Tarkett

Press release

Tarkett Group

First Half 2019 results:

Moderate organic growth, selling prices holding up well
Ongoing deployment of new strategic plan Change to Win

Paris, July 23, 2019

Highlights

- **Net revenues at €1,412 million in H1 2019 (+7.2% versus H1 2018), driven by moderate organic growth, a positive scope effect and a positive forex impact (US dollar driven)**
- **Organic growth(1) up 1.3% in H1 2019 and roughly stable in Q2 2019: lower flooring activity compared to a buoyant Q2 2018, double digit growth in Sports**
- **Selling price increases offsetting persistent purchasing costs inflation**
- **H1 2019 adjusted EBITDA(2) before IFRS 16 at €112 million or 7.9% of revenues, a decrease of 90bps versus H1 2018 mainly due to unfavorable product mix and a one-time inventory write-off**
- **Positive free cash flow in H1 2019 and stable leverage at 2.9x Adjusted EBITDA pro forma at the end of June notwithstanding structural seasonality of H1**
- **Several refinancing transactions completed in H1 2019 to extend debt maturity and reduce cost of financing; solid take up of the scrip dividend option (elected by 80% of shareholders)**
- **New strategic plan, Change to Win, currently being shared and implemented across the Group; restructuring initiatives well on track to start delivering in H2 2019**
- **Group's focus remains on improving profitability and deleveraging for full year 2019**

(1) Organic growth is the revenue growth on a like-for-like basis, i.e. at constant scope of consolidation and exchange rates, and therefore only reflects changes in volumes, prices and the product mix (note that in the CIS segment, price increases implemented to offset currency fluctuations are not included in organic growth). See the definition of alternative performance indicators at the end of this press release.
(2) Adjusted EBITDA: adjustments include expenses such as those relating to restructuring, acquisitions and share-based payments. See the definition of alternative performance indicators at the end of this press release.

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

"After a strong first quarter, we recorded a mixed performance in the second quarter. This did not come as a surprise as we had a less favorable comparison basis and confirms that we are facing tougher market conditions than in 2018. The environment is clearly not going to provide any tailwind: we will durably improve our profitability thanks to our strategy announced in June. 2019 is a transitional year as we start to implement the first initiatives of our new strategy announced in June. We are reducing our cost base, simplifying our processes and focusing our organization on the needs of our customers. We reduced our debt notwithstanding the seasonality of the first half and also improved our financial structure. I am pleased to see that our teams are fully committed on the strategic priorities of our Change to Win plan and I am confident in our capacity to improve our profitability while building sustainable growth. "

Key Figures

€ million	H1 2019	H1 2018
Net sales *of which organic growth*(1)	**1,412.3** *1.3%*	**1,317.3** *3.0%*
Adjusted EBITDA(2) before IFRS16 % net sales	**111.8** *7.9%*	**116.1** *8.8%*
IFRS16 effect	14.8	-
Reported Adjusted EBITDA(2) *% net sales*	**126.7** *9.0%*	**116.1** *8.8%*
Depreciation and amortization Adjustments to EBIT	(76.6) (17.0)	(58.2) (9.5)
Result from operations (EBIT) *% net sales*	**33.1** *2.3%*	**48.4** *3.7%*
Net profit attributable to owners of the Company	**7.7**	**28.7**
Basic earnings per share	0.12	0.45
Free cash-flow (3)	41.5	(83.1)
	30/06/2019	**31/12/2018**
Net debt (4) before IFRS16	715.8	753.6
Net debt/Adjusted EBITDA proforma before IFRS16 (5)	2.87x	2.82x
Reported Net debt	809.8	753.6

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(2) Adjusted EBITDA: adjustments include expenses such as those relating to restructuring, acquisitions and share-based payments. See the definition of alternative performance indicators at the end of this press release.
(3) Free cash flow is defined as cash generated from operations less ongoing capital expenditure (investments in property plant and equipment and intangible assets, plus net interest received (paid), net income taxes collected (paid), miscellaneous operating items received (paid).
(4) Net debt before IFRS16 application does not include the leases liability which amounted to €94 million in H1 2019
(5) Over the last twelve months, including 12 months of adjusted EBITDA of acquired companies

Net sales by segment

€ million	Q2 2019	Q2 2018	% Change	o/w Organic growth(1)
EMEA	231.5	236.0	-1.9%	-1.4%
North America	233.4	214.8	+8.7%	-5.6%
CIS, APAC & Latin America	143.1	145.4	-1.6%	-3.8%
Sports	179.8	153.2	+17.4%	+10.5%
Total Group	**787.8**	**749.4**	**+5.1%**	**-0.6%**

