2018 Registration Document

Tarkett

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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

2018 Registration Document

AUTORITÉ DES MARCHÉS FINANCIERS

The French version of this Registration Document was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 21, 2019, 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

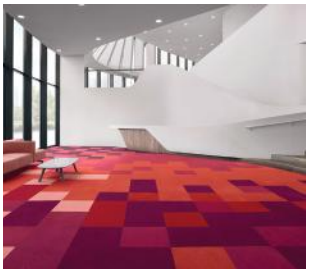
Because great moments deserve great spaces, Tarkett helps create great spaces and deliver an easy customer experience by understanding customer needs, offering expertise brought by 135 years of experience, and being obsessed with execution. This is our commitment to our clients to help create "Great spaces. One surface at a time". As one of the world's leaders in flooring and sports surface solutions, our teams are mobilized to act as "One Tarkett, agile and performance driven" and to represent our brand values by being committed, collaborative, creative and caring.

A BROAD RANGE OF SOLUTIONS

We offer one of the largest portfolios of flooring and sports surface solutions, and we share with our customers our expertise in multiple market segments.


Vinyl


Linoleum


Carpet


Wood

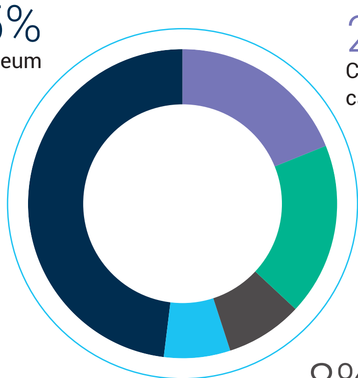

Laminate


Rubber & Accessories


Artificial Turf

Athletic Tracks

EDUCATION
HOME
WORKPLACE
HEALTH CARE & AGED CARE
STORES & SHOPS
HOSPITALITY, TRAVEL & LEISURE
MARINE, AVIATION & TRANSPORT
INDUSTRY
SPORTS & WELLNESS



% of 2018 net sales

TARKETT WORLDWIDE

24
R&D laboratories
—
1
research & innovation center
—
4
design centers
—
36
industrial sites
—
7
recycling centers

€2.8 billion
2018 net sales

13,000
employees

No. 1
in vinyl worldwide

ATTRACTIVE END-MARKET EXPOSURE

~ 70%
Commercial

~ 30%
Residential

SALES DRIVEN BY RENOVATION

~ 80%
Renovation

~ 20%
New construction

% of 2018 net sales

1.3 million
m² of flooring sold every day in over 100 countries

OUR COMMITMENT: *“DOING GOOD. TOGETHER.”*

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

Eco-design by appling Cradle to Cradle® principles

Build a circular economy model

Contribute to global debates and combat climate change*

Comply with the 10 United Nations principles

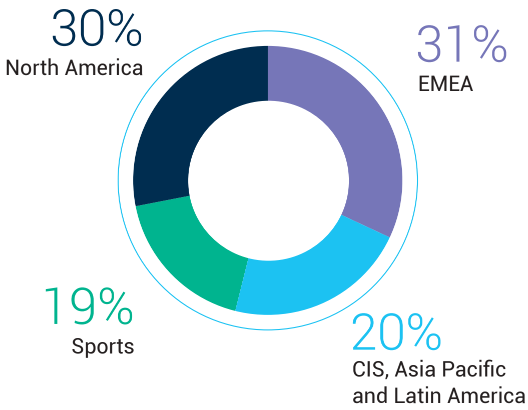
Contribute to the Sustainable Development Goals defined by the United Nations

* *Member of World Economic Forum between 2016 and 2018*

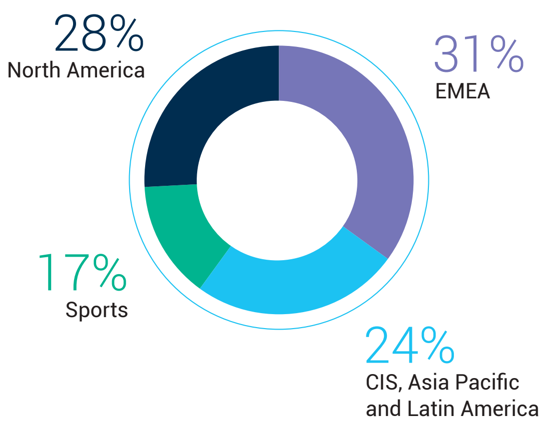
Tarkett in figures

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

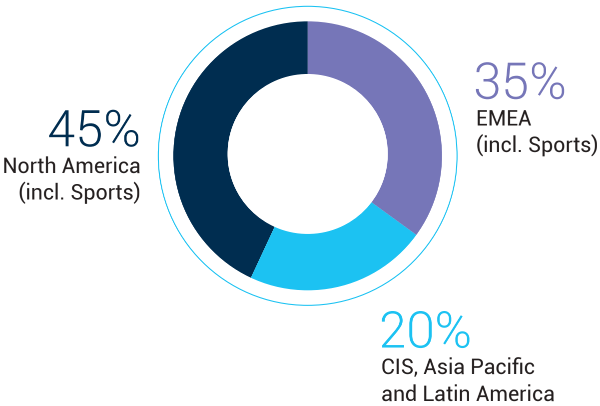
SALES BY SEGMENT



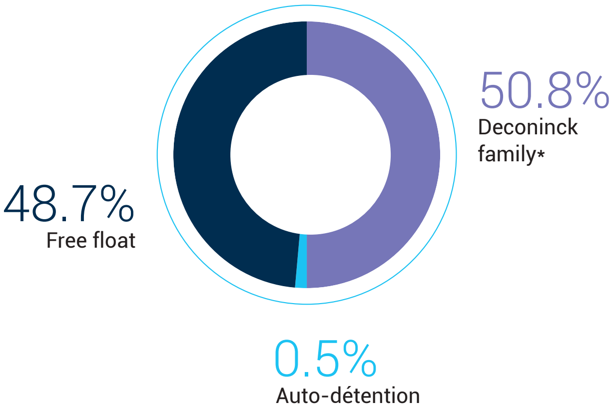
ADJUSTED EBITDA BY SEGMENT



SALES BY GEOGRAPHIES



SHAREHOLDING STRUCTURE
(31.12.2018)



Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker: TKTT) and is a constituent of the SBF 120 and CAC Mid 60 indexes.

The Management Board will propose to the General Meeting of 26 April, 2019 the payment of a dividend of **€0.60** per share for the 2018 financial year. This dividend will be paid, at the shareholder's option, in cash or in new shares.

** Deconinck Family includes Société Investissement Deconinck, members of the Deconinck family and companies related to them. More details in section 7.3.1.*

The breakdown of 2018 net sales and EBITDA is calculated pro forma for the full year, including Lexmark activity (acquisition made in September 2018). Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses.

Gouvernance

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, men / women, and diversity of expertise.

Éric La Bonnardière
Deconinck family
Chairman
Member since 2015

Didier Deconinck
Vice-Chairman
Member since 2011

Éric Deconinck
Member since 2001

Julien Deconinck
Member since 2018

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 (President)**
- Françoise Leroy**
- Julien Deconinck

Nominations, compensations and governance committee:
- Françoise Leroy (President)**
- Sabine Roux de Bézieux**
- Agnès Touraine

Observers:
- Bernard-André Deconinck
- Nicolas Deconinck

* *Two observers also attend the meetings of the Supervisory Board.*
** *Independent Member*

Gouvernance

Group Executive Committee (as of March 15, 2019)

The Group Executive Committee is led by Fabrice Barthélemy, CEO. This international and entrepreneurial team is composed of experienced leaders who share the Group's interest and values, while ensuring operational agility through a decentralized organization.

Fabrice Barthélemy[(1)]
CEO

President EMEA & LATAM (acting)

Eric Daliere
President Tarkett Sports

Jeff Fenwick
Interim President & CEO of Tarkett North America

Slavoljub Martinovic
President Tarkett Eastern Europe

Pierre Barrard
EVP Strategic Marketing, Digital & Innovation

Raphaël Bauer
Chief Financial Officer

Wendy Kool-Foulon
General Counsel

Gilles Lebret
VP Customer Operations and Chief Information Officer

Sharon MacBeath[(1)]
EVP Human Resources and Communications

Antoine Prevost
EVP Research & Development and Operations

[(1)] *Members of Tarkett's Management Board*

A Word from the CEO

Tarkett experienced a challenging and unstable business environment in 2018, but was able to show resilience as well as good organic growth. 2019 shall mark a first step in the improvement of our profitability.

It is in this context that I took the Group's leadership in January 2019 as Chief Executive Officer. With over ten years experience at Tarkett, I have a deep knowledge of our business and of the challenges the Group is facing.

I also know the depth of our talent and the commitment of our teams worldwide, and their dedication to the success of the Group and of our customers. I know their pride in contributing with our clients to create great and unique spaces that respect people's health and the environment.

Finally, I share with the members of the Supervisory Board and the Executive Committee a common ambition to transform the Group, to make it more agile and performance driven, able to both adapt to complex economic environments and seize growth opportunities, while contributing to societal and environmental challenges.

In order to achieve a sustainable improvement in the Group's financial performance, we have initiated a transformation plan focused on innovation in products and solutions, optimization of our industrial set-up, digital transition and continued commitment to circular economy.

Our long-lasting relationships with our clients and our renowned expertise in various segments such as hospitality, health care, education, workplace, home or sports, are major assets to succeed. In addition, we also want to accelerate the digitalization of our customer journey and distribution channels.

Beyond our World Class Manufacturing program for improvement of our operational performance, we have also initiated a review of our industrial set-up to improve its profitability and further increase the level of excellence in terms of safety, quality and environmental impact.

Lastly, we also strongly believe that we must move further and faster with our commitment to a circular economy. This is a major challenge for the construction and flooring industry in order to reduce the use and the reliance on natural resources. It is also a factor of differentiation with our customers, to offer an efficient take-back and recycling service. Above all, it is an inspiring commitment for our teams and partners.

Our commitment to the Ten Principles of the Global Compact and to the Sustainable Development Goals defined by the United Nations, along with our partnership with the "Circular Economy 100" initiative of the Ellen MacArthur Foundation, demonstrate our willingness to contribute, at our scale, to tomorrow's worldwide challenges by "Doing Good. Together.".

With the support of the Supervisory Board and the Deconinck family, our long-time majority shareholder for four generations, and thanks to our committed, collaborative and creative teams, I am confident that Tarkett has strong assets to start its transformation and successfully face today's and tomorrow's challenges.

Fabrice Barthélemy
Chief Executive Officer

Doing Good. Together.

Designing for Life

Improving indoor air quality & contributing to healthy spaces

QUALITY MATERIALS

98%

of our raw materials (representing more than 3,000 materials) are third-party assessed (by EPEA) for their impact on people's health and the environment based on Cradle to Cradle® criteria.

GOOD INDOOR AIR QUALITY

97%

of our floorings are low VOC*.

** Total Volatile Organic Compounds*

HEALTHY SPACES

100%

of our vinyl production sites in Europe, in North America, in Serbia and in China use a phthalate-free* technology by end 2018.

** Except recycled content for certain products.*

Stewarding water, energy and ressources

SUSTAINABLE RESOURCES

70%

of our materials do not contribute to resource scarcity, being abundant, rapidly renewable or recycled.

WATER CONSUMPTION

68%

of our production sites are equipped with closed loop water circuits or do not use water in their process.

CLIMATE IMPACT

-8.5%

of greenhouse gas emissions (kgCO_2e/m²) between 2010 and 2018.

RENEWABLE ENERGY

27%

of energy consumption comes from renewable energies.

Figures as of 31/12/2018

Our commitment to sustainable development

Closing the Loop

Recycling to turn waste in high quality materials

RECYCLED RESOURCES

134,000

tons of recycled materials used as raw materials, representing 10% of our purchased raw materials (in volume).

Implementing take-back program

RESTART® PROGRAM

102,000

tons of collected floorings from 2010 to 2018.

Driving Collaboration

CE100

Building a circular economy business model.

WE SUPPORT

Compliance with the 10 principles of United Nations Global Compact

Tarkett Cares

Nearly 1,300 employees involved in over 170 charity intiatives at the world scale.

Tarkett Academy

23,000 professionnals or students trained as professional installers or in flooring installation techniques from 2012 to 2018.

Our business model dedicated to serving our customers...

Our Inputs: Sustainable Capital

Financial capital
- Listed on Paris Stock Exchange (SBF120)
- Family shareholder (50.8%)
- Free float (48.7%)
- Debt financing

Manufacturing capital
- 36 production sites in 17 countries worldwide (Europe, North America, CIS, China, Brazil, Australia)
- 7 recycling facilities

Intellectual capital
- Reputed brands (Tarkett, FieldTurf...)
- 15 patent families active in 42 countries
- 24 R&D labs, 1 research & innovation center, 4 design centers
- Network of internal experts and methodology (World Class Manufacturing, Design Thinking, Cradle to Cradle®, Talent Philosophy...)
- Scientific partnerships (universities, Environmental Protection Encouragement Agency - EPEA, suppliers...)

Human, social and relationship capital
- 13,000 employees in 30 countries, 40 nationalities
- Diversified B2B2C clients in over 100 countries (sales forces, showrooms...)
- Diversified suppliers, from international key raw materials suppliers (PVC, plasticizers...) to local suppliers
- Local communities close to our industrial sites

Natural capital
- Energy from renewable and non-renewable sources
- Water
- Renewable (wood, jute, cork, ...) and non-renewable (fossil and mineral) raw materials, from recycled and virgin sources

Governance and compliance capital
- Management Board, Supervisory Board and 2 specialized committees
- Executive Committee
- Code of ethics and conduct
- Whistleblowing procedure
- Code of Conduct Securities Markets

Our Mission
Great Spaces. One Surface at a Time.

Our Values
Committed
Collaborative
Creative
Caring

Our Culture
One Tarkett, agile & performance driven

OUR VALUE PROPOSITION

Tarkett helps create great spaces and delivers an easy customer experience by understanding customer needs, offering expertise brought by 135 years of experience, and being obsessed with execution.

SOLUTIONS

A comprehensive and coordinated offer of flooring and sports surfaces:

- Resilient flooring (vinyl, linoleum...)
- Commercial carpet
- Wood and laminate
- Rubber and accessories
- Artificial turf and athletic tracks

SEGMENTS

A recognized expertise in specific segments, in renovation and new construction:

- Home
- Workplace
- Health care
- Education
- Hospitality, Stores & Shops
- Sports

CHANNELS

A local service tailored to our different clients and regions:

- Specifiers (architects, designers)
- Installers, contractors
- Distribution, DIY
- Key accounts
- End-users, facility managers

and our stakeholders

Our Outputs: Sustainable Performance

Distributing value

€2,836 million
Net sales

€249 million
Adjusted EBITDA

€49 million
Net profit (Group share)

€671 million
Remunerations

€128 million
Investments

€0.60 dividend per share
Shareholders

€25 million
Income tax paid

€0.8 million
Support to local communities (Tarkett Cares)

Growing and strengthening our positions

2.1%
Organic growth

3rd
largest flooring supplier worldwide

1.3 million
m² flooring sold daily in over 100 countries

No. 1
in vinyl flooring

Developing talents

Safety
2.14 FR1t
Recordable Lost Time Accident Frequency Rate (FR1t) for employees and external workers in production sites

Diversity
27%
management positions filled by women

Training
60%
employees trained in the last year

Performance
53%
permanent employees had a Performance & Development Review

Dialogue
88%
participation in biennial employee feedback survey

Acknowledgement
>200 projects
submitted to Tarkett Awards

Designing for life and preserving the natural capital

- **Assess raw materials** (for health and environmental impacts) according **to Cradle to Cradle® - C2C principles** (98%)
- **Contribute to well-being through our products:** indoor air quality (low volatile organic compounds emissions), healthy spaces (phthalate-free plasticizers), comfort (visual, acoustics, installation, maintenance…)
- **Select raw materials not contributing to resource scarcity** (70% - renewable, abundant or recycled)
- **Reduce greenhouse gas emissions** (Scope 1 & 2, 27% renewable energies)
- **Equip our plants with closed loop water systems** (68%)

Closing the loop towards a circular economy model

- **Use recycled materials** (134,000 tons, 10% of purchased raw materials in volumes)
- **Recycle our production waste** internally and externally
- **Collect flooring via the ReStart® program** (102,000 tons between 2010 and 2018)
- Design products and installation systems for **easy recyclability**

Driving collaboration

- **Engage with responsible suppliers** ("responsible sourcing program", 76% committing to United Nations Global Compact, C2C eco-design)
- **Share our products information with our clients** (Material Health Statements - MHS, Environmental Product Declarations - EPD)
- **Support local communities through Tarkett Cares** and employees involvement
- **Train students and professionals** in flooring profession and installation techniques via Tarkett Academy (23,000 people trained from 2012 to 2018)

1 PRESENTATION OF THE GROUP

1.1 Overview

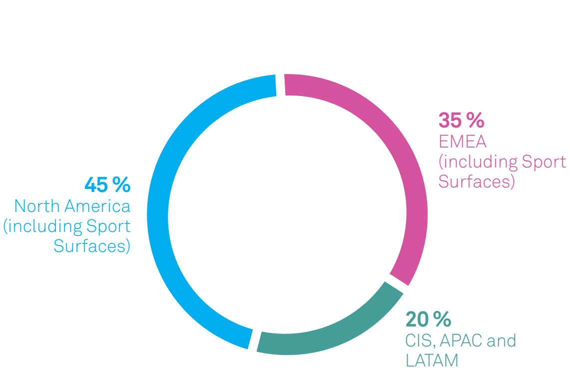
1.1.1 The Group's business

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

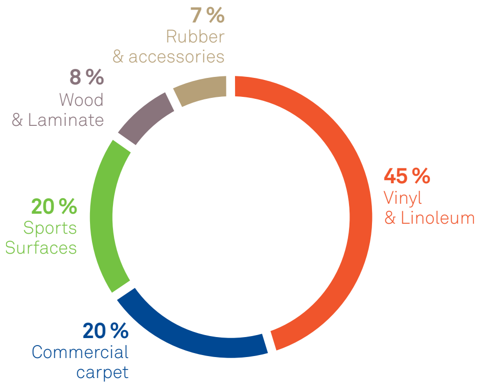
Tarkett offers one of the widest ranges of flooring solutions in the industry. With experienced teams and sales in more than 100 countries, the Group has acquired extensive knowledge and an excellent understanding of customer cultures, tastes and requirements, local regulations, and the use of flooring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

With 36 industrial sites and customer service centers located close to the local markets, the Tarkett Group is able to offer highly flexible solutions to meet to customers' specific needs.

Distribution of 2018 pro forma (1) net revenue by geographical area



Distribution of 2018 pro forma (1) net revenue by product categories



(1) Pro forma: includes 2018 full year activity of Lexmark (company acquired in September 2018).

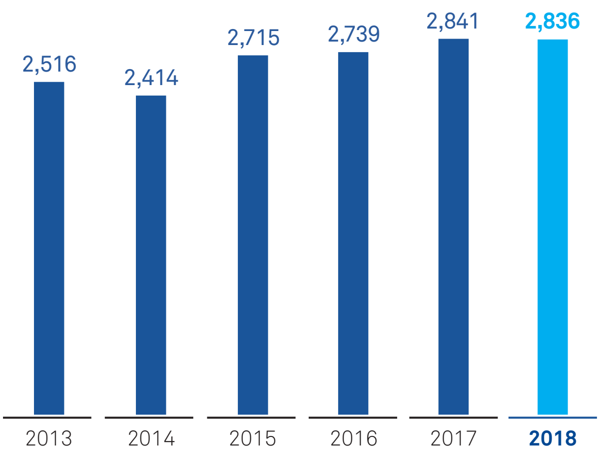
1.1.2 Key figures

The financial data presented below is derived from the Group's Consolidated Financial Statements for the fiscal year ended December 31, 2018, 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, 2018". The Consolidated Financial Statements for the year ended December 31, 2018 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".

The summary of the key figures shown below should be read in conjunction with (i) the Group's audited Consolidated Financial Statements for the year ended December 31, 2018 as presented in section 5.1 "Consolidated Financial Statements for the year ended December 31, 2018"; (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 shareholders' equity presented in section 4.3 "Liquidity and shareholders' equity".

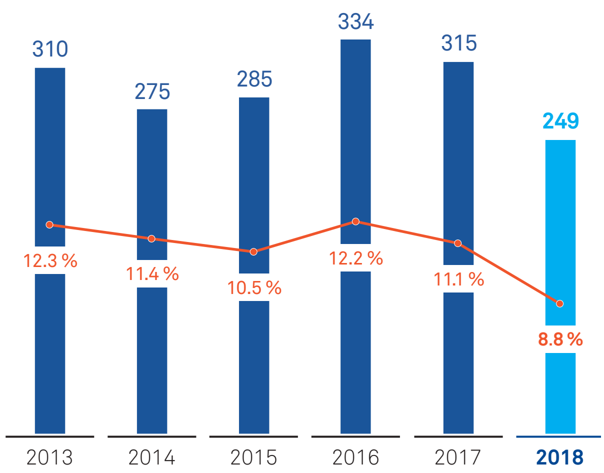
Net revenue

(in € millions)



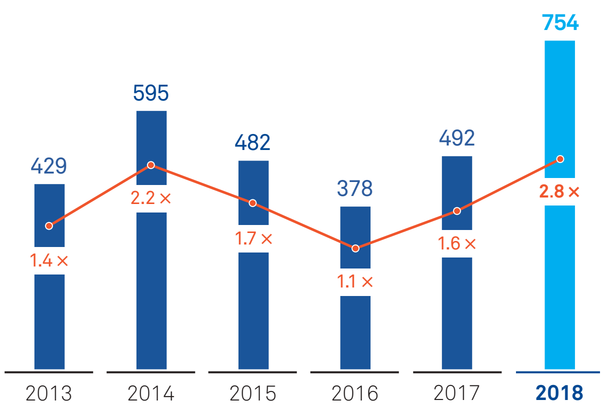
Adjusted EBITDA

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



Financial Debt

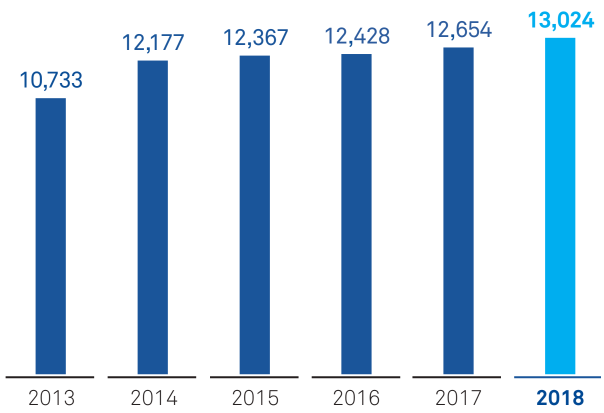
(in € millions and debt ratio pro forma (1))



(1) Net Debt/ Adjusted EBITDA pro forma: includes 2018 full activity of Lexmark (company acquired in September 2018).

Group Headcount

(as of December 31, 2018, excluding Laminate Park employees)



(in € millions)	December 31, 2018	December 31, 2017
Consolidated results		
Net revenue *Organic growth*	2,836.1 *+2.1%*	2,841.1 *+4.8%*
Adjusted EBITDA [2] *% of net revenue*	248.7 *8.8%*	315.1 *11.1%*
Adjusted EBIT *% of net revenue*	131.3 *4.6%*	196.3 *6.9%*
EBIT *% of net revenue*	106.6 *3.8%*	12.7 *0.4%*
Net Income – Group Share	49.3	(38.7)
Dividends per share *(in euros)*	0.60 [1]	0.60
Return on invested capital (ROIC) [2]	6.1%	8.9%
Consolidated financial position		
Shareholders' Equity	807.0	780.6
Net debt [2]	753.6	491.8
Balance sheet total	2,390.4	2,133.1
Consolidated cash flow		
Cash generated from operations	206.2	91.1
Capital expenditures	(128.2)	(111.1)
Free cash flow [2]	36.4	(65.6)
Market capitalization on December 31	**1,116**	**2,229**
Headcount as of December 31	**13,024**	**12,654**

(1) Submitted to the approval of the Shareholders' Meeting of April 26, 2019 with the option to receive it in cash or in new shares.
(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 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 activities in North America. In 2004, it took a minority interest in the Canadian company FieldTurf, a manufacturer of artificial turf, 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 turf.

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 turf for the U.S. landscaping market. The second was with the German company Morton ExtrusionsTechnik (MET), a specialist in producing fibers for artificial turf. These two partnerships reinforced the Group's artificial turf business and allowed it to in-source fiber production for its artificial turf.

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 turf called AA SportSystems (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 (a 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.

In 2017, the Group purchased 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.

In January 2018, the Group acquired the assets of Grassman, a leading Australian producer of synthetic turf. This transaction has allowed the Group to expand its presence in the Australian market, in particular the areas of hockey, tennis and landscaping, complementing its activities in the rugby and soccer sectors.

The acquisition of the Tennis and Track Company based in Salt Lake City, Utah, was finalized on July 1st, 2018. This acquisition has allowed us to strengthen our position in the tenniscourt coatings and reinforced concrete sports construction market. Tarkett now has its own regional platform that is suitable for future developments in the growing markets of Utah and the North Western United States.

In September 2018, the Group acquired Lexmark Carpet Mills, a high-quality carpets manufacturer whose main focus is the North American hospitality sector. This acquisition has allowed the Group to establish a solid position in the North American hospitality sector.

On September 18, 2018, Tarkett's Supervisory Board decided to appoint Fabrice Barthélemy as interim Chairman of Tarkett's Management Board, replacing Glen Morrison. Fabrice Barthélemy, who has been a member of the Management Board since 2008 and President of the EMEA & LATAM Division since 2017, was Group Chief Financial Officer from 2008 to 2017. Fabrice Barthélemy has been confirmed in its position of Chairman of the Management Board as of January 14, 2019.

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 which improve their quality of life. Tarkett is proud of its values, which form 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) The ambition to offer 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 on 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, 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 in filled 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) Commercial and operational excellence: 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.
- This 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 believes that the WCM program will enable it to achieve additional savings of approximately 2% on the cost of sales, without compromising on quality or services. The Group also works constantly to optimize its supply chain strategy in order to offer its customers the best possible service by reducing delivery times in the most economical way possible. 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 when necessary.

d) Creating value through acquisitions: with 26 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 has been able to expand its range of products and solutions by, for example, successfully integrating the commercial carpet market through the acquisitions of Tandus – in 2012, present in the United States for the most part, Desso – in 2014, present in Europe mainly and Lexmark – in 2018, present in the United States only. 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 company Aspen. The Group's external growth 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 strengths that the Group believes make it unique in the international flooring market. These strengths 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 2018 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.

b) "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 in 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 thus 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 2018 sales) and residential users (1/3 of 2018 sales). It sells its products to vast numbers of customers worldwide, which limits concentration risk. In 2018, 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 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 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 2018, the acquisition of Lexmark has allowed the Group to consolidate its position in the carpet sector for the North American hospitality industry, now making it one of the three market leaders.
- In the CIS countries, particularly Russia, where economic forecasts call for continued growth in 2019 (in January 2019 the IMF forecast GDP growth of 1.6% for 2019), 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 26 acquisitions since 2007. Since 2009, consolidated net revenue and adjusted EBITDA increased by an annual growth rate of 5.8% and 2.0% respectively. Since 2009, the Group has been able to maintain an adjusted EBITDA margin of between 8.8% 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 8% since 2010, allowing the Group to maintain a strong financial structure and giving it the financial capacity to invest in future development.

g) An 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 26 new acquisitions since 2007. The members of the management team come from the largest international companies in 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 2017 and is provided solely for informational purposes. The Group is currently in the process of updating its estimates for 2018. 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 36 production 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 2018, the Group generated net consolidated revenues of €2,836 million, adjusted EBITDA of €249 million and net profit attributable to owners of the Company of €49.3 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 surface 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 2018 sales realized in EMEA (including sports surfaces), 45% in North America (including sports surfaces) and 20% in CIS, APAC and Latin America.

The Group's sales are divided between commercial end-users, which represented approximately two-thirds of 2018 sales and residential end-users, which represented approximately one-third of 2018 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, healthcare 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 45% of 2018 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;
- commercial carpet flooring (approximately 20% of the Group's 2018 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, healthcare 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. In September 2018, the Group acquired Lexmark Carpet Mills, a high-quality carpets manufacturer whose main focus is the North American hospitality sector. This acquisition has allowed the Group to establish a solid position in the North American hospitality sector;
- wood and laminate flooring (approximately 8% of the Group's 2018 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 2018 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 20% of the Group's 2018 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 turf 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 markets

The Group estimates that approximately 13.2 billion square meters of flooring were sold globally in 2017, excluding sales of specialized products such as concrete, bamboo and metal flooring. The categories of products that Tarkett sells account for approximately 26% of the total global flooring market, or approximately 3.5 billion square meters in 2017.

The table below presents an estimated breakdown of the global flooring market in 2017 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)	1,171	9%
Wood and laminate	1,446	11%
Carpet (commercial)	950	7%
Total for product categories sold by the Group	**3,566**	**26%**
Carpet (residential)	1,138	9%
Ceramic	8,036	61%
Other	456	3%
Total	**13,197**	**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 2018, for the product categories in which the Group is present, the residential market represented approximately one-third of global sales, while the commercial market represented approximately two-thirds. 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, is also sold to residential end-users, particularly for landscaping purposes in the southern United States.

1.5.1 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 2017 by product category and geographic region, based on the number of square meters of product sold.

(in millions of square meters)	EMEA		North America	CIS, APAC and Latin America			Total
	Western Europe [(1)]	Middle East/ Africa		CIS & Balkans [(2)]	APAC	Latin America	
Resilient flooring (vinyl, linoleum and rubber)	303	42	296	175	332	23	1,171
Wood and laminate	328	130	240	153	551	44	1,446
Carpet (commercial)	115	153	284	19	349	30	950
Total for product categories sold by the Group	746	305	820	347	1,232	97	3,566
Carpet (residential)	302	66	588	43	70	70	1,138
Ceramic	489	1,165	301	230	4,923	928	8,036
Other	61	1	23	-	371	-	456
Total	**1,598**	**1,556**	**1,732**	**621**	**6,596**	**1,096**	**13,197**

(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 2017, 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 746 million square meters in 2017, 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 2017, demand for flooring in the Middle East and Africa was 1.6 billion square meters, representing 12% 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 305 million square meters in 2017, or 20% of volumes sold in the Middle East/Africa region, including 10% for wood flooring and laminates, 8% for commercial carpet, and 2% 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 improvements 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 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 2017, demand for flooring in North America was 1.7 billion square meters, representing 13% of global demand for flooring products. Demand in North America is dominated by carpet, which represented 50% of total volumes sold in 2017. The product categories proposed by the Group represent 820 million square meters in 2017, or 47% of volumes sold in North America, of which 17% for soft floors, 16% for commercial carpet and 14% for parquet and wood. In North America, these product categories are sold by the Group primarily to commercial users and, to a lesser extent, to residential users.

The Group's flooring sales in North America are divided fairly evenly 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 factors

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 flooring company for commercial end-users. Thanks to the acquisition of Tandus in 2012 and Lexmark in 2018, it is also the fourth-largest commercial carpet company in North America. The Group's Johnsonite products occupy a leadership position with regard to the 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/Interface, a rubber flooring manufacturer, as well as local manufacturers.

1.5.1.3 CIS & Balkans

Characteristics of the market

In 2017, demand for flooring in Russia, the other CIS (Commonwealth of Independent States) countries, and the Balkans (the former Yugoslavia) was 621 million square meters, representing 5% 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 (37% of total flooring demand), wood and laminate flooring (approximately 25%) and carpet (10%).

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 resilient flooring market has shown moderate growth in recent years, although 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. In the CIS countries, particularly in Russia, where economic forecasts predict moderate growth in 2019 (1.6% according to the IMF's January 2019 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 in the CIS and the Balkans for more than 20 years, 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 (APAC)

Characteristics of the market

In 2017, demand for flooring in Latin America and APAC as 1.1 billion and 6.6 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 factors

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 in this region.

With respect to APAC region, 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 2012, thanks to Tandus acquisition, the Group has 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 market

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 APAC.

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 factors

The Group believes that the growth in demand for sports surfaces seen in 2018 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 athletic 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 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 environment-related constraints, particularly climate-related.

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 throughout the world for decades, 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");
  - 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 2018 consolidated net revenues by product type:

2018 Net Revenue	(% of Net revenue)
Resilient flooring (vinyl and linoleum)	45%
Wood and laminate flooring	8%
Commercial carpet	20%
Rubber and accessories	7%
Sports Surfaces	20%
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 2018 consolidated net revenues (including sports surfaces).

2018 Net Revenue	(% of Net revenue)
EMEA	35%
North America	45%
CIS, APAC/Latin America	20%
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 mixed with fillers. 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 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 prevents metallization and 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, antibacterial 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). In 2018, the Group significantly strengthened its position in the North American hospitality sector carpet market with its acquisition of Lexmark.

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 (in France, Spain, Benelux, the United Kingdom etc.).

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, a process completed 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 2018. 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 7% of the Group's raw material costs in 2018. 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 elationships 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 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 worldwide 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 sites

The Group's production facilities are located as close as possible to product delivery sites, while maintaining competitive production costs. The Group has 36 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 36 production sites; of these, it owns 33 and rents three (in the United Kingdom, in China and in the United States).

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 10 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 six 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. Since the acquisition of Grassman in 2018, the Group has now an artificial turf production site in Australia.

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	Tarkett	Carpet	Waalwijk
		Tarkett	Carpet	Goirle
	Belgium	Tarkett	Carpet	Dendermonde
North America	Canada	Johnsonite	Resilient flooring	Waterloo
		Tandus – Centiva	Carpet	Truro
		Tarkett	Resilient flooring	Farnham
		Thermagreen	Shockpads	Toronto
	United States	Beynon	Athletic tracks	Hunt-Valley
		FieldTurf	Artificial turf	Calhoun
		Johnsonite	Resilient flooring	Chagrin Falls
		Johnsonite	Resilient flooring	Middlefield
		Lexmark	Carpet	Dalton
		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
	Australia	Grassman	Artificial turf	Botany
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 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.

For several years, 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 employee 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 it to manufacture new flooring.

The Group has also entered into a partnership agreement with the German research institute Environment Protection Encoura-gement 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

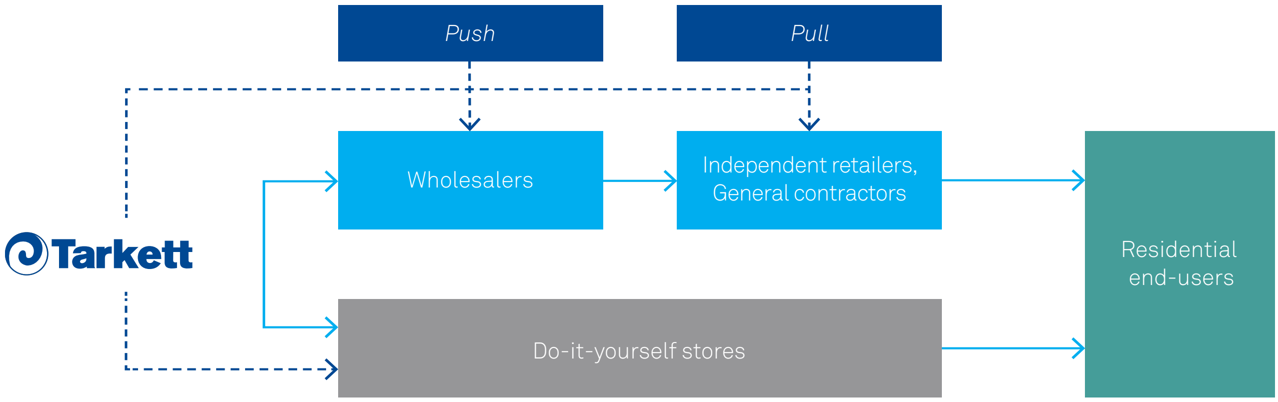
Distribution channels in the residential and commercial markets differ as a result of the characteristics of each market. The Group uses both "push" and "pull" strategies within both of these markets:

- *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.

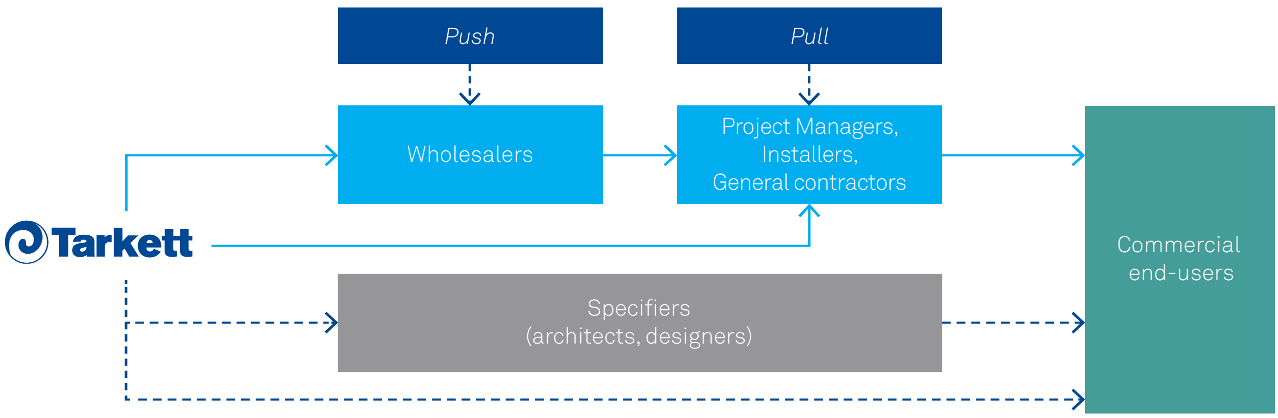
Residential market

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 12 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, Desso, acquired in 2014 and Lexmark, acquired in 2018) 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 2018, 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 processes 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, design and development policy
Research and Innovation is at the centre of the Group's strategy. Over the last 3 years, spending on research, design and development has been stable at €36 million (i.e. 1.3% of 2018 revenues).

In 2018, the Group continued to make significant investments in state-of-the-art laboratory equipment at its Shanghai laboratory, inaugurated in 2016, and in pilot production equipment at its Research and Innovation centre in Wiltz.

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 market's demands and to anticipate future needs, the Group also includes in its research and development initiatives the creation of unique designs responding to emerging 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 centre located in Luxembourg, a local innovation centre 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 centre of 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 textile network (carpet and artificial turf).

Close partnerships 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 centres in the world, such as the German research institute EPEA (*Environment Protection Encouragement Agency*), UNISTRA (*University of Strasbourg*), ESPCI (*School of Physics and Industrial Chemistry of the City of Paris*) and MINES ParisTech (*École des Mines de Paris*), to develop new expertise and attract young talents (Engineers, PhD's, PostDoc ...) In addition, the start-up eco-systems being a powerful engine for open innovation, the Group has undertaken several institutional and private partnerships to identify the most relevant start-ups.

The Group has also developed privileged relationships with some suppliers through innovation partnership contracts relating, for example, to the environmental qualities of raw materials such as polyurethane varnish, the development of new raw materials with new functionalities or new categories of products, such as Cementi Click mineral tiles.

1.6.4.2 An Effective Innovation Process

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

First, it strongly supports a closed-loop circular design based on C2C principles. To eco-design, Tarkett constantly seeks new materials and processes that protect the environment and human health. In order to select quality materials and to design healthy and environmentally friendly products, since 2010, Tarkett has had a third-party body (EPEA) evaluate more than 3,000 materials according to the C2C principles.

Thanks to eco-design taking into account recycling from the product design phase, the Group tries to develop products using recycled materials that can again be recycled at the end of use. For example, Tarkett has developed technologies at its carpet sites in Waalwiijk (Netherlands) and Dalton (United States) that allow fibres to be separated from the carpet sub-layer, thus allowing both components to be recycled separately. Through its partnerships with other industries, the Group is also seeking to use resources from other waste streams. In this way, PVB films from windshields and safety glass are used to manufacture carpet sub-layers and, since 2018, to manufacture sub-layers for resilient tiles. This initiative, deployed throughout the Group, allows offcuts from flooring and sports surfaces to be recycled after they have been used through collection systems (together, for example, with Veolia, in France and Germany) and supports the development of a circular economy. Eco-designed products receive a C2C certification, with Tarkett being among the companies with the highest number of C2C certified products in the world (flooring, sports surfaces, adhesives and accessories).

The Group also aims to provide clear and precise information to consumers about its products' composition. In Europe, indicators are used to communicate on renewable material content in the product, whether the product can be recycled, and its levels of VOC emissions. In partnership with EPEA in Europe and North America, the Group freely discloses the composition of its 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 in the document entitled, "Material Health Statement", issued by EPEA either on Tarkett's North American website or at the customer's request in Europe.

The second pillar of the Group innovation strategy is the development of solutions that can reduce the Total Cost of Ownership by developing solutions that facilitate installation/desinstallation and the cleaning and maintenance of floor coverings. Therefore, the Group has developed a full range of modular products, carpet tiles, mineral tiles, Cementi Click (in 2018) and vinyl tile solutions, both soft and hard, iD Click Ultimate and Starfloor Click Ultimate (in 2018), offering a large choice of innovative models and design.

Also, in order to facilitate fitters' work, Tarkett offers solutions that can be quickly fitted on floors while still humid, for example the RollSmart adhesive, carpet tiles with Omnicoat technology or the TruTEX roll vinyl solution. Finally, for end-users, Tarkett provides solutions that are becoming easier than ever to maintain and which are impact- and stain-resistant, such as Contour vinyl tiles with Tectonik® technology or IQ4, a homogeneous resilient flooring material that provides excellent stain resistance in healthcare.

The third pillar is structured around new materials that provide at least the same performances as vinyl products. In 2018, the Group launched two new product categories, Cementi Click, the first mineral tile with a connection system, and iD revolution, a resilient tile made from PVB films recycled from windshields and PLA derived from corn.

Finally, the Group aims to provide innovative designs and allow the cross-categorization of its various product ranges. The Group has developed various digital printing technologies for wood and vinyl, allowing to offer unique designs and services such as co-creation with designers. Tarkett is also the first company to develop this technology for mass personalization of vinyl floor coverings. Tarkett therefore provides a large choice in terms of design to both consumers and professionals with, in Europe, the highly innovative iD Supernature and iD Tattoo design collection, accompanied by a free online service that assists architects and designers in creating their own designs for vinyl tiles and, in the United States, the ColourPlay range, with dozens of colours available in a wood, stone or abstract design.

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 implemented a five-phase innovation process.

During the exploratory phase, the Group monitors the latest flooring and interior design trends. The Group monitors major societal trends as well as those of the construction industry that will impact the future needs of its customers (Strategic Foresight) but also a technology and regulatory watch so that future products developed are in compliance with regulations. The Group has implemented a Customer Centric Innovation process based on Design Thinking principles. Small, cross-functional teams work to understand the needs of customers. This methodology enables to identify potential pain points, to quickly develop solutions, to test with prototypes and to launch pilots, just as a start-up would do. Tarkett involves its customers in this process from start to finish.

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

Following the exploratory phase, the teams enter the trial phase. During this phase, the teams test the designed product for market desirability, 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 several functions including the design, marketing, operations and research and development teams. Before its launch, the future product will have gone through numerous pilot tests as well as industrial, technical, and installation tests to ensure alignment with market expectations in terms of performance and quality as well as financial expectations.

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 respecting the environment and human health.

In 2009, the Group began producing vinyl flooring without phthalates, with the iQ® Natural product line, using renewable plasticizers.

Since 2010, Tarkett developed a new technology based on non-phthalate plasticizers 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 3.7.3.1 of the CSR Report, "Contribution to Healthy Living Spaces and Internal Air Quality". At of the end of 2018, 100% of Tarkett vinyl production sites in Europe, North America, Serbia and China use a non-phthalate plasticizer technology. Tarkett is also eco-innovating at the industrial level by recycling plasticizer emissions into its products like at the Farnham factory in Canada.

Another example of eco-innovation is the sub-layer for Ethos® carpet tiles composed of recycled material from PVB (*polyvinyl butyral*) films taken from windshields and safety glass. This same raw material was used to develop the iD Revolution tile range, which was launched on the market in 2018 and which is certified *Cradle to Cradle®* Gold. Some of Desso's carpet product lines are designed using only healthy and environmentally friendly materials (such as recycled nylon fibres and calcium carbonate from water softening) and can be fully recycled at end of use. The Group is also innovating in carpet tile recycling technologies and has developed proprietary technology to separate the fibres from the backing more specifically for its Ethos® tiles, with PVB backing and its Ecobase tiles, with a polyolefin backing.

In 2013, Tarkett launched its new Linoleum xf²® collection, recyclable flooring made from natural and renewable materials (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 it obtained a C2C gold-level certification in 2014.

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

In 2018, Tarkett introduced iD Revolution, a new non-PVC tile containing more than 80% of materials recycled, rapidly renewable or abundant in nature. It also received a C2C gold-level certification.

In 2018 also, Cementi Click, a fibre cement-based mineral tile that can be rapidly installed thanks to its integrated connection system, was launched on the market to offer an alternative solution to ceramic.

Tarkett also innovates in easy to install flooring solutions, in particular with its new modular lines. For instance, the loose-lay LVT line, launched in Europe in 2015, permits easy, rapid and durable installation.

In 2017, in the United States, Tarkett innovated with the OmniCoat coating technology for Ethos® carpet tile backing, which allows the carpet to be installed on any humid surface without causing quality problems. This solution also saves time for installers, since they no longer need to test the floor for humidity before installing carpet. In 2018, for the residential use, Tarkett developed and launched TruTex, a roll vinyl floor covering that can be installed on humid surfaces such as in basements.

Tarkett also provides solutions that protect the surface of floor coverings, allowing for easier cleaning and maintenance.

In 2018, the LVT Contour line in the United States was launched using the new Tectonik® varnish, which provides the best performance on the market in terms of stain and abrasion resistance.

Through its innovations, the Group also improves the performance of its sports surface 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.

In 2017, the Group launched industrial digital printing in Europe, in the Eastern European countries and in the United States supporting 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 Waalwijk Design Center (Netherlands). This unique expertise and technology opens up enormous and valuable perspectives on flooring's ability to meet the needs of new spaces and user expectations.

The Group developed in the CIS countries, a new range of wood flooring using a unique digital printing technology, meaning that any wood material could be printed with unique wood designs. The Ideo collection using this technology was launched in 2018, with a one-strip oak decor on a 3-strip wood flooring at very competitive prices.

In Russia, the Diva resilient flooring collection was launched in 2017 and brought a new aesthetic experience thanks to the non-repeatability of designs (Unrepeatable Design Technology). In Europe, the iD Mixonomi collection, created for architects and designers, is a new collection of modular vinyl tile flooring enabling infinite combinations to create custom spaces. Built on the principle of combining colours, 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 colours and 10 shapes to combine. In 2018, Tarkett developed Pentagonals in the United States, a similar solution but one which is based on rubber tiles. Finally, the ColourPlay collection in the United States provides a huge amount of pure colours available in any type of design, wood, stone or abstract.

In 2015, at its factory in Serbia, Tarkett developed an innovative embossing in register technology for vinyl rolls that provides customers with products that have a real wood effect (the embossing of the surface follows the wood grain pattern).

In 2017, a new LVT Click range was launched for the residential as well as the commercial market, also with embossed in register designs. This new range is manufactured in the factory in Poland.

The Group's innovation awards

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 for:

- the application of C2C principles to flooring production. In recent years, Tarkett has obtained several C2C certifications: 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 2017, IQ One, a new non-PVC homogeneous flooring, received a C2C Gold certification. In 2018, iD Revolution resilient tiles received also a C2C Gold certification. See Chapter 3 for further details;
- the development of products that contribute to resolve health problems, in particular for people suffering from asthma and allergy. 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*, which rewarded the 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;
- the development of products that respect human health and the environment: In 2014, Tarkett was awarded for the Linoleum Veneto® Essenza 100% linen product the *Prix Janus de l'Industrie* sponsored by the Ministry of Industry and Foreign Trade in France, in the category "Components and Materials" in the service of People, Industry, and the Community;
- the development of digital printing technology for vinyl, with the innovation prize awarded by the Fedil (*Fédération des Industries Luxermbourgeoises*) in Luxembourg in 2017;
- 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 2017;
- the iD Mixonomi collection in 2017 won the RedDot Design award;
- in France, iD Revolution received the Innovation Team Best Practices 2018 prize, which is organized by the University of Paris Sorbonne and the Paris Innovation Directors Club. In addition, iD Revolution received the UK's Green World Award, where iD Revolution was Global World Winner in the Innovation Category;
- in 2018, the Pentagonals collection received the Best of the Year prize from Interior Design Magazine.

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. The principal objective is to ensure the safety and health protection 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 performances 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 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-FZ on fire safety requirements.

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 labelling 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 which gives it a strategic advantage over its competitors that it constantly works on maintaining,

Trademark Portfolio

The Group's products are sold under known brands targeted at specific geographic regions and markets.

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 Tarkett Group's different distributors.

The Group's main trademarks are protected on the main markets where it does business.

Protection of the Group's trademarks is based on registration or prior use of the marks. Such protections are subject to either national, European or international registrations for varying lengths of time depending on the countries.

Patent Portfolio

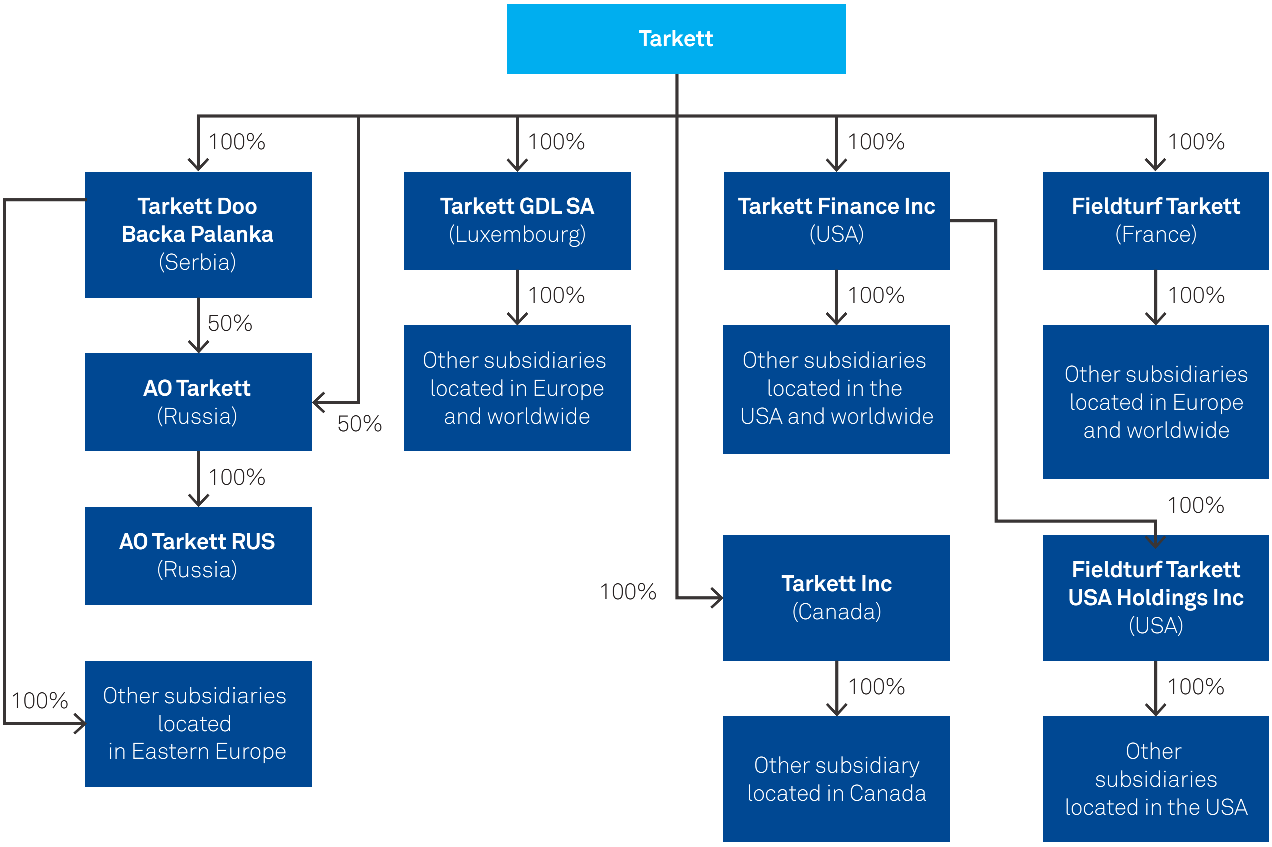
The Group holds full rights over a portfolio of numerous active patents in more than 42 countries. The Group's patents cover flooring and sports surface products as well as technologies for the development of new products.

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

The geographical origin of the Group's patent portfolio is highly diversified, with 92 active patents' category originally filed in Western Europe, 8 in Eastern Europe and 22 in North America. Finally, the Group holds 39 specific patents' category 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 for its business.

1.7 Simplified organizational chart



Simplified organizational chart

2 GOVERNANCE AND COMPENSATION

2.1 Corporate governance

2.1.1 Corporate Governance Code

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") in its revised version of June 2018, constituting the Company's corporate governance reference. The Afep-Medef Code, to which the Company refers, may be consulted online at the following address: http://www.afep.com and copies are permanently made available to members of its corporate bodies.

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 Group.

As of December 31, 2018, upon recommendation of the Nomination, Compensation and Governance Committee and following further analysis by the Supervisory Board on February 7, 2019, the Company believes that it is in full compliance with the Afep-Medef Code's recommendations.

2.1.2 Supervisory Board report on corporate governance

This chapter is devoted to governance and compensation and contains information that is a part of the Supervisory Board report on corporate governance, in accordance with the provisions of Article L.225-68 of the French Commercial Code.

The Supervisory Board's report on corporate governance, prepared in accordance with Article L.225-68 of the French Commercial Code, was adopted at its meeting of February 7, 2019, after considering the opinion of the Nomination, Compensation and Governance Committee.

A reconciliation table appearing in section 9.7.4 permits the review of all information included in this Registration Document, which is a part of the corporate governance report.

2.2 Management and supervisory bodies

2.2.1 Management of the Company

The Shareholder's Meeting of January 2, 2001 opted for the form of a French joint-stock company ("*société anonyme*") with a Management Board and a Supervisory Board. This structure dissociates management and direction of the Company, which are the responsibility of the Management Board, from supervision of this management body, which is the responsibility of the Supervisory Board.

This separation of powers adresses to the concerns of balance of powers between the executive and control functions, particularly adapted to the Company's shareholding structure.

A summary of the main stipulations of the Company Bylaws, in particular its operation mode and the powers of its management and control bodies, as well as a brief description of the main provisions of the Internal Regulations of the Supervisory Board and its specialised Committees are provided in section 7.4.

2.2.2 Management Board

2.2.2.1 Operation of the Management Board

The Company is managed and administered by a Management Board, under the control of the Supervisory Board. The Management Board is composed of at least two and at most five members appointed by the Supervisory Board, for a duration of three years.

2.2.2.2 Composition of the Management Board as of December 31, 2018

The Management Board was composed of the two following members:

	Age	Gender	Nationality	Date of 1st Appointment to the Management Board	Date of Most Recent Renewal	Mandate end date	Number of shares held (2)
Chairman							
Fabrice Barthélemy (1)	50		French	05.23.2008	10.26.2016	10.26.2019	42,867
Member							
Sharon MacBeath	49		British	01.03.2017	-	10.26.2019	-

(1) Interim Chairman of the Management Board from September 18, 2018 to January 14, 2019, date of its definitive nomination as Chairman of the Management Board.
(2) Registered shares held by the executive and related persons.

2.2.2.3 Evolution in the composition of the Management Board in 2018 and since year-end

On September 18, 2018, following the termination of the corporate office of Mr. Glen Morrison, the Supervisory Board, following the recommendations of the Nomination, Compensation and Governance Committee, appointed Mr. Fabrice Barthélemy as interim Chairman of the Management Board. On January 11, 2019, the Supervisory Board, with the recommendations of the Nomination, Compensation and Governance Committee, decided to definitively appoint Mr. Fabrice Barthélemy as Chairman of the Management Board, as of January 14, 2019.

2.2.2.4 Main positions and corporate offices of the Management Board members, as of December 31, 2018

FABRICE BARTHÉLEMY – Chairman of the Management Board and President of the EMEA & LATAM Division

Experience and expertise
Fabrice Barthélemy graduated from ESCP – Europe.

Fabrice Barthélemy, a French citizen, is President of Tarkett Europe, the Middle East, and Africa since February 2017, and is a member of Tarkett's Management Board. Since the end of December 2017, he is also the President of the Latin America region. He has been appointed as the interim Chairman of the Management Board of Tarkett on September 18, 2018 and has been confirmed in this position since January 14, 2019.

He began his career as an industrial controller at Safran joining 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. He joined Tarkett in 2008 as Chief Financial Officer and oversaw also Information Systems and Legal.

Professional address:
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Chairman of the Management Board of Tarkett[1] (since September 18, 2018) (France)
- President of the EMEA & LATAM Division of the Tarkett Group
- President of Tarkett France (France)
- President of Tarkett Bois (France)
- Director of Tarkett N.V. (Belgium)
- Director of Desso Ltd. (United Kingdom)
- Member of the Board of Directors of Tarkett Ltd. (United Kingdom)
- President of Tarkett Schweiz AG (Switzerland)
- Managing Director of Tarkett Holding GmbH (Germany)
- Member of the Supervisory Board of Morton Extrusionstechnik GmbH (Germany)
- Member of the Board of Directors of Tarkett Monoprosopi EPE (Greece)
- Member of the Board of Directors of Tarkett SpA (Italy)
- Chairman 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 Directors 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. (Turkey)
- Member of the Board of Directors of Laminate Park GmbH & Co KG (Germany)
- Member of the Board of Directors of Tarkett Capital SA (Luxembourg)
- Chairman of the Board of Directors of Tarkett GDL SA (Luxembourg)
- Member of the Board of Directors of Desso Holding BV (Netherlands)
- Chairman of the Board of Directors of AO Tarkett (Russia)

Ended during the last five years:

- Eight mandates within French and international subsidiaries

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- None

(1) Listed company.

SHARON MACBEATH – Management Board member and EVP 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.

Sharon MacBeath, a British citizen, began her career in Human Resources at McDonald's France, before founding a human resources consultancy firm called EMDS Consulting. In 1999, Sharon joined Rexam, specialising in plastic packaging and beverage cans, as the global Senior Vice-President in charge of Human Resources and Communication; she occupied this position later on at Redcats (Kering Group) as of 2005. 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 Terrassee Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Management Board member of Tarkett[1] (France)
- Director of Human Resources and Communication of the Tarkett Group

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Board member and member of the Nominations and Compensation Committee of Coface[1] (France)
- Supervisory Board member and member of the Audit Committee of Hermès International SA[1] (France)

Ended during the last five years:

- None

(1) Listed company.

2.2.2.5 Activities of the Management Board in 2018

During 2018, the Management Board met six times (six times in 2017). The attendance rate was 100%.

The items discussed at its meetings included mainly:

Financial results
- fourth quarter 2017 activity report;
- review and approval of the Company and Consolidated annual Financial Statements for the year ended December 31, 2017;
- first quarter 2018 activity report;
- approval of the half-year financial report as of June 30, 2018;
- third quarter 2018 activity report;
- approval of forecast results documents;
- the review of press releases regarding financial results.

Shareholders' Meeting of 26 April 2018
- proposed allocation of results for the 2017 financial year;
- preparation of the management report on the Company and the Group;
- the review of regulated agreements and commitments;
- preparation of the agenda and of the draft of the text of resolutions submitted to the approval of the Shareholder's Meeting;
- calling the Shareholder's Meeting.

Other activities
- implementation of the buyback program in view of coverage of plans of free allocation of shares and signing of the related mandate with the investment service provider;
- preparation of the LTIP 2018-2021.

2.2.3 Supervisory Board

2.2.3.1 Operation of the Supervisory Board

General Operation
The operation of the Supervisory Board is described in Articles 17 to 23 of the Company's Bylaws (see section 7.4), prepared in accordance with the laws and regulations in effect.

On November 21, 2013, the Company adopted Internal Regulations governing its organization and operation and the rights and duties of its members. These Internal Regulations follow best practices, in particular the recommendations of the Afep-Medef Code, which the Company observes, with respect to ensuring compliance with fundamental principles of corporate governance. They may be modified at any time by vote of the Supervisory Board.

Chairman and Vice-Chairman
The Supervisory Board elects a Chairman and a Vice- Chairman from among its members, for a duration that may not exceed that of the member's mandate.

In accordance with the legal provisions, the main mission of the Chairman of the Supervisory Board is to organise the work of the Supervisory Board so that the control of the Company's management can be exercised correctly. The Chairman of the Board is the preferred point of contact to answer any request of a shareholder or investor addressed to the Supervisory Board.

In case the Chairman is unavailable, the Supervisory Board meetings are chaired by the Vice- Chairman.

Rights and obligations of the Supervisory Board members

Each Supervisory Board Member is obliged to hold 1,000 shares of the Company, as required by the Internal Regulations. Each newly appointed Supervisory Board Member is asked to devote one-half of their director's fees in order to acquire these 1,000 shares.

Each Supervisory Board Member agrees to comply with applicable regulations with respect to market abuse and inside information. Each year, Supervisory Board members are reminded of any significant change in legal and regulatory provisions.

Supervisory Board Meetings

The Supervisory Board meeting called to approve the financial statements for the first half-year establishes the dates of meetings for all of the following year, in order to ensure that all members can attend. Prior to each meeting, a notice is sent by email to each member, 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 presented to the Supervisory Board members. Various points previously reviewed and debated by specialised Committees are summarised by their Chairman at the next Supervisory Board meeting deliberating on these issues. For certain technical subjects, presentations are made by Group's executives specialised in the subject presented. Each item on the agenda is followed by questions, a discussion, and a vote. Written minutes are prepared and delivered to the Supervisory Board members for approval at the next meeting.

2.2.3.2 Composition of the Supervisory Board as of December 31, 2018

As of December 31, 2018, the Supervisory Board is composed of eleven members, including two observers, appointed for a period of four years. At the Company's IPO on November 21, 2013, in accordance with the provisions of the Afep-Medef Code and Article 18 of the Bylaws, the Supervisory Board members already in office on that date, have been either appointed or renewed early for a duration of less than four years to permit a staggered renewal of terms of office.

The composition of the Supervisory Board is designed to have the Group benefit from diversified professional experience of its members and involve the representatives of majority shareholders of the Company in the definition of the Group's strategy and its implementation. Moreover, on December 31, 2018, the proportion of women in the Supervisory Board reached 44%, which is above the legal requirements, and the proportion of independent members within the meaning of the Afep-Medef Code (44%) was above the level recommended by the Afep-Medef Code for companies with control shareholders.

As of December 31, 2018, the composition of the Supervisory Board was:

	Personal data and experience						Presence at the Supervisory					Presence at specialised committees	
Member	**Age**	**Gender**	**Nationality**	**Years of services**	**Number of shares held(2)**	**Other positions(1)**	**Independence**	**1st appointment**	**Last renewal**	**End of mandate(3)**	**2018 attendance(4)**	**CARC(5)**	**CNRG(6)**
Éric La Bonnardière *Chairman*	37		French	3	1,000	-	-	04.24.2015	04.26.2018	2022	100%	-	-
Didier Deconinck *Vice Chairman*	71		French	17	1,000	-	-	01.02.2001	04.26.2018	2022	100%	-	-
Julien Deconinck	40		French	4	1,000	-	-	05.13.2014	-	2022	100%	M	-
Éric Deconinck	70		French	17	1,000	-	-	01.02.2001	04.26.2016	2020	100%	-	-
Jacques Garaïalde	62		French	11	1,000	-	√	01.10.2007	04.27.2017	2019	93%	-	-
Françoise Leroy	66		French	5	1,000	2	√	11.26.2013	04.24.2015	2019	100%	M	P
Sabine Roux de Bézieux	53		French	1	1,000	2	√	04.27.2017	-	2021	93%	-	M
Agnès Touraine	63		French	2	800	3	-	12.05.2016	04.27.2017	2021	100%	-	M
Guylaine Saucier	72		Canadian	3	1,000	3	√	07.29.2015	04.27.2017	2021	93%	P	-
Bernard-André Deconinck *Observer*	74		French	17	1,000	-	N/A	01.02.2001	04.26.2018	2022	87%	-	-
Nicolas Deconinck *Observer*	38		French	3	5,250	-	N/A	04.24.2015	04.27.2017	2022	93%	-	-

(1) Number of terms of corporate offices held in listed companies, outside of the Tarkett Group.
(2) Number of registered shares held by the Supervisory Board members. This table does not take into account the 32,075,071 shares held by the Société Investissement Deconinck ("SID"), who's direct and indirect shareholders are Eric, Didier, Bernard-André, Julien and Nicolas Deconinck and Eric La Bonnardière or shares held by the "Groupe Familial Deconinck", as summarised in Section 7.3.1 Observers are not subject to the obligation of holding shares defined in Section 2.2.3.1.
(3) Date of the Shareholder's Meeting called to approve the financial statements for the year, during which their mandate expires.
(4) The indicated attendance rate takes into account so-called "exceptional" meetings as defined in Section 2.3.10. Apart from so-called "exceptional" meetings (8 "exceptional" meetings in 2018), the attendance rate of Ms. Guylaine Saucier and Ms. Sabine Roux de Bézieux and of Mr. Jacques Garaïalde and Mr. Nicolas Deconinck was 100%, and that of Mr. Bernard-André Deconinck was 86%.
(5) Audit, Risks and Compliance Committee.
(6) Nomination, Compensation and Governance Committee.
NA not applicable
P Chairman
M Member

2.2.3.3 Evolution in the composition of the Supervisory Board in 2018

	Departure	Appointment	Renewal
Supervisory Board	-	Julien Deconinck Eric La Bonnardière (1) Didier Deconinck (2)	Eric La Bonnardière Didier Deconinck
Audit, Risks and Compliance Committee	Eric La Bonnardière	Julien Deconinck	-
Nomination, Compensation and Governance Committee	-	-	-

(1) Appointment as Chairman of the Supervisory Board.
(2) Appointment as Vice-Chairman of the Supervisory Board.

The Company's Shareholder's Meeting of April 26, 2018 decided to:

- renew the mandate of Mr. Didier Deconinck as a Supervisory
- Board member for a period of four years;
- renew the mandate of Mr. Eric La Bonnardière as a Supervisory Board member for a period of four years;
- appoint Mr. Julien Deconinck as a Supervisory Board member, for a period of four years;
- appoint Mr. Bernard-André Deconinck as an observer of the Supervisory Board, for a period of four years.

The Supervisory Board meeting of April 26, 2018 decided, with the recommendation of the Nomination, Compensation and Governance Committee, to appoint, with immediate effect, Mr. Eric La Bonnardière as Chairman of the Supervisory Board and to appoint Mr. Didier Deconinck as Vice-Chairman of the Supervisory Board. It was also decided to appoint Mr. Julien Deconinck as a member of the Audit, Risks and Compliance Committee, in replacement of Mr. Eric La Bonnardière.

2.2.3.4 Evolution proposed in 2019

After examination, the Supervisory Board, with the recommendation of the Nomination, Compensation and Governance Committee, proposes to the Shareholder's Meeting of April 26, 2019 to:

- renew the mandate of Ms. Françoise Leroy as an independent member of the Supervisory Board for a period of four years;
- appoint Mr. Didier Michaud-Daniel as independent member of the Supervisory Board for a period of four years, to replace Mr. Jacques Garaïalde, whose mandate expires.

At the end of the Shareholder's Meeting of April 26, 2019, and subject to adoption of the aforementioned proposals, the proportion of women and the proportion of independent members in the Supervisory Board will remain unchanged and compliant with the legal provisions and the recommendations of the Afep-Medef Code.

The information regarding the Supervisory Board member whose renewal is proposed to the Shareholder's Meeting of April 26, 2019 appears in Section 2.2.3.5 and for the member whose appointment is proposed, in Section 8.2.

2.2.3.5 Biographies, main positions and corporate offices of the Supervisory Board members as of December 31, 2018

ERIC LA BONNARDIÈRE – Chairman of the Supervisory Board

Experience and expertise
Eric La Bonnardière graduated from the Supelec engineering school and holds a Masters in management from HEC Paris. He began his career in 2006 as a consultant at Capgemini and then Advancy strategy consulting firms where he carried out assignments in industry and distribution. Since 2009, he has been the Chairman and co-founder of Evaneos, a travel marketplace and European leader in its segment. He became a member of the Supervisory Board of the Company and a member of the Audit Committee in 2015. In 2017 he is appointed as Vice-Chairman and he chairs the Supervisory Board since April 2018.

Professional address:
Evaneos, 27 rue de Mogador, 75009 Paris.

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

Within the Tarkett Group

Current:

- Chairman of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

- Vice- Chairman of the Supervisory Board of Tarkett[1] (France)
- Member of the Audit Committee of Tarkett[1] (France)

Outside of the Tarkett Group

Current:

- Chairman and Chief Executive Officer of Evaneos (France)

Ended during the last five years:

- None

(1) Listed company.

DIDIER DECONINCK – Chairman of the Supervisory Board

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

From 1979 to 1984, Didier Deconinck was the Managing Director of *Allibert-Mobilier-de-Jardin*. He then became Managing Director of the Video division of Thompson 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 Nomination and Compensation Committee from 2013 to 2015.

Didier Deconinck is the CEO of the Société Investissement Deconinck ("SID"), a family company holding the participations in the Company, and, since 2013, a Member of the Management Board and Family Board (formerly *Bureau des Assemblées*), as a representative of the DDA 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. He joined the Supervisory Board of the Company in 2001, and was its Chairman from 2005 to April 2018, when he was appointed Vice-Chairman of the Supervisory Board.

Professional address:
Tour Initiale – 1 Terrasse Bellini –
92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Vice- Chairman of the Supervisory Board of Tarkett [(1)] (France)

Ended during the last five years:

- Chairman of the Supervisory Board of Tarkett [(1)] (France)

Outside of the Tarkett Group

Current:

- CEO, Member of the Management Board and *Bureau des Assemblées* (as DDA's representative) of SID (France).
- President of DDA (France)
- Vice-Chairman of the Supervisory Committee and Chairman of the Compliance, Internal Control, Risk and Audit Committee of ARDIAN Holding (France)

Ended during the last five years:

- Vice-Chairman of the Management Board of SID (France)
- Director of the Museum of the Army (France)
- Member of the Management Board and Managing Director of SIF (France)
- Managing Director of Monin (France)
- Chairman of the Supervisory Board and Nominations and Compensation Committee of ARDIAN Holding (France)

(1) Listed company.

ERIC DECONINCK – Member of the Supervisory Board

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

Since 2013, Eric Deconinck has been a Member of the Management Board and the Chairman of the Family Board (formerly *Bureau des Assemblées*) within SID, as a representative of Demunich. 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.

