	18,833,679	1,583,517,511	

2.2 Statement of depreciation

(in euros)	Change	es during the period	Write-backs	End of fiscal year
	Beginning of the fiscal year	Changes during the fiscal year	on disposals	
Total Intangible assets	17,774,545	5,626,223		23,400,768
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions	100,916	4,880		105,796
Technical facilities, equipment and machinery				
General facilities, other fixtures				
Transportation equipment				
Office equipment, IT equipment, furniture	4,323,192	1,611,847		5,935,039
Recoverable packaging and other				
Total Intangible assets	4,424,108	1,616,727		6,040,835
Total general Total general	22,198,653	7,242,950		29,441,603

(in euros)			Decreases		ents affecting the provisions d depreciation
	Linear	Declining- balance	Exceptional	Allowance	Reversals
Total Intangible assets	5,626,223				
Land					
Construction on own land					
Construction on third-party land					
General facilities, fixtures, constructions	4,880				
Technical facilities, equipment and machinery					
General facilities, other fixtures					
Transportation equipment					
Office equipment, IT equipment, furniture	1,611,847				
Recoverable packaging and other					
Total Intangible assets	1,616,727				
Total general	7,242,950				

2.3 Statement of provisions

Provisions (in guess)	Beginning of	Increases,	Decreases	End of fiscal year
(in euros)	the fiscal year	auowances	Reversals	
For reconstruction of deposits				
For investments				
For price increases				
Accelerated depreciation	1,241,674	1,196,131	601,150	1,836,655
Exceptional 30% increases				
For setting up abroad prior to Jan. 1, 1992				
For setting up abroad after Jan. 1, 1992				
For start-up loans				
Other regulated provisions				
Total regulated provisions	1,241,674	1,196,131	601,150	1,836,655
Forlitigation				
For customer warranties				
For losses on futures contracts				
For fines and penalties				
For foreign exchange losses				
For provisions for pensions and obligations	637,473	61,751	221,840	477,384
Fortaxes				
For replacement of fixed assets				
For major repairs				
For paid vacation expenses				
Other provisions	25,544,502	10,085,628	8,107,399	27,522,730
Other provisions for risks and expenses	26,181,975	10,147,379	8,329,239	28,000,114
On intangible assets				
On property, plant and equipment				
On investments accounted for by the equity method				
On equity securities	24,988,985			24,988,985
On other financial assets				
On inventories and work in progress				
On customer accounts	4,939		4,939	-
Otherimpairment				
Total Impairment	24,993,924	-	4,939	24,988,985
Total general	52,417,574	11,343,509	8,935,328	54,825,754
Additions and reversals:				
- operational		10,147,379	8,334,178	
– financial		-		
- exceptional		1,196,131	601,150	

The change in Other Provisions was essentially due to 2017 LTIP transactions, namely the vesting of the 2014 plan, as well as the setting up of a new 2017 plan.

2.4 Statement of maturities of receivables and debts

Statement of receivables (in euros)	Gross amount	Up to one year	More than 1 year
Receivables relating to equity investments			
Loans	269,884,470	-	269,884,470
Other financial assets	864,717	864,717	
Doubtful or disputed customers			
Advances and deposits on orders	3,958	3,958	
Other customer receivables	10,429,156	10,429,156	
Receivables on securities lent			
Debtor suppliers	669	669	
Personnel and related receivables	1,000	1,000	
Social security and other social welfare agencies			
State and other public authorities			
- Income tax	14,524,002	1,364,729	13,159,273
- VAT	2,364,741	2,364,741	
- Other taxes and related payments			
- Other			
Group and shareholders	532,171,036	532,171,036	
Other debtors		-	
Prepaid expenses current	1,386,187	1,386,187	
Total general	831,629,937	548,586,194	283,043,743

Statement of liabilities (in euros)	Gross amount	Up to one year	More than 1 year up to 5 years	More than 5 years
Convertible bonds				
Other bonds				
Borrowings and debts from credit institutions:				
- up to 1 year maximum	6,084,365	6,084,365		
– more than 1 year	591,301,802		591,301,802	
Other borrowings and financial debt				
Trade payables	13,174,680	11,481,030	1,693,650	
Personnel and related receivables	2,867,081	2,867,081		
Social security and other social welfare agencies	871,118	871,118		
State and other public authorities:				
- Income tax	1,876,259	1,876,259		
- VAT	-			
- Guaranteed bonds				
- Other taxes	363,301	363,301		
Payables on fixed assets	1,622,302	1,622,302		
Group and shareholders				
Other liabilities	228,679,671	228,679,671		
Debt representing borrowed securities				
Income recorded in advance	422,508	130,000	292,508	
Total general	847,263,087	253,975,127	593,287,960	

2.5 Table of supplier payment terms

Trade payables (in euros)	Total	Not yet due	Less than 30 days overdue	From 30 to 60 days overdue	From 60 to 90 days overdue
As of 12/31/2017	12,851,049	12,862,106	231,350	197,939	(440,347)
As of 12/31/2016	10,963,886	11,547,217	146,667	69,775	(799,773)

2.6 Goodwill

Description (in euros)	Purchased	Revalued	Received in contribution	Amount
Merger loss - Partholdi			3,939,892	3,939,892

2.7 Proceeds and credit notes to be received

Amount of proceeds and credit notes to be received included in the following balance sheet items (in euros)	Amount including tax
Financial assets	
- Receivables relating to equity investments	
- Other financial assets	
Receivables	
- Customer receivables	3,958
- Other receivables (including assets to receive)	
Marketable securities	
Available funds	
Total	3,958

2.8 Expenses to be paid and credit notes to be issued

Amount of proceeds and credit notes to be received included in the following balance sheet items (in euros)	Amount including tax
Convertible bonds	
Other bonds	
Borrowings and debts from credit institutions	3,751,032
Other borrowings and financial debt	-
Trade Payables	13,174,680
Tax and social security liabilities	5,977,759
Payables on fixed assets	1,622,302
Other liabilities (including credit notes to be issued)	
Total	24,525,773

2.9 Income and expenses recorded in advance

(in euros)	Expenses	Income
Operating Expenses/Income	920,890	422,508
Financial Expenses/Income	465,297	
Exceptional Expenses/Income		
Total	1,386,187	422,508

2.10 Breakdown of net revenues

Breakdown by type of activity (in euros)	Amount
Sales of merchandise	
Sales of finished products	
Services	51,569,240
Total	51,569,240
Breakdown by geographic market (in euros)	Amount

Breakdown by geographic market (in euros)	Amount
France	8,408,183
Abroad	43,161,057
Total	51,569,240

2.11 Financial commitments

2.11.1 Discounted bills pending maturity

None.

2.11.2 Guarantees

Beneficiary	Commitments given	Maximum commitments		In favor of	
	Amount	Amount			
Barclays London	GBP0	GBP 1,500,000	Credit Line	Tarkett Ltd	
HSBC Bank plc	GBP0	GBP 1,000,000	Credit Line	Tarkett Ltd	
Petrofina	EUR3,904,514	EUR 7,000,000	B&S Orders	Morton Extrusion Technik	
Bank of America N.A.	INR 0	INR 20,000,000	Credit Line	Tarkett Flooring India Private Ltd	
Caixa bank	EUR 133,000	EUR 1,600,000	Credit Lines	Poligras	
Crédit Agricole CIB	EUR180,942	EUR 5,000,000	Bonding facility	FieldTurf Tarkett SAS	
HSBC Bank (China) Company Ltd	RMB 40,000,000	RMB 44,000,000	Credit Line	Tarkett Asia Pacific (Shanghai) Management Co.,Ltd.	
HSBC Bank (China) Company Ltd	RMB 9,477,037	RMB 22,000,000	Credit Line		

2.11.3 Other commitments given

Beneficiary	Commitments given	Maximum commitments	Purpose	In favor of
	Amount	Amount		
Federal Insurance Company	USD 116,052,725	USD 75,000,000	Completion guarantees	FieldTurf Inc.
Chubb	USD 850,000	USD 850,000	Reinsurance	Somalré
Indian Harbor Insurance Cie	USD 805,000	USD 805,000	Reinsurance	Somalré
Commerzbank	EUR 1,386,000	EUR 5,000,000	Credit Line	Desso Holding
Pri-Pensionsgaranti	SEK 188,944,794	SEK 188,944,794	Retirement commitments	Tarkett AB
Banque Général du Lux	EUR0	EUR 10,000,000	Credit Lines	Laminate Park GmbH & Co KG
BECM	EUR 0	EUR 50,000,000	Pledge of factoring collection accounts	Tarkett SAS, FieldTurf Tarkett SAS
Bank of America - Merril Lynch	USD 0	USD 50,000	Credit Line	Tarkett Flooring Mexico
SETEPP	EUR 482,115	EUR 482,115	Rent	

2.11.4 Exchange rate derivative instruments

Counterparty	Amount	Nature	Expiration Date
Bank	GBP 2,400,000		March -18
Bank	AUD 4,750,000	Currencyswap	March & June -18
Bank	USD 103,695,445	Currency swap	Jan., Feb., March & June -18
Bank	PLN 161,885,000	Currency swap	JanJune 2018
Bank	SEK 75,000,000	Currency swap	Jan18
Bank	GBP 7,250,000	Currency options	Feb18 to March -19

 $These \ Financial \ Instruments \ were \ entered \ into \ for \ hedging \ purposes.$

2.11.5 Interest rate derivative instruments

Counterparty	Amount	Nature	Expiration Date
Bank	USD 50,000,000	Guar.int.rateopt.	May -20

2.11.6 Other commitments received

As of December 31, 2017, Tarkett has unused drawdown capacity of €650 million on confirmed revolving credit facilities and of €50 million on assignment of receivables credit lines.

Breakdown of income tax 2.12

(in euros)	Profit before income tax	Taxes
Current result	46,322,917	
Exceptional result (and investments)	(595,492)	
Accounting result	51,920,613	6,193,188

Breakdown of income tax

Nature of the income tax (in euros)	2017 Tax	2016Tax
3% contribution on dividends (2)	8,041,811	(970,295)
Tax consolidation income	178,790	698,337
Tax charge on tax consolidation	(1,773,973)	(139,079)
Taxcredits	-	
Provision for tax audit (1)		(1,468,327)
Other	(253,440)	55,526
Total	6,193,188	(1,823,838)

- (1) The amount of €1,468,327 does not include penalties and incidental costs on the calculation of the CVA for the audited periods.
 (2) The €8,041,811 tax credit relating to the 3% contribution on dividends is broken down as follows:

 an expense of €1,115,265 for the 2017 contribution paid during the year;
- - income to be received of €8,072,876 for reimbursement of the contribution for the period 2013 to 2017; income to be received of €1,084,200 in penalty interest.

2.13 Tax consolidation

Tarkett opted for the tax consolidation regime as from January 1, 2009 for calculation of the corporate income tax as well as for the additional contribution on this tax.

In 2009, Tarkett put in place a tax consolidation group with its French subsidiaries: FieldTurf Tarkett S.A.S. and Tarkett France S.A.S. In 2012, TarkettBois S.A.S. entered the tax consolidation group. In 2015, Desso S.A.S. also entered the tax consolidation group; it merged with Tarkett France S.A.S on July 1, 2017.

Under the principle of neutrality, income tax expense is borne by each of the consolidated companies as it would be in the absence of a tax consolidation option

Any tax savings resulting from the consolidation are recorded on Tarkett's accounts.

2.14 Deferred and unrealized tax position

(in thousands of euros)		12/31/2017	12/31/2010		
	Basis	Corresponding Tax	Basis	Corresponding Tax	
Time lag between tax regime and accounting treatment	20,577	7,085	18,928	6,517	
Deficit in own funds	20,296	6,988	32,231	11,097	
Deficit related to tax consolidation	(46,688)	(16,075)	(44,298)	(15,252)	
Total deficit that may be carried over for tax purposes	(26,392)	(9,087)	(12,067)	(4,155)	

2.15 Compensation of senior executives

(in euros)	Amount
Compensation allocated to members:	
- of management bodies	4,132,536
- of supervisory bodies	426,350

2.16 Average headcount

	Salaried personnel	Personnel made available to the company
Executives	67	
Supervisors and technicians	4	
Employees	5	
Workers		
Total	76	

2.17 Related parties

Transactions carried out by the company with related parties are entered into under ordinary market conditions.

Société d'Investissement Deconinck holds 50.18% of Tarkett's share capital and as such controls and coordinates the Group's activities.

As of December 31, 2017, SID had invoiced a total of €500,000 in fees under the Assistance Agreement (as at December 31, 2016).

As of December 31, 2017, Tarkett had invoiced a total of \in 75,000 in fees under the Service Agreement (as at December 31, 2016).

2.18 Identity of parent companies consolidating the Company's accounts

Société d'Investissement Deconinck (SID) holds more than 50.18% of the Company.

2.19 Shareholders' equity

Changes in shareholders' equity (in euros)	Amount at the beginning of the fiscal year	Results of the fiscal year	Capital transactions	Allocation of results	Dividends	Amount at the end of the fiscal year
Share capital, company or individual	318,613,480					318,613,480
Issuance, merger, and contribution premiums	113,982,295					113,982,295
Revaluation surplus						
Legal reserve	31,861,348					31,861,348
Statutory or contractual reserves						
Regulated reserves						
Other reserves						
Retained earnings	744,255,618			9,769,475	(38,034,021)	715,991,072
Results of the fiscal year	9,769,475	51,920,613		(9,769,475)		51,920,613
Total net situation	1,218,482,216	51,920,613	-	_	(38,034,021)	1,232,368,808
Investment grants						
Regulated provisions	1,241,674	594,981				1,836,655
Shareholders' Equity	1,219,723,890	52,515,594	_	_	(38,034,021)	1,234,205,462

2.20 Composition of share capital

	Number	Par value (in euros)
Shares comprising the share capital at the beginning of the fiscal year	63,722,696	5.00
Shares issued during the fiscal year		
Shares repaid during the fiscal year		
Shares comprising the share capital at the end of the fiscal year	63,722,696	5.00

As of year-end 2017, Tarkett held 357,796 of its own shares, for a total of €11,356,220, including 57,796 shares.

Held pursuant to a liquidity agreement, for a total of \in 2,323,220.

As of year-end 2016, Tarkett held 319,618 of its own shares, for a total of €9,701,944.

2.21 Table of subsidiaries and equity investments

Subsidiaries and equity investments (in thousands of euros)	Share capital	Reserves and retained earnings	Result for the most recently ended fiscal year	Share of capital held (in %)	Gross value of secu- rities held	Net value of secu- rities held	Loans and advances granted by the Company	•	Revenues, excl.tax, for the most recently ended fiscal year	Dividends received by the Company during the year
A – Detailed information on subsidiaries	and equity	investmer	nts							
- Subsidiaries (more than 50% of share capital held)										
Tarkett GDL	385,009	317,574	(123,889)	100	538,050	538,050			242,765	20,000
FieldTurfTarkett	14,639	5,525	(2,821)	100	39,628	14,639	0		53,440	
Tarkett Inc.	71,225	(53,602)	2,317	100	7,591	7,591			85,845	
Tarkett Finance Inc.	354,259	(89,709)	(35,813)	100	287,952	287,952	277,094		0	
Tarkett D00	64,264	29,717	7,735	100	252,605	252,605	4,000		104,399	4,275
Tarkett Services	50	0	0	100	50	50			0	
The subsidiaries Tarkett GDL and FieldTu €6 million, respectively. In addition, Tarkett Inc. carried out a capit Tarkett GDL's share premium is included i	al decrease	of CAD 10 r	nillion.	ncreases d	uring the 20	17 fiscal yea	ar, in the am	ounts of €4	0 million and	
- Equity investments (10-50% of capital held)										
AOTarkett	15,254	48,647	27,331	50	134,030	134,030	19,500		232,039	11,906
B – Overall information concerning other	rsubsidiari	es and equ	ity investme	ents						
None										

5.5 Results over the course of the last five years

Results of the Company over the last five years (and other characteristic items)

Nature of information (in euros)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 32015	Fiscal Year 2014	Fiscal Year 2013
Capital at end of fiscal year					
Share capital	318,613,480	318,613,480	318,613,480	318,613,480	318,613,480
Number of existing ordinary shares	63,722,696	63,722,696	63,722,696	63,722,696	63,722,696
Number of existing shares with preferred dividend rights (non-voting)	-				-
Maximum number of future shares to be created					
- by conversion of bonds	-				-
- by exercise of subscription rights	-				-
Operations and results of the fiscal year					
Revenues, excl. tax	51,569,240	40,350,943	33,433,175	30,921,575	28,191,508
Result before taxes, employee participation and allocation to depreciation and provisions	55,378,557	26,618,892	88,598,285	114,456,478	248, 245,011
Income tax	6,193,188	(1,823,838)	2,332,793	2,795,870	(911,862)
Allocations to depreciation and provisions	(9,651,132)	(15,025,579)	(36,771,481)	(6,105,232)	(9,797,441)
Result after taxes, employee participation and allocation to depreciation and provisions	51,920,613	9,769,475	54,159,597	111,147,116	237,535,708
Result distributed for the fiscal year in question	38,034,021	33,076,131	24,154,660	39,508,072	125,430,592
Earnings per share					
Result after taxes and employee participation but before allocation to depreciation and provisions	0.97	039	143	184	388
Result after taxes, employee participation and allocation to depreciation and provisions	0.81	015	085	174	373
Dividend allocated to each share	0.60	0.60	0.52	0.38	0.62
Workforce					
Average workforce employed during the year	76	52	46	50	48
Amount of payroll for the year	10,200,286	10,388,569	8,895,757	6,507,062	8,530,231
Amount paid in employee benefits for the year (social security, service projects)	4,310,410	4,098,957	3,991,085	3,038,464	3,434,336

5.6 Table of subsidiaries and equity investments

5.6.1 Principal subsidiaries

The Group consists of Tarkett and its subsidiaries (See Section 1.7 "Simplified Organizational Chart").

Tarkett is the Group's parent company and the head of the French tax consolidation group that has been in place since January 1,2009.

The Company's principal direct and indirect subsidiaries as of December 31, 2016 are described below. None of the Group's subsidiaries is a listed company.

Tarkett GDL S.A. is a Luxembourg limited liability corporation (société anonyme) with share capital of €274,123,080, the registered office of which is located at 2, Op der Sang, L-9779, Lentzweiler, Luxembourg. It is registered with the Trade and Companies Register of Luxembourg under number B 92165. Tarkett holds all of the share capital and voting rights of Tarkett GDL S.A., the principal activity of which is the manufacture of resilient flooring, primarily for the residential market. Tarkett GDL S.A. is the head of the group of subsidiaries making up the EMEA segment, and also houses the Group's research and development activities.

Tandus Centiva Inc. (formerly Tandus Flooring Inc.) is a U.S. company with share capital of USD 10, the registered office of which is located at Corporate Trust Center, 1209 Orange Street, Wilmington, DE, 19801, County of New Castle, United States of America. It is incorporated in Delaware under number 58 2151061. Tarkett Enterprises Inc. directly holds all of the share capital and voting rights of Tandus Centiva Inc., the principal activity of which is the design, manufacture and sale of carpet flooring and the sale of LVT manufactured by another subsidiary of the Group, mainly in the United States.

AO Tarkett is a Russian non-listed stock company with share capital of RUB 376,000,000, the registered office of which is located at 1, Promishlenaya zona, Otradny, Samara Oblast 446300, Russia. It is registered under number 1026303207226. Tarkett directly and indirectly holds all of the share capital and voting rights of AO Tarkett, the principal activity of which is the manufacture of vinyl flooring, primarily for residential customers in the CIS region.

AO Tarkett Rus is a Russian non-listed stock company with share capital of RUB 10,000, the registered office of which is located at prospekt Andropova, d. 18 korp. 7, 115432, Moscow, Russia. It is registered under number 1027739892730. Tarkett indirectly holds all of the share capital and voting rights of ZAO Tarkett RUS, the principal activity of which is the distribution of flooring (primarily vinyl, wood and laminate) throughout Russia.

Tarkett AB is a Swedish limited liability company with share capital of SEK 43,000,000, the registered office of which is located at 10 Blekingelän 372 81 Ronneby, Sweden. It is registered with the Ronneby Trade Register under number 556003-9967. Tarkett indirectly holds all of the share capital and voting rights of Tarkett AB, the principal activity of which is the production of commercial resilient flooring and wood floors. This company also carries out the distribution in Sweden of flooring products manufactured at the EMEA segment's other sites.

