Robust organic growth in 2017 at 4.8%
Adjusted EBITDA of €315m
despite adverse raw material prices
and currency effects

Paris, February 8, 2018

Highlights

- **Net sales up 3.7% year-on-year at €2,841m, robust organic growth of 4.8%**(1)
- **In Q4, all segments contributed to a strong 6.9% organic growth**
- **Adjusted EBITDA**(2) **at €315m and EBITDA margin at 11.1% (versus 12.2% in FY 2016)**
- **Net profit(3) up +6.5% vs. 2016 at €126m (excluding the French Competition Authority's penalty)**
- **Leverage ratio (net debt/adjusted EBITDA) of 1.6x**
- **A stable dividend of €0.60 per share will be proposed at the AGM**
- **Eric La Bonnardière will replace Didier Deconinck as Chairman of the Supervisory Board, confirming the long term commitment of the family to the future of Tarkett**(4)

(1) Organic growth: at constant scope of consolidation and exchange rates only reflects changes in volumes 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 restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.
(3) Net profit attributable to owners of the Company.
(4) Subject to the renewal of their mandates as Board members at the Annual General Meeting on April, 26th 2018.

Net sales at constant scope of consolidation and exchange rates grew by **4.8%** in 2017. Sports delivered strong growth (+11.7%) over the full year, led by both artificial turf and running tracks. The CIS, APAC & Latin America segment recorded robust growth (+10.8%) thanks to good trends in all three regions. EMEA posted a solid +3.7% rise in sales fueled by healthy trading across the region. North America retreated slightly (-1.8%) over the full year, although Q4 showed improvement in all product categories (+0.8%). After an already robust Q3 revenue performance (+6.1%) for the Group as a whole, Q4 organic growth reached a strong +6.9% as a result of positive momentum in all segments.

Reported sales were up **3.7%** compared to 2016. Exchange rates accounted for a negative -1.2% impact, mainly due to the depreciation of the US dollar and the British pound against the euro. The acquisition of the assets of AlternaScapes, a Florida-based landscape turf distributor and installer, had a minor scope impact (+0.1%).

Adjusted EBITDA amounted to **€315m** versus €334m in 2016 and the **adjusted EBITDA margin** came in at **11.1%** compared to 12.2% in 2016. As anticipated, the adjusted EBITDA was penalized by the increase in raw material prices in all segments (-€34m) and adverse currency effects (-€12m, excluding CIS currencies). Moreover, the ruble's depreciation in the second part of the year has led to a full year negative "lag effect" of -€4m (net impact of CIS currencies and selling prices evolutions). In EMEA and North America, selling price increases implemented during the year are now starting to show their effect (+€3m in Q4). In Russia, a 5% selling price increase on vinyl products was announced as of December 1st 2017. Adjusted EBITDA of the Sports segment benefited from a US$12m settlement payment related to a patent infringement claim against competitor AstroTurf.
Productivity gains amounted to €30m. Following a weak Q3 in North America and Sports, productivity gains in the fourth quarter have improved.

Net profit attributable to owners of the Company amounted to **-€39m**. Excluding the €165m penalty to the French Competition Authority, the net profit **attributable to owners of the Company** was **up +6.5% vs. 2016** at **€126m**.

Commenting on these results, **Glen Morrison, CEO,** stated:

"Tarkett has delivered a robust sales performance in 2017 with all segments growing in the fourth quarter. Over the year, the CIS countries have steadily strengthened. Sports' growth has accelerated and EMEA continued to grow consistently well. North America is progressively moving back into positive territory. As expected, we are now benefitting from our actions regarding selling prices and this positive contribution should continue in 2018."

Key Figures

€ million	2017	2016	Change (as a %)
Revenue *of which organic growth*[1]	2,841.1	2,739.3	+3.7% *+4.8%*
Adjusted EBITDA[2] *% of net sales*	315.1 *11.1%*	334.4 *12.2%*	-5.8%
Net profit attributable to owners of the Company *Excluding the €165m penalty* Basic earnings per share *Excluding the €165m penalty*	(38.7) *126.3* (€0.61) *€2.00*	118.6 - €1.87	n.m. *+6.5%*
Free cash flow *Excluding the €165m penalty*	(65.4) *99.6*	148.0	
Return on invested capital (ROIC)[3]	8.9%	9.3%	
Net debt / adjusted EBITDA	1.6x	1.1x	
Dividend per share	€0.60[4]	€0.60	

(1) Organic growth: at constant scope of consolidation and exchange rates only reflects changes in volumes 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 restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.
(3) Defined as Net operating profit after tax [Adjusted EBIT * (1 - Normative tax rate of 35%)] divided by the invested capital [Goodwill + Tangible and intangible assets + Working capital]. See the definition of alternative performance indicators at the end of this press release.
(4) Will be proposed at the AGM.