€ million	H1 2019	H1 2018	% Change	o/w Organic growth(1)
EMEA	470.5	464.3	+1.3%	+2.1%
North America	429.2	378.3	+13.4%	-3.4%
CIS, APAC & Latin America	255.7	261.7	-2.3%	-3.1%
Sports	257.0	213.0	+20.7%	+13.1%
Total Group	**1,412.3**	**1,317.3**	**+7.2%**	**+1.3%**

Group net revenues amounted to €1,412.3 million in H1 2019, or an increase of 7.2% year-over-year. This increase reflected moderate single digit organic growth (+1.3%), a positive scope effect (+3.2%) and a positive forex impact (+2.7%), mainly related to the appreciation of the dollar versus the euro.

Organic growth recorded a slowdown in Q2 2019 which ended fairly flat at -0.6% year-over-year owing to less calendar days in EMEA and lower product mix and volume in North America segment and CIS, APAC and Latin America segment. Besides, the comparison basis for the Group was less favorable than in Q1 2018. In Sports, the season is ramping up and growth is sustained: +10.5% organic growth versus Q2 2018. Group net revenues amounted to €787.8 million, up 5.1% year-over-year in Q2 2019, reflecting Lexmark acquisition and a positive forex effect driven by the US dollar appreciation.

The EMEA segment reported an increase in net revenues of 1.3% in H1 2019, reflecting organic growth of 2.1% and unfavorable exchange rate fluctuations, mainly with regards to the Swedish krona. After a strong Q1, Tarkett recorded a slowdown in organic growth in the second quarter (-1.4%) penalized by a lower number of working days (-1.2%). In the UK, the quarter was marked by a decline in total UK construction activity and a reverse swing in terms of volumes following a strong first quarter, during which many customers had built inventories in anticipation of Brexit. France and Germany were penalized by a lower number of working days compared to last year and are facing more difficult market conditions than in 2018. These mixed trends were partially compensated by a continued solid growth in the Nordic region and the Netherlands. After a slowdown in Q1, Middle East resumed growth on a like-for-like basis in Q2. LVT products continued to grow in the segment but at a slower pace than in previous quarters. The demand for commercial carpet is showing improvement outside the UK.

The North American segment reported net revenues up 13.4% in H1 2019, as Lexmark acquisition and a positive forex effect fully covered the 3.4% revenue decline on a like-for-like basis. Organic growth remained negative over the course of the semester and was down 5.6% on a like-for-like basis in Q2 2019. This decline reflected a negative mix effect and lower volumes, which were partially offset by higher selling prices. Q2 confirmed that selling price increases are holding up well. The residential activity remained under pressure amid a softer US housing market. Accessories continued to grow in Q2, following a solid performance in Q1. In commercial carpet, volumes remained soft in Q2 2019 notwithstanding first signs of improvement in the first quarter, as several projects were delayed due to wet weather conditions. At NeoCon the largest design show in the US, Tarkett won two awards, out of which one for creative modular LVT solutions, ID Mixonomi, which was initially developed for EMEA.

Net revenues in **the CIS, APAC and Latin America segment** were down 2.3% in H1 2019, reflecting negative organic growth (-3.1%) partially offset by a positive "lag effect" (net effect of currency and selling price adjustments) of €2.8 million in the CIS region resulting from our good pricing management in the region. Sales across the segment were down on a like-for-like basis by 3.8% in Q2 2019 versus Q2 2018. The activity in Russia remained soft and was penalized by an unfavorable comparison basis, as selling price increases announced for July 2018 led customers to pull up products in June last year, in particular in high-end products. In Russia, Tarkett launched its rigid LVT collection, which is locally manufactured and was very well received during the annual Tarkett Show. Latin America continued to benefit from its strong pricing power, which allowed us to fully offset the currency devaluation. Revenues in APAC were down year-over-year reflecting weaker activity in India and South East Asia.

The Sports segment recorded an increase in net revenues of 20.7% in H1 2019 owing to a strong organic growth, a positive euro-dollar forex effect and a perimeter effect of €3.7 million. Organic growth remained strong in Q2 2019 and resulted in a revenue increase of 13.1% on a like-for-like basis in H1 2019. This was largely attributable to turf activities including turnkey projects which also progressed year-over-year. While the order backlog is solid in tracks and hybrid, several projects have been delayed during the quarter, particularly in Western United-States which suffered an abnormally wet spring.