Eric 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 manages Demunich.

He is member of the Supervisory Board since 2001.

Professional address:
Demunich – 32 rue du Mont-Thabor,
75001 Paris

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

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Member of the Management Board, Chairman and member *(as a representative of Demunich)* of the Family Board of SID (France)
- Chairman of Demunich (France)

Ended during the last five years:

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

JULIEN DECONINCK – Member of the Supervisory Board and member of the Audit, Risks and Compliance Committee

Experience and expertise
Julien Deconinck is a graduate of HEC.

He is a founding member of Clermount, a merger and acquisition consulting company specialised in new technologies and energy transition. 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 2015, 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.

He joined the Supervisory Board of the Company in 2014 as an observer and was appointed as a Supervisory Board member in April 2018.

Professional address:
Clermount Ltd – 56 Lexham
Gardens – London W8 5JA – United Kingdom

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

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett[1] (France)
- Member of the Audit, Risks and Compliance Committee of Tarkett[1] (France)

Ended during the last five years:

- Observer of the Supervisory Board of Tarkett[1] (France)

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- None

(1) Listed company.

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.

He has been a member of the Supervisory Board since 2007.

Professional address:
Tour Initiale – 1 Terrasse
Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Independent Member of the Supervisory Board of Tarkett (1) (France)

Ended during the last five years:

- Member of the Nomination and Compensation Committee of Tarkett (1) (France)
- Vice-Chairman of the Supervisory Board of Tarkett (1) (France)

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- Chairman of the Management Board of SIF (France)
- Chairman of the Supervisory Board of SMCP SAS (France)
- Member of the Board of Directors of KKR Flooring COMP (Luxembourg)
- Director of Visma AS (Norway)

FRANÇOISE LEROY – Independent member of the Supervisory Board, Chairman of the Nomination, Compensation and Governance Committee and member of the Audit, Risks and Compliance Committee

Experience and expertise

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

She began her career in 1975 as Secretary General of the *Union Industrielle d'Entreprise*. Françoise Leroy 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.

She is a member of the Supervisory Board since 2013.

Professional address:
Tour Initiale – 1 Terrasse
Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Independent member of the Supervisory Board of Tarkett (1) (France)
- Chairman of the Nomination, Compensation and Governance Committee of Tarkett (1) (France)
- Member of the Audit, Risks and Compliance Committee of Tarkett (1) (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

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

Ended during the last five years:

- Member of the Supervisory Board and Chairman of the Audit Committee of HIME (Saur Group) (France)

(1) Listed company.

SABINE ROUX DE BÉZIEUX – Independent Member of the Supervisory Board and member of the Nomination, Compensation and Governance Committee

Experience and expertise
Sabine Roux de Bézieux is a graduate of ESSEC and holds a diploma in accounting and financial studies (DECF) – 1986. She also holds a DECF and a bachelor's degree in philosophy. She is a former auditor of IHEDN.

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 is involved with foundations for more than ten years, first with the ARAOK Foundation she co-founded in 2005, then with the launch of Un Esprit de Famille, which brings together family foundations in France. She is also active in community life, as a treasurer of United Way, L'Alliance and President of the Foundation of the Sea.

She is a member of the Supervisory Board since 2017.

Professional address:
Notus Technologies – 2 bis sue de Villiers, 92300 Levallois-Perret

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

Within the Tarkett Group

Current:

- Independent Member of the Supervisory Board of Tarkett [(1)] (France)
- Member the Nomination, Compensation and Governance Committee of Tarkett [(1)] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- General Manager of Notus Technologies (France)
- Member of the Board of Directors of ABC Arbitrage [(1)] (France)
- Member of the Supervisory Board of Altur Investment [(1)] (France)
- Member of the Supervisory Board of Banque Transatlantique (France)

Ended during the last five years:

- Member of the Supervisory Board of ANF Real Estate [(1)] (France)

GUYLAINE SAUCIER – Independent member of the Supervisory Board and member of the Audit, Risks and Compliance Committee

Experience and expertise
Guylaine Saucier holds a business degree from the *École des Hautes Études Commerciales* of Montreal. She also received a honorary doctorate from the Laval University for her governance work.

Guylaine Saucier is a certified director with the Institute of Corporate Directors, and received the title of Fellow from the CPA Order of Quebec. She was the CEO of the Gérard Saucier Ltée Group from 1975 to 1989. A director of numerous large companies, including the Petro Canada, Bank of Montreal, AXA Assurances Inc., Danone and Areva, she was also Chairman of the Mixed Committee on Corporate Governance (ICCA, CDNX, TSX), Chairman of the Board of Director of the Canadian Institute of Chartered Professional Accountants and a member of the Board of Directors of the Bank of Canada, as well as a Chairman of the Radio-Canada Board. She was also named to chair the Quebec Chamber of Commerce.

She is a Member of the Supervisory Board since 2015.

Professional address:
1321 Sherbrooke Ouest Montreal H3G 1J 4 – Canada

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

Within the Tarkett Group

Current:

- Independent Member of the Supervisory Board of Tarkett [(1)] (France)
- Chairman of the Audit, Risks and Compliance Committee of Tarkett [(1)] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Member of the Supervisory Board of Wendel [(1)] (France)
- Member of the Board of Directors of Junex Inc. [(1)] (Quebec)
- Member of the Supervisory Board of Rémy Cointreau [(1)] (France)

Ended during the last five years:

- Member of the Board of Directors, the Audit Committee and the Risk Management Committee of the Bank of Montreal (Quebec)
- Member of the Board of Directors of Scor [(1)] (France)
- Member of the Supervisory Board and Chairman of the Audit Committee of Areva [(1)]

(1) Listed company.

AGNÈS TOURAINE – Independent member of the Supervisory Board and member of the Nomination, Compensation and Governance Committee

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

She is a member since 2016.

Professional address:
Act III Consultants – 32 rue Notre Dame des Victoires – 75002 Paris

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

Within the Tarkett Group

Current:

- Member of the Supervisory Board of Tarkett [(1)] (France)
- Member the Nomination, Compensation and Governance Committee of Tarkett [(1)] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- Chairman of the Institut Français des Administrateurs (France)
- Chairman of Act III Consultants (France)
- Member of the Supervisory Board, 21 Partners (France)
- Member of the Board of Directors of Proximus [(1)] (Belgium)
- Member of the Board of Directors of GBL [(1)] (Belgium)
- Member of the Board of Directors of Rexel [(1)] (France)

Ended during the last five years:

- Member of the Board of Directors of Darty Plc (United Kingdom)
- Member of the Board of Directors of Neopost [(1)] (France)

BERNARD-ANDRÉ DECONINCK – Observer of the Supervisory Board

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

Since 2013, Bernard-André Deconinck is the Chairman of the Management Board of SID. 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.

In 2007 he became a Supervisory Board member of the Company and has been appointed as an Observer in April 2018.

Professional address:
Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Observer of the Supervisory Board of Tarkett [(1)] (France)

Ended during the last five years:

- Member of the Supervisory Board of Tarkett [(1)] (France)
- Member of the Nominations and Compensation Committee of Tarkett[(1)] (France)

Outside of the Tarkett Group

Current:

- Chairman of the Management Board of SID (France)
- Co-manager of Heritage Fund SPRL (Belgium)
- Manager of Val Duchess SPRL (Belgium)

Ended during the last five years:

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

(1) Listed company.

NICOLAS DECONINCK – Observer 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 specialised 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 specialised in sports equipment, which he sold to Bentley Hall Ivts fund in 2015.

He joined the Supervisory Board in 2015 as an observer.

Professional address:
Tour Initiale – 1 Terrasse
Bellini – 92919 Paris-La Défense

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

Within the Tarkett Group

Current:

- Observer of the Supervisory Board of Tarkett [1] (France)

Ended during the last five years:

- None

Outside of the Tarkett Group

Current:

- None

Ended during the last five years:

- None

(1) Listed company.

2.2.3.6 Balance in the composition of the Supervisory Board

The Supervisory Board and the Nomination, Compensation and Governance Committee regularly evaluate the composition of the Supervisory Board and its specialised Committees, and in particular the various skills and experience provided by each of its members. It also identifies the orientation to be given to assure the best balance possible, trying to achieve a complementarity of profiles of gender, experience and nationality. A diversity approach has been adopted within the Supervisory Board with the help of the Nomination, Compensation and Governance Committee, indicating the criteria taken into account, the objectives set by the Supervisory Board, the implementation modalities and the results obtained in 2018.

Independence of the Supervisory Board members
The Company refers to independence criteria defined in the Afep-Medef Code, as contained in the Internal Regulations. The Supervisory Board, with the help of the Nomination, Compensation and Governance Committee, strives to respect the balance in the composition and guarantee the independence of more than one-third of its members, in accordance with the Afep-Medef Code.

The Supervisory Board also strives to have its specialised Committees chaired by independent members and composed of, at least, two-thirds of independent members, in accordance with the governance recommendations and good practices.

Pursuant to the recommendations of the Afep-Medef Code, Article 1.1 of the Internal Regulations provides that at the time of each renewal or appointment of a Supervisory Board member and at least once a year, the Supervisory Board must evaluate the independence of each of its members in view of the Afep-Medef Code criteria, with the recommendation of the Nomination, Compensation and Governance Committee.

As of December 31, 2018, the Supervisory Board is composed of four independent members, as well as five members appointed on proposal of the Company's majority shareholder, i.e. 44% of members considered as independent (*observers are not taken into account for the calculation of this proportion*). Moreover, this examination has shown that each of the specialised Committees of the Board contained two independent members, including the Chairman, among their three members. It is specified that Mr. Jacques Garaïalde, who is, as of January 10, 2019, a member of the Supervisory Board for 12 consecutive years, informed the Supervisory Board that he did not wish to renew his corporate office at the next Shareholder's Meeting of April 26, 2019 (more details in Section 2.2.3.7).

Balanced representation of men and women within the Supervisory Board
In accordance with the regulations in force, and in order to guarantee a balanced composition, the Supervisory Board assures a proportion of at least 40% of women and men on the Supervisory Board.

At each renewal or appointment of a Supervisory Board member, with the recommendation of the Nomination, Compensation and Governance Committee, the Supervisory Board examines various candidatures, assuring the equality between men and women.

As of December 31, 2018, the proportion of women on the Supervisory Board was 44%.

Subject to the adoption of resolutions proposed to the Shareholder's Meeting of April 26, 2019, this balanced representation of women and men shall be maintained.

Experience and skills of the members of the Supervisory Board

In order to assure a diversity in its composition and quality in its deliberation, the Supervisory Board takes into account the professional skills and experience of its members, including international ones. The following table summarises the experience and skills of Supervisory Board members.

Member	Knowledge of the sector	Entrepre-neurial dimension	General Management	Industry knowledge	Finance and M&A	Marketing and Digital	International experience	Governance and experience in listed companies *(other than Tarkett)*	CSR
Éric La Bonnardière	√	√	√			√	√		√
Didier Deconinck	√	√	√				√		
Julien Deconinck	√	√			√		√		
Éric Deconinck	√		√			√	√		
Jacques Garaïalde			√	√	√		√	√	
Françoise Leroy			√	√	√		√	√	√
Sabine Roux de Bézieux		√			√	√	√	√	√
Guylaine Saucier			√		√		√	√	√
Agnès Touraine			√		√	√	√	√	
Bernard André Deconinck	√		√	√	√		√		
Nicolas Deconinck	√	√		√		√	√		

This analysis shows that the members allow the Supervisory Board to benefit from the knowledge of the sector, in which the Group operates, confirmed experience in various areas and complementary skills, assuring a diversity of its composition and guaranteeing quality of the deliberation.

2.2.3.7 Supervisory Board members' independence

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 appointment of a Supervisory Board Member, and at least once per year prior to the publication of the Company's Registration Document, the Supervisory Board must evaluate the independence of each of its members in view of the Afep-Medef Code criteria:

- criterion 1: not being and not to have been, within the previous five years, an employee or executive officer of the corporation; an employee, executive officer or director of a company consolidated within the corporation; an employee, executive officer or director of the company's parent company or a company consolidated within this parent company;
- criterion 2: not being an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship;
- criterion 3: not being a customer, supplier, commercial banker, investment banker or consultant that is significant to the corporation or its group or for which the corporation or its group represents a significant portion of its activities. The evaluation of the significance or otherwise of the relationship with the company or its group must be debated by the Board, and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the report on corporate governance;
- criterion 4: not to be related by close family ties to any company officer;
- criterion 5: not having been a company auditor in the previous five years;
- criterion 6: not having been a Member of the Supervisory Board of the Company for more than twelve years;
- criterion 7: not being, controlling or representing a shareholder holding alone or jointly more than 10% of the capital or voting rights at the Company Shareholders' Meetings.

The Supervisory Board excludes the qualification of independence of members who have direct or indirect business relations with the Company and companies, in which members qualified as independent exercise functions or mandates. Therefore, no analysis of qualitative and quantitative criteria of these relations has been performed.

The determination of independence is discussed each year by the Nomination, Compensation and Governance Committee, which prepares a report relating thereto for the Supervisory Board, who examines the situation of each Supervisory Board Member with regard to these independence criteria.

In this context, the Nomination, Compensation and Governance Committee at its session of February 5, 2019 and the Supervisory Board at its session of February 7, 2019 examined the independence of each of its members. At the date of this examination, three members of the Supervisory Board are considered as independent: Ms. Guylaine Saucier, Ms. Françoise Leroy and Ms. Sabine Roux de Bézieux. Regarding Mr. Jacques

Garaïalde, after noting that his presence in the Supervisory Board exceeded twelve years since January 10, 2019, the Supervisory Board has not renewed his qualification as an independent member in view of the independence criterion of the Afep-Medef Code.

Following the decision of Mr. Jacques Garaïalde not to renew his mandate at the next Shareholder's Meeting of April 26, 2019, the Supervisory Board, in order to guarantee a balanced composition, in particular by maintaining the proportion of independent members recommended by the Afep-Medef Code, has decided, with the recommendation of the Nomination, Compensation and Governance Committee, to propose the appointment of Mr. Didier Michaud-Daniel at the Shareholder's Meeting of April 26, 2019. After examination, Mr. Didier Michaud-Daniel has been qualified as an independent member in view of the criteria of the Afep-Medef Code observed by the Company. Therefore, subject to the adoption of the resolutions proposed at the Shareholder's Meeting of April 26, 2019 regarding this appointment, 44% of the Supervisory Board members will be independent (*observers are not taken into account for the calculation of this proportion*) after this Shareholder's Meeting.

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7
Éric La Bonnardière		√			√	√	
Didier Deconinck		√			√		
Julien Deconinck		√			√	√	
Éric Deconinck		√			√		
Jacques Garaïalde	√	√	√	√	√	(1)	√
Françoise Leroy	√	√	√	√	√	√	√
Sabine Roux de Bézieux	√	√	√	√	√	√	√
Agnès Touraine	√	√			√	√	√
Guylaine Saucier	√	√	√	√	√	√	√

(1) As of December 31, 2018, Mr. Jacques Garaïalde's office term was 11 years. As of January 10, 2019, he has served on the Supervisory Board for more than 12 years.

Moreover, this examination shows that the Audit, Risks and Compliance Committee comprises two independent members, including its Chairman (Ms. Guylaine Saucier (Chairman) and Ms. Françoise Leroy), among its three members. The Nomination, Compensation and Governance Committee also includes two independent members, including its Chairman (Ms. Françoise Leroy (Chairman) and Ms. Sabine Roux de Bézieux), among its three members.

2.2.3.8. Assessment of the functioning 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 on the conditions for preparing and organizing its work, in order to allow the assessment of the terms of its functioning as well as that of its specialised Committees, and the verification of important issues to be properly prepared and discussed during its meetings, and finally to measure the effective contribution of each member to the work of the Supervisory Board.

This assessment is carried out either by the members of the Supervisory Board under the supervision of the the Chairman of the Nomination, Compensation and Governance Committee, 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.

In 2017, a formalized assessment was conducted with the assistance of the firm Korn Ferry. After the completion of this assessment, the Supervisory Board had discussed its functioning and performance, without the presence of members of the Management Board. Several proposals had been presented to improve the functioning of the Supervisory Board and specific actions were undertaken in 2018:

- reflection on the composition and development of the Supervisory Board:
  - a new Chairman was appointed to the Supervisory Board,
  - the tasks and duties of the specialised Committees of the Supervisory Board have been reviewed and expanded, renaming the Committees for this purpose;
- holding regular meetings without in the absence of the members of the Management Board ("executive session"): Supervisory Board meetings without the Management Board are organized every two months;
- regular recurrent theme meeting: the Supervisory Board had the opportunity to meet to discuss the Company's shareholding profile and its evolution. In addition, the Group's financial performance was regularly presented to the Supervisory Board members, as well as the projects and strategic topics for the Group;
- proposal for the training of the Supervisory Board members: registration to the IFA and e-learning sessions on compliance were proposed to members and performed in 2018.

In 2018, as part of the annual self-assessment of its operating method, and pursuant to the recommendations of the Afep-Medef Code, the Supervisory Board members (including the observers) were able to share their opinion on the terms of the functioning of the Supervisory Board, including the handling and preparation of discussions on important issues and the contribution of each member to the work of the Supervisory Board. It is concluded that the current governance mode is balanced and that the functioning of the specialised Committees has improved.

On this occasion, new areas for improvement were identified, in particular:

- regarding the operation of the Supervisory Board: setting up, for specific and important projects for the Group, "ad hoc" non-permanent Committees with Supervisory Board members, following the proposal of the Nomination, Compensation and Governance Committee;
- regarding the composition of the Supervisory Board: the Supervisory Board, with the help of the Nomination, Compensation and Governance Committee, will pay particular attention to operational and/or international profiles for future appointment or renewal of its members. This is the background of the proposal to the Shareholder's Meeting of April 26, 2019 to renew Mrs. Françoise Leroy's term of office and to appoint Mr. Didier Michaud-Daniel.

2.2.3.9 Supervisory Board activity during the period

	2018	2017
Number of meetings	15 (1)	11
Mean attendance rate	96% (2)	100%

(1) Number including 8 so called "exceptional" meetings, as defined in Section 2.3.10, which were held in 2018.
(2) The average attendance rate of the members of the Supervisory Board, excluding the so called "exceptional" meetings exceeds 99%.

Financial Information:

- review of the Company and Consolidated annual financial statements for the year ending December 31, 2017 presented by the Management Board;
- review of the quarterly information presented by the Management Board on March 31, 2018 and September 30, 2018;
- review of the half-year financial report on June 30, 2018 presented by the Management Board;
- review of forecast results documents;
- validation of press releases related to financial information.

Shareholder's Meeting of April 26, 2018:

- proposed allocation of results for the year ending on December 31, 2017;
- review of the Company's and Group's management report approved by the Management Board;
- review of the status of the corporate offices of the Supervisory Board members;
- review of regulated agreements and commitments;
- approval of the report on corporate governance;
- approval of resolutions relating to Company shares transactions submitted by the Management Board to the Shareholder's Meeting approval;
- review of the agenda and the draft resolutions submitted by the Management Board to the Shareholder's Meeting approval.

Other activities:

- replacement of the Chairman of the Management Board: Analysis of the succession plan; analysis of the proposals of the Nomination, Compensation and Governance Committee;
- analysis and studies of strategic investment projects for the Group;
- authorization for the acquisition of Lexmark;
- implementation of the buyback program under the conditions set by the Shareholder's Meeting of April 26, 2018.

2.2.4 Supervisory Board Specialised Committees

At its meeting of September 17, 2013, the Supervisory Board decided to create two specialised Committees: an Audit Committee and a Nomination and Compensation Committee. These specialised Committees are responsible for presenting proposals, recommendations and opinions, as the case may be, to the Supervisory Board, in their areas of competence. Their tasks and duties do not divest the Management Board or the Supervisory Board, which alone have decision-making power in their respective areas. Each of the specialised Committees has set Internal Regulations with rules applicable to the conduct of its work.

During 2018, the appointments, tasks and duties of the specialised Committees have evolved, aiming at highlighting the importance of their respective involvement in risk management and governance. Thus, the special committees of the Supervisory Board are now: the Audit, Risks and Compliance Committee and the Nomination, Compensation and Governance Committee.

The Internal Regulations of the Committees provides that they are each composed of two (2) at least and up to four (4) members, at least two (2) of whom (including the Chairman) must be independent members with regard to the independence criteria of the Afep-Medef Code. The members of the Committees are chosen by the Supervisory Board from among its members, following the proposal of the Nomination, Compensation and Governance Committee, in particular in consideration of their competence. The term of office of the members of the specialised Committees coincides with that of their term of office as members of the Supervisory Board. Each Committee appoints its Chairman, after consulting with the Nomination, Compensation and Governance Committee. Secretary duties for the Committees meetings may be performed by any person designated by the Chairman of the Committee or with the chairman's approval.

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

Minutes shall be drawn up for Committee meetings. The Chairman of the Committee in question, or, in his absence, another member designated for that purpose, reports to the Supervisory Board on the work of his Committee.

The descriptions below present the main tasks and duties of these Committees as described in their Internal Regulations.

2.2.4.1 Audit, Risks and Compliance committee

2.2.4.1.1 Composition and functioning

As of December 31, 2018, this Committee was set up as follows:

	Role	Independent
Mrs. Guylaine Saucier	Chairman	√
Mrs. Françoise Leroy	Member	√
Mr. Julien Deconinck	Member	

The members of this Committee are chosen in consideration of their competence in financial and/or accounting matters, as presented in Section 2.2.3.6.

As of December 31, 2018, the proportion of independent members on this Committee is two-thirds and does not include any executive corporate officer, in accordance with the Committee's Internal Regulations and the recommendations of the Afep-Medef Code.

This 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 half-year financial statements. The meetings are held prior to the Supervisory Board meeting and, to the extent possible, at least two days prior to that meeting when the Committee's agenda includes examination of financial statements.

2.2.4.1.2 Duties

The 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. In the exercise of its duties, the Committee may, after informing the Chairman of the Management Board or the Management Board itself and reporting to the Supervisory Board and the Management Board, contact the senior executives of the Group and may also request external technical studies on subjects within its competence. The Committee may hear the Statutory Auditors of the Company and Group companies, the CFO, the heads of accounting and treasury department and the head of internal audit. These hearings may be held, if the Committee so wishes, without the presence of the members of the executive corporate management. It may also ask the Management Board to provide it with any information.

The Committee's Internal Regulations set out its main duties as follows:

- regarding financial information:
  - monitoring the process of preparing financial information (in particular parent company and consolidated annual or half-year financial statements) accompanied by a presentation on the exposure to risks, including those of a social and environmental nature and the significant off-balance sheet commitments of the Company and the accounting options retained,
  - monitoring internal control, internal audit and risk management systems relating to financial and accounting information;
- regarding risk management and compliance:
  - periodic review of risk mapping,
  - periodic review of the functioning of the risk management and internal control systems,
  - review and follow-up of the systems put in place within the Group regarding compliance;
- Statutory Auditors:
  - monitoring the review of the Company and Consolidated Financial Statements by the Company's Statutory Auditors, and
  - monitoring the independence of the Statutory Auditors.

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

2.2.4.1.3 Activities during the year 2018

	2018	2017
Number of meetings	6	7
Mean attendance rate	100%	100%

The Committee met six times during the 2018 financial year (seven times in 2017), in particular before the Supervisory Board meetings on the financial statements prepared by the Management Board. It reported on its work to the Supervisory Board.

In 2018, the work of this Committee included review of the following:

Financial Information

- review of the Company and Consolidated annual financial statements for the year ending on December 31, 2017;
- review of quarterly information at March 31, 2018 and September 30, 2018;
- review of half-year Consolidated Financial Statements for the period ending June 30, 2018;
- review of the management report of the Management Board;
- review of operating income, exceptional items, financial and tax result, balance sheet changes, cash flow performance and the Group's debt position;
- validation of press releases related to financial information.

Risk management and compliance:

- review of the implementation of the 2017 internal audit plan and review of the 2018 internal audit plan;
- review of major risks and disputes;
- review of the drafting of the 2017 Registration Document relating to internal control and risk management;
- review of the progress of the compliance program put in place within the Company (including Sap II, competition, duty of care);
- review of the implementation of action plans related to IT security;
- review of the progress of the action plan on international sanctions.

Current and future regulations:

- review of transfer pricing documentation;
- presentation of the new IFRS 16 and review of any impact on the Company and the Group;
- review of the progress of the GDPR regulatory compliance program on the protection of personal data.

2.2.4.2 Nomination, Compensation and Governance Committee

2.2.4.2.1 Composition and functioning

As of December 31, 2018, this Committee was set up as follows:

	Role	Independent
Mrs. Françoise Leroy	Chairman	√
Mrs. Sabine Roux de Bézieux	Member	√
Mrs. Agnès Touraine	Member	

The members of this Committee are chosen based on their competence in corporate governance, human resources and/or compensation of the executive officers of listed companies.

As of December 31, 2018, this Committee is composed mainly of independent members (two-thirds), in accordance with the Committee's Internal Regulations and the recommendation of the Afep-Medef Code.

This Committee meets as often as necessary and, in any event, at least once a year prior to the Supervisory Board meeting on its members' independence, and in advance of any Supervisory Board meeting during which matters regarding the terms of office for the members of the Supervisory Board and the Management Board, the compensation of the latter or attendance fees are to be decided. The Committee makes its recommendations.

2.2.4.2.2 Duties

This Committee's main function is to assist the Supervisory Board in appointing members of the management bodies 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 to its senior executives.

The Committee's Internal Regulations set out its main duties as follows:

- functioning and composition of the Group's management and control bodies:
  - establishment of a diversity policy within the Supervisory Board and monitoring of its implementation,
  - proposals for the appointment of independent members of the Supervisory Board and of the specialised Committees, examining and assessing the application of non-independent members to the Supervisory Board,
  - proposals for the appointment of the members of the Management Board and the executive officers and senior managers of the Group; in accordance with the recommendation of the Afep-Medef Code, the Chairman of the Management Board is associated with this work of the Committee,
  - annual assessment of the independence of the Supervisory Board members,
  - annual assessment of the Supervisory Board functioning;
- compensation of the executive officers and senior managers of the Group:
  - review proposal to the Supervisory Board with respect to attendance fees,
  - review and proposal to the Supervisory Board concerning all elements and conditions of the compensation of the executive officers and main senior managers of the Group; the executive compensation policy is established taking into account practices in comparable companies, and
  - review of any exceptional compensation relating to exceptional assignments given by the Supervisory Board to any of its members;
- governance:
  - preparation and monitoring of a succession plan for the members of the Management Board as well as for the Group's senior executives,
  - review of the draft report on corporate governance to be approved by the Supervisory Board.

2.2.4.2.3 Activities during the year 2018

	2018	2017
Number of meetings	7	8
Mean attendance rate	100%	100%

This Committee met seven times during the fiscal year of 2018 (eight times in 2017) and reported on its work to the Supervisory Board.

In 2018, the work of this Committee included the following:

Regarding the Management Board and the Group's senior executives examination of:

- the performance of the senior executives;
- the accomplishment of the economic objectives set for the senior executives;
- the evolution the management teams within the Group and the succession plan of these teams, in particular through the establishment of a succession plan for executive corporate officers. A meeting dedicated to the identification of internal successors and potential employees took place on June 25, 2018;
- the LTIP 2015-2018 and the final allocation of the shares;
- the evolution of compensation and the evolution of the criteria of the LTIP 2018-2021, taking into account the comparisons made by external advisers and the wish to integrate an external performance criterion, i.e. the Relative TSR.

With regard to the Supervisory Board:

- review of succession of Mr. Didier Deconinck as Chairman of the Supervisory Board;
- review of the candidacy of Mr. Eric La Bonnardière as Chairman of the Supervisory Board;
- conducting an annual review of the independence of the Supervisory Board members;
- review of offices and profiles of the Supervisory Board members whose term of office expires.

With regard to the Shareholder's Meeting of 26 April 2018:

- preparation and review of "Say on Pay" resolutions to be submitted to the shareholders' vote at the Shareholder's Meeting of April 26, 2018;
- review of the report on corporate governance.

Succession plan of the Chairman of the Management Board:
In order to organize the succession of the Chairman of the Management Board, in accordance with the best practices of corporate governance and the Group's interests, a structured and thorough selection process was initiated with the support of a recognized external consultant. In the second half of 2018, most of the Committee's work was devoted to the succession plan of the Chairman of the Management Board, in connection with the departure of Mr. Glen Morrison on September 18, 2018. Mr. Eric La Bonnardière, Chairman of the Supervisory Board has been closely associated with the work of the Committee for this succession plan.

The Supervisory Board meeting of September 18, 2018 terminated the corporate office of Mr. Glen Morrison as Chairman of the Management Board, and decided to launch a search process for a new Chairman of the Management Board, which he entrusted to the Committee, and appointed Mr. Fabrice Barthélemy as interim Chairman of the Management Board waiting for the identification and appointment of a new Chairman of the Management Board.

A mandate to search potential candidates was fulfilled by a recruitment firm using job description and personal characteristics of the future Chairman validated by the Supervisory Board. Numerous external candidates were identified by the Committee and initially met with the Chairman of the Management Board and the Chairman of the Committee, and then with the entire Committee and the Vice-Chairman of the Supervisory Board. Two final candidates were identified and invited to meet the whole Supervisory Board and present their analysis of Tarkett's issues and how they would address them if appointed. In addition, Mr. Fabrice Barthélemy made a similar presentation to the Supervisory Board. Following these presentations, the Committee recommended the definitive appointment of Mr. Fabrice Barthélemy as Chairman of the Management Board, a recommendation followed by the Supervisory Board on January 11, 2019, having permanently appointed Mr. Fabrice Barthélemy as of January 14, 2019.

2.2.5 The Group's Executive Committee

Composition of the Group's Executive Committee as of December 31, 2018
The composition of the Group's Executive Committee is as follows:

Members	Position	Nationality	Age	Biography
Fabrice Barthélemy	Chairman of the Management Board and President of EMEA & LATAM Division	French	50 years	See Section 2.2.2.4
Sharon MacBeath	Member of the Management Board and EVP of Human Resources and Communications	British	49 years	See Section 2.2.2.4
Anne-Christine Ayed	EVP Research, Innovation and Environment	French-Canadian	57 years	Anne-Christine Ayed holds a PhD in polymer chemistry. Previously, she held various managerial and R&D positions with Dow Chemicals in Switzerland, Germany and the United States. She joined Tarkett in 2009.
Pierre Barrard	Strategic & Digital Marketing Director	French	53 years	With a degree in computer science from Paris-Sud University (Paris XI) in 1988 and ESSEC in 1991, PierreBarrard began his career at Nestlé in the field of food services then joined Michelin in B2C business lines. Pierre Barrard has held various positions in the fields of international marketing, sales and digital, in France, Europe and the United States. Before joining Tarkett, he was Senior Vice President global Marketing & Digital for Michelin Automotive. Since July 2018, he is EVP Strategic Marketing & Digital.
Raphaël Bauer	Chief Financial Officer	French	39 years	Raphaël Bauer is a graduate of *Sciences Po Paris*. 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 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, when he was appointed Chief Financial Officer of the Group.
Andrew Bonham	President of North America Division	American	58 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.
Eric Daliere	President of Tarkett Sports Division	American	51 years	Eric Daliere received an MBA from the J.L. Kellogg School of Management, Northwestern University. Previously, he spent ten years working on complex projects for KKR Capstone, after having started with the Boston Consulting Group. He is President of the Tarkett Sports Division since 2009.

Members	Position	Nationality	Age	Biography
Wendy Kool-Foulon	Group General Counsel	French-Dutch	45 years	Wendy 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 from the University of Paris-Dauphine. She began her career as a lawyer (with PriceWaterhouse and with Salans) and then occupied various positions with IBM and Geodis. She joined Tarkett in 2012 as General Counsel for the EMEA, Asia-Pacific and Latin America divisions and became Group General Counsel in 2016.
Gilles Lebret	VP Customer Operations and Group CIO	French	45 years	Gilles Lebret received a Master in sociology from the University of Amsterdam and a Bachelor's degree in Systems economics and a MBA from the Asian Institute of Technology. He was the Marketing Director and then the Managing Director of Central Europe for Knauf Insulation from 2006 to 2012. He joined the Company in December 2012.
Slavoljub Martinovic	President of Eastern European Division	Serbian	48 years	A graduate of the Technological Faculty of Novi Sad, Slavoljub Martinovic joined 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.
Antoine Prévost	EVP Operations	French	48 years	A graduate of the *École Nationale Supérieure des* of Operations *Mines de Paris*. From 1995 to 2011, he held various managerial positions with Vallourec. Antoine Prévost joined the Company in 2011.

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 of the Group.

2.2.6 Statement relating to Corporate Governance

2.2.6.1 Conflicts of Interest

As of December 31, 2018, in addition to the items described in Sections 2.2.3.2 and 2.9, to the Company's knowledge, there is no potential conflict of interest between the Company's duties with respect to the Company of the members of the Management Board or Supervisory Board and their private interests or other duties. Indeed, according to Article 2.2. of the Internal Regulations, each one of its members has the obligation to inform it of any conflict of interest, even a potential one.

As of December 31, 2018, and except as described in Section 2.5, "Performance shares", the members of the Management Board and 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.

2.2.6.2 Personal information related to executive officers

As of December 31, 2018, other than the family relationships among Didier Deconinck (Vice-Chairman of the Supervisory Board), Bernard-André Deconinck (observer) and Eric Deconinck (Supervisory Board Member), as well as between these three members and Eric La Bonnardière (Chairman of the Supervisory Board), Nicolas Deconinck (observer) and Julien Deconinck (Supervisory Board Member), their nephews, there are no family relationships among the Company's officers.

Other than the related party agreements described in Section 8.6, 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 conviction for fraud has been pronounced against a corporate officer;
- none of the company officers has been associated with any bankruptcy, receivership or liquidation;
- no criminalization and/or official public sanction has been pronounced against any of the company officers 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.

2.3 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:

1. 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 specialised firms using a benchmark of comparable companies in the SBF 120 for France.
2. Variable compensation for annual objectives in line with market practices that reflect Tarkett's level of ambition and requirements:
   - quantifiable criteria based on the year's performance compared with budgetary commitments. These criteria (adjusted EBITDA and Operating Cash Flow) have been unchanged for the last ten years; and
   - qualitative criteria precisely defined each year, with regard to the Group's main challenges, and, in particular, the CSR challenges.
3. Incentives to motivate and encourage loyalty 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 allocations 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. For the plans dated before 2018, the performance is measured by achieving the objectives of the medium-term strategic plan with regard to growth in EBITDA and debt reduction. This performance criterion is maintained for the LTIP 2018-2021 by 80% and an external criterion, Tarkett's TSR (Total Shareholder Return) compared to the TSR of the SBF120 has been added and represents 20%;
   - the actual pay-out rate, compared to the target envelope for the 2012-2015, 2013-2016, 2014-2017 and 2015-2018 plans was 43%, 45%, 52.88% and 79.15% respectively. Regarding the current plans, the target capital amount was 0.6% for the LTIP 2015-2018, 0.5% for the LTIP 2016-2019 and 2017-2020 and 0.57% for the LTIP 2018-2021.
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 it to them to build their own supplemental retirement portfolio, if desired.
5. The Group respects equal treatment between men and women, particularly as regards compensation.

2.3.1 Total compensation of members of the Management Board for fiscal years 2017 and 2018

The following table presents the summary of compensation, options, and shares granted to Mr. Glen Morrison, Mr. Fabrice Barthélemy and Mrs. Sharon MacBeath during the years ended December 31, 2017 and 2018.

Table 1 – Summary Table of Compensation and options and shares granted to each Member of the Management Board

(in euros)	Fiscal year 2018	Fiscal year 2017
Glen Morrison, Chairman of the Management Board through September 18, 2018		
Compensation due for the fiscal year *(pro rata temporis)* (1)	1,526,967	216,667
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year (2)	0	0
Total	**1,526,967**	**216,667**
Fabrice Barthélemy, interim Chairman of the Management Board as of September 18, 2018		
Compensation due for the fiscal year (3)	521,566	552,198
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year	436,700	740,000
Total	**958,266**	**1,292,198**
Sharon MacBeath, Member of the Management Board since January 3, 2017		
Compensation due for the fiscal year	419,632	319,865
Valuation of stock options granted during the year		
Valuation of performance-based shares granted during the year	269,960	503,200
Total	**689 592**	**823,065**

(1) The 2018 amount includes the severance pay of €931,645.
(2) Following the termination of Glen Morrison's term of office on September 18 , 2018, his 2016, 2017 and 2018 performance share awards were cancelled.
(3) Mr. Fabrice Barthélemy was appointed interim Chairman of the Management Board on September 18, 2018. The published compensation is an accumulation between his compensation as President of the EMEA and Latin America Division through September 17, 2018, and those under Chairman of the Management Board acting from September 18, 2018. This amount also includes, pro rata temporis, the exceptional annual compensation of €120,000 for the additional responsibilities he has to assume as interim Chairman of the Management Board during this transitional period. The payment of the exceptional annual compensation granted to Mr. Fabrice Barthélemy (pro rata temporis) is subject to the approval of the Shareholder's Meeting of April 26, 2019. The Supervisory Board has proceeded to the final appointment of Mr. Fabrice Barthélemy as Chairman of the Management Board as of January 14, 2019 and set his fixed compensation at this date at €575,000 gross per year, which is lower than that of Mr. Glen Morrison but according to comparable principles and structures, as approved by the Shareholder's Meeting of April 26, 2018.

2.3.2 Compensation of each Member of the Management Board for fiscal years 2017 and 2018

The table below shows the breakdown of fixed, variable, and other benefits granted to Mr. Glen Morrison, Mr. Fabrice Barthélemy and Mrs. Sharon MacBeath during the years ended December 31, 2017 and 2018.

Table 2 – Summary table of compensation of each Management Board member

(in euros)	2018		2017	
	Amounts due [2]	Amounts paid [3]	Amounts due [2]	Amounts paid [3]
Glen Morrison, Chairman of the Management Board from September 1st, 2017 to September 18, 2018				
Fixed compensation [1] [4]	465,833	465,833	216,667	216,667
Variable compensation based on annual objectives [1]	67,493	129,489	129,489	
Exceptional compensation				
Severance payment [1] [5]	931,645	931,645		
Benefits in Kind [6]	74,778	74,778	24,805	24,805
Total	**1,539,749**	**1,601,745**	**370,961**	**241,472**
Fabrice Barthélemy				
Fixed compensation [1] [4]	414,292	414,292	335,856	335,856
Variable compensation based on annual objectives [1] [4]	139,706	107,274	107,274	216,342
Exceptional compensation [1] [7]	34,300			
Benefits in Kind	2,943	2,943	3,243	3,243
Total	**591,241**	**524,509**	**446,373**	**555,441**
Sharon MacBeath				
Fixed compensation [1]	326,400	326,400	319,865	319,865
Variable compensation based on annual objectives [1]	60,368	93,232	93,232	
Exceptional compensation				
Benefits in Kind	3,730	3,730	3,179	3,179
Total	**390,498**	**423,362**	**416,276**	**323,044**

(1) Gross compensation before tax.
(2) Compensation due in respect of relevant fiscal year, regardless of payment date.
(3) Compensation paid during fiscal year.
(4) These relate to pro rata payments from the date of the beginning or end of their term of office.
(5) The amount of €931,645 corresponds to the payment of the severance payment paid to Mr. Glen Morrison after the Supervisory Board terminated his term as Chairman of the Management Board on September 18, 2018.
(6) Includes a company car (€3,378) and temporary accommodation as part of his move (€5,950 per month).
(7) This is the exceptional annual compensation of €120,000 euros which will be paid (pro rata temporis), for the additional responsibilities that Mr. Fabrice Barthélemy must assume as Chairman of the Management Board during the transitional period. The payment of the exceptional annual compensation granted to Mr. Fabrice Barthélemy (pro rata temporis) will be subject to the approval of the Shareholder's Meeting of April 26, 2019. The pro rata temporis has been calculated from September 18, 2018 to December 31, 2018. It should be noted that the transitional period ends on January 14, 2019, date of the definitive appointment of Mr. Fabrice Barthélemy as Chairman of the Management Board.

Compensation of Mr. Glen Morrison, Chairman of the Management Board through 18 September 2018

The compensation due to Mr. Glen Morrison for his term of office as Chairman of the Management Board in 2018 and until the end of his term of office on September 18, 2018, remained the same as in 2017, as validated by the Supervisory Board on February 8, 2018, on the proposal of the Nomination, Compensation and Governance Committee, and approved by the Shareholder's Meeting of April 26, 2018. This compensation consists of:

- a fixed annual amount of €650,000, i.e. pro rata €465,833 for 2018;
- a variable amount capped at 170% of his base salary, with a payment of 100% of his base salary if 100% of the objectives achieved are payable no later than the month following the Shareholder's Meeting authorizing this variable for the previous year. The award criteria are reviewed each year by the Nomination, Compensation and Governance Committee and the amount is set by the Supervisory Board upon the Committee's proposal. The criteria are detailed below. The variable compensation will be applied on a pro rata basis through September 18, 2018.

Mr. Glen Morrison received severance pay following the end of his term as Chairman of the Management Board on September 18, 2018. This severance pay was subject to performance conditions.

Performance is measured by the achievement rate of the annual objectives and used as a calculation for the variable compensation, and is equivalent to the average performance achieved by the Chairman of the Management Board over the three calendar years preceding his departure.

The severance pay payable to Mr. Glen Morrison is €931,645, taking into account a target achievement rate equal to 59.76% (corresponding to the achievement rate of the annual objectives for the 2017 financial year as Chairman of the Management Board).

Mr. Glen Morrison benefited from a company car and his temporary accommodation costs in the Paris region were covered as part of his move to France. The benefit of these two benefits in kind was exceptionally kept until the end of January 2019 to enable him to organize his job search and his new relocation.

Compensation of Mr. Fabrice Barthélemy

Mr. Fabrice Barthélemy did not receive any compensation for his term of office as a member of the Management Board until September 17, 2018 included; period during which he had an employment contract with the Company as President of EMEA and Latin America Division. Under this contract, he received a fixed annual salary as well as variable compensation based on performance criteria that are reviewed annually by the Nomination, Compensation and Governance Committee, 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 and Latin America 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.

As of September 18, 2018, Mr. Fabrice Barthélemy, following the proposal of the Nomination, Compensation and Governance Committee, received, in his capacity as Chairman of the Executive Board, a compensation consisting of:

- a fixed annual amount of €450,000;
- an exceptional compensation of an annual amount of €120,000 will be paid to Mr. Fabrice Barthélemy (pro rata temporis), subject to the approval of the Shareholder's Meeting of April 26, 2019, for additional responsibilities that he must assume in the context of his role as Chairman of the Management Board during this transitional period;
- 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 Shareholder's Meeting authorizing this variable for the previous year. The award criteria are reviewed each year by the Nomination, Compensation and Governance Committee and the amount is set by the Supervisory Board upon the Committee's proposal. The criteria are detailed below.

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

Compensation of Mrs. Sharon MacBeath

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

Mrs. Sharon MacBeath entered into an employment contract with the Company in her role as EVP Human Resources and Communication. Under this contract, she receives fixed annual salary as well as variable compensation based on performance criteria that are reviewed annually by the Nomination, Compensation and Governance 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 to Mrs. Sharon MacBeath for the year ended December 31, 2018.

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 Nomination, Compensation and Governance Committee, the amount of which is fixed by the Supervisory Board upon such Committee's proposal. In 2018, variable compensation was determined as follows:

- 70% for the achievement of quantifiable 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% for the achievement of qualitative individual objectives, multiplied by a coefficient of 0% to 100%. In 2018:
  - the qualitative objectives of Mr. Glen Morrison were mainly focused on 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,

- those of Mr. Fabrice Barthélemy as President of the EMEA and Latin America Division focused in particular on the continuous development of safety, the successful deployment of the ambitious strategy of launching new products, the achievement of the quantifiable objectives of price increase and productivity gains as well as the simplification of the operating modes,
- Sharon MacBeath's main priorities were the evolution of the Group to become "One Tarkett", implying organizational and cultural changes and the adoption of new identity guidelines, the pursuit of actions related to the "simplification" of the functioning of the Group and the accompaniment of the evolution of the Group's Executive Committee.

The table below summarizes the achievement of the variable compensation criteria applicable to Mr. Glen Morrison (through September 18, 2018), to Mr. Fabrice Barthélemy (effective September 18, 2018) and to Mrs. Sharon MacBeath:

2018 Group Criteria	Reference	Minimum	Target (100% of objectives achieved)	Maximum	2018 Group Criteria
Quantifiable criteria					
Consolidated adjusted EBITDA	Budget	0%	40%	80%	0%
Operating cash flow	Budget	0%	30%	60%	23.3%
Sub-total quantifiable criteria		0%	70%	140%	10%
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 and Latin America Division through September 17, 2018, were based:

- for 20% on Group quantifiable objectives (up to 40% of these criteria), i.e. an achievement rate for the Group in 2018 as indicated in the table above;
- for 50% on EMEA and Latin America quantifiable objectives (up to 100% of these criteria) of adjusted EBITDA and Operational Cash Flow targets, with a 2018 achievement rate of 33.8%.

Mr. Fabrice Barthélemy position change on September 18, 2018 and the calculation rules for the two periods were taken into account for the calculation of his 2018 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 target as a % of fixed compensation	Rate of achievement in 2018 as a % of target		Variable compensation due for 2018 as a % of fixed compensation
		Quantifiable criteria (70 %)	Qualitative criteria (30 %)	
Glen Morrison (through 09/18/2018 included)	100%	10%	25%	14.5%
Fabrice Barthélemy (through 09/17/2018 included)	70 %	33.8%	80%	33.4%
Fabrice Barthélemy (as of 09/18/2018)	100%	10%	100%	37%
Sharon MacBeath	50%	10%	100%	18.5%

2.3.3 Stock subscription or purchase options granted during 2018 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 2018.

2.3.4 Stock subscription or purchase options exercised during 2018 by each Member of the Management Board

N/A

2.3.5 Performance shares granted to Company officers in 2018

Table 7 below details the amounts definitively acquired by the members of the Management Board under the long-term incentive plan no. 5 (“LTIP 2015-2018”), within the meaning of Articles L.225.1971 *et seq.* of the French Commercial Code, arrived at full maturity in July 2018.

Table 6 below sets forth information on performance shares granted on July 25, 2018, within the scope of Articles L.225-197-1 *et seq.* of the French Commercial Code that were authorized by the 18th Resolution of the Shareholder’s Meeting of April 26, 2018.

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
Plan no. 5 – LTIP 2015-2018			
Glen Morrison	20,000	94.5%	18,900
Fabrice Barthélemy	16,000	94.5%	15,120
Sharon MacBeath		N/A	
Total	**36,000**	**94.5%**	**34,020**

The calculation of the achievement rate of the LTIP 2015-2018 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 (2017 in the case of the LTI 2015-2018 plan, calculated on the basis of audited and published aggregates) and the theoretical value for the shareholders of the reference year of the plan (2014 in the case of the 2015-2018 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 2015-2018 is 94.5%. This rate was confirmed by the Supervisory Board on June 26, 2018 after prior review by the Nomination, Compensation and Governance 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 financvial statements *(in euros)*	Vesting date
Plan no. 8 – LTIP 2018-2021			
Glen Morrison (1)	0	0	N/A
Fabrice Barthélemy	22,000	436,700	July 1, 2021
Sharon MacBeath	13,600	269,960	July 1, 2021
Total	**35,600**	**706,660**	**July 1, 2021**

(1) The 32,000 performance shares granted to Mr. Glen Morrison on July 25, 2018 were cancelled following the end of his term of office as Chairman of the Management Board on September 18, 2018.

During the 2018 award, an external performance criterion was added to the existing value creation criterion.

This is the TSR (Total Shareholder's Return). This new criterion represents 20% of the overall performance conditions, the internal criterion of value creation having been reduced to 80%.

The relative performance of Tarkett's TSR is compared as a percentage to the change in the SBF120 index between December 31, 2020 and December 31, 2017, dividends reinvested. This indicator is provided by Thomson Reuters.

If the relative performance is between 85% and 115% of that of the SBF120, the achievement of this external condition will be 50 to 150%, the calculation will be in linear progression and will be capped at 150%.

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, 2018, 2017, and 2016.

There was no stock subscription or purchase option plan in effect as of December 31, 2018.

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, 2018, 2017, and 2016. There was no stock subscription or purchase option plan in effect as of December 31, 2018.

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
Glen Morrison Chairman of the Management Board Beginning of the mandate: 09/01/2017 End of the mandate: 09/18/2018	No	No	Yes	Yes
Fabrice Barthélemy Member of the Management Board and President of the EMEA and Latin America Division, then acting interim Chairman of the Management Board in addition to his role as President of the EMEA and Latin America Division as of September 18, 2018. Beginning of the mandate: 11/26/2013 End of the mandate: 10/26/2019	Yes (1)	No	No	Yes
Sharon MacBeath Member of the Management Board and EVP Human Resources and communication. Beginning of the mandate: 03/01/2017 End of the mandate: 10/26/2019	Yes	No	No	Yes

(1) The Supervisory Board of the Company, after consulting with the Nomination, Compensation and Governance Committee decided on September 14, 2018, to suspend the employment contract of Mr. Fabrice Barthélemy with the Company, due to the interim nature of his appointment as Chairman of the Management Board. During the suspension period, he was not compensated under his employment contract. It should be noted that following the final appointment of Mr. Fabrice Barthélemy as Chairman of the Management Board as of January 14, 2019, he resigned from his employment contract on that date and no longer has a work contract with the Company effective January 15, 2019.

2.3.8.1 Supplemental Pension Plan

No members 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 performance 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. Glen Morrison was granted in September 2018 a severance payment of 931,645 euros, 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 (or 779,489 euros)

Performance was measured by the extent of achievement of annual performance goals defined by the Supervisory Board upon the proposal of the Nomination, Compensation and Governance Committee, which serve as the basis for calculating variable compensation. Since Mr. Glen Morrison did not become a Member of the Management Board until September 1st, 2017, the Supervisory Board decided to apply the 59.76% rate, corresponding to the achievement of these 2017 objectives as Chairman of the Management Board.

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 aforementioned conditions are in line with the recommendations of the Afep-Medef Code as published at the end of his term of office as Chairman of the Management Board, in September 2018.

Mr. Fabrice Barthélemy, in his capacity as acting Chairman of the Management Board, did not benefit from severance pay in 2018.

2.3.8.3 Company Officer Unemployment Insurance

The Company provided unemployment insurance on behalf of Mr. Glen Morrison, to cover him in the event of his forced departure (an "F 70" policy, with an extension of coverage to 24 months depending on applicable rules). This insurance was continued under the same conditions for Mr. Fabrice Barthélemy, from his appointment as Chairman of the Management Board.

2.3.8.4 Compensation under a non-compete clause

Mr. Glen Morrison benefited from a non compete clause.

Mr. Glen Morrison non compete clause was lifted by the Supervisory Board on September 18, 2018, on the proposal of the Nomination, Compensation and Governance Committee.

Mr. Fabrice Barthélemy and Mrs. Sharon MacBeath both benefit from compensation relating to the non-compete clauses.

In the event that the term of office of Mr. Fabrice Barthélemy as interim Chairman of the Board of Directors had been terminated, his employment contract would have been reactivated and in the event of termination of this employment contract, his non-competition clause provided that for a period of twelve months he would have received a monthly compensation equal to 50% of the average effective monthly compensation received during the twelve months preceding the termination of his employment contract with the Company. The Company had the right to waive the non-compete clause.

Note that since his nomination as Chairman of the Management Board on January 14, 2019, the Supervisory Board has set up for Mr. Fabrice Barthélemy 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.

It is specified that the Company reserves the right to waive this clause within a reasonable time, following a decision of the Supervisory Board after recommendation of the Nomination, Compensation and Governance Committee.

In accordance with the recommendations of the Afep-Medef Code referred to by the Company, no compensation for the non-compete clause may be paid if, upon departure, the Chairman of the Management Board has the opportunity to claim his retirement rights in the short term, claim his pension rights or has reached the age of 65.

The Supervisory Board notes in this respect that the compensation for the non-compete clause will be deducted from the severance pay, so that the total amount due under the non-compete clause and severance pay does not exceed 2 years of fixed and variable gross compensation received by Mr. Fabrice Barthélemy during the 12 months prior to his departure as Chairman of the Management Board.

Mrs. Sharon MacBeath would receive for her non-compete clause a monthly compensation of 12 months equal to 40% of the gross monthly compensation calculated on the average of the actual compensation 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.

2.3.8.5 Other commitments

Mr. Glen Morrison also had a non-solicitation clause, with which he agreed not to solicit any employee or corporate officer of Tarkett, directly or indirectly, during the 24 months following his departure from Tarkett. Mr. Fabrice Barthélemy, upon his appointment as Chairman of the Management Board, on January 14, 2019, has undertaken 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. Glen Morrison and Mr. Fabrice Barthélemy under their terms of office, and Mrs. Sharon MacBeath, under her employment contract 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 2017 and 2018 financial years

The total envelope of director's fees has been set by the Shareholder's Meeting at a total amount of 500,000 euros. 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)*
Member of the Supervisory Board	35,000
Chairman of the Supervisory Board	35,000
Vice-Chairman of the Supervisory Board	10,000
Member of a specialised Committee	5,000
Chairman of a specialised Committee	15,000
Penalty in case of absence	
Absence from a specialised Committee meeting	1,000
Absence from a Supervisory Board meeting	3,000

It is specified that the observers appointed within the Supervisory Board do not receive compensation for their term of office. The Supervisory Board may entrust specific assignments to observers. The Supervisory Board may, on the recommendation of the Nomination, Compensation and Governance Committee, authorize reimbursement of expenses incurred by observers in the interest of the Company.

At its meeting of December 3, 2018, the Supervisory Board clarified that it was legitimate for the condition of actual presence not to apply to so-called "exceptional" meetings, i.e. to meetings convened, irrespective of the will of the Company, within a limited time in view of urgent decisions to be submitted to the prior approval of the Supervisory Board and brought to the attention of the Company late. When certain Supervisory Board members were unable to attend these meetings, due to it being called late, the absence penalties were not applied.

In addition, at its meeting of February 7, 2019, the Supervisory Board, on the recommendation of the Nomination, Compensation and Governance Committee, decided:

- to increase by 2,000 euros the amount of attendance fees paid to the specialised Committees members. Indeed, it was found that the amount of attendance fees paid to the specialised Committees members was slightly below the market practices observed by the other issuers. It is specified that the amount of the penalties imposed in case of non-attendance at the Committees meetings remains unchanged;
- to complete the terms for distribution of the attendance fees as follows: when non-permanent "ad hoc" Committees are created dedicated to the analysis of specific projects that are important for the Group, and according to a proposal of the Nomination, Compensation and Governance Committee, an annual budget of 60,000 euros will be distributed among the members of the Supervisory Board participating in the meetings of one or more "ad hoc" Committees during the financial year, in proportion to the number of meetings and the time allowed.

This new distribution policy will be effective from January 1st, 2019, subject to the approval of the Shareholders' Meeting of April 26, 2019.

The following table presents the directors' attendance fees and other types of remuneration received by members of the Supervisory Board.

Table 3 – Summary of the compensation of each Supervisory Board member (AMF nomenclature)

Supervisory Board members *(in euros)*	**Gross amounts allocated for FY 2018**	**Gross amounts allocated for FY 2017**
Eric La Bonnardière – *Chairman of the Supervisory Board*		
Attendance fees	63,644 (1) (2)	44,356
Other remuneration	-	-
Didier Deconinck – *Vice-Chairman of the Supervisory Board*		
Attendance fees	52,945 (1) (3)	70,000
Other remuneration	-	-
Gérard Buffière		
Attendance fees	-	41,740
Other remuneration	-	-
Bernard-André Deconinck		
Attendance fees	11,123 (1)	35,000
Other remuneration	-	-
Eric Deconinck		
Attendance fees	35,000	35,000
Other remuneration	-	-
Julien Deconinck		
Attendance fees	27,288 (1)	-
Other remuneration	-	-
Jacques Garaïalde		
Attendance fees	35,000	40,644
Other remuneration	-	-
Françoise Leroy		
Attendance fees	60,000	47,836
Other remuneration	-	-
Sabine Roux de Bézieux		
Attendance fees	40,000	22,775
Other remuneration	-	-
Guylaine Saucier		
Attendance fees	55,000	52,000
Other remuneration	-	-
Agnès Touraine		
Attendance fees	40,000	37,000
Other remuneration	-	-

(1) *Pro rata temporis* has been applied in the event of appointment, resignation, or change of mandate during the year as described in Section 2.2.3.3.
(2) Of which €15,890 in respect of his duties as Vice-Chairman of the Supervisory Board and member of the Audit Committee until April 26, 2018 and €47,754 for his duties of Chairman of the Supervisory Board since April 26, 2018.
(3) Of which €22,247 in respect of his duties as Chairman of the Supervisory Board until April 26, 2018.

2.4 Other information about the Company Officers

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

As of December 31, 2018, direct and indirect shareholding of the Management Board and Supervisory Board members 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 [(2)]		
					LTIP 2018-2021	LTIP 2017-2020	LTIP 2016-2019
Members of the Management Board [(4)]							
Fabrice Barthélemy [(1)]	42,867	0.07%	70,614	0.07%	22,000	20,000	13,600
Sharon MacBeath	0	-	0	-	13,600	13,600	13,600
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%			
Julien Deconinck [(3)]	1,000	0.00%	1,000	0.00%			
Eric Deconinck [(3)]	1,000	0.00%	2,000	0.00%			
Eric La Bonnardière	1,000	0.00%	1,000	0.00%			
Françoise Leroy	1,000	0.00%	2,000	0.00%			
Agnès Touraine	800	0.40%	800	0.00%			
Sabine Roux de Bézieux	1,000	0.00%	1,000	0.00%			
Total	**51,667**	**0.08%**	**83,414**	**0.09%**	**35,600**	**33,600**	**27,200**

(1) Registered shares held by the executive and related persons.
(2) The number of performance shares that will be definitively granted under the 2016-2019, 2017-2020, and 2018-2021 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) Mr. Didier, Mr. Eric, and Mr. Julien Deconinck and Mr. Eric La Bonnardière are directly and indirectly shareholders of the Société Investissement Deconinck – SID, which in turn holds 32,075,071 shares of the Company. Mr. Didier Deconinck is also a partner of DDA and DDA Bis, which hold respectively 157,614 and 49,987 Tarkett shares as of December 31, 2018. Mr. Eric Deconinck is a partner of Demunich, which holds 8,800 shares as of December 31, 2018.
(4) Performance shares initially granted to Mr. Glen Morrison were cancelled following the termination of his corporate office as Chairman of the Management Board on September 18, 2018.

2.4.2 Stock subscription or purchase options

As of December 31, 2018, no members of the Management Board or the Supervisory Board held stock subscription or purchase options.

2.5 Performance shares (LTIP)

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

The LTIP is a performance share plan designed to drive value creation, which is aligned with the share-holders. A TSR criterion was included in the 2018-2021 LTIP in addition to the theorical value creation criterion. Performance is measured over a three years period and beneficiaries must be employed until vesting. Until the 2014-2017 plan inclusive, the plans could also be unwound by their cash equivalent. This is no longer the case since the 2015-2018 LTIP.

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's Executive Committee.

As of December 31, 2018, three LTIPs could result in the grant of Company's shares. These are the LTIPs 2016-2019, 2017-2020, and 2018-2021, corresponding to the year in which the plan was granted and the year in which the grant vests.

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

	Plan no. 6 LTIP 2016-2019	**Plan no. 7 LTIP 2017-2020**	**Plan no. 8 LTIP 2018-2021**
Shareholder's Meeting date	April 26, 2016	April 27, 2017	April 26, 2018
Date of Management Board's decision	July 27, 2016	July 25, 2017	July 25, 2018
Number of shares potentially granted (1)	325,000	325,000	400,000
Number of shares granted to:			
– Michel Giannuzzi (2)	*19,890*	*0*	*0*
– Glen Morrison (3)	*0*	*0*	*0*
– Fabrice Barthélemy	*13,600*	*20,000*	*22,000*
– Sharon MacBeath	*13,600*	*13,600*	*13,600*
Date of acquisition of shares	July 1, 2019	July 1, 2020	July 1, 2021
End date of retention period	July 1, 2019	July 1, 2020	July 1, 2021
Performance conditions	(4)	(4)	(4)
Number of shares vested as of the date of the visa on this Registration Document	0	0	0
Cumulative number of cancelled or expired shares	**68,620**	**43,400**	**37,500**
Number of shares remaining on December 31, 2018	**243,575**	**277,715**	**329,600**

(1) The number of potentially allocated shares corresponds to the global amount approved by the Supervisory Board on the recommendation of the Nomination, Compensation and Governance Committee and to a performance achievement of 100%, which may vary from 50 to 150% according to the calculation of the performance.
(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; in proportion to the actual presence time for the LTIP 2016-2019, i.e. 39% (14 out of 36 months). The initial allocation of the LTIP 2016-2019 was 51,000 performance-based shares, this figure was revised down to 19,890 performance shares.
(3) The shares of Mr. Glen Morrison in respect of the 2016-2019 (20,000 shares), 2017- 2020 (32,000 shares) and 2018-2021 (32,000 shares) plans were cancelled in full following the termination of his term of office as Chairman of the Management Board on September 18, 2018.
(4) The performance conditions are indicated in Sections 2.5.1. "LTIP 2016-2019", 2.5.2 "LTIP 2017-2020" and 2.5.3 "LTIP 2018-2021" as follows.

Retention Period

Mr. Fabrice Barthélemy 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 referred to as the Long-Term Incentive Plan (LTIP). It should be noted that this retention period obligation applies to the number of Company's shares to be held until the end 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's shares corresponding to 33% of the Company's shares granted to them (after payment of taxes and payroll taxes) for the duration of their respective functions.

2.5.1 LTIP 2016-2019

The LTIP 2016-2019, as authorized by the Shareholder's Meeting of April 26, 2016, 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 performance shares.

These shares will vest in July 2019, subject to presence and performance conditions relating to the achievement of the Group's strategic objectives between December 31, 2015 and December 31, 2018. These grants will be effective in July 2019, without any holding periods, except the partial retention obligation for the members of the Group's Executive Committee as indicated previously.

The number of performance 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 vesting date.

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

2.5.2 LTIP 2017-2020

The LTIP 2017-2020, as authorized by the Shareholder's Meeting of April 27, 2017, 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 performance shares.

This free grant relates to shares that must be existing on the day of the definitive grant, on July 1st, 2020, and does not include a holding period, except partial retention obligation for members of the Group's Executive Committee as indicated previously.

This allocation is subject to performance conditions (accompli-shment of the objectives in the strategic plan) between December 31, 2016 and December 31, 2019.

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

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

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

2.5.3 LTIP 2018-2021

The LTIP 2018-2021, as authorized by the Shareholder's Meeting of April 26, 2018, 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 performance shares.

This free grant relates to shares that must be existing on the day of the definitive grant, on July 1st, 2021, and does not include a holding period, except partial retention obligation for members of the Group's Executive Committee as indicated previously.

This grant is governed by conditions of presence and performance (achievement of the objectives of the strategic plan between December 31, 2017 and December 31, 2020 for 80% and relative TSR for 20% of the performance conditions).

The TSR measures, in percentage, the evolution of the average price of the Tarkett share during the last 20 quotations of 2020 compared to the last 20 quotations of 2017, dividends reinvested compared to the evolution of the SBF120 index between December 31, 2020 and December 31, 2017, dividends reinvested. This last indicator is provided by Thomson Reuter.

The number of performance shares that will be vested pursuant to the LTIP 2018-2021 may vary based on the Company's performance and subject to the beneficiary remaining with the Group at the time of the vesting date.

With respect to the members of the Management Board, the LTIP 2018-2021 represented 18.5% of the total number of shares potentially allocated in July 2018. Following the end of the term of office of Glen Morrison as Chairman of the Management Board on September 18, 2018, it represents 9.7% of the total number of potentially distributed shares.

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

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 executive corporate officers ("ex ante" vote – resolutions nos. 13 to 15 of the Shareholders' Meeting of April 26, 2019)

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 simple and measurable objectives (both quantifiable and qualitative), closely linked to the Group's objectives regularly communicated to the shareholders. It is specified that these annual variable items do not result in any guaranteed minimum payment, and are based on coherent, demanding operational performance criteria.
  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: by the number of shares ultimately granted at the end of the vesting period based on achieving the performance criteria and by the Company's stock price at the end of the vesting period.
- Principle of equity and non-discrimination: with regard to compensation, equal treatment is ensured between men and women at Management Board level as well as at the level of the Group's Executive Committee, especially since women represent 50% of the Management Board as of December 31, 2018, and 27.3% of the members of the Group's Executive Committee.

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

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 Nomination, Compensation and Governance 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 as a reminder that only the Chairman of the Management Board is remunerated for his duties on the Executive Board. Mrs. MacBeath does not receive any compensation for her term of office as a Member of the Management Board and receives her compensation under her employment contract.

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;
- medium-term remuneration with performance shares;
- severance subject to performance conditions;
- non-compete compensation;
- contributions to a specific unemployment insurance for corporate officers;
- 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 Nomination, Compensation and Governance Committee. It is 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.

2.6.1.2.1.2 Variable compensation

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

Functional principles: Variable compensation includes two components:

- the first is based on **quantifiable objectives** defined 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 ten years, adjusted EBITDA and Operating 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 set for each of the quantifiable criteria is strategic and economically sensitive information that cannot be made public.

  Accomplishment of the objective will be communicated once the performance analysis is complete;
- the second 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 Code recommendations, exceptional compensation may only be granted under very specific circumstances.

Given the fact that Mr. Fabrice Barthélemy has been acting Chairman of the Management Board since September 18, 2018, in addition to his existing duties as President of the EMEA and Latin America Division, he will receive an exceptional annual compensation of €120,000 (pro rata temporis), for the additional responsibilities he will assume as Chairman of the Management Board during this transition period. The payment of the exceptional annual compensation granted to Mr. Fabrice Barthélemy (pro rata temporis) will be subject to the approval of the Shareholder's Meeting of April 26, 2019.

2.6.1.2.1.4 Medium-term compensation – LTIP

Objective: The objective of the medium-term compensation plans is to create loyalty and to compensate 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, up to the 2014 allocation, inclusive. The grants vest only if the beneficiary remains with the Group for three years and if the Company achieves its economic performance goals. The relative performance of the Company via the TSR has also been added for the 2018-2021 plan. The Company intends to set up in 2019 an LTIP similar to the 2018-2021.

Legal framework: 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 impossible to use this regime.

Performance level: 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. An external relative condition of TSR versus the TSR of SBF120 was added for the 2018-2021 plan. Its weight represents 20% of the objectives, the weight of the achievement of the objectives of the medium term strategic plan having been reduced to 80%.

The goal level set for the achievement criterion of the mid-term strategic plan is strategic and economically sensitive information that cannot be made public.

Accomplishment of the objectives will be communicated once the performance analysis is complete.

Continued employment condition: Except under exceptional circumstances, vesting of the shares is subject to the Management Board Member's remaining with the Company until the end of the vesting period. The Management Board or the Supervisory Board for the Chairman of the Management Board may decide to waive this condition in exceptional circumstances and according to the recommendations of the AMF.

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 Company's shares actually vested at the end of the plans, for the duration of his mandate.

With the exception of the LTIPs set up annually, the Chairman of the Management Board does not benefit from multi-year remuneration.

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 Supplementary Pension Plan

Unlike most listed companies of comparable size, the Group has chosen not to set up a supplementary retirement plan. Preference was given to the LTIP, allowing management a stake in the share capital, leaving it to them 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.

2.6.1.2.1.8 Unemployment insurance

The Chairman of the Management Board is provided with unemployment insurance, which would cover him in the event of his forced departure (an "F 70" policy, with an extension of coverage to 24 months depending on applicable rules).

2.6.1.2.2 Application to the Chairman of the Management Board's 2019 annual remuneration

The annual compensation of the interim Chairman of the Management Board was reviewed by the Supervisory Board at its meeting of September 18, 2018, with recommendations of the Nomination, Compensation and Governance Committee as follows:

- a **fixed annual compensation** of €450,000;
- an exceptional compensation of €120,000 per year, to be paid to Mr. Fabrice Barthélemy (pro rata temporis), for additional responsibilities he has to assume as Chairman of the Management Board during this transitional period;
- a **variable remuneration**, divided into two sub-parts:
  - 70% of his fixed 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 2018 financial year, the indicators making up the quantifiable objectives of the variable compensation of the Chairman of the Management Board are weighted as follows: (i) adjusted EBITDA for 40% and (ii) Operating Cash Flow for 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 compensation if the objectives are fully met and is assigned a coefficient from 0% to 100%. In respect of the 2019 financial year, the qualitative objectives of the Chairman of the Executive Board, Mr. Fabrice Barthélemy, include:
    - strengthening the Group's safety culture, with a certification audit to support it,
    - developing and implementing the Group's transformation strategy, while taking into account issues of financial performance in the shorter term,
    - creating a more agile culture with a focus on customers and products,
    - with regard to CSR and circular economy, reach the recycling targets already set and define the CSR 2030 objectives and the associated action plan.

The elements of the annual compensation of the Chairman of the Management Board were reviewed by the Supervisory Board at its meeting of January 11, 2019, which, on the recommendation of the Nomination, Compensation and Governance Committee, made the following decisions about the compensation components of Mr. Fabrice Barthélemy, new Chairman of the Management Board of the Company as of January 14, 2019.

It is specified that the Supervisory Board decided to maintain for Mr. Fabrice Barthélemy principles and a compensation structure comparable to those of Mr. Glen Morrison, as approved by the Shareholder's Meeting of April 26, 2018.

Compensation

- **Fixed compensation**: €575,000 gross per year.
- **Variable compensation**:

  Variable compensation, payable no later than the month following the Annual Shareholder's Meeting authorizing this variable for the previous year.

  This variable compensation includes two components:

  - first part based on quantifiable goals defined at the beginning of the year by the Supervisory Board, on the recommendation of the Nomination, Compensation and Governance Committee representing 70% of the fixed annual compensation (in case of achievement of the quantifiable goals) with a coefficient from 0% to 200% so that it can represent up to 140% (if goals are exceeded) of the annual fixed compensation, according to a linear progression,
  - second part based on qualitative goals defined at the beginning of the year by the Supervisory Board, on the recommendation of the Nomination, Compensation and Governance Committee representing 30% of the fixed annual compensation (in case of achievement of the qualitative goals) with a coefficient from 0% to 100% so that it can represent up to 30% of the annual fixed compensation.

Benefits

- **Company car**: Provision of a company car.
- **Liability insurance**: Benefit from existing management liability insurance in Tarkett.
- **Unemployment insurance**: Mr. Fabrice Barthélemy is provided with unemployment insurance, which would cover him in the event of his forced departure (an "F 70" policy, with an extension of coverage to 24 months depending on applicable rules).
- **Healthcare insurance**: Benefit of the existing healthcare insurance within Tarkett.
- **Pension:** Benefit of the Group pension plan (death, inability, disability) applicable to Tarkett employees.