Net sales by segment

€ million	2017	2016	% Change	o/w Organic growth[1]
EMEA	926.4	906.5	+2.2%	+3.7%
North America	783.4	816.7	-4.1%	-1.8%
CIS, APAC & Latin America	619.0	549.6	+12.6%	+10.8%
Sports	512.3	466.5	+9.8%	+11.7%
Total Group	**2,841.1**	**2,739.3**	**+3.7%**	**+4.8%**

€ million	Q4 2017	Q4 2016	% Change	o/w Organic growth[1]
EMEA	217.9	211.9	+2.8%	+3.4%
North America	172.8	189.1	-8.6%	+0.8%
CIS, APAC & Latin America	165.3	157.1	+5.2%	+11.4%
Sports	97.6	88.8	+9.9%	+20.6%
Total Group	**653.6**	**646.9**	**+1.0%**	**+6.9%**

Adjusted EBITDA(2) by segment

€ million	2017	2016	*2017 Margin (% net sales)*	*2016 Margin (% net sales)*
EMEA	126.8	136.7	*13.7%*	*15.1%*
North America	95.0	113.0	*12.1%*	*13.8%*
CIS, APAC & Latin America	88.5	81.0	*14.3%*	*14.7%*
Sports	51.5	54.1	*10.1%*	*11.6%*
Central costs not allocated	(46.7)	(50.4)	-	-
Total Group	**315.1**	**334.4**	***11.1%***	***12.2%***

(1) Organic growth: at constant scope of consolidation and exchange rates only reflects changes in volumes 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 restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.

Comments by reporting segment

Europe, Middle East, Africa (EMEA)

Net sales at constant scope of consolidation and exchange rates grew by **3.7%** in 2017. France has been positive throughout the year after several years of market decline. Nordic countries showed growth, though Q4 was slightly down. The UK reported further growth despite an uncertain environment. Southern Europe enjoyed strong level of growth. Germany, the Netherlands and Central Europe also achieved a good performance. The Middle East reported stable sales on a full year basis.

Luxury vinyl tiles (LVT) continued to fuel volume growth both in the residential and commercial segments. More than €20m will be invested is this product category over the next three years, mainly in Poland and Luxemburg. These investments will further enhance Tarkett’s strong position in the European LVT market and facilitate customer’s access to unique and exclusive designs.

Sales were up **2.2% on a reported basis**, penalized by unfavorable exchange rate fluctuations, mainly the British Pound.

The **adjusted EBITDA margin** was **13.7%** compared to 15.1% in 2016, affected mainly by rising raw material costs and the adverse evolution of the British Pound. Selling price increases have been implemented in 2017 and started to bear fruits in Q4. We anticipate seeing the full benefit of these increases in 2018.

North America

In North America, full year 2017 **sales** were down **-1.8%** on 2016 **at constant scope of consolidation and exchange rates** but increased slightly over the **fourth quarter (+0.8%)**.

Commercial resilient flooring and accessories posted growth in 2017, benefiting from the last two year investments made in terms of service, products and operational performance.

Commercial carpet remained down in 2017, mostly owing to weaknesses in the office and healthcare sectors, although the situation improved in the fourth quarter. We are planning to follow 2017 products launches with continued products and services deployment in 2018.

Luxury vinyl tiles (LVT) kept delivering good growth in North America and remain an important driver for Tarkett. Tarkett has enriched its tile product range and in Q3 has launched ProGen, a semi-rigid board product that has been very well received by our customers.

Tarkett has announced investments totaling $60 million over a three-year period to increase LVT production at its flooring manufacturing facilities in Florence, Alabama, including a new distribution center. These investments increase our local LVT production capacity, improve supply chain efficiency and enhance customer service.