Tarkett France is a French simplified stock company (société par actions simplifiée) with share capital of €7,700,000, the registered office of which is located at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 410 081 640. Tarkett indirectly holds all of the share capital and voting rights of Tarkett France, the principal activity of which is the manufacture and marketing of vinyl flooring for the commercial market and the marketing of flooring products manufactured by other EMEA segment sites in France.

FieldTurf Tarkett is a French simplified stock company (société par actions simplifiée) with share capital of €8,639,050, the registered office of which is located at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France. It is registered with the Nanterre Trade and Companies Register under number 452 835 242. Tarkett indirectly holds all of the share capital and voting rights of FieldTurf Tarkett SAS, the principal activity of which is the manufacture, marketing and installation of sports surfaces.

See Note 13 in Section 5.2, "Notes to the Consolidated Financial Statements", for a list of consolidated subsidiaries. A breakdown of the Group's 2016 consolidated net revenues by geographic zone is set forth in Section 4.1.2, "Comparison of Results of Operations for the Years Ended December 31, 2015 and December 31, 2016".

5.6.2 Recent acquisitions and disposals

Acquisitions

The Group's 2017 acquisitions are described in Section 4.1.1.5, "Acquisitions".

Simplification Transactions

The simplification transactions carried out by the Group are described in Section 5.2, "Notes to the Consolidated Financial Statements" – Note 2.4.1, "Transactions Completed in 2017".

5.7 Dividend distribution policy

The following table presents total dividends and net dividends per share distributed by the Company during the last three fiscal years.

			Year distributed
	2017	2016	2015
Total dividends (in millions of euros) ⁽¹⁾	380	331 (1)	241 (1)
Net dividend per share (in euros)	0.60	0.52	0.38

⁽¹⁾ The amounts presented in the table represent total dividends after deduction of the dividend on treasury shares held by the Company.

In accordance with French law and the Company's Bylaws, the General Shareholders' Meeting may decide to distribute a dividend upon a proposal of the Management Board and in view of the Supervisory Board's report.

The Company's dividend distribution policy reflects the Company's results of operations and financial condition, the realization of its objectives and the dividend distribution policies of its principal subsidiaries. Assuming no major acquisitions, the Company's

goal is to distribute annual dividends representing approximately 40% of the Group's consolidated net profit attributable to owners of the Company. The Company can give no assurance, however, that this objective will be met. Future dividends will depend on the general condition of the Group's business and other factors deemed relevant by the Management Board.

5.8 Statutory auditor fees

See Chapter 5, Note 12 of the Condolidated Financial Statements.

5.9 Statutory Auditors' Report on the Consolidated Financial Statements

This is a translation into English of the Statutory Auditors' Report on the Consolidated Financial Statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This Statutory Auditors' Report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 December 2017

To the general meeting of shareholders of Tarkett,

1. Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying Consolidated Financial Statements of Tarkett for the year ended 31 December 2017.

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 2017 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

2. Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' responsibilities for the audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article $5^{(1)}$ of Regulation (EU) N°537/2014 or in the French Code of Ethics ($Code\ de\ de\'{e}ontologie$) for Statutory Auditors.

3. Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the Consolidated Financial Statements.

Long term assets valuation

Key audit matter

Goodwill, intangible assets and property, plant and equipment have net book values at 31 December 2017 of 510,5M€, 91,4M€ and 467,4M€, respectively, and represent a significant amount of the consolidated balance sheet. These assets are accounted and described in notes "2.2 – Business Combinations", "5.1 – Goodwill" and "5.2 – Tangible and intangible assets" to the Consolidated Financial Statements.

These assets may present a risk of depreciation related to internal or external factors, such as the deterioration of the Group's performance, changes in the competitive environment, unfavorable market conditions and changes in legislation or regulations. These changes can have an impact on the Group's cash flow forecasts and consequently on the determination of the recoverable amounts of these assets

Management performs impairment tests if there is an impairment trigger and at least once a year for goodwill and other non-amortizable intangible assets or for other non-financial assets as described in Note 5.3.1 – Non-Financial Assets. Assets are tested at the level of the cash-generating units ("CGUs") defined by the Group. An impairment loss is recognized if net booked value of an asset or cash-generating unit is higher than its recoverable value. The recoverable value is the higher amount between the fair value less the transfer costs and value in use. Value in use is determined according to the discounted future cash flow projections method (excluding interest on borrowings and taxes) for each cash generating unit.

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The assessment of the recoverable value of these assets is a key audit matter, given the significant potential of impairment and the high degree of estimation and judgment required by management for this assessment. The judgments include, in particular, assumptions regarding the future evolution of selling prices, volumes and costs of raw materials, renewal investments and changes in working capital requirements related to the operation of these assets, and the determination of infinite growth rates and discount rates applied to the appropriate future cash flows.

Audit approach

We reviewed the impairment testing process implemented by Group management, in order to identify trigger events and proceed to impairment testing, on the base of cash-flow forecasts from the budget and business plan established by the Board of Management and presented to the Supervisory Board, and assessed the permanence of the method used.

We also assessed appropriateness and relevance of Group management's approach to determine the cash-generating units for long-term assets' testing.

We adapted our audit approach when impairment losses triggers appeared on such cash-generating units. Concerning value in use, we assessed the reasonableness of key management assumptions with respect to earnings forecasts (with comparison to both budget and historical performance), of growth and discount rates.

With the help of our valuation experts, we reviewed Group management's key assumptions on discount and growth rates, comparing them with external market data and other comparable sectors' companies.

For a selection of CGUs, we assessed the reasonableness of future cash flow projections, including the infinity normative terminal cash flow amount, with respect to past achievements, our knowledge of business activity supported by interviews with Group or division managers and, according to their availability, external data of other comparable sectors' companies.

We analyzed the sensibility of the impairment test to assess the materiality of the potential impacts on the recoverable value of the riskiest assets.

Litigations and provisions

Key audit matter

The Group is exposed to a variety of legal and tax risks, as well as litigations, including asbestos claims in the United States and product warranties to customers.

As indicated in note "6.1 – Provisions" to the Consolidated Financial Statements, these risks and litigations are covered by provisions established in accordance with the applicable accounting standard (IAS 37 "Provisions") and amount to 79,1M at 31 December 2017 including essentially asbestos litigations and provisions for warranties.

Significant contingent liabilities for these risks and litigations, the amount and timing of which can not be reliably estimated, are described in note "6.2 – Contingent liabilities" to the Consolidated Financial Statements.

The identification of risks and litigations, the valuation of provisions for such risks and litigations constitute a key audit matter given the amounts involved and the high degree estimate and judgment required by management.

Audit approach

In order to get a sufficient understanding of litigations, contingent liabilities and related valuations, we reviewed the process of identification, qualification and valuation implemented by Group management for such provisions through various interviews with Group's legal and finance departments, divisions and main subsidiaries.

We conducted a critical review of the internal analysis notes for the likelihood and potential impact of each risk, examining the available procedural elements (letters, claims, judgments, notifications, etc.).

We obtained direct confirmations from the main lawyers involved to confirm our understanding of risks and litigations and assessed the adequation of the amount of provisions accrued.

Based on historical datas used by the Group to estimate its provisions for asbestos claims and product warranties:

- > We assessed the permanence of methods used, the relevance and reliability of underlying data and calculations applied;
- > We compared amounts paid to previously recognized provisions to assess the quality of the management estimates.

We excercised our professional judgment to assess, in particular, the positions held by Management within risk assessment ranges and the validity of the evolution over time of such positions.

Recognition of deferred tax assets on tax losses carried forward

Key audit matter

As indicated in note "8.2 - Deferred Tax" to the Consolidated Financial Statements, the deferred tax assets amount to 80,1M€ at 31 December 2017, including 25,1M€ recognized on tax losses carried forward, out of which 12,3M€ relate to tax losses recognized for the first time at 31 December 2017 in one entity of the Group, due to a change in projection of foreseeable tax results. Unrecognized deferred taxes assets related to tax losses carried forward amounts to 78,1M€ at 31 December 2017.

A deferred tax asset is only recognized if it is likely that the Group will have taxable future profits over the next five years on which this asset may be used.

The Group's ability to recover deferred tax assets is assessed by management at the close of each financial year taking into account forecasts of future taxable results.

We have considered the recoverability of such deferred tax assets on tax losses carried forward as a key audit matter due to the importance of management's estimation and judgment and the materiality of amounts at stake.

Audit approach

We reviewed the evaluation process of deferred tax assets on tax losses carried forward implemented by Group Management.

We assessed the permanence of methods used, the relevance and consistency of underlying assumptions (budget and mid term plan including earnings growth and applicable tax rates) and tested the arithmetic accuracy.

We assessed the probability that the company may use in the future its deferred tax assets, particularly with regard to:

- > the review of deferred tax liabilities existing in the same tax jurisdiction, that may be charged against existing tax losses carried forward before they expire;
- > the ability of each affiliate to generate sufficient future taxable profits in a foreseeable future allowing the use of existing tax losses carried forward

4. Verification of the information pertaining to the group presented in the management report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the Consolidated Financial Statements.

5. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were respectively renewed for KPMG and appointed for Mazars, as Statutory Auditors of Tarkett by the combined annual general meeting held on 13 May 2014 to approuve accounts for the year ended 31 December 2013.

As at 31 December 2017, KPMG and Mazars were in the 4th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

6. Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The Consolidated Financial Statements were approved by the Board of Directors.

7. Statutory Auditors' responsibilities for the audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the Consolidated Financial Statements. Our objective is to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

> Identifies and assesses the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- > Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- > Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the Consolidated Financial Statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- > Evaluates the overall presentation of the Consolidated Financial Statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the Consolidated Financial Statements and for the opinion expressed on these Consolidated Financial Statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the Consolidated Financial Statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) $N^{\circ}537/2014$, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code ($Code\ de\ commerce$) and in the French Code of Ethics ($Code\ de\ de\ ontologie$) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on the 8 February 2018

The Statutory Auditors French original signed by

KPMG Audit Mazars

Philippe Grandclerc Renaud Laggiard Juliette Decoux Éric Schwaller
Partner Partner Partner Partner

5.10 Statutory Auditors' Report on the financial statements

This is a translation into English of the Statutory Auditors' Report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This Statutory Auditors' Report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 December 2017

To the general meeting of shareholders of Tarkett S.A.,

1. Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Tarkett for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

2. Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' responsibilities for the audit of the financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5⁽¹⁾ of Regulation (EU) N°537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

3. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Equity securities valuation

Key audit matter

Equity securities as at 31 December 2017 amount to 1 234,9M€ and represent one of the most significant items of the balance sheet. They are recognized at the purchase price excluding costs and depreciated when the value in use is less than the gross value.

As indicated in note "1.3 – Financial fixed assets and marketable securities" to the financial statements, the value in use is assessed by taking into account items such as share in equity these securities represent, changes in the profitability of the subsidiary and other approaches, in particular the multiples or experts methods.

We considered the equity securities valuation to be a key audit matter, given the amounts involved and assumptions on which the estimates are based.

Audit approach

Our work consisted mainly in verifying Management's data and assumptions to determine the equity or value in use of the equity

- > For valuations based on historical items, verify that the equity value is consistent with the statutory accounts of the entities,
- > For valuations based on multiples method:
 - corroborate the consistency of the aggregates used with the entities' accounts;
 - assess Management's assumptions, in particular concerning the multiple used and its consistency with recent transactions in the company's business sector.

Statutory Auditors' Report on the Company financial statements

- > Assess the permanence of the methods used.
- > Test the arithmetic accuracy of the value in use calculations.

4. Verification of the Management report and of the other documents provided to the general meeting of shareholders of Tarkett S.A.

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the management report and in other documents provided to the general meeting of shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to the general meeting of shareholders of Tarkett S.A. with respect to the financial position and the financial statements.

Report on corporate governance

We attest the existence in the report of the Supervisory Board on corporate governance of the information required by the Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the members of the Board of Directors and of the Supervisory Board and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

5. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were respectively renewed for KPMG and appointed for Mazars, as Statutory Auditors of Tarkett by the combined annual general meeting held on 13 May 2014 to approuve accounts for the year ended 31 December 2013.

As at 31 December 2017, KPMG and Mazars were in the 4th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

7. Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- > identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- > obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- > evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- > assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- > evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) $N^{\circ}537/2014$, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on the 12 February 2018

The Statutory Auditors French original signed by

KPMG Audit

Mazars

Philippe Grandclerc Renaud Laggiard
Partner Partner

Juliette Decoux Partner

Éric Schwaller

Partner

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6 RISK FACTORS AND INTERNAL CONTROL

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6.1 Main risks

The Company has conducted a review of risks that could have a material adverse impact on its business, financial condition, financial results and prospects (or ability to attain its objectives) and is not aware of other significant risks except those set out in this Registration Document.

6.1.1 Risks relating to the Group and its industry

6.1.1.1 Risks related to economic cycles and to the level of public expenditure

The flooring industry depends heavily on the commercial and residential renovation market, and, to a lesser extent, on the new construction market. These markets can be affected by the cyclical nature of the general economy. The renovation business tends to be influenced, in particular, by changes in consumer confidence and disposable income, commercial and office occupancy rates, interest rates and the availability of credit. These factors can cause fluctuations in demand, and, as a result, in the Group's sales volumes and margins.

Global and regional economic cycles may have a negative impact on demand for flooring and sports surfaces and therefore on the Group's business, financial condition, financial results and future prospects. In particular, the Group has a strong presence in Russia and in the other countries of the Commonwealth of Independent States (CIS). These countries represented less than 20% of the Group's consolidated net revenue in 2017. Economic forecasts in this region seem to indicate a return to growth (in January 2017, the IMF forecasted GDP growth for Russia of 1.8% for 2017 and growth of 1.7% in 2018).

Moreover, a significant portion of the Group's business consists of sales to public sector end-users, in particular educational and health care institutions and sports facilities. Public spending levels significantly affect the Group's activities in these sectors. In a context of important budgetary constraints, certain expenses may not be considered as a priority, for example, construction and renovation of sports infrastructure were significantly affected by the contraction of governmental budgets in Europe over the last few years. Moreover, public institutions may decide to postpone certain renovation projects in order to concentrate on other budgetary priorities. A decrease in public spending could have a negative effect on demand for the Group's products and thus have a material adverse effect on its business, financial condition, financial results and prospects.

6.1.1.2 Risks Relating to Fluctuations in Prices of Raw Materials and Energy

The Group's manufacturing processes use large quantities of raw materials and energy resources, which are a significant expense (see Section 1.6.2.1 "Raw Materials and Suppliers").

In 2017, the cost of these raw materials represented 54% of the Group's cost of sales. 54% of the cost of these raw materials is indirectly tied to crude oil prices and is affected by the volatility of these prices, in particular polyvinyl chloride ("PVC") and

plasticizers. Energy consumption and transportation expense are also tied to crude oil prices. The Group is also exposed to fluctuations in the prices of other raw materials essential to its business such as wood

A future increase in raw material prices could have a material adverse effect on the Group's business, financial condition and financial results if it is unable to quickly and completely pass these additional costs on to customers, in particular as a result of the magnitude of the cost increase, delays resulting from backlogs, competitive pressures or market conditions.

6.1.1.3 Risks Relating to the International Nature of the Group's Business and to Political Risks

The Group does business and maintains production capacity throughout the world, including in countries outside of the European Union and the United States. In particular, it is present in Russia and in the other countries of the CIS. Furthermore, the Group is developing its business in Asia Pacific (in particular, in China), and in Latin America (in particular, in Brazil). These countries have greater financial and political instability, as well as greater exposure to social unrest and infrastructure complications, than more mature markets.

The Group's commercial and financial results may be directly or indirectly affected by any unfavorable change in the economic, political or regulatory environment in the countries where it manufactures or sells its products. Thus, the direct and indirect consequences of civil conflicts, terrorist activity, political instability, or instability in the economic and regulatory framework in countries where the Group does business could have a material adverse effect on the level of investment in renovation and new construction in such countries and, as a result, on the Group's business, financial condition, financial results and prospects. Such events could lead, for example, to delays or losses in the delivery of the Group's products or the supply of raw materials, to a significant decrease in sales, or to an increase in security costs, insurance premiums or other costs necessary to ensure continuity of operations.

The Group is especially exposed to the risk of deterioration in the economic, political or regulatory environment of Russia and the other CIS countries. These countries represented less than 20% of the Group's consolidated net revenue in 2017. As a result, a material adverse change in the CIS countries could have a significant adverse effect on the Group's revenues, financial results and prospects.

The Group's international business exposes it to a multitude of local political and commercial risks, and its success depends on its capacity to adapt to economic, social and political changes in each of the countries where it is present. In addition, legislative or regulatory changes (including changes in tax law, capital controls, customs duties, import and export rules, employment law, intellectual property protection and health, safety and environmental rules) could significantly increase the Group's costs in the various countries where it is present or limit its capacity to freely transfer capital and could, as a result, adversely affect the Group's business, financial condition, financial results and prospects.

6.1.1.4 Risks related to acquisitions

The Group's strategy relies in part on external growth. Such growth may include acquisitions of companies or assets, equity investments or the creation of partnerships in its sector and in the geographic regions in which the Group hopes either to increase or reinforce its presence. See Note 2, "Changes in scope of Consolidation," in Section 5.2, "Notes to the Consolidated Financial Statements". However, the Group may be unable to identify attractive targets or enter into transactions at an opportune time or on satisfactory terms. Moreover, given the competitive environment, the Group may be unable to complete external growth transactions that meet its investment criteria, which could have a material adverse effect on the implementation of its strategy.

Furthermore, to obtain the necessary authorizations for acquisitions from competition authorities in one or more countries, the Group could be forced to accept certain conditions, such as the sale of certain assets or segments and/or undertakings restricting the conduct of its business.

External growth creates risks that include the following: (i) the business plan underlying the acquisition valuations may be based on assumptions that turn out not to be true, particularly with respect to synergies, expected savings and the evolution of the markets in question; (ii) the Group may fail to effectively integrate the acquired companies, their technologies, their product lines or their employees; (iii) the Group may be unable to retain certain key employees or customers of the acquired companies; (iv) the Group may increase its indebtedness in order to finance such acquisitions and (v) it may carry out acquisitions at a time that proves inopportune in the market in question. The anticipated benefits from future or past acquisitions may not materialize within the expected time periods or at the expected levels, which could affect the Group's financial condition, financial results and prospects.

6.1.1.5 Risks Relating to the Quality of the Group's Products

The success of the Group's business depends on the quality and reliability of its products and customer relations. In the event that the Group's products repeatedly fail to satisfy customer requirements, its reputation and sales volumes could suffer. If there is a problem with respect to product quality or product certification, the Group does everything possible to respond appropriately to react to the needs of its customers. Nevertheless, it is possible that customers will encounter quality or reliability problems with the Group's products that are significant enough to have a material adverse effect on its financial results, reputation, business, financial condition or prospects.

In addition, in the event that the Group markets defective products, the relevant subsidiaries could incur tort or contract liability, which could lead to adverse effects on the Group's financial results, business, financial condition and prospects.

To market its products, the Group is required to obtain and maintain certifications in certain markets. These may be required by law or by industry standards that the Group must meet under the terms and conditions applicable to its renovation or construction projects.

The process of obtaining product certification can be long and costly. There can be no assurance as to the Group's ability to obtain or maintain certifications, or as to the length of time it will take to obtain them. Moreover, certification requirements change continually and require constant monitoring. If the product certifications were delayed, refused, suspended or withdrawn, the marketing of these products could be delayed or prohibited in the relevant countries. The Group could then run the risk of losing sales in important markets.

Finally, it is possible that one or more substances used in manufacturing the Group's finished products could be banned in one or more jurisdictions in which the Group's products are sold or manufactured. In that case, the Group might be forced to stop selling the affected products.

6.1.1.6 Risks Relating to Strong Competition in the Regions Where the Group Does Business

The flooring industry is highly competitive. The Group faces significant competition from a few large competitors, numerous local manufacturers and independent distributors (see Section 1.5, "General Presentation of the Flooring Market"). The arrival of new competitors, new products or new technologies developed by competitors could also affect the Group's competitive position.