Termination conditions

Non-compete commitment

Duration: 2 years.

Amount:

Non-compete indemnity equal to the gross base salary and bonus received by Mr. Fabrice Barthélemy 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.

Terms:

It is specified that the Company reserves the right to waive this clause within a reasonable time, following a decision of the Supervisory Board after recommendation of the Nomination, Compensation and Governance Committee.

In accordance with the recommendations of the Afep-Medef Code referred to by the Company, no compensation for the non-compete clause may be paid if, upon departure, the Chairman of the Management Board has the opportunity to claim his retirement rights in the short term, claim his pension rights or has reached the age of 65.

The Supervisory Board notes in this respect that the compensation for the non-compete clause will be deducted from the severance pay, so that the total amount due under the non-compete clause and severance pay does not exceed 2 years of fixed and variable gross compensation received by Mr. Fabrice Barthélemy during the 12 months prior to his departure as Chairman of the Management Board.

Severance payment

Amount:

Severance pay subject to the performance conditions set out below, in an amount equal to two years of fixed and variable gross compensation received by Mr. Fabrice Barthélemy during the 12 months prior to his departure as Chairman of the Management Board.

Performance conditions:

Performance is measured based on the achievement of annual performance goals defined by the Supervisory Board upon the recommendation of the Nomination, Compensation and Governance 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. Fabrice Barthélemy during the three calendar years preceding his departure. If the departure occurs during the next 3 calendar years, the performance is measured by the rate of achievement of the annual objectives used to calculate the variable portion of his compensation as Chairman of the Management Board.

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. It is calculated strictly in proportion to the amount of the performance rate. For example, if the performance rate is equal to 90%, the severance pay is paid up to 90% of the amount as defined in the first paragraph.

Payment:

This severance is due, subject to the achievement of the performance conditions, in the event of forced departure of the corporate 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 the officer's term was terminated early or not renewed.

No severance pay may be paid if Mr. Fabrice Barthélemy has committed serious misconduct (defined as a fault of extreme severity preventing any continuation of the corporate office) or gross negligence (defined as a fault of extreme severity committed by the officer with intent to harm the Company) or the opportunity to retire in the near future.

Common ceiling

In the event Mr. Fabrice Barthélemy is to receive both severance pay and the non-compete payment, 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.

Non-solicitation clause

Mr. Fabrice Barthélemy shall agree not to solicit any employee or corporate officer of Tarkett, directly or indirectly, during the 24 months following his departure from Tarkett.

Shares issued from 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 2019-2022 subject to its implementation.

Obligation to hold Company's shares in the amount of 50% of the Company's shares, allocated to Mr. Fabrice Barthélemy under the LTIP – after deduction of related taxes and social charges – during his term as Chairman of the Management Board of the Company.

The initial grant of the next LTIP, planned for 2019, would be 32,000 shares at goal achieved.

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 Principles

The Supervisory Board allocates attendance fees among its members, based on the recommendation of the Nomination, Compensation and Governance Committee, and within the limits of the overall amount allocated at the Shareholder's Meeting.

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

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

2.6.1.3.2 Application

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

The policy for the distribution of attendance fees has remained unchanged since October 9, 2013.

After having noted that the amount of attendance fees paid to the members of the specialised committees was slightly below the market practices observed among the other issuers and that the Group's major projects required the creation of "ad hoc" non-permanent Committees, the Supervisory Board, acting on a proposal of the Nomination, Compensation and Governance Committee, decided at its meeting of February 7, 2019 amend, with effect from January 1st, 2019, the distribution policy of attendance fees to be as follows:

- each Member of the Supervisory Board receives €35,000 annually;
  - in case of absence from a duly called meeting of the Board, a penalty of €3,000 is applied;
- in addition, €35,000/year are paid to the Chairman of the Board;
- in addition, €10,000/year are paid to the Vice-Chairman;
- in addition, €7,000/year are paid to each member of the specialised Committees (this amount was until then €5,000);
  - in case of absence from a duly convened meeting of a specialised Committee, a penalty of €1000 is applied;
- in addition €15,000/year are paid to the Chairmen of the specialised Committees; and

- in addition €60,000/year are distributed among the members of the Supervisory Board participating in non-permanent "ad hoc" committees dedicated to the analysis of specific and major projects for the Group, set up by decision of the Supervisory Board. The amount to be paid in this respect, distributed proportionally to the number of meetings and the time granted, will be decided by the Supervisory Board on the proposal of the Nomination, Compensation and Governance Committee.

This new distribution policy will be effective from January 1st 2019, subject to the approval of the Shareholder's Meeting of April 26, 2019.

In addition, as stated at the Supervisory Board meeting of December 3, 2018, in so-called "exceptional" meetings, i.e. at meetings convened, regardless of the Company's wishes, under tight time limits in view of urgent decisions to be submitted to the prior approval of the Supervisory Board and brought to the Company's attention late, the Supervisory Board may consider that it is acceptable not to apply the obligation of attendance.

2.6.2 Consultation on the components of the compensation paid or granted for the fiscal year ended December 31, 2018 ("ex post" vote – resolutions nos. 7 to 10 of the Shareholder's Meeting of April 26, 2019)

2.6.2.1 Components of compensation paid or allocated to Glen Morrison (Chairman of the Management Board until September 18, 2018) during the financial year ended December 31, 2018 (resolution no. 9 of the Shareholder's Meeting of April 26, 2019)

Elements of compensation paid or granted for the year ended December 31, 2018	Amount or accounting value submitted for approval *(in euros)*	Presentation
Fixed compensation	465,833	Or €650,000 on an annual basis
Annual variable remuneration not yet paid	67,493	As a reminder, the 2018 qualitative objectives were: › revision of the strategic plan to accelerate the Group's growth; › amplification of external growth through the systematic identification of high-potential targets; › deployment of the "Customer Centric Innovation" approach for a better customer experience; › ongoing efforts for operational excellence and sustainable development.
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 options granted The 32,000 performance shares granted with the 2018-2021 LTIP were cancelled at the end of Mr. Glen Morrison's mandate in September 2018
Attendance fees	N/A	Mr. Glen Morrison does not receive attendance fees
Valuation of benefits of all kinds	74,778	Company car and temporary provision of furnished temporary accommodation in the Paris region

Components of compensation paid or granted during the fiscal year that are or were voted on by the Shareholder's Meeting as related party agreements or commitments	**Amount submitted for approval** *(in euros)*	**Presentation**
Severance payment (1)	931,645	Mr. Glen Morrison received severance pay following the end of his term as Chairman of the Management Board on September 18, 2018. This severance pay, provided for the office of the Chairman of the Management Board, was subject to performance conditions. Performance is measured by the achievement rate of the annual objectives and used as a calculation for the variable compensation, and is equivalent to the average performance achieved by the Chairman of the Management Board over the three calendar years preceding his departure. The severance pay payable to Mr. Glen Morrison is €931,645, taking into account a target achievement rate equal to 59.76% (corresponding to the achievement rate of the annual objectives for the 2017 financial year as Chairman of the Management Board).
Non-compete compensation (1)	0	The non-compete indemnity of Mr. Glen Morrison was lifted
Supplemental Pension Plan	N/A	No supplementary pension plan

(1) In the event both severance pay and the non-compete payment described below are to be received, the total amount to be received will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure.

2.6.2.2 Components of compensation paid or allocated to Fabrice Barthélemy (interim Chairman of the Management Board since September 18, 2018) during the financial year ended December 31, 2018 (resolution no. 10 of the Shareholders' Meeting of April 26, 2019)

Components of compensation paid or granted for the year ended December 31, 2018	Amount or accounting value submitted for approval *(in euros)*	Presentation
Fixed compensation	127,500	i.e. €450,000 on an annual basis, effective September 18, 2018
Annual variable compensation for his mandate as interim Chairman of the Management Board, not yet paid	47,723	Variable calculated for the period of September 18, 2018 to December 31, 2018 included
Deferred variable compensation	N/A	
Multi-year variable compensation	N/A	
Exceptional compensation	34,300	This is the exceptional annual compensation of €120,000 (pro rata temporis), not yet paid, for the additional responsibilities that Mr. Barthélemy must assume as Chairman of the Management Board during the transitional period (i.e. 18 September to December 31, 2018 for the year 2018). The payment of the exceptional annual compensation granted to Mr. Fabrice Barthélemy (pro rata temporis) is subject to the approval of the Company's Shareholder's Meeting.
Stock options, performance shares and any other long-term compensation long terme	Options = N/A	No options granted
	22,000 shares (worth €436,700)	Target amount for the allocation of performance-based shares under the LTIP 2018-2021
Attendance fees	N/A	Mr. Fabrice Barthélemy does not receive attendance fees
Valuation of benefits of all kinds	2,943	Company car

Components of compensation paid or granted during the fiscal year that are or were voted on by the Shareholder's Meeting as related-party agreements or commitments	Amount submitted for approval *(in euros)*	Presentation
Retention bonus	N/A	
Severance payment [(1)]	0	Mr. Fabrice Barthélemy did not benefit from severance pay for his term as interim Chairman of the Management Board (suspension of the employment contract)
Non-compete compensation [(1)]	0	Compensation for non-compete clause under his suspended employment contract was equal to 50% of his fixed and variable gross compensation received during the 12 months preceding the departure payable in 24 monthly instalments throughout the non-compete commitment. The Company had the right to waive the non-compete clause.
Supplemental pension plan	N/A	No supplementary pension plan

(1) In the event both severance pay and the non-compete payment described below are to be received, the total amount to be received will be limited to two years of the gross base salary and bonus received during the twelve months prior to his departure.

2.6.2.3 Components of compensation paid or allocated to Mr. Didier Deconinck (Chairman of the Supervisory Board until April 26, 2018) during the financial year ending December 31, 2018 (resolution no. 11 of the Shareholders' Meeting of April 26, 2019)

Components of compensation paid or granted for the year ended December 31, 2018	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	22,247	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 Shareholder's 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	

2.6.2.4 Components of compensation paid or allocated to Mr. Eric La Bonnardière (Chairman of the Supervisory Board since April 26, 2018) during the financial year ending December 31, 2018 (resolution no. 12 of the Shareholders' Meeting of April 26, 2019)

Components of compensation paid or granted for the year ended December 31, 2018	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	47,754	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 Shareholder's 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 in place for many years within the Group companies in France, cover all French employees.

There are three 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 an incentive scheme or 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, 2018, 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 16 April 2014 on market abuse and which have been the object of a statement to the AMF, are as follows:

Name of Reporting Person	**Positions held within the Company on the date of the operation**	**Nature of the transaction**	**Place**	**Description and number of financial instruments**	**Date**	**Amount** *(in euros)*
DDA	Legal entity related to Didier Deconinck, Chairman of the Supervisory Board	Purchase	Euronext Paris	27,604 shares	January 09, 2018	952,338
Nicolas Deconinck	Observer	Purchase	Euronext Paris	3,000 shares	April 26, 2018	72,587
Demunich	Legal entity related to Eric Deconinck, Supervisory Board member	Purchase	Euronext Paris	8,800 shares	April 27, 2018	225,564
Eric Deconinck	Supervisory Board member	Purchase	Euronext Paris	14,560 shares	April 27, 2018	356,321
Fabrice Barthélemy	Management Board member	Acquisition of shares granted under an LTI	Euronext Paris	15,120 shares	July 28, 2018	0
Glenn Morrison	Chairman of the Management Board	Acquisition of shares granted under an LTI	Euronext Paris	18,900 shares	July 28, 2018	0
Nicolas Deconinck	Observer	Purchase	Euronext Paris	2,250 shares	September 25, 2018	49,727
Eric La Bonnardière	Chairman of the Supervisory Board	Purchase	Euronext Paris	16,350 shares	October 26, 2018	297,045
DDA	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Euronext Paris	21,063 shares	October 26, 2018	382,561
DDA	Legal entity related to Didier Deconinck, Vice-Chairman of the Supervisory Board	Purchase	Euronext Paris	551 shares	October 29, 2018	9,936
Bernard-André Deconinck	Observer	Purchase	Euronext Paris	10,000 shares	November 5, 2018	198,000
Sprl Heritage Fund	Legal person related to Bernard-André Deconinck, Observer	Purchase	Euronext Paris	10,000 shares	November 5, 2018	198,000
SID	Legal person related to Bernard-André Deconinck, Observer	Purchase	Euronext Paris	100,000 shares	November 7, 2018	1,970,000

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 favour of Federal Insurance Company in consideration of an agreement to execute security bonds in favour of FieldTurf Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total $55.8 million;
- granted a guarantee given to the Swedish retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 194.7 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, used up to the amount of €1.2 million at the balance sheet date;
- granted a guarantee to a raw material supplier of its Morton Extrusiontechnik (M.E.T. GmbH) subsidiary in order to secure its payables commitments up to €7 million, committed for an amount of €4.2 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 has granted its guarantee as parent company to the banks of certain subsidiaries, including Tarkett Limited (United-Kingdom), Desso Holding (Netherlands), Tarkett Asia Pacific (Shanghai) Management Co Ltd (China) and Tarkett Industrial (Beijing) Co Ltd (China), to obtain credit lines or letters of credit for a total maximum amount equivalent to €41.8 million, committed for an amount of €11.6 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, for an amount of €10.1 million at the balance sheet date.

2.9.2 Service agreement with Société Investissement Deconinck (SID)

The Company and the SID have entered into a service agreement, effective as of January 1st, 2014, pursuant to which the Company provides the SID with administrative support including administrative, tax and accounting services, for an initially fixed annual cost of €75,000, excluding taxes. SID legal services have been transferred to an external firm. As a result, given the reduction in services provided, and in accordance with the Supervisory Board's decision of June 26, 2018, the Company's services to the SID are now invoiced on the basis of a fixed annual cost of €55,000 excluding taxes, as of January 1, 2018.

2.9.3 Assistance agreement with Société Investissement Deconinck (SID)

The Company and the SID entered into an assistance agreement stating that SID assists the Company in defining its strategic objectives and major decision-making.

Under this agreement, the SID receives a fixed annual payment of €500,000 (pre-tax), which can be subject to revision based on an index chosen by the SID and the Company, in exchange for its services, including the time spent by the Management Board members and its role in defining the Company's strategy.

Due to the diminution of animation meeting's conditions and frequency, it was agreed to reduce accordingly the fixed annual payment paid to the SID to €300.000 (versus €500.000 before) excluding taxes, and that as of January 1, 2018, according to the Supervisory Board authorization of June 26, 2018.

2.9.4 Cash management agreements

The Company has cash management agreements in place with some of its subsidiaries to organise financing between the Group's entities and manage centralisation 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 €13.3 million in 2018.

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 €29.6 million in 2018.

3 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

3.1 Tarkett's business model

A world leader in flooring and sports surface solutions

Because great moments deserve great spaces, Tarkett helps create great spaces and deliver an easy customer experience by understanding customer's needs, offering expertise brought by 135 years of experience, and being obsessed with execution. This is our commitment to our clients to help create "Great Spaces. One Surface at a Time". Our business model is summarized below – for more details refer to Chapter 1 "Presentation of the Group".

Our business model dedicated to serving our customers...

Our Inputs: Sustainable Capital

Capital financier
- Listed on Paris Stock Exchange (SBF120)
- Family shareholder (50.8%)
- Free float (48.7%)
- Debt financing

Manufacturing capital
- 36 production sites in 17 countries worldwide (Europe, North America, CIS, China, Brazil, Australia)
- 7 recycling facilities

Intellectual capital
- Reputed brands (Tarkett, FieldTurf...)
- 15 patent families active in 42 countries
- 24 R&D labs, 1 research & innovation center, 4 design centers
- Network of internal experts and methodology (World Class Manufacturing, Design Thinking, Cradle to Cradle®, Talent Philosophy...)
- Scientific partnerships (universities, Environmental Protection Encouragement Agency - EPEA, suppliers...)

Human, social and relationship capital
- 13,000 employees in 30 countries, 40 nationalities
- Diversified B2B2C clients in over 100 countries (sales forces, showrooms...)
- Diversified suppliers, from international key raw materials suppliers (PVC, plasticizers...) to local suppliers
- Local communities close to our industrial sites

Natural capital
- Energy from renewable and non-renewable sources
- Water
- Renewable (wood, jute, cork, ...) and non-renewable (fossil and mineral) raw materials, from recycled and virgin sources

Governance and compliance capital
- Management Board, Supervisory Board and 2 specialized committees
- Executive Committee
- Code of ethics and conduct
- Whistleblowing procedure
- Code of Conduct Securities Markets

Our Mission
Great Spaces. One Surface at a Time.

Our Values
Committed
Collaborative
Creative
Caring

Our Culture
One Tarkett, agile & performance driven

OUR VALUE PROPOSITION

Tarkett helps create great spaces and delivers an easy customer experience by understanding customer needs, offering expertise brought by 135 years of experience, and being obsessed with execution.

SOLUTIONS

A comprehensive and coordinated offer of flooring and sports surfaces:
- Resilient flooring (vinyl, linoleum...)
- Commercial carpet
- Wood and laminate
- Rubber and accessories
- Artificial turf and athletic tracks

SEGMENTS

A recognized expertise in specific segments, in renovation and new construction:
- Home
- Workplace
- Health care
- Education
- Hospitality, Stores & Shops
- Sports

CHANNELS

A local service tailored to our different clients and regions:
- Specifiers (architects, designers)
- Installers, contractors
- Distribution, DIY
- Key accounts
- End-users, facility managers

and our stakeholders

Our Outputs: Sustainable Performance

Distributing value

€2,836 million
Net sales

€249 million
Adjusted EBITDA

€49 million
Net profit (Group share)

€671 million
Remunerations

€128 million
Investments

€0.60 dividend per share
Shareholders

€25 million
Income tax paid

€0.8 million
Support to local communities (Tarkett Cares)

Growing and strengthening our positions

2.1%
Organic growth

3rd
largest flooring supplier worldwide

1.3 million
m² flooring sold daily in over 100 countries

No. 1
in vinyl flooring

Developing talents

Safety
2.14 FR1t
Recordable Lost Time Accident Frequency Rate (FR1t) for employees and external workers in production sites

Diversity
27%
management positions filled by women

Training
60%
employees trained in the last year

Performance
53%
permanent employees had a Performance & Development Review

Dialogue
88%
participation in biennial employee feedback survey

Acknowledgement
>200 projects
submitted to Tarkett Awards

Designing for life and preserving the natural capital

- **Assess raw materials** (for health and environmental impacts) according **to Cradle to Cradle® - C2C principles** (98%)
- **Contribute to well-being through our products:** indoor air quality (low volatile organic compounds emissions), healthy spaces (phthalate-free plasticizers), comfort (visual, acoustics, installation, maintenance...)
- **Select raw materials not contributing to resource scarcity** (70% - renewable, abundant or recycled)
- **Reduce greenhouse gas emissions** (Scope 1 & 2, 27% renewable energies)
- **Equip our plants with closed loop water systems** (68%)

Closing the loop towards a circular economy model

- **Use recycled materials** (134,000 tons, 10% of purchased raw materials in volumes)
- **Recycle our production waste** internally and externally
- **Collect flooring via the ReStart® program** (102,000 tons between 2010 and 2018)
- Design products and installation systems for **easy recyclability**

Driving collaboration

- **Engage with responsible suppliers** ("responsible sourcing program", 76% committing to United Nations Global Compact, C2C eco-design)
- **Share our products information with our clients** (Material Health Statements - MHS, Environmental Product Declarations - EPD)
- **Support local communities through Tarkett Cares** and employees involvement
- **Train students and professionals** in flooring profession and installation techniques via Tarkett Academy (23,000 people trained from 2012 to 2018)

3.2 Tarkett's CSR ambition and commitment

3.2.1 A word from the CEO

"At Tarkett, we are committed to serving our customers through our innovation capabilities and longstanding sustainability dedication and achievements. We are deeply convinced that there is an urgency to shift models to preserve the world's finite natural resources and capital. Our goal for the next years is to establish a healthy circular economy in the flooring industry and we invite our stakeholders to join our efforts on this journey. In 2018, we have not only reduced our environmental footprint but also contributed positively to global societal challenges, inspired by the United Nations' Sustainable Development Goals (SDGs) and by the 10 principles of UN Global Compact."

Fabrice Barthélemy
CEO of Tarkett

Read the full CEO message on page XX.

3.2.2 Our CSR approach dedicated to serving our clients

At Tarkett, social and environmental Responsibility is a long-standing commitment and a lever for business growth. This commitment for a sustainable and responsible development is at the heart of our strategy. It is integrated in all our activities, such as talent development via our Talent Philosophy, our circular economy and eco-design approach according to Cradle to Cradle® principles, and our operational excellence program via World Class Manufacturing (WCM). Every day, we strive to combine these elements not only to best serve our clients, but also to anticipate and respond to the expectations and requirements of our different stakeholders – employees, customers and users, investors, NGOs, public authorities.

Our client's expectations and requirements regarding sustainable and responsible development

Our clients face various challenges and have continually increasing expectations regarding sustainable and responsible development, for example:

- installers and contractors: install and remove quickly, collect and recycle post-installation and post- consumer flooring waste;
- architects and designers: select materials responding to more and more stringent certification and label criteria regarding indoor air quality, healthy spaces and recycling, and transparently understand the composition of our products;
- distributors: offer products responding to market trends, obtain support for sales force notably regarding products' technical and environmental characteristics, and guarantee a quick availability of the products;
- final users, who live on our flooring and sports surfaces on a daily basis: make no compromise between price, design (visual aspect), performance (comfort, resistance, acoustics, safety, easy maintenance) and respect for health and the environment.

Our CSR/sustainability ambition is expressed by "Doing Good. Together.". The objective is to go beyond simply "doing better" through improvements to the existing model, to actually "doing good" by building a sustainable business model that integrates the challenges of tomorrow's world. This approach is based on the main constituents of Tarkett's sustainable development approach: Designing for life, Closing the loop, Driving collaboration, Supporting communities, and Developing talents.

In 2015, the United Nations adopted a set of sustainable development Goals. This 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. Through its ambitious CSR approach implemented since 2010, Tarkett contributes to several of the UN sustainable development Goals.

Tarkett contributes to sustainable development Goals (SDG) defined by the United Nations through our "Doing Good. Together." approach

- **Designing for life:** respect the planet's natural capital by reducing our environmental footprint (SDG 15) and fighting climate change (SDG 13); develop products that contributed to people-friendly spaces, with good health and well-being in working, leisure, and living spaces (SDG 3).
- **Closing the loop:** building a circular economy inclusive of programs and business models that encourage take back, reuse, recycling and elimination of waste (SDG12).
- **Driving collaboration:** inspiring others to join us in "Doing Good. Together." through education, collaboration, transparency, and communication (SDG17).
- **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, including 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).

3.2.3 Our CSR performance and our progress towards 2020 Objectives

Using good materials for people's health and the environment

Materials assessment

98%
of our raw materials are third-party assessed for their impact on people's health and the environment based on Cradle to Cradle® criteria (Objective 2020: 100%).

Indoor air quality

97%
of our floorings have low levels of volatile organic compounds [1] emissions, i.e. 10 to 100 times lower than the strictest standards (Objective 2020: 100%).

Healthy indoor environment

by end 2018,
100%
of our vinyl production sites in Europe, North America, Serbia and China use non-phthalate plasticizer technology [2]. At Group level, 65% of our vinyl flooring are phthalate-free [3] (Objective 2020: 100%).

Fighting climate change

Renewable energy

27%
of energy consumption comes from renewable energies.

Greenhouse gases

-8.5%
decrease of GHG emissions (per m² of manufactured product) compared to 2010: 0.92 kgCO2e (scope 1 & 2)/m² (Objective 2020: -20% vs. 2010).

Respecting resources through circular economy

Materials selection

70%
of our raw materials do not contribute to resource scarcity, being abundant in the nature, rapidly renewable or recycled) (Objective 2020: 75%).

Recycled resources

134,000 tons
of recycled materials [3] are used as raw materials, representing 10% of the volume of purchased raw materials.

Flooring take-back

102,000 tons
of flooring have been collected from 2010 to 2018 by Tarkett ReStart® program in Europe and North America (collection of post-installation and post-consumer flooring: vinyl, linoleum and carpet). In 2018, 3,300 tons were collected (Objective 2020: 38,000 tons per year – double volume vs. 2010).

Production waste

67%
of our industrial waste is effectively recycled.

Water consumption

68%
of our production sites are equipped with closed-loop water circuits or do not use water in their process (Objective 2020: 100%).

(1) Total volatile organic compounds < 100 µg / m³ (% of m² produced, flooring only).
(2) Except recycled content for certain products.
(3) Recycled materials: Materials that would otherwise have been sent for waste disposal; internal post-manufacturing recycled volumes are included.

Respecting and developing our teams

Safety

2.14

Recordable Lost Time Accident Frequency Rate (FR1t [1]) in production sites, compared to 1.87 in 2017 (Objective 2020: 0 Lost Time Accident). [2]

Diversity

27%

of members of the Executive Committee are women; 27% of management positions are filled by women.

Training

60%

of employees trained at least 1 day during the year.

Social dialogue

88%

participation in biennial employee feedback survey.

Supporting local communities

Tarkett Cares

2

days of volunteer activity for charity initiatives possible for all employees.

1,300

employees involved

170

initiatives,

€800k

contributions [3] to community initiatives.

Tarkett Academy

23,000

professionals or students trained as professional installers or in installation techniques from 2012 to 2018.

(1) Number of accidents with lost time more or less than 24 hours per million hours worked of employees and external workers at Tarkett production sites.
(2) Despite the efforts made in terms of safety since 2010, we faced a fatal accident at one of our manufacturing sites.
(3) Value of financial and product donations and employee hours donated.

3.3 CSR governance

3.3.1 A CSR governance integrated at all levels of the Group

At Tarkett, we are convinced that the successful transition of the Group towards circular economy and the successful implementation of our sustainable development strategy will essentially depend on two factors: engaging all our employees, and integrating CSR considerations on a daily basis at all levels of the Group, within each of the divisions and cross-business functions, as well as at production sites.

Several bodies, networks and stakeholders are thus involved in CSR/sustainability governance:

- **our CSR strategy is developed and monitored by the CEO and the Executive Committee**, involving the divisions' Presidents (EMEA & LATAM, TNA, TEE, Sports) and the functions' Executive Vice Presidents/Chief Officers. The Executive Committee meets monthly to review the Group's operational and financial performance and to discuss strategic projects and key business matters, including CSR/sustainability topics and related 2020 objectives as relevant;
- **this strategy is rolled-out, driven and implemented at divisions, functions, sites and networks level** in every country where we operate. The divisions' and functions' management committees develop and monitor roadmaps depending on priorities and specificities of the concerned sites, countries and divisions and on the Group's 2020 objectives;
- **the dedicated environmental committee**, created in 2011 and overseen by the Executive Vice President of Research, Innovation & Environment (Member of the Executive Committee), also participates in the definition and implementation of the environmental strategy and of best practice sharing. This committee consists of a network of environmental/sustainability experts from the divisions and of members from different functions (research and innovation, operations/WCM, communication, marketing), and meets on a monthly basis. The proposals of this committee, notably in terms of objectives and indicators, are presented to the Executive Committee for validation;
- the CSR strategy, along with progress achieved and objectives, are **shared with company employees**, in particular via the internal newsletter (special edition on sustainability in October 2018), intranet news, and communications and training organized at divisions level. Progress and challenges are also shared with the senior executives as part of quarterly results presentations and during the annual seminar;
- our commitment and results are also **presented to the shareholders and the financial community** during the annual Shareholders Meeting, and to all our stakeholders via our different publications (CSR report, 2017 Activity and sustainability report, Tarkett in brief).

Furthermore, two committees support the Supervisory Board and are involved in our CSR approach:

- **the Audit, Risks and Compliance Committee** ensures the effectiveness of risk-monitoring and internal control procedures, which cover CSR-related topics;
- **the Nominations, Compensations and Governance Committee** determines and regularly reviews the compensation and benefits awarded to the Company's top executives, for whom some CSR objectives have been included in the criteria for awarding a variable compensation. For example in 2018, one of the CEO's four main objectives was to strengthen the leadership on sustainability, while other members of the Executive Committee, depending on their areas of responsibilities, had objectives related to safety, compliance, talent management, circular economy, deployment of Cradle to Cradle® principles and contribution to 2020 environmental objectives.

3.3.2 A robust reporting process to drive CSR performance

The reporting process of CSR/sustainability indicators is managed and consolidated since 2018 by the Financial department with the support from the different concerned functions (including Operations/WCM, HR, Legal, Research & Innovation & Environment…), divisions and sites. The CSR report, managed by the Communication & CSR department, is included in the Registration Document. The reported indicators and the CSR report are audited by a third-party independent organization (see section 3.10.4 Report of Independent third-party Organization).

A detailed, rigorous and audited reporting process: Since 2017, the reporting process has been strengthened with the drafting and diffusion 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 definition of indicators, as well as the tools/calculation methods and controls carried out by contributors at the local level, and consolidation of data at the Group level. The process and the indicators are audited by internal audit teams and by a third-party independent organization. This formalization of the reporting process with the existing rules demonstrates the commitment of the Group to being rigorous and transparent towards its stakeholders.

Dashboards enabling to empower and to drive CSR performance at each level: the Group follows a dashboard, which notably includes environmental indicators for which 2020 objectives have been defined as early as 2012. Divisions and functions also have dashboards with all indicators, allowing the different entities to drive their performance and focus their efforts on the material challenges associated with their activities. The analysis of the evolution of indicators over time is crucial to measure progress achieved, identify room for improvement and the challenges which still need to be tackled, and implement ambitious and pragmatic action plans.

Progress review meetings are also jointly organized at different levels: Group, divisions, functions and sites, and as part of "networks" (WCM, HR, environmental committee, etc.).

3.3.3 A CSR approach aligned with international standards

Tarkett's commitment, as well as the CSR report, the indicators dashboard, the 2020 objectives and the strengthened reporting process, meet the European and French regulatory obligations, and are in line and consistent with the requirements of internationally recognized standards:

- the European Union Directive and the French regulations on non-financial statement, known as the extra-financial performance declaration (DPEF – formerly known as Grenelle II);
- the French duty of care ("*Devoir de Vigilance*") and anti-corruption law ("*Loi Sapin 2*"), which are applicable in France since 2017 and 2016 respectively;
- the Global Reporting Initiative (GRI) Standards – see in particular section 3.10.3 "GRI and DPEF concordance table";
- the Ten Principles of the United Nations Global Compact (UNGC), to which we communicate our results to comply with the "Advanced" level standard;
- several sustainable development Goals (SDGs) defined by the United Nations;
- the Task-force on Climate-related Financial Disclosures (TCFD);
- the Carbon Disclosure Project (CDP) climate change questionnaire;
- the calculation and reporting of greenhouse gas (GHG) emissions in line with the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) GHG Protocol;
- the Afep-Medef recommendations, notably regarding corporate governance and DPEF.

3.3.4 A Commitment to high ethical standards

3.3.4.1 Our approach to ethics and integrity

Among our most important company assets are our reputation and credibility for high standards of ethics and integrity. We consider that adherence to these principles as well as compliance with applicable laws and regulations are "non-negotiable" and central to how we do business every day and in every country. This corporate responsible commitment is evident in our core values, and we urge every Tarkett employee to follow and act according to these principles.

These principles are transcribed in **several Group's Codes and Policies**, for example:

- **the Code of Ethics** was originally developed in 2009. It defines essential principles which guide employees, as well as fundamental principles which should not be infringed, in terms of fair competition, selection of suppliers and service providers, conflict of interest, safeguarding of company property and information, and truth and accuracy of accounts;
- **the Competition Policy** complements the Code of Ethics on the topic of compliance with competition laws. It provides essential principles and rules to be respected in terms of relationship with competitors (horizontal agreements, exchange of information, membership and participation in trade associations), relationships with suppliers and customers, good practices to avoid abuse of dominance, misleading advertising, etc.;
- **the Anticorruption Code of Conduct** was in turn deployed in 2018 in replacement of the Anticorruption Policy which was in effect since 2012 (see section 3.3.4.2 "Prevention of Corruption").

To ensure that all Tarkett employees are aware of and respect the values and behaviors that we wish to share, we have implemented **several training and monitoring programs**:

- **compliance training**: we have launched in 2018 a new compliance training program focused on fair competition and anti-corruption. The program consists of six tailored e-learning modules which have to be completed every year by all Tarkett employees who have computer access (covering approximately 5,000 employees worldwide). A significant investment was made for the development of the new compliance e-learning modules. Face-to-face training sessions have also been reinforced via dedicated compliance workshops tailored to groups more exposed to the previously mentioned risks, notably the sales and procurement functions, and groups performing strengthened controls, such as the internal audit team;
- **participation in trade associations**: Guidelines of good behavior practices when joining trade associations and more generally when attending meetings where competitors are present have been developed in 2018 and are included in the training sessions;
- **Code of Ethics training**: The new compliance e-learning program comes in addition to the existing training program on the Code of Ethics, which has to be completed every other year by all Tarkett employees (either via e-learning or face-to-face session);
- **cybercrime and fraud training**: We have also implemented training sessions to raise awareness and empower teams on cybercrime and fraud;
- **Compliance Hotline**: While a professional alert mechanism, the Ethics Hotline, was already available for our activities in North America, we implemented in 2018 a second similar tool, the Compliance Hotline. This system enables Tarkett's employees and business partners worldwide to raise their concerns and/or report potential violations they may witness within Tarkett, including in an anonymous way if they wish to.

Example

Our Compliance Hotline: a new tool that enables raising concerns to Tarkett

- Easy access on the web or by phone from 103 countries in 52 languages.
- Accessible to Tarkett's employees and business partners (suppliers, clients, etc.).
- To report any type of violation, for example regarding accounting, anti-trust, conflict of interests, corruption, fraud, harassment, discrimination, environmental damage, etc.
- Presented for consultation to Tarkett's Works Councils and Health, Safety and Working Conditions Committees in countries where local law enforces it.
- Supported by a Whistleblowing Procedure to ensure the protection of whistleblowers.
- Guaranteeing the confidentiality of cases.

The compliance section of Tarkett's intranet has moreover been updated and completed in 2018 to provide all employees who have intranet access with readily-available information on ethics, competition, anti-corruption, the whistleblowing procedure and Tarkett's professional alert mechanisms (Compliance Hotline and Ethics Hotline). Similar information has moreover been publicly disclosed on Tarkett's website.

Compliance risks have been included in the controls and work programs of the internal audit department, and in 2018, all internal controllers and auditors were trained on compliance issues.

Data privacy: the Group is committed to ensuring the responsible use of the personal data it processes, in compliance with the applicable regulations, notably the EU General Data Protection Regulation ("GDPR"). In this context, the Group has developed an action plan overseen by the Group legal department, whose main features are presented in Chapter 6 "Risk factors and internal control" of the 2018 Registration Document.

Cybersecurity: the Group uses complex information systems (notably for production management, sales, logistics, accounting and reporting), which are essential for conducting its commercial and industrial activities. 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 has procedures, tools and trainings in place to continually strengthen the security of its information systems, as detailed in Chapter 6 "Risk factors and internal control" of the 2018 Registration Document.

Responsible tax practices: As part of its activities, Tarkett does not resort to complex financial arrangements aiming at obtaining a tax benefit conflicting with the purpose or the aim of applicable tax law. Tarkett does not have legal entities in any of the five countries of the European Union (EU) black-listed tax havens, which include countries refusing to engage a dialogue with the EU or to remedy shortcomings in terms of good tax governance. With regard to the 65 countries of the EU grey-listed tax havens, which include countries committed to comply with international standards but having signed less than twelve agreements, Tarkett has commercial legal entities in four countries (Hong Kong, Serbia, Switzerland and Turkey) and one production subsidiary in Serbia. The list of these countries, updated as of 4th December 2018, is available at the following link:https://ec.europa.eu/taxation-customs/sites/taxation/files/eu-list-update-04-12-2018-en.pdf.

In the EU, Tarkett operates in Luxembourg since 1961 (where it has a vinyl flooring manufacturing site and a research and innovation center employing over 500 employees) and in the Netherlands (where it has two carpet manufacturing sites and sales activities employing close to 400 employees). Finally, it is specified that the Tarkett Group has not signed any tax rescript with tax authorities in its different countries of operation.

3.3.4.2 Prevention of corruption

In line with the requirements of the French anti-corruption law ("Loi Sapin 2") and the guidelines of the Anticorruption French Agency (AFA), Tarkett has implemented a Corruption Prevention Program, which provides a framework to our teams and business partners globally and which includes the following components:

- **a corruption risk mapping** exercise was initiated in 2017 for Tarkett activities. The risk identification and assessment process was based on interviews of 70 internal stakeholders covering the whole range of Tarkett activities worldwide. The risk mapping is continually expanded and updated annually based on elements gathered through additional interviews and/or potential alerts or incidents and/or NGO reports we have been informed about. The granularity of the assessment is thus refined as these elements are collected by Tarkett;
- **the Anticorruption Code of Conduct**, which was developed and rolled-out in 2018 in replacement of the Anticorruption Policy, defines clear guidelines allowing our teams to understand, identify and prevent inappropriate behavior in terms of corruption and influence peddling. This code lists prohibited practices (illegal payment, facilitation payments and political contributions), practices governed by strict rules (gifts and invitations, donations to charities, interest representation and/or lobbying action), and required practices internally (proper and exact accounting, declaration of conflict of interest) and with our business partners (anti-corruption contractual clauses, implementation of due diligence procedures, use of intermediaries);
- **the Compliance Hotline** implemented in 2018, and the Ethics Hotline deployed in 2016 in the United States and in Canada, supported by the Whistleblowing Procedure, enable employees and business partners to report any corruption-related concern;
- **the assessment of our supplier's** status is part of our **Responsible Sourcing Program** (see section 3.8.1.1 "Engaging with responsible suppliers") as well as part of due diligence procedures as mentioned in the new Anticorruption Code of Conduct;
- **control procedures** on corruption risk are included in the work program of the internal audit department;
- **the new compliance training program**, launched in 2018 and targeting all Tarkett employees who have internet access, includes three annual e-learning modules on corruption, covering anti-corruption practices in general, and reminding our teams of good practices in this regard, with a particular focus on use of intermediaries, gifts and invitations, and donations to charities. Anti corruption workshops have moreover been delivered to specific publics;
- every employee is fully informed that non-compliance with any one of the provisions listed in the Anticorruption Code of Conduct may give rise to **disciplinary sanctions**, including dismissal.

3.4 CSR risks and opportunities

At our scale and with our resources, we are committed to positively contributing to tomorrow's changes and challenges:

World's Changes	Challenges Tarkett can contribute to
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.	**Increase of the population** and of the share of **elderly people in the cities**, along with expectations and challenges regarding **quality of life** (indoor air quality, healthy spaces, comfort, acoustics, spaces flexibility and modularity, etc.).
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 Organization for Economic Co-operation and Development (OECD) estimates that worldwide raw materials consumption will double by 2060 compared to current levels.	**Scarcity of natural resources and waste management**, issues which challenge the linear economy model (based on production, use and destruction of a product) and call for the **development of a circular economy model**, where waste becomes a resource, and where a product can be reused or transformed several times.
COP21 set out a course of action aimed at keeping the rise of global temperature below two degrees. This commitment implies a drastic reduction in the use of fossil fuels and more reliance on alternative energies	**Reduce greenhouse gas emissions**, not only in our production cycle, but also along the whole value chain, **notably by using recycled materials** which are less energy intensive than extraction and transformation of virgin materials, by fostering waste recycling, and by having production sites close to our clients (thus reducing transportation requirements).
The society is constantly evolving, and so are its expectations: generational shift with the Millennials, requirements for increased transparency, importance of diversity, insertion into the economic fabric, etc.	**Play a role as a responsible economic player**, respecting ethical and compliance values, and promoting transparency and proximity with local communities, and the development and diversity of talents.

As one of the world's leading flooring companies, Tarkett is committed to contribute, at its scale, in achieving the fundamental changes required to address these challenges, which generate various risks and opportunities.

3.4.1 Our risk identification and assessment process

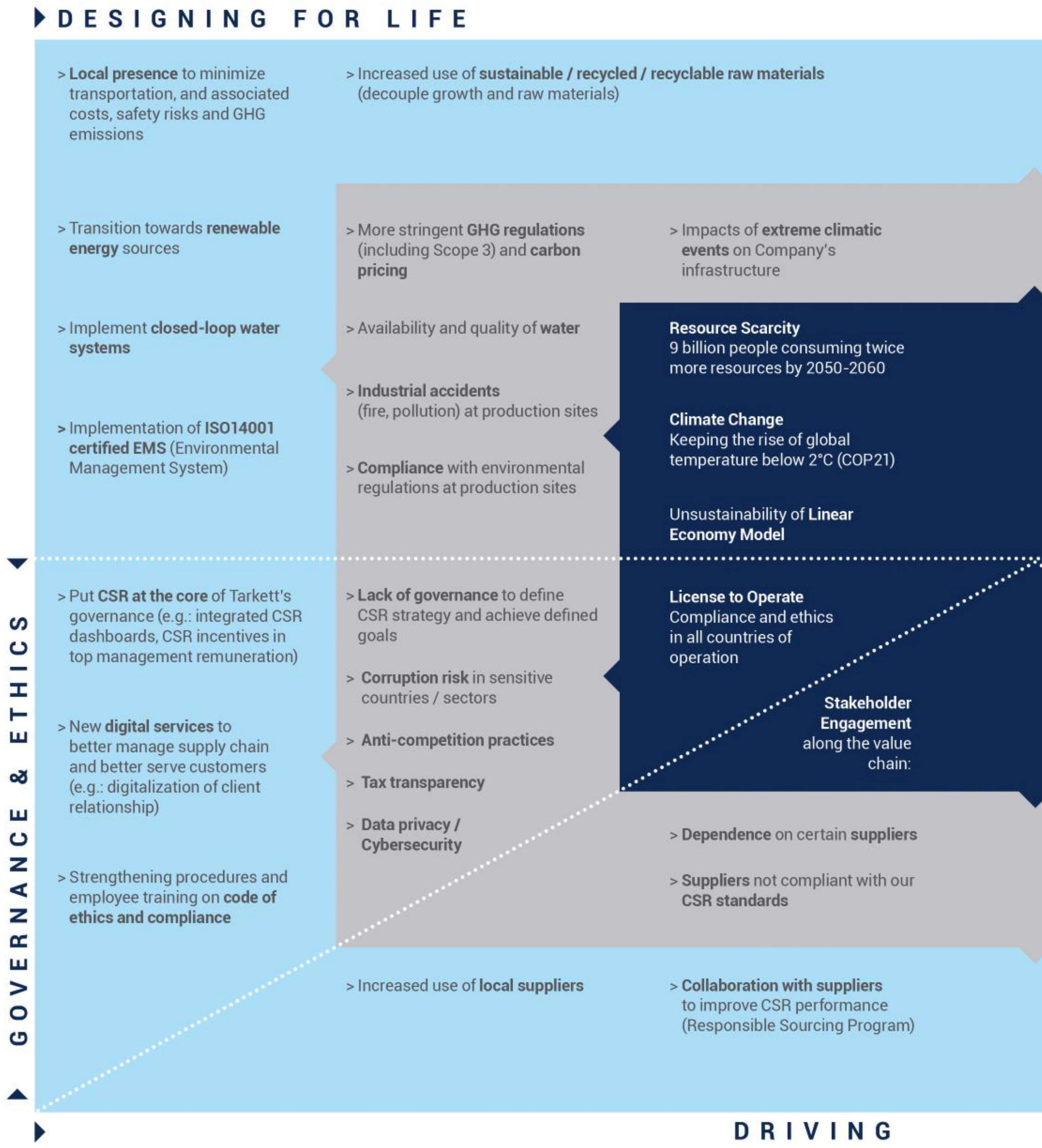
Our primary tool for CSR risks identification is Tarkett's Risk Mapping, which is managed by the internal audit department and which covers the range of financial and extra-financial risks applicable to our activities. This mapping exercise was initiated in 2011 with the external expertise and assistance of a major audit and consulting firm and is updated every other year. It is developed by interviewing key internal stakeholders at all levels of the Group (25 people covering all the Divisions and Functions were interviewed for the last update in 2017), and by using the outcomes from other initiatives to identify and evaluate risks conducted at various levels of the Group:

- at manufacturing sites, Health, Safety and Environmental (HSE) risks are identified and evaluated as part of the World Class Manufacturing program (which includes annual site audits by a third-party consultant – ERM) and of the management systems for health and safety (OHSAS18001), environment (ISO14001) and energy (ISO50001), which are implemented at most of our sites;
- at supply chain level, a procurement CSR risk mapping covering the vast majority of our suppliers was initiated in 2018 in partnership with Ecovadis (see section 3.8.1.1 "Engaging with responsible suppliers");
- a specific corruption risk mapping was developed in 2017 and continued in 2018 in line with the requirements of the "Loi Sapin 2" (as previously described in section 3.3.4.2 "Prevention of corruption");
- finally, Tarkett participated in an assessment, conducted by Trucost (S&P Global), of its performance in light of the sustainable development Goals (SDG) defined by the United Nations. This provided insight to our exposure, risk mitigation and positive impact regarding the most relevant SDGs for our activities.

The methodology for developing Tarkett's Risk Mapping is reviewed every other year. This led for example to improving the methodology for risk quantification in 2017, making it more objective and straightforward: risk evaluation is now based on the importance of the risk (level of impact in terms of strategy, finance, operation, compliance and reputation) and the level of control in place to mitigate the risk. Further to the 2017 update, a total of 40 financial and extra-financial risks were identified and evaluated, amongst which a dozen are directly linked to CSR issues, such as safety, product compliance, environmental accident, corruption, talent management, raw material availability, natural disaster or climate change.

3.4.2 Challenges, risks and opportunities mapping

Mapping of major challenges, risks and opportunities



The main worldwide challenges and CSR risks applicable to Tarkett (as identified by Tarkett's Risk Mapping and other risk identification and evaluation initiatives previously described), along with resulting opportunities, are summarized in the above graph.

Worldwide Challenges | Risks for Tarkett | Opportunities for Tarkett

CLOSING THE LOOP

> Development of **innovative products** anticipating constantly evolving norms and customer's expectations, based on **eco-design and circular economy** (e.g.: low carbon intensity products, Cradle to Cradle®certifications, low VOC emission levels, phthalate free, etc.)

> **Partnerships for collection and recycling** of flooring products (ReStart® program), and waste from other industries

> Fluctuations in prices and availability of **raw materials** and **energy**

> Lack of effective **recyclability and recycling** of end-of-use flooring products

> Development of products which help **reduce water / energy consumption during the use phase** (e.g.: artificial turf, dry-buffing system)

Growing Urbanization
70% population will live in urban areas by 2050

Ageing Population
More than 1/3 of population will be over 60 years old by 2050

Indoor Air Quality
People spend 90% of their time indoors

> Evolving **health and environmental standards** and/or customer's expectations (e.g.: phthalate, PVC, VOC, etc.)

DEVELOPING TALENTS

Generational Shift
New expectations of Generations Y and Z

increased interest and expectations on CSR issues

> **Loss of talent** / competence

> **Safety incidents** at production sites

> Exposure of personnel to **hazardous substances**

> **Modern slavery** (e.g.: migrants or seasonal workforce)

> **Discrimination** and lack of equal opportunities

> Attract and retain the best talents: **recognized employer** brand

> **Developing internal talents** (Talent Philosophy, mobility)

> Reinforce **safety culture** and WCM

> Promotion of **diversity** and **gender equality**

> Favor **integration of workers in difficult situation**

COLLABORATION

> Expectations for greater **transparency** and increased **stakeholder involvement**

> Expectations and requirements from **civil society** and **local communities**

> Proactive, audited, **transparent product communication** (e.g.: MHS, EPD)

> Increased **collaboration with stakeholders** on challenges, difficulties and solutions (e.g.: clients, suppliers, experts, NGOs, public authorities, etc.)

3.4.3 Our risk management process

Our systematic and integrated approach towards risk management, which now includes CSR risks, is based on the following steps:

- presentation of the biennial update of the Tarkett's Risk Mapping to the Executive Committee for approval and empowerment;
- regular presentation to the Audit, Risks and Compliance Committee, which is in charge of ensuring the effectiveness of risk-monitoring and internal control procedures;
- integration of the review of risks and controls into the work programs of the internal audit department.

The Group CSR strategy and policies developed to manage our material CSR risks and issues are defined at the Executive Committee level, adapted at Division's level and Function's level, and finally rolled-out at sites/networks level in each country. Different programs are implemented in order to deploy these CSR policies, such as World Class Manufacturing (WCM) for operations, Cradle to Cradle® (C2C) principles for eco-design, ReStart® program for circular economy, or Talent Philosophy for talent management.

Our policies and initiatives intended to manage CSR risks and challenges, their objectives and results, and the related key performance indicators are described in detail in the relevant sections of this CSR Report 2018, namely:

- section 3.3 "CSR governance", for risks and issues related to governance and ethics;
- section 3.7 "Designing for Life" & "Closing the Loop": A healthy circular economy approach to best serve our clients, for risks and issues related to our product's impacts on health and the environment along the value chain (from raw materials supply to end-of-use of flooring products, through manufacturing and use of our products);
- section 3.8 "Driving Collaboration" in value chain and in communities, for risks and issues related to our suppliers and our activities within local communities;
- section 3.9 "Developing Talents" for risks and issues related to our employees.

Example

Focus on our World Class Manufacturing (WCM) operational excellence program

For many years now, the Group has implemented the WCM program for manufacturing sites with the following objectives: improving employee's safety, reinforcing customer service and quality, reducing the impact of the Group's operations on the environment while optimizing resource management, and improving industrial performance.

A central dedicated team at Group level defines objectives and provides the required support to the WCM network for on-site deployment of the program. It also facilitates experience and best practices sharing. Completion of internal WCM audits enables the teams to monitor the progress of production sites and to define action plans.

3.4.4 Our materiality assessment

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, a survey was completed to determine the material topics for Tarkett and ensure that our CSR strategy and our objectives were aligned with them. A stakeholders' mapping 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 Committee, 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 Standards and Cradle to Cradle® principles, organized into five categories: the environmental impacts of production, responsible products, work, human rights, and societal issues.

Four specific issues emerged from the 2016 survey and are still considered to be among the most material CSR topics for Tarkett: 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.

	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

When comparing the materiality matrix with our CSR risk mapping, it is clearly visible that priority topics and other topics of importance identified by the materiality assessment in 2016 are covered by and consistent with the identification of our CSR risks and opportunities.

3.5 Duty of care/Vigilance plan

In line with the requirements of Article L.225-102-4 of the French Commercial Code (‘*Code de commerce*’), Tarkett develops and implements a vigilance plan enabling to identify risks and prevent serious violations towards human rights and fundamental liberties, health and safety of people, and the environment. This vigilance plan must cover the Company’s activities, as well as activities of our contractors and suppliers. At Tarkett, the vigilance plan is incorporated into the Group’s CSR strategy and policies, as described hereafter.

Risk mapping

Our CSR risk identification process and mapping are described in detail in section 3.4 “CSR risks and opportunities”. From a high-level perspective, the Tarkett’s Risk Mapping covers risks related to environment, health and safety, and human rights. More specifically:

- at manufacturing sites level, HSE risks are identified and evaluated as part of the WCM program and the management systems implemented at most of our sites: OHSAS18001 for health and safety aspects, ISO14001 and ISO50001 for environmental aspects. Human rights risks have not been assessed as significant for activities at our production sites to date. We are however aware that current geopolitical trends can generate new risks (e.g. risk of modern slavery due to the influx of migrants in Europe), which we endeavor to identify and take into consideration as they appear;
- at supply chain level, a procurement CSR risk mapping covering the vast majority of our suppliers was initiated in 2018 in partnership with Ecovadis, and includes environmental, health and safety risks, as well as those related to a potential violation of human rights, among others (see section 3.8.1.1 “Engaging with responsible suppliers”).

Assessment procedures

At manufacturing sites level, the assessment of status in terms of HSE risk management and performance is conducted internally on a continual basis via our WCM program (see section 3.4.3 “Our risk management process”). In addition, all our sites are audited annually by a third-party (ERM), and most of our sites are subject to surveillance and re-certification audits for OHSAS18001, ISO14001 and/or ISO50001.

At supply chain level, the evaluation of our suppliers will be initiated in 2019 as part of our responsible sourcing program based on the outcomes of the procurement CSR risk mapping, in parallel to the deployment of a new Supplier’s Code of Conduct (see section 3.8.1.1 “Engaging with responsible suppliers”).

Alert mechanism

The Compliance Hotline implemented in 2018 and accessible from 103 countries, and the Ethics Hotline deployed in 2016 in the United States and in Canada, enable Tarkett’s employees and business partners (including our suppliers) worldwide to raise any concerns and/or report potential violations they may witness within Tarkett, in particular regarding human rights, environment, health and safety (see section 3.3.4.1 “Our approach to ethics and integrity”).

Actions and monitoring scheme

Our objectives and actions/initiatives implemented to prevent risks covered by the vigilance plan, as well as the related key performance indicators enabling to assess the efficiency of implemented measures and their results, are described in details in the relevant sections of this CSR Report 2018, namely:

- section 3.7 “Designing for Life” & “Closing the Loop: A healthy circular economy approach to best serve our clients”, for risks and issues related to our product’s impacts on health and the environment along the value chain (from raw materials supply to end-of-use of flooring products, through manufacturing and use of our products);
- section 3.9 “Developing Talents” for risks related to our employees’ health and safety;
- section 3.8 “Driving Collaboration in value chain and in communities”, for risks related to our suppliers.

3.6 Stakeholder engagement

"Driving Collaboration" is a key feature of our "Doing Good. Together." CSR approach: we seek to enhance internal and external collaboration by building partnerships that help us achieve our objectives and by collaborating with key stakeholders, including NGOs, experts and public institutions, to face together global challenges and find innovative solutions.

This stakeholder engagement and collaboration approach is summarized in the below table for 2018.

Stakeholder Groups	Examples of engagement and collaboration in 2018 on CSR topics	CSR Report section
Shareholders/Investors	› Shareholder's Annual General Meeting › Financial statements/Registration Document › Roadshow presentations to asset management companies, e.g. Française Asset Management, Sycomore, Amundi	-
SRI Community	› Participation in SRI rating agencies analysis: Vigeo, Gaïa, MSCI, etc. › Participation in Trucost (S&P Global) UN SDG assessment › Response to the Carbon Disclosure Project (CDP) questionnaire	-
Employees	› Biennial employee feedback survey › Group Intranet Tarkett-Inside › Sustainability web application for Tarkett Eastern Europe › Internal newsletter 'Experiences' (including a special edition on sustainability in October 2018) › Relationship/dialogue with trade unions, including Tarkett Forum in Europe › Tarkett Awards, recognition program to reward employees' best contributions › Annual meeting for senior executives ("Focus Meeting") and quarterly conference call on financial, safety and environmental results	3.9.4.4 3.9.5.1
Customers/end-users	› Transparent product information, via Material Health Statements (MHS), specific Environmental Product Declarations (EPD in Europe, FDES in France, PhD in Australia), environmental tags in Europe › Certifications and labels meeting customer's expectations, e.g. Cradle to Cradle® (C2C – which positively contributes to achieving LEED certification), asthma and allergy friendly™, Living Product Challenge Imperative, etc. › Tarkett Academy to train professional installers and architects › Green Tours presenting our sustainability approach and initiatives on our production sites in Narni (Italy), Clervaux (Luxembourg), Ronneby (Sweden) and Otradny (Russia) › Showrooms, such as Atelier Tarkett in Paris (France) or San Francisco (US) › Participation in conferences and exhibitions, e.g. Greenbuild in Chicago (US), Sustainable Brands New Metrics 2018 in Philadelphia (US), EuPC Building & Construction Forum 2018 in Milan (Italy) as part of the EU Green Week, Stockholm Furniture Fair (Sweden), Building Green conference in Oslo (Norway), Indoor Air Quality Symposium at the FRONT construction exhibition in Sydney (Australia), Revestir Exhibition (Brazil) › ReStart® program for collection of post-installation and post-use flooring › Customer awards, e.g. ReStart® Reclamation Awards for flooring waste sorting and recycling in the US, sponsorship of the Architecture & Design Sustainability Awards for the commercial segment in Australia › In Australia, Loop circular economy training and demonstration center in Adelaide, and partnership with Supply Chain Sustainability School, an online learning forum designed to help the property and construction sectors improve their knowledge of broad sustainability issues › Participation with Progroup in NESTO, a collaborative social housing project built using circular economy principles and using Tarkett's flooring products	3.7.2.2 3.7.4.3 3.8.2.2
Suppliers	› Responsible sourcing program › Suppliers involved in materials selection, e.g. work with suppliers to provide phthalate-free plasticizers in the US and in Russia › Suppliers involved in materials assessment and C2C approach, e.g. partnerships with suppliers to propose C2C flooring maintenance and installation option; assessment of the inks and pigments portfolio with key suppliers in 2018; partnership between a strategic supplier and EPEA to develop a C2C assessment tool for the design of new materials	3.7.2.2 3.8.1.1 3.8.1.2
Industrial Partners	› Purchase waste or recycling-based transformed materials from industrial partners for use as raw materials, e.g. Econyl® fibers from Aquafil in Italy and calcium carbonate from a drinking water distribution company in the Netherlands for carpet, recycled PVB safety films from windshields and used protective glass in the US and in Europe › Collaboration for implementation of the ReStart® program logistics, e.g. with Veolia in France and Germany	3.7.4.2 3.7.4.3

Stakeholder Groups	Examples of engagement and collaboration in 2018 on CSR topics	CSR Report section
Public Institutions/ Standardization Groups	› Participation in European Commission consultations and in standardization works on topics such as hazardous substances, waste or plastics in circular economy › Contribution to the "circular economy roadmap" overseen by the Ministry of Ecology and Solidarity Transition in France › Contribution to the Centre for European Policy Studies (CEPS) task force report on "The Role of Business in the Circular Economy – Markets, processes and enabling policies" › Participation in a working group developing guidelines on circular economy indicators driven by the National Institute on Circular Economy and the French association for environment EPE in France › Participation in the COP24 (24th Conference of the Parties to the UNFCCC) in Katowice (Poland) to promote the REDD+ Business Initiative › Contribution to the Swedish Government mission on environmental impact from plastics › Participation in Almedalen Week, Sweden's biggest political meeting, during which sustainability and climate change were at the heart of the discussions › Discussion with the City of San Francisco in the US on their specifications for carpet procurement	3.7.3.1. 3.8.2.4
Academic Institutes/ Experts	› Work with EPEA (*Environmental Protection Encouragement Agency*) scientific institute for material health assessment and C2C certifications	3.7.2.2 3.7.2.3
Associations/ Organizations	Tarkett is an active member of various associations/organizations, where we contribute to discussions and working groups on sustainability and circular economy: › World Economic Forum: participation in Davos 2018 meeting and in the Alliance of CEO Climate Leaders › "Circular Economy 100" (CE100) initiative of the Ellen MacArthur Foundation › European Plastics Converters (EuPC), the professional representative body of plastics converters in Europe, and the Vinyl Foundation to support VinylPlus®, the sustainable development programme of the European PVC industry › GLOBE EU, a think tank of European parliamentarians making reflections and political proposals regarding the environment › EU Business @ Biodiversity Platform, a dialogue and policy interface with the aim to help businesses integrate biodiversity considerations into business practices › Natural Capital Coalition, an international collaboration to conserve and enhance natural capital › Cradle to Cradle Products Innovation Institute (C2C PII), a non-profit organization created to guide product manufacturers and designers in making safe and healthy products › Carpet America Recovery Effort (CARE) in the US, an organization that fosters recycling of carpets and rugs › Chair of the V-Cycle PVC recycling initiative of the Vinyl Sustainability Council in the US, to enable value chain wide recycling efforts › U.S. Green Building Council (USGBC), an organization committed to transforming how buildings are designed, constructed and operated through LEED (Leadership in Energy and Environmental Design), the most widely used green building rating system in the world › Oslo Renewable Energy and Environment Cluster (OREEC) in Norway › Circular Sweden and Cireko, two networks promoting recycling and circular business in Sweden	-
Non-Governmental Organizations (NGOs)	› Tarkett co-financed a study by NGO Healthy Building Network (HBN) on suppliers and technologies used for chlorine and PVC production › Dialogue with organizations Changing Markets and Zero Waste on carpet composition and recycling, and regulatory tools required for implementing systems of extended responsibility for carpet producers within the EU	3.7.2.1 3.7.3.1 3.8.1.1
Local and Worldwide Communities	› Initiatives and donations as part of Tarkett Cares, e.g. partnership with Habitat for Humanity in the US, flooring donations in Serbia and Canada, trees planting in Brazil, education and support around asthma and allergy issue in Australia, Tarkett Cares Day in Sedan (France) › Support to development projects worldwide, e.g. REDD+ Tambopata Project in Peruvian Amazon, partnership with EarthEnable in rural Rwanda and Uganda	3.8.2.3. 3.8.2.4
Schools/Universities/ Potential Candidates to join Tarkett	› Campus recruiting partnerships with local schools/universities, e.g. between the "École des Mines de Nancy" and the Clervaux industrial site (Luxemburg) › Participation in job fairs, such as Expo CIEE 2018 (Brazil). › Tarkett Positive Legacy Design Award with the University of Melbourne (Australia) to support the most sustainable project of the year developed by university students. › Advertisement, e.g. recruitment ads, TV commercials on sustainability at Tarkett broadcasted in Russia	3.9.4.1.

3.7 "Designing for Life" & "Closing the Loop": A healthy circular economy approach to best serve our clients

Our policies and actions, along with their objectives and results/key performance indicators, intended to manage risks and respond to opportunities related to our product's impacts on health and the environment along the value chain (as identified in section 3.4 "CSR risks and opportunities") are summarized in the below table and further detailed in the sub-sections of this chapter.

Opportunities/Risks	Policies/Actions	Key Performance Indicators	2018	2017	Objective 2020	CSR Report section
Compliance with environmental regulations at production sites. Industrial incidents (fire, pollution) at production sites	› World Class Manufacturing (WCM) program › ISO14001 certified Environmental Management System (transition to 2015 version) › Emergency response plans implemented at production sites › Annual audits and follow-up of industrial sites by third party (ERM)	Percentage of production sites certified to ISO14001	89%	89%	-	-
Fluctuations in prices and availability of raw materials and energy	› Materials selection as part of New Product Development Process (NPDP) › Maximize recycled content in our products: post-installation/post-consumer flooring; waste from other industries	Percentage of raw materials not contributing to resource scarcity (abundant, rapidly renewable or recycled)	70%	71%	75%	3.7.2.1
		Percentage of recycled raw materials (1)	10%	12%	-	3.7.4.2
	› Energy reduction and efficiency projects at production sites	Energy consumption per m² of manufactured product	4.29 kWh/m²	4.17 kWh/m²	-	3.7.5.2
	› Development of renewable energy sources at production sites	Percentage of energy consumption coming from renewable energies	27%	28%	-	3.7.5.3
Availability and quality of water	› Implementation of closed-loop water systems at production sites	Percentage of production sites equipped with closed loop water circuits (or not using water in their process)	68%	67%	100%	3.7.5.1
More stringent GHG regulations (including Scope 3) and carbon pricing. Impacts of extreme climatic events on Company's infrastructure	› Scope 1 & 2 GHG: energy efficiency projects, development of renewable energies. › Scope 3 GHG: analysis of Scope 3, raw materials selection, post-consumer flooring take-back and recycling (ReStart® program). › Emergency response plans implemented at production sites. › Annual audits and follow-up of industrial sites by third party (ERM)	Percentage reduction of Scope 1 & 2 GHG emissions per m² of manufactured product compared to 2010	-8.5%	-8.9%	-20%	3.7.6
Effective recyclability and recycling of end-of-use flooring products	› New Product Development Process (NPDP) to ensure recyclability of new flooring products. › Post-installation and post-consumer flooring take-back and recycling (ReStart® program)	Tons of collected post-installation and post-consumer flooring through the ReStart® program	3,300 tons	4,100 tons	38,000 tons	3.7.4.3
Evolving health and environmental standards and/or customer's expectations for flooring products (e.g. Phthalate-free plasticizers, alternative to PVC, VOC (2) emission levels, etc.). Expectations for greater product's transparency	› Systematic materials assessment based on C2C criteria › Transparent product information, e.g. Material Health Statements, Environmental Product Declarations › C2C certifications of our products	Percentage of raw materials third-party assessed for their impact on people's health and the environment based on C2C criteria	98%	96%	100%	3.7.2.2 3.7.2.3
	› Materials selection and assessment as part of NPDP to develop products with low levels of VOC emissions	Percentage of flooring with low VOC emission levels	97%	96%	100%	3.7.3.1
	› Use of non-phtalate plasticizer technology for our vinyl flooring	Percentage of phthalate-free vinyl flooring (3)	65% (4)	57%	100%	3.7.3.1

(1) Recycled materials: Materials that would otherwise have been sent for waste disposal; internal post-manufacturing recycled volumes are included.
(2) Volatile Organic Compounds.
(3) Except recycled content for certain products
(4) 100% of our vinyl production sites in Europe, in North America, in Serbia and in China use a phthalate-free technology by end 2018.

3.7.1 Our collaborative approach towards eco-conception and circular economy

Actively engaged in a circular economy, **Tarkett applies Cradle to Cradle® (C2C) principles for the design of its products, from materials selection and products manufacturing, to installation, use, maintenance, end of use and products recovery**. Tarkett has developed a "closed-loop circular design" eco-design methodology which strives, right from the upstream phase of a design process, to integrate various aspects – economical, performance, respect for the health and the environment – throughout different stages of the product's 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 & development, marketing, procurement, production and quality, among others.

Example

The New Product Development Process (NPDP)

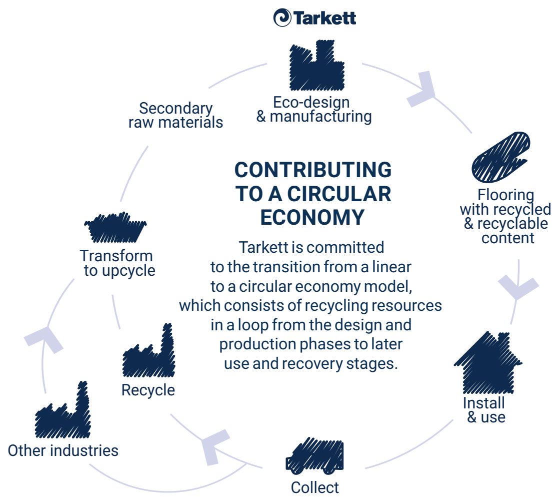
Our NPDP has been in place for several years. Sustainability and circular economy criteria, in line with the Cradle to Cradle® methodology, have been integrated from the design and development phase of a new flooring product. This process encourages on the one hand the selection of "good" raw materials (i.e. positively defined according to C2C assessment) for the product composition, and on the other hand the product design to ensure it is recyclable and potentially "ReStart® ready" (i.e. eligible to post-installation and post-consumer collection as part of our ReStart® program, to be later recycled in one of Tarkett's recycling centers).

The NPDP is included into our World Class Manufacturing (WCM) program and has been improved in 2018 to further enhance its applicability and efficiency, thus facilitating communication and coordination between the different functions involved in the development of a new product (research and development, marketing, CSR, procurement, operations, etc.), while guaranteeing a quality process from product's design to manufacturing.

We also **use life cycle analysis (LCA), one of the methodologies to assess the environmental impact of a product**. This standardized method (ISO 14040 and ISO 14044) identifies and compares the environmental impacts of a system throughout its lifecycle, from extraction of raw materials through its fabrication and processing up to its end-of-life or end-of-use (landfill, recycling…) including use phases, maintenance and transportation. In 2018, to strengthen our capacity and to answer the growing demand of customers and prime contractors, the EMEA Division was equipped with dedicated software to systematically perform LCA and develop specific environmental product declarations.

All these principles applied by Tarkett are part of the same concept and are based on the following pillars:

- good materials: selecting materials that respect health and the environment (e.g. recycled, renewable, not contributing to resource depletion);
- resource stewardship: promoting optimized, sustainable use of resources in all phases of production, while protecting the environment (minimization of use of water and energy, and of generation of waste during manufacturing; reduction of scope 1 to 3 greenhouse gas emissions);
- people-friendly spaces: contributing to the health and well-being of people during the product use and maintenance phase (e.g. products with low VOC emissions, phthalate free);
- recycling: recycling no longer used products (e.g. post-installation/post-consumer flooring wastes, wastes from other industries) to eliminate waste, while helping to design new products with quality recycled materials.



The ultimate purpose of this approach is to design products which contribute to the health, comfort, well-being and safety of people while also preserving the natural capital of the planet.

(1) Standard NF X 30- 264 Environmental management – Assistance to the implementation of an eco-design approach, 2013.

Example

Our new flooring product iD Revolution, an example of our comprehensive eco-conception approach

In September 2018, Tarkett launched iD Revolution in Europe, a modular resilient flooring comprised of 83% raw materials not contributing to resource scarcity: abundant minerals such as calcium carbonate, bio-plastics and recycled materials. To create this innovative product, Tarkett uses recycled PVB from windshields and safety glasses for incorporation into the product formula.

Not only is iD Revolution's product composition sustainable but the manufacturing process also respects the earth's natural capital: 99% of the water used during the production is recycled, and 50% of the electricity needed comes from renewable sources, while the remaining 50% are offset via carbon credits through Tambopata, a project supporting biodiversity in the Amazon. 100% free from phthalate and solvents, the collection also contributes to good indoor air quality as its levels of volatile organic compounds (VOC) emissions are lower than the strictest standards.

To close the loop, the product has been designed to be 100% recyclable at its end of use. Through ReStart®, Tarkett's take-back programme, iD Revolution's tiles and planks will be eligible to be collected and sent back to the manufacturing site to be re-engineered as a new product.

iD Revolution is thus the first Cradle to Cradle® Gold certified modular resilient flooring made with recycled materials and natural fillers.

Shortly after its launch, iD Revolution received in France the "Innovation Team Best Practices 2018" award, organized by Paris Sorbonne University and Paris Directors of Innovation Club. In addition, iD Revolution has received the UK-based Green World Award where iD Revolution became Global Gold Winner in the Innovation category. These awards demonstrate Tarkett's commitment towards sustainable and innovative flooring solutions.

In a highly competitive sector like flooring, this approach and evolution involve 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 involved in our value chain.

Hence, we work closely with institutions such as the Ellen MacArthur Foundation and its Circular Economy 100 program, the EPEA (Environmental Protection Encouragement Agency) scientific institute, and companies and organizations specialized in the field such as Veolia in France and in Germany for our ReStart® program, Carpet Recycling UK, the AGPR in Germany, a recycling site for used vinyl flooring, or Carpet America Recovery Effort (CARE) in the United States, a non-profit trade organization that fosters recycling of carpets and rugs, and of which Tarkett is a founding member.