Group Adjusted EBITDA and EBITDA margin by segment

€ million	H1 2019 incl. IFRS 16	H1 2019 excl. IFRS 16	H1 2018	H1 2019 margin incl. IFRS16	H1 2019 margin excl. IFRS16	H1 2018
EMEA	55.9	51.3	57.1	11.9%	10.9%	12.3%
North America	41.4	37.4	35.5	9.6%	8.7%	9.4%
CIS, APAC & Latin America	32.5	29.5	31.1	12.7%	11.5%	11.9%
Sports	18.1	16.2	13.9	7.0%	6.3%	6.5%
Central costs	(21.2)	(22.6)	(21.5)	-	-	-
Total Group	**126.7**	**111.8**	**116.1**	**9.0%**	**7.9%**	**8.8%**

Reported adjusted EBITDA amounted to €126.7 million in H1 2019 including €14.8 million of IFRS 16 impact. **Adjusted EBITDA before application of IFRS 16** amounted to €111.8 million versus €116.1 million in H1 2018 and the **adjusted EBITDA margin** came in at 7.9% compared to 8.8% in H1 2018. The decline reflected a tough Q2 2019, which combined an evolution of mix towards lower-end products in some areas, lower flooring volumes and an inventory impairment in the US.

Tarkett recorded a negative product mix and volume impact of €19.6 million in H1 2019, primarily driven by weaker mix in EMEA and North America, and to a lesser extent the increased weight of Sports in the total activity.

The focus on selling prices started in 2018 is delivering results, generating a positive effect of €15.1 million over the first half. This has fully offset purchasing costs inflation which remained above last year (€10.5 million negative effect). Raw material prices have remained volatile from the beginning of 2019, while freight costs are progressively improving in North America but remain high in EMEA.

Net productivity gains totalled €9.0 million in H1 2019, evenly spread between Q1 and Q2. These gains were principally generated by continuous improvement measures.
SG&A were reduced by €2.1 million in H1 2019 thanks to a significant improvement in Q2 2019 versus last year, notwithstanding the reinforcement of the sales and marketing teams in line with the new strategic plan.

Movements in exchange rates (CIS countries excluded) recorded a positive but limited effect amounting to €0.7 million mostly driven by the appreciation of the dollar versus the euro. The net impact of currency and selling-price movements in the CIS countries had a more positive effect (lag effect of €2.7 million) and reflected the good pricing management in the region.

Acquisitions improved Group EBITDA by €9.0 million and mostly reflected the acquisition of Lexmark in North America.

The EMEA segment recorded an Adjusted EBITDA margin of 10.9% in H1 2019 before IFRS 16 application versus 12.3% in H1 2018. This margin contraction of 140 bps was mostly generated in Q2 2019 as a result of negative product mix, softer volumes in Q2 and a mixed industrial performance. Selling price increases largely covered raw material and freight inflation. Raw material inflation is slowing down but prices have been quite volatile, while freight costs remained at a high level. Industrial productivity is below expectations in the region as the segment was affected by some one-time challenges in some manufacturing sites.

The North American segment achieved an adjusted EBITDA margin of 8.7% before IFRS 16 application compared with 9.4% in H1 2018. This decrease resulted from a negative volume and mix effect and a significant inventory impairment (around €4.7 million). The recently appointed management has started implementing actions on sales, cost structure and working capital in Q2. As part of these actions, an inventory review has been completed and some products have been identified as slow movers with a high risk of not being sold. These negative effects were mitigated by Lexmark acquisition and higher selling prices. Sustained selling prices largely covered persistent raw materials inflation. Raw material prices remained volatile in H1, while freight costs started stabilizing in Q2. Productivity gains were generated in H1 2019 but remained limited as the phasing of the different cost initiatives will have a stronger impact in the second half of the year. The transfer of the accessories activities from Waterloo (Ontario) to Chagrin Falls (Ohio) has successfully been completed and Tarkett has increased the total production capacity for these products to support current growth. The transfer of broadloom production from Truro (Nova Scotia) to Dalton (Georgia) is well on track and will be completed in Q3.

The CIS, APAC and Latin America segment recorded an adjusted EBITDA margin before IFRS 16 application of 11.5% versus 11.9% in H1 2018. The "lag effect" (net effect of currency and selling price adjustments) was positive by €2.7 million and fully offset the mix and volume decline. Purchasing costs inflation remained strong over the course of the first half. They continued to penalize the performance in H1 2019 but were merely compensated by productivity gains, including an increased variability of labour costs.