The Group can provide no assurance that it will be able to maintain its margins in the face of competition, particularly if new entrants gain access to one or more of its markets, or if competition intensifies for any other reason. Maintaining the Group's competitive position could require additional investments in new products, new manufacturing facilities or the development of the Group's distribution network, marketing and sales activities. These competitive pressures could lead to reduced demand for the Group's products or force it to lower its prices. Such events could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

6.1.1.7 Risks Relating to the Group's Dependence on Certain Suppliers

The Group relies on a limited number of suppliers for certain essential raw materials (see Section 1.6.2.1 "Raw Materials and Suppliers"). This is particularly the case for the manufacture of resilient flooring, for which the Group uses primarily raw materials derived from crude oil, such as PVC and plasticizers, which represent 53% of raw materials and for which the suppliers are large chemical companies, which are limited in number. Supply contracts are periodically renewed or renegotiated. An adverse change in the Group's relationship with one of its suppliers, non-compliance with undertakings under the contracts, the insolvency of a supplier or any increased concentration of suppliers could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

Main risks

With respect to the machines and equipment necessary for the Group's business, if one of the Group's supplier breaches or terminates a supply contract, the Group might be unable to rapidly find a substitute supplier under satisfactory terms, which could have an adverse effect on the Group's business, financial condition, financial results or future prospects.

6.1.1.8 Risks related to information systems

The Group uses complex information systems including for production management, sales, logistics, accounting and reporting, which are essential for conducting its commercial and industrial activities. Although the Group has a policy of reinforcement of the security program of its information systems infrastructure and prevention against pirating, a failure of one of them could have a material adverse effect on the Group's business, financial condition, financial results and prospects.

6.1.2 Industrial risks

For a description of the principal safety and environmental regulations applicable to the Group, see Sections 1.6.4.3, "Standards Applicable to the Group's Products" and 3.3.1.1.3, "Adapting to climate change".

6.1.2.1 Risks Relating to Compliance with Environmental and Safety Regulations

The environmental, health, hygiene and safety regulations with which the Group must comply relate primarily to industrial safety, emissions or discharge of chemicals or dangerous substances (including industrial waste); their use, production, traceability, handling, transport, storage and elimination or exposure to such substances; and the remediation of industrial sites and environmental cleanup. The Group is subject to strict requirements with respect to safety, particularly concerning the fire-prevention standards applied to its products and manufacturing sites, as well as standards relating to the slip-resistance of the flooring it produces

Complying with these regulations requires the Group to regularly incur significant expense. A violation of these rules could lead to fines or other civil, administrative or criminal sanctions, including the withdrawal of permits and licenses necessary to continue doing business. Changes to these laws and regulations or to their interpretation could lead to significant expense and/or investment, or could lead the Group to use more expensive substitute substances, to change its formulas and therefore to reduce the profitability of its products, which could adversely affect the Group's business, financial results and prospects.

6.1.2.2 Risks related to industrial accidents

Due to the toxicity and flammability of certain raw materials, the Group's finished products and manufacturing or supply processes, the Group's facilities present a number of safety, fire and pollution risks. In particular, manufacturing processes using flammable materials (chemical products and wood, for example) can create a significant risk of fire or explosion. In that event, the adverse consequences for the Group's business, financial condition, financial results or prospects could be significant.

6.1.2.3 Risks Relating to Exposure to Toxic or Dangerous Substances

In the past, the Group has used significant quantities of chemical, toxic or hazardous substances in manufacturing its products and has used various insulation materials (such as asbestos) in its industrial facilities. Some employees of the Group and, on occasion, third parties may have been exposed to these substances or to equipment containing toxic or hazardous substances prior to their progressive removal and replacement with substitute products. This could result in specific illnesses for which the Group's liability might be sought.

Moreover, some of the Group's products contain chemical substances that produce emissions during at least part of the product's life cycle. Although these emissions are lower than applicable thresholds under current regulations, the Group could be found liable if it were proven that the emissions had harmful effects on human health at lower levels than those currently believed to be safe. This could have consequences that would have a material adverse effect on the Group's financial condition and results of operations.

In the United States, the Group has been sued by third parties alleging past exposure to the asbestos contained in certain products manufactured at some of its sites until 1982. In the event that current or future lawsuits require the Group to pay amounts greater than those covered by the provisions it has recorded on its balance sheet, its insurance and the indemnification commitments provided by third parties, these proceedings could have a material adverse effect on the Group's financial condition and financial results (see Section 4.5, "Legal and administrative Proceedings").

6.1.3 Market risks

6.1.3.1 Exchange Rate Risk

As a result of the international nature of the Group's business, foreign exchange fluctuations have a direct accounting impact on its Consolidated Financial Statements, which results in transaction risk impacting income and expenses incurred in foreign currencies and risks relating to the conversion into euros of the balance sheets and income statements of the Group's subsidiaries outside the euro zone.

In 2017, a significant portion of the Group's revenue was earned in currencies other than the euro, in particular the U.S. dollar (approximately 40% of consolidated net revenues in 2017). The Group seeks to reduce the impact of exchange rate fluctuations on its results of operations by developing its production capacities in the monetary zones where it sells its products. However, significant and sustained movements in exchange rates could adversely affect the Group's financial results, financial condition and prospects.

In Russia and the other CIS countries, although the Group locally manufactures almost all of the products it sells in the region, it imports some of the raw materials used in production from Western Europe. Because the suppliers invoice these raw materials in euros or in dollars, the Group has significant exposure to foreign exchange risk with the local currencies, given that approximately 66% of the costs of the CIS countries are denominated in euros or in dollars. In this region, the Group's current policy is not to use financial hedging instruments, but rather to reflect exchange rate fluctuations between the ruble and the euro in its product prices. The effectiveness of this strategy depends on the Group's ability to maintain its pricing policy, which it may not be able to do systematically in the future. This could have a material adverse effect on the Group's financial results, financial condition and future prospects.

For more information, see paragraph 6.2 of Note 7, "Financing and Financial Instruments", included in Section 5.2, "Notes to the Consolidated Financial Statements" and Section 4.1.1.3, "Exchange Rate Fluctuations".

6.1.3.2 Interest-rate Risks

As of December 31, 2017, the Group's consolidated net debt (which is the sum of non-current financial debts, current financial debts, minus cash and cash equivalents) amounted to €491.8 million and the gross debt was €606.5 million, of which €227.0 million at a variable rate and €379.5 million at fixed or capped rate after hedging. As of December 31, 2017, after hedging transactions and given the level of the market rates, a simultaneous 1% increase in interest rates would result in an increase in the cost of net debt of €1.4 million per year pretax, and a simultaneous decline of 1%, or up to 0% of interest rates, by a decrease in this pretax cost of €0.3 million.

For more information, see paragraph 6.2 of Note 7, "Financing and Financial Instruments", included in Section 5.2 and Section 4.3.3, "Financial debt".

6.1.3.3 Liquidity Risks

On December 31, 2017, the consolidated gross debt of the Group amounted to ${\in}606.5$ million. In addition, the Group also had undrawn credit lines of ${\in}791.6$ million and cash of ${\in}114.7$ million. the Group's debt schedule can be seen in Section 4.3.3.3 "Gross Financial Debt". The next important maturity deadline for the Group is in the first half of 2020, when the ${\in}650$ million syndicated, renewable, multi-currency credit line of ${\in}650$ million will expire, which however was not drawn on as of December 31, 2017.

The Group's credit agreements (mainly syndicated credit lines up to a maximum of €650 million, two private placements totaling €502.5 million, and \$106.5 million) include a number of restrictive covenants, including change of control clauses and financial ratios, in particular compliance with an adjusted net debt/EBITDA ratio of no more than 3.0. These clauses are described in Section 4.3.4 "Details of syndicated multi-currency revolving credit" and 4.3.5 "Private placements under German law, known as "Schuldschein", where the 2017 and 2016 ratios are presented. Breach of these covenants or ratios could cause the Group's creditors to accelerate the amounts due under the credit agreements. In that event, the Group could be unable to repay these amounts, or could be forced to refinance the debt on less favorable terms. Moreover, such a situation would make it difficult to put new financing in place, or could make such financing significantly more expensive, which could constitute an obstacle to the Group's growth strategy and to its ability to finance investments

For more information, see paragraph 6.3 of Note 7, "Financing and Financial Instruments", included in the financial statements in Section 5.2 and Sections 4.3.4 and 4.3.5.

6.1.4 Legal risks

6.1.4.1 Risks Relating to the Protection of Intellectual Property

The Group's future growth depends on its ability to obtain, preserve and protect its patents, trademarks and other intellectual property rights.

For several years now, the Group has been investing in an ambitious innovation policy that requires both protection in order to have the necessary legal instruments to deal with counterfeiting, unfair competition, and also to ensure its freedom to operate.

As a result of the implementation of this innovation policy, third parties may sue Tarkett for violating their intellectual property rights, thus committing Tarkett to legal proceedings, the costs of which would prove significant.

The Group could then be ordered to pay substantial damages, be required to abandon the marketing of the products violating the intellectual property rights in question and have to incur additional expenses to develop a technology that respects the intellectual property rights or to conclude licenses allowing it to use the disputed technology.

Risk management

Conversely, Tarkett could also incur significant costs in order to enforce its intellectual property rights vis-à-vis potentially infringing third parties.

Since the Group conducts part of its business in countries where the protection of intellectual property rights is less developed than in Europe and North America, it cannot guarantee the level of protection that will be given to its portfolio of patents and trademarks nor can it avoid the risk of infringement, appropriation or illegal use of its intellectual property rights.

For more information on the Group's intellectual property rights, see Section 1.6.4.4 "Intellectual Property Rights".

6.1.4.2 Risks of non-compliance

All non-compliant behavior with applicable laws and regulations or unethical acts allegedly committed by employees and/or business partners of Tarkett, would expose the Group to legal action against it action and judicial sanctions. Such legal action and/or sanctions could undermine the Group's reputation and could thus lead to a loss of investor confidence, thus, leading to an unfavorable impact on the Group's results.

In order to control the risks of non-compliance, the Group has set up compliance programs, as defined in section 6.2.2 of this section.

In general, the Group may also be subject to various legal and administrative procedures described in Section 4.5 "Legal and Administrative Procedures" that could have a significant impact on the Group's financial position.

6.1.4.3 Tax Risk

As an international group doing business in many countries, the Group is subject to multiple tax laws and various regulatory requirements, which affect its commercial, financial and tax objectives.

Because tax laws and regulations in effect in the various countries where the Group does business do not always provide clear or definitive guidelines, the Group's structure, the conduct of its business and the relevant tax regime are based on its interpretation of applicable tax laws and regulations. The Group cannot guarantee that its interpretations of tax laws and regulations will not be questioned by the tax authorities, or that applicable laws and regulations in certain of these countries will not change, be interpreted differently or be applied inconsistently. More generally, any violation of tax laws and regulations in the countries where the Group or its subsidiaries are located or do business could lead to tax reassessments or the payment of late fees, interest, fines and penalties. Furthermore, the Group records deferred tax assets on its balance sheet to account for future tax savings resulting from differences between the tax values and accounting values of its assets and liabilities or tax loss carry forwards of Group entities. The effective use of these assets in future years depends on tax laws and regulations, the outcome of current or future audits and litigation and the expected future financial results of the entities in question.

This could have a negative impact on the Group's effective tax rate. cash flow and financial results.

6.2 Risk management

6.2.1 Organization of internal control and risk management

The Company's risk management and internal control systems, under the responsibility of the head of internal control and audit, use a variety of methods, procedures and actions in order to:

- identify, analyze and control risks that could have a material effect on the assets, results, operations or objectives of the business, whether they are operational, commercial, legal or financial in nature or whether they relate to compliance with laws and regulations;
- > ensure operational efficiency and the efficient use of resources; and
- > ensure the reliability of financial information.

The Group undertakes to comply with all the laws and regulations of the countries in which it operates. This undertaking is made by all Group employees through the Code of Ethics and its application is controlled by the legal departments and the Audit and Internal Control Department.

6.2.2 Compliance programs

The Group has implemented, inter alia, compliance programs relating to competition risk, corruption risk, fraud risk (external and internal), the risks relating to the duty of due diligence and the risks relating to personal data protection.

6.2.2.1 Compliance with Antitrust Laws

The Group's goal is to preserve a dynamic, healthy and loyal competition. As such, local legal departments are actively involved in verifying the application of local competition regulations in each of the geographical areas in which the Group operates.

Moreover, beginning in 2011, the Group has implemented a competition compliance program, piloted by the Group's Legal Department and outside experts, intended to ensure strict compliance by all employees with competition laws, regulations, and rules.

This program is applicable in all of the countries where the Group operates and covers all of its activities, including where such activities are carried out through joint ventures.

It consists of informing employees about the Group's competition policy, supported by numerous awareness and training campaigns for the employees who are the most frequently confronted with competition-related issues.

Besides the training provided by legal teams directly to employees the most exposed to the risk of anti-competitive practices, online training has been developed and made mandatory, every three years since 2011, for a selection of employees.

In 2017, the Group also committed to strengthening its compliance program towards competition law, mainly through the following actions:

- > emphasis on training: the frequency of training sessions for employees on competition (face-to-face training and e-learning) and the number of employees who will have to follow such training programs are being increased. For this reason, as of 2017, an online training course on the prevention of anti-competitive practices was attended by more than 4,000 employees. In 2018, new face-to-face training will be conducted for the employees most exposed to competition risk. Three online training sessions devoted to competition will also be set up and made mandatory for all Group employees having access to a computer;
- > new internal rules: new procedures and strict rules will complement the Group's competition policy regarding the participation of its employees in various professional associations;
- better accessibility to internal rules and employee commitments: Tarkett's Competition Policy is now available for download in 15 languages on the Tarkett Intranet under a new heading entitled "Compliance". Newly hired employees will also be required to read and follow the internal rules set out in the Group's competition policy; and
- the deployment of a professional whistleblowing system: this tool, made available to employees, will provide an additional means of alerting the group management and the compliance manager in complete confidence if there is any doubt about possible anti-competitive behavior;
- the establishment of an internal control and evaluation mechanism for the program of compliance with competition law.

6.2.2.2 The fight against corruption and influence peddling

The prevention of corruption, under the responsibility of the Legal Department, is a major priority for the Group and its employees. Given the diversity of contexts in the geographic regions in which the Group operates and the significance of investments made, the Group is particularly cautious in regards to corruption risks. Although the large majority of the Group's customers in the most sensitive countries operate in the private sector, where corruption is less present than in the public sector, the Group is nevertheless not immune from a potential risk of corruption.

Therefore, beginning in 2012, supervised by the Group's Legal Department and with the cooperation of the local legal departments, the Group launched a specific action plan to fight corruption.

As part of this action plan, the Group has put in place an anti-corruption policy, and guidelines covering the delivery and receipt of gifts and relations with intermediaries, supported by training offered to the employees who are the most exposed to these risks.

In addition to the trainings conducted directly by the legal teams for the employees who are the most exposed to the risk of anti-competitive practices, online training was developed and made mandatory every three years beginning in 2012, for a subset of employees.

In 2017, the Group decided to strengthen its action plan by committing itself to setting up a new program for the prevention of corruption and influence peddling, mainly through the actions referred to in Article 17 II of the Act no. 2016-1691 of December 9, 2016 relating to transparency, the fight against corruption, and the modernization of economic life, namely:

- the establishment of risk mapping dedicated to corruption risk;
- > the drafting of a new anti-corruption code defining the disciplinary sanctions applicable if these internal rules are violated;
- > the deployment of a whistleblowing system;
- review of procedures for evaluating business partners and accounting control procedures;
- > reassessing the employee training system; and
- > the establishment of an internal control and evaluation mechanism for the prevention of corruption.

6.2.2.3 Prevention of Fraud

The prevention of and the fight against fraud, under the responsibility of the Internal Control and Audit Department, are key elements of the Group's internal control procedures. The fight against fraud is carried out as part of the Group's financial and internal control processes, and verifications are carried out by the Internal Control and Audit Department. The Group has used the following tools to raise awareness of fraud prevention and detection since 2011:

- > the publication of an internal fraud-prevention policy;
- > the publication of an article on fraud so-called, "To the Chairman," in the Group's internal newsletter;
- > the systematic internal reporting of any fraud that is discovered, in order to raise awareness and put in place additional controls, if necessary;
- in-person training of department heads and of the entire administrative staff of all of the Group's divisions;
- > online training in 2016 for targeted groups of employees.

6.2.2.4 Vigilance undertakings

For many years now, the Group has been committed, within its subsidiaries and its commercial partners, to identifying and preventing any harm that its activities may cause to human rights and fundamental freedoms, public health and safety and the environment.

As such, the Group has adhered to the UN Global Compact since 2010.

Risk management

In its annual Corporate Social Responsibility (CSR) Report, the Group details all the concrete actions it conducts in its subsidiaries and with its local partners. Section 6.2.3.3 below on risk mitigation also specifies the action plans that have been put in place to control the main risks identified resulting from the Group's activities relative to health, safety, and environmental damage.

Regarding risks arising from the activities of its business partners, the Group requires them to commit to the ten principles of the UN Global Compact, expressly referring as much in their contractual documents, and supporting them to continually improve their practices with regard to these commitments.

In 2017 the Group began strengthening its action plan, mainly through the procedures referred to in Article 1 of Act no. 2017-399 of March 27, 2017 on the due diligence obligations of parent and principal companies, which will be reinforced and deployed in 2018.

6.2.2.5 Protection of personal data

The Group is committed to ensuring the fair use of the personal data it processes, in compliance with the applicable regulations.

As such, the local legal departments participate in reviewing the conformity of projects and contracts. Standard clauses were developed and are now inserted in contracts with business partners that may be qualified as personal data subcontractors. These subcontractors contractually undertake vis-à-vis Tarkett to:

- > put in place all measures to ensure the confidentiality and security of the data entrusted to them;
- > notify Tarkett without delay in the event of a breach of their obligations and, in such a case, actively collaborate with Tarkett to remedy the situation.

Particular attention is also paid to the processing of personal data involving transfer outside the countries in which the data was collected, in particular outside the European Economic Area, to ensure that such transfers are made in compliance with the applicable regulations.

Awareness-raising actions and face-to-face training for those employees most exposed to issues of personal data protection were conducted in 2016 and pursued and reinforced in 2017.

6.2.2.6 Compliance with stock market regulations

At the time of its IPO in 2013, the Company adopted a "Code of Ethics for the Securities Markets matters" aimed at pointing out the applicable stock market regulations to all of its corporate officers, senior executives, and various insiders. This enabled improved adherence to the recommendations issued by the stock market authorities in the area of risk management related to the holding of any information likely to impact its share price.

Following the entry into force of the European Market Abuse Regulation (MAR) in July 2016, the Company updated this document to reflect the most important provisions, and also decided to put in place internal procedures for the prevention of insider offenses or breaches.

Among these measures, the Company decided, in particular, to set up a "Privileged information committee", meeting regularly, and the purpose of which is to assess whether certain information is likely to be considered as privileged insider information, in order to, if necessary, handle this information in the most appropriate way possible.

6.2.3 Internal control and risk management system

6.2.3.1 Control Framework

Tarkett's organization is decentralized, relying on local executives, and set in a framework that reflects the Group's philosophy with respect to ethics, organization and control.

This organizational framework relies on the following:

- > a set of values and principles disseminated throughout the Group whenever new employees arrive and relayed by recurring training, in particular online, and reminders. These principles are embedded in the Company's Code of Ethics and policies on anti-trust compliance, corruption, and fraud prevention under the responsibility of the Legal Department and the Internal Control Department;
- > the founding principles at the heart of the Group's values, such as responsibility and exemplary behavior, which are relayed throughout the organization and the various areas of responsibility and support;
- the harmonization of financial processes through implementation of an integrated information system used by the majority of the Group's entities; and
- > an internal control manual, Tarkett Risks, Audit and Controls Evaluation ("TRACE"), based on the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and intended to provide reasonable assurance as to the achievement of the Group's objectives and the reliability of its financial information; internal function-specific procedures used by all of the Group's subsidiaries; and rules for delegation of authority and division of duties.

The primary participants in this system are as follows:

- Senior Management, which is ultimately responsible for risk management and internal control and which relies on the following:
 - the Group and division finance departments, on the one hand and
 - the operational departments (divisional presidents) and functional departments on the other;
- the Internal Control and Audit Department is part of the Finance Department and reports functionally to the Audit Committee:
 - runs the internal control and risk management system, and
 - ensures compliance with Group rules at the entity level, evaluating risks in areas covered by its audits and recommending improvements relating to internal control.

The Internal Control and Audit Department also relies on a network of internal divisional auditors who manage these procedures within their areas.

The Audit Committee is responsible for monitoring the preparation and audit of accounting and financial information, as well as for ensuring the efficiency of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and approval thereof.

6.2.3.2 Identification and Evaluation of Risks

Risk Mapping

In 2010, Tarkett created a risk map that is updated every two years, or more frequently in the event of significant changes in the environment. The process for identifying risks uses a three-step method:

- > the Internal Control and Audit Department, supported by outside experts, interviews members of the Executive Committee and key employees holding strategic positions at the Group and Division level in order to identify risks within their areas; These interviews are conducted by the Control and Internal Audit Department, sometimes in collaboration with external experts;
- the qualification and quantification of risks according to the following areas: precise definition, possible causes, impact assessments (financial, operational, strategic, legal, or reputational) and the degree of control by the organization;
- > the review and validation of the risk mapping by the Executive Committee and presentation to the Audit Committee.