3.7.2 Our careful choice of materials and our products evaluation

3.7.2.1 Good materials selection

Choosing quality materials is one of the pillars of our eco-design approach according to Cradle to Cradle® principles, with the objectives to respect people's health, preserve resources and protect the environment.

From an environmental point of view, Tarkett strives to privilege raw materials sourced from abundant sources (for example calcium carbonate), rapidly renewable (such as cork or faster-growing wood species e.g. pine and spruce) and recycled (including waste from other industries), so that the materials used for our products do not contribute to resource scarcity.

As an example, Tarkett Sports offers a wide range of performance infill layers for FieldTurf artificial field, either based on recycled rubber granules from tires which would otherwise have been landfilled, or based on rapidly renewable or recycled natural materials: PureFill uses organic cork granules and sand, PureSelect uses locally-sourced olive cores in the United States and PureGeo uses coconut peat.

Another example is the Eco Shell rubber flooring developed in North America, which includes as a component leftover walnut shells from local walnut tree culture.

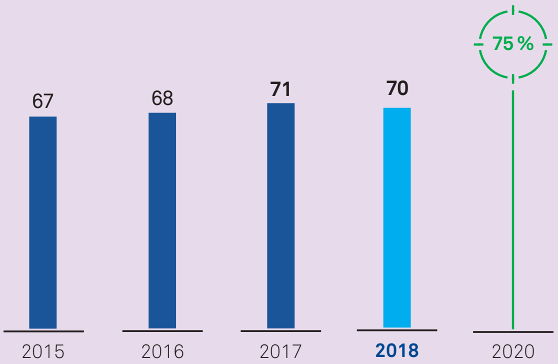
We also purchase waste or recycling-based transformed materials from many industrial partners that we use as raw materials (for more details, see section 3.7.4.2 "Re-use of waste from other industries").

Zoom on key indicators

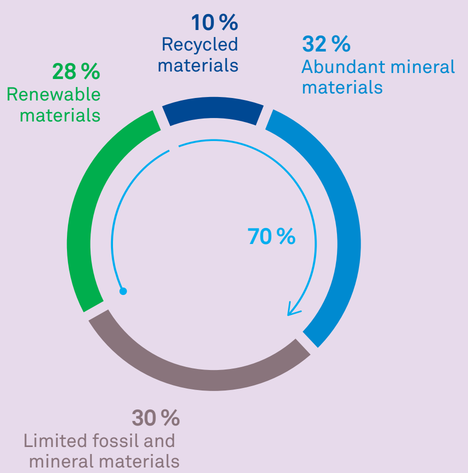
Selection of quality materials

In 2018, 70% of our raw materials did not contribute to resource scarcity (being abundant, rapidly renewable or recycled).

Share of raw materials which do not contribute to resource scarcity (%)



Breakdown of raw materials used in 2018 (%)



A subject of discussion in terms of materials selection is the responsible use of PVC (polyvinylchloride), a plastic resin of which the building industry is the first consumer. Since 2010, we have initiated a transparent dialogue with various stakeholders on the topic, defining conditions for sustainable design and production, usage and recycling of PVC for long-term applications such as flooring.

Our current approach in this regard is to develop the use of phthalate-free plasticizers, to favor suppliers using newer, less polluting manufacturing technologies, and to promote the recycling of PVC-containing flooring notably through our ReStart® program.

Tarkett also pays attention to the upstream production of PVC, one of our main raw materials. In 2018, Tarkett co-financed a study by NGO Healthy Building Network (HBN) on suppliers and technologies used for chlorine and PVC production (technologies with/without mercury or asbestos) to obtain a better understanding on which PVC suppliers use which technology, to encourage suppliers to improve their technologies, and to steer raw materials purchase in the future.

One of the main conclusions of this study is that, while most chlorine produced in Europe comes from more recent membrane technology, approximately 45% of chlorine production capacity in the Americas, including 8 of the 12 largest plants in operation, still use asbestos diaphragms.

3.7.2.2 Assessment of materials and their impact on health and the environment

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, so as 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.

With 36 plants worldwide and an active pipeline of new and improved products, there are always new materials that we need to evaluate. For example, in 2018, we assessed our portfolio of inks and pigments with key suppliers, and over 60 wood accessories for installation and maintenance in the Eastern Europe division.

Zoom on key indicators

Materials assessment

98% of our raw materials (representing more than 3,000 materials) are third-party assessed (by EPEA) for their impact on people's health and the environment based on Cradle to Cradle® criteria, bringing us closer to the Group objective to reach 100% in 2020.

This materials assessment work with the EPEA is the origin of the **creation of a new transparency tool, the Material Health Statements (MHS)** launched in 2016 in North America and expanded to Europe in 2018. More than a simple list of ingredients, 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, notably for the user of the flooring and for those who install the floors. The MHS process encompasses several steps:

- material inventory: in collaboration with our suppliers, we compile an inventory of the raw materials used in our products, down to 100ppm (parts per million/0.01%);
- material Screening: the hazard rating of individual chemicals is analyzed according to European REACH and CLP[(1)] regulations, the Green Screen List Translator (GSLT), and based on more than 100 other chemical hazard lists and scientific sources of toxicological information used by EPEA;
- material assessment: materials are assessed over their lifecycle including sourcing, production, use and post-use handling. The safety of every chemical ingredient is assessed using eco-toxicological information, scientific literature, supplier data and analytical testing. The chemical role in the finished product and its effect on occupant exposure is also evaluated;

(1) REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals; CLP: Classification, Labelling and Packaging of substances and mixtures.

- verification: MHS are verified by an independent third-party organization;
- optimization: we then strive to reformulate our products using Cradle to Cradle® principles, by selecting materials that are safer and healthier for people and the environment and can be recycled.

The MHS tool was developed to promote product transparency, making available to our customers easy to read and easy to understand information tools.

At the end of 2018, in North America we had published MHS for a range of products and references, including vinyl flooring, vinyl tiles and strips, carpet, linoleum and rubber. After North America, the MHS information tool is being deployed at the global scale, with EMEA having published MHS for 12 products by end 2018.

How to understand and use the MHS

Formula of the product

Unique numerical identifier assigned by the Chemical Abstracts Service (CAS) to every chemical substance described in the open scientific literature

Rate of the component in the formula

Colour-coded rating given by the EPEA
- No concern
- Moderate concern
- High concern – Task for material optimization
- Unknown concern - Task for knowledge development

Comment of the EPEA on the use or the exposure to this component

GreenScreen List Translator Score and GreenScreen Benchmark Score according to Toxnot classification, an American classification of chemicals (https://toxnot.com/) More information in the legend

REACH is the European Community Regulation on chemicals and their safe use.
✓ Non hazardous substance or <0,1%

Function	Component	CAS	Content	Rating	Comment	GS-LT GS-BM	REACH
Filler	Calcium carbonate	1317-65-3	< 50%			LT-UNK	✓
Polymers	Polyvinyl butyral	27360-07-2	< 40%		Polymers contributing to the build-up of the different layers, partially with a prehistory of use in former applications	LT-UNK	✓
	Polylactic acid	9051-89-2				N.I.	✓
	Additional polymers with minor contributions	Proprietary 2				N.I.	✓
						LT-UNK	✓
Plasticizers	2-Ethylhexanoic acid diester with triethylene glycol	94-28-0	< 10%		Plasticizers and additives with an annex role as plasticizers have for a part an agricultural origin and for another part a prehistory of use in former applications	LT-UNK	✓
	Glycerides, castor-oil mono-, hydrogenated, acetates	736150-63-3				N.I.	✓
	Soybean oil, epoxidized	8013-07-8				LT-UNK	✓

Abstract of the MHS of iD Revolution

We also use other product information and transparency tools, depending on the regions and countries where we operate:

- environmental Product Declarations (EPDs) are developed in Europe on the basis of life cycle analysis (LCA), according to a standardized framework and process for development, verification and communication. There is a strong demand for EPDs in Europe, in particular because it enables the clients to earn points for sustainable building labels (such as BREEAM, LEED, HQE). Generic EPDs have been issued by professional associations based on consolidated information from manufacturers since 2013, and in 2018 Tarkett started developing specific EPDs for some of its products so as to provide more specific and transparent information: by end of 2018, 13 specific EPDs had been issued for various vinyl, linoleum, wood, laminate and carpet products;
- in France, the EPDs are available as Health and Environmental Product Declaration (Fiches de Déclaration Environnementale et Sanitaire – FDES), adding health information to the environmental ones;
- in Australia, Tarkett utilizes the Global GreenTag Product Health Declaration™ PhD, a certification tool that recognizes manufacturers who fully disclose with 100 percent transparency the toxicity information of their product;
- since 2011, most of our products in Europe moreover have an environmental labeling system, which specifies the percentage of recycled content, usage or not of plasticizers containing phthalates, as well as the total VOC emissions.

TARKETT SUSTAINABILITY TAG | 100 % 25.5 % Recyclable Recycled content | PHTHALATE FREE | <10µg/m³* Optimal Indoor Air Quality *TVOC AT 28 DAYS | ReStart by Tarkett

3.7.2.3 Our product 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: material health, material reutilization, renewable energy and carbon management, water stewardship, and social fairness. Each criterion is given a score from Basic to Platinum (from the lowest to the highest: Basic, Bronze, Silver, Gold and Platinum) and the lowest ranked criterion defines the global score.

Tarkett was in particular one of the first flooring manufacturers to obtain C2C Gold level certifications for certain product categories. Our latest product to achieve C2C Gold certification was our new modular resilient flooring iD Revolution launched in September 2018.

In 2018, Tarkett had 22 C2C certifications, the largest number of C2C certifications in the flooring sector, covering a wide range of product categories, including carpet, linoleum, rubber, wood, artificial turfs and adhesives. The detailed list of products covered by C2C certifications is provided in appendix to the CSR report.

Some of our products also hold other certifications, such as Living Product Challenge Imperative in North America. We moreover ensure that Tarkett obtains a range of third-party certifications to prove that our products can help architects and project developers reach the highest standards in green building – whether LEED (international), BREEAM (UK), or HQE (France).

Example

Tarkett Achieves Living Product Challenge Imperative Certifications in North America

The Living Product Challenge (LPC) is a rigorous certification encouraging manufacturers to use healthy materials, optimize the chemistries of products, create environments that promote well-being, drive circular economy, and support a just and sustainable world. The LPC is organized into seven performance areas called Petals: Place, Water, Energy, Health & Happiness, Materials, Equity, and Beauty. Each Petal subsequently has more detailed requirements, called Imperatives. Imperative certification requires the achievement of at least seven of the twenty imperatives.

Our rubber tile collection and all our products with ethos® Modular carpet backing earned the International Living Future Institute (ILFI) LPC Imperative certification, both collections being able to achieve twelve of the twenty imperatives. **In North America, Tarkett is thus the first flooring manufacturer to achieve an LPC Imperative certification for both resilient and soft surface flooring products.**

3.7.3 Our flooring products contributing to healthy and people-friendly spaces

3.7.3.1 Contributing to healthy spaces and indoor air quality

Flooring with low VOC emissions

For the past twenty years, both new and renovated buildings are more and more effective in terms of insulation, and consequently 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 and preserve indoor air quality. This challenge is especially critical for the most sensitive populations such as the elderly, young children, or people with allergies or asthma.

Since 2011, Tarkett has been a pioneer in developing flooring with low or ultra-low levels of Volatile Organic Compounds (VOC) emissions in nearly all of its product ranges. Tarkett offers products with total VOC emissions that are 10 to 100 times lower than the most stringent world standards, at levels that are so reduced they are non-quantifiable [(1)]. This effort had been recognized by several certifications:

- 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 all FiberFloor® vinyl ranges as well as to other products (I.D. Inspiration™, Acczent, and several laminated ranges);
- in 2018, several linoleum ranges manufactured in the Narni factory received the label Allergy UK Seal of Approval from the British association Allergy UK, which is valid in 135 countries;
- several vinyl and linoleum ranges manufactured in Europe are subject to regular plant audits by Eurofins (an international laboratory network conducting consumer product testing) to ensure that our products have low or very low levels of VOC emissions (Tarkett labels "Indoor Air Quality Gold" and "Indoor Air Quality Platinum").

Phthalate-free flooring

Phthalates are mainly used in the plastics industry, in order to give the plastic a certain flexibility. The potential impact on human health of certain phthalates in this group of chemical products is the subject of scientific debate and is regularly featured in regulatory news and general public news stories, notably through work carried out by health agencies that assess the impact of substances on health and the environment (ANSES in France and EFSA at the European level); at the level of ECHA (European Agency for Chemical Products), within the framework of evolutions in REACH and CLP regulations [(2)]; or in information campaigns run by health and environmental protection non-profit organizations.

(1) Total VOC at 28 days < 100 µg/m³ or even < 10 µg/m³.
(2) REACH: Registration, Evaluation, Authorization and Restriction of Chemicals; CLP: Classification, Labelling and Packaging of substances and mixtures.

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. 100% of our vinyl production sites in Europe, in North America, in Serbia and in China use a phthalate-free technology (1) by end 2018. At some sites, we also use recycled contents in addition to virgin raw materials for some products which may then contain traces of plasticizers with phthalate. EMEA sites have however stopped using recycled materials with residual phthalate content during the course of 2018, and consequently produce 100% phthalate-free vinyl flooring by end 2018, recycled content included. The phthalate-free plasticizer technology has been gradually deployed in Brazil, Ukraine and Serbia since 2016, and development tests are underway for the site of Otradny in Russia.

The entire flooring industry gradually follows our example in the interest of flooring customers and users: for example, in North America, certain DIY and decoration retailers have changed their supplier specifications to exclude phthalate products.

Zoom on key indicators

Indoor air quality:
Our 2020 objective is to reach 100% of our flooring with low total VOC emissions (< 100 µg/m³). In 2018, the percentage of m² of products with low VOC emissions rate slightly increased to reach 97%, bringing us closer to our 2020 objective.

Phthalate-free flooring:
Our 2020 objective is to reach 100% of phthalate-free vinyl flooring (except recycled content). 100% of our vinyl production sites in Europe, in North America, in Serbia and in China use a phthalate-free technology by end 2018. At global level, we reached 65% in 2018, compared to 57% in 2017, taking into consideration that deployment also depends on availability of plasticizers alternatives (in volumes and in quality).

Dust retaining flooring
Tarkett has developed 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 is the first worldwide to be certified with a GUI Gold Plus Label, the highest possible accreditation awarded by GUI, Germany's leading independent air quality testing organization.

Example

City of San Francisco – Raising the bar on sustainable carpet

In 2018, the city of San Francisco adopted comprehensive carpet specifications with minimum recycled content requirements and prohibitions on a long list of hazardous chemicals, including highly fluorinated compounds. San Francisco's strict new requirements cover every detail throughout a carpet's lifecycle, from manufacturing to installation and maintenance. Tarkett, with its non-PVC, low VOC, Cradle to Cradle® certified ethos® Modular carpet with Omnicoat Technology™, was one of the only two flooring companies meeting or exceeding every requirement.

Example

Airmaster identified as one of few carpet products where no toxics were detected according to a report by Changing Markets Foundations

The report titled "Testing for Toxics – How chemicals in European carpets are harming health and hindering circular economy" published in October 2018 by Changing Markets Foundation, in collaboration with independent researchers and academics, shed light on specific issues related to carpet manufacturing and recycling in Europe. According to this report, of the 15 European carpet samples tested, no toxics were detected in only three carpets, including Tarkett's Desso Airmaster carpet. Changing Markets concludes that "*it is encouraging to see that cleaner carpets already exist on the market. Additionally, as two of the three products* [including the Desso range of Tarkett] *contain recycled content and are also marketed as being designed for a circular economy, this lends weight to the argument that the goals of a circular economy and non-toxicity can be realized in parallel.*"

3.7.3.2 Contributing to wellbeing

Tarkett products have the qualities which create pleasant spaces, improving people's well-being and comfort.

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

(1) Phthalate-free products: except recycled content for certain products.

capacities are 55 to 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 Alzheimer's specialists, in order to analyze 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].

Lighting and Acoustics
Tarkett has developed carpet products which help improve the lighting and acoustic environment of buildings: the Desso Light Reflection Master® carpet has the ability to enhance brightness on interior walls and ceilings by up to 14%, leading to reductions of as much as 10% in artificial lighting; while the Desso SoundMaster® carpet can improve impact sound insulation by up to +10 dB [3] compared to standard carpets.

Health and Safety
In areas with a high risk of hospital-acquired infections – such as operating theatres, medical laboratories and cleanrooms – floors must meet the highest hygiene standards to ensure infection control and air cleanliness. To this end, our floors provide sealed surfaces and fewer joints, and are resistant to stains and chemicals. They also prevent electrostatic discharges, so that the risk of equipment malfunction or discomfort during surgeries is drastically reduced. Our solutions, including several homogeneous vinyl products from our iQ range and our static control linoleum products, thus offer durable and easy-to-maintain flooring options that meet the health and safety requirements of the healthcare sector.

Tarkett has also developed seamless, anti-slip vinyl flooring solutions specially designed to reinforce health and safety conditions in bathrooms ("Wetroom System").

In the sports area, Tarkett develops artificial turfs for sports grounds with the objective to improve quality gameplay and athlete safety.

3.7.4 Our commitment to limiting waste and closing the loop

3.7.4.1 Production waste

Tarkett is committed to avoiding the generation of waste where possible and in other cases to closing the loop by recovering and by recycling waste. As such we have developed systems to minimize, recover and recycle our production waste.

On several sites we have installed systems for collecting and recycling manufacturing waste from our different plants, including both nonconforming products and production scraps. These collected wastes are either directly recycled in one of our seven recycling centers and reinjected into our manufacturing process, or sent to other industries for external recycling. Other industrial waste generated at our manufacturing sites (such as metal, paper, cardboard, electronic waste, used oils, etc.) are sorted and managed using the 4 R's approach (reduce, reuse, recycle, recover), with disposal to landfill being used in last resort.

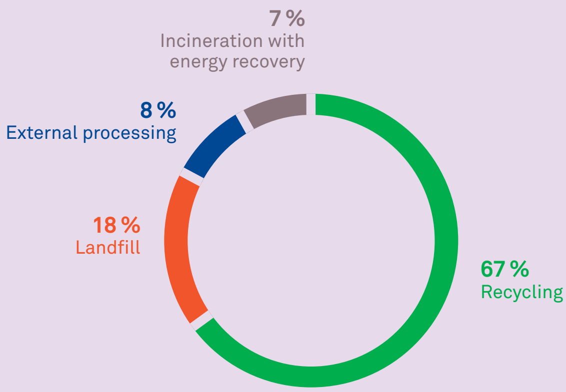
Zoom on key indicators

Waste
67% of our industrial waste is effectively recycled, and 12 plants already do not dispose any production waste to landfill.

Compared to 2017, our production of industrial waste (including hazardous waste) disposed to landfill has increased by 26% in 2018, from 13,600 tons to 17,000 tons, mainly due to operational efficiency and waste recycling difficulties faced at one of our sites in North America (notably in relation with stocks of obsolete materials). If we exclude this particular site (which alone accounts for 74% of the Group's waste disposed to landfill), the total volume of industrial waste disposed to landfill by all the other production sites of the Group has decreased by 26% between 2017 and 2018 (from 6,000 tons to less than 4,500 tons), and only 6% of industrial waste from these sites is disposed to landfill, while 76% is sent to external recycling.

Despite our continual efforts, reaching our objective of zero production waste to landfill by 2020 will be challenging, primarily due to the lack of recycling facilities or other alternative options than landfilling in some countries where we operate.

Share of production waste (hazardous and non-hazardous) by type of processing (%)



(1) http://kidsstudy.tarkett.co.uk/.
(2) https://professionals.tarkett.com/en_EU/node/designing-facilities-for-alzheimer-s-and-dementia-patients-830
(3) A 10 dB decrease in the sound pressure level will be perceived by human's hearing as a halving of the loudness.

3.7.4.2 Re-use of waste from other industries

We also 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:

- we buy Econyl® fibers from Aquafil, an Italian company, which are composed of 100% regenerated nylon threads from discarded fishing nets and used fiber waste from Desso carpets;
- we have developed, in partnership with a drinking water distribution company in the Netherlands, a technique to recover calcium carbonate from water treatment. This calcium carbonate is then used as a raw material for EcoBase® carpet backings.

In North America, the ethos® carpet tile backing is made from recycled PVB (polyvinyl butyral) security films from windshields and used protective glass. From 2004 to 2018, we reused close to 23,500 tons of PVB films from 22.8 million windshields.

Example

Turning waste into resources in Brazil

At our Jacarei plant in Brazil, we began studying alternative sources of material as early as 2012. We identified the potential of using medical blister packaging and mobile SIM cards, and following trials began working on incorporating these into our VCT (vinyl composite tile) product formulation and in the core layer of LVT (luxury vinyl tile). We now have a smooth-running supply from two local producers less than 100km away. These materials are four times less expensive than virgin raw materials and we can include up to 50% of recycled content in our products, while avoiding 960 tons of waste per year to landfill.

One of the main challenges 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, and which can guarantee a consistent level of quality in line with our specifications.

Zoom on key indicators

Recycled Materials

In 2018, we used nearly 134,000 tons of recycled materials (1) as an alternative to virgin materials, which represents over 10% of our raw materials in purchased volumes.

3.7.4.3 Post-installation and post-consumer flooring waste

Integrating flooring waste into our products

In addition to production scraps, we have developed our capacity to recycle post-installation flooring scrap and post-used flooring in our own manufacturing processes, which required developing on-site recycling units. Tarkett has seven recycling centers on its production sites all over the world: Florence (US), Dalton (US), 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 using this recycled material is used at several vinyl flooring manufacturing sites in Europe and on the 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 carpets. Clervaux and Dalton recycling centers are moreover certified for their recycling process (EuCertPlast certification for Clervaux, SCS Recycling Facility certification for Dalton).

Example

EuCertPlast certification in Clervaux recycling center

Our recycling center in Clervaux achieved EuCertPlast certification recognizing its environmentally-friendly and traceable plastics recycling process. It shows our suppliers and customers that the vinyl off-cuts collected via our take-back program ReStart® as well as other sources of recycled materials are treated according to best sustainable practices.

Collection of post-installation and post-consumer flooring: the ReStart® program

ReStart®, a flagship Tarkett program on collection, meets a double goal:

- increase collection of post-consumer and post-installation Tarkett flooring products (or in some cases from other flooring manufacturers), in order to use fewer virgin resources and develop a circular model with quality and economically viable products; and
- offer our customers a responsible solution to avoid incineration or landfilling.

Flooring products collected via ReStart® are primarily meant to be reinjected into our manufacturing cycle, but we also evaluate other recycling opportunities when relevant. For example, in Australia, we participate with Vinyl Council Australia and other flooring manufacturers in a government funded recycling project, with the objective to reuse granulated post-consumer homogenous vinyl flooring as filler material in masonry products.

(1) Recycled materials: Materials that would otherwise have been sent for waste disposal; internal post-manufacturing recycled volumes are included.

Today, the ReStart® program exists in several formats in different countries in Europe (France, Nordics, United Kingdom, Belgium, Germany, Spain, Netherlands, Italy, Portugal) and North America:

- 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 2018, ReStart® was launched for vinyl flooring in Italy, Spain and Germany, in collaboration with local partners such as Geodis in Spain or Veolia in Germany;
- 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, 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 2018, Tarkett has collected 102,000 tons of flooring (post-installation and post-consumer flooring: vinyl, linoleum, carpet). In 2018 however, only 3,300 tons of installation scrap and used flooring were collected through the ReStart® program, far from our objective for 2020 to collect 38,000 tons per year, i.e. double volume compared to 2010.

The main reasons for this decrease are commercial (end of key client contracts including collection and recycling activities in North America), technical (difficulties for separating the different layers to be recycled, materials traceability…) as well as structural (reverse logistics, regulations lacking incentives, level of client's maturity…) – see below for more explanations and the challenges of circular economy.

In spite of Tarkett's commitment to the circular economy, collected volumes in 2018 are comparable to 2017 and represent a significant decrease compared to preceding years, which sets us back from our 2020 objective of doubling the volume collected (38,000 tons) compared to 2010 (18,900 tons).

This situation can be explained by technical reasons, but also by structural issues linked to the challenges of circular economy:

- 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 carpets are no longer compatible with the compositions of new eco-designed carpets. Unfortunately, this trend should continue a few more 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. Separation technologies of different layers and materials employed are being improved through our Refinity® recycling facility which can separate the yarn and other fibers from the backing. 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 has been redeployed in 2018 in France and in other European countries. We hope to accelerate our customers' engagement by offering an enticing, economically viable and easy to implement reversed logistics service.

We are also experimenting alternative models, such as leasing options for short cycle products (typically 4-5 years), ensuring that Tarkett, which remains the owner of the product, can collect the flooring at end of use.

Example

Recycling wood flooring: the Lignum Aeternam project

Wood flooring is currently not included in our ReStart® program, and post-consumer wood flooring is generally incinerated rather than recycled. In 2018, we conducted a pilot project for wood recycling in collaboration with Bouygues at the occasion of the former 3 Suisse warehouse decommissioning in Northern France. We took back 1,000 m² of old solid oak parquet, reprocessed it and reengineered it to make a new wood flooring product, thus testing and demonstrating the feasibility of recycling wood flooring in our manufacturing process. Nordic customers from both project and distribution sides are particularly interested in this newly created recycled-based wood flooring, which we called Twirl. We are now working on building a robust intake process to allow us to acquire more volumes of old parquet in the future, with the objective to go into production from 2019 onwards in our Orzechowo (Poland) and Hanaskog (Sweden) production sites.

Example

Carpet replacement and recycling for the California Environmental Protection Agency (EPA) building in the United States

In 1999-2000, our Tandus ER3 carpet was selected by the State of California for the EPA building. After 18 years, the space is now ready for renovation, and our ethos® carpet was chosen for its high recycled content and its recyclability. In 2018, we have thus started to remove the 65,000 m² of used ER3 carpet and send it to our Dalton facility for recycling, while we install our new ethos® product in the EPA building.

Eco-designing the flooring installation system for easy removal and effective recycling

Tarkett endeavors to integrate easy removal right from the design stage, ultimately allowing more efficient collection, sorting and recycling. Beyond the flooring product itself, the challenge is to design flooring systems including products, installation and removal methods, which facilitate the collection of flooring at end of use while allowing the separation of different layers.

For example, the modular vinyl ranges in freestanding installation and with clip-on system do not require any adhesives, enabling the flooring to be very easily removed. Cementi Click, our new category of premium mineral tiles and planks produced from 95% clay, also uses the click system for easy installation and removal. In North America, Tarkett has launched the modular range ProGen™, a new generation of flooring which is waterproof, and resistant to shocks, traffic and heavy use, while being easy to install and remove thanks to a fast lock mechanism. Quick-Fix carpet tiles (produced in partnership with Velcro®) and the Tape+/Tape products offer solutions so that carpets can be installed, re-installed, and recycled easily, without damaging the flooring surface. Our new modular resilient flooring iD Revolution can also be installed with a tackifier, enabling quick installation and removal.

Tarkett feedback: the challenges of collection and reuse of flooring

Thanks to its experience of several years with the ReStart® program and circular economy initiatives, Tarkett has identified several key challenges in terms of collection and reuse of flooring:

- **ensuring product traceability**, as well as that of collected, recycled materials. In view of recycling, it is essential to know exactly the composition of products that have been collected, in order to use good and healthy recycled materials. It is also as part of this approach that Tarkett has developed the MHS (see section 3.7.2.2 "Assessment of materials and their impact on health and the environment") and positions itself in favor of the implementation of "**products passport**";
- **implementing reverse logistics** with a dense network of collection points, near building or renovation sites, to facilitate the process for customers sorting and returning their installation off-cuts and post-use flooring waste;
- **developing an enticing, economically viable ecosystem for the different stakeholders**:
  - urge the prime contractors or architects/designers to demand and prescribe floorings made from recycled and recyclable products, and compliant with established standards and labels,
  - encourage the installers or the construction managers to sort and carry away their waste rather than paying for it to be sent to landfill or incineration,
  - facilitate for the intermediaries the collection and sorting of waste to optimize the quality of volumes collected and ensure its traceability,
  - commit the flooring manufacturers to eco-design and use recycled materials on the one hand, and to train their sales teams and customers to collection and recycling on the other hand,
  - implement regulations and a taxation system favoring circular economy (at national and territorial levels): penalize landfilling and incineration, promote recycled, recyclable and/or reusable products in public tenders,
  - strengthen consistency between public policies related to circular economy, in particular regulations on waste management and chemicals (such as REACH), with products regulations,
  - develop research programs and inter-industry dialogue to transform waste from one industry into quality resources for another industry.

3.7.5 Our preservation of natural capital: water & energy

3.7.5.1 Reducing water consumption

Aware of the critical importance of preserving this vital resource, Tarkett has been managing water responsibly on its production sites for many years as part of its World Class Manufacturing program. Our 2020 water consumption goal is ambitious: all our industrial sites should not use water in their industrial process, or should be equipped with a closed loop water system, in other words reusing a minimum of 98% of the water used.

In 2018, we kept working on improving water management and increasing the number of closed loop water systems at our production sites, for example:

- the Jacarei vinyl site (Brazil) reduced its water consumption by 46% in 2018 compared to 2017 by implementing a 100% plant mapping with electronic flow sensors, thus improving water consumption monitoring and enabling to immediately identify and tackle losses. This project brought the Jacarei site around 98% water recycling rate, which is the closed loop target;
- the Dalton carpet site (US) reduced its water consumption by 26% between 2017 and 2018, by eliminating the jet dye process and improving water monitoring.

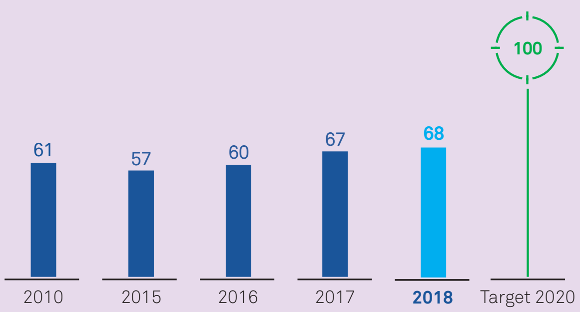
Zoom on key indicators

Water consumption

The proportion of sites using closed loop water systems or not consuming any water in their manufacturing process has increased in the past years, from 57% in 2015 to 68% in 2018. The goal of the Group is to reach 100% in 2020.

Thanks to these actions, Tarkett was able to reduce by 11% water consumption in absolute value between 2017 and 2018 (0.85 million m³ in 2018, against 0.96 million m³ in 2017), and improved by 5.6% water consumption per m² of manufactured product (2.91 l/m² in 2018, compared to 3.09 l/m² in 2017).

Share of sites which have implemented a closed loop water system, or which do not use water in their manufacturing process (%)



Some of our flooring and sports surface solutions moreover contribute to reduce water and chemicals consumption during the use phase of our products.

For example, cleaning the iQ range vinyl flooring by using our dry buffing cleaning system can reduce the consumption of water by 18% and the requirement for detergents by a factor 2.3.

The use of our artificial turfs instead of natural grass for sports grounds also helps reducing water consumption by removing the need for watering, thus saving up to 4,000 m³ water per year and per field, in addition to eliminating the use of fertilizers.

3.7.5.2 Improving energy efficiency

Since 2011, the ISO 50001 standard has recognized the engagement of companies towards better energy management. In 2018, all Tarkett European sites that employ more than 250 people are ISO 50001 certified. 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.

In 2018, our production sites have kept working, as part of the WCM program, on optimizing their manufacturing processes and improving their energy efficiency, to reduce their energy consumption per square meter of manufactured product, for example:

- at the Sedan vinyl site (France), a daily maintenance routine was implemented, which enables to improve plant performance and energy efficiency;
- at the Narni linoleum site (Italy), optimization of the trigeneration system and biomass boiler through a collaborative effort between operations and maintenance teams helped further improve energy efficiency;
- at the Dalton carpet facility (US), the ongoing replacement of battery-powered forklifts with hydrogen forklifts (11 forklifts replaced in 2018, around 30 remaining forklifts expected to be replaced in 2019), and the installation of timer switches and motion sensor lights participate in the reduction of energy consumption.

Example

Optimizing energy to produce more FieldTurf fiber

The FieldTurf synthetic fiber production process for sports surfaces at our Absteinach plant in Germany involves several high-energy intensive steps (extrusion process). As part of our ISO 50001 energy management certification process, our main goal has been to optimize energy efficiency of our processes by increasing output from 200kg to 500kg of fiber produced for the same amount of energy. Over the past 7 years we have been able to triple our production while decreasing our energy consumption by 20% and our production costs by 50%.

Zoom on key indicators

Energy efficiency

Since 2010, we have made some progress in terms of energy efficiency, with a slight decrease in average energy consumption per m² of manufactured product (-1.1% from 2010 to 2018).

Between 2017 and 2018, the energy consumption per m² of manufactured product has however increased (4.29 kWh per m² in 2018, compared to 4.17 kWh per m² in 2017), in relation with the decrease in production volumes at Group level, which automatically results in a degradation of energy efficiency.

Some of our flooring solutions moreover contribute to reduce energy consumption during the use phase of our products. For example, cleaning the iQ range vinyl flooring by using our dry buffing cleaning system can reduce the consumption of electricity by 20%.

3.7.5.3 Developing renewable energy

Developing the use of renewable energy sources on our sites represents one solution to combat climate change. In this area, different initiatives have been implemented which continue to produce and use renewable energy:

- wood waste from our production is used as biomass for energy production at nine of our factories;
- geothermal and solar energies are used at some administrative buildings and factories, such as carpet sites in Dendermonde (Belgium) and in Waalwijk (The Netherlands), as well as at the linoleum site in 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.

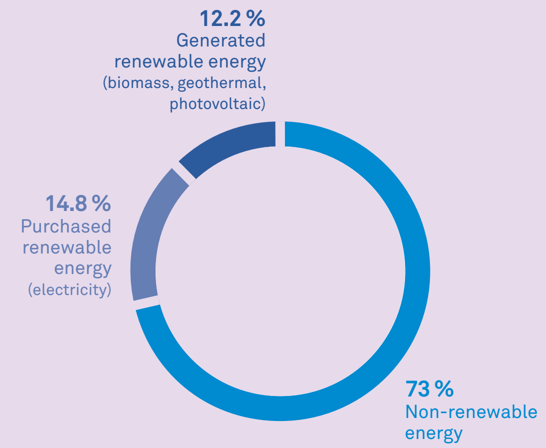
Worldwide, seven of our factories buy 100% renewable electricity: Chagrin Falls (United States), Middlefield (United States), Narni (Italy), Dendermonde (Belgium), Goirle and Waalwijk (The Netherlands) and Jacarei (Brazil). This prevents 22 ktCO2e per year (base 2018 for these factories) of greenhouse gas emissions.

Zoom on key indicators

Renewable energies

The share of renewable energies has slightly decreased between 2017 and 2018, accounting for 27% of the Group's total energy consumption.

Share of renewable energies in energy consumption (%)



3.7.6 Our greenhouse gas emissions and our commitment to combating climate change

Industrial activity is only 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 act beyond the scope of their direct responsibility, and impact the entire life cycle of their products. This involves not only the reduction in energy requirements (production, transport, etc.) and an increased use of renewable energy, but also eco-design, use of recycled raw materials, and implementation of waste recycling in a circular economy approach. In the scenarios detailed by experts, more effective use of resources is a key factor to attenuate climate change.

Tarkett is committed to fighting climate change, notably through its WCM program on production sites, through its initiatives in favor of circular economy, but also through its assessment of the positive and negative impact of its activities and products on the environment.

3.7.6.1 Greenhouse gas emissions at our production sites (Scope 1 and 2)

As detailed in sections 3.7.5.2 "Improving energy efficiency" and 3.7.5.3 "Developing renewable energy", our approach to continually reduce our Scope 1 and 2 GHG emissions from fuel and electricity consumption at our production sites is based on the following hierarchy:

- improve energy efficiency through changes and optimization of our manufacturing processes;
- develop on-site renewable energy production (e.g. biomass, geothermal, solar);
- purchase 100% renewable electricity.

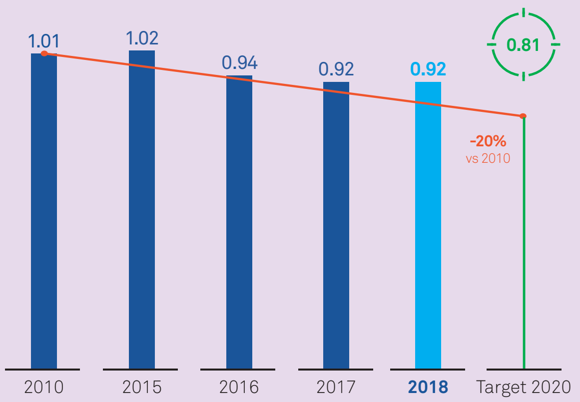
Zoom on key indicators

Climate change

Our Scope 1 and 2 GHG emissions from fuel and electricity consumption at our production sites amounts to 269,627 tons CO_2e in 2018, a 5.2% decrease over 2017 in absolute value.

The Tarkett goal in terms of reducing Scope 1 and 2 GHG emissions is -20% in 2020 compared to 2010 (per square meter of manufactured product, kgCO2e/m²). In 2018, Scope 1 and 2 GHG emissions intensity reached 0.92 kgCO2e/m², an 8.5% reduction over 2010. By systematically applying the above-described mitigation hierarchy at our production sites, we expect to be able to reach our 2020 GHG objective.

Intensity of GHG emissions (kgCO2eq/m²)



3.7.6.2 Greenhouse gas emissions throughout the value chain (Scope 3)

A Scope 3 GHG assessment project was launched in 2018 in order to obtain a better understanding of our impact on climate change across the entire life cycle of our products and our activities. Based on the methodology of the "GHG Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard", we estimated Scope 3 GHG emissions for the following categories:

- upstream: purchased goods and services, waste generated in operations, and business travel;
- downstream: transportation and distribution, processing (i.e. installation) of sold products, use of sold products, and end-of-life treatment of sold products.

Other categories such as employee commuting, leased assets, franchises or investments were excluded from the assessment, as they were determined to be either not relevant to Tarkett's activities or not material based on a preliminary analysis. Using actual and estimated Tarkett's activity data for 2015, and conversion factors from various sources (e.g.: generic datasets such as GHG Protocol, Ecoinvent, European Life Cycle database; or supplier specific data), Scope 3 GHG emissions were calculated for each category.

This study enabled to identify four main sources of Scope 3 GHG emissions along the value chain, as summarized in the below table. Our main efforts on Scope 3 are already and will keep focusing on our circular economy initiatives:

- raw materials selection;
- product eco-design to ensure recycled content and recyclability;
- collection and recycling of post-consumer flooring.

Scope 3 Category	Emissions (tCO2eq/ year)	Share of Scope 3 Emissions (%)	Comments/Actions	CSR Report section
Use of sold products (use phase)	2,900,000	49%	> Estimated GHG emissions during the use phase include emissions related to the use of water, detergent and electricity for cleaning, considering a 10 years lifetime of the flooring. > We recognize the importance of potential GHG emissions arising from the cleaning of our flooring products during their life, and some of our products contribute to reduce water and energy consumption during their lifetime. > However, considering the uncertainties of the assessment (variability of conversion factors, assumptions on flooring lifetime, lack of conventional cleaning procedures, etc.) which can lead to very different results (emission levels up to five times higher or lower depending on assumptions), and the fact that Tarkett has no control and limited influence on the type of equipment and cleaning protocol used by its diverse customers (floor cleaning is only an indirect use of the product, while being necessary for all types of flooring), we do not consider this category as the most critical compared to other sources of emissions on which Tarkett has greater leverage.	3.7.5
Raw materials purchases	1,200,000	20%	Upstream, Tarkett can have an impact on GHG emissions resulting from raw materials by: > assessing and selecting raw materials which have a lower contribution towards GHG; > increasing recycled content in our products, as recycled materials contribute less to GHG compared to extraction and transformation of virgin materials.	3.7.2 3.7.4.2
End-of-use of sold products	1,000,000	17%	Tarkett contributes to reducing GHG emissions resulting from the end of use of its products through: > design to ensure recyclability of flooring products; > flooring take-back ReStart® program; > recycling of post-installation and post-consumer flooring (in our manufacturing process or by other industries).	3.7.4.3
Products transportation and distribution	300,000	5%	> Favor local presence > Use rail transportation (e.g.: Otradny in Russia)	-

3.8 "Driving Collaboration" in value chain and in communities

Our policies and actions, along with their objectives and results/key performance indicators, intended to manage risks and respond to opportunities related to our suppliers and our activities within local communities (as identified in section 3.4 "CSR risks and opportunities") are summarized in the below table and further detailed in the sub-sections of this chapter.

Opportunities & Risks	Policies/Actions	Key Performance Indicators	2018	2017	CSR Report section
› Engaging suppliers to meet required CSR standards › Dependence on certain suppliers	› Responsible sourcing program › Suppliers involved in materials selection, materials assessment and C2C approach › Diversification of supplier's portfolio and use of local suppliers	Percentage of raw materials purchased from suppliers committing to United Nations Global Compact	76%	74%	3.8.1
› Expectations and concerns from local communities	› Tarkett Academy › Tarkett Cares. › Support to worldwide development projects	Total value of contributions to Tarkett Cares community initiatives (financial, product and employee hours donations	€808k	€508k	3.8.2

3.8.1 A responsible and collaborative supply chain

3.8.1.1 Engaging with responsible suppliers

The commitment of Tarkett to shifting to a circular economy model, founded on the Cradle to Cradle® principles, 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 also seek to develop long-term sales relationships with companies that share our ethical values. In particular:

- we commit our main suppliers to respecting the principles of the United Nations Global Compact (UNGC), which cover the themes of human rights, working conditions, the fight against corruption and respect for the environment;
- we have established partnerships with wood suppliers that are either FSC® (Forest Stewardship Council®) and/or PEFC™ (Program for the Endorsement of Forest Certification) certified, which enhances the sustainable management of forests and respect for human rights throughout the value chain. Since the late 1990s in EMEA we have annually maintained our Chain of Custody certification that today covers 12 production sites and sales subsidiaries; more than 60% of our wood is FSC® (FSC® C008972) or PEFC™(PEFC™/05-35-125) certified. In Eastern Europe division, 10% of the purchased wood is covered by FSC® certification. Finally, in North America, on the maple wood ClutchCourt range, used for production of basketball courts, we offer an FSC® certified product;
- we have obtained the Social Responsibility SA 8000 certification for our linoleum manufacturing plant in Narni (Italy).

Zoom on key indicators

THE GLOBAL COMPACT
WE SUPPORT

Responsible suppliers

In 2018, we purchased 76% of our raw materials from suppliers that respect UNGC principles (compared to 74% in 2017). They commit to respect these principles within the scope of our contractual terms and conditions.

To further strengthen our responsible supply chain approach, we started in 2018 an initiative to formalize and deploy a **responsible sourcing program**, which includes the following components:

- **a procurement CSR risk mapping covering the majority of our suppliers** (87% of our total purchase value) is being performed in partnership with Ecovadis. It will allow us to identify the main environmental, social and ethical risks along our supply chain, based on procurement categories, countries of operation, availability of products/services, potential dependability on certain suppliers, etc. This mapping constitutes a new starting point enabling Tarkett to develop and deploy a responsible sourcing program, with a primary focus on the identified high-risk suppliers;

- **the Code of Conduct for Tarkett Suppliers** was developed in 2018 and sets out Tarkett's Social Responsibility expectations for its suppliers on modern slavery, child labor, freedom of association, discrimination, health and safety, working conditions, business ethics, and environmental compliance. It is consistent with the UNGC principles and International Labor Standards as defined by the International Labor Organization (ILO). The Code of Conduct will be tested with a few suppliers and progressively deployed in 2019;
- **suppliers will be evaluated** using various tools such as self-assessment questionnaires or on-site audits. This evaluation process is expected to start in 2019 with identified high-risk suppliers and will form the basis for determining improvement action plans to be implemented by the suppliers, in order to meet our CSR requirements and ensure that CSR risks along the supply chain are properly mitigated;
- **alert mechanisms** are in place via our Compliance Hotline and our Ethics Hotline (see section 3.3.4.1 "Our approach to ethics and integrity").

Example

Methodology and results of our procurement CSR risk mapping

Tarkett appointed Ecovadis, an international reputable CSR ratings consultant, to perform a procurement CSR risk mapping covering most of Tarkett's suppliers worldwide. The results of this mapping have been shared and analyzed internally.

The EcoVadis methodology covers 21 criteria across four themes: environment, fair labor & human rights, ethics (including corruption), and sustainable procurement. It is built on international CSR standards including the Global Reporting Initiative, the UNGC, and the ISO 26000, and uses a comprehensive database covering over 50,000 companies, 190 spend categories and 150 countries.

Example

Progressing thanks to NGO reports and dialogue

We collaborate with NGOs and are constantly on the lookout for NGO reports relevant to our activities, as ways to help us better identify, assess and mitigate our supply chain risks. For example, in 2018, Tarkett co-financed a study by NGO Healthy Building Network (HBN) on suppliers and technologies used for chlorine and PVC production, in order to obtain a better understanding on which PVC suppliers use which technology (for more details see section 3.7.2.1 "Good materials selection").

3.8.1.2 Involving suppliers in our eco-design approach

We involve our suppliers in the development and assessment of new materials, in line with the Cradle to Cradle® (C2C) principles or when we need data for the lifecycle analysis of our products.

For example, in 2018, we closely worked with key suppliers to assess and optimize our portfolio of inks and pigments and over 60 wood accessories for installation and maintenance in the Eastern Europe division.

Tarkett was also instrumental in the development of a partnership between a strategic material supplier and EPEA to develop a C2C assessment tool for the design of the supplier's new materials, which we use as raw material in our flooring products.

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 C2C commitment, we 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, in particular Royal Adhesives & Sealants, to ensure that the adhesives we provide are assessed and certified using the C2C methodology.

3.8.2 Our impacts and support towards local communities

3.8.2.1 Locally rooted activities

The nature of Tarkett activities, its development through acquisition of local companies and the Group's decentralized structure contribute to the development of local economic activity. Tarkett sells its products in over 100 countries and has a worldwide presence through its 36 industrial sites, its commercial networks and local branches, as well as its research and design centers. Products are manufactured in 17 countries (France, Italy, Luxemburg, United Kingdom, Poland, Belgium, Sweden, the Netherlands, Germany, Russia, Serbia, Ukraine, USA, Canada, Brazil, China and Australia), located in the heart of commercialization areas to serve our highly fragmented and diverse customer base.

Tarkett develops relationships with local stakeholders including installers, sub-contractors, and distributors, while respecting local cultures: in its way, Tarkett is Russian in Russia, American in the United States and Chinese in China. 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.

3.8.2.2 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. In France, Tarkett Academy, created as early as 1993 in the Sedan factory, trains professionals or future professionals in vinyl, linoleum, wood and carpet flooring installation techniques. The training is validated by a degree (CAP flooring-carpet installer) recognized by the Ministry of National Education or a professional degree (flooring-carpet installer) recognized by the Ministry of Employment.

Zoom on key indicators

Tarkett Academy

From 2012 to 2018, Tarkett trained over 23,000 professionals and students in the flooring profession and in installation techniques at Tarkett Academy centers all over the world, including 3,669 people in 2018.

3.8.2.3 Engaging with and helping local communities: Tarkett Cares

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 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. This can be done individually or as part of a team;
- 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 protecting the environment. For Tarkett teams, these voluntary initiatives offer invaluable opportunities to share common values, in particular generosity, solidarity, and team spirit.

Zoom on key indicators

Tarkett Cares in 2018

- 2 days of volunteer activity for charity initiatives possible for all employees;
- nearly 170 initiatives worldwide;
- nearly 1,300 employees involved;
- 978 work days, the equivalent of 6,846 hours of work;
- 17,560 m² of flooring donated;
- a total value of more than €800k (values of financial and product donations and employee hours donated).

In 2018, Tarkett Cares supported many communities through different initiatives, a few examples of which are provided below:

- FieldTurf strengthened a partnership initiated in 2016 with the community of Longueuil in Montreal (Canada) by donating and installing a new 3,200 m² artificial turf at a primary school;
- employees from Tarkett Serbia installed 600 m² of donated vinyl flooring for a Serbian kindergarten funded by the Foundation Novak Djokovic. Computers were also donated in November 2018 to four schools in Serbia to facilitate access to digital tools for pupils;
- as part of the World Environment Day, more than 40 Tarkett volunteers took part in "environmental" activities (cleaning a park and playground, planting flowers) near the Bačka Palanka site (Serbia);
- at the occasion of Tarkett North America's 2018 reUNION Sales Meeting in New Orleans (United States), over 300 volunteers participated in a charity day to help several nonprofits organizations focused on assisting families and children of the local communities;
- in the Netherlands, Tarkett employees teamed up with environmental organizations, local schools and families to clean up a beach at the Dutch seaside town Katwijk aan Zee;
- tarkett supported the "Tour of Friendship", a 1,000-kilometer fundraising cycling tour between Germany and France to gather donations for two humanitarian projects in Madagascar and Argentina, and in which one of our employees participated;
- in La Défense (France), Tarkett donated old computers to the association "Travailler et Apprendre Ensemble" (Work and Learn Together), which helps professional reintegration. Teams have also collected clothes and accessories for "La Cravate Solidaire" (The Supportive Tie), an association helping people looking for a job;
- Tarkett Asia made a donation to Mocaboc Island, an island located in a very poor area of the Philippines where most of the income is from fishing and rice agriculture. The donation enabled to acquire a generator to continuously supply electricity to the island. Our Singapore team moreover helped the Willing Hearts charity to prepare meals for low income families. Our sales team in India also donated and installed LVT flooring in a class room in the small Himalayan town of Manali in Himachal Pradesh;
- teams of our Jacare' plant (Brazil) were involved in tree plantation activities, and in the installation of flooring and renovation of a nursery in Jacare'.

Example

Tarkett North America develops partnership with Habitat for Humanity with flooring product donations worth approximately US$ 400,000

In 2018, Tarkett North America has donated flooring products worth approximately US$400,000 to the nonprofit housing organization Habitat for Humanity: one part to help with habitat's disaster recovery and rebuilding efforts in Texas and Florida (United States), and another part for the Home Builders Blitz. Tarkett teams participated in the Home Builders Blitz initiative that enlists help from thousands of professional home builders who help families to repair and renovate their homes.

Example

Tarkett Sedan holds day-long Tarkett Cares event to lend a helping hand to local associations

Tarkett Sedan (France) held in October 2018 a day-long Tarkett Cares event, helping local associations and participating in workshops organized in 11 towns with 14 associations. Over 140 employees committed to help local communities (senior citizens, children) and participated in activities supporting Handi'sport ("Disabled Sports"), Road Safety ("Sécurité Routière"), the local hospital ("Centre Hospitalier de Sedan"), a primary school and sports clubs.

3.8.2.4 Supporting development projects worldwide

The Group and its employees also get involved in economic and social development projects worldwide.

Example

Combating climate change and improving livelihoods in the Peruvian Amazon

Tarkett is one of seven companies who are supporting a sustainable agro-forestry project in the Peruvian Amazon as part of the REDD+ Business Initiative. The Tambopata-Bahuaja Biodiversity Reserve project aims to protect local biodiversity (including over 30 high conservation value species), conserve endangered forests in a 591,000-ha area and restore 4,000 ha of damaged land, while supporting the livelihoods of 288 farmers by cultivating high quality cacao in a sustainable way – offering them a better income and avoiding further deforestation. Stopping deforestation is one of the most effective measures in the fight against climate change. Tarkett and the other companies in REDD+ Business Initiative are buying carbon credits through this project which is expected to avoid over 4 million tons of carbon emissions by 2021.

Example

Contributing to health and well-being in Africa

Since February 2018, Tarkett has partnered with EarthEnable, a social enterprise that aims to improve health and housing in low-income communities in rural Rwanda and Uganda (Africa). Tarkett provides its flooring expertise to help EarthEnable replace dirt floors with affordable, sanitary flooring that can be washed, cleaned and used to create healthy home environments. EarthEnable's earthen floors, made of local natural materials, will be tested at our R&D facilities in Narni (Italy) and Wiltz (Luxembourg).

Example

Tarkett supports NESTO, a collaborative social housing project built using circular economy principles

Tarkett has participated in an innovative social housing project in Luxembourg, helping to create a modular apartment block that can be disassembled and rebuilt elsewhere, when it reaches end of life. The three-storey NESTO building in Wiltz comprises six affordable apartments for underprivileged families and is the first of its kind to be built fully using circular economy principles. The building benefits from two healthy, environmentally-friendly Tarkett flooring solutions. First, 330 m² of the Cradle to Cradle® Gold-certified resilient modular flooring solution, iD Revolution, and second, 230 m² of our new mineral-based tile, Cementi Click. NESTO was conceived by renewable energy specialist Heliosmart and engineering consultancy ProGroup. Its name refers to birds' ability to build nests using only the materials they need from nature, with no waste. In particular, the project has been designed to prioritize residents' wellbeing, while respecting natural resources and optimizing the total cost. The building's economic viability has thus enabled to rent NESTO to Luxembourg's social housing agency (*the Agence Immobilière Sociale*) at a lower than market rate.

3.9 Developing Talents

Our policies and actions, along with their objectives and results/key performance indicators, intended to manage risks and respond to opportunities related to our employees (as identified in section 3.4 "CSR risks and opportunities") are summarized in the below table and further detailed in the sub-sections of this chapter.

Opportunities/Risks	Policies/Actions	Key Performance Indicators	2018	2017	Objective 2020	CSR Report section
Safety at production sites. Exposure of personnel to dangerous substances	› World Class Manufacturing (WCM) program › OHSAS 18001 certified Health and Safety Management System (transition to ISO 45001	Percentage of production sites certified to OHSAS 18001	69%	69%	-	3.9.1 3.9.2
		Recordable Lost Time Accident Frequency Rate (FR1t [1]) in production sites	2.14	1.87	0	
Non-discrimination, diversity and equal opportunities	› Non-discrimination policies › Promotion of gender equality › Employment of people with disabilities	Percentage of management positions filled by women	27%	27%	-	3.9.3
Management of talent/competence (attraction, retention)	› Recognized employer brand › Talent Philosophy › Performance and Development Review › Learning and development programs › Career mobility › Tarkett Awards › Biennial employee feedback survey	Percentage of employees trained at least 1 day during the year	60%	56%	-	3.9.4 3.9.5
		Percentage of permanent employees who had a Performance & Development Review (or equivalent) during the year	53%	56%	-	
		Percentage of open management positions filled by internal candidates	53%	52%	-	
		Absentee rate (employees)	2.7%	2.5%	-	
		Permanent employee turnover rate	16%	13%	-	

(1) Number of accidents with lost time < 24 hours per million hours worked of employees and external workers at Tarkett production sites.

"One Tarkett, Agile and Performance-driven"

We have developed our Human Resources 2021 Vision based on four pillars: Tarkett recognized employer brand, Entrepreneurial leaders, Organizational agility, and High-performance culture. Our objectives are to increase our ability to accelerate our development and to strengthen our customer centric capability by being "One Tarkett, Agile and Performance-driven", with four priority actions:

- apply our Talent Philosophy;
- promote and develop Tarkett's seven entrepreneurial leadership traits: Think business, Accountable, Risk for results, Kind to customers, Empowers collaboration, Talent developer and Thorough;
- have the best talents in critical positions; and
- implement a compelling employee value proposition, based on three promises: "Expand your horizons, Change the game, Design the future of society. Together."

Our 2021 Vision is translated into actions through a Group roadmap and a detailed action plan, while a Tarkett HR indicators dashboard has been developed to monitor progress and measure performance.

3.9.1 Make employees' safety our number one commitment

Beyond regulatory compliance, the Tarkett Group considers safety as its number one commitment, and sets a zero-accident rate as its objective.

Over the past ten years, Tarkett has made substantial progress in terms of safety and has significantly reduced the number of accidents on production sites. This progress results from the commitment of all employees, from managers and supervisors to operators, and from the implementation of the safety pillar as part of our World Class Manufacturing (WCM) program, which brought methodologies, procedures, objectives and key performance indicators. The feedback survey covering all employees completed in 2018 showed that 84% of our employees consider that Tarkett provides a safe working environment. In addition, 83% of the latter consider that managers lead by example in the area of safety (a 9% improvement over 2016).

This progress is encouraging but far from being sufficient.

Indeed, in 2018, Tarkett had to face a fatal accident on a production line at our Ronneby manufacturing site in Sweden. Further to this tragic event which deeply affected the Group, Tarkett's Executive Committee decided to implement an action plan to strengthen safety measures and to mobilize all employees around safety. The main actions launched are the following:

- the top 100 leaders of the Group signed a Safety Pledge during the annual seminar in December 2018: "Safety is our #1 commitment. Every day. Everywhere";
- a Global Safety Day was organized for most of Tarkett plants worldwide (in December 2018) with a video from the Chief Executive Officer and the Executive Vice President Operations (Member of the Executive Committee), training workshops, experience and knowledge sharing, and the signature on each site of the Safety Pledge. The objective is to increase awareness on equipment risks and to empower employees to identify and report risk areas for themselves and for their colleagues;
- a strict action plan was launched in each plant, notably concerning the assessment of risks specific to Tarkett production lines. This plan is monitored at Executive Committee level;
- a number of WCM safety procedures and standards have been reviewed and strengthened, in particular regarding personal protective equipment, clothing rules, hazardous installations and machine guarding.

The challenge is to reinforce safety culture in the plants, but also for all Group employees (sales force, offices, headquarters), and to train and empower each employee to have safe behavior at any time, in every situation. In addition to the above specific action plans, Tarkett further proceeds with the measures already implemented at different levels of the organization, including:

- safety results (including fire risks) are monitored and analyzed during the Group's Executive Committee meetings, as well as Tarkett's Supervisory Board;
- they are also presented and discussed with senior executives as an introduction to each Quarterly Information Session;
- the safety topic is also evaluated by all employees during the biennial internal employee feedback survey;
- competency development in terms of safety on production sites is a major focus of the WCM safety pillar, thanks to complementary measures: regular employee training, frequent audits of practices on our sites (via our Safety Management Audit Training – SMAT process), open and continuous dialogue between managers and employees on risks and safety behaviors at work stations, testing and implem-entation of best practices shared after annual site audits;

- **an active global network of safety experts** facilitates knowledge sharing among sites and encourages dialogue on risk identification and reduction, audit conclusions and outcomes of measures tested and implemented at site. This network also enables to relay safety news and information to all plants. In addition to monthly conference calls, the extended safety network meets annually at the occasion of a global safety forum;
- after each incident or accident, a **rigorous assessment of causes** ("root cause analysis") is carried out. Action plans are then developed and deployed, within the scope of our WCM continual improvement approach. Safety alerts summarizing the incident's causes, its outcomes and the corrective actions implemented to prevent re-occurrence are systematically prepared and shared with all manufacturing sites.

By the end of 2018, 69% of the Group's manufacturing sites had obtained the OHSAS 18001 health and safety certification and are transitioning to the ISO 45001 standard. These international standards are benchmarks in managing workplace health and safety.

Example

Tarkett's Global Safety Day

Following the fatality that occurred in Ronneby in November 2018, the Executive Committee has decided, among others, to dedicate one full day to safety in all Tarkett plants to raise employee awareness about safety risks.

On this occasion, the Chief Executive Officer and the Executive Vice President Operations both emphasized the importance of safety as our number one commitment at Tarkett. They reminded all of us that there is no compromise on safety and that safety is the responsibility of each of us, firstly for ourselves, but also for our colleagues, for our family and friends. The CEO also invited each employee to join the top 100 Leaders who signed the Tarkett Safety Pledge: "Safety is our #1 commitment. Every day. Everywhere".

During this Global Safety Day held on December 14th 2018 for most plants, our employees participated in numerous activities and were trained on safety topics: equipment representing a risk (such as forklifts, rolling parts...), the new global safety policy for personal protection equipment, the risk assessment WCM methodology and the awareness of operators on workplace risks. They also listened to testimonies from injured plant employees.

Example

Implementation of a new lock-out tag-out procedure in our manufacturing sites

A new 7-steps lock-out tag-out (LOTO) process was developed and rolled out for any maintenance activity on energized equipment at our manufacturing sites, in order to ensure that energy sources (electrical, pneumatic, hydraulic, etc.) are properly identified, shut off and isolated prior to starting work. All our plants have already or are implementing this new LOTO procedure, which involves an inventory and risk assessment of all concerned equipment and activities, an update of relevant site maintenance and work procedures, and training of personnel accordingly.

Example

Family Safety Day in Bačka Palanka (Serbia)

Under the slogan "Safety – My Priority", our Bačka Palanka plant in Serbia organized their first Family Safety Day in September 2018. Over 460 visitors consisting of employees and their families were informed about Tarkett and our commitment to safety, as well as participating to various activities related to health and safety throughout the day.

Zoom on key indicators

Safety

In 2018, we recorded one fatality at one of our plants (Sweden).

The Recordable Lost Time Accident Frequency Rate FR1t for our plants (number of accidents with days off work less or more than 24h per million hours worked for employees and external workers at Tarkett's plants) was otherwise 2.14 (compared to 1.87 in 2017), a 14% deterioration over 2017, but a 64% improvement over 2013.

The Recordable Lost Time Accident Frequency Rate FR1t for the whole Tarkett Group employees (plants, sales force, headquarters...) was 2.18 (compared to 2.07 in 2017).

We also monitor accidents concerning our teams outside of factories (in administrative buildings and for the sales network). In 2018 Tarkett's WCM experts cooperated more closely with Division teams to share best practice and guidance on safety in the sales networks. In EMEA a dedicated safety community for the sales network and offices was created on the company intranet to share information and in North America a Sales Safety Force was created to drive safety initiatives. This work will continue over the coming years as Tarkett looks to develop the same safety culture outside its manufacturing sites.

3.9.2 Ensuring the health and well-being of our workforce

Professional health risks, such as exposure to hazardous materials, musculoskeletal disorders, etc. are identified and mitigated via the WCM program and the OHSAS 18001 certified health and safety management systems implemented at our manufacturing sites. The occupational illness frequency rate for Tarkett employees has significantly decreased in 2018 (at 0.13, compared to 0.90 in 2017).

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. 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.

Promoting health and improving wellbeing at work comes in addition to the measures related to occupational health and work-life balance. The initiatives are engaged locally and focus 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.

Example

Medical prevention in Jaslo (Poland)

A medical prevention information campaign targeting female employees was organized at our Jaslo plant (Poland) in 2018. Leaflets and educational materials were distributed and female employees were invited to attend a meeting with a women's health problem specialist and workshops on the subject of medical prophylaxis for women, including diagnosis of breast and cervical cancer. In addition, female employees were offered to attend medical checks fully covered by Tarkett.

A medical questionnaire was also sent to the employees and led to the purchase of a medical equipment (including a blood-pressure measuring device) available for use by employees when needed.

3.9.3 Promoting equality, diversity and non-discrimination

The fundamental principles of non-discrimination and equality are an integral component of our Code of Ethics and our Human Resources policies, for use on a daily basis by all employees. 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.

Tarkett cares deeply about the principle of diversity and inclusion, and defends equal treatment for men and women.

We are striving to implement concrete measures in the field to further promote the role of women within the company, notably through internal mobility or during the external recruitment process. We follow progress by monitoring the share of women among different categories of managers.

Zoom on key indicators

Parity between men and women

Several indicators allow us to monitor the number of women managers in the company. After achieving a certain stability in recent years, we noted an increase in the share of women among senior executives since 2017 (27% in 2018, or 22 women out of 82 top senior executives for the Executive Committee and those reporting to them, compared to 24% in 2017 and 18% in 2016).

In terms of managers, the share of women is stable at 27% (in other words 468 women out of 1,759 managers), considering 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 is stable with 44% of women in the Supervisory Board (in compliance with French regulations and AFEP-MEDEF principles) and 27% of women in the Executive Committee in 2018.

Depending on the country, the local regulations permit or not the identification and tracking of people with disabilities within the company. For this reason, it is difficult to determine a unique global indicator to track progress in this area. In 2018, the share of Tarkett's disabled employees identified as such was 1.2%.

Tarkett is working to facilitate the integration of disabled employees in the work environment, through the implementation of concrete measures at the local level. 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, our Eiweiler plant in Germany has been working with the non-profit organization AWO, in which about 17 people with disabilities cut around 700 laminate floor samples every day.

3.9.4 Recognizing and developing talents

3.9.4.1 Identifying and promoting talents

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 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 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**, which is based on five main pillars:

- talent acquisition: systematically promote internal mobility, recruit outside high potential candidates, always foster talent diversity;
- accountability: to develop our people, to role model the values and drive performance;
- performance: expect and enable high performance with ambitious goals and regular feedback;
- differentiation: value high standards, where level of reward will reflect contribution; and
- development: promote continuous learning and anticipate developmental career moves.

Example

Promote our employee value proposition

To promote the expertise of its teams, the career development opportunities and the work experience within the Group, Tarkett decided to launch in 2017 a plan to promote its employer brand, both internally and externally. The objective is to attract the best talents and to value the teams within the Group. A specific career website was created with employee testimony videos to inform about company's jobs and culture. Three Tarkett promises as an employer were defined for this new policy:

- "Expand your horizons. Together." – Because Tarkett offers a rich working environment through the diversity of its clients, its range of jobs and its geographic coverage, creating development opportunities for its teams;
- "Change the game. Together." – 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. Together." – 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.

In 2018, we deployed our employee value proposition in 10 major countries of Tarkett's operations through communication plans including information booklets, mini-websites and active communication on social media.

Sustainability, which is an integral component of Tarkett's work experience and of our brand, is increasingly becoming an element of attractivity to recruit and retain talent. In Russia, we produced and broadcasted TV commercials solely focused on sustainability at Tarkett, while in Australia our recruitment ads highlight Tarkett's sustainability focus.

Example

Our campus recruiting program with the 'École des Mines de Nancy' in Clervaux (Luxemburg)

In Luxemburg, Tarkett has adopted since 2013 an internship policy to offer students about to graduate the opportunity to lead one project of our improvement plans – the ultimate objective being to invite the best students to join Tarkett. As an industrial company, we have targeted top engineering schools, and in particular the 'École des Mines de Nancy' due to its good reputation and geographical proximity. After having accommodated interns for several years and appreciated the quality of their work, we decided to go further by establishing a special partnership with the 'École des Mines de Nancy': beyond simply offering internships, we wish to share our industrial expertise through conferences, plant visits by students and teachers, and implementation of common projects. Since 2013 we have hosted 87 long-term interns from several engineering schools including 'École des Mines de Nancy', and 16 of them have been hired as permanent employees. Our successful internship and recruitment approach has now been extended to other Tarkett plants such as Sedan (France), Konz (Germany) and Lenham (UK) in EMEA, and similar programs exist in Eastern Europe and in the United States.

Having a proactive talent management approach is our priority. A formal process for resource and talent planning ensures 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 years and is based on the vision of the future presented in the strategic plan of the Group. This formal approach is articulated through a set of initiatives, described below:

- **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 valuable 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;
- **Talent Inside, a career management digital platform**, was deployed in 2016 to complete the Performance and Development Review process. 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;

- **the Talent Review** is a structured process which aims to assess career opportunities against the company's long-term needs and the mobility options for our employees. 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, which mainly concerns managers, experts and critical positions essential for the Group's operations and expertise, makes it possible to define succession planning and internal mobility. In 2018, 1,490 employees were included in the Talent Review process carried out by HR teams and supervisors. Talent Forums focused on international mobility were in particular organized for all functions at Group level in 2018 and will be completed in 2019, providing the forum for divisions and functions to exchange on short- and mid-term job and mobility opportunities;
- **the WCM program development plan** has the objective to identify key skills for implementation of the WCM program 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.

Zoom on key indicators

Performance and Development Review
53% of Tarkett permanent employees had a Performance and Development Review (or equivalent) in 2018, compared to 56% in 2017.

3.9.4.2 Strengthening learning & development programs

We are convinced that training programs, whether for experienced employees or new hires, must be tailored to people's specific needs. Several learning and development programs were newly developed or strengthened in 2018, for example:

- **the BusinessLeader@Tarkett program**, launched in 2016 in partnership with the London Business School (LBS), 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: for example, in 2018, strategic execution workshops were organized in the Tarkett Eastern Europe division. By end 2018, 137 people from 22 different countries participated in this advanced managerial improvement program;
- other targeted training programs on **management skills**, launched in previous years, continue to be deployed, such as Manager@Tarkett and the COACH program for middle management (around 1,400 managers involved, mainly in manufacturing plants) or the Operations Leadership program for future plant directors. In addition, a Leadership development program and an Early career program have been designed in 2018 and will be launched in 2019;
- Tarkett's management was **trained on talent management**, notably during preparatory meetings as part of the Performance and Development Review and Talent Review campaigns, as well as via a Talent Developer mobile learning application for the top 150 Tarkett managers;
- various **trainings on health, safety and environmental topics** are delivered on the plants as part of the WCM program;
- we have developed **targeted training programs on sustainability**, mainly for our sales force, in order to leverage our approach and the sustainability features of our products. In the EMEA division, we have implemented a program of webinars, training sessions and roadshows, and we trained in 2018 over 260 employees on sustainability topics such as Cradle to Cradle® principles, product's transparency and Tarkett products' sustainability benefits – an initiative that will continue in 2019. Tarkett North America has moreover trained 12 sales professionals to become sustainability ambassadors;
- a new **compliance training** program focusing on fair competition and anti-corruption was launched, consisting of six tailored e-learning modules which have to be completed every year by all Tarkett employees who have internet access (see section 3.3.4 "A Commitment to high ethical standards");
- we moreover train our employees and **develop their competences through experience**, by having them participate in cross-functional initiatives and multidisciplinary projects, and by encouraging best practice sharing and knowledge transfer (for more details see section 3.9.4.4 "Sharing expertise and recognizing achievements").

Example

A complete Operations Leadership Training program for plant managers

Plant managers from different countries have been participating in the Operations Leadership Program, consisting of three sessions of training organized at three different Tarkett's production sites. The first session was dedicated to the challenges of developing a World Class Manufacturing culture and to the role of management beyond the WCM methodological and technical aspects. The safety dimension is of course included in this program. The second session is based on essential features from the Manager@Tarkett training and from project management techniques, adapted to the role of plant manager. The third session enables to put the training in practice through workshops, notably on project management, problem-solving methodology, leadership role, performance evaluation, and action plans resulting from internal employee feedback surveys.

Zoom on key indicators

Training

60% of Tarkett employees were trained (at least 1 day) in 2018, compared to 56% in 2017.

3.9.4.3 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:

- **Tarkett Careers**, a platform for international mobility and recruitment: employees who join the platform can be informed about internal job opportunities 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 Talent Review process** focuses on internal career mobility, and in particular international mobility, as described previously;
- **orientation documents** are available, such as the Internal Mobility Charter available to all employees via intranet, and the Mobility Guide, a reference document used by the Human Resources network.