The Sport segment increased its adjusted EBITDA and reported an adjusted EBITDA margin of 6.3%, down 20 bps year-over-year. This slight decrease is mostly driven by product mix. The strong growth in turf surfaces came with a share of turnkey projects that include subcontracted civil engineering work. Delayed projects in tracks and hybrid also weighed down slightly on the margin.

Central costs not allocated to the segments increased to €22.6 million before IFRS 16 application from €21.5m in H1 2018, reflecting normal salary inflation and investment in digital marketing.

EBIT to Net income

Adjustments to EBIT represented €17.0 million in H1 2019, compared to €9.5 million in H1 2018, as a result of higher restructuring charges, which amounted to €13.3 million, up by €7.7 million compared to last year. This increase was mainly driven by the footprint optimization plan and the related plant closures.

Financial expenses increased by €8.0 million to reach €19.7 million in H1 2019. This increase reflected higher level of debt following Lexmark acquisition in Q4 2018 and the application of IFRS 16 which uplifted financial expenses by €1.9 million in H1 2019. Financial expenses also included a negative forex impact.

The **effective tax rate** amounted to 28.2% compared to 21.9% in the first half of 2018, which had included the favorable conclusion of a tax litigation in Canada.

Net Debt and Leverage

Net debt amounted to €715.8 million before IFRS 16 application at end of June, down €37.9million compared to end December 2018.

This improvement resulted from actions on working capital which allowed us to offset the seasonal increase and translated in a net reduction of working capital of €35.4 million in H1 2019. In Q2 2019, Tarkett extended its factoring program which amounted to €109 million at the end of June. In addition, the Group very tightly managed inventory level and accounts payable. As a consequence, Tarkett generated a free cash flow of €41.5 million in H1 2019 compared with -€83.1 million in H1 2018.

Capex amounted to €58 million in H1 2019, up by 14% year-over-year and representing 4.1% of net revenues. This increase resulted from capacity addition in growing product categories and investment in automation. Production capacity of LVT has been expanded in EMEA and Eastern Europe, while Tarkett completed the installation of new wood parquet line in Russia at Mytischy facility during the second quarter, which is currently in ramp up phase. Two new lines for accessories production were also installed during the second quarter at Chagrin Falls facility in North America. Capex is expected to be around €120 million on a full year basis.

The IFRS 16 application leads to an increase in net debt by the amount of Group's existing lease liability which amounted to €94 million in H1 2019. Net debt after IFRS 16 application amounted to €809.8 million at the end of June.

Net debt to Adjusted EBITDA pro forma ratio before IFRS 16 application amounted to 2.87x at end of June. After the application of IFRS16, the leverage ratio was at 2.90x Adjusted EBITDA pro forma at end of June.

The scrip dividend option was a success and met 80% of take up. This will allow the Group to save €31 million of cash-out in H2 2019 compared to last year.

Optimizing the financial structure

Tarkett signed on the 24th of May 2019 a new syndicated revolving credit facility of €700 million in replacement of its previous revolving credit facility of €650 million signed in June 2015. The new facility is multicurrency and offers a 5-year maturity with two options of one-year extension each. Tarkett received a strong support from its banks, as more than 90% of them renewed or increased their participation with this new facility. This transaction allowed Tarkett to reduce its average cost of debt, extend maturities and improve its flexibility with the introduction of a seasonal leverage at the end of June.

In June 2019, Tarkett successfully priced a euro and US dollar multi tranche €167m equivalent Schuldschein. This transaction also included an exchange offer on the variable tranches of the previous Schuldschein, and allowed Tarkett to extend the average maturity of its debt via the new tranches issued at 5, 6 and 7 years.

The success of the placement, which has been oversubscribed, allowed Tarkett to price at the best conditions in terms of interest rates and credit spreads, i.e. an average coupon of 1.30% on the euro tranches (1.55% on the US dollar tranche).

Outlook

Tarkett confirms that the overall market conditions are challenging in 2019. The business environment remains soft for the flooring business, while Sports is expected to continue to significantly grow.

Tarkett is going to pursue its continuous improvement program and has announced a set of cost savings initiatives to restore its profitability. Restructuring measures announced in H1 will start delivering in H2 2019. Tarkett will also continue to very tightly manage its working capital and its capex to further reduce its net debt level. The Group's objective is to improve its net debt to adjusted EBITDA ratio (before IFRS 16 application) at end December 2019 compared to its leverage at end December 2018.