In 2013, the Group's risk map was sent to the operational divisions (geographic zones) in order to take regional or business specificities into account and to disseminate the Group's view of its risks more broadly throughout the Group.

In 2015, the risk map was fully updated through interviews with members of the Executive Committee and other key employees at the Group and Division levels.

In 2017, the Group's mapping was again broken down by operational division, after updating its methodology in order to be aligned with the industry's best practice.

The relevant departments (whether operational divisions or cross-divisional functions) prepare actions plans based on the primary risks identified which are implemented by local managers under the responsibility of the division or functional managers.

In addition, specific mapping was conducted in 2017 on the risk of corruption, an initial key step in the deployment of a global program for the prevention of corruption that meets the requirements of the Sapin 2 Act.

The same mapping procedure is also under way to meet the requirements of the Act passed on March 27, 2017 on the corporate duty of care.

Continual risk monitoring

Risk-awareness is updated on an ongoing basis through monitoring procedures relating to both competition and technology, as well as actions by specialized departments (such as Insurance and World Class Manufacturing) that participate in oversight of fire, security, and environmental risks, in particular.

Monthly activity reviews enable the Group's operational entities to rapidly report information to Group management, and facilitate the identification of risks, updating of the risk map and implementation of action plans to manage the risks.

6.2.3.3 Risk mitigation

Risks related to economic cycles and the strong competition within the Group's markets

The Group's policy towards reducing these risks is to diversify in order to achieve a balance between the various markets in which it operates. Thus, the Group carries out its activity in:

- > several geographical areas;
- > several product categories;
- > the commercial market and the residential market; and
- > mainly in the renovation sector, which is less sensitive to economic cycles than new construction.

Risks related to commodity and energy prices as well as the Group's dependence on certain suppliers

In order to manage these risks, the Group implemented the following actions:

- the development of privileged, lasting relationships with its supplier base;
- > the search for production processes enabling it to become more flexible and reduce its dependence on certain types of commodity suppliers;
- > transfer the impact of increases in raw material costs into the prices of its products in a timely manner;
- > increased use of recycled raw material;
- > seek out new suppliers or alternative raw material solutions that are less sensitive to oil prices.

Risks Relating to the International Nature of the Group's Business and to Political Risks

The political risk management described below is intended to cover its various consequences including:

- > analysis of crisis scenarios and preparing appropriate plans;
- > continually working on reducing production costs;
- > accelerating the substitution process for raw materials.

As one consequence of political instability is to impact exchange rates, the actions taken in respect of "currency risk" apply to "political instability" risk.

Risks related to acquisitions

The Group chooses its acquisition targets in accordance with its strategy, carries out extensive due diligence, negotiates detailed agreements and implements previously developed business and integration plans to minimize this risk.

Risks related to Group products

In order to manage this risk, the Group set up processes for:

- > regulatory surveillance by product range and by country;
- testing and validating new product developments and changes to existing product formulations; and
- > approval of new components.

Risk management

Risks related to information systems

Recognizing that a failure of any one system could have a material adverse effect on the Group's business, financial position, results, or prospects, Tarkett continues to strengthen the security of its information systems around five main axes:

- awareness and training of employees in cyber security best practices;
- restrictions and access controls to Tarkett's computer resources;
- > regular updates of computer components;
- > deployment of proven threat detection and remediation solutions: and
- > the implementation of disaster recovery processes.

In 2017 the Group also decided to take out specific cyber security and digital data protection insurance (section 6.3).

Industrial risks

The Group pursues a consistent approach towards its programs for identifying and preventing risks resulting from its business activities.

This approach is based on the following preventive and corrective steps:

- > regular assessments of risks and their critical importance;
- > based on the priorities identified in the aforementioned assessments, the definition and implementation of a corrective action plan and a risk prevention plan;
- > information and training for the most exposed personnel; and
- verification of the effectiveness of corrective actions through controls carried out internally or by recognized third parties.

For several years now, the Group has been able to identify the main risks of its business activities, namely the industrial risks related to personnel safety, fire prevention, and environmental protection, and has thus launched action plans to control them.

For the safety of people, each management team in the Group's factories makes an assessment of the hazardous conditions, according to the same methodology, developed and taught in our operational excellence system: WCM (World Class Manufacturing). The action plan involves eliminating the most hazardous conditions by improving or replacing existing equipment. The employees concerned are also trained to use the equipment under good conditions. An internal audit plan (the SMAT program) is established for each factory. These controls, carried out by the factories' management teams, as well as by the operators after prior training, are carried out made at least twice a year, thereby helping to ensure that all operator have fully integrated all the actions and behavior enabling them to maintain a safe workstation. This long-term action has made it possible to reduce the accident frequency rate "FR1t" (rate of accidents with or without stoppage per 1 million hours worked) from 9 down to 2, across all Group factories.

With regard to preventing fire risks, the Group decided to adopt the same process, entitled: "Fire risk assessment plan". Each plant carries out an assessment of its protection against the risks identified within the Group, and following a methodology that pools the expertise of the Group's technicians and those of its insurer, well-known for its expertise in engineering and fire prevention. Following this evaluation, a corrective action plan is implemented to reduce the critical importance of the risks. These assessments are updated regularly by the factories' technicians. In turn, residual risks are evaluated by the Group's insurer during the annual controls conducted on the sites.

For managing environmental risks, the Group adopts an approach similar to that for fire risks. Each plant thus carries out an assessment of its risks, pooling the expertise of its internal technicians and the recommendations of partner firms specializing in the prevention of risks related to health, safety, and the environment. Following this evaluation, a corrective action plan is implemented to reduce the criticality of the risks. follow-up controls and verifications of the effectiveness of the actions are put in place and entrusted to a third-party audit firm.

Market risk

Tarkett is striving to reduce these risks through the following measures:

- > the Group structured the production site locations to be closer to the markets in which it sells its products and thus pays its production costs in local currency;
- product prices in certain markets are adjusted regularly to reflect currency fluctuations, in particular the ruble; and
- > the Group is implementing a hedging policy designed to mitigate the impact of rising interest rates on its financial charges and the volatility of certain currencies on its income, cash flow and balance sheet.

6.2.3.4 Control Activities

Control activities are defined in the TRACE manual. For each principal process this manual presents the major risks and objectives, as well as a description of the related controls, applicable to the Group as a whole. This mechanism constitutes a common reference for the management of the local entities, which is responsible for supplementing it locally with additional control activities for dealing with specific risks.

Self-Evaluations

The Group's subsidiaries are subject to an annual internal control self-evaluation intended to assess their compliance with the internal control manual. The self-evaluation is approved by the management of the relevant entities pursuant to their responsibility for implementing internal control and the quality of their self-evaluation. This self-evaluation is carried out using a dedicated software (e-TRACE 2.0, Devoteam).

All Group subsidiaries are subject to the scheme.

The Internal Control and Audit Department analyses and distributes a synthesis of the results to the interested parties. The results of the self-evaluation are the subject of a divisional level review with the Chairman of the Management Board, the Group's Chief Financial Officer, the Chairman, the Financial Director and internal controller of the relevant divisions along with the control and internal audit department. These results are then presented to the Audit Committee.

Action plans resulting from these reviews are implemented by local management under the responsibility of divisional or functional management.

Internal control tests

The self-evaluation approach is complemented by tests on the key TRACE reference controls performed by the divisional internal controllers.

Internal control performance indicators

The Group's Internal Control and Audit Department has set up and tracks a series of monthly internal control performance indicators, in particular, compliance rates on 82 key controls within the reference framework, the risks of poor task segregation in information systems and the progress of action plans.

6.2.3.5 Audit activities

On the basis of an audit plan approved in advance by the Audit Committee, the five-member internal audit team carried out 46 assignments in 2017. The audit plan is composed of repeated audits of subsidiaries, primarily of a financial nature, as well as of "transverse" audits with respect to an operational process or particular risk at the divisional level.

Each audit is the subject of a report that includes a rating and an action plan prepared by the relevant entities in order to correct any weaknesses that are discovered. These reports are also sent to the Statutory Auditors. An action plan monitoring process ensures that the identified weaknesses are corrected, and relies on:

- a monthly report on the progress of the action plans by the entities and the annual audit plan;
- > follow-up monitoring by the division's internal controllers within 12 months following the internal audit; and
- > monitoring by internal audit, if necessary, with respect to critical matters.

6.2.4 Preparation and processing of accounting and financial information

Financial information is subject to a rigorous process relying on the following:

- > a common reference: the financial statements are prepared in accordance with IFRS; this reference is communicated to the Group's subsidiaries through the Financial Manual, supplemented by monthly instructions. Moreover, the TRACE internal control manual described above includes various processes that affect the production of financial information (for example, with respect to closing, cash, payroll, procurement, sales, inventory, fixed assets, information technology, and consolidation);
- > an integrated information system: most of the subsidiaries manage operational and financial flows using the Group's integrated SAP information system. The deployment of a single financial model within SAP ("One Finance") ensures homogenization and optimization of practices, as well as improved control;
- a unified reporting and consolidation system. Financial information is reported and consolidated through the SAP/Business Objects Financial Consolidation ("B.O.F.C.") tool, which is used for all financial reporting, including budget; forecasts; and monthly, quarterly, interim and annual reports. This all-in-one system ensures consistency between internal steering and external communications;
- automated monitoring within the reporting tool; detailed activity reviews by the Group and Divisional control teams; or specific analyses, such as with respect to changes in the

scope of consolidation, currency effects or non-recurring operations, by the Group Consolidation teams ensure tight control of the financial information produced.

The principal participants in the process are as follows:

- the Finance Department, which relies on the central functional departments (Financial Control, which oversees Consolidation and Controlling, Treasury, Taxes, and Internal Control and Audit) and the divisional finance departments, which supervise the subsidiaries' financial controllers;
- > the external auditors, who, through their work, contribute to improving the consolidated account preparation process. The combination of audits of the individual company accounts and audits of the consolidated accounts ensures a broad coverage of the Group. In 2017, 92% of the Group's revenues were covered by audits.

The reliability of the Group's accounting and financial information depends on the following:

- a strategic three-year plan, led by the Chairman of the Management Board and the Group Chief Financial Officer, in coordination with the operational divisions. This plan enables the Group to set annual strategic goals and the related annual financial objectives. This plan is approved annually by the Supervisory Board;
- an annual budgetary process. This process, led by the Group and Divisional management teams, focuses on operational financial aggregates such as operating result, changes in working capital requirements and investment in tangible and intangible fixed assets. The financial items are consolidated month by month using the same tool that is used for consolidation of real results (B.O.F.C.) with a comparable level of granularity, permitting monthly and immediate comparison of monthly performance of operational financial aggregates with monthly budget objectives. The annual budget, which is generally prepared during the fourth quarter for the following year, is reviewed and approved by the Supervisory Board in December;
- > two forecast processes per year: these forecasts focus on the same financial aggregates as the annual budget. These forecasts are generally performed in the second and fourth quarters, and are based on the real results for the months already ended. Their purpose is to estimate the remaining months' results through the end of the relevant fiscal year in order to compare the re-estimated year with the annual budgetary objectives. These forecasts are reviewed and approved by the Group's Management Board;
- complete monthly closings, including a full balance sheet, income statement through net income, and cash flow, reported and consolidated in the same way as the annual and interim accounts in B.O.F.C.; and
- > monthly performance review meetings: these meetings, led by the Chairman of the Management Board, the Chief Financial Officer and the Group Financial Controller, are carried out for all operational divisions, which are generally represented by their president and their Chief Financial Officer. Variance analyses (such as with respect to volume, product mix, currency effects, effect of cost of purchases and cost of sales, industrial productivity, effects of monthly payments, non-recurring items, etc.) are reviewed in order to understand the main drivers of the month's performance and to define action plans for future months.

6.3 Insurance and coverage of risks

The Group's policy with respect to insurance is coordinated by the Legal Department, which is responsible for identifying the main insurable risks and quantifying their potential consequences, in order to:

- > limit certain risks by recommending preventive measures in cooperation with the Group's other departments; or
- > choose to cover risks of an exceptional nature through insurance, including risks with high potential magnitude but low frequency.

In connection with the Property Damage and Business Interruption insurance program, the Group actively mitigates industrial risks, by collaborating with FM Global, its property insurer, which provides expertise in engineering and fire prevention.

Each of the Group's subsidiaries is responsible for providing the Group's Department of Insurance and Prevention, which is part of the Legal Department, with the necessary information to identify and quantify insured or insurable risks at the Group level, and for implementing the proper methods to ensure business continuity if an event occurs. On these bases, the Department of Insurance and Prevention negotiates with the major insurance and reinsurance providers to put in place optimal insurance coverage for its risk-coverage needs.

The Group's local subsidiaries also enter into local insurance policies to cover risks suited to local coverage, such as automobile insurance.

The Group purchases insurance based on reasonable estimates of probable liability resulting from liability, property-casualty and other risks. This evaluation takes into account the analyses of insurance companies as the risk subscribers. The Group does not insure against risks for which there is no coverage available on the insurance market, for which the cost of insurance is disproportionally high compared with the potential benefit or for which it believes the risk does not require insurance coverage.

These are complemented by local policies in certain countries where having only master policies is not allowed. The master

insurance policies apply to the Group's overall operations, complementing local policies (difference-in-conditions/difference in limits, or "DIC DIL"), if the coverage in question proves insufficient or does not cover the event locally. The local policies are also implemented to take into account local legislative specificities or constraints in the country or countries in question. The Group also has a captive insurance company, enabling it to reduce the premiums paid to insurers and thus to reduce its insurance costs.

The Group's insurance policies contain exclusions, limits and deductibles that could expose it to unfavorable consequences in the event of a significant event or legal action against it. Moreover, it may be required to pay indemnification that is not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies, the Group's primary insurance policies, implemented with insurance companies of international reputation, are the following:

- > general liability insurance, which includes operational liability coverage and product liability coverage. The maximum coverage amount is €60 million. Professional liability insurance is also included in this policy, and is subject to a specific limit. General liability insurance covers all damages caused to third parties, such as bodily injury, property damage and consequential and non-consequential financial losses;
- > property-Damage and business interruption insurance (maximum combined coverage of €400 million). All of the Group's facilities are covered by this policy if and to the extent that values of local sites exceed the policies deductibles;
- > director and officer liability insurance;
- > environmental liability insurance;
- transport insurance; and
- > since 2017, a specific insurance covering cyber security and digital data protection; the overall guarantee limit is €15 million. All sites are covered after applying the specific deductible of the contract.

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7.1 Information about the Company

7.1.1 Name, registration and corporate form

Tarkett is registered with the Nanterre Trade and Companies Register under number 352 849 327, and its registered office is located at 1, Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France (telephone number: +33 (0)1 41 20 40 40).

Tarkett is a French *société anonyme* with a Management Board and a Supervisory Board, governed in particular by the legal and regulatory provisions of Book II of the French Commercial Code.

7.1.2 Date of Incorporation and Duration

The Company was incorporated on December 29, 1989 for a duration of ninety-nine years as from its registration with the Trade and Companies Register, or until December 29, 2088, unless dissolved earlier or extended.

7.2 Information about the share capital

7.2.1 Breakdown of share capital and voting rights

The table below shows the Company's shareholders as of December 31, 2017:

Shareholders	Number of shares	% of capital	Number of voting rights	% of voting rights
Société Investissement Deconinck ("SID")	31,975,071	50.18%	63,950,142	66.73%
Tarkett GDL SA	81,726	0.13%	0	0.00%
Tarkett ⁽¹⁾	357,796	0.56%	0	0.00%
Public	31,308,103	49.13%	31,891,146	33.27%
Total	63,722,696	100.00%	95,841,288	100.00%

 $^{(1) \}quad \text{Treasury shares held directly by Tarkett include 57,796 shares held in the name and on behalf of Tarkett in connection with its liquidity agreement.}$

7.2.2 Subscribed share capital

The Company's share capital amounts to three hundred eighteen million six hundred thirteen thousand four hundred eighty euros (€318,613,480), divided into sixty-three million seven hundred twenty-two thousand six hundred ninety-six (63,722,696) shares of par value €5 each, all of the same class and fully paid up.

As of December 31, 2017, Tarkett has not issued any non-equity securities or securities giving access to the share capital, with the exception of the free shares described in Section 2.5 "Free Shares (LTIP)".

As of December 31, 2017, the General Shareholders' Meeting had not delegated powers or authorized the Management Board to issue any shares or other securities except as described in Section 7.4 "Financial Authorizations".

7.2.3 Shares controlled by the Company, treasury shares and purchase by the Company of its own shares

As of December 31, 2017, the Company directly holds 357,796 of its own shares, or 0.56% of the share capital, including 57,796 of which are held in connection with the liquidity agreement (See Section 7.2.4 "Share buyback program" for more information about the Company's share buyback program).

Tarkett GDL S.A., a wholly owned subsidiary of Tarkett, also holds 81,726 shares of the Company, or 0.13% of the share capital.

7.2.4 Share buyback program

7.2.4.1 Information on transactions carried out in connection with the Company's share buyback program during 2017 (excluding the Company's liquidity agreement)

Summary of share buyback program authorized in 2017

In accordance with Article L.225-209 *et seq.* of the French Commercial Code, the 20th resolution of the Combined General Shareholders' Meeting of April 27, 2017 authorized the Management Board, for a period of 18 months expiring on October 27, 2018, to purchase or cause the purchase of its own shares up to a maximum of 10% of the number of shares outstanding as of December 31, 2016, namely 6,372,269 ordinary shares, and up to a maximum global limit of €15 million. The Shareholders' Meeting also decided in the same resolution that the number of shares held directly or indirectly in connection with this program may at no time exceed 10% of the Company's share capital. The maximum purchase price per share was fixed at €60.

This authorization was intended to enable the Company to purchase its own shares in order to do the following:

- > to grant free shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code;
- to grant free shares to employees or officers of the Company or of an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long Term Incentive Plans ("LTIP");
- > to cancel shares that are bought back but not allocated; or
- > to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

Share buybacks

In accordance with Article L.225-111 of the French Commercial Code, it is specified that the Management Board did not carry out any share buyback transactions in 2017 under the program described above.

As a result, on December 31, 2017, excluding its liquidity agreement, the Company still held 300,000 of its own shares (or 0.47% of its share capital), with a market value of €10,494,000 as of December 31, 2017.

7.2.4.2 Liquidity agreement

On August 1, 2014, the Company entered into a liquidity agreement for a 12-month, automatically renewable term with Exane BNP Paribas, in accordance with the AMAFI ethics code dated March 8, 2011 and approved by the AMF by decision dated March 21, 2011.

Under the liquidity agreement between Tarkett and Exane BNP Paribas, as of December 31, 2017, the following were in the liquidity account:

- > €1,100,066; and
- > 57,796 shares.

As of the liquidity agreement's entry into force on August 11, 2014, the account held \in 2,800,000.

In connection with the liquidity agreement, 767,556 shares have been exchanged in 2017, for a total amount of \leqslant 29,264,910. The capital gain realized under the liquidity agreement in 2017 was \leqslant 104,576.

Liquidity agreement management fees totaled €50,000, excluding tax, in 2017.

7.2.4.3 Description of share buyback program to be submitted for the approval of the Combined Shareholders' Meeting on April 26, 2018 (18th resolution)

This description of the program is intended, pursuant to Articles 241-1 *et seq.* of the AMF's General Regulation, to describe the terms of the Company's share buyback program, which will be submitted for the approval of the Combined Shareholders' Meeting on April 26, 2018.

Breakdown by objective of shares held by Tarkett

As of December 31, 2017, excluding its liquidity agreement the Company held 300,000 treasury shares (or 0.47% of its share capital), all of which were allocated to covering the LTIP 2015-2018, 2017-2019, and 2017-2020.

As of December 31, 2017, 57,796 shares were held in the liquidity account managed by Exane BNP Paribas.

Purpose of the share buyback program

Tarkett intends to purchase or cause the purchase of its own shares to accomplish the following objectives:

- > to grant free shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code;
- to grant free shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under Long Term Incentive Plans;
- > to cancel shares that are bought back but not allocated; or
- to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

Maximum percentage of Tarkett's share capital that may be acquired and maximum number and characteristics of shares that may be acquired in connection with the share buyback program

The maximum percentage of the share capital of which the buyback is authorized in connection with the program is 10% of the total shares making up the Company's share capital, namely a number of shares not to exceed 6,372,269 shares as of April 26, 2018, the date of the Combined Shareholders' Meeting, provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above is the number of shares bought less the number of shares resold during the period of the authorization. In addition, the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Information about the share capital

The shares that the Company would be authorized to acquire would be Tarkett's ordinary shares exclusively, all of the same class, in bearer or registered form, listed for trading on Euronext Paris – Compartment A (ISIN Code FR0004188670).