Reported sales decreased by **-4.1%** on the back of the depreciation of the US dollar against the euro over the year.

Adjusted EBITDA margin narrowed to **12.1%** from 13.8% in 2016, penalized by higher raw material prices, a slight decrease in sales volumes as well as lower operational performance in Q3 (although Q4 has significantly improved). The selling price increases implemented in 2017 have started to contribute positively in the fourth quarter and will bring full benefit in 2018.

Andrew Bonham has been appointed President and Chief Executive Officer of Tarkett North America, effective March 5, 2018. Andrew has extensive experience in the construction, industrial equipment and specialty chemicals industries and has held several global leadership positions as well as regional leadership in North America and Europe.

CIS, APAC & Latin America

The CIS, APAC & Latin America segment posted a robust **10.8% organic sales growth** in 2017 (excluding selling price adjustments in the CIS region). The CIS countries continued throughout the year on a steady upward trend. The strengthening of real wages and improving consumer confidence have fueled a recovery in volumes as well as an improved product mix.
Sales in the Asia-Pacific region grew over the full year, spurred by nice trends in China and South-East Asia. Latin America saw further growth in 2017, thanks to vigorous LVT volumes in Brazil, despite the difficult environment in the Brazilian construction market.

On a **reported basis, sales** rose by **12.6%**, thanks to gains in the Russian ruble and the Brazilian real on a full year basis.

In Russia, Tarkett maintained its focused strategy of adapting selling prices to movements in exchange rates. In December 2017, a 5% price increase on vinyl products has been announced to cope with the ruble devaluation in H2 2017. As a reminder, vinyl selling prices had been reduced by 5% to 15% in Q2 2017, depending on products following several quarters of ruble recovery.

Adjusted EBITDA margin remained at a healthy **14.3%** from 14.7% in 2016, against a tough basis of comparison in H2 2016 when the margin had reached 17.9% thanks to a positive "lag effect" (net impact of currencies and selling prices evolutions) of €11.6m.
In 2017, the full-year "lag effect" on adjusted EBITDA is -€4.5m, as a result of the depreciation of the ruble in the second half of the year combined with lower selling prices (leading to a negative -€12.0m impact on adjusted EBITDA in H2 2017). However, the segment's margin has proved resilient at 14.3% thanks to a strong contribution of additional volumes and manufacturing productivities.

Sports

The Sports segment put in another very good performance reaching **11.7% organic growth** in 2017, driven by growth in all product lines. The increased share of turnkey projects, which include billings for civil engineering work, has also contributed to reach this high level of sales. Several high profile projects have been completed in the course of 2017 in hybrid turf (FC Barcelona's Camp Nou and Liverpool FC's stadiums) as well as in running tracks (Beynon banked hydraulic track Rise-n Run in the University of Michigan).

Sports is pursuing its geographical expansion and has announced the acquisition of the assets of Grassman (sales of AUS$15m, approx. €10m in 2017), a leading artificial turf manufacturer in Australia. In addition to reinforcing our local presence, this move gives us access to new market segments (hockey, tennis or landscape). Sports has also initiated a strategic partnership with Allsports Construction & Maintenance, the market leader in the construction and installation of high profile synthetic turf fields in Scotland.

Reported sales were up **9.8%**, penalized by the depreciation of the US dollar against the euro.

Adjusted EBITDA margin stood at **10.1%** versus 11.6% in 2016. In H1 2017, the adjusted EBITDA benefited from a US$ 12m settlement in connection with a patent infringement claim against competitor Astroturf. Full year adjusted EBITDA margin was penalized by the large proportion of turnkey projects – the civil engineering part of which generates a lower margin – higher raw material prices, legal costs and lower than last year performance in operations in Q3.
In order to further streamline its operations, the Group has closed its artificial turf facility in Spain (17 employees). The production has been transferred to its production site in Auchel, France.

Net profit attributable to owners of the Company

Central costs decreased slightly to €46.7m from €50.4m in 2016.

Adjustments to EBIT went from -€23.0m in 2016 to -€183.6m in 2017, mainly due to the French Competition Authority penalty of €165m.

Financial income and expenses amounted to -€23.4m in 2017 vs. -€21.0m in 2016, due to higher foreign exchange losses in the CIS countries.