Zoom on key indicators

Internal mobility

53% of open management positions were filled by internal candidates in 2018, compared to 52% in 2017 and 45% in 2016.

3.9.4.4 Sharing expertise and recognizing achievements

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.

Many initiatives and networks promote **expertise sharing and competency development**, for example:

- we strongly encourage multidisciplinary 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, we organize every year 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, benchmark 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;
- the Tarkett Expert Network, launched in 2015, capitalizes 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.

Tarkett also recognizes its teams, successful initiatives and best practices through its renowned **Tarkett Awards** program implemented in 2010. The goal of the awards is to encourage exceptional achievements and the ambitious projects of each team.

The 2018 edition in particular distinguished people dimension and collaboration. Out of more than 200 projects submitted, seven teams were celebrated for their impressive, inspiring achievements, such as:

- the implementation of a Virtual Reality Empathy Platform, a tool intended for architects and designers to better understand space perception by elderly people and thus help them create tailored spaces;
- the organization of a Family Day on the Jacarei site in Brazil, which hosted over 600 participants to promote and strengthen employees' team work and engagement.

3.9.5 Engaging in proactive social dialogue

3.9.5.1 Listening: the internal employee feedback survey

To efficiently organize on-going dialogue with all employees, across all our sites, we conduct an internal employee feedback survey every two years. The survey covers all of the Group's divisions and functions and includes all employees worldwide. It is translated into 17 languages, is totally anonymous and entirely overseen by an independent third party to prevent any bias. It consists of 69 questions organized in 15 different categories: employee engagement, employee enablement, loyalty and engagement, empowerment and accountability, performance management, communication, management, training and development, entrepreneurial leadership, teamwork and collaboration, work organization, ethics and integrity, leadership, company image, World Class Manufacturing.

In 2018, 88% of employees, representing 10,635 people, participated in the survey (vs. 89% in 2016). The high participation rate reflects employee commitment and confidence in the independent nature of the survey, and in the fact that results are acted upon.

For the 2018 edition of the internal employee feedback survey, while some results may significantly differ depending on the divisions, functions or countries of operation, Tarkett's employees generally appear to be rather satisfied with their work situation, which is demonstrated by some significant progress:

- out of 54 comparable questions between 2016 and 2018, 26 have improved significantly, primarily around management (notably regarding the ability by managers to develop and empower their teams, the care and concern they demonstrate for their teams, and how they provide feedback), communication of the Group's strategy and commitment to the success of Tarkett;
- results are moreover generally higher than the industrial benchmark: out of 44 questions having a benchmark, 29 are above the industrial norm, especially on the topics of safety, Environmental Responsibility, interest in work, ability to make good use of skills, understanding of how performance is evaluated, belief in the success of the company and intention to stay a long time;
- some items however showed a decrease between 2016 and 2018 in some entities, such as the feeling that Tarkett has changed for the better or the collaboration between departments. Some results are moreover behind the industry benchmark, for example those regarding the definition of responsibilities.

At both the scale of the Group and locally, the Tarkett employee satisfaction survey is an invaluable and used management tool. Based on the analysis of the survey results, 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 consistently implemented.

3.9.5.2 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.

The Tarkett Forum, the Group's European works council, has been created to foster social 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.

In Tarkett Eastern Europe, representatives of the trade union JSO Tarkett (Serbia) participated in two national conferences supported by the Friedrich Ebert Foundation. The main goal was to share best practices among Sweden, Serbia and other countries, to improve social dialogue and consider the migration of workforce, as an actual and important topic.

3.9.5.3 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.

In line with this policy, 144 collective agreements are in place at Tarkett (agreements identified as of 2017), 100 of which concern the Group or the sites as a whole 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.

3.9.5.4 Changes and adjustment of the workforce to 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 and support the evolution of the organization. Whenever possible, the Group strives to anticipate the consequences of variations in activity. In case of reduction in activity, 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 2018, Tarkett made some adjustments to the workforce based on local activity. Due to the significant drop of the vinyl business and its profitability in Ukraine, the Kalush site laid off 63 employees in 2018 and early 2019. In Serbia, the decline of textile business led the Bačka Palanka manufacturing plant to lay off 31 employees in 2018 to maintain its profitability. In the United Kingdom, as part of the transfer of the Abingdon customer service (former Desso) to Lenham, Abingdon employees were offered to transfer to Lenham, but most of them refused due to the distance, thus having their contracts terminated by end 2018 or early 2019. Support was provided to the 11 concerned employees in their new job search. In Poland, the automation of a manufacturing line at the Orzechowo production site led to some job reductions, which were managed mostly through the termination of temporary contracts and by bringing back some outsourced activities. Taken as a whole, these departures are the main cause of the degradation of the permanent employee turnover rate in 2018 (16% in 2018 against 13% in 2017).

3.10 Social and Environmental Report

3.10.1 CSR indicators dashboard

Social Indicators

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
	Workforce					
102-7a	Total number of employees (as of 31/12)	3.4%	-	13,255	12,819	12,428
102-8a	Total number of permanent contract female employees	9.3%	-	3,520	3,221	
102-8a	Total number of permanent contract male employees	3.3%	-	8,855	8,576	
102-8a	Share of permanent employees	+1.3pts	-	93%	92%	
102-8a	Total number of fixed-term contract female employees	-44%	-	215	385	
102-8a	Total number of fixed-term contract male employees	4.4%	-	665	637	
102-8a	Share of fixed-term employees	-1.3pts	-	7%	8%	
102-8b	Total number of permanent contract employees	4.9%	-	12,375	11,797	
102-8b	Total number of fixed-term contract employees	-13.9%	-	880	1,022	
102-8d	Number of external workers (FTE)	50%	-	572	381	
102-8d	Share of external workers (% of total FTE)	+1.4pts	-	4.3%	3.0%	
–	Total compensation and benefits (€m)	-0.1%	-	671	672	639
	New Employee Hires and Employee Turnover					
401-1a	Number of employee hires	-0.8%	-	2,690	2,713	1,883
401-1a	Rate of employee hires	-0.1pts	-	21%	21%	
–	Number of permanent contracts ended by employee (e.g. resignation, retirement)	22%	-	1,311	1,073	1,102
–	Number of permanent contracts ended by employer (e.g. lay-off)	32%	-	624	474	589
–	Permanent employee turnover rate	+3.1pts	-	16%	13%	14%
401-1b	Total number of employee departures	16%	-	2,873	2,470	
401-1b	Total employee turnover rate	+3.2pts	-	22%	19%	
	Diversity					
405-1a	Percentage of female administrators in Tarkett Supervisory Board	+0.0pts	-	44%	44%	33%
405-1a	Percentage of administrators in Tarkett Supervisory Board below 30 years	+0.0pts	-	0%	0%	
405-1a	Percentage of administrators in Tarkett Supervisory Board between 30 to 50 years	+11pts	-	22%	11%	
405-1a	Percentage of administrators in Tarkett Supervisory Board above 50 years	-11pts	-	78%	89%	
405-1b	Percentage of females in Executive Committee (EC)	-2.7pts	-	27%	30%	20%
405-1b	Percentage of female top senior executives (EC to EC-1)	+3.0pts	-	27%	24%	18%
405-1b	Percentage of female senior executives (EC to EC-2)	+0.4pts	-	25%	24%	28%
405-1b	Percentage of female managers	-0.6pts	-	27%	27%	26%
405-1b	Percentage of female other employees	-0.5pts	-	28%	28%	
405-1b	Percentage of female employees	-0.5pts	-	28%	28%	28%

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
405-1b	Percentage of employees below 30 years	-0.8pts	-	14%	15%	14%
405-1b	Percentage of employees between 30 to 49 years	+0.1pts	-	56%	56%	57%
405-1b	Percentage of employees above 50 years	+0.7pts	-	30%	29%	29%
405-1b	Percentage of employees with disabilities	-0.1pts	-	1.2%	1.3%	1.4%
	Training and Development					
–	Share of employees having received training [base year 2011]	+3.9pts	+23.3pts	60%	56%	54%
–	Training hours (thousand hours)[base year 2013]	-22.1%	34.4%	268	345	255
412-2a	Total number of hours of employee training on Code of Ethics	9.9%	-	11,422	10,396	
412-2b	% of employees who have received training on Code of Ethics	+4.1pts	-	45% (1)	41%	99%
404-1	Average number of training hours per employee	-22%	-	21	27	
404-3	% of employees who had a PDR, Polyvalence Matrix or equivalent appraisal	-3.0pts	-	52%	55%	
–	% of permanent contract employees who had a PDR, Polyvalence Matrix or equivalent appraisal	-3.3pts	-	53%	56%	56%
–	% of open management positions filled with an internal candidate	+0.8pts	-	53%	52%	45%
203-2	Number of external people who received Tarkett Academy training	35%	-	3,669	2,723	3,575
	Proactive Internal Communication and Social Dialogue					
-	Progress on "Listen to employees and engage in social dialogue" in employee feedback survey [base year 2010]	-6pts	+0.5pts	54.0	-	60.0
–	Progress on "Communicate proactively towards all employees" in employee feedback survey [base year 2010]	+4.3pts	+10.3pts	66.0	-	61.7
	Occupational Safety & Health					
403-9a	Injury frequency rate – LTA only [FR0t] – employees	-6.1%	-	1.46	1.55	1.25
403-9a	Injury frequency rate – LTA and lost time < 24 hours [FR1t] – employees	5.7%	-	2.18	2.07	
403-9a	Lost day rate due to LTA – accident severity rate [TG0t] – employees	-25%	-	0.055	0.073	0.045
403-10a	Occupational illnesses (OI) frequency rate – employees	-86%	-	0.13	0.90	
403-9a	Absentee rate % – employees	+0.2pts	-	2.7%	2.5%	2.3%
403-9a	Absentee rate % – employees and external workers – plants only [base year 2014]	+0.2pts	+0.5pts	2.8%	2.6%	2.5%
403-9a	Injury frequency rate – LTA only [FR0t] – employees and external workers – plants only [base year 2010]	2.2%	-67%	1.41	1.38	1.46

(1) The objective is to train all employees to the Code of Ethics over 2 years and newcomers within their first year of joining.

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
403-9a	Injury frequency rate – LTA and lost time < 24 hours [FR1t] – employees and external workers – plants only [base year 2013]	14%	-64%	2.14	1.87	3.68
403-9a	Injury frequency rate – LTA, lost time < 24 hours & first aid [FR2t]– employees and external workers – plants only [base year 2013]	-13%	-49%	12.38	14.32	18.98
403-9a	Lost day rate due to LTA – accident severity rate – employees and external workers – plants only [base year 2013]	-26%	-13%	0.066	0.088	0.059
403-9a	Number of fatal accidents	-	-	1	0	0
403-9b	Injury frequency rate – LTA only [FR0t] – external workers	19%	-	7.90	6.62	
–	% 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]	+6.5pts	+12pts	68.0	-	61.5
Tarkett Cares						
203-1	Number of community initiatives supported through time, flooring, other material or funding contributions	19%	-	168	141	
203-1	Number of employees involved in community initiatives	-8%	-	1,288	1,398	
203-1	Number of days of donated time through volunteering (based on 7 hours per day)	40%	-	978	700	
203-1	Quantity of flooring products donated to community initiatives (m²)	8%	-	17,560	16,322	
203-1	Total value of contributions to community initiatives (in k€)	59%	-	808	508	

Environmental Indicators

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
	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]	+2.4pts	+91pts	98%	96%	95%
–	Share of materials at the start of supply chain which do not contribute to resource scarcity (% of purchase volume) [base year 2011]	-0.3pts	-0.7pts	70%	71%	68%
301-1	Share of renewable and recycled materials	-1.0pts	-	38%	39%	31%
301-2	Share recycled materials (% of raw material purchasing)	-1.4pts	-	10%	12%	6%
	Resource Stewardship					
303-5	Water consumption (liters/m²)[base year 2010]	-5.6%	-43%	2.91	3.09	3.33
303-5	Water consumption (million cubic meters)	-11%	-	0.85	0.96	1.00
–	Share of manufacturing sites that have implemented closed- loop water circuits (or do not use water in their process) [base year 2010]	+1pts	+7pts	68%	67%	60%
302-3	Energy intensity (kWh/m²)[base year 2010]	2.8%	-1.1%	4.29	4.17	4.09
302-1a	Non-renewable fuel energy consumption (GWh)	-1.0%	-	577	583	
302-1b	Renewable fuel energy consumption (GWh)	-4.2%	-	153	160	
302-1c	Purchased electricity consumption (GWh)	-3.9%	-	526	547	
302-1d	Generated electricity sold (GWh)	-	-	5	0	
302-1e	Total energy consumption (GWh)	-3.0%	-	1,251	1,290	
305-4a	GHG market-based emissions intensity (Scope 1 & Scope 2) (kgCO2e/m²)[base year 2010]	0.4%	-8.5%	0.92	0.92	0.94
305-1a	Gross direct (Scope 1) GHG emissions (tCO2equivalent)	-0.8%	-	112,108	112,972	
305-1c	Biogenic CO_2 emissions (tCO2)	-5.3%	-	53,071	56,057	
305-2a	Gross location-based indirect (Scope 2) GHG emissions (tCO2equivalent)	-10.9%	-	198,159	222,479	
305-2b	Gross market- based indirect (Scope 2) GHG emissions (tCO2equivalent)	-8.2%	-	157,519	171,549	
	People-friendly Spaces					
416-1	Share of non-phthalate products (% of m² produced) [base year 2010]	+8pts	+65pts	65%	57%	57%
416-1	Share of low Volatile Organic Compound (VOC) emission products (% of m² produced)[base year 2010]	+1pts	+76pts	97%	96%	92%

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
	Recycling and Reuse					
-	Non-recycled waste intensity (g/m²)[base year 2015]	24%	-14%	108	86	105
306-2a	Hazardous waste (thousand metric tons)	7%	-	10.1	9.5	
306-2b	Non-hazardous waste (thousand metric tons)	26%	-	84.1	66.6	
306-2	Total waste to landfill (thousand metric tons) [base year 2015]	26%	-16%	17.0	13.6	18.4
306-2	Share of total waste sent to landfill	+0.2pts	-	18%	18%	
306-2	Share of total waste sent to external recycling	+1.8pts	-	67%	65%	
306-2	Share of total waste sent for energy recovery	-0.9pts	-	7%	8%	
306-2	Share of non-recycled waste sent to landfill [base year 2015]	+3pts	-9pts	54%	51%	58%
301-3	Post-installation or post-consumer products collected (metric tons)[base year 2010]	-20%	-83%	3,300	4,100	8,900

Other CSR Indicators

GRI	Indicator	Variation 2018 vs. 2017	Variation 2018 vs. base year	2018	2017	2016
-	Share of raw materials purchased with suppliers committing to UN Global Compact (% of purchase value)[base year 2011]	+2.2pts	+33pts	76%	74%	64%
-	Audited entities [base year 2011]	-10pts	+34pts	86%	96%	97%

Social Indicators by Region

GRI	Indicator	2018	Europe (1)	North America (2)	Rest of World (3)
	Workforce				
102-7a	Total number of employees (as of 31/12)	13,255	36%	34%	30%
102-8b	Total number of permanent contract employees	12,375	4,495	4,162	3,718
102-8b	Total number of fixed-term contract employees	880	326	331	223
	New Employee Hires and Employee Turnover				
401-1a	Number of employee hires	2,690	756	1,302	632
401-1a	Rate of employee hires	21%	16%	32%	16%
401-1b	Total number of employee departures	2,873	727	1,381	765
401-1b	Total employee turnover rate	22%	15%	34%	19%
	Occupational Safety & Health				
403-2a	Injury frequency rate – LTA and lost time < 24 hours [FR1t] – employees	2.18	3.80	1.22	1.32
403-2a	Lost day rate due to LTA – accident severity rate [TG0t] – employees	0.055	0.065	0.061	0.036
403-2a	Occupational illnesses (OI) frequency rate – employees	0.13	0.24	0.14	0.00
403-2a	Absentee rate (%) – employees	2.7%	3.3%	2.0%	2.5%
403-2b	Injury frequency rate – LTA only [FR0t] – external workers	7.90	12.35	2.77	0.00

(1) Europe: Corporate, EMEA & Tarkett Sports EMEA.
(2) North America: Tarkett North America & Tarkett Sports North America.
(3) Rest of World: Tarkett Eastern Europe, LATAM, APAC & Tarkett Sports Australia.

3.10.2 CSR methodological 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 European Union Non-Financial Reporting Directive 2014/95/EC and the French regulations on non-financial statement, known as the extra-financial performance declaration: 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 3.10.3 "GRI and DPEF concordance table") 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 organization, 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 2017 reporting. The finalized version of the Handbook was presented to and approved by the Executive Committee. The Handbook is 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 2018 to 31st December 2018.

Reporting frequency

CSR reporting for external publication needs is conducted annually. Intermediary reporting for internal purposes is conducted for certain topics (e.g. monthly reporting of WCM industrial KPI). Following the implementation of the new CSR Reporting Handbook, Tarkett carries out a complete intermediary reporting exercise at the end of October. This helps to prepare for the end of year campaign.

Scope of reporting

The scope of reporting is Group-wide, covering all activities over which the Group has operational control, except for Cuzorn, where production ceased in 2014. This includes, with certain limitations detailed below, the following entities acquired in 2018: Lexmark carpets in Georgia, US; Tennis & Track in Utah, US and Grassman in Sydney, Australia.

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:
  1) 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, excluding the newly acquired Lexmark carpets plant and the Grassman plant;
- 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 organization

The reporting process of CSR/sustainability indicators is managed and consolidated since 2018 by the Financial department with the support from the different concerned functions (including Operations/WCM, HR, Legal, Research & Innovation & Environment…), divisions and sites. Each CSR topic and its relevant indicators are owned by a member of the Tarkett Executive 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.

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.

UN Global Compact supplier commitment: data compiled from raw material supplier purchase data.

Specific limits to scope of reporting

Managers: excluding Lexmark.

Hirings, departures and turnover: excluding Lexmark.

Safety: excluding FieldTurf North America & Sales Network, FieldTurf USA Sales Network, Beynon Sales Network, Tennis & Track and Lexmark (these entities represent approximately 9% of Tarkett's headcount).

Absence: excluding the following entities in the US, where hours lost for unplanned absence are not tracked according to Group rules: FieldTurf North America & Sales Network, FieldTurf USA Sales Network, Beynon Sales Network, Tennis & Track and Lexmark (these entities represent approximately 9% of Tarkett's headcount).

Training hours: excluding FieldTurf EMEA HQ & Sales Network and Lexmark. Not all training hours were tracked and reported in 2018 by Sweden Sales Network and by Tarkett entities in the Netherlands (Goirle, Waalwijk & Oss). These entities are working on improving their monitoring of training hours.

Share of employees receiving training: excluding FieldTurf EMEA HQ & Sales Network and Lexmark.

Annual performance appraisal: excluding FieldTurf EMEA HQ & Sales Network and Lexmark (these entities represent approximately 5% of Tarkett's headcount).

Internal management positions filled internally: excluding FieldTurf EMEA HQ & Sales Network and Lexmark.

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: EMEA 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, Latin America and Tarkett Sports Australia.

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 labor laws where permitted.

Top senior executives (EC to EC-1): CEO, members of Executive Committee (EC) and the senior executives reporting to them (with or without direct report).

Senior executives (EC to EC-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.

Rate of employee hires: employees hired/headcount

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.

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 organizes and provides specific technical training programs (in flooring installation and maintenance) at dedicated training centers and at other locations.

Dedicated Tarkett Academy technical training center: 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, where the number of LTA include fatal accidents.

Injury frequency rate – LTA and lost time < 24 hours [FR1t]: # LTA + # Injuries with lost time < 24 hours x 1 000 000/worked hours, where the number of LTA include fatal accidents.

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, where the number of LTA include fatal accidents.

Lost day rate due to LTA – accident severity rate [TG0t]: # of working days lost for LTA x 1000/worked hours. [Restatement: 2017 values (Group & Plants only) restated to include lost days for an accident occurring before 2017 at one plant]

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.

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: "Tarkett has clearly communicated its standards of business conduct and operates in an ethical manner" and "Senior leader's actions and behaviors are consistent with Tarkett's values, including standards of business conduct and ethics".

Progress on "Listen to employees": Score to the following question in the biennial employee feedback survey: "Sufficient effort is made to get the opinions and thinking of people who work in Tarkett". This replaces the previous indicator based on the average of 2 questions.

Progress on "Communicate proactively towards all employees": Average score to 2 questions in the biennial employee feedback survey: "My manager does a good job of keeping me informed about matters that affect me" and "I am kept informed about matters that affect me". In previous editions this was the average of 3 questions.

Total compensation and benefits: Total of short-term employee benefits (as per Group Accounting Manual): wages, salaries and social security contributions; paid annual leave and paid sick leave; profit-sharing and bonuses payable within twelve months of the end of the period; non-monetary benefits, such as medical care, housing, cars and free or subsidized goods or services.

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 recognized 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.

Flooring products donated: Total square meters of flooring products donated to community initiatives.

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"/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.

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 (21%) 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 human health. 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, an evaluation has been performed among the supply chain to verify use of BAT (Best Available Techniques) technology on chloralkali process as well as additives involved. PVC has been rated according to specific EPEA criteria. For those PVC suppliers that have not yet provided information a precautionary approach is taken and pre-assessed [X] until information will be provided.

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: Materials that would otherwise have been sent for waste disposal 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 (including regrind) 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 meter 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 meters. 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 (21,7 k cubic meters).

3

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/or butane, other petroleum gas (e.g. ethane).

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 (15 GWh in 2018 at one plant).

Greenhouse gas (GHG) emissions reporting: Since 2017 Tarkett aligned its inventory of GHG emissions with the GHG Protocol and GRI 2016 standards. As such it now includes the CH_4 and N20 biomass scope 1 emissions) as well as reporting separately the outside of scope biogenic CO_2 emissions. Furthermore, it now reports both market-based and location-based scope 2 GHG emissions (which also now include CH_4 and N20 as well as CO_2 emissions).

Gross direct (scope 1) GHG emissions: Natural gas, fuel oil, LPG, propane, butane, other petroleum gas (e.g. ethane) and biomass consumption multiplied by their respective emission factors (for biomass consumption this relates only to scope 1 CH_4 and N20 emissions, out of scope biogenic CO_2 emissions are re-ported 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 kgCO2e/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_2e per kWh) are taken from Defra's 2018 – UK Government GHG Conversion Factors for Company Reporting. Scope 2 location-based emission factors (kgCO2e per kWh) are taken from 3 sources: Defra 2018 for UK purchased electricity; US EPA: eGRID 2014v2 – Subregion Emissions – Greenhouse Gases for US regional purchased electricity and IEA "Emissions Factors (2018 edition considering 2016 results)" 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 ≤ 100 µg/m³ 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 ≤ 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 or/and sent to other Tarkett plants for internal 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 organized 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 years.

Environmental risks: amount (in '000s euros) of provisions and warranties for risks related to the environment (provided the publication of the information is not creating a serious prejudice to the company as part of a potential ongoing litigation).

3.10.3 GRI and DPEF concordance table

Tarkett has developed a reporting system that follows and goes beyond the French extra-financial performance declaration (DPEF), based on challenging frameworks and guidelines published by international bodies such as the Global Reporting Initiative (GRI).

GRI Standard Disclosure/Description		Registration Document sections	Correspondence DPEF
102	**General Disclosures**		
	Organizational Profile		
102-1	Name of the organization	3.1	
102-2	Activities, brands, products, and services	1.4, 1.6, 3.1	
102-3	Location of headquarters	7.1.1	
102-4	Location of operations	1.5, 1.6, 3.1	
102-5	Ownership and legal form	7	
102-6	Markets served	1.5, 3.1	
102-7	Scale of the organization	1, 3.1	
102-8	Information on employees and other workers	3.10.1	Art. R225-105 II. A. 1° a)
102-9	Supply chain	3.8.1	Art. R225-105 II. A. 3° b)
102-10	Significant changes to the organization and its supply chain	1	
102-12	External initiatives	3.6	
102-13	Membership of associations	3.3.3, 3.6	
	Strategy		
102-14	Statement from senior decision-maker	3.2.1	
102-15	Key impacts, risks, and opportunities	3.4, 6.1	Art. R225-105 I. 1°
	Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	3.3.4	
102-17	Mechanisms for advice and concerns about ethics	3.3.4	
	Governance		
102-18	Governance structure	2.1, 2.2, 3.3.1	
102-19	Delegating authority	2.1, 2.2, 3.3.1	
102-20	Executive-level responsibility for economic, environmental, and social topics	3.3.1	
102-21	Consulting stakeholders on economic, environmental, and social topics	3.6	
102-22	Composition of the highest governance body and its committees	2.1	
102-23	Chair of the highest governance body	2.1	
102-24	Nominating and selecting the highest governance body	2.2	
102-25	Conflicts of interest	2.2.6.1	
102-26	Role of highest governance body in setting purpose, values, and strategy	2.2	
102-27	Collective knowledge of highest governance body	2.1	
102-28	Evaluating the highest governance body's performance	2.2	
102-29	Identifying and managing economic, environmental, and social impacts	3.4, 6.1	
102-30	Effectiveness of risk management processes	3.4, 6.2	
102-31	Review of economic, environmental, and social topics	3.3.1	
102-32	Highest governance body's role in sustainability reporting	3.3.2	

GRI Standard Disclosure/Description	Registration Document sections	Correspondence DPEF
102-35 Remuneration policies	2.3, 2.6	
102-36 Process for determining remuneration	2.2, 2.6	
102-37 Stakeholders' involvement in remuneration	2.6	
Stakeholder Engagement		Art. R225-105 II. A. 3° a)
102-40 List of stakeholder groups	3.6	
102-41 Collective bargaining agreements	3.9.5.3, 3.10.1	Art. L225-102-1 III.
102-42 Identifying and selecting stakeholders	3.6	
102-43 Approach to stakeholder engagement	3.6	
102-44 Key topics and concerns raised	3.6	
Reporting Practice		
102-45 Entities included in the Consolidated Financial Statements	3.10.2, 5	Art. L225-102-1 III.
102-46 Defining report content and topic boundaries	3.10.2	
102-47 List of material topics	3.4.4	
102-48 Restatements of information	3.10.1, 3.10.2	
102-49 Changes in reporting	3.3.2, 3.10.2	
102-50 Reporting period	3.10.2	
102-51 Date of most recent report	3.10.2	
102-52 Reporting cycle	3.10.2	
102-53 Contact point for questions regarding the report	3.10.2	
102-55 GRI content index	3.10.3	
102-56 External assurance	3.10.4	Art. L225-102-1 V.
103 Management Approach	**3.2, 3.7, 3.8, 3.9**	**Art. R225-105 I. 2° & 3°**
200 Economic		
201 Economic Performance		
201-1 Direct economic value generated and distributed	3.1, 4, 5	
201-2 Financial implications and other risks and opportunities due to climate change	3.4	Art. L225-102-1 III.
203 Indirect Economic Impacts		
203-1 Infrastructure investments and services supported	3.8.2	
203-2 Significant indirect economic impacts	3.8.2	Art. R225-105 II. A. 3° a)
205 Anti corruption		Art. L225-102-1 III. Art. R225-105 II. B. 1°
205-1 Operations assessed for risks related to corruption	3.3.4.2, 3.4	
205-2 Communication and training about anti corruption policies and procedures	3.3.4.2	

GRI Standard Disclosure/Description		Registration Document sections	Correspondence DPEF
300	**Environmental**		**Art. L225-102-1 III.**
			Art. R225-105 II. A. 2° a)
301	Materials		Art. R225-105 II. A. 2° c) ii)
301-1	Materials used by weight or volume	3.7.2.1, 3.10.1	
301-2	Recycled input materials used	3.7.4.2, 3.10.1	
301-3	Reclaimed products and their packaging material	3.7.4.3, 3.10.1	
302	Energy		Art. R225-105 II. A. 2° c) ii)
302-1	Energy consumption within the organization	3.7.5.2, 3.10.1	
302-3	Energy intensity	3.7.5.2, 3.10.1	
302-4	Reduction of energy consumption	3.7.5.2	
302-5	Reductions in energy requirements of products and services	3.7.5.2	
303	Water and Effluents		
303-5	Water consumption	3.7.5.1, 3.10.1	Art. R225-105 II. A. 2° c) ii)
305	Emissions		Art. R225-105 II. A. 2° b) & d)
305-1	Direct (Scope 1) GHG emissions	3.7.6.1, 3.10.1	
305-2	Energy indirect (Scope 2) GHG emissions	3.7.6.1, 3.10.1	
305-3	Other indirect (Scope 3) GHG emissions	3.7.6.2, 3.10.1	
305-4	GHG emissions intensity	3.7.6.1, 3.10.1	
305-5	Reduction of GHG emissions	3.7.6	
306	Waste		Art. R225-105 II. A. 2° c) i)
306-2	Waste by type and disposal method	3.7.4.1, 3.10.1	
308	Supplier Environmental Assessment		Art. R225-105 II. A. 3° b)
308-1	New suppliers that were screened using environmental criteria	3.8.1.1	
308-2	Negative environmental impacts in the supply chain and actions taken	3.8.1.1	

GRI Standard Disclosure/Description		Registration Document sections	Correspondence DPEF
400	**Social**		**Art. L225-102-1 III.**
401	Employment		
401-1	New employee hires and employee turnover	3.10.1	Art. R225-105 II. A. 1° a)
402	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	3.9.5.4	
403	Occupational Health and Safety		Art. R225-105 II. A. 1° c)
403-1	Occupational health and safety management system	3.9.1	
403-2	Hazard identification, risk assessment, and incident investigation	3.4, 3.9.1	
403-3	Occupational health services	3.9.2	
403-5	Worker training on occupational health and safety	3.9.1, 3.9.4.2	
403-6	Promotion of worker health	3.9.2	
403-8	Workers covered by an occupational health and safety management system	3.9.1	
403-9	Work-related injuries	3.9.1, 3.10.1	Art. R225-105 II. A. 1° c)
403-10	Work-related ill health	3.9.2, 3.10.1	Art. R225-105 II. A. 1° c)
404	Training and Education		Art. R225-105 II. A. 1° e)
404-1	Average hours of training per year per employee	3.10.1	
404-2	Programs for upgrading employee skills and transition assistance programs	3.9.4.2	
404-3	Percentage of employees receiving regular performance and career development reviews	3.9.4.1, 3.10.1	
405	Diversity and Equal Opportunity		Art. L225-102-1 III. Art. R225-105 II. A. 1° f)
405-1	Diversity of governance bodies and employees	3.9.3, 3.10.1	
407	Freedom of Association and Collective Bargaining		Art. R225-105 II. A. 1° d)
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3.9.5.3	
412	Human Rights Assessment		Art. L225-102-1 III. Art. R225-105 II. B. 2°
412-2	Employee training on human rights policies or procedures	3.3.4, 3.10.1	
413	Local Communities		Art. R225-105 II. A. 3° a)
413-1	Operations with local community engagement, impact assessments, and development programs	3.8.2, 3.10.1	Art. L225-102-1 III.
414	Supplier Social Assessment		Art. R225-105 II. A. 3° b)
414-1	New suppliers that were screened using social criteria	3.8.1.1	
414-2	Negative social impacts in the supply chain and actions taken	3.8.1.1	
416	Customer Health and Safety		Art. R225-105 II. A. 3° c)
416-1	Assessment of the health and safety impacts of product and service categories	3.7.2, 3.7.3, 3.10.1	
417	Marketing and Labeling		
417-1	Requirements for product and service information and labeling	3.7.2.2	

3.10.4 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, appointed as an independent third party, of Tarkett S.A., certified by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049 (1), we hereby report to you on the consolidated non-financial performance statement for the year ended 31 December 2018 (hereinafter the "Statement"), included in the Group Management Report, in accordance with the legal and regulatory provisions of Articles L.225 102-1, R.225-105 and R.225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

It is the Board of Directors' responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the Company (specify where appropriate), (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the Company's headquarters).

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

Statutory Auditor's responsibility

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R.225-105 of the French Commercial Code (*Code de commerce*);
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R.225-105-I (3) and II of the French Commercial Code (*Code de commerce*) concerning policy outcomes, including key performance indicators and actions relating to the main risks;

However, it is not our responsibility to express an opinion on:

- the Company's compliance with any other applicable legal and regulatory provisions, relating, in particular, to the duty of care requirement and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 *et seq.* of the French Commercial Code (*Code de commerce*), 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* or CNCC) relating to this engagement, and with ISAE 3000 (International standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- We gained an understanding of the activity of all companies in the consolidation scope, of the Entity's exposure to the main social and environmental risks relating to the business activity and, if applicable, of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- We verified that the Statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, in accordance with the disclosures required under Article R.225-105-I, and policies, due diligence procedures and outcomes, including key performance indicators;
- We verified that the Statement presents the disclosures required under article R.225-105-II if they are relevant given the main risks or policies presented;
- We obtained an understanding of the process for identifying, prioritizing and validating the main risks;
- We enquired about the existence of internal control and risk management procedures implemented by the company;
- Where applicable We verified that the Statement includes a clear, substantiated explanation of the lack of policy for one or more of

(1) Scope available at www.cofrac.fr.

these risks;

- Where applicable We verified that the Statement covers all companies in the consolidation scope in accordance with Article L.233-16 within the limits specified in the Statement;
- We assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the policy outcomes and key performance indicators that must be mentioned in the Statement;
- For key performance indicators and the other quantitative outcomes (1) that we considered the most important, we set up:
  - analytical procedures to verify that data collected are correctly consolidated and that any changes to the data are consistent;
  - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing (2) to the reported data and represents between 17% and 34% of consolidated data of key performance indicators and outcomes selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the due diligence procedures that we deemed the most important (3) (organization, policies, actions, qualitative outcomes);
- We assessed the overall consistency of the Statement based on our understanding of the Company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance opinion. 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 Statement cannot be totally eliminated.

Means and resources

Our work drew on the skills of six individuals.

To assist us in conducting our work, we called on our firm's sustainable development and corporate Social Responsibility specialists. We conducted around twenty interviews with the individuals responsible for preparing the Statement.

Opinion

Based on our work, and given the scope of our responsibilities, we have no material misstatements to report that would call into question the Statement's compliance with the applicable regulatory provisions, or the fair presentation of the information, taken as a whole, in accordance with the Guidelines.

Paris-La Défense, February 7, 2019.

The Statutory Auditors/French original signed by KPMG S.A.

KPMG S.A.

Fanny Houlliot *Partner* *Sustainability Services*	Philippe Grandclerc *Partner*

(1) **Quantitative social information:** Total number of employees (as of 31/12/2018) split by gender, age and geographical region; Number of employee hires; Total number of employee departures including layoffs; Training hours; Absentee rate; Injury frequency rate – LTA only; Lost day rate due to LTA – accident severity rate; Percentage of female top senior executives.
Quantitative environmental information: Energy consumption (electricity, gas, fuel); Greenhouse Gas emissions; Water consumption; Quantity of non-recycled waste and split by type of treatment; Post-installation or post-consumer products collected; Production volume; Share of non-phthalate products; Share of low Volatile Organic Compound (VOC) emission products; Share of raw materials for which material assessment following Cradle to Cradle® principles has been performed; Share of materials at the start of supply chain which do not contribute to resource scarcity; Share of renewable and recycled materials.

(2) Tarkett Inc. (Canada); Tandus Centiva Limited (Canada); FieldTurf USA Inc. (USA); Tandus Centiva Inc. (USA); Tarkett USA Inc. Chagrin Falls and Solon & Resilient (USA) – social information only; Tarkett AB Ronneby (Sweden) – information on energy consumption only.

(3) Talent development; Health & Safety at work; Measures implemented to reduce waste and enhance the recyclability of products; Environmental impact of products; CSR assessment of suppliers; Action implemented against corruption.

Appendix

List of Cradle to Cradle® (C2C) certifications

C2C Certifications

Product categories	Product References	Certification Level
Carpet	Desso®PA6 Solution Dyed Carpet Tiles Gold	Gold
	EcoBase® Carpet Tile Backing	Gold
	Desso® Axminster Gold	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® Modular	Silver
	Continuous Dyed Broadloom	Bronze
	Desso®PA6 Continuous Dyed Carpet Tiles	Bronze
	Desso®PA6 Solution Dyed Carpet Tiles	Bronze
	PA6 Solution Dyed Carpet Tiles	Bronze
	Solution Dyed Broadloom	Bronze
Resilient flooring	iQOne	Gold
	iD Revolution	Gold
Linoleum	Linoleum Originale Collection	Gold
	LinoWall	Silver
	Tarkett Linoleum Flooring	Silver
Rubber	Johnsonite Rubber Wall Base (BaseWorks®)	Silver
	Johnsonite Rubber Tile and Sheet	Bronze
Artificial turf	FieldTurf	Bronze
Wood	Parquet	Silver
Adhesives	Tandus Centiva C-14e Pressure Sensitive Adhesive	Silver

C2C Material Health Certificates

Product categories	Product References	Certification Level
Anti-soil	Eco-Ensure	Gold
Adhesives	Tandus Centiva B-19 Adhesive	Platinum
	Tandus Centiva C-56 Floor Primer	Platinum
	Tarkett 959 Vinyl Tile and Plank Adhesive	Platinum
	Tarkett 901 Resilient Flooring Spray Adhesive and Sports HS Spray Adhesive	Platinum
	Tarkett Resilient Flooring Adhesives	Platinum
	Tandus Centiva C-12e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-14e Pressure Sensitive Adhesive	Silver
	Tandus Centiva C-TR Adhesive	Silver
	Tarkett C-EX Pressure Sensitive Adhesive	Silver
	Tarkett RollSmart Adhesive	Bronze

ICPE Production Sites in France (Classified Installations for Environmental Protection) – Sedan and Auchel sites

In France, ICPE refers to 'Installations Classées pour la Protection de l'Environnement' – Classified Installations for Environmental Protection.

The vinyl production facility in Sedan, France is ranked as an Authorization-level Classified Installation by a Prefectural Decree of July 2008 in particular for sections with regard to the processing and storage of plastic materials. Hence the site is subject to "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 3000 and 4000 ICPE 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 (Energy) and OHSAS 18001 (Health & Safety), and has maintained the bronze WCM level in July 2018.

Thanks to the site's deliberate policy, it has considerably reduced its environmental impact. Since 2011, VOC (Volatile Organic Compounds) industrial emissions and water consumption have been reduced by a factor 3, and non-recyclable waste has been reduced 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.

Artificial turf production facility in Auchel: 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 considered to carry out this classification is version 27.01 (October 2015). Accordingly, the site is now subject to registration for sections 2661.1 and 2661.2 – Transformation of polymers. The following sections were moreover 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;
- 2910.A – Combustion except for facilities subject to sections 2770 and 2771 (classified as being subject to declaration with periodic controls).

List and justification of non-material CSR topics

The CSR topics listed in the below table are not highly material for Tarkett and were therefore not developed in the CSR report.

CSR Topic	Justification of Low Materiality for Tarkett
Biodiversity	Tarkett does not operate in areas of high biodiversity value such as natural protected areas, and does not develop new activities in pristine areas. As such, our activities do not have a direct impact on sensitive biodiversity features. We can however have an indirect impact on biodiversity, e.g. through natural resources consumption, air emissions or waste generation – topics which are duly addressed in the CSR report.
Air emissions (other than greenhouse gases)	Our main focus in terms of air emissions is on greenhouse gas (GHG) due to its global impact on climate change. Some actions implemented to reduce GHG emissions (such as improvement of energy efficiency, development of renewable energies, etc.) in turn reduce emissions of other air pollutants such as nitrogen oxides (NO_x), sulphur oxides (SO_x) or particulate matters (PM). Most of our direct emission sources (e.g. boilers) at our manufacturing sites use natural gas as fuel, thus leading to minimal SO_x and PM emissions. We monitor our air emissions as per regulatory requirements to confirm compliance with applicable emissions standards for other pollutants such as NO_x.
Wastewater discharges	Our main focus is to reduce water consumption, by implementing closed-loop water systems or manufacturing processes which do not consume any water (topic addressed in the CSR report). This in turn minimizes the volume of wastewater discharges at our manufacturing sites. In terms of pollutants, we monitor our wastewater discharges as per regulatory requirements to confirm compliance with applicable standards.
Noise and other nuisances	At our manufacturing sites, we measure boundary noise as per regulatory requirements to confirm compliance with applicable standards and to ensure that we minimize the nuisances for our neighbors. Complaints regarding noise or other nuisances (e.g. odors, lighting, smoke), which very rarely occur, are discussed with the complainant, investigated and subject to appropriate corrective actions as relevant.
Food wastage	Food waste is limited to restaurant services and is managed by external suppliers with their own action plan.
Environmental incidents	Our activities are not likely to generate catastrophic environmental incidents such as a significant oil or chemical spill. We however have emergency response plans in place at our manufacturing sites, which include environmental emergencies. We systematically report and investigate environmental incidents.
Child labor	Tarkett does not operate in countries with a high risk of child labor. Our internal policies and our Code of Ethics completely prohibit child labor.
Rights of indigenous people	Tarkett activities do not involve direct impact or relationship with indigenous people (such as resettlement, land acquisition, etc.).
Combat against food insecurity, respect of animal welfare, responsible fair and sustainable food supply	These topics are not applicable to Tarkett activities (topics included in the French regulations on non-financial statement – DPEF further to the publication in October 2018 of law n° 2018-938 on balanced trade relations in the agricultural and food sectors and on healthy and sustainable food supply accessible to all).

4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2018 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, 2018 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, 2018**	**December 31, 2017**
Consolidated results of operations		
Net revenue	2,836.1	2,841.1
Organic growth (1)	*2.1%*	*4.8%*
Adjusted EBITDA (1)	248.7	315.1
% of net revenue	*8.8%*	*11.1%*
Adjusted EBIT	131.3	196.3
% of net revenue	*4.6%*	*6.9%*
Result from operating activities (EBIT)	106.6	12.7
% of net revenue	*3.8%*	*0.4%*
Net result for the period – Group Share	49.3	(38.7)
Dividends per share (in euros) (3)	0.60	0.60
Return on invested capital (ROIC) (1)	6.1%	8.9%
Consolidated financial position		
Shareholders' Equity	807.0	780.6
Net debt (2)	753.6	491.8
Total Balance Sheet	2,390.4	2,133.1
Consolidated cash flows		
Cash generated from operations	206.2	91.1
Investments	(128.2)	(111.1)
Free cash flow (1)	36.4	(65.6)
Market capitalization as of December 31	**1,116.4**	**2,229.0**
Headcount at December 31	**13,024**	**12,654**

(1) See Section 4.7.
(2) Net Debt – See Section 4.3.3 and Section 5.2, Note 7 "Financing and Financial Instruments".
(3) 2018: amount to be proposed for distribution, with the option to take payment in new shares, at the Annual Shareholders' Meeting on April 26, 2019.

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 Section 4.1.2:

2018 *(in millions of euros)*		**Flooring**		**Sports Surfaces**	**Central**	**Group**
	EMEA	**North America**	**CIS, APAC and Latin America**			
Net revenue	908.4	783.6	580.5	563.6	-	2,836.1
Gross profit	244.0	191.1	111.5	105.6	0.2	652.4
% of net revenue	*26.9%*	*24.4%*	*19.2%*	*18.7%*		*23.0%*
Adjusted EBITDA	97.3	70.2	74.1	52.8	(45.7)	248.7
% of net revenue	*10.7%*	*9.0%*	*12.8%*	*9.4%*		*8.8%*
Adjustments	(5.8)	(4.0)	(1.7)	(1.5)	(7.6)	(20.6)
EBITDA	91.5	66.1	72.4	51.4	(53.4)	228.1
% of net revenue	*10.1%*	*8.4%*	*12.5%*	*9.1%*		*8.0%*
Result from operating activities (EBIT)	48.9	14.9	26.6	31.0	(14.8)	106.6
% of net revenue	*5.4%*	*1.9%*	*4.6%*	*5.5%*		*3.8%*
Capital expenditures	40.1	41.7	22.2	12.9	10.4	127.3

2017 *(in millions of euros)*		**Flooring**		**Sports Surfaces**	**Central**	**Group**
	EMEA	**North America**	**CIS, APAC and Latin America**			
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%*		*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%*		*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%*		*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%*		*0.4%*
Capital expenditures	36.5	30.8	17.3	16.1	10.2	110.9

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 and 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.

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 2018, the Group's raw materials costs consisted mostly of PVC and plasticizers (approximately 33%), wood (approximately 9%), fiberglass (approximately 3%) and packaging (approximately 4%). 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 0.1 point as a percentage of net sales from 2017 to 2018 (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 54%, 16% and 10%, respectively, of the Group's 2018 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 €354 million over the 2011-2018 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 2018.

SG&A

SG&A includes sales and administrative expenses, as well as the research and development costs described above.

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;
- 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 (41.8% of consolidated net revenues in 2018), the Swedish krona (7.2%), the pound sterling (2.6%), the Canadian dollar (1.8%), the Brazilian real (1.5%) and the Australian dollar (1.5%).

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 2018, 56% of the Group's consolidated net revenues were generated in the second and third quarters, as compared with 44% in the first and fourth quarters.

4.1.1.5 Acquisitions

The Group has completed 26 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 2018 and 2017."

The Group completed a significant external growth transaction on September 1st, 2018, when it acquired the U.S. company Lexmark Carpet Mills, which manufactures high quality carpeting, principally for the hotel industry in North America. Lexmark, which has 460 employees owns a production plant in the United States, had approximately USD 120 million in revenues in 2017.

In January 2018, the Group also acquired the assets of Grassman, a leading Australian artificial turf manufacturer. The acquisition of Grassman expands the Group's presence in the Australian market, in particular in the hockey, tennis, and landscape sectors, thus complementing its football and rugby products. This acquisition also provides the Group with a strong platform for serving field builders and installers in Australia.

4.1.1.6 Presentation of accounting and financial data

The following table reconciles adjusted EBITDA to operating income for the 2017 and 2018 fiscal years.

Adjusted EBITDA *(in millions of euros)*	**Fiscal year ended December 31**		
	2018	**2017**	**Change**
Result from operating activities (EBIT)	106.6	12.7	n.s.
Depreciation and amortization	121.5	122.3	
EBITDA	228.1	135.0	+69%
Adjustments			
Restructuring costs	10.5	3.1	
Costs related to acquisitions and business combinations	5.1	(1.3)	
Costs related to share-based payments	4.1	12.1	
Other [(1)]	0.9	166.2	
Adjusted EBITDA	**248.7**	**315.1**	**-21%**

(1) "Other adjustments" in 2017 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 7.8% for EMEA and North America, 8.3% for APAC, 10.1% for Latin America and 10.2% 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, 2018 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 19R, 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. As of December 31, 2018, the Group had €222.4 million in liabilities relating to employee benefit commitments, of which €92.6 million are covered by funds invested pursuant to the Group' various plans, and the remaining €129.8 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, 2018, the Group had €36.6 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 €25.3 million in deferred tax assets relating to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €8.5 million related to the Group's North American (United States) tax consolidation group, and €1.1 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".

4.1.2 Comparison of results of operations for the years ended December 31, 2018 and December 31, 2017

The analysis below discusses the Group's results of operations for the fiscal year ended December 31, 2018.

4.1.2.1 Overview

The key figures of the consolidated financial statement are presented in Section 4.1.1.

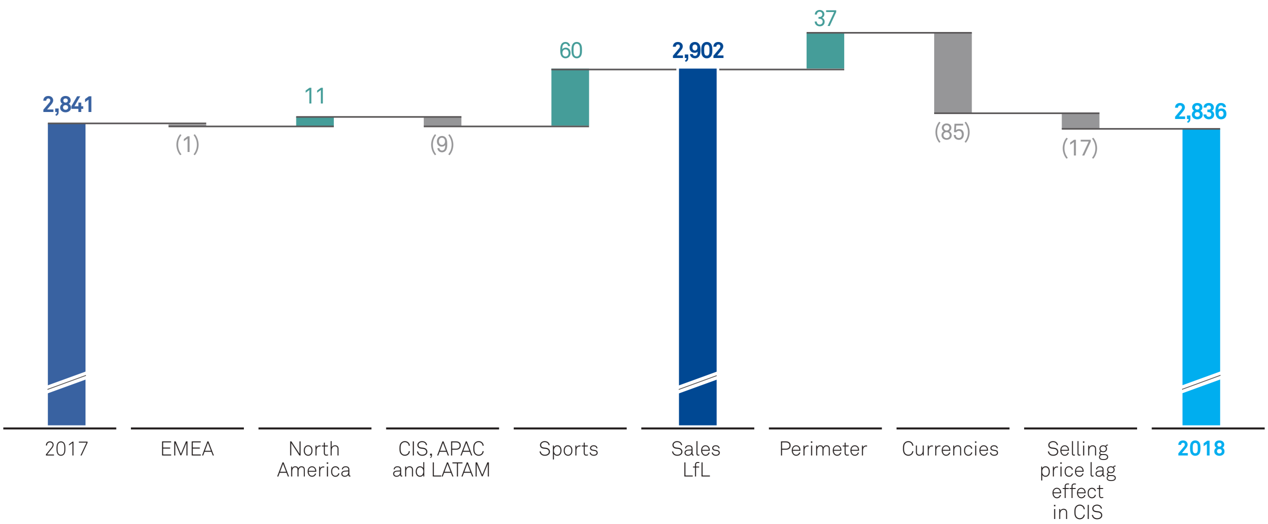
4.1.2.2 Net revenue

In 2018, the **Group's revenues** were stable as compared with the previous year, at **€2,836.1 million**, as compared with €2,841.1 million in 2017, a decrease of 0.2%.

The Group recorded **organic growth of 2.1%**, excluding the €37 million contribution of acquisitions and the €(102) million of fluctuations in exchange rates, of which €(17) million resulted from the lag between changes in exchange rates and the corresponding price increases in Russia. The Group succeeded in maintaining its growth, supported by increased sales volumes and price increases in the EMEA and North America segments.

The €37 million consolidation effect mainly reflects the acquisitions of Lexmark, a manufacturer of carpeting, principally for the hotel industry in North America (which had revenue of USD 120 million in 2017 and was consolidated in the fourth quarter of 2018), and of Grassman, an Australian leader in the manufacture of synthetic turf (which had €10 million in revenue in 2017, and was consolidated beginning in February of 2018).

The chart below presents the key factors explaining the evolution of net revenue between 2017 and 2018:



EMEA
Sales in the EMEA remained stable as compared with the previous year (-0.1%). The Group had a strong year in Germany, Central Europe, Spain, and Italy. Following two years of sustained growth, the Nordic countries stabilized. Business in France was down from the previous year, and, amid an uncertain environment, the United Kingdom fell significantly. The LVT (vinyl tiles) category remained strong throughout the year, supported by the launch of new products.

North America
The North America segment grew by 1.3%, thanks to the continued growth in commercial and residential resilient flooring, accessories, and rubber products. Modular vinyl tiles (LVT) continued its strong growth, while the commercial market declined over the year.

The integration of Lexmark is proceeding as planned. Lexmark's sales teams are now also in charge of marketing vinyl tiles and accessories for the hotel market, which reinforces Tarkett's position in this market segment with strong potential for renovations.

CIS, APAC and Latin America
The CIS, APAC and Latin America segment declined slightly, by 1.5%, despite strong performances in Latin America and APAC.

During the second half of the year, business slowed in some CIS countries, resulting in decreased volumes. In Russia, an uncertain environment and the weakening of the ruble depressed household consumption. However, the product mix improved as compared with the previous year, buoyed by the sales of high-end products. Latin America showed strong organic growth in 2018, thanks to increased sales-particularly LVT sales-in Brazil as well as significant price increases to offset the weakness of the Brazilian real. Sales in the APAC zone increased slightly over the year.

Sports Surfaces
The Sports Surfaces segment again showed strong organic growth of 11.7% in 2018. Synthetic grass in North America, as well as landscaping applications and indoor activities, recorded excellent performances. Moreover, turnkey projects (including invoicing of civil engineering services) and hybrid products progressed well.

The Wanda stadium field for the Atlético Madrid Club, on which the UEFA Champions League will be played, was equipped with one of the Group's hybrid grass solutions, Playmaster™.

4.1.2.3 Gross profit

The Group's gross profit decreased by €50.6 million, from €703.0 million in 2017 to €652.4 million in 2018. Gross profit represented 23.0% of revenues in 2018, a decrease of 1.7 points as compared with 2017. The decrease was principally due to the following factors:

- the unfavorable change in the cost of raw materials and transport in all segments; and
- an unfavorable volume/mix effect, with the share of the Sports Surfaces segment-which contributes less to gross margins than the other segments-increasing significantly within the Group.

Partially offset by:

- increases in sales prices over the year in Europe and North America, which covered close to half of the increase in the cost of raw materials; and
- the continued effort to increase productivity through the WCM program, which generated net production cost savings.

4.1.2.4 Result from operating activities

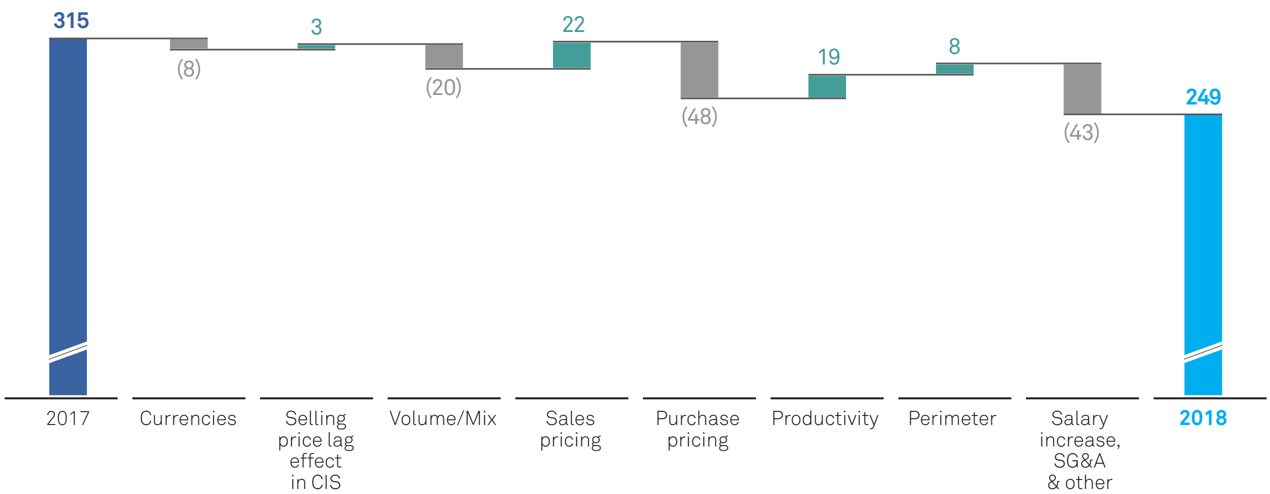
The Group's operating income totaled €106.6 million in 2018, or 3.8% of revenue. Excluding the €165.0 million fine imposed by the French Competition Authority in 2017, the Group's 2018 operating income decreased by 40.5% as compared with 2017. In addition to the items described under gross profit, above, the decrease in operating income was the result of the following:

- during the first half of 2017, operating income had 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; and
- the reinforcement of the Group's sales forces in certain regions.

4.1.2.5 Adjusted EBITDA

Adjusted EBITDA was €248.7 million in 2018 – a 21.1% decrease as compared with €315.1 million in 2017. The ratio of adjusted EBITDA to consolidated net revenues went from 11.1% in 2017 to 8.8% in 2018.

The main factors explaining the change in the Group's adjusted EBITDA are the same factors described with respect to gross profit and operating income. These factors are shown in the graph below.



The main factors in the per-segment changes in adjusted EBITDA margin are as follows:

- **EMEA:** Adjusted EBITDA margin decreased to 10.7%, as compared with 13.7% in 2017, affected by a slight decrease in sales volumes, accentuated by an effort to reduce inventory. The quite significant increase in raw materials and transport costs was offset for over 40% by the increases in sales prices;
- **North America:** Adjusted EBITDA margin decreased to 9.0% from 12.1% in 2017, primarily affected by the weakness in commercial carpet sales and the decrease in sales volumes in the fourth quarter, as well as the industrial underperformance in the second quarter. The price increases implemented throughout the year demonstrated their effectiveness by fully offsetting the significant increase in raw materials and transport costs. Lexmark's consolidation contributed favorably to the fourth quarter;
- **CIS, APAC and Latin America:** Adjusted EBITDA margin for this segment was 12.8% (as compared with 14.3% in 2017). The decrease in sales volumes and the increase in raw materials costs damaged the segment's profitability. However, the price increases implemented in the first half of the year more than offset the decline in the CIS currencies, as the lag effect (the net impact of movements in exchange rates and sales prices in the CIS) increased positively by €3 million over the year. In addition, the segment demonstrated strong productivity;

- **Sports Surfaces:** adjusted EBITDA margin was 9.4%, as compared with 10.0% of revenues in 2017. It increased excluding the impact of a payment of USD 12 million made to the Group in 2017 in connection with enforcement of a judgment against a competitor (AstroTurf), following a claim of patent infringement. Strong growth in volumes offset the impact of the increase in the cost of raw materials on adjusted EBITDA, and industrial performance improved, resulting in productivity increases.

  Several acquisitions were successfully completed in 2018. Grassman, a leading Australian artificial turf manufacturer whose assets were acquired in February 2018, enables the Group to expand into the growing Australian market. The acquisition of The Tennis and Track Company in Salt Lake City, Utah, which was finalized in July 2018, reinforces the Group's position on the tennis surface market and in the construction of reinforced concrete for sports;
- **Centralized costs**, which are not allocated by segment, decreased by €1.0 million, thanks to efforts to improve support functions.

4.1.2.6 Financial income and expense

The Group's financial result was €(30.1) million in 2018, as compared with €(23.4) million in 2017, primarily due to increased debt, and to a lesser extent due to the impact of exchange-rate volatility in the CIS countries on monetary assets denominated in those currencies.

4.1.2.7 Income tax expense

Income tax expense for 2018 was €(18.5) million, a 38.9% decrease as compared with an expense of €(30.3) million in 2017.

This decrease was the result of a decrease in the Group's taxable income for 2018, a more favorable mix of countries benefiting from the tax reform in the United States, and the settlement of a tax dispute in North America.

4.1.2.8 Net profit

The Group's net profit was €50.1 million in 2018, as compared with a loss of €38.0 million in 2017.

Net profit attributable to non-controlling interests was €0.8 million in 2018 as compared with €0.7 million in 2017.

As a result, net profit attributable to owners of the Company was €49.3 million in 2018 and €(38.7) million in 2017 (or €126 million, excluding the amount of the penalty paid to the French Competition Authority).

4.2 Investments

4.2.1 Principal investments in 2018 and 2017

Cash used in investing activities was €(358.6) million in 2018 and €(107.0) million in 2017.

Investment in property, plant and equipment and intangible property continued to increase in 2018. 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 between 3% and 5% of revenues in the next two to three years.

The table below shows the Group's main investments in 2018 and 2017.

(in millions of euros)	**For the year ended December 31**	
	2018	**2017**
Acquisition of subsidiaries net of cash acquired	(231.9)	(0.4)
Acquisitions of intangible assets and property, plant and equipment	(128.2)	(111.1)
Proceeds of disposals and dividends received	1.5	4.5
Effect of changes in the scope of consolidation	0.0	0.0
Net cash from/(used in) investment activities	**(358.6)**	**(107.0)**

4.2.1.1 Principal investments carried out in 2018

In addition to the acquisitions of subsidiaries described in Section 4.1.1.5, "Acquisitions," the principal investments carried out in 2018 include:

- EMEA: investment in a new line of lamination to improve productivity and strengthen capacity to produce LVT (Luxury Vinyl Tiles) in Luxembourg;
- North America: actions to improve productivity and strengthen capacity to produce LVT (Luxury Vinyl Tiles);
- CIS: reinforcement of capacity for wood products in Russia;
- Group: continued deployment of the Group's ERP and IT investments.

4.2.1.2 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 strengthen capacity to produce LVT (Luxury Vinyl Tiles);
- Sports: acquisition of new tufting machines at the Auchel site in France;
- Group: continued deployment of the Group's ERP and IT investments.

4.2.2 Principal investments underway

Principal investments underway in 2018 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 Europe, an investment of more than €20 million over three years will be allocated to the European production sites, in particular in Luxembourg, Poland, and Turkey.

4.2.3 Principal future investments

The Group continually seeks new investment opportunities, rigorously analyzing the potential for an attractive return on its investment. With respect to 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 is planning an internal investment strategy to achieve those goals.

The Group's planned 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 7.3, "Net Debt," 7.4.2, "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 as of December 31, 2018."

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 sufficient to finance its ongoing investments.

The Group's objective is for ongoing investments to be approximately 4% of consolidated net revenues in 2019. 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, 2018, the Group's net debt was €753.6 million, an increase of €261.8 million from net debt of €491.8 million as of December 31, 2017. The Group's shareholders' equity attributable to equity holders of the parent totaled €804.6 million as of December 31, 2018, as compared with €778.4 million as of December 31, 2017, resulting in a ratio of net debt to shareholders' equity of 0.94x (as compared with 0.60x as of December 31, 2017) and a ratio of net debt to adjusted EBITDA for the 12-month period ended December 31, 2018 of 2.8x (as compared with 1.6x for the 12-month period ended December 31, 2017).

As of December 31, 2018, cash and cash equivalents totaled €95.7 million, as compared with €114.7 million as of December 31, 2017. In addition, the total amount available under the Group's credit facilities as of December 31, 2018 was €533.5 million.

In 2018, the Group decided to distribute a dividend of €38.0 million to its shareholders based on 2017 net profit.

The Group believes its available credit lines are sufficient to cover its liquidity needs for the next fiscal year.

4.3.2 Cash flows

(in millions of euros)	December 31, 2018	December 31, 2017
Cash flows from operating activities		
Net profit before tax	68.6	(7.7)
Adjustments for:		
Impairment, depreciation and amortization	121.5	122.3
(Gain) loss on sale of fixed assets	(0.5)	(0.3)
Net finance costs	30.1	23.4
Change in provisions and other non-cash items	(9.1)	(6.6)
Share of profit of equity accounted investees (net of tax)	7.9	(3.0)
Operating cash flow before working capital changes	218.5	128.1
Changes in working capital	(12.3)	(37.0)
Cash generated from operations	206.2	91.1
Other operating items (tax and financial items)	(43.3)	(50.1)
Net cash (used in)/from operating activities	**163.0**	**41.0**
Net cash from/(used in) investment activities	**(358.6)**	**(107.0)**
Net cash from/(used in) financing activities	**177.0**	**90.9**
Net increase/(decrease) in cash and cash equivalents	**(18.6)**	**24.9**
Cash and cash equivalents, beginning of period	114.7	93.1
Effect of exchange rate fluctuations on cash held	(0.4)	(3.3)
Cash and cash equivalents, end of period	**95.7**	**114.7**

4.3.2.1 Cash flow from operating activities

Net cash from operating activities before changes in working capital was €218.5 million in 2018, an increase of €90.4 million as compared with 2017. Excluding the fine imposed by the French Competition Authority, net cash from operating activities decreased by €74.6 million. This decrease was primarily due to the decrease in net results (excluding the fine), as discussed in Section 4.1.1.6, "Presentation of accounting and financial data."

Changes in the Company's working capital requirements had a negative effect on net cash flow from operating activities of €(12.3) million in 2018, as compared with €(37.0) million in 2017.

4.3.2.2 Cash from/(used in) investment activities

Cash used in investment activities increased from €(107.0) million in 2017 to €(358.6) million in 2018.

4.3.2.3 Cash flow from/(used in) financing activities

Net cash from/(used in) financing activities was positive in 2017, moving from €90.9 million in 2017 to €177.0 million in 2018. The Group's main investments during the period are described in Section 4.2 "Investments."

4.3.3 Financial debt

4.3.3.1 Summary of net financial debt

As of December 31, 2018, the Group's net debt was €753.6 million. The Group's gross debt as of the same date was €849.3 million. Net financial debt increased in 2018 due to the acquisition of Lexmark Carpet Mills, with cash flows from operating activities remaining positive.

4.3.3.2 Cash and cash equivalents

As of December 31, 2018 and December 31, 2017, cash and cash equivalents totaled €95.7 million and €114.7 million, respectively. As of December 31, 2018, the principal concentrations of available cash were located primarily in Serbia (€21.4 million), in the United States (€17.9 million) and in Russia (€11.5 million). As of December 31, 2017, such 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).

4.3.3.3 Gross financial debt

As of December 31, 2018, the Group's gross debt was composed principally of two German private placements (known as "Schuldscheins"), with a total balance of €595.5 million at year-end, and a revolving syndicated credit facility of which €235.8 million had been drawn down. The table below presents the Group's total gross debt as of the dates indicated.

(in millions of euros)	December 31, 2018		December 31, 2017	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Bank loans (unsecured)	240.9	0.7	-	3.2
Private placements (unsecured)	595.5	-	591.3	-
Other loans (unsecured)	0.2	0.9	0.2	0.1
Bank overdrafts (unsecured)	-	7.8	-	8.1
Finance lease obligations	2.5	0.8	2.6	1.0
Interest bearing loans and borrowings	839.1	10.2	594.1	12.4
Total interest bearing loans and borrowings	**849.3**		**606.5**	

As of December 31, 2018, 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:** These are two private placements, the first entered into in June 2016 for €250 million and USD 56.5 million, and the second 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, 2021 pursuant to an amendment dated December 31, 2018. 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, 2018 or December 31, 2017.

The following table provides a summary of the maturities and interest rates applicable to the Group's debt as of December 31, 2018:

December 31, 2018 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**Total**	**12 months or less until 12/31/2019**	**2 years until 12/31/2020**	**3 to 5 years until 12/31/2023**	**More than 5 years**
Bank loans							
European Revolving Credit Facilities	USD	3.27%–3.55%	235.8	-	235.8	-	-
Other bank loans	RMB	5.22%	5.8	0.7	1.5	3.6	-
Subtotal bank loans			241.6	0.7	237.3	3.6	-
Private placements (Europe)	EUR	1.15% – 1.722%	502.5	-	-	352.0	150.5
Private placements (Europe)	USD	4.07%–4.54%	93.0	-	-	93.0	-
Financing backed by business receivables	EUR	3.85%–5.75%	0.9	0.9	-	-	-
Other loans	EUR	0.25%	0.2	-	0.1	0.1	-
Bank overdrafts			7.8	7.8	-	-	-
Finance lease obligations			3.3	0.8	0.8	1.6	0.1
Interest bearing loans and borrowings			**849.3**	**10.2**	**238.2**	**450.3**	**150.6**

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 had not been drawn down as of December 31, 2017, but had been drawn down in the amount of €235.8 million as of December 31, 2018. The RCF includes a €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 €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. As of December 31, 2018 and December 31, 2017, the Group was in compliance with this covenant, with leverage ratios of, respectively, 2.8x and 1.6x adjusted EBITDA over the period (pro forma for the acquisition of Lexmark for 2018).

Net Interest Cover

The second financial covenant concerns the Group's "net interest cover", which is the ratio of adjusted EBITDA 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 2018 and the end of 2017, the Group was in compliance with this covenant, with a ratio of net interest cover to adjusted gross operating income ("adjusted EBIT") of, respectively, 10.0x and 20.7x, respectively (pro forma for the acquisition of Lexmark).

The table below presents the status of the Group's financial covenants as of December 31, 2018 and December 31, 2017.

	Definition	Required ratio	As of December 31	
			2018	2017
Actual Ratio				
Leverage ratio	Net Debt to Adjusted EBITDA (1)	Ratio < 3.0x	2.8x	1.6x
Net Interest Cover	Adjusted EBIT to net interest expense (1)	Ratio > 2.5x	10.0x	20.7x

(1) Pro forma for the acquisition of Lexmark, for the 2018 ratios.

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. Eric 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 19, 2017, Tarkett issued debt 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 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 Shareholders' equity

The Group's shareholders' equity was €807.0 million as of December 31, 2018 and €780.6 million as of December 31, 2017. Changes in shareholders' equity in 2018 resulted primarily from changes in the Group's net income, as described in Section 4.1.2.8, "Net Income."

4.3.7 Off-balance sheet commitments

Lease commitments

Off-balance sheet lease commitments are described in the notes to the Consolidated Financial Statements in Section 5.2 "Notes to the Consolidated Financial Statements as of December 31, 2018".

Guarantees and Off-Balance Sheet Commitments

The following table presents guarantees given by the Company as of December 31, 2018 (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, 2018**	**December 31, 2017**
Federal Insurance Company	(48.7)	(96.8)
Factoring	-	-
Swedish retirement insurance company (Pri-Pensionsgaranti)	(19.0)	(19.2)
Other	(16.9)	(13.8)
Tarkett SA parent company guarantees	**(84.6)**	**(129.8)**
Other commitments given to subsidiaries [(1)]	(10.1)	10.4
Commitments given	**(94.7)**	**(140.2)**
Corporate or personal guarantees from clients or other debtors	7.9	7.8
Commitments received	**7.9**	**7.8**

(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 €48.7 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 had been used in the amount of €1.2 millionas of December 31, 2018;
- a guarantee given to the retirement insurance company Pri-Pensions to insure Tarkett AB's employee benefit commitments in the amount of SEK 194.7 million;
- a guarantee for raw materials provided to a supplier of the Group's subsidiary Morton Extrusionstechnik (MET) raw materials deliveries of up to €7.0 million, of which €4.2 million was used as of December 31, 2018;
- 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 Management Co Ltd (Shanghai), and Tarkett Industrial Co Ltd (Beijing) in order to enable them to obtain short-term financing or letters of credit for a total amount used of €11.6 million, as of year-end 2018.

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, 2018) 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 has completed a proceeding to rectify the terms of a 2008 sale of a preferred share of FieldTurf Tarkett Inc. by Tarkett France to Tarkett Inc. 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. finalized the proceeding by paying the Canadian Treasury corrected withholding tax of CAD 5.1 million in December 2018.

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 €13.3 million as of December 31, 2018.

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. There were no further developments in 2018.

France

Action filed by a group of installers

In November 2018, a group of installers filed a claim for damages in the Commercial Court of Paris relating to the potential harm caused by the anticompetitive practice sanctioned by the French Competition Authority's decision No. 17-D-20 of October 18, 2017. To date, the investigative phase of this case is still in an early stage, with respect to both the merits of the claim and the formal evidence produced.

United States

Asbestos Litigation

Domco Products Texas Inc. ("Domco"), a subsidiary that Tarkett acquired in 1991 (then known as Azrock Industries Inc. ("Azrock")), is subject to several lawsuits related to its production of asphalt and vinyl floor tiles containing asbestos between 1932 and 1982. As of December 31, 2018, there were 688 pending lawsuits filed against Domco in multiple U.S. jurisdictions. Of the 688 lawsuits pending, 36 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 371,705 after offsets).

As of December 31, 2018, Domco had succeeded in obtaining dismissal of 1,491 cases since 2014, and had entered into approximately 29 to 51 settlements per year since 2014, for an aggregate amount of approximately USD 13.8 million (or an average of USD 2.8 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 various expenses itself. For further information on the Group's management of these cases, see Section 4.3.7, "Off-Balance Sheet Commitments."