Maximum Purchase Price

The maximum purchase price in connection with the share buyback program would be ≤ 60 per share.

In the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of free shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity, the maximum purchase price stated above would be adjusted in order to account for the effect of such transactions on the value of the shares.

Maximum amount of funds available for the purposes of this program

The total amount allocated to the share buyback program could not be greater than \le 15 million.

Buyback terms

Shares could be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

Duration of the program

The share buyback authorization granted by the Combined General Meeting on April 26, 2018 would be for a period of 18 months as from such Meeting, or until October 26, 2019.

This description will be sent to the AMF. It will be available free of charge at the Company's registered office, at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense Cedex, and on the Company's website (www.tarkett.com).

7.2.5 Share capital of any Company of the Group that is the subject of an option or of an agreement to put it under option

7.2.5.1 Morton Extrusionstechnik GmbH

On July 9, 2010, FieldTurf Tarkett and Morton Holding GmbH ("MHG") entered into a Shareholders' Agreement governing their relationship as shareholders of Morton Extrusionstechnik

GmbH ("MET"). FieldTurf Tarkett and MHG held 51% and 49% of MET's share capital, respectively. MET manufactures fibers for synthetic turf. The Shareholders' Agreement provided for put and call options (initially exercisable as of December 31, 2018) on MET's shares.

In 2017, an amendment was made to the Shareholders' Agreement to allow the advance exercise of options, in the mutual interest of both partners.

Following the amendment's conclusion, the Parties agreed that MHG would exercise its put option for its entire stake in MET's capital on December 8, 2017. As of that date, MET's entire capital was held by FieldTurfTarkett.

7.2.5.2 AA Sport System BV

On August 4, 2011, FieldTurf Tarkett and MarKno Beheer B.V. ("MarKno") entered into a Shareholders' Agreement governing their relationship as shareholders of AAsportsystems B.V., since renamed FieldTurf Benelux B.V. FieldTurf Tarkett and MarKno held 51.11% and 48.89% of the share capital of FieldTurf Benelux B.V., respectively. FieldTurf Benelux B.V. sells and distributes outdoor sports surfaces in the Netherlands. The Shareholders' Agreement provided for put and call options on FieldTurf Benelux B.V.'s shares, which were exercisable since August 5, 2016.

On November 16, 2017, Tarkett Sports BV proceeded, by private deed, to acquire all the holdings of FieldTurf Tarkett and MarKno in the capital of FieldTurf Benelux BV, thereby terminating the aforementioned Shareholders' Agreement.

7.2.5.3 Allsports Construction & Maintenance Limited

Gordon Thomson ("GT") and FieldTurf Tarkett concluded a Shareholders' Agreement on December 19, 2017 granting FieldTurf Tarkett a put option enabling it to obtain from GT the purchase all of its entire holding in the capital of the Allsports Maintenance Construction & Maintenance Ltd. ("Allsports") company for a five-year term from the entering into the agreement in the event that Allsports cancelled the supply agreement between Allsports and FieldTurf, in certain limited circumstances.

7.2.6 Pledges, guarantees and sureties

None.

7.2.7 History of the share capital over the past three fiscal years

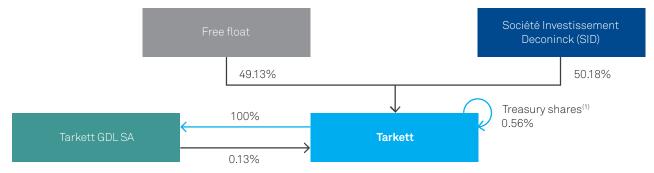
None.

7.3 Shareholder information

7.3.1 Simplified shareholder chart

The following simplified organizational chart shows the Group's ownership structure as of December 31, 2017.

Percentages represent percentages of the share capital.



(1) Treasury shares held directly by Tarkett do not include shares acquired in the name and on behalf of Tarkett in connection with its liquidity agreement.

7.3.2 Principal direct and indirect shareholders

As of December 31, 2017, to the Company's knowledge, the only shareholder directly or indirectly holding more than 5% of the Company's share capital or voting rights is *Société Investissement* Deconinck ("SID"). In addition, Tarkett GDL S.A. and the Company itself hold shares representing approximately 0.7% of the Company's share capital.

Société Investissement Deconinck ("SID")

SID, a French simplified stock company (société par actions simplifiée), having its registered office at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense Cedex, registered with the Nanterre Trade and Companies Register under number 421 199 274, is wholly owned, directly and indirectly, by the members of the Deconinck family. Its share capital is €42,333,415.07, divided into 277,689 shares of €152.45 par value each.

As of December 31, 2017, SID's shares of the Company represent 50.18% of the Company's share capital and 66.73% of its voting rights.

Shareholding by Executives and Employees

Certain officers and employees of the Group hold shares of the Company acquired in connection with the Company's incentive plans and free share plans. Shares received in connection with certain plans described in this Registration Document or purchased on the market may be held in bearer form or have been resold in whole or in part.

For a description of the Group's share plans and grants made thereunder, see Section 2.5, "Free Shares (LTIP)".

Treasury shares: shares held by Tarkett GDL SA (Luxembourg)

Tarkett GDL SA, a Luxembourg limited liability corporation (société anonyme) with share capital of €274,123,080, having its registered office at 2, Op der Sang, L-9779 Lentzweiler and registered with the Luxembourg Trade and Companies Register under number B 92 165, is a holding company that is wholly controlled by the Company and holds equity investments in various Group entities. It holds 81,726 shares of the Company as of December 31, 2017, representing approximately 0.13% of the Company's share capital.

Treasury shares: shares held by Tarkett

As of December 31, 2017, Tarkett holds 300,000 of its own shares, in addition to 57,796 shares held in connection with the liquidity agreement, representing approximately 0.56% of the Company's share capital.

The shares held by Tarkett (other than those held pursuant to the liquidity agreement) are intended to cover the LTIP 2015-2018, 2016-2019, and 2017-2020.

7.3.3 Shareholders' voting rights

Article 8 of the Company's Bylaws provides for a double voting right for all fully paid shares held in registered form by the same holder for a minimum period of two years. The duration of the shareholding prior to the date of the Company's initial public offering is not taken into account in determining whether the shares held by a shareholder carry double voting rights.

Since November 22, 2015, the Company has granted double voting rights to shares meeting the legal criteria.

In accordance with Article L.225-123 of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premium, the newly issued shares will carry double voting rights if they are granted to a shareholder in relation to existing shares that already carry double voting rights.

Shareholder information

Double voting rights may be exercised at any shareholders' meeting.

Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

A merger or spinoff of the Company has no effect on the double voting right, which may be exercised within the surviving company if the Bylaws of such company so provide.

7.3.4 Control of the company

As of December 31, 2017, SID holds 50.18% of the Company's shares and 66.73% of its voting rights.

However, the Company believes that there is no risk of control being exercised in an abusive manner. In that regard, it is noted that the Company complies with the provisions of the Afep-Medef Code on independence within the Supervisory Board and its committees. Thus, as of December 31, 2017, 44% of the members of the Supervisory Board were deemed independent, as were 66% of the members of each of its two specialized committees, which, moreover, are each chaired by an independent member (see Section 2.2.2.1).

To the Company's knowledge, as of December 31, 2017, there are no agreements whose implementation could, at a later date, result in a change in control of the Company.

7.3.5 **Crossing of thresholds**

During the fiscal year ended December 31, 2017 and as of the date of this Registration Document, the Company did not receive any declarations of crossings of legal thresholds.

As of December 31, 2017, other than as described in Section 7.3.1, "Simplified Shareholder Chart," the Company has not been informed of any other shareholders holding, directly or indirectly, more than 5% of the Company's share capital or voting rights.

7.3.6 Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

		Dec	.31,2017		Dec	.31,2016		Dec	.31,2015
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Société Investissement Deconinck ⁽¹⁾	31,975,071	50.18	66.73	31,975,071	50.18	66.57	31,975,071	50.18	58.93
KKR International Flooring 2 S.à.r.l. (1)	-	-	-			-	13,703,462	21.50	23.75
Acting in concert	-	-	-	-		-	45,678,533	71.68	82.68
Public	31,308,103	49.13	33.27	31,346,281	49.19	33.43	17,845,124	28.01	17.32
Tarkett	357,796	0.56(2)	-	319,618	0.50(2)	-	117,313	0.18(3)	-
Tarkett GDL SA	81,726	0.13	-	81,726	0.13	-	81,726	0.13	-
TOTAL	63,722,696	100	100	63,722,696	100	100	63,722,696	100	100

⁽¹⁾ Société Investissement Deconinck and KKR International Flooring 2 acted in concert until KKKB sexicitorin une company a sama e capitach.

(2) Treasury shares held directly by Tarkett include 57,796 shares held in the name and on behalf of Tarkett in connection with its liquidity agreement.

7.4 Financial authorizations

The table below shows financial authorizations in effect as of December 31, 2017.

Financial authorizations in effect as of December 31, 2017

Nature of authorizations	Expiration and duration of authorization	Maximum par value authorized	Usage in 2017
Delegation of authority to be given to the Management Board to trade in the Company's shares Combined General Meeting ("CGM"), April 27, 2017 (20th resolution)	October 27, 2018 (18 months)	10% of existing shares	None
Delegation of authority to be given to the Management Board to grant free shares to employees and/or certain company officers CGM, April 27, 2017 (22nd resolution)	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2017	1% of existing shares	Decision of the Management Board of July 25, 2017: granting of 325,000 ⁽¹⁾ free shares (i.e. 0.51% of existing shares) to the beneficiaries of the LTIP 2017-2020
Capital increase by incorporation of premiums, reserves or otherwise CGM, April 27, 2017 (21st resolution)	June 27, 2019 (26 months)	50 million euros	None
Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares CGM, April 27, 2017 (23rd resolution)	June 27, 2019 (26 months)	10% of existing shares	None

⁽¹⁾ Based on a performance achievement of 100%. See Section 2.5.

The Combined General Meeting on April 26, 2018 will be asked to renew the two authorizations, which will expire in 2018.

Table of financial authorizations proposed for renewal at the Combined General Shareholders' Meeting on April 26, 2018

Nature of authorizations	Expiration and duration of authorization	Maximum par value authorized
Delegation of authority to be given to the Management Board to trade in the Company's shares (17th resolution)	October 26, 2019 (18 months)	10% of existing shares
Delegation of authority to be given to the Management Board to grant free shares to employees and/or certain company officers (18th resolution)	Shareholders' Meeting called to approve the financial statements for the year ending December 31,2018	1% of existing shares

It is noted that there are no other financial authorizations providing for increase(s) in the share capital or, more generally, dilution of the shareholding.

7.5 Shareholders' Agreement

To the Company's knowledge, since December 31, 2017, there has been no agreement or understanding between its shareholders.

7.6 Bylaws of the Company

The Company's Bylaws were drafted in accordance with French laws and regulations applicable to Sociétés Anonymes with Management and Supervisory Boards. The primary provisions described below are taken from the Company's Bylaws as adopted on November 21, 2013.

The Bylaws were modified by decision of the Supervisory Board on February 18, 2015 to reflect the transfer of the Company's registered office, which decision was ratified by the General Shareholders' Meeting on April 24, 2015, as well as by the General Meeting of April 27, 2017, in order to determine the conditions under which the members of the Supervisory Board representing employees are appointed.

The Internal Regulations of the Supervisory Board specify the conditions pursuant to which such Board operates.

7.6.1 Corporate purpose (Article 3 of the Bylaws)

The Company's purpose, in France and abroad, is as follows:

- > to research, design, develop, operate, direct and manage all commercial, industrial, real estate or financial matters or businesses relating to activities in the flooring industry;
- > to participate directly or indirectly in all transactions or undertakings by means of the creation of companies, establishments or groups of a real estate, commercial, industrial or financial nature or to participate in their creation or in the capital increase of existing companies;
- to manage a portfolio of equity investments and securities and the transactions related thereto;
- > to own and manage any real property; and
- > generally, to carry out any industrial, commercial, financial, securities or real estate transactions that may be directly or indirectly related to the purposes listed above.

7.6.2 Management and Supervisory Boards (Articles 11 to 23 of the Bylaws)

7.6.2.1 Management Board

Nomination (Articles 11 and 12 of the Bylaws)

The Company is administered and managed by a Management Board under the supervision of a Supervisory Board. The Management Board is composed of at least two and at most five members appointed by the Supervisory Board.

Members of the Management Board are appointed for a term of three years. The Supervisory Board must fill any vacancy within two months. Otherwise, any interested party may petition the presiding judge of the commercial court, ruling on an interim basis, to make a temporary appointment to fill the vacancy.

Members of the Management Board must be natural persons. Their terms are always renewable.

Any Member of the Management Board is automatically deemed to have resigned as of the close of the shareholders' meeting approving the financial statements for the fiscal year during which such member reached the age of 65.

Each member of the Company's Management Board is subject to applicable regulations with regard to the holding of multiple offices or positions. Members of the Management Board may not serve as a Managing Director, member of a Management Board, CEO or member of a Supervisory Board of any listed company outside of the Group.

Each Member of the Management Board must receive an opinion from the Supervisory Board before accepting any new office or position with a listed company that is not directly or indirectly controlled by the Company.

Removal (Article 11 of the Bylaws)

Members of the Management Board may be removed by the General Shareholders' Meeting or by the Supervisory Board. In the absence of cause, their removal may give rise to damages. The removal of a Member of the Management Board does not have the effect of terminating such member's employment agreement, if any, with the Company.

Chairman of the Management Board and Managing Directors (Article 14 of the Bylaws)

The Supervisory Board appoints one of the members of the Management Board to the position of Chairman.

The Chairman of the Management Board represents the Company in its relations with third parties. The Supervisory Board may grant the same representative power to one or more members of the Management Board, which members shall then hold the title of Managing Director.

The Chairman of the Management Board or the Managing Director(s) may delegate powers to a third party. The powers granted pursuant to such delegation, however, must be limited and relate to one or more specific purposes.

The Chairman of the Management Board or any member named a Managing Director by the Supervisory Board may validly make undertakings to third parties on behalf of the Company.

Management Board Meetings (Article 15 of the Bylaws)

It may be convened by its Chairman or by another member by any means, including orally.

Management Board meetings may be held at the registered office or at any other location indicated in the notice of meeting.

A Member of the Management Board may appoint another Member of the Management Board to represent him at a meeting. In the event of the Chairman's absence, the Management Board designates one of its members to chair the meeting. The Management Board may also designate a secretary, who need not be a Member of the Management Board.

The Management Board may validly meet as long as a majority of its current members are present (including by means of video or telephone conference) or represented.

Decisions are taken by a majority of the members present (including participation by video or telephone conference) or represented. In the event of a tie, the vote of the meeting's chairman does not prevail unless the meeting is chaired by the Chairman of the Management Board.

Minutes of Management Board meetings are recorded in a special ledger kept at the registered office and are signed by the Chairman of the Management Board and by the secretary or another Member of the Management Board. Copies or extracts of minutes may be certified by the Chairman, a Managing Director, or a Member of the Management Board.

Powers and Duties of the Management Board (Article 16 of the Bylaws and Article 3.2 of the Supervisory Board's Internal Regulations)

Subject to the powers that the law or the Company's Bylaws grant expressly to the Supervisory Board or the shareholders' meeting, and within the limits of the Key Decisions that require the prior authorization of the Supervisory Board, the Management Board has the broadest powers to act in all circumstances in the name and on behalf of the Company.

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months after the close of each fiscal year, the Management Board finalizes and delivers the annual company and Consolidated Financial Statements, as well as the report to be presented to the annual shareholders' meeting, to the Supervisory Board for review. It also provides the Supervisory Board with a proposed allocation of the previous year's results.

In addition, the Supervisory Board may ask the Management Board at any time to provide a report on its management and current operations, in addition to provisional Company accounts, if necessary.

The Management Board convenes the General Shareholders' Meeting, sets its agenda and carries out its decisions.

Subject to Supervisory Board authorization, the members of the Management Board may allocate their management tasks among themselves. However, such allocation shall in no event have the effect of altering the collective nature of the Management Board's management of the Company.

The Company is bound by the actions of the Management Board even where they are not within the corporate purpose, unless the Company proves that the third party knew that the action exceeded such corporate purpose or could not have been unaware of that fact in light of the circumstances.

However, without prejudice to matters with respect to which prior authorization of the Supervisory Board is required by law, the Management Board must seek the prior authorization of the Supervisory Board before making any of the following decisions ("Key Decisions") within the Company and/or its controlled subsidiaries, within the meaning of Article L.233-3 of the French Commercial Code (together, the "Tarkett Group"):

- a) grants by any company of the Group of guarantees that exceed an annual aggregate threshold set by the Supervisory Board (although guarantees granted above such threshold will be deemed valid in respect of third parties acting in good faith);
- b) transactions that result in a significant change in the primary business of the Group (flooring and sports surfaces) (although pursuing incidental new activities does not require the Supervisory Board's prior authorization, unless it is otherwise a Key Decision);

- c) provided that it exceeds a certain threshold (either global or per transaction type) set by the Supervisory Board (or failing that, by the Internal Regulations of the Supervisory Board), the acquisition or sale (and generally any transfer of ownership or investment) or collateralization of any asset of the Group as part of a project, such as asset contributions governed by the rules applicable to spin-offs, mergers, corporate restructurings (either internal or involving a third party);
- d) listing shares of any Group company (apart from the Company) on a securities exchange;
- e) the entry by any company in the Group into any loan whose nominal amount (i) exceeds a certain threshold set by the Supervisory Board (or failing that, by the Internal Regulations of the Supervisory Board) or (ii) results in an increase of the aggregate nominal amount of loans above the maximum global amount (in principal) authorized by the Supervisory Board for the applicable period (or failing that, by the Internal Regulations of the Supervisory Board), as well as any material modification thereto;
- f) decisions pertaining to, or resulting in, amendments to the Company's Bylaws and those of any Group company (i) whose assets' book value is greater than a certain threshold set forth in the Internal Regulations of the Supervisory Board or (ii) that owns assets of strategic value for the Group, insofar as such modifications alter the rights of the Group company that controls such subsidiary;
- g) approving joint venture agreements or agreements for other significant partnerships (i.e., those that involve asset contributions by any entity of the Group (including when made by way of a cash payment or of a set-off) that exceed a certain threshold set by the Internal Regulations of the Supervisory Board);
- h) any material changes in the accounting principles applied by the Company in preparing its Consolidated Financial Statements (annual or interim), apart from changes required under IAS or IFRS:
- adopting the Group's annual budget and any significant changes thereto;
- j) adopting the Group's strategic medium- or long-term plan as well as the annual update thereof (together with the annual budget);
- k) the inclusion in the shareholders' meeting agenda and the exercise of delegations granted by the shareholders' meeting relating to the issuance of shares or other equity-linked securities by the Company (or by another Group company) to a non-Tarkett related party;
- I) any acquisition or sale (and generally any transfer of ownership) of derivatives, foreign exchange contracts, swaps, option agreements or any other speculative financial instrument except when made (i) for the Group's hedging purposes or (ii) as part of a buyback program relating to the Company's shares;
- m) implementing any bankruptcy proceeding of a Group company (i) whose number of employees exceeds a certain number set by the Internal Regulations of the Supervisory Board or (ii) with assets of strategic value for the Group (insofar as these modifications affect the rights of the Group company that controls such subsidiary);

Bylaws of the Company

- any loan granted by the Group to a third party (apart from customer advances, employee advances and any loan granted in the ordinary course of business);
- (i) recruiting or dismissing the Group's senior executives defined under the Internal Regulations of the Supervisory Board, or (ii) any significant change to their compensation (including pension plans or specific departure conditions);
- p) implementing or amending the management incentive plan (including any share or bonus incentive plan);
- q) creating or amending any stock option plan or share award plan relating to shares of the Company or any Group company (or any similar securities) for the benefit of executives or employees of the Group, or of any category of them;
- entering into or modifying any significant collective bargaining agreement, pension plan or redundancy plan that exceeds a certain number of employees set by the Internal Regulations of the Supervisory Board;
- s) initiating, stopping or settling any dispute or litigation (including any tax-related dispute) or waiving certain claims that exceed in each case a certain threshold set by the Internal Regulations of the Supervisory Board;
- t) appointing, re-nominating or removing the Company's Statutory Auditors; and
- u) any grants, corporate sponsorships or other type of donation that exceeds €100,000.