Raw materials remain quite volatile as demonstrated by oil pricing fluctuations in the recent months, while freight costs remain high. In this context, the Group confirms its expectation of an adverse impact comprised between €15 million and €20 million in 2019. The Group aims at offsetting this cost increase with proactive selling price management.

Initiatives of the strategic plan Change to Win are being deployed with a strong focus on mid-term profitability improvement and sustainable growth.

The analysts' conference will be held on Wednesday 24 July, 2019 at 11:00 am CET and an audio webcast service (live and replay) along with the results presentation will be available on https://www.tarkett.com/en/content/financial-results.

Financial calendar

- October 23, 2019: Q3 2019 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- February 11, 2020: Q4 and Full Year 2019 financial results – *press release after close of trading on the Paris market and conference call the following morning*

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About Tarkett

With a history stretching back 135 years, Tarkett is a worldwide leader in innovative flooring and sports surface solutions, with net sales of more than €2.8 billion in 2018. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood, laminate, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. Tarkett has 13,000 employees and 36 industrial sites, and sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to change the game with circular economy, the Group has implemented an eco-innovation strategy based on Cradle to Cradle® principles, with the ultimate goal of contributing to people's health and wellbeing, and preserving natural capital. Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker: TKTT) and is included in the following indices: SBF 120 and CAC Mid 60. www.tarkett.com.

Appendices

1/ Bridges

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

H1 2018	1,317.3
+/- EMEA	+9.8
+/- North America	-13.0
+/- CIS, APAC & Latin America	-8.1
+/- Sports	+27.8
H1 2018 Sales Like for Like[(1)]	**1,333.8**
+/- Perimeter	+42.6
+/- Currencies	+33.1
+/- Selling price lag effect in CIS	+2.8
H1 2019	**1,412.3**

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

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

H1 2018	116.1
+/- Volume / Mix	-19.6
+/- Sales pricing	+15.1
+/- Raw Material & Freight	-10.5
+/- Salary increase& Other	-8.1
+/- One-off (inventory impairment)	-4.7
+/- Productivity	+9.0
+/- SG&A	+2.1
+/- Selling price lag effect in CIS	+2.7
+/- Currencies	+0.7
+/- Perimeter	+9.0
H1 2019 excl. IFRS	**111.8**
+/- IFRS 16 impact	+14.8
H1 2019 incl. IFRS16	**126.7**

2/ Key figures

Net sales by segment

€ million	Q1 2019	Q1 2018	% Change	o/w Organic growth(1)
EMEA	239.0	228.3	+4.7%	+5.8%
North America	195.8	163.5	+19.7%	-0.6%
CIS, APAC & Latin America	112.5	116.3	-3.2%	-2.2%
Sports	77.2	59.8	+29.1%	+19.4%
Total Group	**624.5**	**567.9**	**+10.0%**	**+3.7%**

€ million	Q2 2019	Q2 2018	% Change	o/w Organic growth(1)
EMEA	231.5	236.0	-1.9%	-1.4%
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Total Group	**787.8**	**749.4**	**+5.1%**	**-0.6%**

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EMEA	470.5	464.3	+1.3%	+2.1%
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Total Group	**1,412.3**	**1,317.3**	**+7.2%**	**+1.3%**

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Adjusted EBITDA

€ million	Q1 2019	Q1 2018	*Change*
Adjusted EBITDA before IFRS 16	35.8	29.8	*+20.2%*
% of sales before IFRS 16	*5.7%*	*5.2%*	*+50 bps*
IFRS 16 impact	7.3	-	
Adjusted EBITDA as reported	**43.1**	**29.8**	***+44.8%***
% of sales	*6.9%*	*5.2%*	*+170 bps*

€ million	Q2 2019	Q2 2018	*Change*
Adjusted EBITDA before IFRS 16	76.1	86.3	*-11.8%*
% of sales before IFRS 16	*9.7%*	*11.5%*	*-190 bps*
IFRS 16 impact	7.5	-	
Adjusted EBITDA as reported	**83.6**	**86.3**	***-3.2%***
% of sales	*10.6%*	*11.5%*	*-90 bps*

€ million	H1 2019	H1 2018	*Change*
Adjusted EBITDA before IFRS 16	111.8	116.1	*-3.6%*
% of sales before IFRS 16	*7.9%*	*8.8%*	*-90 bps*
IFRS 16 impact	14.8	-	
Adjusted EBITDA as reported	**126.7**	**116.1**	***+9.1%***
% of sales	*9.0%*	*8.8%*	*+20 bps*