Action filed by two New Jersey customers relating to Duraspine fiber

In December 2016, two customers filed lawsuits against FieldTurf in federal court in New Jersey concerning the quality of their sports fields made with Duraspine fiber. They sought to certify the class of all 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, have been consolidated in the federal court in New Jersey before the same judge.

The case is still in its preliminary stages. Discovery is currently ongoing and is expected to continue through the early months of 2019, with additional proceedings to follow thereafter.

In addition to the consolidated class actions, there are, to the Company's knowledge, four other cases that were brought by individual customers in state courts in Texas. Two of the cases were supposed to have been scheduled for trial during the second half of 2018, one is in the process of being settled, and one went to trial in July-August 2017. In the latter case, the jury awarded USD 151,000 in damages to the plaintiff for breach of warranty. In the case tried in 2018, the jury ordered FieldTurf to pay USD 171,000 in damages. The two remaining cases were settled.

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 filing 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 2017 and 2018, see Section 4.1.2, "Comparison of Results of Operations for the Years Ended December 31, 2018 and 2017."

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 2019 publication shows:

- in the United States, lower growth in 2019 (+2.5%) than in 2018 (+2.9%);
- in the euro zone, slightly lower growth in 2019 (1.6%) as compared with 2018 (+1.8%);
- in Russia and Brazil, positive growth rates (for Russia, +1.6% in 2019; for Brazil, +2.5% in 2019).

GDP growth forecasts (1)	2018	2019	2020
United States	2.9%	2.5%	1.8%
Euro Zone	1.8%	1.6%	1.7%
Germany	1.5%	1.3%	1.6%
France	1.5%	1.5%	1.6%
UK	1.4%	1.5%	1.6%
Sweden	2.6%	2.2%	NC
Russia	1.7%	1.6%	1.7%
Brazil	1.3%	2.5%	2.2%
China	6.6%	6.2%	6.2%
World	3.7%	3.5%	3.6%

(1) Source: IMF – World Economic Outlook – January 2019, except Sweden, for which the forecasts are from April 2018.

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.

In October 2016, the Group presented its 2017-2020 strategic plan et disclosed the related medium-term financial objectives.

Beginning of 2019, the Group has initiated a review of its strategic priorities and its industrial assets. Moreover than the improvement of the profitability, the objective is to have a more agile organization and to capture the opportunities offered by digital and to increase the Group's leadership in circular economy.

A new strategic plan covering all these areas will be presented at an Investor Day to be held in June 2019. New medium-term financial objectives will also be presented as part of this plan.

Given the significant increase in raw material prices over the past two years, the medium-term financial objectives communicated in 2016 are no longer relevant by 2020.

In the short term, the Group considers that the 2019 outlook for economic growth is more moderate than in 2018. The North American residential market (new construction and renovation) as well as new construction in Europe are showing signs of slowing down. In the CIS countries, the context of the beginning of the year is more uncertain, provided that it does not cast doubt the medium-term growth potential in this market.

4.7 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)	2018	2017	Change *(as a %)*	Of which exchange rate effect	Of which consolidation effect	Of which organic growth
Group Total	**2,836.1**	**2,841.1**	**(0.2)%**	**(3.6)%**	**1.3%**	**2.1%**

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)		Adjustments [1] (B)					
	2018 (A)	**Restruc-turing**	**Gains/losses on asset sales/ impairment**	**Acquisitions and business combinations**	**Share-based payments**	**Other**	**2018 adjusted (A + B)**
Net revenue	**2,836.1**	**-**	**-**	**-**	**-**	**-**	**2,836.1**
Cost of sales	(2,183.7)	7.6	2.8	2.4	-	-	(2,171.0)
Gross profit	**652.4**	**7.6**	**2.8**	**2.4**	**-**	**-**	**665.2**
Selling and distribution expenses	(330.1)	1.0	-	-	0.1	(0.2)	(329.3)
Research and development	(36.0)	0.4	-	-	-	-	(35.6)
General and administrative expenses	(180.0)	1.9	0.6	2.4	4.0	1.1	(170.0)
Other operating income and expense	0.3	0.3	-	0.3	-	-	1.0
Result from operating activities (EBIT)	**106.6**	**11.2**	**3.3**	**5.1**	**4.1**	**0.9**	**131.3**
Depreciation and amortization	121.5	(0.7)	(3.3)	-	-	-	117.5
EBITDA	**228.1**	**10.5**	**-**	**5.1**	**4.1**	**0.9**	**248.7**

(1) Adjustments are reported as follows:
– cancellation of an expense is presented with a positive sign;
– cancellation of income is presented with a negative sign.

4.7.3 Free cash flow

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;

> Free cash flow is broken down as follows:

(in millions of euros)	**2018**	**2017**
Operating cash flow before working capital changes	218.5	128.1
Changes in working capital	(12.3)	(37.0)
Net interest paid	(17.2)	(11.3)
Net income taxes paid	(25.3)	(37.8)
Miscellaneous operating items	(0.7)	(1.0)
Acquisitions of intangible assets and property, plant and equipment	(128.2)	(111.1)
Proceeds from sale of property, plant and equipment	1.5	4.5
Free cash flow	**36.4**	**(65.6)**

4.7.4 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 of:

- operating income before financial items and after taxes; to
- 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 ended**	
	2018	**2017**
Result from operating activities (EBIT)	106.6	12.7
Exceptional items		
Restructuring costs	11.2	2.1
Gains/losses on asset sales/impairment	3.3	4.6
Business combinations	5.1	(1.3)
Share-based payments	4.1	12.1
Other	0.9	166.1
Adjusted EBIT	**131.3**	**196.3**
Standard tax rate	28%	35%
Operating income before financial items and after taxes/NOPAT (1) (A)	**104.9**	**127.6**

(1) NOPAT: Net Operating Profit After Tax. In 2018, NOPAT has been restated for the first nine months of EBIT of Lexmark Carpet Mills, which was acquired in 2018.

Capital invested is calculated as follows:

(in millions of euros)	**For the year ended**	
	2018	**2017**
Property, plant and equipment	514.8	467.4
Intangible assets	133.3	91.4
Goodwill	662.0	510.5
Working capital (1)	410.4	365.1
Total capital invested (B)	**1,720.5**	**1,434.4**

(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 (€11.6 million) and amounts payable on assets (€5.4 million).

The Group's ROIC is as follows:

(in millions of euros)	**For the year ended**	
	2018	**2017**
Return on invested capital (ROIC) (A/B)	**6.1%**	**8.9%**

5 FINANCIAL STATEMENTS

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5.1 Consolidated Financial Statements as of December 31, 2018

The Group's Consolidated Financial Statements as of December 31, 2018, 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, 2017 and the related Statutory Auditors' reports appear respectively on pages 169 and 237 (for the Consolidated Financial Statements) and pages 216 and 241 (for the Company Financial Statements) of the Registration Document filed with the AMF on March 21, 2018 under number D.18-0162 and are incorporated by reference into this Registration Document.

The Consolidated Financial Statements and Company Financial Statements as of December 31, 2016 and the related Statutory Auditors' reports appear respectively on pages 160 and 230 (for the Consolidated Financial Statements) and pages 208 and 231 (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.

Consolidated income statement

(in millions of euros)	Note	2018	2017
Net revenue		**2,836.1**	**2,841.1**
Cost of sales		(2,183.7)	(2,138.1)
Gross profit		**652.4**	**703.0**
Other operating income	(3)	13.2	30.1
Selling and distribution expenses		(330.1)	(319.4)
Research and development		(36.0)	(36.4)
General and administrative expenses		(180.0)	(187.5)
Other operating expenses	(3)	(12.9)	(177.1)
Result from operating activities	(3)	**106.6**	**12.7**
Financial income		1.0	1.3
Financial expenses		(31.1)	(24.7)
Financial income and expense	(7)	**(30.1)**	**(23.4)**
Share of profit of equity accounted investees (net of income tax)		(7.9)	3.0
Profit before income tax		**68.6**	**(7.7)**
Total income tax	(8)	(18.5)	(30.3)
Profit from continuing operations		**50.1**	**(38.0)**
Profit (loss) from discontinued operations (net of income tax)		-	-
Net profit for the period		**50.1**	**(38.0)**
Attributable to:			
Owners of Tarkett		49.3	(38.7)
Non-controlling interests		0.8	0.7
Net profit for the period		**50.1**	**(38.0)**
Earnings per share:			
Basic earnings per share *(in euros)*	(9)	0.78	(0.61)
Diluted earnings per share *(in euros)*	(9)	0.77	(0.61)

Consolidated statement of comprehensive income

(in millions of euros)	**2018**	**2017**
Net profit for the period	50.1	(38.0)
Other comprehensive income (OCI)	-	-
Foreign currency translation differences for foreign operations	12.0	(77.2)
Changes in fair value of cash flow hedges	0.6	(0.8)
Income tax	(0.1)	0.2
First application of IFRS 9	(0.3)	-
OCI to be reclassified to profit and loss in subsequent periods	12.2	(77.8)
Defined benefit plan actuarial gain (losses)	2.3	7.8
Income tax	0.7	(7.2)
OCI not to be reclassified to profit and loss in subsequent periods	3.0	0.6
Other comprehensive income for the period, net of income tax	15.2	(77.2)
Net profit for the period	**65.3**	**(115.2)**
Attributable to:		
Owners of Tarkett	65.1	(115.5)
Non-controlling interests	0.2	0.3
Net profit for the period	**65.3**	**(115.2)**

Consolidated statement of financial position

Assets

(in millions of euros)	Note	December 31, 2018	December 31, 2017
Goodwill	(5)	662.0	510.5
Intangible assets	(5)	133.3	91.4
Property, plant and equipment	(5)	514.8	467.4
Other financial assets	(7)	24.1	31.7
Deferred tax assets	(8)	76.6	80.1
Other non-current assets		-	-
Total non-current assets		1,410.8	1,181.1
Inventories	(3)	449.3	404.2
Trade receivables	(3)	350.5	356.2
Other receivables	(3)	84.1	76.9
Cash and cash equivalents	(7)	95.7	114.7
Current assets		979.6	952.0
Total assets		**2,390.4**	**2,133.1**

Equity and liabilities

(in millions of euros)	Note	December 31, 2018	December 31, 2017
Share capital	(9)	318.6	318.6
Share premium and reserves		145.8	145.8
Retained earnings		290.9	352.7
Net result for the period		49.3	(38.7)
Equity attributable to equity holders of the parent		804.6	778.4
Non-controlling interests		2.4	2.2
Total equity		807.0	780.6
Interest-bearing loans	(7)	839.1	594.1
Other financial liabilities	(7)	4.1	0.5
Deferred tax liabilities	(8)	35.7	37.8
Employee benefits	(4)	129.8	135.4
Provisions and other non-current liabilities	(6)	46.4	49.7
Non-current liabilities		1,055.1	817.5
Trade payables	(3)	283.6	288.9
Total other liabilities	(3)	193.1	197.4
Interest-bearing loans and borrowings	(7)	10.2	12.3
Other financial liabilities	(7)	10.0	7.0
Provisions and other current liabilities	(6)	31.4	29.4
Current liabilities		528.3	535.0
Total equity and liabilities		**2,390.4**	**2,133.1**

Consolidated statement of cash flows

(in millions of euros)	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		68.6	(7.7)
Adjustments for:			
Depreciation, amortization and impairment		121.5	122.3
(Gain) loss on sale of fixed assets		(0.5)	(0.3)
Net finance costs		30.1	23.4
Change in provisions and other non-cash items		(9.1)	(6.6)
Share of profit of equity accounted investees (net of tax)		7.9	(3.0)
Operating cash flow before working capital changes		218.5	128.1
(Increase)/Decrease in trade receivables		16.9	(32.9)
(Increase)/Decrease in other receivables		(1.4)	(9.1)
(Increase)/Decrease in inventories		(13.1)	(30.1)
Increase/(Decrease) in trade payables		(15.6)	32.8
Increase/(Decrease) in other payables		0.9	2.3
Changes in working capital		(12.3)	(37.0)
Net interest paid		(17.2)	(11.3)
Net income taxes paid		(25.3)	(37.8)
Other		(0.7)	(1.0)
Net cash (used in)/from operating activities		**163.0**	**41.0**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(231.9)	(0.4)
Acquisitions of intangible assets and property, plant and equipment	(5)	(128.2)	(111.1)
Proceeds from sale of property, plant and equipment	(5)	1.5	4.5
Effect of changes in the scope of consolidation		0	-
Cash flows from investing activities		**(358.6)**	**(107.0)**
Net cash from/(used in) financing activities			
Acquisition of NCI without a change in control		-	(8.3)
Proceeds from loans and borrowings		230.4	362.0
Repayment of loans and borrowings		(9.8)	(224.3)
Payment of finance lease liabilities		(0.4)	(0.1)
Acquisition of treasury shares		(5.3)	-
Dividends		(37.9)	(38.4)
Net cash from (used in) financing activities		**177.0**	**90.9**
Net increase (decrease) in cash and cash equivalents		**(18.6)**	**24.9**
Cash and cash equivalents, beginning of period		114.7	93.1
Effect of exchange rate fluctuations on cash held		(0.4)	(3.3)
Cash and cash equivalents, end of period		**95.7**	**114.7**

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
As of 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, net of tax	-	-	(76.8)	-	(76.8)	(0.4)	(77.2)
Net profit 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)
Total transactions with shareholders	-	-	-	(39.0)	(39.0)	(0.4)	(39.4)
As of December 31, 2017	**318.6**	**145.8**	**(55.4)**	**369.4**	**778.4**	**2.2**	**780.6**
As of January 1, 2018	318.6	145.8	(55.4)	369.4	778.4	2.2	780.6
Net profit for the period	-	-	-	49.3	49.3	0.8	50.1
Other comprehensive income, net of tax	-	-	12.6	3.5	16.1	(0.6)	15.5
First application of IFRS 9	-	-	-	(0.3)	(0.3)	-	(0.3)
Net profit for the period	-	-	12.6	52.5	65.1	0.2	65.3
Dividends	-	-	-	(37.9)	(37.9)	-	(37.9)
Own shares (acquired) sold	-	-	-	(5.3)	(5.3)	-	(5.3)
Share-based payments	-	-	-	3.9	3.9	-	3.9
Acquisition of NCI without a change in control	-	-	-	-	-	-	-
First application of IFRS 9	-	-	-	0.3	0.3	-	0.3
Other	-	-	-	0.1	0.1	-	0.1
Total transactions with shareholders	-	-	-	(38.9)	(38.9)	-	(38.9)
As of December 31, 2018	**318.6**	**145.8**	**(42.8)**	**383.0**	**804.6**	**2.4**	**807.0**

5.2 Notes to the consolidated financial statements

Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2018 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, 2018 were finalized by the Management Board on February 6, 2019 and reviewed by the Supervisory Board on February 7, 2019. They will be submitted for shareholder approval on April 26, 2019.

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, 2018 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, new standards, or revisions to existing standards and interpretations applied during the period

The following new published standards have been applied to the period by the Group:

> IFRS 15: Revenue from contracts with customers.

On September 22, 2016, the European Union adopted IFRS 15, "Revenue from Contracts with Customers," application of which was mandatory as from the fiscal year beginning January 1, 2018. Related amendments were adopted on October 31, 2017 and are applicable as of the same date as IFRS 15.

IFRS 15, "Revenue from Contracts with Customers," replaces IAS 18, "Revenue," and IAS 11, "Construction Contracts," and their related interpretations. It entered into effect on January 1, 2018, and includes new rules for recording revenue and segmenting contracts into performance obligations.

The standard includes new principles for revenue recognition, as well as new provisions on the information to be included in the notes to the financial statements. It establishes the principle that recognition of revenue should take place when control of a good or service is transferred to the customer, in the amount to which the seller expects to be entitled when all of the contractual obligations have been satisfied.

Tarkett develops, manufactures, and sells flooring and sports surfaces to professionals and end-users in the residential and commercial markets.

The Group performed an exhaustive review applied it to all of its revenue sources in order to identify and assess the potential impacts of the standard on its revenue recognition.

The Group divided its analysis into its two business sectors: flooring and sports surfaces.

For each of its activities, the Group applied and analyzed revenue recognition using the five steps defined by the standard. The objective was to identify any differences between existing principles for recording the Group's revenue and the new recording methods set forth by IFRS 15. This process confirmed the absence of any significant impact on the Group's Consolidated Financial Statements in light of its current accounting rules.

The flooring activity is the Group's principal activity. The contracts that the Group enters into relate to the supply of identifiable and distinct products constituting the principal performance obligation. No significant long-term contracts were identified. The Group acts in its own name and not as an intermediary. The general terms and conditions of sale provide for payment in under one year, and the Group does not offer variable financing that would necessitate segmented recording pursuant to IFRS 15. Tarkett does not sell extended warranties on its products; therefore, its warranty is not considered as a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

For the flooring activity, revenue from the sale of goods is recognized in profit or loss when the control inherent to service obligations has been transferred to the buyer, payment is likely, the associated costs and potential return of the merchandise can be measured, and the revenue from the merchandise can be reliably assessed. Generally, revenue is recorded at the time of delivery of the performance obligation.

Taking into consideration the nature of the products and the general terms and conditions of sale, sales are usually recorded on the date on which the products leave the Group's warehouses, or upon delivery if Tarkett is responsible for transport.

The sports surfaces activity is composed of sales of products directly to distributors and the sale of installation contracts (including provision of the sports surfaces). The direct sale of products to distributors follows the same Group rules for recording revenue as those described for the flooring activity. With respect to installation contracts, the Group does not perform installations without also providing the sports surfaces; it therefore considers the supply of the products and the installation to be part of the same performance obligation. The general terms and conditions of sale do not offer variable financing or specific components of financing.

Tarkett does not sell extended warranties on its installations; therefore, its warranty is not considered a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

For sports surfaces, revenue from services rendered or from construction contracts is recognized in profit or loss in proportion to the stage of completion of the transaction at

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the balance sheet date. Revenue is recorded as the performance obligations are delivered. The stage of completion is assessed by reference to surveys of work performed. The use of the percentage-of-completion method requires satisfaction of one of the three prior conditions provided for in IFRS 15 paragraph (35) (C).

Pursuant to that paragraph of the standard, the Group recognizes revenue over time, since it complies with two of the three conditions:

- the asset created by the Tarkett Group's performance does not have an alternative use to that provided for in the contract; and
- the Group has an enforceable right to payment for performance completed to date.

In addition, at the end of the period, the majority of the performance obligations have been completed.

As a result, the Group believes that the implementation of IFRS 15 has not had a significant impact on its Consolidated Financial Statements.

- IFRS 9: Financial Instruments.

IFRS 9, "Financial Instruments," adopted by the European Union on November 22, 2016, replaces IAS 39, "Financial Instruments," as from January 1, 2018.

The new standard has been applied retrospectively effective as of January 1, 2018. The comparative 2017 figures have not been restated as authorized by IFRS 9.

IFRS 9 includes three phases:

- phase 1 – "Classification and valuation of Financial Instruments";
- phase 2 – "Impairment testing of assets";
- phase 3 – "Hedge transactions other than macro hedges."

Phase 1 – "Classification and measurement of financial assets"

The new categories of financial assets introduced by IFRS 9 have no impact on the method of accounting for the financial assets held by Tarkett as of January 1, 2018.

The table below sets forth the classifications of the Group's financial assets and liabilities in accordance with the former IAS 39 and the new IFRS 9:

As of January 1, 2018 *(in millions of euros)*	**Initial classification in accordance with IAS 39**	**New classification in accordance with IFRS 9**	**Book value as of January 1, 2018 in accordance with IAS 39**	**Book value as of January 1, 2018 in accordance with IFRS 9**
Other financial assets, current	Loans and receivables	Amortized cost	9.3	9.3
Non current financial assets valued at fair value	Assets designated at fair value through profit and loss	Fair value through profit and loss	22.3	22.3
Cash and cash equivalents	Assets designated at fair value through profit and loss	Fair value through profit and loss	114.7	114.7
Interest-bearing loans and borrowings	Liabilities at amortized cost	Amortized cost	606.5	606.5

The changes that IFRS 9 makes to accounting methods for debt restructuring have no impact on the Group, since as of January 1, 2018, it had no debts that had been restructured in a manner treated for accounting purposes as a "modification of debt" (as opposed to an extinguishment of debt).

Therefore, application of Phase 1 of IFRS 9 has no impact on the Group's shareholders' equity as of January 1, 2018.

Phase 2 – "Impairment testing of assets"

IFRS 9 introduced an impairment model for financial assets that is based on expected losses, whereas IAS 39 had been based on a model of objective evidence of losses (with impairment being recorded only following the occurrence of a credit event, such as a payment delay or a significant deterioration in credit quality). The application of IFRS 9 results in earlier recording of impairment on financial assets valued on the balance sheet at amortized cost.

For non-current assets valued at amortized cost, impairment was assessed individually, taking into account the risk profile of the counterparty and the warranties obtained. At the time of the initial recording of such non-current financial assets, impairment is systematically recorded in the amount of the credit losses expected to result from events that may occur in the next twelve months. In the event of a significant deterioration in the counterparty's credit quality, the initial impairment is supplemented to cover all of the expected losses over the remaining maturity of the receivable.

For commercial receivables, the Group conducted a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and used the simplified method of provisioning expected losses over the remaining maturity of the receivables.

On the basis of the work performed and in light of the Group's credit risk management procedures, application of the expected loss model has no significant impact on the Group's financial statements as of January 1, 2018.

Therefore, the impacts of the first application of the impairment phase of IFRS 9 are not significant and were not recorded in the Group's shareholders' equity as of January 1, 2018.

Phase 3 – "Hedge transactions other than macro hedges"

The changes made by IFRS 9 to hedge accounting are primarily intended to harmonize the rules companies use to reflect risk management activities in the financial statements.

The impacts of the first application of IFRS 9 on the Group's financial statements concern, in particular, the method of accounting for the time value of currency and interest rate options.

Adjustments in time value recorded during the life of the option are now recorded as a counterpart to other comprehensive income. The initial option premium is either (i) moved into profit or loss when the hedged transaction impacts profit or loss, where the hedged item is related to a transaction (commercial foreign exchange hedges); or (ii) amortized in profit or loss over the duration of the hedge, where the hedged item is related to a period of time (interest rate hedges).

The impacts of the first application of the standard were restated in the Group's opening shareholders' equity as of January 1, 2018, and represent a net total of €0.3 million.

- In addition, as of January 1, 2018, the Group has adopted the interpretation IFRIC 22: "Foreign currency transactions and advance consideration," as well as IFRS 2, "share-based Payment". Their impacts are not significant.

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

No new standards or interpretations were adopted early by the Group for the period.

c) New standards and interpretations not adopted

The following published standards have not been applied by the Group:

- IFRS 16: Leases. On January 16, 2016, the IASB published IFRS 16, "Leases," which will replace IAS 17 and the related IFRIC and SIC interpretations, and will eliminate the distinction formerly made between operating leases and finance leases. This standard, applicable as of January 1, 2019 (or 2018, if adopted early) and 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, meaning to record an asset and a liability for the rights and obligations created by a lease agreement.

  The first phase of the project, in 2017, concerned the identification of the Group's lease agreements as well as the collection of the necessary data to precisely measure the impact on the balance sheet.

  The identification of agreements continued in 2018. The greatest number of lease agreements concern cars and forklifts; however, measured by value, lease agreements primarily concern real property (offices, plants and warehouses).

  In accordance with the standard, agreements with a value of less than €5,000 (or USD 5,000) or entered into for an initial term of less than 12 months will be excluded from the standard's scope.

  Among the key assumptions, the Group decided to use a different discount rate for each contract, determined based on its characteristics, term, country risk and credit risk of the lessee entity, as well as the terms of the Group's outside financing.

  Off balance-sheet commitments as of December 31, 2018 provide a good indication of the amount of the debt generated by this standard, it being noted that the amount of that debt will be less than the amount of off balance-sheet commitments, due to the application of a discount rate.

  The Group is currently finalizing the deployment of a dedicated information system to generate the accounting entries relating to this standard.

  The new standard will be applied on January 1, 2019 using the "simplified retrospective" method which does not allow the restatement of comparative financial statements.

  In 2019 the application of IFRS 16 will have the effect of increasing fixed assets and net indebtedness, estimated at approximately + €100 million as of the date hereof.

  On the income statement, the result is a decrease in lease payments recorded in EBITDA and an increase in depreciation of fixed assets and financial expenses. The improvement in EBITDA over the full 2019 year is estimated at about €+28 million, corresponding to an increase in profit of about +100 basis points.

  The effect of these changes on the Net Debt to EBITDA ratio is limited to approximately +0.1x as compared with the ratio as of December 31, 2018, from 2.8x to 2.9x proforma adjusted EBITDA. However, the Group's financing agreements provide that the effects of the change in accounting standards will be neutralized, and then will be renegotiated. Thus, the adoption of IFRS 16 will have no consequences for the Group's financing.

  The impact on the Group's net profit is not very significant.

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:

	Note
Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed	2
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 development

In late March 2013, the French Competition Authority started an investigation of several flooring manufacturers, including Tarkett, in connection with possible anti-competitive practices on the French resilient flooring market.

In its decision no. 17-D-20 dated October 18, 2017, the Competition Authority handed down a financial penalty of €165 million. As of December 31, 2017, the entire amount was recorded in "other operating expenses." The payment of the full amount of the fine took place in December 2017.

Note 2 > Changes in the 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 principally 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, 2018 (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 at 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. However, 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, 2018, all buyback options have been exercised.

2.3 Foreign currency translation

The functional currency of Tarkett and its subsidiaries located in the euro zone is the 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 entities in 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 2018 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.

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. (Note 13 provides a list of consolidated entities.)

Number of companies	December 31, 2017	Mergers	Acquisitions	Liquidations	December 31, 2018
Fully consolidated companies	78	(2)	2	-	78
Equity-accounted consolidated companies	1	-	1	-	2
Total	**79**	**(2)**	**3**	**-**	**80**

2.4.1 Transactions completed in 2018

The year's main transactions are as follows:

a) Acquisitions

In late 2017, FieldTurf Tarkett SAS acquired 30% of the shares of AllSports Constructions & Maintenance, a Scottish company, which was consolidated through the equity method in 2018.

On January 31, 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grass Manufacturers Pty Limited (Grassman), a leading Australian artificial turf manufacturer.

As of July 1, 2018, through its subsidiary FieldTurf Tarkett USA Holdings Inc., the Tarkett group acquired The Tennis and Track Company, a U.S. company.

In September 2018, Tarkett USA Inc. acquired Lexmark Carpet Mills, which manufactures high quality carpeting, principally for the hotel industry in North America.

In November 2018, through FieldTurf Inc., Tarkett acquired certain assets of Thermagreen, a company specialized in the manufacture and sale of polyethylene foam products.

b) Mergers

In 2018, in the Netherlands, FieldTurf Benelux BV was merged into Tarkett Sports BV, and in Belgium, Tarkett Belux was merged into Tarkett NV.

2.4.2 Transactions completed in 2017

a) Mergers

In 2017, in Canada, Tandus Centiva Limited acquired Nova Scotia Limited and Tandus Centiva GP.

Moreover, in Serbia, Tarkett DOO Backa Palancka took over Sintelon RS DOO Backa Palancka and Sintelon DOO Backa Palancka.

In France, Desso SAS was merged into Tarkett France.

Finally, in the United States, Tarkett Finance Inc. absorbed Tarkett Enterprises Inc. and Domco Products Texas Inc. acquired Texas Tile Manufacturing LLC.

b) Call options

In November 2017, the commitment to purchase the minority interests (49%) of FieldTurf Benelux B.V. was carried out. FieldTurf Benelux BV was already fully consolidated.

In December 2017, the commitment to buy the minority interests (49%) of Morton Extrusionstechnik (M.E.T GmbH) was carried out. Morton Extrusionstechnik (M.E.T GmbH) was already fully consolidated.

2.5 Joint ventures

Laminate Park GmbH & Co KG is jointly held with the Sonae Group in Germany.

The joint venture produces laminate and board for the EMEA market.

The Group also holds an interest in the Company AllSports Constructions & Maintenance, a company established in Scotland.

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 control inherent to service obligations has 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 is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. Revenue is recorded as the performance obligations are delivered.

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 non-cash nature; and
- other one-off expenses considered exceptional by their nature.

(in millions of euros)		Of which adjustments					
	2018	Restructuring	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other	2018 adjusted
Net revenue	2,836.1	-	-	-	-	-	2,836.1
Cost of sales	(2,183.7)	7.6	2.8	2.4	0.0	-	(2,171.0)
Gross profit	**652.4**	**7.6**	**2.8**	**2.4**	**0.0**	**-**	**665.2**
Selling and distribution expenses	(330.1)	1.0	-	-	0.1	(0.2)	(329.3)
Research and development	(36.0)	0.4	-	-	0.0	-	(35.6)
General and administrative expenses	(180.0)	1.9	0.6	2.4	4.0	1.1	(170.0)
Other operating income and expenses	0.3	0.3	-	0.3	-	-	1.0
Result from operating activities (EBIT)	**106.6**	**11.2**	**3.3**	**5.1**	**4.1**	**0.9**	**131.3**
Depreciation and amortization	121.5	(0.7)	(3.3)	-	-	-	117.5
EBITDA	**228.1**	**10.5**	**-**	**5.1**	**4.1**	**0.9**	**248.7**

(in millions of euros)	2017	Of which adjustments: Restructuring	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	-	(2,131.6)
Gross profit	703.0	1.6	3.9	-	1.0	-	709.5
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 income and expenses	(147.0)	0.5	0.1	(1.9)	-	165.7	17.4
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 adjustment of €165 million recorded following the decision by the French Competition Authority (see Note 1.3).

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, including the expenses of headquarters and of the R&D Group.

By operating segment

2018 *(in millions of euros)*	Flooring: EMEA	Flooring: North America	Flooring: CIS, APAC and Latin America	Sports Surfaces	Central	Group
Net revenue	908.4	783.6	580.5	563.6	-	2,836.1
Gross profit	244.0	191.1	111.5	105.6	0.2	652.4
% of net sales	*26.9%*	*24.4%*	*19.2%*	*18.7%*		*23.0%*
Adjusted EBITDA	97.3	70.2	74.1	52.8	(45.7)	248.7
% of net sales	*10.7%*	*9.0%*	*12.8%*	*9.4%*		*8.8%*
Of which adjustments	(5.8)	(4.0)	(1.7)	(1.5)	(7.6)	(20.6)
EBITDA	91.5	66.1	72.4	51.4	(53.4)	228.1
% of net sales	*10.1%*	*8.4%*	*12.5%*	*9.1%*		*8.0%*
Result from operating activities (EBIT)	48.9	14.9	26.6	31.0	(14.8)	106.6
% of net sales	*5.4%*	*1.9%*	*4.6%*	*5.5%*		*3.8%*
Ongoing capital expenditures	40.1	41.7	22.2	12.9	10.4	127.3

2017 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
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%*
Of which 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) EMEA: includes the adjustment of €165 million recorded following the decision by the French Competition Authority.

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2018 and in 2017.

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 2018 and in 2017.

Tarkett considers the threshold for significance to be 25% of revenue. Only the United States is above that threshold, with 41.0% of the Group's consolidated revenue in 2018 (40.0% in 2017).

The United States represents 50.0% of the Group's total non-current assets as of December 31, 2018 (40.0% on December 31, 2017).

None of Tarkett's customers represents more than 10% of its sales. In 2018, the largest customer represented 3% of the Group's consolidated net revenues, as compared with 3% in 2017.

3.3 Other operating income and expense

(in millions of euros)	2018	2017
Gains on disposal of fixed assets	0.5	0.3
Other operating income	12.7	29.8
Other operating income	13.2	30.1
Losses on disposal of fixed assets	-	-
Other operating expenses (1)	(12.9)	(177.1)
Other operating expenses	(12.9)	(177.1)
Total other operating income and expenses	**0.3**	**(147.0)**

(1) In 2017, includes the €165 million penalty recorded following the decision 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.

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(in millions of euros)	December 31, 2018	December 31, 2017
Raw materials and supplies	148.0	132.7
Work in progress	75.5	66.1
Finished goods	264.0	239.1
Samples	2.4	1.0
Displays	(2.3)	-
Consumables and spare parts	22.8	22.4
Total Gross Value	510.4	461.3
Provision for inventory depreciation	(61.1)	(57.1)
Total net inventory	**449.3**	**404.2**

Detail of the provision for inventory depreciation

(in millions of euros)	Dec. 31, 2017	Allowance	Decrease	Foreign exchange gain & loss	Other	Dec. 31, 2018
Raw materials and supplies	(10.5)	(2.4)	2.8	(0.2)	(0.1)	(10.4)
Work in progress	(5.7)	(2.7)	0.9	(0.1)	(0.2)	(7.8)
Finished goods	(33.8)	(10.2)	8.3	(0.4)	0.0	(36.1)
Samples	(0.3)	(0.1)	0.1	(0.0)	-	(0.3)
Consumables and spare parts	(6.8)	(0.7)	0.9	0.1	-	(6.5)
Total provision for inventory depreciation	**(57.1)**	**(16.1)**	**13.0**	**(0.6)**	**(0.3)**	**(61.1)**

The rate of inventory provisions is applied in a similar way for the different periods.

Cost of raw materials was €1,181.7 million in 2018, as compared with €1,164.7 million in 2017.

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 management's assessment of the recoverability of specific customer accounts and the aging of the accounts receivable.

Provision for doubtful receivables
Where trade receivables are not covered by credit insurance, provisions to cover the risk of failing to collect trade receivables either in full or in part are recorded using the expected loss method.

Doubtful receivables are identified and provisioned in this manner:

- a statistical provision, based on the age of the outstanding receivables, is defined as follows:

Receivables, trade overdue	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, 2018	December 31, 2017
Related party receivables	8.1	7.8
Trade receivables	360.1	368.1
Total Gross Value	368.2	375.9
Provisions for doubtful receivables	(17.7)	(19.7)
Total net receivables	**350.5**	**356.2**

The variation of the provision for doubtful receivables amounts to €2.00 million and is mainly explained as follows:

- -7.00 million of allowance;
- 8.80 million of reversals;
- 0.20 million of foreign exchange impact.

Detail of unimpaired overdue receivables

(in millions of euros)	December 31, 2018	December 31, 2017
Receivables, trade overdue 0-180 days	54.0	39.5
Receivables, trade overdue 181-270 days	1.0	0.6
Receivables, trade overdue 271-360 days	0.2	0.1
Receivables, trade overdue >360 days	0.8	1.2
Receivables, bankruptcy procedure/legal cases	1.4	0.9
Total unimpaired overdue Receivables	**57.4**	**42.3**

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3.4.3 Other receivables

(in millions of euros)	December 31, 2018	December 31, 2017
Other receivables non-current	**-**	**-**
Prepaid expenses current	19.6	15.5
Income tax receivable current	24.6	23.9
VAT and other taxes	16.9	18.6
Other accounts receivable and other assets current	23.0	18.9
Other receivables current	**84.1**	**76.9**

3.4.4 Trade payables

Payables due more than a year in the future are discounted to net present value. Payables due more than a year in the future, including €5.9 million in deferred income are discounted to net present value.

(in millions of euros)	December 31, 2018	December 31, 2017
Trade payables	281.5	284.6
Trade notes payable	2.1	4.3
Trade payables	**283.6**	**288.9**

3.4.5 Other liabilities

(in millions of euros)	December 31, 2018	December 31, 2017
Liabilities related to employees	96.4	96.5
Current tax	13.3	19.7
VAT and other taxes	15.7	16.8
Sales rebates	39.9	41.2
Other liabilities	27.8	22.9
Other liabilities	**193.1**	**197.4**

3.5 Free cash flow

Free cash flow is defined as the liquidity generated by operating activities after deducting investments other than acquisitions of subsidiaries and other changes in the scope of consolidation.

Free cash flow is calculated based on the items presented in the consolidated cash flow statement, and consists of the following items:

- operating cash flow before working capital changes;
- changes in working capital requirement;
- net interest paid;
- net income taxes paid;
- miscellaneous operational items paid;
- acquisitions of intangible assets and property, plant and equipment;
- proceeds from sale of property, plant and equipment.

	2018	2017
Operating cash flow before working capital changes	218.5	128.1
Changes in working capital requirement	(12.3)	(37.0)
Net interest paid	(17.2)	(11.3)
Net income taxes paid	(25.3)	(37.8)
Miscellaneous operational items paid	(0.7)	(1.0)
Acquisitions of intangible assets and property, plant and equipment	(128.2)	(111.1)
Proceeds from sale of property, plant and equipment	1.5	4.5
Free cash flow	**36.4**	**(65.6)**

Note 4 > Employee benefits

4.1 Retirement 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 deducted.

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, 2018, the Group's largest retirement plans were in the United States, Germany, Sweden, Canada and the United Kingdom. Those five countries represent more than 90% of total commitments under the 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 the defined benefit obligation is 13 years.

Special Events

In 2018 the Group decided to freeze the rights of the participants in the pension plan in Canada. Active participants now contribute to a multi-employer plan that does not generate benefit liabilities. Some employees also decided to transfer their vested rights into the new plan.

No other special events occurred in 2018.

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, 2018		December 31, 2017	
	Pensions	Post-employment healthcare benefits	Pensions	Post-employment healthcare benefits
Weighted discount rate	3.10%		3.06%	
Including:				
United States	4.25%	4.25%	3.75%	3.75%
Germany	1.50%		1.50%	
Sweden	2.50%		2.75%	
United Kingdom	2.75%		2.40%	
Canada	3.75%/4.00%		3.75%	
Salary increases	2.60%		2.87%	
Inflation	2.16%		2.40%	

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 statement of financial position *(in millions of euros)*	**December 31, 2018**			**December 31, 2017**		
	Pensions	**Post-employment healthcare benefits**	**Total**	**Pensions**	**Post-employment healthcare benefits**	**Total**
Defined Benefit Obligation	220.6	1.8	222.4	232.1	2.0	234.1
Current service cost	(92.6)	-	(92.6)	(98.7)	-	(98.7)
Net liability booked in the statement of financial position	**128.0**	**1.8**	**129.8**	**133.4**	**2.0**	**135.4**

Pension obligations *(in millions of euros)*	**December 31, 2018**			**December 31, 2017**		
	Defined benefit obligations	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**
As of January 1	232.1	(98.7)	133.4	246.2	(100.6)	145.6
Current service cost	3.8	-	3.8	4.2	-	4.2
Past service cost	(1.1)	-	(1.1)	(0.1)	-	(0.1)
(Gain)/loss on new retirement plans	(0.4)	-	(0.4)	-	-	-
Financial cost (effect of discount)	6.8	(3.2)	3.6	7.2	(3.2)	4.0
Update to other post-employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	(0.2)	1.7	1.5	(0.2)	1.6	1.4
Expense (income) for the period	8.9	(1.4)	7.5	11.1	(1.6)	9.5
Benefit payments from employer	(5.2)	-	(5.2)	(4.8)	-	(4.8)
Benefit payments from plan	(10.9)	10.9	-	(7.7)	7.7	-
Plan participants' contributions	0.2	(0.2)	-	0.3	(0.3)	-
Employer contributions	-	(5.1)	(5.1)	-	(4.7)	(4.7)
Changes in demographic assumptions	(1.1)	-	(1.1)	(1.7)	-	(1.7)
Changes in financial assumptions	(5.5)	-	(5.5)	3.7	-	3.7
Effect of experience adjustments	(0.2)	-	(0.2)	(0.9)	-	(0.9)
(Return) on plan assets (excluding interest income)	-	4.4	4.4	-	(8.4)	(8.4)
Total pension cost/(income) recognized in the OCI	(6.8)	4.4	(2.4)	1.1	(8.4)	(7.3)
Changes in scope	-	-	-	-	-	-
Foreign exchange differences	2.3	(2.5)	(0.2)	(14.1)	9.2	(4.9)
As of December 31	**220.6**	**(92.6)**	**128.0**	**232.1**	**(98.7)**	**133.4**

Other benefit obligations *(in millions of euros)*	**December 31, 2018**			**December 31, 2017**		
	Defined benefit obligations	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded on in the balance sheet**
As of January 1	2.0	-	2.0	8.5	-	8.5
Current service cost	-	-	-	0.3	-	0.3
Past service cost	-	-	-	(5.9)	-	(5.9)
(Gain)/loss on new retirement plans	-	-	-	-	-	-
Financial cost (effect of discount)	0.1	-	0.1	(0.0)	-	(0.0)
Update to other post-employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	-	-	-	-	-	-
Expense (income) for the period	0.1	-	0.1	(5.6)	-	(5.6)
Benefit payments from plan	-	-	-	-	-	-
Benefit payments from employer	(0.3)	-	(0.3)	(0.1)	-	(0.1)
Plan participants' contributions	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Changes in demographic assumptions	(0.0)	-	(0.0)	-	-	-
Changes in financial assumptions	(0.1)	-	(0.1)	-	-	-
Effect of experience adjustments	(0.0)	-	(0.0)	(0.3)	-	(0.3)
(Return) on plan assets (excluding interest income)	-	-	-	-	-	-
Total pension cost/(income) recognized in the OCI	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Changes in scope	-	-	-	-	-	-
Foreign exchange differences	0.1	-	0.1	(0.5)	-	(0.5)
As of December 31	**1.8**	**-**	**1.8**	**2.0**	**-**	**2.0**

Allocation of plan assets by type of investment

	December 31, 2018	**December 31, 2017**
Shares	36.7%	47.7%
Bonds	39.2%	28.3%
Insurance contracts	14.0%	12.7%
Cash & cash equivalent	7.1%	8.5%
Real Estate	3.0%	2.8%

Sensitivity to discount rate assumptions

(in millions of euros)	**December 31, 2018**	**December 31, 2017**
Increase of 50 basis points Increase (Decrease) in Defined Benefit Obligation Increase (decrease) of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(13.5)	(14.5)
Decrease of 50 basis points Increase (Decrease) in Defined Benefit Obligation Increase (decrease) of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	14.9	15.9

Sensitivity to inflation rate assumptions

(in millions of euros)	**December 31, 2018**	**December 31, 2017**
Increase of 50 basis points Increase (Decrease) in Defined Benefit Obligation Increase (decrease) of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	4.8	3.2
Decrease of 50 basis points Increase (Decrease) in Defined Benefit Obligation Increase (decrease) of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(4.4)	(3.2)

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, 2018**	**December 31, 2017**
2018	-	12.3
2019	11.8	11.7
2020	11.0	11.5
2021	11.2	10.7
2022	11.1	11.1
2023	11.4	-
Total	**56.5**	**57.3**

4.2 Personnel costs and compensation of senior management

(in millions of euros)	**December 31, 2018**	**December 31, 2017**
Wages and salaries	(668.6)	(671.5)
Pension costs	(2.3)	1.5
Total Personnel costs	**(670.9)**	**(670.0)**
Employees (average number)	12,907	12,764

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, 2018**	**December 31, 2017**
Short-term employee benefits	6.2	11.2
Retirement benefits	0.1	-
Other long-term benefits	-	-
Lump-sum termination payments	0.9	-
Share-based payments	3.2	2.9
Total	**10.4**	**14.1**

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. The LTIP 2018 plan is also conditional on a market performance condition.

In 2018, the LTI 2015 plan resulted in a payment of 300,973 shares.

	LTIP 2016	LTIP 2017	LTIP 2018
Grant date	December 1, 2016	September 25, 2017	July 25, 2018
End of the vesting period	June 30, 2019	June 30, 2020	June 30, 2021
Number of shares	243,575	277,715	334,088
Estimated value as of the plan's start date *(in euros)*	32.00	37.00	19.85
Estimate of number of shares to be delivered as of December 31, 2018	121,788	138,858	334,088
Form of settlement		Distribution of shares	
Expenses 2018 *(in millions of euros)*	(0.7)	(2.0)	(1.2)
Expenses 2017 *(in millions of euros)*	(3.1)	(1.4)	-
Expenses 2016 *(in millions of euros)*	(0.4)	-	-

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 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.

The changes in goodwill can be analyzed as follows:

(in millions of euros)	December 31, 2018	December 31, 2017
Opening carrying amount	510.5	550.4
Goodwill on acquisitions during the period	132.4	0.5
Adjustment to initial purchase price allocation	-	-
Foreign exchange gain & loss	19.1	(40.4)
Closing carrying amount	**662.0**	**510.5**

Purchase accounting for lexmark acquisition
On October 1, 2018, the Group completed the acquisition of Lexmark Carpet Mills in the United States. Lexmark produces high-quality carpet, primarily for the North American hospitality market, and is well recognized among leading hospitality chains for its state-of-the-art products and services. The company had revenue of approximately USD 120 million in 2017, employs 460 people, and operates one plant in the United States.

Total consideration paid for the acquisition was €222.6 million, of which €104.4 million was allocated to the repayment of Lexmark's debt.

As of December 31, 2018, goodwill from Lexmark totaled €128.2 million:

(in millions of euros)	
Consideration paid(+)	222.6
Fair Value of assets acquired (-)	94.4
Total Goodwill recognized	128.2

The amount of goodwill recorded as of December 31, 2018 is provisional and may be adjusted within 12 months following the acquisition, as provided for by the revised IFRS 3.

This goodwill is explained primarily by the following:

- Specific technology and know-how;
- Market share acquired in the hospitality and residential carpet segments in the United States; and
- Sales and supply chain synergies leveraging both companies' broad products portfolios.

In addition, on January 31, 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grass Manufacturers Pty Limited (Grassman), a leading Australian artificial turf manufacturer. The acquisition of Grassman expands FieldTurf's presence in the Australian market, in particular in the hockey, tennis, and landscape sectors, thus complementing its football and rugby offerings. This acquisition will also provide a strong platform for serving field builders and installers throughout Australia.

As of December 31, 2018, goodwill from Grassmann totaled €7.8 million, and can be broken down as follows :

(in millions of euros)	
Consideration paid	9.3
Fair value of the acquired assets	(1.5)
Total goodwill recorded	7.8

The amount of goodwill recorded as of December 31, 2018 is provisional and may be adjusted within 12 months following the acquisition, as provided for by the revised IFRS 3.

5.1.1 Allocation of goodwill between the various CGUs

The allocation of goodwill between the various CGU's is as follows:

(in millions of euros)	December 31, 2018		December 31, 2017	
	Gross value	**Net value**	**Gross value**	**Net value**
Resilient and miscellaneous	70.4	69.8	70.9	70.3
Carpet	33.5	33.5	33.5	33.5
Wood	-	-	-	-
Laminate	-	-	-	-
EMEA	103.9	103.3	104.4	103.8
Commercial (excluding carpet)	72.8	55.8	70.5	53.5
Tandus & Centiva	312.9	312.9	175.7	175.7
Residential	-	-	-	-
North America	385.7	368.7	246.2	229.2
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
Athletic tracks	39.1	33.4	36.0	30.5
Synthetic grass & other	61.4	61.0	51.8	51.4
Sports Surfaces	100.5	94.4	87.8	81.9
Total goodwill	**686.7**	**662.0**	**535.0**	**510.5**

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 licenses

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:

- leased buildings: 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. Lease payments are recorded in profit and loss as expenses and allocated on a straight-line basis over the term of the lease.

The allocation of net values of intangible assets and property, plant and equipment is as follows:

(in millions of euros)	December 31, 2018	December 31, 2017
Research and development	5.1	6.0
Patents	11.2	14.5
Trademarks	29.1	31.8
Software licenses	24.9	28.9
Other intangible assets	51.5	3.5
Advance payments and fixed assets in progress	11.4	6.7
Intangible Assets	**133.2**	**91.4**
Goods and real property	197.0	203.2
Technical equipment and machinery	230.7	210.5
Leased equipment	2.9	2.9
Advance payments and fixed assets in progress	84.2	50.8
Property, plant and equipment	**514.8**	**467.4**

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

Acquisition costs *(in millions of euros)*	Dec. 31, 2017	Acquisitions	Disposals	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2018
Research and development	15.4	1.2	(0.0)	-	-	(0.3)	16.3
Patents	134.1	0.8	-	-	0.0	6.1	141.0
Trademarks	54.5	-	-	-	-	0.7	55.2
Software licenses	129.7	6.9	(0.5)	(0.0)	7.9	2.0	146.0
Other intangible assets	7.2	0.0	(0.0)	60.1	0.0	0.9	68.2
Advance payments and fixed assets in progress	6.7	11.2	(0.1)	-	(6.6)	0.2	11.4
Intangible Assets	**347.6**	**20.1**	**(0.6)**	**60.1**	**1.3**	**9.6**	**438.1**
Goods and real property	512.5	8.6	(0.2)	1.5	5.0	1.8	529.2
Leased buildings	0.3	-	-	-	-	-	0.3
Technical equipment and machinery	1,298.0	23.6	(14.6)	51.0	36.0	2.4	1,396.4
Leased equipment	8.3	1.0	(1.8)	-	0.3	(0.1)	7.7
Advance payments and fixed assets in progress	50.8	75.9	(0.2)	-	(43.2)	0.9	84.2
Property, plant and equipment	**1,869.9**	**109.1**	**(16.8)**	**52.5**	**(1.9)**	**5.0**	**2,017.8**

Accumulated depreciation and amortization *(in millions of euros)*	Dec. 31, 2017	Allowance	Disposals/ reversals	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2018
Research and development	(9.4)	(2.0)	0.0	-	0.0	0.2	(11.2)
Patents	(119.6)	(4.6)	0.0	-	-	(5.5)	(129.7)
Trademarks	(22.7)	(3.4)	-	-	-	(0.0)	(26.1)
Software licenses	(100.8)	(18.9)	0.5	0.0	(0.1)	(1.8)	(121.1)
Other intangible assets	(3.7)	(0.7)	-	(12.0)	-	(0.3)	(16.7)
Intangible Assets	**(256.2)**	**(29.6)**	**0.5**	**(12.0)**	**(0.1)**	**(7.4)**	**(304.8)**
Goods and real property	(309.3)	(21.9)	0.2	(0.5)	(0.1)	(0.6)	(332.2)
Leased buildings	(0.3)	-	-	-	-	(0.0)	(0.3)
Technical equipment and machinery	(1,087.5)	(68.8)	13.8	(23.3)	0.9	(0.8)	(1,165.7)
Leased equipment	(5.4)	(1.2)	1.8	-	(0.2)	0.2	(4.8)
Property, plant and equipment	**(1,402.5)**	**(91.9)**	**15.8**	**(23.8)**	**0.6**	**(1.2)**	**(1,503.0)**

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 2018:

	Discount rate after tax	Perpetual growth rate
EMEA	7.8%	2%
North America	7.8%	2%
CIS	10.2%	4%
APAC	8.3%	4%
Latin America	10.1%	4%
Sports Surfaces	7.8%	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 2018, 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 2018 and 2017 can be broken down as follows:

(in millions of euros)	December 31, 2018	December 31, 2017
North America	(2.8)	(3.9)
Total	**(2.8)**	**(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, 2018	December 31, 2017
Less than 1 year	28.1	25.9
1 to 5 years	69.9	53.9
More than 5 years	16.2	11.8
Total future minimum lease payments	**114.2**	**91.6**

Note 6 > Provisions

6.1 Provisions

Provisions come primarily from environmental risks, legal and tax risks, litigation and other risks.

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

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

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

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

(in millions of euros)	Dec. 31, 2017	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2018
Product warranty provision	3.7	0.5	(1.1)	-	-	0.0	3.1
Restructuring provisions	-	-	-	-	-	0.0	-
Claims & litigation provisions	2.9	0.1	(0.5)	-	-	(0.2)	2.3
Other provisions	5.2	0.0	(0.6)	-	3.0	-	7.6
Provision for additional tax assessments	1.2	0.0	(1.1)	-	-	0.0	0.1
Financial provisions [(1)]	36.7	-	(5.0)	-	-	1.6	33.3
Total Provisions – long-term	49.7	0.6	(8.3)	-	3.0	1.4	46.4
Product warranty provision	19.1	6.1	(5.9)	-	(1.0)	0.6	18.9
Restructuring provisions	2.0	0.0	(0.7)	0.0	-	0.0	1.3
Claims & litigation provisions	8.1	5.5	(3.5)	(0.2)	1.0	0.1	11.0
Other provisions	0.2	0.0	(0.0)	-	-	(0.0)	0.2
Total Provisions – short-term	29.4	11.6	(10.1)	(0.2)	-	0.7	31.4
Total Provisions	**79.1**	**12.2**	**(18.4)**	**(0.2)**	**3.0**	**2.1**	**77.8**

(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 provisions (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) Variations in provisions for financial liabilities relate to the provision for asbestos 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 Accounting principles

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.

Under IFRS 9, all financial assets for which the cash flows do not represent solely payment of principal and interest (SPPI) must be recorded at fair value through profit and loss. However, IFRS 9 introduces an option that may be irrevocably elected at the time of initial recognition, investment by investment, permitting equity investments to be recorded at fair value through other comprehensive income, without later being moved to profit and loss, even in the event of a disposal. Only the dividends are recognized in profit or loss.

Financial assets for which the cash flows do represent solely payment of principal and interest (SPPI) are recognized at amortized cost using the effective interest rate method.

For non-current assets valued at amortized cost, impairment is assessed individually, taking into account the risk profile of the counterparty and the warranties obtained. At the time of the initial recording of such non-current financial assets, impairment is systematically recorded in the amount of the credit losses expected to result from events that may occur in the next twelve months. In the event of a significant deterioration in the counterparty's credit quality, the initial impairment is supplemented to cover all of the expected losses over the remaining maturity of the receivable.

For commercial receivables, the Group conducts a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and uses the simplified method provided for by IFRS 9 to provision the expected losses over the remaining maturity of the receivables.

Non-derivative financial liabilities

Financial liabilities comprise financial debt and trade and other operating payables. They are accounted for at amortized cost using the effective interest rate method.

Derivative instruments

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

However, derivative instruments that are part of a hedging relationship are classified either as fair value hedges (FVH) (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 (CFH) (when their purpose is to hedge the exposure to changes in the cash flows associated with highly probable future transactions).

Derivative instruments that are part of a hedge are documented on the basis of intrinsic value for exchange rate and interest rate options, and on the basis of the spot price component for forward contracts.

Changes in fair value relating to the effective portion of derivative exchange rate and interest rate instruments qualified as fair value hedges (FVH) are recognized in profit and loss. The value of the hedged items is adjusted to their fair value and the changes in fair value attributable to the hedged risk(s) are also recognized in profit and loss.

Changes in fair value relating to the effective portion of derivative exchange rate and interest rates instruments qualified as cash flow hedges (CFH) are recognized within other comprehensive income, and the result of such hedges is recorded in profit and loss, symmetrically to the risk being hedged.

The time value of exchange rate and interest rate options is recorded as a cost of hedging. Changes in time value recorded over the life of the option are recorded as a counterpart to other comprehensive income. The initial option premium is either (i) moved into profit or loss when the hedged transaction impacts profit or loss, where the hedged item is related to a transaction; or (ii) amortized in profit or loss over the duration of the hedge, where the hedged item is related to a period of time.

Changes in value of the swap point for forward contracts classified as hedges are recorded in profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, term deposits, monetary UCITs, and other monetary investments with initial maturities not exceeding three months and subject to an insignificant risk of changes in value.

7.2 Financial income and expense

Financial expense includes, in particular, bank fees and interest payable on borrowings accounted for at amortized cost using the effective interest method, and the effects of the related hedges.

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, financial charges relating to the discounting of post-employment expenses, exchange rate gains and losses, impairment losses relating to financial assets, and dividends, which are recorded in net income when the right to payment vests.

(in millions of euros)	**December 31, 2018**	**December 31, 2017**
Interest income on loan assets & cash equivalents	0.7	1.0
Other financial income	0.3	0.3
Total financial income	**1.0**	**1.3**
Other financial liabilities	(15.2)	(10.2)
Leasehold & similar rights	(0.2)	(0.2)
Commission expenses on financial liabilities	(3.5)	(4.0)
Cost of loans and debt renegotiation	(1.0)	(1.0)
Interest on provisions for pensions	(5.1)	(5.6)
Foreign exchange gains or losses	(4.8)	(2.6)
Impairment on financial assets	(0.0)	(0.1)
Changes in value of interest rate derivative instruments to hedge debt	(1.2)	(0.9)
Other financial liabilities	(0.1)	(0.1)
Total financial expenses	**(31.1)**	**(24.7)**
Financial result	**(30.1)**	**(23.4)**

7.3 Net debt – interest-bearing loans and borrowings

7.3.1 Net Debt

Net debt is defined as the sum of interest bearing loans and borrowings 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, 2018		December 31, 2017	
	Long-term	Short-term	Long-term	Short-term
Bank loans	240.9	0.7	-	3.2
Private placements	595.5	-	591.3	-
Other loans	0.2	0.9	0.2	0.1
Bank overdrafts	-	7.8	-	8.1
Finance leases	2.5	0.8	2.6	1.0
Interest-bearing loans and borrowings	839.1	10.2	594.1	12.4
Total interest bearing loans and borrowings	849.3		606.5	
Cash and cash equivalents	(95.7)		(114.7)	
Net Debt	**753.6**		**491.8**	

The change in net debt during the period relates primarily to the acquisitions of Lexmark Carpet Mills in the U.S. on September 28, 2018 and of the assets of Grass Manufacturers Pty Ltd in Australia on January 31, 2018.

All of the interest-bearing loans and borrowings are unsecured, except for the assignment of receivables line of credit, and include mainly:

- a "Schuldschein" for €252.5 million and $50 million entered into on April 13, 2017 and of which €150.5 million matures in April of 2024, with the remainder maturing in April 2022;
- a "Schuldschein" of €250.0 million and $56.5 million concluded on June 21, 2016 and maturing in June 2023 for €126 million and in June 2021 for the rest;
- a multi-currency revolving syndicated loan with a capacity of €650.0 million subscribed in June 2015, maturing in June 2020, and which at December 31, 2018 has been used in the amount of €235.8 million;
- a €50.0 million French, German, and Spanish accounts receivable line of credit maturing on December 31, 2021, which at December 31, 2018 has not been used.

7.3.2 Details of loans and borrowings

December 31, 2018 *(in millions of euros)*	Currency of draw-down	Interest rate	Total	12 months or less until 12/31/2019	2 years until 12/31/2020	3 to 5 years until 12/31/2023	More than 5 years
Bank loans							
European revolving credit Facilities	USD	3.27%-3.55%	235.8	-	235.8	-	-
Other bank loans	RMB	5.22%	5.8	0.7	1.5	3.6	-
Sub-total Bank loans			241.6	0.7	237.3	3.6	-
Private placements Europe	EUR	1.15% – 1.722%	502.5	-	-	352.0	150.5
Private placements Europe	USD	4.07%-4.54%	93.0	-	-	93.0	-
Financing backed by business receivables	EUR	3.85%-5.75%	0.9	0.9	-	-	-
Other loans	EUR	0.25%	0.2	-	0.1	0.1	-
Bank overdrafts			7.8	7.8	-	-	-
Finance lease obligations			3.3	0.8	0.8	1.6	0.1
Interest-bearing loans and borrowings			**849.3**	**10.2**	**238.2**	**450.3**	**150.6**

December 31, 2017 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**Total**	**12 months or less until 12/31/2018**	**2 years until 12/31/2019**	**3 to 5 years until 12/31/2022**	**More than 5 years**
Bank loans							
Term facilities Europe	EUR	0.40%	2.3	2.3	-	-	-
Other bank loans	EUR-BRL	25.6%	0.9	0.9	-	-	-
Sub-total Bank loans			3.2	3.2	-	-	-
Private placements Europe	EUR	1.15% – 1.722%	502.5	-	-	502.5	-
Private placements Europe	USD	2.96% – 3.39%	88.8	-	-	88.8	-
Other loans	EUR	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
Interest-bearing loans and borrowings			**606.5**	**12.4**	**1.1**	**592.5**	**0.5**

7.3.3 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 (1) *(in millions of euros)*	**December 31, 2018**	**December 31, 2017**
Net debt	753.6	491.8
Adjusted EBITDA(1)	267.4	315.1
Ratio (2)	2.8	1.6

(1) Pursuant to definition applicable to financing agreements. As of December 31, 2018, proforma adjusted EBITDA was considered to include 12 month activity for Lexmark.
(2) Must be below 3.0.

Adjusted EBIT/Net interest (1) *(in millions of euros)*	**December 31, 2018**	**December 31, 2017**
Adjusted EBIT(1)	145.7	196.3
Net interest	14.6	9.5
Ratio (2)	10.0	20.7

(1) Pursuant to definition applicable to financing agreements. As of December 31, 2018, proforma adjusted EBIT was considered to include 12 month activity for Lexmark.
(2) Must be above 2.5.

7.3.4 Cash and cash equivalent by nature

(in millions of euros)	**December 31, 2018**	**December 31, 2017**
Current cash	31.4	32.4
Remunerated cash balances	56.4	80.7
Short term treasury notes and Money Market funds	7.9	1.6
Cash and cash equivalents	**95.7**	**114.7**

7.3.5 Changes in financial liabilities

The following table reconciles changes in financial liabilities shown on the balance sheet and the cash flow statement:

(en millions d'euros)	Dec. 31, 2017	Cash Flow	Restated	Non-cash change			Dec. 31, 2018
				Acquisitions	Currency difference	Fair value change	
Long-term financial debt	594.6	245.8	-	-	(0.8)	-	839.6
Short-term financial debts	13.7	(20.7)	-	-	17.1	-	10.1
Long-term financial assets [1]	(36.6)	3.5	-	-	(0.6)	-	(33.7)
Short-term financial assets	(0.2)	0.4	-	(1.4)	-	-	(1.2)
Other	-	(8.9)	-	-	-	-	-
Total changes in financing activities [2]		**220.1**					
Cash-flow from financing activities [2]		**220.1**					

(1) Excluding shares accounted for by the equity method.
(2) Excluding dividends, acquisition of treasury shares and acquisition of non-controlling interests.

7.4 Other financial assets and liabilities

7.4.1 Other financial assets

(in millions of euros)	December 31, 2018	December 31, 2017
Long-term investments	-	-
Financial investments and receivables – long-term [1]	24.1	31.7
Loan receivables – long-term	-	-
Security deposit – long-term	-	-
Other financial assets	**24.1**	**31.7**

(1) Financial investments and receivables – 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, 2017	Increases	Decreases	Transfer	Foreign exchange differences	Dec. 31, 2018
Long-term investments	-	-	-	-	-	-
Financial investments and receivables – long-term	34.4	0.9	(11.9)	3.0	0.2	26.6
Loan receivables – long-term	-	-	-	-	-	-
Security deposit – long-term	-	-	-	-	-	-
Other financial assets	**34.4**	**0.9**	**(11.9)**	**3.0**	**0.2**	**26.6**

Accumulated depreciation and amortization *(in millions of euros)*	Dec. 31, 2017	Allowance	Disposals	Decrease	Impairment losses	Transfer	Foreign exchange differences	Dec. 31, 2018
Security deposit – long-term	-	-	-	-	-	-	-	-
Financial investments and receivables – long-term	(2.7)	(0.1)	-	-	-	-	0.3	(2.5)
Other financial assets	**(2.7)**	**(0.1)**	**-**	**-**	**-**	**-**	**0.3**	**(2.5)**

7.4.2 Other financial liabilities

(in millions of euros)	December 31, 2018	December 31, 2017
Fair value of derivatives non-current	-	-
Other financial liabilities non-current	4.1	0.5
Other financial liabilities non-current	**4.1**	**0.5**
Accrued interest expenses current	2.1	1.5
Fair value of derivatives non-current	2.0	0.2
Other financial liabilities current	5.9	5.3
Other financial liabilities current	**10.0**	**7.0**

7.5 Fair value of financial assets and liabilities

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: prices determined using valuation techniques based on observable market data;
- level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

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.) entered into by the Group are traded on over-the-counter markets on which there are no quoted prices. They are therefore measured using the valuation models commonly employed by operators in the market (Level 2).

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, historical cost is considered as a reasonable approximation of their fair value.

December 31, 2018	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of hedging derivatives	Carrying amount	Fair value
Other financial liabilities non-current	Level 2	7.6	-	16.5	-	24.1	24.1
Other financial assets, current	Level 2	-	-	-	3.1	3.1	3.1
Accounts receivable	Level 2	350.5	-	-	-	350.5	350.5
Cash and cash equivalents	Level 2	-	-	95.7	-	95.7	95.7
Interest-bearing loans and borrowings	Level 2	-	849.3	-	-	849.3	849.3
Other financial liabilities, non-current	Level 2	-	4.1	-	-	4.1	4.1
Other financial liabilities, current	Level 2	-	8.0	-	2.0	10.0	10.0
Trade payables	Level 2	-	283.6	-	-	283.6	283.6

December 31, 2017	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of hedging derivatives	Carrying amount	Fair value
Other financial liabilities non-current	Level 2	9.3	-	22.3	-	31.6	31.6
Other financial assets, current	Level 2	-	-	-	0.7	0.7	0.7
Accounts receivable	Level 2	356.2	-	-	-	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
Trade payables	Level 2	-	288.9	-	-	288.9	288.9

7.6 Financial risks and Financial Instruments

7.6.1 Financial risk management

The Group's financial risk (market risk, credit risk and liquidity risk) management objectives and policies are consistent with those disclosed in the Consolidated Financial Statements as at and for the year ended December 31, 2017.

7.6.2 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.

7.6.3 Financial market risks

Exposure to interest rate, currency, liquidity and credit risks 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.

The portfolio of derivative instruments is broken down as follows:

December 31, 2018 *(in millions of euros)*	**Accounting classification**	**Maturity**	**Fair value**	**Counterpart in OCI**
Currency swaps	FVH	< June 2019	0.4	
Exchange rate derivative instruments			0.4	
Forward exchange contracts	CFH	< March 2020	0.2	0.2
Options	CFH	< Jan 2020	0.8	0.5
Exchange rate derivatives related to commercial transactions			1.0	0.7
Caps	CFH	< Apr 2024	(0.3)	(0.5)
Interest rate derivatives			(0.3)	(0.5)
Total			**1.1**	**0.2**

December 31, 2017 *(in millions of euros)*	**Accounting classification**	**Maturity**	**Fair value**	**Counterpart in OCI**
Currency swaps	FVH	< June 2018	0.1	
Exchange rate derivative instruments			0.1	
Forward exchange contracts	CFH	< Feb 2019		
Options	CFH	< March 2019	0.2	0.1
Exchange rate derivatives related to commercial transactions			0.2	0.1
Caps	CFH	< May 2020	0.1	
Interest rate derivatives			0.1	0.0
Total			**0.4**	**0.1**

The nominal amounts of derivative instruments hedging the main exposures are broken as follows:

(in millions of euros)			**December 31, 2018**					**December 31, 2017**	
Currency of exposure	**USD**	**PLN**	**GBP**	**CAD**	**NOK**	**USD**	**PLN**	**GBP**	**NOK**
Exchange rate derivatives relating to financing	102.5	33.6	4.5	30.1	-	86.5	38.8	2.7	-
Exchange rate derivatives related to commercial transactions	-	-	35.3	-	10.3	-	-	34.6	10.2
Nominals hedging the main currencies ***(in euros)***	**102.5**	**33.6**	**39.8**	**30.1**	**10.3**	**86.5**	**38.8**	**37.3**	**10.2**

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 floating interest rate debt over fixed interest rate debt, but also to use interest rate derivatives to protect a part of the floating rate 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.

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Following is the interest rate structure of the Group's net debt before and after application of interest rate hedges:

(in millions of euros)	Fixed rate	Floating rate	December 31, 2018
Interest-bearing loans and borrowings	343.3	506.0	849.3
Cash and cash equivalents	(7.9)	(87.8)	(95.7)
Net debt before hedging	**335.4**	**418.2**	**753.6**
Effect of hedging	111.2	(111.2)	-
Net debt after hedging	**446.6**	**307.0**	**753.6**

(in millions of euros)	Fixed rate	Floating rate	December 31, 2017
Interest-bearing loans and borrowings	337.8	268.7	606.5
Cash and cash equivalents	(1.6)	(113.1)	(114.7)
Net debt before hedging	**336.2**	**155.6**	**491.8**
Effect of hedging	41.7	(41.7)	-
Net debt after hedging	**377.9**	**113.9**	**491.8**

Sensitivity analysis

Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative Financial Instruments, as well as interest-bearing loans granted to joint ventures or third parties. The analysis is based on the market index in effect at the balance sheet date and on assumptions of constant debt and constant debt management policy over one year.

(in millions of euros)	December 31, 2018	December 31, 2017
Increase of 100 basis points Increase (Decrease) in financial charges	3.2	1.4
Decrease of 100 basis points (1) Increase (Decrease) in financial charges	(3.0)	(0.3)

(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.

Exchange rate derivatives related to commercial transactions

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 Canadian dollar, the Russian ruble and the euro as a foreign currency for certain 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 based on monitoring Value at Risk. This exposure includes exposure recorded on the balance sheet, namely all recognized trade receivables, trade payables and borrowings denominated in a foreign currency, and unrecorded exposure, which consists of forecast sales and purchases over a six-month period.

Exchange rate derivative instruments relating to financing

The Group may be exposed to transactional exchange-rate risk on certain intragroup loans and borrowings resulting from the financing of its foreign subsidiaries. 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.

7.6.4 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.

Financial liabilities	December 31, 2018		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	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Interest-bearing loans										
Bank loans	241.6	257.0	0.7	10.2	237.3	5.0	3.6	0.2	-	-
Private placements	595.5	638.4	-	11.5	-	11.6	445.0	19.0	150.5	0.8
Other loans	1.1	1.4	0.9	0.1	0.1	0.1	0.1	0.1	-	-
Bank overdrafts	7.8	7.9	7.8	0.1	-	-	-	-	-	-
Finance leases	3.3	3.3	0.8	-	0.8	-	1.6	-	0.1	-
Total	849.3	908.0	10.2	21.9	238.2	16.7	450.3	19.3	150.6	0.8
Other financial liabilities										
Trade payables	283.6	283.6	283.6	-	-	-	-	-	-	-
Other financial liabilities, non-current	4.1	4.1	-	-	4.1	-	-	-	-	-
Other financial liabilities, current	10.0	10.0	10.0	-	-	-	-	-	-	-
Total	297.7	297.7	293.6	-	4.1	-	-	-	-	-
Total financial liabilities	**1,147.0**	**1,205.7**	**303.8**	**21.9**	**242.3**	**16.7**	**450.3**	**19.3**	**150.6**	**0.8**

Financial liabilities	December 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	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Interest-bearing loans										
Bank loans	3.2	3.3	3.2	0.1	-	-	-	-	-	-
Private placements	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**

b) Liquidity position

The Group's debt capacity is €1,382.8, of which €849.3 million has been used (see Note 7.3.1). Including cash and cash equivalents, the liquidity position of the Group amounts to €629.2 million.