At least once per quarter, the Management Board presents a report to the Supervisory Board. Within three months after the close of each fiscal year, the Management Board presents the annual financial statements to the Supervisory Board for purposes of verification and review

Compensation of Members of the Management Board (Article 12 of the Bylaws)

In its nomination decision, the Supervisory Board sets the form and amount of compensation for each Member of the Management Board.

7.6.2.2 Supervisory Board

Composition and Term in Office (Articles 17 to 19 of the Bylaws and Article 1 of the Internal Regulations of the Supervisory Board)

Members of the Supervisory Board serve for a term of four years. By way of exception, the General Shareholders' Meeting may decide when appointing certain members of the Supervisory Board that their term of office will be shorter than four years, in order to permit rolling renewal of the terms of the various members of the Supervisory Board.

Part of the Supervisory Board is renewed each year, such that the entire Supervisory Board is renewed on a rolling basis over a period of four years.

Members of the Supervisory Board may always be reelected.

The number of Supervisory Board members older than 75 may not be greater than one-third of the Board's then-current membership.

No Member of the Supervisory Board may be a Member of the Management Board. If a Member of the Supervisory Board is appointed to the Management Board, such member's term on the Supervisory Board ends as soon as the new appointment takes effect.

In the event of a vacancy in one or more seats by reason of death or resignation, the Supervisory Board may, between two shareholders' meetings, make interim appointments.

Interim appointments made by the Supervisory Board are submitted for ratification by the next Ordinary Shareholders' Meeting. A member appointed to replace another member remains in office only for the time remaining in predecessor's term.

If the number of members of the Supervisory Board falls below three, the Management Board must immediately convene an Ordinary Shareholders' Meeting to fill the vacancies.

If temporary appointments are not ratified, the prior votes and actions of the Supervisory Board remain valid.

The Supervisory Board ensures, to the extent possible, that at least one-third of its membership is composed of independent members and that the Audit Committee and the Nominations and Compensation Committee each include at least two independent members (including, in each case, the chairman). It is noted that the characterization of independence does not imply a value judgment as to the qualities and skills of the members of the Board.

At the time of each renewal or nomination of a Member of the Supervisory Board and at least once per year prior to the publication of the Company's annual report, the Board must evaluate the independence of each of its members (or candidates). During such evaluation, the Board, after receiving the opinion of the Nominations and Compensation Committee, examines the status of each of its members (or candidates) on a case-by-case basis with regard to the criteria referred to below, the specific circumstances and the position of the member or candidate in relation to the Company. The conclusions of this examination are brought to the attention of the shareholders in the annual report and, where applicable, to the shareholders' meeting in connection with the election of members to the Supervisory Board.

Members of the Supervisory Board may be removed at any time by the Ordinary Shareholders' Meeting.

The Supervisory Board must also include one or two employee members, having the same status and rights as the other members, appointed under the conditions provided under the applicable regulations.

Supervisory Board Officers (Article 20 of the Bylaws and Article 1.3 of the Supervisory Board's Internal Regulations)

The Supervisory Board elects a Chairman and a Vice Chairman from among its members, in accordance with the provisions of its Internal Regulations.

Powers and Duties of the Supervisory Board (Articles 16 and 22 of the Bylaws and Articles 1.4, 2.8, 2.9 and 3 of the Supervisory Board's Internal Regulations)

The Supervisory Board oversees the Management Board's management of the Company on an ongoing basis.

At any time during the year, the Supervisory Board carries out the controls and verifications that it deems appropriate and may obtain any documents that it deems useful for such purpose.

Within limits set by the Supervisory Board and with the power to sub-delegate, the Supervisory Board may authorize the Management Board to sell real property, to sell all or a portion of its equity investments, and to give security as well as deposits, backing or guarantees in the name of the Company.

A list of Management Board decisions that require prior approval of the Supervisory Board is included in Article 16 of the Company's Bylaws and Article 3.2 of the Supervisory Board's Internal Regulations (see Section 7.6.2.1, "Powers and Duties of the Management Board").

Each year at the Shareholders' Meeting, the Supervisory Board presents its comments on the Management Board's report and on the financial statements for the previous year.

It may delegate special authority to one or more of its members to accomplish one or more specific objectives.

The Supervisory Board may establish Internal Regulations providing, in particular, for the creation of one or more Supervisory Board committees, of which it determines the composition and powers and, where applicable, the compensation of each of its members. Members of the Supervisory Board and of the Management Board, as well as observers, are required to comply with such Internal Regulations.

Until he or she holds 1,000 Company shares, each Member of the Supervisory Board must use half of his attendance fees to acquire shares of the Company. When they take office, members of the Supervisory Board must convert their shares of the Company into registered form. Shares acquired at a later date must also be held in registered form.

Each Member of the Supervisory Board must comply with applicable regulations with respect to market abuse and inside information. Moreover, each member must report to the Company any transaction in the Company's securities, in accordance with applicable laws and regulations. The members of the Supervisory Board are reminded of these provisions on an annual basis and from time to time in the event of any significant change.

Information of the Supervisory Board (Article 4.4 of the Supervisory Board's Internal Regulations)

The Management Board regularly apprises the Supervisory Board of developments in the Group's activity, financial results and financial condition, as well as of any commitments of the Company or the Group, in accordance with applicable provisions of the law, the Company's Bylaws or the Internal Regulations of the Supervisory Board or its committees.

Supervisory Board Meetings (Articles 20 and 21 of the Bylaws and Article 5 of the Supervisory Board's Internal Regulations)

Supervisory Board meetings are convened by the Chairman. However, the Chairman is required to convene the Supervisory Board whenever at least one Member of the Management Board or at least one-third of the members of the Supervisory Board deliver a written reasoned request to the Chairman, within 15 days of receipt of such request. If the Chairman does not respond to such request, the authors of the request may convene the meeting themselves, indicating the meeting's agenda.

Supervisory Board meetings may be convened by any means, including email, with at least five (5) business days' notice. The notice period may be shortened on the proposal of the Chairman of the Supervisory Board if all members of the Supervisory Board are present or represented at the Supervisory Board meeting or if the members who are absent and not represented consent to the meeting being held in their absence.

Meetings take place at the Company's registered office or at any other location indicated in the notice of meeting.

The notice of meeting must contain the meeting agenda.

The Supervisory Board may validly deliberate only if at least one-half of its members are present. To the extent authorized by the law, members participating in a meeting by videoconference, telephone conference, or any other means permitted by law are deemed to be present for purposes of calculating quorum and majority.

Decisions of the Supervisory Board are taken by a simple majority of members present or represented. In the event of a tie, the vote of the Chairman of the Supervisory Board prevails; the vote of the meeting's chair does not prevail unless the meeting is chaired by the Chairman of the Supervisory Board.

Decisions of the Supervisory Board are recorded in minutes to be prepared within 15 days following the meeting and signed by the chairman of the meeting and one Member of the Supervisory Board (or, in the event that the meeting's chairman is unavailable, by at least two members of the Board), and kept in a special register held at the Company's registered office.

Copies or extracts of Supervisory Board minutes are certified by the Chairman of the Supervisory Board, the Vice Chairman of the Supervisory Board, or any Member of the Management Board.

Compensation of Members of the Supervisory Board (Article 23 of the Bylaws and Article 7 of the Supervisory Board's Internal Regulations)

The shareholders' meeting may allocate an annual amount of attendance fees to members of the Supervisory Board as compensation for their functions.

Upon the recommendation of the Nominations and Compensation Committee, the Supervisory Board (i) freely distributes to its members the attendance fees allocated to the Board by the shareholders' meeting. A proportion determined by the Board and deducted from the amount of the attendance fees allocated to the Board is paid to the Committee members based in particular on their attendance at Committee meetings; (ii) determines the amount of the compensation allocated to the Chairman and to the Vice Chairman; (iii) may, moreover, allocate exceptional compensation to certain of its members for assignments or mandates that they are asked to perform.

Such compensation will be paid in addition to the attendance fees and pursuant to conditions provided for by law.

Observers (Article 26 of the Bylaws and Article 10 of the Supervisory Board's Internal Regulations)

The General Shareholders' Meeting and the Supervisory Board may each nominate observers (who may be individuals or entities) in a number not to exceed two. Observers are nominated for a renewable term of four years, although the body that appoints them may remove them at any time.

Observers are convened to Supervisory Board meetings as observers and may be consulted by the Supervisory Board. They may present observations to the shareholders' meeting on proposals submitted to them. They must receive notice of each Supervisory Board meeting pursuant to the same terms and conditions as those that apply to members of such Board. The Supervisory Board may entrust specific assignments to observers.

The Supervisory Board may, on the recommendation of the Nominations and Compensation Committee, authorize reimbursement of expenses incurred by observers in the interest of the Company.

Bylaws of the Company

7.6.3 Rights, privileges and restrictions on shares (Articles 6 to 9 of the Bylaws)

The Company's share capital is composed exclusively of ordinary shares.

The Company's ordinary shares are freely negotiable. The transfer of ordinary shares is carried out by transfer from account to account. Shares may be in registered or bearer form, at the option of the shareholder, pursuant to applicable regulations.

Whenever it is necessary to hold a specific number of shares to exercise any right, or in the event of an exchange or grant of securities giving the right to new shares in return for the return of a specific number of existing shares, any odd-lot shares or shares that fall short of the minimum number required will not provide shareholders with rights vis-à-vis the Company. It is the responsibility of shareholders to group their shares or to purchase or sell the necessary number of shares.

All fully paid shares held continuously in registered form by the same holder for at least two years benefit from double voting rights. The duration of the shareholding prior to November 22, 2013 is not taken into account in determining whether the shares held by a shareholder carry double voting rights.

In accordance with Article L.225-123 paragraph 2 of the French Commercial Code, in the event of an increase in the Company's share capital through incorporation of reserves, profits or share premium, the newly issued shares will carry double voting rights if they are granted to a shareholder in relation to existing shares that already carry double voting rights.

Double voting rights may be exercised at any shareholders' meeting. Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

Each share gives the right to a portion equal to the share of the capital that it represents with respect to ownership of corporate assets and liquidation proceeds.

Shares are indivisible vis-à-vis the Company.

7.6.4 Modifications to the rights of shareholders

To the extent that the Bylaws are silent, modification of the rights attached to the Company's shares is subject to applicable law.

7.6.5 Shareholders' meetings (Article 25 of the Bylaws)

Shareholders' meetings are convened subject to the conditions provided for by law. They meet at the Company's registered office or at any other location indicated in the notice of meeting.

The Management Board is authorized to decide at the time it convenes the shareholders' meeting to broadcast the meeting publicly by videoconference or any other means of telecommunication or transmission, including the Internet. A shareholder may give a proxy to another shareholder or to any other individual or entity to represent him at the shareholders' meeting.

The proxy, as well as, where applicable, its revocation, must be in writing and delivered to the Company in accordance with the conditions provided for by applicable regulations.

Shareholders may participate in meetings either in person or by proxy by proving their identity and their ownership of shares in the form in which such shares are held, pursuant to applicable laws and regulations.

Joint owners of indivisible shares are represented at meetings by one of the joint owners or by a proxy chosen by mutual agreement of the joint owners. In the event that the joint owners fail to reach an agreement as to the choice of a proxy, a proxy may be designated by order of the presiding judge of the commercial court, ruling on an interim basis at the request of the more diligent joint owner.

If the Management Board so provides in the notice of meeting, shareholders may also participate in such meeting by videoconference or other means of telecommunication or electronic transmission, including the Internet, pursuant to legal and regulatory requirements. Such shareholders are deemed present for purposes of calculating quorum and majority.

Meetings are chaired by the Chairman of the Supervisory Board, or, in his absence, by the Vice Chairman, or, in his absence, by any Member of the Supervisory Board specially delegated for such purpose by the Supervisory Board. Otherwise, the meeting elects its own chairman.

The two members of the meeting who are present, agree to serve such role and have the greatest number of voting rights serve as scrutineers.

The meeting officers designate a secretary, who need not be a shareholder.

An attendance sheet is kept at each meeting containing the information required by law.

Copies or extracts of the minutes of shareholders' meetings may be certified by the Chairman of the Supervisory Board, the Vice Chairman, a Member of the Management Board acting as Managing Director or by the secretary of the shareholders' meeting.

Ordinary and extraordinary shareholders' meetings voting pursuant to their respective quorum and majority requirements exercise the powers assigned to them by the law.

7.6.6 Statutory provisions likely to have an impact in case of a change of control of the Company

None.

7.6.7 Shareholding thresholds and identification of shareholders

7.6.7.1 Crossing of thresholds (Article 7 of the Bylaws)

Any individual or entity, acting alone or in concert with others, who comes to own, directly or indirectly, 1% or more of the share capital or voting rights of the Company and thereafter increases or decreases its shareholding by an amount greater than or equal to 1% of the share capital or voting rights, including above the legal threshold, must notify the Company thereof and provide the information required by the AMF by registered mail with acknowledgment of receipt, within four trading days from the date on which any such threshold is met or crossed.

The sanctions provided for by law for failure to comply with reporting obligations when legal thresholds are crossed shall not apply to thresholds provided for in the Bylaws except by request, recorded in the minutes of the shareholders' meeting, of one or more shareholders holding at least 1% of the Company's capital or voting rights.

Subject to the above provisions, this statutory obligation is governed by the same provisions as those governing the legal obligation, including legal or regulatory provisions with respect to assimilation with previously owned shares.

The Company reserves the right to disclose to the public and to the shareholders either the information reported to it or any failure by the person in question to comply with the above obligation.

7.6.7.2 Identification of shareholders (Article 7 of the Bylaws)

The Company has the right to apply applicable regulations to identify the holders of securities granting voting rights at shareholders' meetings, either immediately or in the future.

Holders who fail to comply with Tarkett's request for information within the time period provided for by applicable laws and regulations or who transmit incomplete or inaccurate information will not be permitted to exercise voting rights with respect to any such shares or other equity-linked securities and to receive dividends pertaining thereto (if any) until the date on which such holders comply with Tarkett's request for information.

7.6.8 Changes in share capital

To the extent that the Bylaws are silent, the share capital may be increased, decreased or redeemed by any means authorized by law.

7.6.9 Distribution of profits (Article 28 of the Bylaws)

Each fiscal year's net income is determined in accordance with applicable legal and regulatory provisions.

Under French law, Tarkett is required to allocate 5% of its net income in each fiscal year, after reduction for losses carried forward from previous years, if any, to a legal reserve fund until the amount in that fund equals 1/10 of the nominal amount of its share capital.

Upon proposal by Tarkett's Management Board and in light of the report of the Supervisory Board, Tarkett's shareholders may decide to allocate all or part of distributable profits to special or general reserves, to carry them forward to the next fiscal year as retained earnings, or to allocate them to the shareholders as dividends.

The annual shareholders' meeting for approval of the annual financial statements may grant an option to the shareholders to receive all or part of their dividends or interim dividends in cash or shares, in accordance with French law. Moreover, it may decide that for all or part of the dividends or interim dividends, reserves or premiums to be distributed, or for any share decrease, this distribution or decrease will be made in kind in the form of securities or assets of the Company. Each shareholder's share of the Company's profits and contribution to the Company's losses is equal to the proportion of the share capital held.

Equity investments in non-Tarkett Group entities. Events likely to have an impact in the event of a tender offer

7.7 Equity investments in non-Tarkett Group entities

Information concerning entities in which the Company holds a fraction of the share capital likely to have a significant impact on the valuation of its assets and liabilities, financial condition or results of operations is included in Section 4.1.1.7, "Acquisitions",

as well as in Note 2, "Scope of Consolidation", and Note 13, "Principal Consolidated Entities," included in Section 5.2, "Notes to the Consolidated Financial Statements"

7.8 Events likely to have an impact in the event of a tender offer

To the Company's knowledge, there are no agreements that could lead to a change in its control.

The applicable information required by Article L.225-37-5 (referring to Article L.225-68) of the French Commercial Code is included in this Registration Document as follows:

- > the capital structure and direct and indirect holdings in the Company's capital of which the Company is aware are described in Section 7.2 "Information About the Share Capital";
- > the rules applicable to the appointment and replacement of Supervisory Board members and to the amendment of the Company's Bylaws are described in Section 7.6 "Bylaws of the Company";
- > the powers of the Management Board, particularly with regard to the issuance or redemption of shares, are described in Section 7.4 "Financial Authorizations";

- > the agreements entered into by the Company that are modified or terminated in the event of a change in control of the Company are set out in Sections 4.3.4 "Details of the renewable, multi-currency syndicated loan" and Section 4.3.5 "German private placements, known as Schuldschein";
- > finally, to the Company's knowledge and other than as described in Sections 2.3 "Compensation and Benefits Granted to the Management and Supervisory Bodies" and 2.4 "Other Information About the Company Officers", there are no agreements providing for indemnification of members of the Management Board or employees in the event of their dismissal due to a tender offer, nor has the Company entered into any agreement that could be modified or terminated in the event of a change of control of the Company.

7.9 Stock Exchange information

Tarkett's shares are listed on Euronext Paris - Compartment A - ISIN Code: FR00004188670 - Stock symbol: TKTT.

	2017	2016	2015
Closing Share Price (in euros)			
High	€44.80	€36.78	€29.00
Low	€32.32	€21.14	€17.09
As of December 31	€34.98	€34.09	€28.79
Number of shares as of December 31	63,722,696	63,722,696	63,722,696
Market capitalization as of December 31 (in millions of euros)	2,229	2,172	1,835

Source: Euronext.



8 GENERAL MEETING

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8.1 Draft agenda and resolutions presented to the combined General Shareholders' Meeting of April 26, 2018

8.1.1 Agenda

1st Resolution

Approval of the Company financial statements for the financial year ended December 31, 2017;

2nd Resolution

Approval of the Consolidated Financial Statements for the financial year ended December 31, 2017;

3rd Resolution

Allocation of the net result for the financial year ended December 31, 2017 and determination of the dividend;

4th Resolution

Approval of regulated agreements and commitments within the meaning of Articles L.225-86 *et seq.* of the French Commercial Code:

5th Resolution

Renewal of the mandate of Mr. Didier Deconinck as a Member of the Supervisory Board;

6th Resolution

Renewal of the mandate of Mr. Eric La Bonnardière as a Member of the Supervisory Board;

7th Resolution

Appointment of Mr. Julien Deconinck as a Member of the Supervisory Board;

8th Resolution

Appointment of Mr. Bernard-André Deconinck as an observer of the Supervisory Board;

9th Resolution

Approval of the compensation paid or awarded for the 2017 financial year to Michel Giannuzzi, Chairman of the Management Board until August 31, 2017;

10th Resolution

Approval of the compensation paid or awarded for the 2017 financial year to Mr. Glen Morrison, Chairman of the Management Board effective September 1, 2017;

11th Resolution

Approval of the compensation paid or awarded for the 2017 financial year to Mr. Fabrice Barthélemy, Member of the Management Board, under his employment contract;

12th Resolution

Approval of the compensation paid or awarded in respect of the 2017 financial year to Mrs. Sharon MacBeath, Member of the Management Board, under her employment contract;

13th Resolution

Approval of the compensation paid or awarded for the 2017 financial year to Mr. Didier Deconinck, Chairman of the Supervisory Board;

14th Resolution

Approval of the principles and criteria for determining, distributing, and allocating Mr. Glen Morrison's compensation as Chairman of the Management Board;

15th Resolution

Approval of the principles and criteria for determining, distributing, and allocating the remuneration of the Chairman of the Supervisory Board;

16th Resolution

Approval of the principles and criteria for determining, distributing, and allocating the remuneration of the members of the Supervisory Board;

17th Resolution

Authorization provided to the Management Board to trade in shares of the Company;

Extraordinary business

18th Resolution

Authorization is granted to the Management Board to allocate performance shares to employees and/or certain corporate officers of the Company or related companies, the duration of the authorization, the ceiling, the duration of the vesting and retention periods;

Ordinary business

19th Resolution

Powers for formalities.

8.1.2 Text of the resolutions proposed to the General Meeting

First Resolution

(Approval of the Company financial statements for the financial year ended December 31, 2017)

The General Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings and after reviewing (i) the report of the Management Board; (ii) the report of the Supervisory Board; and (iii) the report of the Statutory Auditors on the annual Company financial statements as of and for the financial year ended December 31, 2017, approves the Company financial statements as of and for the financial year ended December 31, 2017 as presented to them and including the balance sheet, income statement and annexes, showing net income of €51,920,613, as well as the transactions described in such financial statements and summarized in such reports.