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

The Tarkett Group uses the following non-IFRS financial indicators:
- Organic growth
- Adjusted EBITDA
- Free Cash Flow

These indicators are calculated as described below.
- **Organic growth:**
  - Organic growth measures the change in net sales as compared with the same period in the previous year, at constant scope of consolidation and exchange rates.
  - The exchange rate effect is calculated by applying the previous year's exchange rates to sales for the current year and calculating the difference as compared with sales for the current year. It also includes the impact of price adjustments in CIS countries intended to offset movements in local currencies against the euro.
  - The scope effect reflects:
    - current-year sales for entities not included in the scope of consolidation in the same period in the previous year, up to the anniversary date of their consolidation;
    - the reduction in sales relating to discontinued operations that are not included in the scope of consolidation for the current year but were included in sales for the same period in the previous year, up to the anniversary date of their disposal.

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

€ million	2019	2018	% change	*o/w exchange rate effect*	*o/w scope effect*	o/w organic growth
Total Group – Q1	624.5	567.9	+10.0%	*+2.4%*	*+3.8%*	+3.7%
Total Group – Q2	787.8	749.4	+5.1%	*+3.0%*	*+2.8%*	-0.6%
Total Group – H1	**1,412.3**	**1,317.3**	**+7.2%**	***+2.7%***	***+3.2%***	**+1.3%**

- **Adjusted EBITDA**:
  - Adjusted EBITDA is calculated by deducting the following income and expenses from result from operations before depreciation and amortization:
    - restructuring costs intended to increase the Group's future profitability;
    - capital gains and losses recognized on significant asset disposals;
    - provisions and provision reversals for loss in value;
    - costs arising on corporate and legal restructuring;
    - share-based payment expenses;
    - other one-off items considered non-recurring owing to their nature.
  - Note 3.1 to the consolidated financial statements includes a table that reconciles operating income with adjusted EBITDA, as well as the effect of adjustments by type.

(in millions of euros)	H1 2019	Of which adjustments: Restructuring	Gains/losses on asset sales /impairment	Business combinations	Share-based payments	Other	H1 2019 adjusted
Net revenue	**1,412.3**	**(0.0)**	**-**	**-**	**-**	**-**	**1,412.3**
Cost of sales	(1,084.9)	7.4	-	(0.2)	-	0.5	(1,077.3)
Gross profit	**327.4**	**7.3**	**-**	**(0.2)**	**-**	**0.5**	**335.0**
Selling and distribution expenses	(178.5)	0.2	-	-	-	-	(178.3)
Research and development	(18.1)	0.3	-	-	-	-	(17.8)
General and administrative expenses	(93.3)	0.8	0.4	0.1	2.0	1.0	(89.1)
Other operating expenses	(4.4)	4.6	-	-	-	-	0.2
Result from operating activities (EBIT)	**33.1**	**13.3**	**0.4**	**(0.1)**	**2.0**	**1.5**	**50.0**
Depreciation and amortization	77.0	-	(0.4)	-	-	-	76.6
EBITDA	**110.1**	**13.3**	**-**	**(0.1)**	**2.0**	**1.5**	**126.7**

- **Free Cash flow:**
  - Free cash flow is calculated based on the items presented in the consolidated cash flow statements, and consists in the following items:
    - operating cash flow before working capital changes
    - change in the working capital requirement
    - net interest paid
    - net tax paid
    - miscellaneous operating inflows (outflows)
    - acquisitions of intangible assets and property, plant and equipment
    - proceeds (losses) on disposals of non-current assets

€ million	H1 2019	H1 2018
Operating cash flow before working capital changes excl. payment for lease liabilities	**117.1**	**107.1**
Payment of lease liabilities	(15.3)	(0.4)
Operating cash flow before working capital changes incl. payment for lease liabilities [6]	**101.8**	**106.7**
Change in working capital	35.4	(118.7)
Net interest paid	*(21.0)*	*(9.4)*
Net taxes paid	(11.6)	(8.2)
Miscellaneous operational items paid	(4.6)	(2.0)
Acquisitions of intangible assets and property, plant and equipment	(58.0)	(52.3)
Proceeds from sale of property, plant and equipment	(0.5)	0.8
Free Cash Flow	**41.5**	**(83.1)**

[6] only includes payments for finance leases; 2019 includes payments for all leases