(in millions of euros)	December 31, 2018	December 31, 2017
Amount available on credit facilities	533.5	791.6
Cash and cash equivalents	95.7	114.7
Total	**629.2**	**906.3**

7.6.5 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;
- derivative instruments;
- trade receivables; and
- 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 9.0% of total accounts receivable as of December 31, 2018 (8.0% of total accounts receivable as of December 31, 2017).

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.

7.7 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 Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total USD 55.8 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 194.7 million;
- has granted a guarantee covering 50% of two lines of credit for a maximum amount of €10.0 million, each granted to its joint venture Laminate Park GmbH & Co KG, of which €1.2 million has been used as of the balance sheet date;
- has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusion Technik (M.E.T GmbH) to secure its payables up to €7.0 million, of which €4.2 million has been used as of the balance sheet date;
- 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 Tarkett Limited (UK), Desso Holding (Netherlands), Tarkett Asia Pacific (Shanghai) Management Co Ltd (China), and Tarkett Industrial (Beijing) Co Ltd. to obtain overdraft facilities or letters of credit for a maximum amount equal to €41.8 million, of which €11.6 million has been used as of 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, for an amount of €10.1 million as of the closing date.

Note 8 > Income tax

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 the 2017 U.S. tax reform, a €2.5 million expense was recognized in net profit. Tarkett had 12 months to adjust that amount. Over the course of 2018, income was recorded for €0.6 million.

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

(in millions of euros)	2018	2017
Current tax	(18.6)	(28.7)
Deferred tax	0.1	(1.6)
Total income tax	**(18.5)**	**(30.3)**

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2018 and 2017 can be reconciled as follows to the actual income tax charge:

(in millions of euros)	2018	2017
Pre-tax profit from continuing operations (a)	68.6	(7.7)
Profit from equity-accounted subsidiaries (b)	(7.9)	3.0
Pre-tax profit from fully consolidated activities (a-b)	76.5	(10.7)
Income tax at nominal French income tax rate	(26.3)	3.7
Effect of:		
Taxation of foreign companies at different rates	8.8	11.3
Exchange rate effects on non-monetary assets	(3.5)	(2.1)
Changes in unrecognized deferred tax assets	(1.3)	9.3
Permanent differences	3,6	2.7
Other permanent differences [(1)]	-	(56.8)
Taxes on dividends (Withholding at the source, 3% contribution)	(0.1)	6.1
Other items	0,3	(4.5)
Income tax expenses	**(18.5)**	**(30.3)**
Effective rate	**24.2%**	**-283.2%**

(1) Relates exclusively to the penalty assessed by the French Competition Authority (see Note 1.3).

In 2017, without the expense recorded in connection with the procedure with the French Competition Authority, the effective tax rate would have been 19.7%.

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 Canada, with a local tax rate of 26.68%, and Luxembourg, with a local income tax rate of 29%.

Exchange rate effects on non-monetary assets
The deferred tax income of €3.5 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 income 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
The Group has provisioned a net amount of €1.3 million in respect of the future taxable results of certain subsidiaries.

Tax effects relating to distributions

In 2017, 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 €9.2 million was recorded.

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 date.

The following temporary differences are not provided for:

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

A deferred income tax asset is recognized only to the extent that it is probable that there will be future taxable profits over the next five years against which this asset can be utilized.

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)	**2018**	**2017**
Deferred tax on tax loss carryforwards	25.3	25.1
DTA for pensions and healthcare benefits	39.5	37.6
Other items temporarily non deductible	39.1	38.9
Provision for other deferred tax liabilities	(1.6)	(1.9)
Internal profit eliminations	2.5	1.6
Netted against deferred tax assets	(28.2)	(21.2)
Total Deferred tax assets	**76.6**	**80.1**
Fixed assets revaluation	39.8	40.8
Other deferred tax liabilities	24.1	18.2
Netted against deferred tax assets	(28.2)	(21.2)
Total Deferred tax liabilities	**35.7**	**37.8**

The Group had €25.3 million in deferred tax assets related to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €8.5 million related to the Group's North American (United States) tax consolidation group, and €1.1 million related to Serbia.

The €25.3 million can be broken down as follows: €15.7 million of net deferred tax assets for tax loss carryforwards, and €9.6 million of net unused tax credits.

As of December 31, 2018, unrecognized deferred tax assets related to loss carryforwards and unused tax credits amount to €182.4 million.

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, 2018	December 31, 2017
Share capital *(in euros)*	318,613,480	318,613,480
Number of shares	63,722,696	63,722,696
Par value *(in euros)*	5.0	5.0

9.2 Earnings per share and dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	December 31, 2018	December 31, 2017
Number of shares outstanding at year-end	63,723	63,723
Average number of treasury shares held by Tarkett during the year	(434)	(417)
Weighted average number of shares outstanding (undiluted)	**63,289**	**63,306**

Basic earnings per share

Basic earnings per share as of December 31, 2018 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, 2018	December 31, 2017
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	49.3	(38.7)
Weighted average number of shares outstanding (undiluted)	63,289	63,306
Basic earnings per share *(in euros)*	**0.78**	**(0.61)**

Weighted average number of shares outstanding during the period (diluted earnings)

(in thousands of shares)	December 31, 2018	December 31, 2017
Number of shares outstanding at year-end	63,723	63,723
Average number of treasury shares held by Tarkett during the year	(434)	(417)
Impact of share-based payment plans	370 (1)	382 (1)
Weighted average number of shares outstanding during the period (diluted earnings)	**63,659**	**63,688**

(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, 2018 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, 2018	December 31, 2017
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	49.3	(38.7)
Weighted average number of shares outstanding during the period (diluted earnings)	63,659	63,688
Diluted earnings per share *(in euros)*	**0.77**	**(0.61)**

Dividends

Tarkett paid dividends in the amount of €0.60 per share to its shareholders on July 5, 2018, in accordance with the decision of the General Shareholders' Meeting of April 26, 2018. In 2017, the Group had paid a dividend of €0.60 per share.

Note 10 > Related parties

In accordance with IAS 24, "Related Party Disclosures," the Group has identified the following related parties:

1. Joint ventures;
2. The Group's principal shareholder, Société Investissement Deconinck ("**SID**");
3. The members of Tarkett's Management Board and Supervisory Board.

Transactions entered into during the period 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 two joint ventures of which, 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, 2018**	**December 31, 2017**
Joint ventures		
Sale of goods to Tarkett	24.1	27.8
Purchase of services from Tarkett	(1.0)	(1.0)
Loans from Tarkett	7.5	9.2

10.2 Principal shareholders

Société Investissement Deconinck holds 50.34% of Tarkett's share capital and as such controls and coordinates the Group's activities.

As of December 31, 2018, SID had invoiced a total of €300,000 in fees under the Assistance Agreement (€500,000 as of December 31, 2017).

As of December 31, 2018, Tarkett had invoiced a total of €55,000 to SID under the Service Agreement (€75,000 as at December 31, 2017).

10.3 Members of the Management Board and Supervisory Board

None.

Note 11 > Subsequent events

None.

Note 12 > Statutory auditor fees

Amount (excluding taxes) *(in thousands of euros)*	**KPMG S.A.**	**KPMG S.A.**	**Mazars**	**Mazars**
	Auditor	**Network**	**Auditor**	**Network**
Statutory audit, certification, audit of the individual company and Consolidated Financial Statements				
Tarkett	245	0	184	0
Controlled entities	145	1,230	78	643
Subtotal (A)	389	1,230	262	643
Services other than certification of the financial statements required by laws and regulations				
Tarkett	0	0	0	0
Controlled entities	9	0	0	0
Subtotal (B)	9	0	0	0
Services other than certification of the financial statements at the entity's request				
Tarkett	71	0	0	0
Controlled entities	0	4	0	2
Subtotal (C)	71	4	0	2
Services other than certification of the financial statements [(1)]				
Subtotal D = B + C	80	4	0	2
Subtotal E = A + D	**469**	**1,234**	**262**	**645**
Total	**1,703**		**907**	

Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Percentage interest as of December 31, 2018	Percentage interest as of December 31, 2017
G: Full consolidation E: Accounted for using the equity method NC: Not consolidated				
EMEA				
Tarkett AB	Sweden	G	100%	100%
Tarkett AS	Norway	G	100%	100%
Tarkett OY	Finland	G	100%	100%
Tarkett Belux (1)	Belgium	G	0%	100%
Tarkett NV	Belgium	G	100%	100%
Tarkett A/S	Denmark	G	100%	100%
Tarkett Polska SP. z.o.o.	Poland	G	100%	100%
Tarkett Aspen Zemin AS	Turkey	G	70%	70%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Tarkett Holding GmbH	Germany	G	100%	100%
M.E.T GmbH	Germany	G	100%	100%
Tarkett	France	Parent company	100%	100%
Tarkett Services	France	G	100%	100%
Tarkett France	France	G	100%	100%
Tarkett Bois SAS	France	G	100%	100%
FieldTurf Tarkett SAS	France	G	100%	100%
Tarkett GDL SA	Luxembourg	G	100%	100%
Tarkett Capital SA	Luxembourg	G	100%	100%
Somalré	Luxembourg	G	100%	100%
Tarkett SpA	Italy	G	100%	100%
Tarkett – Produtos Internacionias, SA	Portugal	G	100%	100%
Tarkett Monoprosopi Ltd.	Greece	G	100%	100%
Tarkett Floors S.A Spain	Spain	G	100%	100%
FieldTurf Poligras SA	Spain	G	100%	100%
FieldTurf Benelux BV (1)	Netherlands	G	0%	100%
Tarkett NV	Netherlands	G	100%	100%
Tarkett Sports BV	Netherlands	G	100%	100%
Desso Sports System BV	Netherlands	G	100%	100%
Desso Refinity BV	Netherlands	G	100%	100%
Desso Holding BV	Netherlands	G	100%	100%
Tarkett Ltd	Great Britain	G	100%	100%
Desso Ltd	Great Britain	G	100%	100%
AllSports construction and maintenance Ltd	Great Britain	E	30%	30%
Desso Czech Republic	Czech Republic	G	100%	100%
Tarkett Schweiz	Switzerland	G	100%	100%
Desso Ambiente Textil Handelsgesellschaft m.b.h	Austria	G	100%	100%
North America				
Tarkett Inc. (Delaware) (TKT)	United States	G	100%	100%
Tandus Centiva Inc.	United States	G	100%	100%
Tandus Centiva US LLC	United States	G	100%	100%
Tarkett Enterprises Inc.	United States	G	100%	100%

Companies	Country	Consolidation method	Percentage interest as of December 31, 2018	Percentage interest as of December 31, 2017
Domco Products Texas Inc. (AZR)	United States	G	100%	100%
Tarkett Alabama Inc. (NAF)	United States	G	100%	100%
Tarkett Finance Inc.	United States	G	100%	100%
Tarkett USA Inc. (DUS)	United States	G	100%	100%
Texas Tile Manufacturing LLC	United States	G	100%	100%
L.E.R. Inc.	United States	G	100%	100%
Easy Turf	United States	G	100%	100%
Beynon Sport Surfaces Inc.	United States	G	100%	100%
FieldTurf Tarkett USA Holding	United States	G	100%	100%
FieldTurf USA Inc.	United States	G	100%	100%
Diamond W	United States	G	100%	100%
Desso (U.S.A.) Inc.	United States	G	100%	100%
Lexmark Carpet Mills (1)	United States	G	100%	0%
Tarkett Inc.	Canada	G	100%	100%
Tandus Centiva Limited	Canada	G	100%	100%
FieldTurf Inc.	Canada	G	100%	100%
Johnsonite Canada Inc.	Canada	G	100%	100%
Tarkett Tennis and Track Company (1)	États-Unis	G	100%	0%
CIS, APAC and Latin America				
Tarkett Australia Pty.Ltd	Australia	G	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	G	100%	100%
Tarkett Flooring Mexico	Mexico	G	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co. Ltd	China	G	100%	100%
Tarkett Hong Kong Ltd	Hong Kong	G	100%	100%
Tarkett Industrial (Beijing) Co. Ltd	China	G	100%	100%
Tandus Flooring (Suzhou) Co. Ltd	China	G	100%	100%
AO Tarkett	Russia	G	100%	100%
AO Tarkett Rus	Russia	G	100%	100%
Tarkett Sommer OOO	Russia	G	100%	100%
Tarkett d.o.o	Serbia	G	100%	100%
Tarkett SEE	Serbia	G	100%	100%
Galerija Podova	Serbia	G	100%	100%
Tarkett UA	Ukraine	G	100%	100%
Vinisin	Ukraine	G	100%	100%
Tarkett Kazakhstan	Kazakhstan	G	100%	100%
Vinisin Kft	Hungary	G	100%	100%
Tarkett Bel	Belorussia	G	100%	100%
Tarkett Flooring Singapore	Singapore	G	100%	100%
Tarkett Flooring India Private	India	G	100%	100%
Fieldturf Australia (Grassman) (1)	Australia	G	100%	0%

(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, 2018

Income statement

(in thousands of euros)	Fiscal year ended 12/31/2018			12/31/2017
	France	Exports	Total	Total
Sales of merchandise				
Produced goods sold				
Produced services sold	7,499	46,091	53,590	51,569
Net revenue			**53,590**	**51,569**
Inventory				
Capitalized production				
Operating subsidies received				
Reversal of depreciation and provisions, transfer of expenses			20,158	8,336
Other income			578	263
Total operating income			**74,326**	**60,168**
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			33,970	35,019
Taxes and similar payments			1,516	968
Salaries and wages			13,090	10,200
Social security contributions			4,560	4,310
Allocations to depreciation on fixed assets			8,213	7,243
Allocations to provisions on fixed assets				
Allocations to provisions on current assets				
Allocations to provisions for risks and expenses			5,588	10,150
Other expenses			6,853	525
Total operating expenses			**73,790**	**68,416**
Operating result			**536**	**(8,248)**
Allocated gain or transferred loss				
Loss borne or gain transferred				
Financial income from equity investments			34,553	36,206
Income from other securities			422	28,929
Other interest and similar income			1	613
Reversal of provisions and transfer of expenses				-
Foreign exchange losses				-
Net income from disposals of marketable securities				
Total financial income			**34,976**	**65,747**
Financial allocations to depreciation and provisions				-
Interest and similar expense			16,393	10,902
Foreign exchange losses			1,201	274
Net income from disposals of marketable securities			1,108	-
Total financial expenses			**18,702**	**11,176**
Financial result			**16,274**	**54,571**
Current result before taxes			**16,810**	**46,323**

Income statement (continued)

(in thousands of euros)	Fiscal year ended 12/31/2018 Total	12/31/2017 Total
Exceptional operating income	-	-
Exceptional income on capital transactions	-	-
Reversal of provisions and transfer of expenses	1,089	601
Income from disposals of assets	-	-
Other exceptional income		
Total exceptional income	1,089	601
Exceptional operating expense	-	
Exceptional expense on capital transactions	-	
Exceptional allocations to depreciation and provisions16	1,196	
Other exceptional expenses	151	1
Total exceptional expenses	167	1,197
Exceptional result	**922**	**(595)**
Employee profit-sharing	-	-
Income tax	326	6,193
Total income	110,391	132,710
Total expenses	92,985	80,789
Net profit	**17,406**	**51,921**
Of which Equipment leasing		
Of which Property leasing		

Balance sheet assets

	Fiscal year ended 12/31/2018		
	Gross	**Prov. for deprec.**	**Net**
Start-up costs			
Research and development			
Concessions, patents and similar rights	43,825	30,312	13,513
Goodwill	3,940		3,940
Other intangible assets			-
Intangible assets	3,325		3,325
Advances and deposits on intangible assets			-
Land			-
Buildings	106	106	-
Technical facilities, equipment and machinery			-
Other property, plant and equipment	9,146	7,237	1,909
Property, plant and equipment			-
Advances and deposits			-
Investments accounted for by the equity method			-
Other equity investments	1,386,457	24,989	1,361,468
Receivables relating to equity investments			-
Other fixed investments			-
Loans	446,547		446,547
Other financial assets	865		865
Total (I)	**1,894,211**	**62,644**	**1,831,567**
Raw materials, supplies			
Work-in progress, goods			
Work-in-progress, services			
Intermediate and finished products			
Merchandise			
Advances and deposits on orders	14		14
Trade receivables	20,193		20,193
Other receivables			-
– Supplier receivables	*222*		*222*
– Personnel	*1*		*1*
– Social welfare bodies	*-*		*-*
– Government, income taxes	*3,660*		*3,660*
– Government, revenue taxes	*2,353*		*2,353*
– Other	*311,739*		*311,739*
Share capital subscribed and called but not paid			-
Marketable securities	6,053		6,053
Available funds	2,672		2,672
Cash Instruments	3		3
Prepaid expenses current	1,764		1,764
Total (II)	**348,674**	**-**	**348,674**
Charges allocated among several fiscal years (III)			
Bond redemption premiums (IV)			
Unrealized foreign exchange losses (V)	4,384		4,384
Total Assets (I to V)	**2,247,269**	**62,644**	**2,184,625**

Balance sheet liabilities

(in thousands of euros)	**Fiscal year ended 12/31/2018**	**12/31/2017**
Share capital, company or individual (of which paid up: 318,613)	318,613	318,613
Share, merger, and contribution premiums	113,982	113,982
Revaluation differences		
Legal reserve	31,861	31,861
Statutory or contractual reserves		
Regulated reserves		
Other reserves		
Retained earnings	729,997	715,991
Results of the fiscal year	17,406	51,921
Investment grants		
Regulated provisions	899	1,837
Total (I)	**1,212,758**	**1,234,205**
Proceeds from issuance of equity securities		
Conditional advances		
Total (II)		**-**
Provisions for risks	1,879	1,293
Provisions for charges	11,550	26,707
Total (III)	**13,429**	**28,000**
Convertible bonds		
Other bonds		
Borrowings and debts from credit institutions		
– Borrowings	*840,431*	*597,386*
– Bank overdrafts and loans		
Other borrowings and financial debt		
– Other		
– Shareholders		
Advances and deposits received on orders in progress		
Trade payables	11,118	13,175
Tax and social security liabilities		
– Personnel	*1,357*	*2,867*
– Social welfare bodies	*1,554*	*871*
– Government, income taxes	*-*	*1,876*
– Government, revenue taxes	*82*	*-*
– Government, guaranteed bonds		
– Other taxes and related	*457*	*363*
Payables on fixed assets	1,046	1,622
Other liabilities	97,775	228,680
Cash Instruments		
Income recorded in advance	293	423
Total (IV)	**954,113**	**847,263**
Unrealized foreign exchange gains(V)	4,325	8,966
Total liabilities (I to V)	**2,184,625**	**2,118,434**

5.4 Notes to company financial statements

Note 1 > Accounting principles

1.1 Accounting principles

The annual financial statements were prepared in accordance with Regulations 2014-3, 2015-06, and 2016-07 of the *Autorité des Normes Comptables* (French accounting standards authority) with respect to the *Plan Général Comptable* (General Accounting Code) and Regulation 2016-7, approved by ministerial decree dated December 28, 2016, as well as the later notices and recommendations of the *Autorité des Normes Comptables*.

The main methods used are detailed below.

The annual financial statements incorporate the provisions of 2015-05 of the *Autorité des Normes Comptables* (ANC) with respect to forward contracts and hedging transactions, application of which is mandatory beginning with 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.

General accounting conventions were applied in compliance with the principle of prudence and in accordance with the following assumptions, the purpose of which is to provide a fair view of the company:

- continuity of operations;
- consistency of accounting principles from one fiscal year to the next;
- independence of fiscal years;
- relative importance;
- non-compensation;
- accurate information;

and in accordance with the general rules concerning preparation and presentation of annual accounts.

Depending on the situation, the primary methods used to value recorded items are historical cost, contribution value, or revalued value.

1.2 Tangible and intangible assets

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".

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 acquisition cost: purchase price and accessory costs required to make them usable.

Depreciation is calculated on a straight-line basis over the expected useful life of the items.

- Office and IT equipment and furniture: 3 years;
- fixtures and constructions: 3 years

If the value in use is lower than the net book value, impairment is recorded for the difference.

1.3 Financial assets and marketable securities

Financial assets primarily comprise equity securities and guarantees paid.

Gross value consists of acquisition cost, excluding fees.

If the value in use is lower than the net book value, a provision for impairment is recorded for the difference.

Value in use is determined on the basis of a multicriteria approach, including 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.

If their asset value is less than their net book value, receivables are impaired by provision for the difference, 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

The Company applies the option provided for by Recommendation No. 2013-02 of November 7, 2013, relating to the rules on the valuation and recording of retirement commitments and similar benefits, to record all retirement commitments and similar benefits on the balance sheet.

Tarkett SA's commitments include the following:

- long-term benefits, post-employment, granted to employees (retirement indemnification payment, medical costs, etc.); and
- long-term benefits, during employment, granted to employees.

The calculation involves taking economic assumptions into account, such as the inflation rate and the discount rate, as well as assumptions about the Company's personnel, such as average raises, turnover rate, and life expectancy.

Provisions have been calculated by an outside actuary on the basis of data as of December 31, 2018, in accordance with the main assumptions described below:

- inflation rate: 2.00%;
- discount rate 1.50%;
- salary indexation rate: 2.00%;
- retirement age: 65.

The liability relating to the Company's net employee benefits commitment is recorded in provisions for risks and expenses on the balance sheet.

The current value of commitments to employees is calculated on the balance sheet date each year, and the employee data are reviewed at least every three years.

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:

- unrealized exchange rate losses, after taking into account any offsetting exchange rate hedges;
- any obligations of the Company to a third party where it is probable or certain that an outflow of economic benefits to the third party will be required to settle the obligation, without at least equivalent consideration expected from the third party, and where the amount can reasonably be assessed.

1.7 Provision for long-term employee incentive plans (LTIP)

The Tarkett Group, of which Tarkett SA 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 €11,550,000 was recorded as of December 31, 2018 (€26,229,478 as of December 31, 2017) to cover Tarkett SA'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 €17.52, except for those shares relating to the 2016 and 2017 LTIP that vested in 2018 and are valued at their current price. Of note in 2018 are the vesting of the 2015 LTIPs and the creation, on September 25, 2018, of a new LTIP with 322,800 shares.

	LTIP 2016	LTIP 2017	LTIP 2018
Grant date	December 1, 2016	September 25, 2017	July 25, 2018
End of the vesting period	June 30, 2019	June 30, 2020	June 30, 2021
Number of remaining shares	243,575	277,715	332,800
Stock price used	28.82	22.32	17.52
Provision recorded as of December 31, 2018	(3,659)	(3,054)	(4,837)
Form of settlement:		Distribution of shares	
Income and expenses 2018	3,097	6,276	(4,837)
Income and expenses 2017 (in euros)	917	(9,330)	
Expenses 2016	(7,673)		-

1.8 Significant events

1.8.1 Capital increases and decreases of Tarkett subsidiaries

Tarkett SA increased the share capital of its subsidiaries FieldTurf Tarkett S.A.S. and Tarkett Finance by €10.0 million and €116.6 million, respectively.

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 €8,073 thousand in contributions paid over the period running from 2013 to 2017, plus €1,084 thousand in penalty interest. This request for reimbursement was recorded as an income tax credit.

In 2018 the tax authorities refunded the 3% contribution on dividend distributions, plus penalty interest, for a total of €9,124,000.

1.8.3 Interest-bearing loans and borrowings

All of the interest-bearing loans and borrowings are unsecured, except for the assignment of receivables line of credit, and include mainly:

- a “Schuldschein” for €252.5 million and $50 million entered into on April 13, 2017 and of which €150.5 million matures in April of 2024, with the remainder maturing in April 2022;
- a “Schuldschein” of €250.0 million and $56.5 million concluded on June 21, 2016 and maturing in June 2023 for €126 million and in June 2021 for the rest;
- a multi-currency revolving syndicated loan with a capacity of €650.0 million subscribed in June 2015, maturing in June 2020, and which at December 31, 2018 has been used in the amount of €235.8 million;
- a €50.0 million French, German, and Spanish accounts receivable line of credit maturing on December 31, 2021, which at December 31, 2018 has not been used.

1.8.4 URSSAF Audit

The audit by the URSSAF (the collection office of social security contribution in France) for fiscal years 2015 and 2016 was completed in 2018, with the amount of the assessment totaling €103,011. The assessment amount was recorded as a provision for risks and expenses.

1.9 Subsequent events

None.

Note 2 > Consolidated Financial Statements

2.1 Statement of fixed assets

(in thousands of euros)	Gross value of fixed assets at beginning of fiscal year	Increases	
		Revaluations during the year	Acquisitions, creations, inter-item transfer
Start-up costs, research and development			
Intangible Assets	40,047		7,718
Intangible assets	1,613		3,324
Land			
Construction on own land			
Construction on third-party land			
General facilities, fixtures, constructions	106		-
Technical facilities, equipment and machinery			
Other facilities, fixtures, improvements			
Transportation equipment			
Office equipment, IT equipment, furniture	8,773		373
Recoverable packaging and other			
Property, plant and equipment	-		-
Advances and deposits			
Total	**50,539**		**11,415**
Investments accounted for by the equity method			
Other equity investments	1,259,907		126,550
Other non-current assets	2,323		(2,323)
Loans and other financial assets	270,749		176,662
Total	**1,532,979**		**300,889**
Total general	**1,583,518**		**312,304**

(in thousands of euros)	Decreases		Gross value of fixed assets at year-end	Leg. Reev. Orig. Val. at year-end
	By inter-item transfer	By disposal or decommissioning		
Start-up costs, research and development			-	
Intangible Assets			47,765	
Intangible assets	1,612		3,325	
Property, plant and equipment	**1,612**		**51,090**	
Land				
Construction on own land				
Construction on third-party land				
General facilities, fixtures, constructions	-		106	
Technical facilities, equipment and machinery				
Other facilities, fixtures, improvements				
Transportation equipment				
Office equipment, IT equipment, furniture	-		9,146	
Recoverable packaging and other				
Property, plant and equipment	-		-	
Advances and deposits				
Total	**1,612**		**60,342**	
Investments accounted for by the equity method				
Other equity investments	-		1,386,457	
Other fixed investments		-	-	
Loans and other financial assets	-		447,411	
Total	**-**	**-**	**1,833,868**	
Total general	**1,612**	**-**	**1,894,210**	

2.2 Statement of depreciation

(in thousands of euros)	Changes during the period			
	Beginning of the fiscal year	Changes during the fiscal year	Write-backs on disposals	End of fiscal year
General facilities, fixtures, constructions	106	-		106
Technical facilities,equipment and machinery				
General facilities, other fixtures				
Transportation equipment				
Office equipment, IT equipment, furniture	5,935	1,302		7,237
Recoverable packaging and other				
Total Tangible assets	**6,041**	**1,302**		**7,343**
Total general	**29,442**	**8,213**		**37,655**

(in thousands of euros)	Decreases			Movements affecting the provisions for accelerated depreciation	
	Linear	**Declining-balance**	**Exceptional**	**Allowance**	**Decrease**
Total Intangible Assets	**6,911**				
Land					
Construction on own land					
Construction on third-party land					
General facilities, fixtures, constructions	-				
Technical facilities,equipment and machinery					
General facilities, other fixtures					
Transportation equipment					
Office equipment, IT equipment, furniture	1,302				
Recoverable packaging and other					
Total Tangible assets	**1,302**				
Total general	**8,213**				

2.3 Statement of provisions

Provisions *(in thousands of euros)*	**Beginning of the fiscal year**	**Increases**	**Decreases Reversals**	**End of fiscal year**
For Reconstruction of deposits				
For investments				
For price increases				
Accelerated depreciation	1,837	151	1,089	899
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	**1,837**	**151**	**1,089**	**899**
For litigation				
For customer warranties				
For losses on futures contracts				
For fines and penalties				
For foreign exchange losses				
For provisions for pensions and obligations	477	50	67	460
For taxes				
For replacement of fixed assets				
For major repairs				
For paid vacation expenses				
Other provisions	27,523	5,523	20,077	12,969
Total provisions for risks and expenses	**28,000**	**5,573**	**20,144**	**13,429**
On intangible assets				
On tangible assets				
On shares accounted for by the equity method				
On equity securities	24,989			24,989
On other financial assets				
On inventories and work in progress				
On customer accounts				-
Other impairment				
Total Impairment	**24,989**	**-**	**-**	**24,989**
Total general	**54,827**	**5,724**	**21,233**	**39,317**
Additions and reversals:				
o operating activities		5,573	20,144	
o financial		-		
o exceptional		151	1,089	

The change in Other Provisions was essentially due to 2018 LTIP transactions, namely the vesting of the 2015 plan, as well as the setting up of a new 2018 plan.

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2.4 Statement of maturities of receivables and debts

Statement of receivables *(in thousands of euros)*	**Gross amount**	**Up to one year**	**More than 1 year**
Receivables relating to equity investments			
Loans	446,547	-	446,547
Other financial assets	865	865	
Doubtful or disputed customers			
Advances and deposits on orders	14	14	
Other trade receivables	20,193	20,193	
Receivables on securities lent			
Debtor suppliers	222	222	
Personnel and related receivables	1	1	
Social Security and other social welfare agencies			
State and other public authorities			
– Income tax	3,660	1,548	2,112
– VAT	2,353	2,353	
– Other taxes and related payments		-	
– Other			
Group and shareholders	311,739	311,739	
Other debtors		-	
Prepaid expenses current	1,764	1,764	
Total general	**787,358**	**338,699**	**448,659**

Statement of liabilities *(in thousands of 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	255,204	255,204		
– more than 1 year	585,227		585,227	
Other borrowings and financial debt				
Trade payables	11,118	10,201	917	
Personnel and related receivables	1,357	1,357		
Social Security and other social welfare agencies	1,554	1,554		
State and other public authorities:				
– Income tax	-	-		
– VAT	82	82		
– Guaranteed bonds				
– Other taxes	457	457		
Payables on fixed assets	1,046	1,046		
Group and shareholders				
Other liabilities	97,775	97,775		
Debt representing borrowed securities				
Income recorded in advance	293	130	163	
Total general	**954,113**	**367,806**	**586,307**	

2.5 Table of supplier & customer payment terms

In accordance with the French law of August 4, 2008 on the modernization of the economy and the resulting Articles L441-6-1 and D441-4 of the French Commercial Code, the breakdown of Tarkett SA's receivables and liabilities with respect to customers and suppliers as of the balance sheet date is as follows:

Accounts receivable

31/12/2018	Article D.441: Invoices issued and due but not paid as of the balance sheet date				
	1 to 30 d	31 to 60 d	61 to 90 d	91 or more d	Total (1 day and +)
	(A) Category of late payment				
No. of invoices					135
Amount inc. tax (€K)	4,258	133	28	(377)	4,042
As a percentage of total revenue for the fiscal year (inc. tax)	7.95%	0.25%	0.05%	(0.70)%	53,590
	(B) Invoices excluded from (A) relating to disputed receivables				
No. of invoices excluded					
Amount of excluded invoices inc. tax (€K)					
	(C) Payment reference period used (contractual or legal period – Art. L441-6 or Art. L443-1 of the French Commercial Code)				
Payment period used for calculating payment delays	30 Days, date of invoice				

Trade payables

31/12/2018	Article D.441: Invoices received and due but not paid as of the balance sheet date				
	1 to 30 d	31 to 60 d	61 to 90 d	91 or more d	Total (1 day and +)
	(A) Category of late payment				
No. of invoices					159
Amount inc. tax (€K)	98	12	(4)	34	140
As a percentage of total purchases for the fiscal year (inc. tax)	0.29%	0.04%	(0.01)%	0.10%	33,970
	(B) Invoices excluded from (A) relating to disputed liabilities				
No. of invoices excluded					
Amount of excluded invoices inc. tax (€K)					
	(C) Payment reference period used (contractual or legal period – Art. L441-6 or Art. L443-1 of the French Commercial Code)				
Payment period used for calculating payment delays	60 Days, date of invoice				

2.6 Goodwill

Description *(in thousands of euros)*	**Purchased**	**Revalued**	**Received in contribution**	**Amount**
Merger loss – Partholdi			3,940	3,940

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 thousands of euros)*	**Amount inc. tax**
Financial assets	
– Receivables relating to equity investments	
– Other financial assets	
Receivables	
– Customer receivables	14
– Other receivables (including assets to receive)	
Marketable securities	
Available funds	
Total	**14**

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 thousands of euros)*	**Amount inc. tax**
Convertible bonds	
Other bonds	
Borrowings and debts from credit institutions	3,887
Other borrowings and financial debt	-
Trade payables	11,119
Tax and social security liabilities	3,450
Payables on fixed assets	1,046
Other liabilities (including credit notes to be issued)	
Total	**19,502**

2.9 Income and expenses recorded in advance

(in thousands of euros)	**Expenses**	**Income**
Operating Expenses/Income	1,453	293
Financial Expenses/Income	312	
Exceptional Expenses/Income		
Total	**1,765**	**293**

2.10 Breakdown of net revenues

Tarkett SA, the Group's parent company, coordinates projects in the Group's general interest in the areas of strategy, financial control of the subsidiaries, external growth, marketing, development, human resources, and communication. Tarkett SA's revenues mainly comprise re-invoicing of general expenses and IT costs.

Breakdown by type of activity *(in thousands of euros)*	**Amount**
Sales of merchandise	
Sales of finished goods	
Services	53,590
Total	**53,590**

Breakdown by geographic market *(in thousands of euros)*	**Amount**
France	7,499
Abroad	46,091
Total	**53,590**

2.11 Financial commitments

2.11.1 Discounted bills pending maturity

None.

2.11.2 Guarantees

Beneficiary	Commitments given	Maximum commitments	Purpose	For
	Amount	Amount		
HSBC Bank plc	GBP 0	GBP 1,000,000	Credit line	Tarkett Ltd
Petrofina	EUR 4,170,000	EUR 7,000,000	B&S Orders	Morton Extrusion Technik
Bank of America N.A.	INR 0	INR 20,000,000	Credit lines	Tarkett Flooring India Private Ltd
Banco Bilbao Vizcaya Argenteria	EUR 905,000	EUR 2,000,000	Credit lines	Poligras
Commerzbank	EUR 1,589,000	EUR 5,000,000	Credit line	Desso Holding
Banque Général du Lux	EUR 1,160,000	EUR 10,000,000	Credit lines	Laminate Park GmbH
HSBC Bank Australia Ltd	AUD 0	AUD 845,000	Credit line	Tarkett and FieldTurf Australia
Cassa Depositi e Prestiti	EUR 0	EUR 4,074,875	Credit line	Tarkett SpA
Bank of America – Merrill Lynch	USD 0	USD 50,000	Credit line	Tarkett Flooring Mexico
HSBC Bank (China) Company Ltd	RMB 45,800,000	RMB 132,000,000	Credit lines	Tarkett Industrial (Beijing) Co., Ltd
HSBC Bank (China) Company Ltd	RMB 8,431,000	RMB 44,000,000	Credit lines	Tarkett Asia Pacific (Shanghai) Mgt. Co., Ltd

2.11.3 Other commitments given

Beneficiary	Commitments given	Maximum commitments	Purpose	For
	Amount	Amount		
Federal Insurance Company	USD 55,799,943	USD 75,000,000	Completion guarantees	FieldTurf Inc.
Crédit Agricole CIB	EUR 749,569	EUR 5,000,000	Completion guarantees	FieldTurf Tarkett SAS
Chubb	USD 850,000	USD 850,000	Reinsurance	Somalré
Indian Harbor Insurance Cie	USD 805,000	USD 805,000	Reinsurance	Somalré
Pri-Pensionsgaranti	SEK 194,726,615	SEK 194,726,615	Retirement benefits	Tarkett AB
BECM	EUR 0	EUR 50,000,000	Pledge of factoring collection accounts	Tarkett SAS, FieldTurf Tarkett SAS

2.11.4 Derivative exchange rate Financial Instruments

Counterparty	Amount	Type	Expiration Date
Bank	GBP 4,000,000	Currency swaps	March -19
Bank	AUD 4,700,000	Currency swaps	March -19
Bank	USD 117,413,862	Currency swaps	Jan. -19% & June -19
Bank	PLN 144,385,000	Currency swaps	Jan. -19% & June -19
Bank	SEK 13,250,000	Forward contracts	Jan. -19
Bank	CAD 34,800,000	Currency swaps	March -19
Bank	CHF 375,000	Currency swaps	March -19

These Financial Instruments were entered into for hedging purposes.

2.11.5 Derivative interest rate Financial Instruments

Counterparty	Amount	Type	Expiration Date
Bank	EUR 67,500,000	Guar. int. rate opt.	April -24
Bank	USD 50,000,000	Guar. int. rate opt.	May -20

2.11.6 Other commitments received

As of December 31, 2018, Tarkett SA has unused drawdown capacity of €414.2 million on confirmed revolving credit facilities and of €50 million on assignment of receivables credit lines.

2.12 Breakdown of income tax

(in thousands of euros)	Profit before income tax	Taxes
Current result	16,811	
Exceptional result (and investments)	922	
Accounting result	17,406	326

Breakdown of income tax

Type of income tax *(in euros)*	2018 Tax	2017 Tax
3% contribution on dividends [1]	-	8,042
Tax consolidation income	-	179
Tax charge on tax consolidation	(144)	(1,774)
Tax credits	-	-
Provision for tax audit		-
Other	(182)	(253)
Total	**(326)**	**6,194**

(1) The 2017 tax credit of €8,041,811 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)	12/31/2018		12/31/2017	
	Basis	Corresponding Tax[1]	Basis	Corresponding Tax[1]
Time lag between tax regime and accounting treatment	**30,560**	**9,779**	**20,577**	**7,085**
Deficit in own funds	14,639	4,685	20,296	6,988
Deficit related to tax consolidation	(48,471)	(15,511)	(46,688)	(16,075)
Total deficit that may be carried over for tax purposes	**(33,832)**	**(10,826)**	**(26,392)**	**(9,087)**

(1) Tax rate = 32.00% for 2018 & 34,433% for prior fiscal years.

2.15 Compensation of senior executives

(in thousands of euros)	Amount
Compensation allocated to members:	
– of management bodies	1,775
– of supervisory bodies	420

2.16 Average headcount

	Salaried personnel	Personnel made available to the company
Executives	89	
Supervisors and technicians	4	
Employees	8	
Workers		
Total	**101**	

2.17 Related parties

Transactions carried out by the company with related parties are entered into under ordinary market conditions.

Société Investissement Deconinck holds 50.34% of Tarkett's share capital and as such controls and coordinates the Group's activities.

As of December 31, 2018, SID had invoiced a total of €300 thousand in fees under the Assistance Agreement.

As of December 31, 2018, Tarkett S.A. had invoiced a total of €55 thousand to SID in fees under the Service Agreement.

2.18 Identity of parent companies consolidating the Company's accounts

Tarkett S.A. is over 50.34% owned by Société Investissement Deconinck (SID) and is fully consolidated in SID's accounts.

2.19 Equity and liabilities

Breakdown of equity *(in thousands of euros)*	Amount at beginning of the fiscal year	Results of the fiscal year	Capital transactions	Allocation of result	Dividends paid	Amount at end of fiscal year
Share capital, company or individual	318,613					318,613
Issuance, merger, and contribution premiums	113,982					113,982
Revaluation surplus						
Legal reserve	31,861					31,861
Statutory or contractual reserves						
Regulated reserves						
Other reserves						
Retained earnings	715,991			51,921	(37,915)	729,997
Results of the fiscal year	51,921	17,407		(51,921)		17,407
Total net situation	**1,232,368**	**17,407**	**-**	**-**	**(37,915)**	**1,211,860**
Investment grants						
Regulated provisions	1,837	(938)				899
Shareholders' Equity	**1,234,205**	**16,469**	**-**	**-**	**(37,915)**	**1,212,758**

2.20 Composition of share capital

As of December 31, 2018, the share capital comprises 63,722,696 shares with a value of €5.00 per share, for a total of €318,613,480.

	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 redeemed during the fiscal year		
Shares comprising the share capital at the end of the fiscal year	63,722,696	5.00

As of December 31, 2018, Tarkett held 228,870 of its own shares, for a total of €6,052 thousand.

At the end of 2017, Tarkett held 357,796 of its own shares, for a total of €11,356 thousand, including 57,796 shares in connection with the liquidity agreement, for a total of €2,323 thousand.

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**	**Percentage of share capital held**	**Gross value of shares held**	**Net value of shares held**	**Loans and advances granted by the Company**	**Guarantees 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 investments										
– Subsidiaries (more than 50% of share capital held)										
Tarkett GDL	385,009	193,685	(44,012)	100	538,050	538,050	146,000		234,721	0
FieldTurf Tarkett	24,639	2,716	(4,214)	100	49,628	24,639	0		76,855	
Tarkett Inc.	71,225	29,792	24,678	100	7,591	7,591			117,329	
Tarkett Finance Inc.	470,809	417,878	(43,046)	100	404,502	404,502	277,094		0	
Tarkett DOO	64,264	37,383	(452)	100	252,605	252,605	4,000		62,485	0
Tarkett Services	50	0	0	100	50	50			0	
The subsidiaries Tarkett Finance Inc. and FieldTurf Tarkett increased their share capital in 2018 by €116.6 million and €10.0 million, respectively.										
– Equity investments (10 to 50% of share capital held)										
AO Tarkett	15,254	81,524	16,531	50	134,030	134,030	13,500		232,039	11,906
B – Overall information concerning other subsidiaries and equity investments										
None.										

5.5 Results over the course of the last five years

Results of the company over the last five years (and other charactérictic items)

Nature of information *(in thousands of euros)*	**Fiscal Year 31.12.2018**	**Fiscal Year 31.12.2017**	**Fiscal Year 31.12.2016**	**Fiscal Year 31.12.2015**	**Fiscal Year 31.12.2014**
Capital at end of fiscal year					
Share capital	318 613	318 613	318 613	318 613	318 613
Number of existing ordinary shares	63 723	63 723	63 723	63 723	63 723
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	53 590	51 569	40 351	33 433	30 922
Result before taxes, employee participation and allocation to depreciation and provisions	10 302	55 379	26 619	88 598	114 456
Income tax	(326)	6 193	(1 824)	2 333	2 796
Allocations to depreciation and provisions	7 430	(9 651)	(15 026)	(36 771)	(6 105)
Result after taxes, employee participation and allocation to depreciation and provisions	17 406	51 921	9 769	54 160	111 147
Result distributed for the fiscal year in question	37 915	38 034	33 076	24 155	39 508
Earnings per share					
Result after taxes and employee participation but before allocation to depreciation and provisions	0,16	0,97	0,39	1,43	1,84
Result after taxes, employee participation and allocation to depreciation and provisions	0,27	0,81	0,15	0,85	1,74
Dividend allocated to each share	0,60 (1)	0,60	0,60	0,52	0,38
Workforce					
Average workforce employed during the year	101	76	52	46	50
Amount of payroll for the year	13 090	10 200	10 389	8 896	6 507
Amount paid in employee benefits for the year (social security, service projects)	4 560	4 310	4 099	3 991	3 038

(1) Subject to the approval of the Shareholder's Meeting of April 26,2019.

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, 2018 are described below. None of these subsidiaries is a listed company.

Tarkett GDL S.A. is a Luwembourg 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. The Company indirectly 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 a company with share capital of RUB 376,000,000, the registered office of which is located at 1, Promishlenaya zona, City of Otradny, Samara Oblast 446300, Russia. It is registered under number 1026303207226. The Company 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 a 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. The Company 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 with sole shareholder (*société par actions simplifiée* à associé unique) with share capital of €10,156,006, 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 with sole shareholder (*société par actions simplifiée* à associé unique) with share capital of €24,639,050, 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. The Company indirectly holds all of the share capital and voting rights of FieldTurf Tarkett, 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 the consolidated companies. A breakdown of the Group's 2018 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, 2018 and December 31, 2017".

5.6.2 Recent acquisitions and disposals

Acquisitions

The Group's 2018 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 2018".

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		
	2018	2017	2016
Total dividends *(in millions of euros)*[1]	37,9	38,0	33,1
Net dividend per share *(in euros)*	0.60	0.60	0.52

(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.

For 2018, the Management Board will propose a dividend of €0.60 per share, with the option to receive payment in new Company's shares.

5.8 Statutory auditor fees

See Note 12 in Section 5.2, "Notes to the Consolidated Financial Statements",

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5.9 Statutory Auditors' Report on the Consolidated 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 December 31, 2018

To the general meeting of shareholders of Tarkett,

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 December 31, 2018.

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 December 31, 2018 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, Risks and Compliance Committee.

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 January 1st, 2018 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) No537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our conclusion, we draw your attention on the note "1.2.1. Statement of compliance and applicable standard" to the Consolidated Financial Statements which sets out the impacts of the first application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" as at January 1st, 2018.

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 and tangible assets have net book values at December 31, 2018 of 662,0M€, 133,3M€ and 514,8M€, respectively, and represent a significant amount of the consolidated balance sheet. These assets are accounted in accordance with the principles 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 impairment caused by 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 event 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 the 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 the 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.

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 conduct 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 triggers events occured 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 related to the 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 sensitivity of the impairment test to assess the materiality of the potential impacts on the recoverable value of the assets bearing the highest risk.

Litigations and provisions

Key audit matter

The Group is exposed to a variety of legal and tax risks, as well as cases of litigation, including asbestos claims in the United States.

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 77,8M€ at December 31, 2018 including essentially asbestos litigations.

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 from management.

Audit approach

In order to obtain an 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 relevance of the amount of provisions accrued.

Based on historical data used by the Group to estimate its provisions for asbestos claims:

- 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 exercised our professional judgment to assess, in particular, whether the positions held by Management are in the acceptable range ok risk assessment 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 76,6M€ at December 31, 2018, including 25,3M€ recognized on tax losses carried forward, out of which 12,3M€ relate to tax losses recognized in one entity of the Group, due to the assessment of management of its ability to generate taxable incomes in a foreseeable future. Unrecognized deferred taxes assets related to tax losses carried forward amounts to 162,9M€ at December 31, 2018.

A deferred tax asset is only recognized if it is likely that the Group will generate 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 growth in earnings and applicable tax rates) and tested the arithmetical 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.

Specific verifications

As required by French laws and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of Boards of Directors.

We have no matters to report as to its fair presentation and its consistency with the Consolidated Financial Statements.

We attest that the consolidated declaration of extra-financial performance, required under Article L.225-102-1 of the French Commercial Code (*Code de commerce*), is included in the management report [or in the information relating to the Group provided in the management report], being specified that, in accordance with the provisions of Article L.823-10 of this code, we have not verified the fair presentation and the consistency with the Consolidated Financial Statements of the information provided in this declaration and this information must be reported by an independent third party.

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 May 13, 2014 to approuve accounts for the year ended December 31, 2013.

As at December 31, 2018, KPMG and Mazars were in the 5th 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 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, Risks and Compliance 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.

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;
- 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, Risks and Compliance Committee

We submit a report to the Audit, Risks and Compliance 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, Risks and Compliance 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, Risks and Compliance Committee with the declaration provided for in Article 6 of Regulation (EU) N° 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, Risks and Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on the February 7, 2019

The Statutory Auditors
French original signed by

KPMG Audit		Mazars	
Philippe Grandclerc Partner	Renaud Laggiard Partner	Juliette Decoux Partner	Eric Schwaller Partner

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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 December 31, 2018

To general meeting of shareholders of Tarkett,

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 December 31, 2018.

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 December 31, 2018 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, Risks and Compliance Committee.

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 2018 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.

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 December 31, 2018 amount to 1 361,5M€ 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 securities:

- 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;

- assess the permanence of the methods used;
- test the arithmetical accuracy of the value in use calculations.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders
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 with respect to the financial position and the financial statements provided to the Shareholders of Tarkett.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-4 of the French Commercial Code (*Code de commerce*).

We attest that the consolidated declaration of extra-financial performance, required under Article L.225-102-1 of the French Commercial Code (*Code de commerce*), is included in the management report, being specified that, in accordance with the provisions of Article L.823-10 of this Code, we have not verified the fair presentation and the consistency with the Consolidated Financial Statements of the information provided in this declaration and this information must be reported by an independent third party.

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 Executive Board 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 these procedures, 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.

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 May 13, 2014 to approuve accounts for the year ended December 31, 2013.

As at December 31, 2018, KPMG and Mazars were in the 5th 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, Risks and Compliance 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.

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, Risks and Compliance Committee

We submit a report to the Audit, Risks and Compliance 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, Risks and Compliance 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, Risks and Compliance Committee with the declaration provided for in Article 6 of Regulation (EU) N° 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, Risks and Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on the February 7, 2019

The Statutory Auditors
French original signed by

KPMG Audit		Mazars	
Philippe Grandclerc Partner	Renaud Laggiard Partner	Juliette Decoux Partner	Eric Schwaller Partner

6 RISK FACTORS AND INTERNAL CONTROL

The Group is leading a voluntary, organised and dynamic initiative on ways to manage its risks. This approach aims to improve the Group's capacity in identifying, managing, mitigating and monitoring the main risks that could have a material adverse effect on the Group's business, financial condition or results or on its ability to meet its objectives.

This approach is based on the identification and the analysis of the main risks to which the Group is exposed, in particular those in relation to the following areas:

- risks inherent to the Group and its line of business;
- industrial risks;
- market risks;
- legal risks.

A description of the risk management procedures is also developed in this chapter. One of these procedures notably involves transferring risk by insuring it in certain cases.

The main risks listed above are not the only ones the Group might be exposed to. The latter may be exposed to other risks and uncertainties that it is not aware of or that are currently considered as insignificant even though they could potentially have a material adverse impact on the Group's business, financial situation or results.

Summary of the main risks:

Risks	Section
Risks related to economic cycles and to the level of public expenditure	6.1.1.1
Risks Related to the prices of raw materials and energy	6.1.1.2
Risks related to the international nature of the Group's business and to political risks	6.1.1.3
Risks related to external growth	6.1.1.4
Risks related to the quality of the Group's products and their marketing	6.1.1.5
Risks related to strong competition in the regions where the Group does business	6.1.1.6
Risks related to the Group's dependence on certain suppliers	6.1.1.7
IT risks	6.1.1.8
Risks related to compliance with environmental and safety regulations	6.1.2.1

Risks	Section
Risks related to industrial accidents	6.1.2.2
Risks related to exposure to toxic or dangerous substances	6.1.2.3
Exchange rate risks	6.1.3.1
Interest rate risks	6.1.3.2
Liquidity risks	6.1.3.3
Risks relatedto the protection of intellectual pr oerty	6.1.4.1
Risks of non-compliance	6.1.4.2
Tax risks	6.1.4.3

6.1 Main risks

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 outlooks. In particular, the Group has a strong presence in Russia, in the other countries of the Commonwealth of Independent States (CIS) and in Ukraine. In 2018, these countries represented around 20% of the Group's consolidated net revenue in 2017. Economic forecasts in this region seem to indicate a return to growth (in January 2018, the IMF forecasted GDP growth for Russia of 1.7% for 2018 and growth of 1.6% in 2019).

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 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 future outlooks.

6.1.1.2 Risks relating to the 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 2018, the cost of these raw materials represented 54% of the Group's cost of sales. 53% of the cost of these raw materials is indirectly tied to 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 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 order books, 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 Europe and North America. In particular, it is present in Russia, in the other countries of the CIS and in Ukraine. Furthermore, the Group has developed 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 future outlook. 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 around 20% of the Group's consolidated net revenue in 2018. As a result, a material adverse change in these countries could have a material adverse effect on the Group's revenues, financial results and future outlooks.

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 these countries where it is present or limit its capacity to freely transfer capital and could, as a result, have a material adverse affect the Group's business, financial condition, financial results or future outlooks.

6.1.1.4 Risks related to external growth

The Group's strategy relies, in part, on external growth that may include acquisitions of companies or assets, equity investments or the creation of partnerships in its sector and in the regions in which the Group intends 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 authorisations 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 materialise within the expected time periods and/or at the expected levels, which could therefore have material adverse effect on the Group's financial condition, financial results and future outlooks.

6.1.1.5 Risks related to the quality of the Group's products and their marketing

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. 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 future outlooks.

In addition, in the event that the Group markets defective products, the relevant subsidiaries could incur tort or contract liability, which could potentially lead to significant adverse effects on the Group's reputation, financial results, business, financial condition and future outlooks.

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 that could have material adverse financial consequences on the Group's results, reputation, business, financial conditions and future outlooks.

Finally, it is possible that one or more substances used in manufacturing the Group's finished products could be banned in one or more countries 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 related to strong competition in the regions where the Group does business

The flooring industry is highly competitive. The Group faces significant competition from a dozen international competitors of significant size, numerous local manufacturers and independent distributors (see Section 1.5, "General Presentation of the Flooring Market and Sports Coverings"). The arrival of new competitors, new products or new technologies developed by competitors could also affect the Group's competitive position.

The Group cannot guarantee that it will be able to maintain its margins in light 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 future outlooks.

6.1.1.7 Risks related 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 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 future outlooks.

With respect to the machinery 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 technology

The Group uses complex information systems including for the management of production, 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 future outlooks.

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 related 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 regular significant expense from the Group. 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 and/or to their interpretation could lead to significant expense and/or investment, or could lead the Group to use more expensive substitutes, to change its formulas and therefore to reduce the profitability of its products, which could adversely affect the Group's business, financial results and future outlooks.

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 future outlooks could be significant.

6.1.2.3 Risks related 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.

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 results (More details in Section 4.5 "Legal and administrative Proceedings").

6.1.3 Market risks

6.1.3.1 Exchange rate risks

As a result of the international nature of the Group's business, foreign currencies exchange rate 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 2018, a significant portion of the Group's revenue was earned in currencies other than the euro, in particular the U.S. dollar (approximately 41% of consolidated net revenues in 2018). 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 future outlooks.

In Russia and the other CIS countries, although the Group locally manufactures almost all of the products it sells in the region, it imports from Western Europe some of the raw materials used in production. Because the suppliers invoice these raw materials in euros or in dollars, the Group has significant exposure to exchange rate risk with the local currencies, given that approximately 63% 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 outlooks.

(More details in Note 7.6, "Financial risks and Financial Instruments", of the financial statements included in Sections 5.2 and 4.1.1.3, "Exchange Rate Fluctuations").

6.1.3.2 Interest rate risks

As of 31 December 2018, 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 €753.6 million and the gross debt was €849.3 million, of which €394.8million at a variable rate and €454.5 million at fixed or capped rate after hedging. As of 31 December 2018, after hedging transactions and given the level of market rates, a simultaneous 1% increase in interest rates would result in an increase in the cost of net debt of €3.2 million per year pre-tax, and a simultaneous decline of 1%, or up to 0% of interest rates, by a decrease in this pre-tax cost of €3.0.million.

(More details in Note 7.6, "Financial risks and Financial Instruments", of the financial statements included in Section 5.2 and Section 4.3.3, "Financial debt").

6.1.3.3 Liquidity risks

As of 31 December 2018, the consolidated gross debt of the Group amounted to €849.3 million. In addition, the Group also had undrawn credit lines of €533.5 million and cash of €95.7 million. The Group's debt schedule can be seen in Section 4.3.3.3 "Details of Gross Financial Debt". The next important maturity deadline for the Group is in the first half of 2020, when the syndicated, renewable, multi-currency credit line of €650 million will expire, €235.8 million of which is drawn as of 31 December 2018.

The Group's credit agreements (mainly syndicated credit lines up to a maximum of €650 million, two private placements totalling €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 2018 and 2017 ratios are presented. Breach of these covenants or ratios could permit 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 favourable 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.

(More details in Note 7.6, "Financial risks 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, in particular, on its ability to obtain, maintain 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 could sue the Group for violating their intellectual property rights, thus engaging the Group 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.

Conversely, the Group could also incur significant costs in order to enforce its intellectual property rights vis-à-vis potentially infringing third parties.

In the event where the Group would be involved in litigation for infringement, the consequences on its business, its results or its prospects could be materially adverse.

Moreover, a conviction for intellectual property infringement could damage the Group's reputation and possibly entail a loss of confidence.

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 patent and trademark portfolios nor can it avoid the risk of intellectual property infringement, appropriation or illegal use of its intellectual property rights. Therefore, the Group could see the benefit of its technological edge affected by the impossibility to protect part of its intellectual property in such countries.

(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 behaviour with applicable laws and regulations or more generally, any unethical acts allegedly committed by employees and/or business partners of the Group, would expose it to legal summons and sanctions. Such legal summons and sanctions may also undermine the Group's reputation, significantly affect the Group's results and lead to a loss of investor confidence.

In order to control the risks of non-compliance, the Group has set up prevention programmes, as defined in Section 6.2.2.

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 material adverse effect on the Group's financial position.

6.1.4.3 Tax risks

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 interpretation of tax laws and regulations will not be questioned by 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 is located or does business could lead to tax reassessments or the payment of late fees, interest, fines and/or 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 flows and financial results.

6.2 Risk management

6.2.1 Organisation of internal control and risk management

The Company's risk management and internal control systems, under the responsibility of the Internal Control and Audit Department, use a variety of methods, procedures and actions in order to:

- identify, analyse 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;
- ensure the reliability of financial information;and
- ensure the implementation of the controls put in place as part of the compliance programmes.

The Group undertakes to comply with all the laws and regulations of the countries in which it is located and operates. This undertaking is made by all Group employees through the Code of Ethics and various compliance procedures defined by the Group, the application of which is controlled by the Group Legal Department, local legal directions and the Group Internal Control and Audit Department.

6.2.2 Compliance programmes

The Group has implemented compliance programmes in order to mitigate the following risks: violations of competition and anti-trust laws, anticorruption and fraud (both external and internal) as well as the risks relating to the corporate duty of care, data privacy or to a violation of international economic sanctions.

6.2.2.1 Compliance with competition and antitrust Laws

The Group intends to preserve a dynamic, healthy and loyal competition. As such, local legal directions have been actively involved in verifying the proper application of local regulations as regards competition law, in each of the geographical areas where the Group is located and operates.

Since 2011, the Group has deployed a competition compliance program, under the supervision of the Group Legal Department and external experts, intended to ensure the whole employees comply with Tarkett's internal rules as well as applicable laws and regulations covering competition law.

This programme applies in all countries where the Group is located and operates, and covers its whole activities, including where such activities are carried out through joint ventures.

It mainly consists of the deployment of the Group's competition policy, thanks to various actions to increase the awareness of the employees and provide those who are the most exposed to competition-related issues with trainings as regards competition law.

Since 2017, the Group has also been very committed to strengthening its compliance program as regards competition law, mainly through various actions such as:

- trainings of employees have been reinforced: the frequency of training sessions as regards competition law (in-person trainings and e-learnings) and the number of employees having to follow such training has increased significantly. As such and as of 2017, an online training session on the prevention of anti-competitive practices was followed by more than 4,000 employees. In 2018, new in-person training sessions were performed with the employees identified as the most exposed to competition risk. Two mandatory e-learnings were also set up in 2018 for the whole employees having access to a computer;
- new internal rules: new procedures and strict rules were deployed and thus completed the Group's competition policy as regards the conditions for the involvement of employees in professional associations;
- better accessibility to internal rules and higher employees' commitment: the Group's competition policy is now easily accessible and can be downloaded in 15 languages on the Group's Intranet under a section named "Compliance", which is regularly updated. Newly hired employees also undertake to read and comply with such internal rules; and
- the deployment of a new professional whistleblowing system named the "Compliance Hotline": this tool, which is accessible to employees, customers, suppliers and business partners of the Group, is constitutive of an additional means for alerting the Group in complete confidence in case of doubt regarding a potential anti-competitive behaviour;
- the creation of a new section on Tarkett's public Internet website listing and making available the English version of the policies and compliance procedures applicable within the Group;
- the deployment of internal controls to evaluate the competition compliance programme.

6.2.2.2 Prevention and fight against corruption and influence peddling

The prevention and fight against corruption is of a major importance for the Group and its whole employees. Given the diversity of products offered by the Group and of its geographic coverage, and also given significant investments made, the Group is particularly cautious as regards corruption risks.

As of 2012, the Group has thus defined 2012, a specific action plan against corruption, under the supervision of the Group's Legal Department and with the cooperation of the local legal directions.

As part of this action plan, the Group has implemented an anti-corruption policy, guidelines covering the delivery and receipt of gifts as well as relations with intermediaries, whose deployment was supported by training sessions delivered to the employees identified as the most exposed to these risks.

In addition to these in-person trainings, one e-learning was also developed and made mandatory every three years from 2012 to 2017, for a selection of employees.

In 2018, the Group has strengthened its action plan by committing to setting up a new corruption and influence peddling prevention programme, mainly through the actions referred to in Article 17 II of French Act no. 2016-1691 dated December 9, 2016 related to transparency, the fight against corruption, and the modernisation of economic life, namely:

- the implementation of a corruption risk assessment;
- the drafting of a new anticorruption code of conduct whose non-compliance shall be disciplinary sanctioned;
- the deployment of a new whistleblowing system – the "Compliance Hotline";
- the review of due diligence procedures and accounting control procedures;
- the review of trainings, in particular with the implementation of more frequent and more targeted e-learning training sessions for a broader audience as well as with the increase of in-person training sessions delivered to the employees identified as the most exposed to the risks of corruption;
- the creation of a new section on Tarkett's public Internet website listing and making available the English version of the policies and compliance procedures applicable within the Group; and
- the deployment of internal controls to evaluate the corruption prevention programme.

6.2.2.3 Prevention and fight against fraud

The prevention of and the fight against fraud, under the responsibility of the Group 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 Group 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 employee awareness and put in place additional controls, if necessary;
- in-person training of all Group employees having access to a computer;
- online training in 2016 for targeted groups of employees.

6.2.2.4 Commitments as regards the Duty of Care

The Group has been committed for many years, within its subsidiaries and in cooperation with its business partners, in identifying and preventing any damage its activities may cause to human rights and fundamental freedoms, health and safety of individuals and to the environment.

As such, the Group has adhered to the United Nations Global Compact since 2010.

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 3.5 related to the Duty of Care, Sections 3.7 to 3.9 as well as Section 6.2.3.3 related to risk mitigation also specify the action plans that have been put in place to mitigate the main risks identified and resulting from Group's activities as regards health, safety, and damages to the environment.

6.2.2.5 Protection of personal data

The Group is committed to ensuring fair use of all the personal data it processes, in compliance with applicable regulations, in particular the European General Data Protection Regulation ("GDPR").

As such, the Group has set up an action plan under the supervision of the Group Legal Department, namely:

- the insertion of standard clauses to ensure the confidentiality and security of personal data i communicated to business partners identified as data processors;
- the implementation of internal records of processing activities performed by the Group;
- the identification of potential at risk processing activities;
- the review of the Group Privacy Policy to provide better transparency to customers;
- the reinforcement of awareness-raising actions and in-person training for employees identified as most exposed to privacy risk.

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 Stock Market" aimed at pointing out the applicable stock market regulations to all of its corporate officers, Group senior executives, and various insiders. This enabled improved adherence to the recommendations issued by the stock market authorities and regulations in force 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.

6.2.2.7 Compliance with applicable rules governing international economic sanctions

The Group wants to ensure that the business transactions it conducts comply with international economic sanctions and has therefore set up an action plan under the supervision of the Group Legal Department, for the implementation of preventive measures, namely:

- the implementation of trainings and awareness campaigns for the sales teams on the applicable rules governing international economic sanctions;
- the quarterly monitoring of business conducted in certain countries that could potentially be affected by international economic sanctions;
- the adoption of an action plan regarding the compliance with international sanctions against Iran; and
- the implementation of due diligence procedures for all potential acquisition projects and/or with identified intermediaries as intermediaries "at risk" in order to control that the target company and/or business partner are not covered by international economic sanctions.

6.2.3 Internal control and risk management system

6.2.3.1 Control framework

The Group's organisation is decentralised, 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 materialised in the Company's Code of Ethics and policies on antitrust compliance, corruption, and fraud prevention under the responsibility of the Group Legal Department and the Internal Audit and Control Department;
- the founding principles at the heart of the Group's values, such as responsibility and exemplary behaviour, which are relayed throughout the organization and the various areas of responsibility and support;
- the harmonisation of financial processes through implementation of an integrated information system used by the majority of the Group's subsidiaries; 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.

6.2.3.2 Participants of the control

The main participants of this internal control 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 (Division Presidents) and functional departments, on the other;
- the Group Internal Control and Audit Department, part of the Group Finance Department and functionally reporting to the Audit, Risk and Compliance Committee:
  - runs the internal control and risk management system, and
  - ensures compliance with Group rules at subsidiary level, evaluates risks in areas covered by its audits and recommends improvements relating to internal control.

The Group Internal Control and Audit Department also relies on a network of internal auditors in certain divisions who manage these procedures within their areas.

The Audit, Risk and Compliance Committee is responsible for monitoring the preparation and audit of accounting, financial and non-financial information, as well as for ensuring the efficiency of risk-monitoring and internal control procedures to facilitate the Supervisory Board's review and verification thereof.

6.2.3.3 Identification and Evaluation of Risks

Risk Mapping

Since 2010, the Group 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, sometimes in collaboration with external experts, interviews members of the Executive Management Committee and key employees holding strategic positions at the Group and Division level in order to identify risks within their areas;
- 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 Group;
- the review and validation of the risk mapping by the Executive Management Committee and presentation to the Audit, Risk and Compliance 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 risk map 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 risk map was conducted in 2017 on the risk of corruption, an initial key step in the deployment of a global programme for the prevention of corruption that meets the requirements of the French Act No. 2016-1691 of December 9, 2016 on the transparency, the fight against corruption and the modernisation of economic life. This specific corruption risk mapping is updated annually.

Another risk map procedure was also conducted in 2018 to meet the requirements of the French Act No.2017-399 of March 27, 2017 on the duty of care of parent companies and initiating companies.

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 particular in oversight of fire, security, and environmental risks.

Monthly activity reviews and potential whistleblowing alerts received from implemented set-ups 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 these risks.

6.2.3.4 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 and thus 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;
- several markets: The commercial market and the residential market; and
- mainly the renovation sector, which is less sensitive to economic cycles than the sector of new builds.

Risks related to commodity and energy prices as well as the Group's dependence on certain suppliers
In order to manage these risks as well as possible, 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 and energy 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 related to the international nature of the Group's business and to political risks
The management of political risks 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 "market risk" apply to "political instability" risk.

Risks related to external growth
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 mitigate this risk.

Risks related to Group products
In order to manage this risk, the Group set up processes for:

- regulatory watch by product range and by country;
- testing and validating new product developments and changes to existing product formulations; and
- certification of new components.

Risks related to information systems
Recognising that a failure of any one system could have a material adverse effect on its business, financial position, results, or future prospects, the Group 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 the Group's computer resources;
- regular updates of computer components;
- deployment of proven threat detection and remediation solutions; and
- the implementation of disaster recovery processes.

In this context, in 2017, the Group took out a specific insurance policy covering cyber security and digital data protection (more information in Section 6.3).

Industrial risks
The Group pursues a consistent approach towards its **programs for identifying and preventing risks resulting from its business**. 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 staff; 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, namely the industrial risks related to employee safety, fire prevention, and environmental protection, and has thus launched action plans to control them.

Concerning **safety of employees**, 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;
- training the employees concerned to use the equipment under good conditions;
- set-up an internal audit plan (the SMAT programme) for each factory. These controls, carried out by the factories' management teams, as well as by the operators after prior training, are carried out at least twice a year, thereby helping to ensure that all operators have fully integrated all the actions and behaviour enabling them to maintain a safe workstation. (More information on employee safety in Section 3.9.1).

With regard to **preventing and managing fire risks**, the Group has decided to adopt the same process, entitled: "Fire Risk Assessment Plan":

- each plant carries out an assessment of its protection against the material fire risks identified within the Group, and following a methodology that pools the expertise of the Group's internal 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 mitigate 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 control conducted on sites.

Finally, for the **prevention and management of environmental risks**, the Group adopts an approach similar to the one relative to fire risks:

- each plant thus carries out an assessment of its risks, pooling the expertise of its in-house 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 mitigate 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

The Group 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 in Russia with 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.

6.2.3.5 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 whole Group. This mechanism constitutes a common reference applied by the local management, which are responsible for supplementing it locally with additional control activities for dealing with risks that are specific to them.

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 TRACE. The self-evaluation is approved by the management of the relevant subsidiaries 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 same scheme.

The Group Internal Control and Audit Department analyses and distributes a synthesis of the results to the stakeholder. The results of the self-evaluation are the subject of a divisional level review with (i) the Chairman of the Management Board, (ii) the Group's Chief Financial Officer and the Group Internal Control and Audit Department and (iii) the President, the CFO and internal controller of the relevant Division. These results are then presented to the Audit, Risk and Compliance 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 described above is complemented by tests on the key TRACE reference controls performed by the divisional internal controllers.

Internal control performance indicators

The Group Internal Control and Audit Department has set up and regularly 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.

6.2.3.6 Audit activities

On the basis of an audit plan approved in advance by the Audit, Risk and Compliance Committee, the Group Internal Control and Audit Department comprises five-members and carried out 30 assignments in 2018. The audit plan is composed of repeated audits of subsidiaries, mainly of a financial nature, as well as of transverse audits with respect to an operational process or particular risk at the divisional level.

Each mission of audit is concluded by a report provided to the Audit, Risk and Compliance Committee and to Managers of Divisions, which includes a rating and an action plan prepared by the relevant subsidiary in order to correct any weaknesses that are discovered. These reports are also sent to the Group's 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 subsidiaries and the annual audit plan;
- follow-up monitoring by the divisions' internal controllers within 12 months following the internal audit conducted by the Group Internal Control and Audit Department; and
- monitoring missions performed by the Group Internal Control and Audit Department, if necessary, with respect to critical matters for the Group.

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 **main participants** in the process are as follows:

- the Group Finance Department, which relies on the central functional departments (Financial Control, which oversees Consolidation and Controlling, Treasury, Taxation 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 2018, 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 Division's controlling managers, 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 on a monthly basis 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 targets. 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 which focus on the same financial aggregates as the annual budget, 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 Risks coverage

The Group's policy with respect to insurance is coordinated by the Insurance and Loss Prevention Department, which is part of the Group Legal Department responsible for identifying the main insurable risks and quantifying their potential consequences, in order to:

- reduce some of the risks by recommending preventive measures in cooperation with other Group departments; or
- transfer the risks to the insurance market, especially the exceptional risks, with a high magnitude potential 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 Insurance and Loss Prevention Department with the necessary information to identify and quantify insured or insurable risks at Group level, and for implementing the appropriate methods to ensure business continuity if an event occurs. On these bases, the Insurance and Loss Prevention Department negotiates with the major insurance and reinsurance providers to put in place optimal insurance coverage responding the best to its risks' coverage needs.

The Group's local subsidiaries also implement local insurance policies to cover risks in response to a local insurance obligation, such as Motor Third Party liability insurance.

The Group purchases insurance based on reasonable estimates of potential risks occurrence resulting from liability risks, property-casualty risks and others. This approach takes into account the analyses made by insurance companies as subscribers of the risks. The non-insured risks are those for which there is no insurance market available or those for which the insurance cost is disproportionate compared with the potential insurance interest or those for which the Group considers that the risk does not require insurance coverage.