Pursuant to Article 223 c of the French General Tax Code, the General Shareholders' Meeting also takes note that total expenses and charges as referred to in Article 39-4 of the French General Tax Code were €46,832 for the most recently ended financial year.

Second Resolution

(Approval of the Consolidated Financial Statements for the financial year ended December 31, 2017)

The General Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings and after reviewing (i) the report of the Management Board; (ii) the report of the Supervisory Board; and (iii) the report of the Statutory Auditors on the consolidated Company financial statements as of and for the financial year ended December 31, 2017, approves the Company financial statements as of and for the financial year ended December 31, 2017 as presented to them and including the balance sheet, income statement and annexes, showing net result of (€38.7) million, as well as the transactions described in such financial statements and summarized in such reports.

Third Resolution

(Allocation of the net result for the financial year ended December 31, 2017 and determination of the dividend)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and after reviewing the report of the Management Board, finding that the financial statements as of and for the financial year ended December 31, 2017 show a net profit of €51,920,613, decides, upon the proposal of the Management Board, to allocated and distribute the distributable profit as follows:

Distributable amount for 2017 (in euros)	
Net income for the financial year	51,920,613
Unappropriated retained earnings	715,991,071
Total	767,911,684
Allocation of distributable profit	
Dividend per share of €0.60, corresponding to a total amount of (1)	38,018,940
Balance allocated to retained earnings	729,892,744

⁽¹⁾ The total amount of the distribution referred to above is calculated on the basis of the number of shares with dividend rights as of December 31, 2017 (63,364,900 shares) and may change if the number of shares with dividend rights changes between January 1, 2018 and the ex-dividend date, in particular with respect to the number of treasury shares and final grants of bonus shares (where the recipient has dividend rights under the relevant plan).

As a result, the General Shareholders' Meeting **sets** the per-share dividend at €0.60 for the financial year ended December 31, 2017, attached to each of the shares with rights thereto.

The General Meeting specifies that the Company will not receive any dividend in respect of shares that it holds on the payment date. If, when the dividend is paid, the Company holds any of its own shares, the amounts corresponding to the dividends not paid in respect of such shares will be allocated to retained earnings. As a result, the General Shareholders' Meeting delegates authority to the Management Board to adjust the final

amount of the distribution and the final amount of retained earnings, if necessary.

In accordance with Article 243a of the French General Tax Code, it is specified that when paid to shareholders who are natural persons and residents of France for tax purposes, this distribution is eligible for the 40% tax deduction provided for in Article 158 3.2 of the same Code. Furthermore, it is specified that since January 1, 2018, dividends are subject to a single flat tax of 30%, consisting of: 12.8% for income tax and 17.2% for social security contributions.

Dividends paid over the past three financial years	Year distribu		
	2017	2016	2015
Total dividends (in € millions)	38(1)	33.1 (1)	24.1 (1)
Dividends per share (in euros)	0.60	0.52	0.38

⁽¹⁾ The amounts presented in the table represent total dividends after deduction of the dividend on treasury shares held by the Company.

The dividend will be detached from the share at the end of the accounting day of July 3, 2018 and will be paid as of July 5, 2018.

Fourth Resolution

(Approval of regulated agreements and commitments within the meaning of Articles L.225-86 *et seq.* of the French Commercial Code)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and having reviewed the special report of the Statutory Auditors on agreements and commitments governed by Articles L.225-86 et seq. of the French Commercial Code, approves such report as well as the agreement entered into during the financial year ended December 31, 2017 and authorized in advance by the Company's Supervisory Board.

Fifth Resolution

(Renewal of the mandate of Mr. Didier Deconinck as a Member of the Supervisory Board)

The General Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Mr. Didier Deconinck is expiring, **decides** to reappoint him as a Member of the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the financial year ending December 31, 2021.

Mr. Deconinck indicated in advance that he would accept the renewal of his term if this Meeting so decides and that he does not hold any position, nor is he subject to any measure, liable to render him ineligible.

Draft agenda and resolutions presented to the combined General Shareholders' Meeting of April 26, 2018

Sixth Resolution

(Renewal of the mandate of Mr. Eric La Bonnardière as a Member of the Supervisory Board)

The General Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, having reviewed the report of the Management Board and noting that the term of Mr. Eric La Bonnardière is expiring, **decides** to reappoint him as a Member of the Supervisory Board for a term of four (4) years to expire at the close of the annual shareholders' meeting called in 2021 to approve the financial statements for the financial year ending December 31, 2021.

Mr. Eric La Bonnardière indicated in advance that he would accept the renewal of his term if this Meeting so decides and that he does not hold any position, nor is he subject to any measure, liable to render him ineligible.

Seventh Resolution

(Appointment of Mr. Julien Deconinck as a Member of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for ordinary general meetings, having taken note of the report of the Management Board, and noting that his mandate as observer Member of the Supervisory Board expires, decides to appoint Mr. Julien Deconinck as a Member of the Supervisory Board for a period of four (4) years until the end of the Annual General Meeting called to approve, in 2022, the financial statements for the year ended December 31, 2021.

Mr. Julien Deconinck indicated in advance that he will accept his appointment, should it be decided by this GM, and that he does not exercise any function and is not subject to any measure that might render him ineligible.

Eighth Resolution

(Appointment of Mr. Bernard-André Deconinck as an observer of the Supervisory Board)

The General Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Meetings, having taken note of the Management Board's report, and the knowledge of his resignation as a Member of the Supervisory Board, **decides** to appoint Mr. Bernard- André Deconinck as an observer of the Supervisory Board for a period of four (4) years until the end of the Annual General Meeting called to approve, in 2022, the financial statements for the year ended December 31 2021.

Mr. Bernard-André Deconinck indicated in advance that he will accept his appointment, should it be decided by this GM, and that he does not exercise any function and is not subject to any measure that might render him ineligible.

Ninth Resolution

(Approval of the compensation paid or awarded for the 2017 financial year to Michel Giannuzzi, Chairman of the Management Board until August 31, 2017)

The General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, approves the fixed, variable, and exceptional components of the total remuneration and benefits package of any kind paid or awarded in respect of the 2017 financial year to Mr. Michel Giannuzzi in his capacity as Chairman of the Management Board until August 31, 2017, as set out in Section 2.6.2.1 "Components of compensation paid or attributed to Michel Giannuzzi (Chairman of the Management Board until August 31, 2017) during the year ended December 31, 2017" of the 2017 Registration Document.

Tenth Resolution

(Approval of the compensation paid or awarded for the 2017 financial year to Mr. Glen Morrison, Chairman of the Management Board effective September 1, 2017)

The General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, approves the fixed, variable, and exceptional components of the total remuneration and benefits package of any kind paid or awarded in respect of the 2017 financial year to Mr. Glen Morrison in his capacity as Chairman of the Management Board as of September 1, 2017 as set out in Section 2.6.2.2 "Components of compensation paid or awarded to Glen Morrison (Chairman of the Management Board since September 1, 2017) during the year ended December 31, 2017" of the 2017 Registration Document.

Eleventh Resolution

(Approval of the compensation paid or awarded for the 2017 financial year to Mr. Fabrice Barthélemy, Member of the Management Board, under his employment contract)

The General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, approves the fixed, variable, and exceptional components of the total remuneration and benefits package of any kind paid or awarded in respect of the 2017 financial year to Mr. Fabrice Barthélemy, Member of the Management Board, under his employment contract, as set out in Section 2.6.2.3 "Elements of compensation paid or awarded to Fabrice Barthélemy, Member of the Management Board, under his employment contract, during the year ended December 31, 2017" of the 2017 Registration Document.

Twelfth Resolution

(Approval of the compensation paid or awarded in respect of the 2017 financial year to Mrs. Sharon MacBeath, Member of the Management Board, under her employment contract)

The General Meeting, voting in accordance with the quorum and majority requirements for Ordinary General Meetings, approves the fixed, variable, and exceptional components of the total remuneration and benefits package of any kind paid or awarded in respect of the 2017 financial year to Mrs. Sharon MacBeath, Member of the Management Board, under her employment contract, as set out in Section 2.6.2.4 "Elements of compensation paid or awarded to Sharon MacBeath, Member of the Management Board, under her employment contract, during the year ended December 31, 2017" of the 2017 Registration Document.

Thirteenth Resolution

(Approval of the compensation paid or awarded for the 2017 financial year to Mr. Didier Deconinck, Chairman of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority of Ordinary General Meetings, having taken note of the report of the Management Board, approves the fixed, variable, and exceptional items constituting the total remuneration and the benefits of any kind paid or awarded during the financial year 2017 to Mr. Didier Deconinck in his capacity as Chairman of the Supervisory Board, as set out in Section 2.6.2.5 "Elements of compensation paid or attributed to Didier Deconinck, in his capacity as Chairman of the Supervisory Board the during year ended December 31, 2017" of the 2017 Registration Document.

Fourteenth Resolution

(Approval of the principles and criteria for determining, distributing, and allocating Mr. Glen Morrison's compensation as Chairman of the Management Board)

The General Meeting, acting with the quorum and majority requirements for ordinary general meetings, approves the principles and criteria of determination, distribution, and allocation of fixed, variable, and exceptional components of total compensation and benefits of any nature attributable to Mr. Glen Morrison in his capacity as Chairman of the Management Board, as set out in Sections 2.6.1.1. "Principles of the Management Board member's compensation" and 2.6.1.2 "Criteria for the remuneration of the Chairman of the Management Board" of the 2017 Registration Document.

Fifteenth Resolution

(Approval of the principles and criteria for determining, distributing, and allocating the remuneration of the Chairman of the Supervisory Board)

The General Meeting, acting with the quorum and majority requirements for ordinary general meetings, approves the principles and criteria of determination, distribution, and allocation of fixed, variable, and exceptional components of total compensation and benefits of any nature attributable to the Chairman of the Supervisory Board, as set out in section 2.6.1.3 "Principles and criteria making up the remuneration components of the members of the Supervisory Board" of the 2017 Registration Document.

Sixteenth Resolution

(Approval of the principles and criteria for determining, distributing, and allocating the remuneration of the members of the Supervisory Board)

The General Meeting, acting with the quorum and majority requirements for ordinary general meetings, approves the principles and criteria of determination, distribution, and allocation of fixed, variable, and exceptional components of total compensation and benefits of any nature attributable to the members of the Supervisory Board, as set out in section 2.6.1.3 "Principles and criteria making up the remuneration components of the members of the Supervisory Board" of the 2017 Registration Document.

Seventeenth Resolution

(Authorization provided to the Management Board to trade in shares of the Company)

The General Meeting, pursuant to the quorum and majority requirements applicable to ordinary shareholders' meetings, and having reviewed the report of the Management Board, authorizes the Management Board to purchase or cause the purchase of the Company's shares, with the power to sub-delegate as permitted by law, in accordance with Articles L.225-209 et seq. of the French Commercial Code, for the purpose of:

- granting bonus shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code; or
- > granting bonus shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under long term incentive plans; or
- > cancelling shares that are bought back but not allocated; or
- maintaining a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

The Company may buy back a number of shares such that:

- > the number of shares that the Company buys during the term of the share buyback program shall not exceed 10% of the shares making up the Company's share capital at any time, as adjusted following any transaction affecting it subsequent to this General meeting (such number being 6,372,269 shares as of December 31, 2016), provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above shall be the number of shares bought less the number of shares resold during the period of the authorization; and
- > the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares may be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

The maximum share purchase price in connection with this resolution is ${\in}60$.

The General Shareholders' Meeting **delegates** to the Management Board, in the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of bonus shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity, the power to adjust the maximum purchase price stated above in order to account for the effect of such transactions on the value of the shares.

The total amount allocated to the share buyback program authorized above may not be greater than €15 million.

The General Shareholders' Meeting grants all powers to the Management Board, with the power to delegate as permitted by law, to decide upon and implement this authorization, to specify, if necessary, its terms and conditions, to carry out the share buyback program, and in particular to place any stock market order, to enter into any agreement, to allocate or reallocate the acquired shares for their intended purposes in accordance with applicable laws and regulations, to set the terms and conditions governing the maintenance of shareholder or option holder rights in accordance with legal, regulatory or contractual provisions, to file any declarations with the AMF or any other competent authority and to carry out all other formalities and, generally, to perform all necessary acts.

As of the date hereof and up to the amount, if any, that has not yet been used, this authorization cancels any power previously given to the Management Board to trade in the Company's shares. It is given for a period of 18 months as from the date hereof.

Extraordinary business

Eighteenth Resolution

(Authorization is granted to the Management Board to allocate bonus shares to employees and/or certain corporate officers of the Company or related companies, the duration of the authorization, the ceiling, the duration of the vesting and retention periods)

The General Shareholders' Meeting, pursuant to the quorum and majority requirements applicable to extraordinary shareholders' meetings and in accordance with applicable law, including Article L.225-197-1 et seq. of the French Commercial Code, after reviewing the report of the Management Board, and the special report of the Statutory Auditors:

authorizes the Management Board, as from the date of this General Shareholders' Meeting, and for a duration to expire at the close of the General Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2017, to carry out, with the prior authorization of the Supervisory Board, one or more free grants of existing shares of the Company, subject to the performance conditions set by the Management Board and approved by the Supervisory Board and upon the proposal of the Nominations and Compensation Committee, pursuant to the terms set forth below.

The total number of existing shares of the Company to be granted pursuant to this Resolution may not represent more than 1% of the Company's share capital on the date of this Meeting, it being specified that the grants made pursuant to this Resolution to each of the members of the Company's Management Board must be authorized in advance by the Supervisory Board, must be fully subject to performance conditions, and may not represent more than 30% of the number of shares authorized by this Resolution.

The beneficiaries will be some or all of the eligible employees and/or company officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code and subject to compliance with Articles L.225-186-1 and L.225-197-6 of such Code) of the Company or of companies or groups that are related to the Company within the meaning of Article L.225-197-2 of the French Commercial Code, or certain categories thereof.

At the time of each grant decision, the Management Board shall determine, on the basis of the recommendations of the Nominations and Compensation Committee and as permitted by law, the vesting period following which the share grant shall become final. The vesting period may not be less than two years from the date of the share grant.

At the time of each grant decision, the Management Board shall determine, on the basis of the recommendations of the Nominations and Compensation Committee, where applicable, the retention period to which the grant beneficiaries will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

In the event that a beneficiary becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively granted before the end of the remaining vesting period, and shall be immediately transferable.

The existing shares that may be granted pursuant to this Resolution shall be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program proposed in the Eleventh Resolution above, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

In that regard, the General Shareholders' Meeting grants all powers to the Management Board, subject to the prior authorization of the Supervisory Board, to implement this authorization, and, in particular, to:

- determine the beneficiaries, the grant criteria (in particular with respect to performance and continued employment), the number of shares to be granted to each of them, the terms and conditions for the share grants and, in particular, the vesting period and retention period applicable to each grant, subject to the minimum periods defined by this Resolution;
- > set, upon the proposal of the Nominations and Compensation Committee, pursuant to legal conditions and limits, the dates on which such free share grants shall be made;
- determine the dividend date for the newly issued shares, which date may be retroactive;
- > decide the terms pursuant to which the number of shares granted will be adjusted in order to preserve the beneficiaries' rights; and
- > more generally, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

The Management Board shall inform the Ordinary Shareholders' Meeting each year of the grants carried out in connection with this Resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

Ordinary business

Nineteenth resolution Powers for formalities

The General Meeting grants all powers to the bearer of an original, a copy, or an extract of the minutes of this General Meeting to carry out all filings, formalities, and publications required by law.

8.2 Management Board's report on the draft resolutions presented to the General Meeting of April 26, 2018

Approval of the Company and Consolidated Financial Statements for Financial Year 2017 (1st and 2nd resolutions)

In its first and second resolutions, the Management Board asks the Meeting to approve the Company financial statements and the Consolidated Financial Statements as of and for the financial year ended December 31, 2017, which show:

- > for the company accounts, the income statement shows a net profit of €51,920,613 in 2017 compared with €9,769,475 in 2016:
- > for the Consolidated Financial Statements, net result of (€38.7) million in 2017 compared to €119.3 million in 2016. The details of the accounts and the reports of the corresponding Statutory Auditors appear in Chapters 4 "Review of the financial position and results" and 5 "Financial statements" of the Reference Document.

2. Allocation of the results and determination of the dividend amount (3rd resolution)

The purpose of the third resolution is to ask the Meeting:

- (i) to allocate the results;
- (ii) to set the dividend at €0.60 per share, payable in cash, for the financial year ended December 31, 2017.

The dividend will be paid on July 5, 2018.

3. Regulated agreements and commitments (4th resolution)

The fourth resolution presents to the Meeting the commitments or agreements referred to in Articles L.225-86 *et seq.* of the French Commercial Code that were entered into or remained in force during the financial year ended December 31, 2017, as presented in the Statutory Auditors' special report (included in Section 8.6 "Special Report of the Statutory Auditors on the regulated agreements and commitments" of the Registration Document). The Management Board specifies that during the year ended December 31, 2017, a new series of agreements were concluded, some of those concluded in previous years continued, and some ended.

4. Renewal of mandates and appointments within the Supervisory Board (5th to 8th resolutions)

The mandates of Messieurs Didier Deconinck and Eric La Bonnardière (Members of the Supervisory Board) and Julien Deconinck (observer) expire at the end of the General Meeting of April 26, 2018.

In addition, at the Supervisory Board meeting of February 8, 2018, Mr. Bernard-André Deconinck announced his resignation

as a Member of the Supervisory Board, effective as of the day of the General Meeting of April 26 2018 and the dual condition precedent to retain a presence on the Board, as an observer, and the appointment of Mr. Julien Deconinck as a new Member of the Supervisory Board.

It is submitted to the approval of the General Meeting, after analysis of the Nominations and Compensation Committee, the extension of the mandate of **Mr. Didier Deconinck** as a Member of the Supervisory Board for a period of four (4) years (5th resolution).

It is submitted to the approval of the General Meeting, after analysis of the Nominations and Compensation Committee, the extension of the mandate of Mr. Eric La Bonnardière as a Member of the Supervisory Board for a period of four (4) years (6th resolution).

It is submitted to the approval of the General Meeting, after analysis of the Nominations and Compensation Committee, the appointment of **Mr. Julien Deconinck** as a Member of the Supervisory Board for a period of four (4) years (7th resolution).

It is submitted to the approval of the General Meeting, after analysis of the Nominations and Compensation Committee, the appointment of Mr. Bernard-André Deconinck as an observer of the Supervisory Board for a period of four (4) years (8th resolution).

A summary of the biographies of all these nominees can be found in section 2.1.1.2 of this Registration Document.

Approval of the compensation paid or awarded for the 2017 financial year to corporate officers (9th to 13th resolutions)

In application of the recent provisions of the French Commercial $\,$ Code (Article L.225-100), the General Meeting is asked to approve the fixed, variable, and exceptional components of the total remuneration and benefits of any kind paid or attributed by the Company in financial year 2017 to Mr. Michel Giannuzzi (Chairman of the Management Board until August 31, 2017, 8th resolution), to Mr. Glen Morrison (Chairman of the Management Board as of September 1, 2017, 9th resolution) to Mr. Fabrice Barthélemy (Member of the Management Board, his full compensation due under the terms of his employment contract as President of the EMEA Division, 10th resolution), to Mrs. Sharon MacBeath (Member of the Management Board, her full remuneration being due under her employment contract as Director of Human Resources and Communication, 11th resolution), and to Mr. Didier Deconinck (Chairman of the Supervisory Board, 12th resolution) as presented to the Section 2.6.2 "Consultation on the components of the compensation paid or granted for the year ended December 31, 2017" of this Registration Document.

You are asked to vote in favor of all of these compensation items, which were analyzed by the Nominations and Compensation Committee, and comply with the recommendations of the Afep-Medef Code.

6. Approval of the principles and criteria for determining, distributing, and allocating the remuneration components for the 2018 financial year of the executive corporate officers (14th to 16th resolutions)

In accordance with the recent provisions of the French Commercial Code (Article L.225-82-2), the General Meeting is asked to approve the principles and criteria for the determination, distribution, and allocation of fixed, variable, and exceptional components of total compensation and benefits of any kind, attributable in the 2018 financial year, to Mr. Glen Morrison (Chairman of the Management Board, 13th resolution) to Mr. Didier Deconinck (Chairman of the Supervisory Board, 14th resolution), and the members of the Supervisory Board (15th resolution) as set out in Section 2.6.1 "Consultation on compensation principles and criteria composing the elements of remuneration of the corporate officers" of this Registration Document

You are asked to vote in favor of all of these compensation items, which were analyzed by the Nominations and Compensation Committee, and comply with the recommendations of the Afep-Medef Code.