The Group Insurance programs are based on the implementation of Master policies issued in France and on insurance policies issued abroad, being part of the programs or stand-alone insurance policies, in countries where having no local insurance policy is not allowed. The master insurance policies apply to the Group's overall operations, in addition to the local policies (Difference-In-Conditions/Difference In Limits, or "DIC/DIL"), if there is no local insurance policy in place or if the local insurance coverage is insufficient in limit or guaranty to cover the event locally. The local insurance policies are also implemented to take into account local specificities or legislative constraints in each country. The Group has also implemented a captive insurance company, in order to reduce the premiums paid to insurers and thus to reduce the global insurance costs.

The Group insurance policy wording conditions are based on exclusions, limits and deductibles that might expose the Group to unfavourable consequences in the event of the occurrence of a significant claim or legal action brought against the Group. 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 main Group 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 facilities of the Group are covered by this policy if and to the extent that values of local sites exceed the policy deductibles;
- directors and officers liability insurance;
- environmental Impairment liability insurance;
- transport insurance; and
- cyber security and digital data protection.

7 INFORMATION ABOUT THE COMPANY, ITS SHAREHOLDERS AND ITS SHARE CAPITAL

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 head office is located at 1, Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense, France (phone number: +33 (0)1 41 20 40 40).

Tarkett is a joint-stock company (*société anonyme*) with a Management Board and a Supervisory Bard, governed by French law.

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 The share capital and its evolution in the last three years

As of December 31, 2018, 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, 2018, the Company 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 "Performance shares".

As of December 31, 2018, not delegation of powers or authorizations to the Management Board to issue any shares or other securities have been provided by the Shareholders' Meeting except those described in Section 7.2.4 "Financial Authorizations".

In the last three years, no changes to the Company's share capital occurred.

7.2.2 Shares controlled by the Company, treasury shares and purchase by the Company of its own shares

As of December 31, 2018, the Company holds:

- directly 228,875 of its shares, i.e. 0.36% of the share capital. It is recalled that the Company terminated the liquidity contract entered into with Exane BNP Paribas on August 1st, 2014. The termination became effective on November 19, 2018;
- indirectly, via its wholly-owned subsidiary Tarkett GDL SA 81,726 of its shares, i.e. 0.13% of the Company's share capital.

7.2.3 Share buyback program

7.2.3.1 Information on transactions carried out in connection with the Company's share buyback program during 2018 (excluding the Company's liquidity contract)

Summary of the share buyback program authorised by the Shareholders' Meeting of April 26, 2018

The Shareholders' Meeting of April 26, 2018, in its seventeenth resolution, authorized the Management Board, for a period of 18 months expiring on October 26, 2019, to purchase or cause the purchase of its own shares up to a maximum of 10% of the total number of shares composing the share capital, at a maximum price of €60 and up to a maximum global limit of €15 million.

This Shareholders' Meeting also decided in the same resolution that the number of shares held directly or indirectly by the Company may not exceed 10% of the Company's share capital.

This authorization enables 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 granted; or
- maintaining a liquidity market in Tarkett's shares through an investment services provider in the framework of a liquidity contract that complies with the market ethics charter established by the *Association Française des Marchés Financiers* (AMAFI) and recognized by the French Financial Markets Authority (AMF).

Activity of the share buyback program in 2018

In accordance with Article L.225-111 of the French Commercial Code, it is specified that the Management Board carried out the following transactions under the share buyback program described above:

- in March 2018: buyback of 150,000 own shares to cover part of the 2015-2018 LTIP;
- in July 2018: grant of 300,973 own shares under the 2015-2018 LTIP.

As a result, on December 31, 2018, the Company held 228,875 of its own shares (i.e. 0.36% of its share capital), with a market value of €4,009,890. As a reminder, the number of own shares held by the Company includes the 79,848 Company's shares appearing in the liquidity account on the termination date of the liquidity contract on November 19, 2018.

7.2.3.2 Description of share buyback program submitted for the approval of the Shareholders' Meeting of April 26, 2019 (14th resolution)

This description of this share buyback 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 Shareholders' Meeting of April 26, 2019.

Breakdown by objective of shares held by Tarkett

As of December 31, 2018, the Company held directly 228,875 of its treasury shares (or 0.36% of its share capital), all of which were allocated to cover the LTIPs 2016-2019, 2017-2020 and 2018-2021.

As of December 31, 2018, the Company does not have any active liquidity contract. In fact, on November 19, 2018, the Company terminated the liquidity contract concluded with Exane BNP PARIBAS.

Purpose of the share buyback program

The Company intends to purchase or request 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 performance shares to employees and/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 LTIPs; or
- to cancel shares that are bought back but not allocated; or
- to maintain a liquidity market in Company's shares through a liquidity contract within an investment service provider, in compliance 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 maximum number of 6,372,269 shares as of April 26, 2019, date of the Shareholders' Meeting, provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF's General Regulation, the number of shares taken into account for 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. Moreover, the number of shares that the Company holds may not exceed 10% of the shares representing the Company's share capital at any time.

Characteristics and maximum purchase price of shares acquired under the share buyback program

The shares that the Company would be authorized to acquire would be, exclusively, Company's ordinary shares listed for trading on Euronext Paris – Compartment A (ISIN Code FR0004188670).

The maximum purchase price in connection with the share buyback program would be €50 per share. In the event of a change in the shares' par value, a capital increase by incorporation of reserves, a grant of performance shares, a stock split or a reverse stock split, a distribution of reserves or any other assets, a capital depreciation, or any other equity transactions, the maximum purchase price stated above would be adjusted in order to take into account the impact of such transactions on the shares' par value.

Maximum amount of funds available for the purposes of this program

The total amount allocated to the share buyback program cannot exceed €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 authorization will be granted for a period of 18 months from April 26, 2019, i.e. until October 26, 2020.

This description will be sent to the AMF. It will be available free of charge at the Company's head office, at 1 Terrasse Bellini – Tour Initiale – 92919 Paris-La Défense Cedex, and on the Company's website (www.tarkett.com).

7.2.3.3 Liquidity contract

On August 1st, 2014, the Company entered into a liquidity contract with Exane BNP Paribas for a 12-month duration, automatically renewable term, in accordance with the AMAFI ethics code and recognised by the AMF.

On November 19, 2018 the Company terminated this liquidity contract with immediate effect. On the termination date of this contract, the the liquidity account held the following assets:

- €511,963.29;
- 79,848 shares.

As a reminder, at the liquidity contract's entry into force on August 11, 2014, €2,800,000 were allocated.

From January 1st to November 19, 2018, under this liquidity contract, 908,138 shares were processed for a total amount of €23,303,212, with a capital loss of €841,917.

Liquidity agreement management commissions totalled €50,000, excluding tax, in 2018.

7.2.4 Financial authorizations

The table below shows financial authorizations in effect as of December 31, 2018.

Financial authorizations in effect as of December 31, 2018

Nature of authorizations	Expiration and duration of the authorization	Maximum par value authorized	Usage in 2018
Delegation of authority to be given to the Management Board to trade in the Company's shares Shareholders' Meeting of April 26, 2018 (17th resolution)	October 26, 2019 (18 months)	10% of existing shares	See Section 7.2.3.1
Delegation of authority to be given to the Management Board to grant free shares to employees and/or certain company officers Shareholders' Meeting of April 26, 2018 (18th resolution)	Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018	1% of existing shares	Decision of the Management Board of July 24, 2018: granting of 400,000[(1)] freeshares (i.e. 0.63% of existing shares) to the beneficiaries of the LTIP 2018-2021
Delegation of authority to be given to the Management Board to increase the share capital by incorporation of premiums, reserves or otherwise Shareholders' Meeting of 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 Shareholders' Meeting of 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. "Performance shares".

The Shareholders' Meeting of April 26, 2019 will be asked to renew the four following authorisations, which will expire in 2019.

Table of financial authorizations proposed for renewal at the Shareholders' Meeting of April 26, 2019

Nature of authorizations	Expiration and duration of the authorization	Maximum par value authorized
Delegation of authority to be given to the Management Board to trade in the Company's shares (16th resolution)	October 26, 2020 (18 months)	10% of existing shares
Delegation of authority to be given to the Management Board to increase the share capital by incorporation of premiums, reserves or otherwise (17th resolution)	June 26, 2021 (26 months)	50 million euros
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, 2019	1% of existing shares
Delegation of authority to be given to the Management Board to decrease the share capital by cancellation of treasury shares (19th resolution)	June 26, 2021 (26 months)	10% 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.

7.2.5 Share capital of any Company of the Group that is the subject of an option or agreement to put it under option

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

As of December 31, 2018, there are no significant engagement such as pledge, guarantee or in rem surety affecting the Company shares.

7.3 Shareholder information

7.3.1 Breakdown and evolution of the share capital and voting rights during the last three years

The following table presents the Company's shareholder structure as of December 31, 2018 and its evolution in the last three years:

As of December 31, 2018	Number of shares	% of capital	Number of voting rights	% of theoretical voting rights	% of real voting rights
Société Investissement Deconinck (SID)	32,075,071	50.34%	64,050,142	66.51%	66.73%
Deconinck Family and related companies	277,361	0.44%	299,748	0.31%	0.31%
Total of the Deconinck Family Group (1)	**32,352,432**	**50.77%**	**64,349,890**	**66.82%**	**67.04%**
Public	25,950,326	40.72%	26,531,569	27.55%	27.64%
Tweedy Browne Company LLC. (2)	5,109,337	8.02%	5,109,337 (3)	5.31%	5.32%
Treasury shares and self-controlled shares (4)	310,601	0.49%	310,601	0.32%	-
Total	**63,722,696**	**100%**	**96,301,397**	**100%**	**100%**

(1) On November 7, 2018, the Deconinck Family Group, composed of the SID (1 Terrasse Bellini – Tour Initiale – 92919 Paris – La Défense Cedex) members of the Deconinck family and related parties exceeded the legal threshold of two-thirds of the Company's voting rights.
(2) The Tweedy Browne Company LLC has declared that none of its clients, on behalf of whom it holds Company shares within its management activity, holds individually 5% or more of the Company's capital or voting rights.
On September 13, 2018, the Tweedy Browne Company LLC (One Station Place, Stamford, CT, 06902 United States), acting on behalf of managed clients and funds, exceeded the legal threshold of 5% of the Company's capital.
On October 31, 2018, the Tweedy, Browne Company LLC (One Station Place, Stamford, CT, 06902 United States), acting on behalf of managed clients and funds, exceeded the legal threshold of 5% of the Company voting rights.
(3) The Tweedy Browne Company LLC indicated that it held on behalf of its clients 5,109,337 shares out of which 4,937,807 shares for which it exercises the voting rights of its clients.
(4) The treasury shares and self-controlled shares are all the shares held directly or indirectly by the Company.

To the Company's knowledge, as of December 31, 2018 there were no other shareholders holding directly or indirectly, by themselves or jointly, more than 5% of the Company's share capital or voting rights.

As of December 31, 2017	Number of shares	% of capital	Number of voting rights	% of theoretical voting rights	% of real voting rights
Société Investissement Deconinck	31,975,071	50.18%	63,950,142	66.42%	66.73%
Public	31,308,103	49.13%	31,891,146	33.12%	33.27%
Treasury shares and self-controlled shares [(1)]	439,522	0.69%	439,522	0.46%	-
Total	**63,722,696**	**100%**	**95,841,288**	**100%**	**100%**

(1) The treasury shares and self-controlled shares are all the shares held directly or indirectly by the Company. This takes into account the 57,796 shares held in the name and on behalf of the Company under the liquidity contract.

As of December 31, 2016	Number of shares	% of capital	Number of voting rights	% of theoretical voting rights	% of real voting rights
Société Investissement Deconinck	31,975,071	50.18%	63,900,142	66.42%	66.57%
Public	31,346,281	49.19%	32,085,038	33.29%	33.43%
Treasury shares and self-controlled shares [(1)]	401,344	0.63%	393,663	0.41%	-
Total	**63,722,696**	**100%**	**95,386,524**	**100%**	**100%**

(1) The treasury shares and self-controlled shares are all the shares held directly or indirectly by the Company. This takes into account the 19,618 shares held in the name and on behalf of the Company under the liquidity contract.

7.3.2 Control of the Company

On November 14, 2018 the Deconinck Family Group, composed of SID, members of the Deconinck family and related companies, declared to have exceeded the legal threshold of two-thirds of the Company's voting rights following the purchase by the SID of 100,000 Company's shares.

Therefore, as of December 31, 2018, the Deconinck Family Group held jointly 50.77% of the shares, 66.82% of theoretical voting rights and 67.04% of voting rights at the Shareholder"s Meeting.

It is recalled that the Company established governance rules, permitting to assure proper functioning of the Supervisory Board and its specialised Committees to respect interests of all shareholders. In particular, the Company respects the provisions of the Afep-Medef Code regarding independence within the Supervisory Board and its specialised Committees, under a control shareholding. Thus, as of December 31, 2018, 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 chaired by an independent member (see Section 2.2.4). However, the Company believes that there is no risk of control being exercised in an abusive manner.

To the Company's knowledge, as of December 31, 2018, apart from the Deconinck Family Group's members, no individual or legal entity exercises or can exercise control of the Company, directly or indirectly, by themselves, jointly or in agreement.

To the Company's knowledge, as of December 31, 2018, there are no agreements whose implementation could, at a later date, result in a change in control of the Company.

7.3.3 Principal direct and indirect shareholders

As of December 31, 2018, to the Company's knowledge, the only shareholder directly or indirectly and individually holding more than 5% of the Company's share capital or voting rights is Société Investissement Deconinck and the Tweedy Browne Company LLC.

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 in France, 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 €44,217,532.47, divided into 290,048 shares of €152.45 par value each.

As of December 31, 2018, SID's shares of the Company represent 50.34% of the Company's share capital and 66.73% of voting rights that can be exercised at a Shareholders' Meeting.

Tweedy Browne Company LLC.
A U.S. company with the headquarters at One Station Place, Stamford, CT, 06902 United States, Investment Adviser registered with the U.S. Securities Exchange Commission. The Tweedy Browne Company LLC has declared to have acquired shares acting on behalf of the managed clients and funds.

As of December 31, 2018, the participation held by Tweedy Browne Company LLC represents 8.02% of the Company's share capital and 5.32% of its voting rights that can be exercised at a Shareholder's Meeting (*Tweedy Browne Company LLC specified that it holds 4,937,807 shares on behalf of its clients, for which it exercises voting rights of its clients, i.e. 5.14% of the voting rights at a Shareholders' Meeting*).

Shareholding by Officers 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, "Performances Shares (LTIP)".

7.3.4 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, or before November 22, 2013.

Therefore, since then, on November 22, 2015, the Company granted double voting rights to shares meeting the required conditions.

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.

Double voting rights may be exercised at any Shareholders' Meeting of the Company.

Double voting rights terminate if the shares are converted into bearer form or if their ownership is transferred.

A merger or spin-off 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.

7.3.5 Exceeding of thresholds

As of December 31, 2018 and as of the date of this reference document, the Company has not received any declaration of exceeding of legal thresholds other than those listed above.

7.3.5.1 Exceeding of legal thresholds

On September 13, 2018, the Tweedy Browne Company LLC Company (One Station Place, Stamford, CT, 06902 United States), acting on behalf of managed clients and funds, exceeded the legal threshold of 5% of the Company's share capital.

On October 31, 2018, the Tweedy Browne Company LLC Company (One Station Place, Stamford, CT, 06902 United States), acting on behalf of managed clients and funds, exceeded the legal threshold of 5% of the Company's voting rights.

On November 7, 2018, the Deconinck Family Group, composed of the SID (1 Terrasse Bellini – Tour Initiale – 92919 Paris – La Défense Cedex), members of the Deconinck Family and related companies exceeded the legal threshold of two-thirds of the Company's voting rights.

7.3.5.2 Exceeding of statutory thresholds

Moreover, under the statutory obligation of declaration to the Company of any exceeding of the threshold of 1% of the share capital or voting rights, or of any multiple of this percentage, during the year the Company received various notifications of exceeding of statutory thresholds, up or down, as a result of transfers and acquisitions of shares.

Among these notifications, on December 11, 2018, the Tweedy Browne Company LLC (One Station Place, Stamford, CT, 06902 United States), acting on behalf of managed clients and funds, exceeded the statutory threshold of 1% of the Company capital. As a result of an acquisition, it held 5,109,337 shares out of which 4,937,807 shares for which it exercises voting rights on behalf of its managed clients and funds.

7.3.6 Shareholders' Agreement

To the Company's knowledge, as of December 31, 2018, there has been no agreement or understanding between its shareholders.

7.4 Bylaws of the Company and Internal Regulations of the Supervisory Board

The Company's Bylaws were drafted in accordance with French laws and regulations applicable to *société anonyme* with Management Board and Supervisory Board. 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 Shareholders' Meeting on April 24, 2015, as well as by the Shareholders' 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.

7.4.1.1 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.

7.4.1.2 Management and Supervisory Boards (Articles 11 to 23 of the Bylaws)

7.4.1.2.1 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;

i) 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;

l) 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);

n) 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);

o) (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;

r) 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.

7.4.1.2.2 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 re-elected.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, Risks and Compliance Committee and the Nomination, Compensation and Governance 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 Nomination, Compensation and Governance 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 salaried 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 Nomination, Compensation and Governance 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 Nomination, Compensation and Governance Committee, authorize reimbursement of expenses incurred by observers in the interest of the Company.

7.4.1.3 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.

7.4.1.4 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.

7.4.1.5 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 head 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.

7.4.1.6 Statutory provisions likely to have an impact in case of a change of control of the Company

None.

7.4.1.7 Shareholding thresholds and identification of shareholders

7.4.1.7.1 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.

7.4.1.7.2 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.

7.4.1.8 Modification of 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.

7.4.1.9 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.

7.5 Equity investments by the Company outside the Tarkett Group

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 4.1.1.5 "Acquisitions" as well as in Notes 2 "Scope of Consolidation" and 13 "Principal Consolidated Entities" of Section 5.2 "Notes to the Consolidated Financial Statements".

7.6. Information likely to have an influence in the event of a public offering

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 7.4 "Bylaws of the Company and Internal Regulations of the Supervisory Board";
- the powers of the Management Board, particularly with regard to the issuance or redemption of shares, are described in Section 7.2.4 "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.

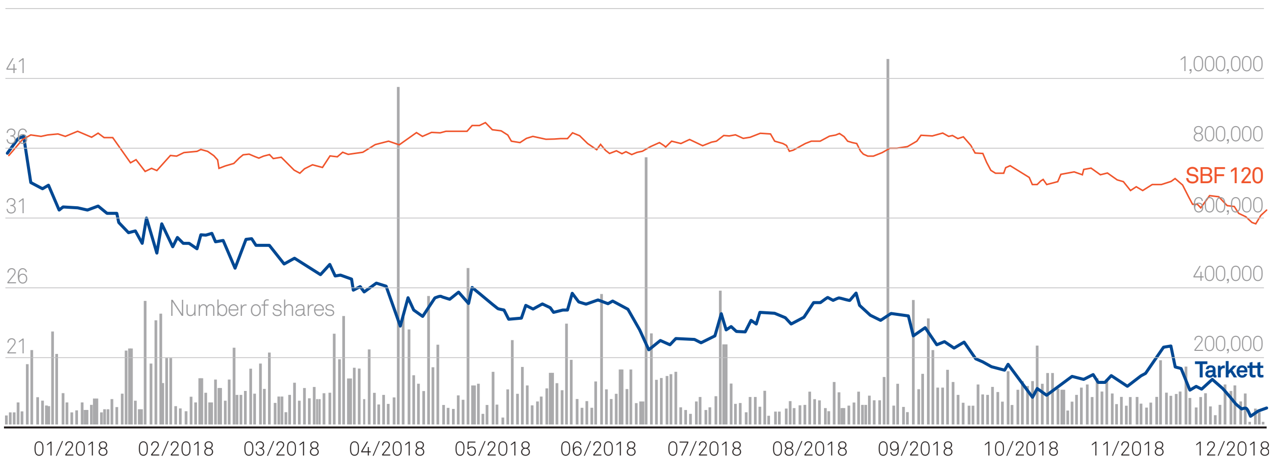
7.7 Stock market information

Tarkett's shares are listed on Euronext Paris – Compartment A – ISIN Code: FR00004188670 – Stock symbol: TKTT.

	2018	2017	2016
Closing Share Price *(in euros)*			
High	36.92	€44.80	€36.78
Low	16.90	€32.32	€21.14
As of December 31	17.51	€34.98	€34.09
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)*	1,116	2,229	2,172

Source: Euronext.

Evolution of share price



8 SHAREHOLDERS' MEETING

8.1 Draft agenda and resolutions presented to the Shareholders' Meeting of April 26, 2019

8.1.1 Agenda

Resolution no 1
Approval of the company financial statements for the year ended December 31, 2018;

Resolution no 2
Approval of the consolidated financial statements for the year ended December 31, 2018;

Resolution no 3
Allocation of the net result for the year ended December 31, 2018 and determination of the dividend;

Resolution no 4
Approval of the assistance agreement entered into by and between the Company and *Société Investissement Deconinck* referred to in Articles L.225-86 *and seq.* of the French Commercial Code;

Resolution no 5
Approval of the services agreement entered into by and between the Company and *Société Investissement Deconinck* and referred to in Articles L.225-86 *and seq.* of the French Commercial Code;

Resolution no 6
Approval of other regulated agreements and commitments within the meaning of Articles L.225-86 *and seq.* of the French Commercial Code;

Resolution no 7
Renewal of Mrs. Françoise Leroy's term of office as Supervisory Board Member;

Resolution no 8
Appointment of Mr. Didier Michaud-Daniel as Supervisory Board Member;

Resolution no 9
Approval of the compensation paid or allocated in respect of the 2018 financial year to Glen Morrison, Chairman of the Management Board until September 18, 2018;

Resolution no 10
Approval of the compensation paid or allocated in respect of the 2018 financial year to Fabrice Barthélemy, interim Chairman of the Management Board since September 18, 2018;

Resolution no 11
Approval of the compensation paid or allocated in respect of the 2018 financial year to Didier Deconinck, Chairman of the Supervisory Board until April 26, 2018;

Resolution no 12
Approval of the compensation paid or allocated in respect of the 2018 financial year to Eric La Bonnardière, Chairman of the Supervisory Board since April 26, 2018;

Resolution no 13
Approval of the principles and criteria for determining, distributing and allocating the compensation of the Chairman of the Management Board;

Resolution no 14
Approval of the principles and criteria for determining, distributing, and allocating the compensation of the Chairman of the Supervisory Board;

Resolution no 15
Approval of the principles and criteria for determining, distributing, and allocating the compensation of Supervisory Board members;

Resolution no 16
Authorization given to the Management Board to trade in shares of the Company;

Resolution no 17
Authority delegated to the Management Board to decide to increase share capital by capitalizing issue premiums, reserves, earnings or other;

Extraordinary business

Resolution no 18
Authorization given to the Management Board to allocate performance shares to employees and/or certain corporate officers of the Company or related companies, specifying the duration of the authorization, the limits thereon and the duration of the vesting and retention periods;

Resolution no 19
Authority delegated to the Management Board to reduce the share capital by cancellation of treasury shares;

Ordinary business

Resolution no 20
Powers for formalities.

8.1.2 Text of the resolutions submitted to the Shareholders' Meeting

First resolution
Approval of the company financial statements for the year ended December 31, 2018
The Shareholders' Meeting, pursuant to the quorum and majority requirements for ordinary shareholders' meetings and after reviewing (i) the report of the Management Board, (ii) the observations of the Supervisory Board and (iii) the report of the Statutory Auditors on the company financial statements as of year ended December 31, 2018, approves the financial statements as of year ended December 31, 2018 as presented to them and including the balance sheet, income statement and notes thereto, showing net income of €17,406,450.85, 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 Shareholders' Meeting also takes note that total expenses and charges as referred to in Article 39-4 of the French General Tax Code were €50,000 for the most recently ended financial year.

Second resolution
Approval of the consolidated financial statements for the year ended December 31, 2018

The Shareholders' Meeting, pursuant to the quorum and majority requirements for ordinary shareholders' meetings and after reviewing (i) the report of the Management Board, (ii) the observations of the Supervisory Board and (iii) the report of the Statutory Auditors on the consolidated financial statements as of year ended December 31, 2018, approves the Consolidated Financial Statements for the year ended December 31, 2018 as presented to them and including the balance sheet, income statement and notes thereto, showing net income – Group Share – of €49.3 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 year ended December 31, 2018 and determination of the dividend

The Shareholders' 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 observations of the Supervisory Board and (iii) the report of the Statutory Auditors on the company annual financial statements, finding that these financial statements, as of December 31, 2018, show a net profit of €17,406,450.85, decides, upon the proposal of the Management Board, to allocate and distribute the distributable profit as follows:

Distributable amount for 2018 *(in euros)*	
Net income for the financial year	17,406,450.85
Previous retained earnings	729,996,971.81
Total	**747,403,422.66**
Allocation of distributable profit	
Dividend per share of €0.60, corresponding to a total amount of [(1)]	38,096,292.60
Balance allocated to retained earnings	709,307,130.06

(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, 2018 (63,493,821 shares) and may change if the number of shares with dividend rights changes between January 1st, 2019 and the ex-dividend date, in particular with respect to the number of treasury shares and final awards of performance shares (where the recipient has dividend rights under the relevant plan).

The Shareholder's Meeting specifies that in the event of a change in the number of dividend-paying shares in relation to the 63,722,696 shares comprising the share capital as at December 31, 2018, the total dividends would be adjusted accordingly and the balance allocated to retained earnings would be determined on the basis of the dividends actually paid. The Shareholder's 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 Shareholder's Meeting delegates authority to the Management Board to adjust the final amount of the distribution and the final amount of retained earnings, if necessary.

As a result, the Shareholder's Meeting sets the per-share dividend at €0.60 for the fiscal year ended December 31, 2018, attached to each of the shares with rights thereto.

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 1st, 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.

The Shareholders' Meeting, in accordance with Article L.232-18 of the French Commercial Code and Article 28 of the Articles of Association, on finding that the capital is fully paid up, offers each shareholder the option of receiving their dividend payment:

- in cash; or
- in new shares of the Company.

This option will apply to the total amount of the dividend to which the shareholder is entitled.

The new shares, should the shareholder choose this option, will be issued at a par value per share corresponding to 90% of the average of the first prices quoted on the Euronext Paris regulated market on the twenty trading days preceding the day of this Shareholder's Meeting less the net amount of the dividend paid out pursuant to this resolution and rounded up to the nearest euro cent.

Shares thus issued will carry dividend rights as of January 1st, 2019 and will be exactly like the other shares making up the Company's share capital.

Shareholders may state whether they choose to have their dividend paid in cash or in new shares between June 14, 2019 and June 28, 2019, by submitting their request to the financial intermediaries authorized to pay the dividend or, for shareholders holding registered shares in accounts held by the Company, to its representative (*CACEIS Corporate Trust – Service Assemblées Générales Centralisées 14 rue Rouget de Lisle 92862 ISSY-LES-MOULINEAUX Cedex 9*).

Shareholders who have not made a choice by June 28, 2019 will have their dividend paid in cash.

Shareholders who do not opt to have their dividend paid in new shares will be paid as of July 4, 2019. Shareholders who do opt to have their dividend paid in new shares will receive their shares as of that same date.

If the amount of the dividends for which such option is exercised does not correspond to a whole number of shares, the shareholder may receive the whole number of shares immediately higher by paying, on the day they exercise their option, the difference in cash, or receive the whole number of shares immediately below, supplemented by a cash payment.

The Shareholder's Meeting grants full powers to the Management Board, with the powers to sub-delegate any person having legal and regulatory capacity, to make payment of the dividend in new shares, specify the practical details concerning the scope and execution thereof, record the number of new shares issued pursuant to this resolution and make any necessary amendments to the Bylaws relating to the share capital and the number of shares making up the share capital and, more generally, to do all that may be useful or necessary.

In accordance with the legal provisions, the Shareholder's Meeting notes that the dividend for the past three financial years has been set as follows:

Dividends paid over the past three financial years			**Year distributed**
	2018	**2017**	**2016**
Total dividends *(in € millions)*[(1)]	37.9	38.0	33.1
Dividends per share *(in euros)*	0.60	0.60	0.52

(1) The amounts presented in this table represent total dividends after deduction of the dividend on treasury shares held by the Company.

Fourth resolution

Approval of the assistance agreement entered into by and between the Company and Société Investissement Deconinck and referred to in Articles L.225-86 *and seq.* of the French Commercial Code

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, and having reviewed the special report of the Statutory Auditors on agreements and commitments governed by Articles L.225-86 *and seq.* of the French Commercial Code, approves, pursuant to Article L.225-88 of the French Commercial Code, such report as well as the rider to the assistance agreement entered into by and between the Company and Société Investissement Deconinck, as authorized by the Supervisory Board meeting of June 26, 2018.

Fifth resolution

Approval of the services agreement entered into by and between the Company and Société Investissement Deconinck and referred to in Articles L.225-86 *and seq.* of the French Commercial Code

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, and having reviewed the special report of the Statutory Auditors on agreements and commitments governed by Articles L.225-86 *and seq.* of the French Commercial Code, approves, pursuant to Article L.225-88 of the French Commercial Code, such report as well as the rider to services agreement entered into by and between the Company and Société Investissement Deconinck, as authorized by the Supervisory Board meeting of June 26, 2018.

Sixth resolution

Approval of other regulated agreements and commitments within the meaning of Articles L.225-86 *and seq.* of the French Commercial Code

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, and having reviewed the special report of the Statutory Auditors on the agreements and commitments governed by Articles L.225-86 *et seq.* of the French Commercial Code, approves pursuant to Article L.225-88 of the French Commercial Code such report as well as the commitments undertaken in favor of Mr. Fabrice Barthélemy, as included in this report and authorized by the Supervisory Board meetings of September 18, 2018 and January 11, 2019.

Seventh resolution

Renewal of Françoise Leroy's term of office as Supervisory Board member

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the report of the Management Board and noting that the term of Mrs. Françoise Leroy is expiring, decides to renew her office as Supervisory Board member for a term of four (4) years, i.e. until the Shareholder's Meeting called to approve in 2023, the financial statements for the year ending December 31, 2022.

Mrs. Françoise Leroy has already declared in advance that she would accept her renewal, should it be decided by this Shareholder's Meeting, and that she does not hold any position and is not subject to any measure that might render her ineligible.

Eighth resolution

Appointment of Didier Michaud-Daniel as Supervisory Board member

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the report of the Management Board, decides to appoint Mr. Didier Michaud-Daniel as Supervisory Board member for a term of four (4) years, i.e. until the Shareholder's Meeting called to approve in 2023, the financial statements for the year ending December 31, 2022.

Mr. Didier Michaud-Daniel has already declared in advance that he would accept his appointment, should it be decided by this Shareholders' Meeting, and that he does not hold any position and is not subject to any measure that might render him ineligible.

Ninth resolution

Approval of the compensation paid or allocated in respect of the 2018 financial year to Glen Morrison, Chairman of the Management Board until September 18, 2018

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and the benefits of any nature paid or allocated during the 2018 financial year to Mr. Glen Morrison in his capacity as Chairman of the Management Board until September 18, 2018, as set out in Section 2.6.2.1 "Compensation paid or allocated to Glen Morrison (Chairman of the Management Board until September 18, 2018) during the year ended December 31, 2018" of the 2018 Registration Document.

Tenth resolution

Approval of the compensation paid or allocated in respect of the 2018 financial year to Fabrice Barthélemy, interim Chairman of the Management Board since September 18, 2018

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and the benefits of any nature paid or allocated during the 2018 financial year to Mr. Fabrice Barthélemy in his capacity as interim Chairman of the Management Board since September 18, 2018, as set out in Section 2.6.2.2 "Compensation paid or allocated to Fabrice Barthélemy (interim Chairman of the Management Board since September 18, 2018) during the year ended December 31, 2018" of the 2018 Registration Document.

Eleventh Resolution

Approval of the compensation paid or allocated in respect of the 2018 financial year to Didier Deconinck, Chairman of the Supervisory Board until April 26, 2018

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and the benefits of any nature paid or allocated during the 2018 financial year to Mr. Didier Deconinck in his capacity as Chairman of the Supervisory Board until April 26, 2018, as set out in Section 2.6.2.3 "Compensation paid or allocated to Mr. Didier Deconinck (Chairman of the Supervisory Board until April 26, 2018) during the year ended December 31, 2018" of the 2018 Registration Document.

Twelfth resolution

Approval of the compensation paid or allocated in respect of the 2018 financial year to Eric La Bonnardière, Chairman of the Supervisory Board since April 26, 2018

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code, approves, pursuant to Article L.225-100 II of the French Commercial Code, the fixed, variable and exceptional components of the total compensation and the benefits of any nature paid or allocated during the 2018 financial year to Mr. Eric La Bonnardière in his capacity as Chairman of the Supervisory Board since April 26, 2018, as set out in Section 2.6.2.4 "Compensation paid or allocated to Eric La Bonnardière (Chairman of the Supervisory Board since April 26, 2018) during the year ended December 31, 2018" of the 2018 Registration Document.

Thirteenth resolution

Approval of the principles and criteria for determining, distributing and allocating the compensation of the Chairman of the Management Board

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code describing the components of the compensation policy for executive corporate officers drawn up pursuant to Article L.225-82-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total compensation and benefits of any nature attributable to the Chairman of the Management Board, as set out in Sections 2.6.1.1 "Principles for the compensation of Management Board members" and 2.6.1.2 "Criteria for the compensation of the Chairman of the Management Board" of the 2018 Registration Document.

Fourteenth resolution

Approval of the principles and criteria for determining, distributing and allocating the compensation of the Chairman of the Supervisory Board

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code describing the components of the compensation policy for executive corporate officers drawn up pursuant to Article L.225-82-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the 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 for the compensation of Supervisory Board members" of the 2018 Registration Document.

Fifteenth resolution

Approval of the principles and criteria for determining, distributing and allocating the compensation of Supervisory Board members

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholders' meetings, having reviewed the corporate governance report referred to in Article L.225-68 of the French Commercial Code describing the components of the compensation policy for executive corporate officers drawn up pursuant to Article L.225-82-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable, and exceptional components of the total compensation and benefits of any nature attributable to the Supervisory Board members, as set out in section 2.6.1.3 "Principles and criteria for the compensation of Supervisory Board members" of the 2018 Registration Document.

Sixteenth resolution

Authorization given to the Management Board to trade on the Company's shares

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's 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 *and seq.* of the French Commercial Code, for the purpose of:

- awarding performance shares pursuant to Articles L.225-197-1 *and seq.* of the French Commercial Code; or
- awarding performance 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 *and 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 Shareholders' Meeting (such number being 6,372,269 shares as of December 31, 2018), 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 on the Company's shares) up to the limits authorized under applicable laws and regulations, on regulated markets or multilateral trading facilities, through systematic internalizes 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 internalizes 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 €50.

The 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, an award of performance 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 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 of the date hereof.

Seventeenth resolution

Authority delegated to the Management Board to decide to increase share capital by capitalizing issue premiums, reserves, earnings or other

The Shareholder's Meeting, pursuant to the quorum and majority requirements for ordinary shareholder's meetings, having reviewed the report of the Management Board and in accordance with the provisions of Article L.225-130 of the French Commercial Code:

- delegates to the Management Board, with the power to delegate as permitted by law, its power to decide to increase the share capital on one or more occasions (other than during a tender offer on the Company's shares) in the proportion and at the times that it considers appropriate (other than during a tender offer on the Company's shares) by capitalizing issue premiums, reserves, earnings or other where legally and statutorily possible, by issuing new equity securities or increasing the nominal amount of the existing equity securities or by the combined use of these two processes. The maximum nominal amount of the capital increases that may be carried out in this respect may not exceed fifty million euros (€50,000,000) or the equivalent in any other currency or monetary unit established by reference to several currencies;
- should the Management Board make use of this delegation of authority, the Shareholders' Meeting delegates to it all powers, including the power to delegate as permitted by law, to implement this delegation, in particular to:
  - fix the amount and nature of the sums to be capitalized, fix the number of new equity securities to be issued and/or the amount by which the nominal value of the existing equity securities will be increased, set the date, even on a retroactive basis, from which the new equity securities will carry dividend rights or the one at which the increase in the nominal value of the existing equity securities will take effect,
  - decide, in case of distributions of performance equity securities:
    - that fractional rights will not be tradable and that the corresponding capital securities will be sold; with the proceeds from the sale being allocated to the holders of the rights under the conditions provided for by law and the regulations,
    - that the shares that will be allocated under this delegation on the basis of old shares entitling to a double voting right will have this right from the moment they are issued;
  - determine and make any adjustments to take into account the impact of transactions on Company's capital, particularly in the event of a change in the nominal value of the stock, a capital increase by capitalization of

reserves, the awarding of performance shares or securities, the division or consolidation of securities, the distribution of dividends, reserves or premiums or any other assets, the amortization of capital, or any other transaction involving shareholders' equity or the capital (including in the event of a public offering and/or in the event of a change of control), and determine any other arrangements to ensure, as necessary, that rights of holders of securities giving access to capital are preserved (including by way of cash adjustments),
- record the completion of each capital increase and amend the articles of association accordingly,
- generally, to enter into any agreement, take all measures and carry out any formalities necessary for the issue and listing and financial servicing of the securities issued pursuant to this delegation and for the exercise of the rights attached thereto.

This delegation cancels any previous delegation having the same purpose. It is given for a period of 26 months as of the date hereof.

Extraordinary business

Eighteenth resolution

Authorization given to the Management Board to allocate performance shares to employees and/or certain corporate officers of the Company or related companies, specifying the duration of the authorization, the limits thereon and the duration of the vesting and retention periods

The Shareholder's Meeting, pursuant to the quorum and majority requirements for extraordinary shareholder's meetings and in accordance with applicable law, including Article L.225-197-1 *and 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 Shareholders' Meeting, and for a duration to expire at the close of the Shareholder's Meeting called to approve the financial statements for the financial year ending December 31, 2019, to carry out, with the prior authorization of the Supervisory Board, one or more free awards 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 Nomination, Compensation and Governance Committee, pursuant to the terms set forth below.

The total number of existing shares of the Company to be awarded as a bonus 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 awards 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 recipients 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 award decision, the Management Board shall determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee and as permitted by law, the vesting period following which the share award shall become final. The vesting period may not be less than two years from the date of the share award.

At the time of each award decision, the Management Board shall determine, on the basis of the recommendations of the Nomination, Compensation and Governance Commitee, where applicable, the retention period to which the award recipients 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 recipient 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 awarded before the end of the remaining vesting period, and shall be immediately transferable.

The existing shares that may be awarded 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 sixteenth 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 Shareholder's 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 recipients, the award criteria (in particular with respect to performance and continued employment), the number of shares to be awarded to each of them, the terms and conditions for the share awards and, in particular, the vesting period and retention period applicable to each award, subject to the minimum periods defined by this Resolution;
- set, upon the proposal of the Nomination, Compensation and Governance Committee, pursuant to legal conditions and limits, the dates on which such performance share awards 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 performance shares awarded will be adjusted in order to preserve the recipients' 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, each year, the ordinary shareholder's meeting of the awards carried out in connection with this resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

Nineteenth resolution

Authority delegated to the Management Board to reduce the share capital by cancellation of treasury shares

The Shareholder's Meeting, pursuant to the quorum and majority requirements for extraordinary shareholder's meetings, having reviewed the report of the Management Board and the special report of the Statutory Auditors, authorizes the Management Board to reduce the share capital, on one or more occasions in the proportion and at the times that it considers appropriate, by cancelling any amount of treasury shares it decides within the limits permitted by law, in accordance with the provisions of Articles L.225-209 *and seq.* of the French Commercial Code and L.225-213 of the same Code.

The Company may, over a period of 24 months under this authorization, cancel a maximum number of shares corresponding to ten percent (10%) of the shares comprising the Company's share capital at any time, it being recalled that this limit applies to an amount of the Company's share capital which will, if necessary, be adjusted to take into account transactions affecting the share capital after this Shareholder's Meeting.

This delegation of authority cancels any previous delegation having the same purpose. It is given for a period of 26 months as of the date hereof.

The Shareholder's Meeting grants all powers to the Management Board, including the power to delegate, to cancel or reduce capital pursuant to this authorization, amend the articles of association accordingly and complete all formalities.

Ordinary business

Twentieth resolution

Powers for formalities

The Shareholder's Meeting grants all powers to the bearer of an original, a copy, or an extract of the minutes of this Shareholder's 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 Shareholders' Meeting of April 26, 2019

1. Approval of the company and Consolidated Financial Statements for the 2018 financial year (1st and 2nd resolutions)

In its first and second resolutions, the Management Board asks the Shareholder's Meeting to approve the Company's company and Consolidated Financial Statements as at and for the year ended December 31, 2018, which show:

- for the company financial statements, the income statement shows a net profit of €17.407 million in 2018 compared with €51,920,613 in 2017;
- for the Consolidated Financial Statements, net income Group Share of €49.280 million in 2018 compared to (€38.7) million in 2017. 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 2018 Registration Document.

2. Allocation of the net result for the 2018 financial year and determination of the dividend (3rd resolution)

The purpose of the third resolution is to ask the Shareholder's Meeting:

(i) to allocate the results;

(ii) to set the dividend for the year ended December 31, 2018 at €0.60 per share, payable in cash or in shares at the option of the shareholder.

The dividend will be paid on July 4, 2019.

The total amount of the dividend of €38,096,292.60, which represents a dividend of €0.60 per share before social security contributions and the non-definitive mandatory sum deduction provided for in Article 117 quater of the French General Tax Code, is, for individuals who are tax residents in France, eligible for the 40% tax deduction mentioned in Article 158 (3) 2° of the French General Tax Code in case of choosing taxation according to the income tax schedule.

The new shares, where a dividend is paid in shares, will be issued at a par value per share corresponding to 90% of the average of the first prices quoted on the Euronext Paris regulated market on the twenty trading days preceding the day of this Meeting less the net amount of the dividend and rounded up to the nearest euro cent.

The ex-dividend date would be set on June 12, 2019. Shareholders may state whether they choose to have their dividend paid in cash or in new shares between June 14, 2019 and June 28, 2019, by submitting their request to the financial intermediaries authorized to pay the dividend or, for the shareholders registered in the pure nominee accounts held by the Company, to its representative (*CACEIS Corporate Trust – Service Assemblées Générales Centralisées 14 rue Rouget de Lisle 92862 Issy-les-Moulineaux Cedex 9*).

The dividend will be paid and the new shares will be delivered on July 4, 2019.

3. Regulated agreements and commitments (4th to 6th resolutions)

The fourth resolution submits to the Shareholder's Meeting for approval 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 year ended December 31, 2018 and since the closing of the year ended December 31, 2018, 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 2018 Registration Document). The Management Board states that during the year ended December 31, 2018:

- commitments and agreements entered into and approved by the Shareholder's Meeting in previous years have continued;
- the agreements entered into with SID and approved by the Shareholder's Meeting in previous years have been the subject of amendments and are therefore again subject to the approval of the Shareholder's Meeting;
- new commitments in favor of corporate officers have been entered into and are subject to the approval of the Shareholder's Meeting.

4. Appointments and reappointments to the Supervisory Board (7th and 8th resolutions)

The terms of office of Mrs. Françoise Leroy and Mr. Jacques Garaïalde (Supervisory Board members) expires at the end of this Shareholder's Meeting.

After analysis of the Nomination, Compensation and Governance Committee, the renewal of Mrs. Françoise Leroy as Member of the Supervisory Board for a period of four (4) years is submitted to the approval of the Shareholder's Meeting (7th resolution). The renewal of Mrs. Françoise Leroy, given her professional experience and expertise, seems particularly necessary and adapted to ensure a balance in the composition of the Supervisory Board. A summary of Mrs. Françoise Leroy's biography and skills can be found in Sections 2.1.3.5 and 2.2.3.6 of the 2018 Registration Document.

Mr. Jacques Garaïalde informed the Supervisory Board that he did not wish to renew his term of office at this Shareholder's Meeting. Consequently, and with a view to guaranteeing a balance in its composition – in particular by maintaining the proportion of independent members recommended by the Afep-Medef Code – the appointment of Mr. Didier Michaud-Daniel as a Member of the Supervisory Board for a period of four (4) years is submitted to your approval, after analysis of the Nomination, Compensation and Governance Committee (8th resolution). The Nomination, Compensation and Governance Committee and the Supervisory Board examined his status and noted in particular that Mr. Didier Michaud-Daniel will be able to provide the Supervisory Board with his operational experience in the industrial and commercial sector and large groups, especially internationally. The Supervisory Board further noted that Mr. Didier Michaud-Daniel was independent within the criteria of the Afep-Medef Code to which the Company refers.

Thus, at the end of the Shareholder's Meeting, subject to the approval of these resolutions, the Supervisory Board would be composed of eleven members (including two non-voting members), and would have four independent members (44%) and four women (44%).

Below is a summary of the biography and skills of Mr. Didier Michaud-Daniel:

Didier Michaud-Daniel

Experience and expertise
Didier Michaud-Daniel has a degree Business Management from the Poitiers Business School and INSEAD and is Chevalier of the *Légion d'Honneur*.

He began his professional career at OTIS in 1981 as a commercial engineer and held several senior positions in Sales and Operations Support. Since 1991, he served as the Executive Vice President of Operations for Otis France and was promoted Paris Executive Vice President of Operations and Sales Director in 1992. He served as Deputy General Manager of Operations at Otis since January 1998. From September 2001 to August 2004, he served as Managing Director of Otis United Kingdom and Ireland. From August 2004 to May 2008, he was Managing Director of OTIS for UK, Germany and Central Europe region, before becoming President of the OTIS Elevator Company in May 2008. He has been the Chief Executive Officer of Bureau Veritas SA since March 1st, 2012.

Professional address: Immeuble Newtime – 40/52, boulevard du Parc
92200 Neuilly-sur-Seine

Lists of positions and corporate offices held in French and foreign companies during the last five years

Current

Chief Executive Officer of Bureau Veritas [1] (France)
Chairman of Bureau Veritas International SAS (France)

Ended during the last five years

None.

(1) Listed company.

5. Approval of the compensation paid or awarded in respect of the 2018 financial year to executive corporate officers (9th to 12th resolutions)

Pursuant to Article L.225-100 of the French Commercial Code, the Shareholder's Meeting is asked to approve the fixed, variable and exceptional components of the total compensation and benefits of any nature paid or attributed by the Company in the 2018 financial year to Glen Morrison (Chairman of the Management Board until September 18, 2018, 9th resolution), to Fabrice Barthélemy (interim Chairman of the Management Board since September 18, 2018, 10th resolution) to Didier Deconinck (Chairman of the Supervisory Board until April 26, 2018, 11th resolution) and to Eric La Bonnardière (Chairman of the Supervisory Board since April 26, 2018, 12th resolution), as presented to the Section 2.6.1 "Compensation paid or granted for the year ended December 31, 2018" of the 2018 Registration Document.

You are asked to vote in favor of all of these compensation items, which were analyzed by the Nomination, Compensation and Governance Committee and comply with the Afep-Medef Code's recommendations.

6. Approval of the principles and criteria for determining, distributing and allocating the components of compensation for the 2019 financial year of the executive corporate officers (13th to 15th resolutions)

In accordance with Article L.225-82-2 of the French Commercial Code, the Shareholder's Meeting is asked to approve the principles and criteria for determining, distributing and allocating the fixed, variable, and exceptional components of total compensation and benefits of any nature, that may be awarded, in respect of the 2019 financial year, to the Chairman of the Management Board (13th resolution), the Chairman of the Supervisory Board (14th resolution) and the Supervisory Board members (15th resolution) as set out in Section 2.6.1 "Consultation on the principles and criteria for the compensation of executive corporate officers" of the 2018 Registration Document.

You are asked to vote in favor of all of these compensation items, which were analyzed by the Nomination, Compensation and Governance Committee and comply with the Afep-Medef Code's recommendations.

7. Authorization given to the Management Board to trade on Company's shares (16th resolution)

To ensure that the Company is at all times able to buy back its own shares, a resolution is submitted to your approval to authorize the Management Board, with the power to sub-delegate as permitted by law, to purchase or request for the purchase of Company's shares, in order to carry out the following transactions:

- to award performance shares pursuant to Articles L.225-197-1 *and seq.* of the French Commercial Code; or
- to award performance 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 *and 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 contract 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.

The Company'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 the Shareholder's Meeting (such number being 6,372,269 shares as of December 31, 2018), provided, that where the shares are bought in order to maintain liquidity pursuant to the conditions defined by the AMF's 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.

It is recommended that the Shareholder's Meeting set the maximum purchase price at €50 per share.

The Shareholder's 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, an award of performance 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 of the Shareholder's Meeting and up to the amount, if any, that has not yet been used, this authorization would cancel any authorization previously given to the Management Board to trade on Company's shares.

This authorization would be given for a period of 18 months from the date of the Shareholders' Meeting of April 26, 2019 and could not be used during a tender offer on the Company's shares.

8. Authority delegated to the Management Board to decide to increase the share capital by capitalizing issue premiums, reserves, earnings or other (17th resolution)

You are asked, pursuant to the provisions of Article L.225-130 of the French Commercial Code, to renew for a period of twenty-six months the authorization given to the Management Board on April 27, 2017 to increase the capital on one or more occasions by capitalizing premiums, reserves, profits or other.

The maximum nominal amount of capital increases that may be carried out in this respect may not exceed fifty million euros (€50,000,000). This authorization would be given for a maximum period of 26 months from the date of the Shareholder's Meeting and could not be used during a tender offer on the Company's shares.

9. Authorization is granted to the Management Board to award performance shares to employees and/or certain corporate officers of the Company or related companies, specifying the duration of the delegation, the limits thereon and the duration of the vesting and retention periods (18th resolution)

We ask you to authorize the Management Board to freely grant, subject to the achievement of performance conditions determined by the Management Board in agreement with the Supervisory Board and upon the recommendation of the Nomination, Compensation and Governance Committee, of existing Company's shares of not representing more than 1% of the Company's share capital on the date of the Shareholder's Meeting, to employees and/or certain company officers of the Company or its affiliated companies. We note that the awards 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 this authorization, we ask you to provide the Management Board with the authority, each time it makes decision to grant shares, to determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee and in accordance with to the law, the vesting period following which the shares will be definitively awarded, which period may not be less than two years from the share grant date.

We also ask you to approve that the Management Board will have the authority, each time it makes decision to grant shares, to determine, on the basis of the recommendations of the Nomination, Compensation and Governance Committee, where applicable, the retention period to which the 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 recipient 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 awarded 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 authorized by the Shareholder's Meeting as proposed in the sixteenth 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.

We ask you to grant this authorization as of the date of the Shareholder's Meeting, for a duration to expire at the close of the Shareholder's Meeting called to approve the financial statements for the financial year ending December 31, 2019.

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 recipients, the award criteria (in particular with respect to continued employment and, where applicable, performance), the number of shares to be awarded to each of them, the terms and conditions for the share grants and, in particular, the vesting period and retention period applicable to each award, subject to the minimum periods defined by this Resolution;
- set, upon the proposal of the Nomination, Compensation and Governance Committee, pursuant to legal conditions and limits, the dates on which such performance share awards shall be made;
- determine the dividend date for the newly issued shares;
- decide the terms pursuant to which the number of shares awarded will be adjusted in order to preserve the recipients' 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.

10. Authorization given to the Management Board to reduce the share capital by cancellation of treasury shares (19th resolution)

The Shareholder's Meeting is asked, pursuant to the provisions of Article L.225-209 of the French Commercial Code, to renew for a period of 26 months the authorization given to the Management Board on April 27, 2017 to reduce, on one or more occasions, the share capital by cancellation of treasury shares and/or that it would acquire under the share buyback program.

The Company may, over 24 months periods under this authorization, cancel a maximum number of shares corresponding to ten percent (10%) of the shares comprising the Company's share capital.

It is recalled that during the year ended December 31, 2018, the Company did not cancel any shares.

This authorization would be given for a maximum period of 26 months from the date of the Shareholder's Meeting.

11. Powers (20th resolution)

You are asked to give authority to make the filings, formalities and publications required by law.

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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 the financial statements for the year ended December 31, 2018

Ladies and Gentlemen,

Our Company's Management Board has called you to the Shareholder's Meeting, in accordance with law and the Company's Article of Association, in order to report to you on the activity and financial position of our Company and of our Group during the year ended December 31, 2018, and to submit the financial statements for such financial year and the allocation of the results for your approval.

We note that the Management Board has distributed the company 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 company financial statements, the Consolidated Financial Statements, and the Management Board's management report, and we believe that such documents do not call for 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 for your approval.

The Supervisory Board

8.4 Statutory Auditors' special report on the awarding of performance 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, 2019, 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 French Institute of Auditors (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. 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 26, 2019

The Statutory Auditors,

KPMG Audit		**Mazars**	
Philippe Grandclerc	Renaud Laggiard	Juliette Decoux	Éric Schwaller

8.5 Statutory Auditors' special report on the capital decrease

General meeting of 26 April 2019 – Nineteenth resolution
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.

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 and in accordance with article L.225-209 of the French Commercial Code (*Code de commerce*) relating to capital decrease by cancellation of shares bought back by the Company, we hereby report to you on our assessment of the reasons for and terms and conditions of the proposed capital decrease.

Your Management Board proposes that you grant, on the basis of its report, for a twenty-six month period commencing on the date of the General meeting called to approve the annual financial statements for the year ending 31 December 2018, full powers to cancel the shares bought back by the company, provided that the aggregate number of shares canceled in any given twenty-four month period does not exceed 10% of the Company's share capital.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements, as issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*). These standards require that we ensure that the reasons for and terms and conditions of the proposed capital decrease, which is not considered to affect shareholder equality, comply with the applicable legal provisions.

We have no matters to report on the reasons for and terms and conditions of the proposed capital decrease.

Paris- La Défense, February 26, 2019

The Statutory Auditors,

KPMG Audit		Mazars	
Philippe Grandclerc Partner	Renaud Laggiard Partner	Juliette Decoux Partner	Éric Schwaller Partner

8.6 Statutory Auditors' special report on the regulated agreements and commitments

This is a free translation into English of the Statutory Auditors' Report on regulated agreements and commitments issued in French and it is provided solely for the convenience of English speaking users.

This report should be read in conjunction with, and 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.

1. Agreements and commitments submitted to the approval of the shareholders' meeting

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.

1.1 Agreements and commitments authorized during the year

With M. Fabrice Barthélemy, Interim Tarkett Management Board Chairman
Mr. Fabrice Barthélemy became Interim Tarkett Management Board Chairman on September 18, 2018.

The terms and conditions of Mr. Fabrice Barthélemy's package as Interim Tarkett Management Board Chairman from September 18, 2018 to 13 January 2019, were authorized by the Supervisory Board on September 18, 2018.

Mr. Fabrice Barthélemy's annual base salary was set at €450,000 (gross compensation before tax) from September 18, 2018, vs. €400,000 previously (gross compensation before tax). The Supervisory Board authorized that the seniority of Mr. Fabrice Barthélemy in respect of his duties as Interim Management Board Chairman would be taken into account in case of return to employment contract.

As Mr. Fabrice Barthélemy was expected to resume his employment duties at the end of the interim period, the Supervisory Board decided the suspension of the employment contract with Tarkett during his term of office as Interim Management Board Chairman.

Furthermore, following the Supervisory Board decision on January 11, 2019 to appoint Mr. Fabrice Barthélemy as Tarkett Management Board Chairman from January 14, 2019, the employment contract between Tarkett and Mr. Fabrice Barthélemy was terminated.

1.2 Agreements and commitments continued during the year whose conditions have been modified

With Société Investissement Deconinck («S.I.D.»)
Persons concerned: Mr. Julien, Didier and Eric Deconinck and Eric La Bonnardière, members of Tarkett's Supervisory Board and directly and indirectly shareholders of S.I.D. up to 50,34% of Tarkett, and holding more than 10% of Tarkett's voting rights.

1) Services agreement
The agreement was authorized by your Supervisory Board on December 17, 2013 and states that Tarkett provides in favor of S.I.D. legal, social and fiscal services necessary for its business. The agreement was modified by your Supervisory Board on June 26, 2018 to consider the decrease in the scope of services provided in favor of S.I.D (legal services no longer provided in 2018), the Supervisory Board authorized the reduction of annual flat-rate basis under the agreement from €75,000 to €55,000, with retroactive effect on January 1st, 2018.

An income of €55,000, excluding taxes, has been recorded in the financial statements of your company under this agreement, for the year ended December 31, 2018.

The Supervisory Board considered that, because the legal services in favor of S.I.D. were no longer provided by Tarkett, the remuneration under the agreement could be reduced.

2) Assistance and guidance agreement

The agreement was authorized by your Supervisory Board on October 9, 2013, and stated that S.I.D. assists Tarkett in defining its strategic objectives and major decision-making. Due to the diminution of animation meeting's conditions and frequency, your Supervisory Board of June 26, 2018 authorized the reduction of annual flat-rate basis under the agreement from €500,000 to €300,000, with retroactive effect on January 1st, 2018.

An expense of €300,000, excluding taxes, has been recorded in the financial statements of your company under this agreement, for the year ended December 31, 2018.

The Supervisory Board considered that, because animation meetings were reduced, the remuneration under the agreement could be reduced.

1.3 Agreements and commitments authorized and concluded since the end of the year

We have been informed of the following agreements and commitments authorized by the Supervisory Board since the end of the year.

With M. Fabrice Barthélemy, Chairman of the Management Board

Mr. Fabrice Barthélemy became Chairman of the Management Board as of January 14, 2019, following the decision of the Supervisory Board hold on January 11, 2019

These commitments and agreements were authorized by your Supervisory Board on January 11, 2019.

Commitments made to the benefit of Tarkett Management Board Chairman include on-going advantages (company car, liability insurance, unemployment insurance and health insurance) and commitments related to the end of mandate conditions presented below:

- non-compete clause compensation: Mr. Barthélemy benefits from a clause providing for payment if the non-compete clause provided for in connection with his office is triggered.

  This indemnity is equal to his gross base salary and bonus received during the last twelve months prior to his departure as Chairman of the Management Board. This compensation will be payable in 24 monthly payments for the duration of the non-compete clause. Tarkett could waive the application of this clause in a reasonable period, on the Supervisory Board decision and after recommendations of the Nomination, Compensation and Governance Committee. The Supervisory Board decided that the non-compete clause compensation will be charged on the severance indemnity in such a way that the total amount of non-compete clause compensation and severance indemnity shouldn't exceed 2 years of his gross base salary and bonus received during the twelve months prior to his departure as Chairman of the Management Board. Moreover, your Supervisory Board decided that no non-compete clause compensation could be paid if the Chairman of the Management Board can exercise his rights to retirement in the near future, exercise his rights to retirement or reach 65-year old;

- severance payment: subject to achievement of the performance conditions, the Company will be required to pay this severance indemnity submitted to performance conditions described below.

  This severance payment is equal to two years of his gross base and bonus during the twelve months prior his departure.

  Performance is measured by the rate of achievement of annual objectives defined by the Supervisory Board on proposition of the Nomination, Compensation and Governance Committee and used to calculate variable compensation. It is equivalent to the average performance achieved by Mr. Fabrice Barthélemy over the 3 calendar years preceding his departure. The severance indemnity is conditioned to a performance rate between 50% and 100% in sort of is the performance rate is below 50%, no indemnity is payable and if performance rate is at least equal to 100%, indemnity is fully payable. It's calculated strictly proportionally with the performance rate.

  Indemnity is payable on the condition of achievement of performance conditions, in case of forced departure of corporate officer functions, including the consequences of a control change or a strategic disagreement, on the initiative of the Supervisory Board, no matter the type of mandate termination (revocation or non-renewal).

  Moreover, your Supervisory Board decided that no severance indemnity would be available in the event of serious misconduct (defined as a fault of extreme seriousness preventing continuation of social mandate) or gross fault (defined as a fault of extreme seriousness made by the director with intention of harming Tarkett) or the possibility to exercise his rights to retirement in the near future;

- non-solicitation clause: Mr. Fabrice Barthélemy should not solicit any employee or corporate officer of Tarkett, directly or indirectly, during a 24-month period following his departure of Tarkett;

- performance shares from Long Term Incentive Plans («LTIP»): Mr. Fabrice Barthélemy should hold at least 50% of all the Tarkett's shares attributed to him in the context of Long Term Incentive Plan («LTIP») – after tax impact – during his functions as Chairman of Tarkett Management Board.

  The Supervisory Board considered that, due to Mr. Fabrice Barthélemy definitive appointment as Chairman of the Management Board, the agreements and commitments mentioned above should be taken.

2. Agreements and commitments previously approved by the shareholders' meeting

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.

With M. Glen Morrison, Chairman of the Management Board until September 18, 2018
The Supervisory Board has enacted the termination of Mr. Glen Morrison's office as Chairman Management Board on September 18, 2018 and decided the applicable conditions described below.

Mr. Glen Morrison, as Tarkett Management Board Chairman from January 1st, 2018 to September 18, 2018 had benefited from the following commitments: an annual base salary, an annual variable compensation, a performance shares attribution and an assistance to relocation. Also, non-compete, non-solicitation and termination of mandate (including unemployment insurance) clauses were concluded.

For 2018 financial year, the Supervisory Board of September 18, 2018 decided to pay a severance indemnity to Mr. Glen Morrison of €931,645 gross, considering a 59.76% achievement rate of the objectives (corresponding to the achievement rate of the annual objectives for the financial year 2017 pro rata temporis). Calculation conditions of the severance indemnity were communicated to us and published on Tarkett's website.

The Supervisory Board during it's meeting of September 18, 2018 decided to waive the application of the non-competition clause. Thus, Mr. Glen Morrison is no longer subject to the non-competition clause and Tarkett didn't pay and won't pay any amount for this clause to Mr. Glen Morrison.

In accordance with the terms and conditions of the relevant plans, Mr. Glen Morrison will lose the benefit of the performance shares granted to him under plans n° 6, n° 7 and n° 8 as a result of his departure.

The Supervisory Board decided that Mr. Glen Morrison will keep the benefit of all benefits in kind until January 31, 2019 at the latest.

The Supervisory Board considered all decisions required due to Mr. Glen Morrison term of office as Chairman of Management Board, in line with all applicable commitments granted by the Company.

Paris- La Défense, February 11, 2019

The Statutory Auditors,

KPMG Audit		Mazars	
Philippe Grandclerc	Renaud Laggiard	Juliette Decoux	Eric Schwaller

9 COMPLEMENTARY INFORMATION

9

9.1 Person responsible for the Registration Document

Fabrice Barthélemy
Chairman of the Management Board

9.2 Statement of the person responsible

"*I attest, having taken every reasonable measure for this purpose that the information contained in this reference document is, to my knowledge, compliant with reality and contains no omission which could alter its scope.*

I attest, to my knowledge, that the financial statements are drawn up in compliance with the applicable accounting standards and give a faithful image of the company's assets, financial situation and results and of all the companies contained within the consolidation, and that the management report on page 314 presents a faithful overview of the changes in the company's business, results and financial situation and of all the companies contained within the consolidation and that it describes the main risks and uncertainties with which they are confronted.

I have obtained an end-of-work letter from the Statutory Auditors, in which they indicate that they have verified the information relating to the financial position and the financial statements given in this document and that they have read the entire document."

March 21, 2019

Fabrice Barthélemy
Chairman of the Management Board

9.3 Person responsible of the financial information

Raphaël Bauer
Group Financial Officer

Tour Initiale – 1 Terrasse Bellini – 92919 Paris-La Défense, France
Tel.: +33 (0)1 41 20 40 40).

9.4 Indicative financial calendar

The financial information communicated to the public by Tarkett will be available on Tarkett's website (www.tarkett.com).

As an indication, Tarkett's financial calendar until December 31, 2019 should be the following:

	2019 Timetable
First quarter results	April 24, 2019
General Meeting	April 26, 2019
Investor Day	June 19, 2019
First half results	July 23, 2019
Third quarter results	October 23, 2019

9.5 Statutory Auditors of the financial statements

	Date of last renewal	Date of end of mandate[1]
KPMG Audit, department of KPMG S.A. *Represented by Mr. Philippe Grandclerc and Mr. Renaud Laggiard* Tour Eqho – 2 avenue Gambetta 92066 Paris-La Défense	May 13, 2014	2020
Cabinet Mazars *Represented by Mrs. Juliette Decoux and Mr. Eric Schwaller* 61 rue Henri Regnault – Exaltis – 92400 Courbevoie	May 13, 2014	2020
KPMG Audit S.A. *Represented by Mr. François Caubrière* Tour Eqho – 2 avenue Gambetta 92066 Paris-La Défense	May 13, 2014	2020
Mr. Jérôme de Pastors 61 rue Henri Regnault – Exaltis 92400 Courbevoie	May 13, 2014	2020

(1) Date of the Shareholders' Meeting called to approve the financial statements of the company's financial year during which the mandate expires.

9.6 Documents accessible to the public

Copies of this reference document are available free of charge at the Company's registered office. This document may also be consulted on the company's website (www.tarkett.com) and on the website of the French Financial Markets Authority (www.amf-france.org).

During the period of validity of this reference document, the following documents (or a copy of these documents) may be consulted:

- the Company's ByLaws;
- all reports, correspondence and other documents, historical financial information, evaluations and declarations established by an expert at the Company's request, part of which is included or referred to in this reference document; and
- the historical financial information included in this reference document.

All these statutory and financial documents relating to the Company and which must be made available to the shareholders in compliance with the regulations in force may be consulted at the Company's registered office.

The regulated information within the meaning of the provisions of the AMF's general regulations is available on the Company's website.

9.7 Concordance tables

9.7.1 Registration Document

Appendix I of (EC) Commission regulation no. 809/2004		Sections
1.	Responsible persons	9.1 to 9.3
2.	Statutory Auditors of the financial statements	9.5
3.	Financial information selected	1.1.2
4.	Risk factors	6.1
5.	Information concerning the issuer	
5.1.	History and evolution of the Company	1.2
5.2.	Investments	4.2
6.	Overview of the business	
6.1.	Main activities	1.4
6.2.	Main markets	1.5
6.3.	Dependency of the issuer	1.6.2.1
6.4.	Competitive position	1.5
7.	Organisation chart	
7.1.	Summary description of the Group	1.7
7.2.	Significant subsidiaries of the Group	5.6
8.	Real estate property, plant and equipment	
8.1.	Significant material fixed assets	1.6.2.2
8.2.	Environmental issues	3
9.	Examination of the financial situation and of the results	
9.1.	Financial situation	4.1
9.2.	Operating income	4.1
10.	Cash flow and equity	4.3
11.	Research and development, patents and licences	1.6.4
12.	Information on the trends	4.6
13.	Profit forecasts or estimates	N/A
14.	Administration, management and supervisory bodies and General Management	
14.1.	Information on the members	2.2
14.2.	Conflicts of interest	2.2.6.1
15.	Remuneration and benefits	2.3
16.	Working of the administration and general management bodies	
16.1.	Expiry dates of the mandates	2.2.2.2 and 2.2.3.2
16.2.	Contracts binding the members of the administration, general management or supervisory bodies	2.9
16.3.	Information on the Board's Committees	2.2.4
16.4.	Compliance with the corporate governance regime	2.1.1
17.	Employees	
17.1.	Number of employees	1.1.2
17.2.	Holdings and stock options	2.4 and 2.7

Appendix I of (EC) Commission regulation no. 809/2004	Sections
18. Main shareholders	7.3
19. Operations with related parties	2.9
20. Financial information on the issuer's assets, financial situation and results	
20.1. Historical financial information	5.1 and 5.2
20.2. Pro forma financial information	N/A
20.3. Financial statements	5
20.4. Verifications of the annual historical financial information	5.9 and 5.10
20.5. Date of the latest financial information	5.1 to 5.5
20.6. Interim and other financial information	N/A
20.7. Dividend distribution policy	5.7
20.8. Judicial and administrative procedures	4.5
20.9. Significant change in financial or commercial situation	4.1
21. Complementary information	
21.1. Company capital	7.2
21.2. Incorporation deeds and articles of association	7.4
22. Important contracts	4.4
23. Information from third parties, expert declarations and declarations of interest	N/A
24. Documents accessible to the public	9.6
25. Information on equity holdings	7.5

9.7.2 Annual financial report

Information from article L.451-1-2 of the monetary and financial code	Sections
1. Management report	9.7.3
2. Consolidated Financial Statements	5.1 and 5.2
3. Company financial statements	5.3
4. Statutory Auditors; report on the Consolidated Financial Statements and on the company financial statements	5.9 and 5.10
5. Declaration of the individuals assuming the responsibility for the annual financial report	9.1 to 9.3

9.7.3 Management Board's report on 2018 financial year

The table below identifies the sections of the 2018 Registration Document containing all of the items of the Board's management report required by applicable laws and regulations.

Items of the management report required by article L.225-100 of the Commercial Code	Sections
1. Situation and activity of the Group	1.4
2. Significant events in FY 2018	1.1 and 5.3 (Note 1)
3. Group results in 2018	5.1 to 5.3
4. Group indebtedness	4.3.3 to 4.3.7
5. Group internal control, accounting, and financial risk management procedures	6.2
6. Description of the principal risks and uncertainties to which the Company is exposed	6.1
7. Research and development activities	1.6.4
8. Significant events since the close	5.2 (Note 11)
9. Foreseeable developments and future outlook	4.6
10. Allocation of results	8.1
11. Table of results for the past five years	5.5
12. Dividends	5.7
13. Non-tax-deductible expenses	8.1
14. Subsidiaries and equity investments	5.6
15. Shareholders	7.3
16. Share subscription or purchase option plans and performance share grants	2.5
17. Transactions on the Company's securities carried out by Company officers and related parties (article L.621-18-2 of the French Monetary and Financial Code)	2.8
18. Share buybacks	7.2.3
19. Information on supplier or client payment times	5.4 (Note 2.5)
20. HR, environmental and social information (articles of the Commercial code L.225-102-1, R.225-104 and R.225-105-1 amended by decree no. 2012-557 of April 24, 2012 – article 1.)	3 (concordance table in section 3.10.3)
21. Vigilance plan	3.5

9.7.4 Supervisory Board report on corporate governance

Information required by article L.225-68 of the Commercial Code	Sections
Diversity policy applied to the members of the Supervisory Board	2.2.3.6
Preparation and organisation conditions	2.2.1, 2.2.2.1 and 2.2.3.1
Limitation of the Board's powers	7.4.1.2.1
Mandates and functions exercised by each corporate officer	2.2.2.4 and 2.2.3.5
Director remuneration and benefits of any kind	2.3
Consultation on directors' pay	2.6.1 and 2.6.2
Provisions of the Afep-Medef Code that were rejected	2.1.1.
Where the Afep-Medef Code can be consulted	2.1.1.
Specific terms and conditions for attending general meetings	7.4.1.5
Delegations for capital increases	7.2.4
Elements likely to have an influence in the event of a public offering	7.6
Supervisory Board observations on the management report and the financial statements for the past financial year	8.3
Agreements concluded between a director or significant shareholder and a subsidiary	8.6

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