Authorization provided to the Management Board to trade in shares of the Company (17th resolution)

To ensure that the Company is at all times able to buy back its own shares, a resolution is submitted for your approval to authorize the Management Board, with the power to sub-delegate as permitted by law, to purchase or cause the purchase of shares of the Company, in order to carry out the following transactions:

- to grant bonus shares pursuant to Articles L.225-197-1 et seq. of the French Commercial Code; or
- > to grant bonus shares to employees or officers of the Company or an affiliate of the Company (in particular the Company's direct and indirect subsidiaries) under any plan that is not subject to Articles L.225-197-1 et seq. of the French Commercial Code, and in particular under long term incentive plans; or
- > to cancel shares that are bought back but not allocated; or
- > to maintain a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity agreement that complies with the market ethics charter recognized by the AMF.

The share buyback program could also be used in order to carry out any market practice permitted by the AMF, and, more generally, to carry out any transaction that complies with applicable regulations.

Tarkett's shareholding is subject to applicable regulations.

Purchases, sales and transfers could be carried out at any time, up to the limits authorized by applicable laws and regulations (other than during a tender offer), and by any means.

The Company could buy back a number of shares such that:

- > the number of shares that the Company buys during the term of the share buyback program shall not exceed 10% of the shares making up the Company's share capital at any time, as adjusted following any transaction affecting it subsequent to this General meeting (such number being 6,372,269 shares as of December 31, 2017), provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF General Regulation, the number of shares taken into account for purposes of calculating the 10% limit provided for above shall be the number of shares bought less the number of shares resold during the period of the authorization; and
- > the number of shares that the Company holds may not at any time exceed 10% of the shares comprising the Company's share capital on the date in question.

Shares could be bought, sold or transferred at any time (other than during a tender offer for the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizers or over the counter, including through block trades (without limiting the portion of the buyback program that may be carried out by this means), by tender or exchange offer, or through the use of options or other derivative Financial Instruments traded on regulated markets, multilateral trading facilities, through systematic internalizers or over the counter, or by delivery of shares following the issuance of securities giving access to the Company's share capital by conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through an investment services provider acting pursuant to the conditions of Article L.225-206 II of the French Commercial Code.

It is recommended that you set the maximum purchase price at ${\in}60$ per share.

The General Shareholders' Meeting would delegate to the Management Board the power to adjust the maximum purchase price stated above in order to account for the effect of such transactions on the value of the shares, in the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of bonus shares, a stock split or a reverse stock split, a distribution of reserves or of any other assets, a capital redemption, or any other transaction affecting shareholders' equity.

The total amount allocated to the share buyback program authorized above may not be greater than €15 million.

As of the date hereof and up to the amount, if any, that has not yet been used, this authorization would cancel any power previously given to the Management Board to trade in the Company's shares.

This authorization would be given for a period of eighteen months from the date hereof.

8. Authorization is granted to the Management Board to allocate bonus shares to employees and/or certain corporate officers of the Company or related companies, the duration of the authorization, the ceiling, the duration of the vesting and retention periods (18th resolution)

We ask you to grant the Management Board authorization to make free grants, subject to the achievement of performance conditions determined by the Management Board in agreement with the Supervisory Board and upon the recommendation of the Nominations and Compensation Committee, of existing shares of the Company not representing more than 1% of the Company's share capital on the date of the General Shareholders' Meeting to members or certain members of the salaried staff and/or certain company officers of the Company or its affiliated companies. We note that the grants that would be made under this Resolution to members of the Management Board would be approved in advance by the Supervisory Board, would be fully subject to performance conditions, and could not represent more than 30% of the shares covered by this Resolution.

In connection with the authorization, we ask you to provide that the Management Board will have the authority each time it makes a grant decision to determine, on the basis of the recommendations of the Nominations and Compensation Committee and pursuant to the law, the vesting period following which the share grant will become final, which period may not be less than two years from the share grant date.

We also ask you to provide that the Management Board will have the authority each time it makes a grant decision to determine, on the basis of the recommendations of the Nominations and Compensation Committee, where applicable, the retention period to which the grant beneficiaries will be bound, which period shall run from the vesting date of the shares and which may be eliminated, since the vesting period may not be less than two years.

We also ask you to provide that in the event that a beneficiary becomes disabled, as defined in the second or third category set forth in Article L.341-4 of the French Social Security Code, the shares shall be definitively granted before the end of the remaining vesting period, and shall be immediately transferable.

We propose that the existing shares that may be granted pursuant to this authorization be acquired by the Company, either pursuant to Article L.225-208 of the French Commercial Code, or, where applicable, under the share buyback program proposed in the twentieth resolution, in accordance with Article L.225-209 of the French Commercial Code, or any other share buyback program that may apply at a later date.

We ask you to grant this authorization as from the date of the General Shareholders' Meeting of April 26, 2018, for a duration to expire at the close of the General Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2018,

Within that framework, you will be asked to grant all powers to the Management Board, subject to the limits set forth above and subject to the prior authorization of the Supervisory Board, to implement this authorization, and, in particular, to:

- determine the beneficiaries, the grant criteria (in particular with respect to continued employment and, where applicable, performance), the number of shares to be granted to each of them, the terms and conditions for the share grants and, in particular, the vesting period and retention period applicable to each grant, subject to the minimum periods defined by this Resolution:
- > set, upon the proposal of the Nominations and Compensation Committee, pursuant to legal conditions and limits, the dates on which such free share grants shall be made;
- > determine the dividend date for the newly issued shares;
- > decide the terms pursuant to which the number of shares granted will be adjusted in order to preserve the beneficiaries' rights; and
- > more generally, with the power to delegate and sub-delegate as permitted by law, enter into any agreements, prepare any documents, and carry out any formalities or filings with any bodies, and do all that may otherwise be necessary.

We hope that you will approve all of the resolutions submitted for your vote.

The Management Board

8.3 Supervisory Board observations on the Management Board report and on the 2017 financial statements

Ladies and Gentlemen,

Our Company's Management Board has called this Combined Meeting, in accordance with law and the Company's Bylaws, in order to report to you on the activity and financial condition of our Company and of our Group during the financial year ended December 31, 2017, and to submit the financial statements for such financial year and allocation of the results for your approval.

We note that the Management Board distributed the annual financial statements, the Consolidated Financial Statements and the management report to the Supervisory Board within the legal time limits.

In accordance with Article L.225-68 of the French Commercial Code, we have examined the annual financial statements, the Consolidated Financial Statements, and the Management Board's management report, and we believe that such documents do not give rise to any particular observations.

We hope that all of the recommendations that the Management Board has made to you in its report will meet with your approval, and that you will decide to adopt the resolutions submitted to you.

The Supervisory Board

8.4 Management Board's report on financial year 2017

The table below identifies the sections of the 2017 Registration Document containing all of the items of the Management Board's management report required by applicable laws and regulations.

Item	in the Management Report	Section of the Registration Document
1.	The Group's business	Section 1.4
2.	Significant events in financial year 2017	Section 1.1
3.	Group results in 2017	Sections 5.1 to 5.4
4.	Group indebtedness	Sections 4.3.3 to 4.3.7
5.	Group internal control, accounting, and financial risk management procedures	Section 6.2
6.	Description of the principal risks and uncertainties to which the Company is exposed	Section 6.1
7.	Research and development activities	Section 1.6.4
8.	Significant events since the close	Section 5.2 (Note 11)
9.	Foreseeable developments and future outlook	Section 4.6
10.	Allocation of results	Section 8.1.2
11.	Table of results for the past five years	Section 5.5
12.	Dividends	Section 5.7
13.	Non-tax-deductible expenses	Section 8.1.2
14.	Subsidiaries and equity investments	Section 5.6
15.	Shareholders	Section 7.3
16.	Share subscription or purchase option plans and performance share grants	Section 2.5
17.	Transactions in the Company's securities carried out by Company officers and related parties (Article L.621-18-2 of the French Monetary and Financial Code)	Section 2.8
18.	Share buybacks	Section 7.2.4
19.	Table of payment terms for suppliers and customers	Section 5.4 (Note 2.5)
20.	Social, environmental, and societal information	Sections 3.1, 3.2, and 3.3
21.	Vigilance commitments	Section 6.2.2.4
22.	Statutory auditor's fees	Section 5.8

8.5 Special report of the Statutory Auditors on the granting of bonus shares

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as your company's Statutory Auditors and in accordance with the terms of our engagement defined by article L.225-197-1 of the French Commercial Code, we hereby report to you on the project of authorization to allocate existing bonus shares to the members of salaried personnel and/or corporate officers of your company, or companies or groups related to it in the meaning of article L.225-197-2 of the French Commercial Code, an operation which is submitted to your approval.

The total number of shares that may be allocated for free under the eighteenth resolution may not exceed 1% of your company's share capital at the date of the present Shareholders' Meeting.

Your Management Board proposes, on the basis of its report, to authorize it for a term expiring at the close of the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018, to allocate existing bonus shares of your company.

It is the responsibility of your Management Board to prepare a report on this proposed operation. Our responsibility is to report on the information provided to you on the proposed operation.

We have performed the procedures that we have considered necessary regarding professional standards of the National Audit Authority (Compagnie Nationale des Commissaires aux Comptes) for this mission. These procedures consisted notably in verifying that the terms given in the Management Board report are in compliance with the provisions of French law.

We have no matters to report on the information given in the Management Board report in connection with the proposed operation to allocate existing bonus shares.

Paris-La Défense, February 13, 2018

The Statutory Auditors,

KPMG Audit Mazars

Philippe Grandclerc Renaud Laggiard Juliette Decoux Éric Schwaller

8.6 Special report of the Statutory Auditors on the regulated agreements and commitments

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as your company's Statutory Auditors, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company's interest of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French Commercial Code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorized during the year

In accordance with article L.225-88 of the French Commercial Code, we have been informed of the following agreements and commitments previously authorized by the Supervisory Board.

With Mr. Glen Morrison, Tarkett Management Board Chairman

 $Mr.\,Glen\,Morrison\,became\,Tarkett\,Management\,Board\,Chairman\,on\,1\,September\,2017.$

The agreement was authorized by your Supervisory Board on 4 July 2017 and 26 July 2017. Commitments made to the benefit of Mr. Glen Morrison stipulate a fixed remuneration, a variable annual compensation, an allocation of performance shares and a relocation allowance. Agreements on non-competition, non-poaching and termination of contract clauses have been concluded.

Severance or other benefits due or likely to become due as a result of termination of service or change of functions

Subject to achievement of the performance conditions, the Company will be required to pay this severance payment in the event of Mr. Morrison's forced departure as Company officer (including, in particular, because of a change of control or a disagreement as to strategy) on the initiative of the Supervisory Board, regardless of whether Mr. Morrison is removed or his mandate is not renewed. This payment would not be available in the event of serious or gross misconduct.

This severance payment is equal to two years of his gross base salary and bonus during the twelve months prior to his departure as a Chairman of the Management Board.

Performance is measured by an average rate of achieving objectives three years prior his departure. The severance payment is contingent on achieving 50% to 100% of the performance goals (i.e., no payment will be made unless the performance goal is reached to the extent of at least 50% and full payment will be received if the performance goal is achieved to the extent of 100%). The severance payment is calculated in strict proportion to the extent of achievement of the performance goal.

Non-compete clause compensation

Mr. Morrison benefits from a clause providing for payment if the non-compete clause provided for in connection with his office is triggered.

Mr. Morrison will receive compensation for his non-compete clause in an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board. This compensation will be payable in 24 monthly payments for the duration of the non-compete clause.

For the year ended on 31 December 2017, no amount was paid to Mr. Glen Morrison, under any of the two above-mentioned agreements and commitments.

Agreements and commitments previously approved by the shareholders' meeting

Agreements and commitments approved in prior years

In accordance with article R.225-57 of the French Commercial Code, we have been informed of the following agreements and commitments approved in prior years and which remained current during the last year.

Special report of the Statutory Auditors on the regulated agreements and commitments

With FM Insurance Company Ltd.

Persons concerned: Michel Giannuzzi, Tarkett Management Board Chairman and member of the Board of Directors and Audit Committee Chair of FM Insurance Company Co., the parent company of FM Insurance Company Ltd, until 31 August 2017.

Mr. Michel Giannuzzi, Management Board Chairman of your company until 31 August 2017, is a member of the Board of Directors and Audit Committee Chair of FM Insurance Company Co., parent company of FM Insurance Company Ltd, company that provides insurance policy to Tarkett.

The agreement was authorized by your Supervisory Board on 26 October 2016, and states the renewal of the insurance policy with FM Insurance Company Ltd. on 31 October 2016, as being necessary to the operations and concluded in the best interests of your company.

The renewal was authorized by Supervisory Board on 9 February 2017. This insurance policy was charged by FM Insurance Company Ltd in the amount of 68 119 euros between 1 November 2016 and 30 October 2017.

Mr. Michel Giannuzzi resigned as Tarkett Management Board Chairman on 31 August 2017, we make clear that the commitment with FM Insurance Company Ltd is not a regulated commitment since 31 August 2017.

With Société Investissement Deconinck ("S.I.D.")

Persons concerned: Messrs. Bernard-André Deconinck, Didier Deconinck and Eric Deconinck, members of Tarkett's Supervisory Board and shareholders of S.I.D., which holds more than 10% of Tarkett's voting rights.

> Service agreement

The agreement was authorized by your Supervisory Board on 17 December 2013, and states that your company provides in favor of S.I.D. legal, social and fiscal services necessary for its business. These services are necessary for the management of S.I.D. and has continued in 2017.

An income of \leq 75,000, excluding taxes, has been recorded in the financial statements of your company under this agreement, for the year ended 31 December 2017.

> Assistance and guidance agreement

The agreement was authorized by your Supervisory Board on 9 October 2013, and states that S.I.D., which holds 50.18% of Tarkett's voting rights, assists Tarkett in defining its strategic objectives.

An expense of €500,000 has been recorded in the financial statements of your company under this agreement, for the year ended 31 December 2017.

With Mr. Michel Giannuzzi, Tarkett's Management Board Chairman

At the time of the listing of Tarkett's shares on Euronext Paris, Mr. Michel Giannuzzi's employment agreement was terminated, leaving in place his corporate office. In this context, the following agreements were authorized by your Supervisory Board on 27 September 2013 and were applicated until the date of resignation of Mr. Michel Giannuzzi (on 31 August 2017).

> Retention honus

A retention bonus in the amount of €300,000 has been paid to Mr. Michel Giannuzzi on 31 August 2017.

> Severance or other benefits due or likely to become due as a result of termination of service or change of functions

Subject to the performance requirements defined below, Mr. Giannuzzi was entitled to a severance payment equal to two years of his gross base salary and bonus during the twelve months prior to his departure as Chairman of the Management Board and, if applicable, pursuant to his employment contract. In the event that Mr. Giannuzzi was to receive both severance pay and the non-compete payment described below, the total amount that he received was limited to two years of the gross base salary and bonus received during the 12 months prior to his departure as Chairman of the Management Board and, if applicable, pursuant to his employment contract.

Performance was measured by the extent of achievement of annual performance goals defined by the Supervisory Board upon the proposal of the Nominations and Compensation Committee, which serve as the basis for calculating variable compensation. The amount was equal to the average performance achieved by Mr. Giannuzzi during the three calendar years preceding his departure. In the event that his departure should occur before November 2017, performance was measured by the extent of achievement of the annual performance goals used as the basis for calculating the variable portion of his compensation as Chairman of the Management Board and his compensation as an employee.

The severance payment was contingent on achieving 50% to 100% of the performance goals (i.e., no payment was made unless the performance goal was reached to the extent of at least 50% and full payment had been received if the performance goal was achieved to the extent of 100%). The severance payment would be calculated in strict proportion to the extent of achievement of the performance goal.

Subject to achievement of the performance conditions, the Company was required to pay this severance payment in the event of Mr. Giannuzzi's forced departure as Company officer (including, in particular, because of a change of control or a disagreement as to strategy) on the initiative of the Supervisory Board, regardless of whether Mr. Giannuzzi was removed or his mandate was not renewed. This payment would not be available in the event of serious or gross misconduct.

> Non-compete clause compensation

Mr. Giannuzzi benefited from a clause providing for payment in the event that the non-compete clause provided for in connection with his office was triggered.

Mr. Giannuzzi could receive compensation for his non-compete clause in an amount equal to his gross base salary and bonus received during the twelve months prior to his departure from his position as Chairman of the Management Board. This compensation was payable in 24 monthly payments for the duration of the non-compete clause. This compensation was deducted from Mr. Giannuzzi's severance payment, such that the total amount received as severance and non-compete payments would not have exceeded two years of gross base salary and bonus received during the 12 months preceding his departure. The Company had the right to waive the non-compete clause.

For the year ended on 31 December 2017, no amount was paid to Mr. Michel Giannuzzi, under any of the three above-mentioned agreements and commitments.

Paris-La Défense, on February 19, 2018

The Statutory Auditors

KPMG Audit Mazars

Philippe Grandclerc Renaud Laggiard Juliette Decoux Éric Schwaller

GENERAL MEETING

 $Special\ report\ of\ the\ Statutory\ Auditors\ on\ the\ regulated\ agreements\ and\ commitments$

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Person responsible for the Registration Document. Certification of the person responsible.

Name and position of the person responsible for financial information. Tentative financial disclosure schedule

9.1 Person responsible for the Registration Document

Mr. Glen Morrison

Chairman of the Company's Management Board.

9.2 Certification of the person responsible

"I certify, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I obtained a completion letter from the Statutory Auditors indicating that they have verified the information relating to the financial condition and financial data included in this Registration Document and that they have read the entire Registration Document.

The 2017 Consolidated Financial Statements included in the Registration Document were the subject of an auditors' report which contains no reservations nor observations."

March 21, 2018

Glen Morrison

Chairman of the Management Board

9.3 Name and position of the person responsible for financial information

Raphaël Bauer

Chief Financial Officer

Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense, France Tel. +33 (0)14120404002

9.4 Tentative financial disclosure schedule

The financial information that Tarkett discloses to the public will be available on Tarkett's website (www.tarkett.com).

For informational purposes only, Tarkett's financial disclosure schedule through December 31, 2018 is expected to be as follows:

	2018 Schedule
First quarter results	April 24, 2018
General Shareholders' Meeting	April 26, 2018
First half results	July 25, 2018
Third quarter results	October 23, 2018

9.5 Statutory Auditors

9.5.1 Statutory Auditors

KPMG Audit, a department of KPMG S.A.

Represented by Mr. Philippe Grandclerc

Tour Eqho 2 Avenue Gambetta 92066 Paris La Défense

KPMG S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG S.A.'s term as statutory auditor was renewed at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

Cabinet Mazars

Represented by Ms. Juliette Decoux and Mr. Eric Schwaller

61 Rue Henri Regnault – Exaltis 92400 Courbevoie

Cabinet Mazars is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Cabinet Mazars was appointed statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

9.5.2 Alternate Statutory Auditors

KPMG AUDIT S.A

Represented by François Caubrière

Tour Eqho 2 Avenue Gambetta 92066 Paris La Défense

KPMG AUDIT S.A. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

KPMG AUDIT S.A. was appointed as alternate statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

Mr. Jérôme de Pastors

61 Rue Henri Regnault – Exaltis 92400 Courbevoie

Mr. Jérôme de Pastors is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Mr. Jérôme de Pastors was appointed as alternate statutory auditor at the Combined Shareholders' Meeting of the Company held on May 13, 2014, for a duration of six fiscal years. Its term will therefore expire at the close of the annual shareholders' meeting convened in 2020 to approve the financial statements as of and for the year ended December 31, 2019.

9.6 Publicly available documents

Copies of this Registration Document are available at no charge at the Company's registered office. This document may also be consulted on the Company's website (www.tarkett.com) and on the AMF's website in its French version (www.amf-france.org).

During the period of validity of this Registration Document, the following French-language documents (or copies thereof) may be consulted:

- the Company's Bylaws;
- all reports, correspondence and other documents, historical financial information, evaluations and declarations prepared by an expert at the Company's request of which a portion is included or referred to in this Registration Document; and

> the historical financial information included in this Registration Document.

All of such legal and financial documents (in French and in English versions where available) relating to the Company and required to be made available to shareholders under applicable regulations may be consulted at the Company's registered office.

Regulated information (information réglementée) within the meaning of the AMF's General Regulation is available on the Company's website.

9.7 Correlation table

9.7.1 Annex 1 to the European regulation

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