The **effective tax rate** decreased to **19.7%** compared to 31.2% in 2016 thanks a more favorable country mix and the reassessment of tax credits due to changes in some entities' earnings profile. Tarkett recorded a +9m€ tax income following the decision of the French constitutional court to cancel the 3% surtax on dividend.

Net profit attributable to owners of the Company amounted to **-€39m**. Excluding the €165m penalty to the French Competition Authority, the net profit **attributable to owners of the Company** was **up +6.5% vs. 2016** at **€126m**.

A sound financial structure

Ongoing capital expenditures increased moderately in 2017, totaling €110.9m, or 3.9% of net sales vs. €91.5m 2016, owing to capacity investments in growing product categories such as LVT and further operations productivity enhancement.

Free cash flow amounted to €99.6m excluding the French Competition Authority penalty from +€148.0m in 2016. The payment of the €165m penalty to the French Competition Authority took place at the end of December 2017.

Net debt increased from €378m to €492m, resulting in a leverage ratio to 1.6 times adjusted EBITDA (1.1x at year-end 2016).

The Management Board will propose payment of a **€0.60 per-share dividend** at the Annual General Meeting on April 26, 2018, stable compared to last year.

Outlook

Most of our markets are well positioned in 2018. The Group expects positive growth driven by a combination of innovative new products and new services to further enhance customer experience. At constant exchange rates, EMEA should be well oriented and grow moderately. North America should continue to improve. The CIS and Sports segments should continue to grow, albeit at a lower rate than in 2017.

At current prices, we anticipate in 2018 a negative impact from raw materials of similar magnitude to that experienced in 2017. Against this backdrop, the Group will pursue its efforts on selling prices with the goal of compensating raw material costs for the full year.

Moreover, the Group will further deploy its World Class Manufacturing program to generate savings in line with historical performances.

As a result of the commitment of the Group to long term growth strategy and continuous optimization of its operations, capital expenditures in 2018 should be around 5% of net sales. This investment effort is focused on capacity and efficiency projects, in particular through automation and notably on the LVT category, but also in regions with potential for faster growth (Wood production line in Russia).

US tax reforms which came into effect in January 2018 will positively impact the Group's after tax earnings, principally due to the reduction of the US federal corporate income tax rate. In addition, the Group will benefit from the evolution of its country mix and from the cancellation of the 3% tax on dividends in France. Going forward, we estimate that the Group's effective tax rate should be circa 30%.

In October 2016, the Group presented a strategic plan which included 2020 financial targets (see appendix 3 for more details).
The Group maintains the objective of achieving those targets by the end of the plan. Given the current environment of increased inflation in raw material prices and unfavorable currency movements, the achievement of the profitability & return targets (adjusted EBITDA margin > 12% and ROIC > 9%) is more challenging in 2018.

With its healthy balance sheet, Tarkett will continue to actively seek out opportunities for external growth.

Supervisory Board: Evolution of the governance of Tarkett

Tarkett's Supervisory Board has agreed that Eric La Bonnardière, currently Vice Chairman, will become Chairman of the Supervisory Board. He will replace Didier Deconinck who will remain on the Board as Vice Chairman.

This decision is dependent upon the Annual General Meeting on April 26th, 2018 approving the renewal of their mandates as Board members.

Eric La Bonnardière is a grandson of Bernard Deconinck Senior. Eric is the co-founder, Chairman, and CEO of Evaneos, a leading European travel marketplace. Before creating Evaneos in 2009, Eric began his career in 2006 as a consultant at Capgemini and at the strategic consulting firm Advancy, where he focused on projects relating to industry and distribution. He obtained an engineering degree from Supélec, and a Master in Business from HEC Paris.

The audited consolidated financial statements for the full year 2017 are available on Tarkett's website. The analysts' conference will be held on Friday February 9, 2018 at 11:00 am CET and an audio webcast service (live and replay) along with the results presentation will be available on www.tarkett.com.

Financial calendar

- April 24, 2018: Q1 2018 financial results - *press release after close of trading on the Paris market and conference call the following morning*
- April 26, 2018: Annual General Meeting
- July 25, 2018: H1 2018 financial results - *press release after close of trading on the Paris market and presentation in person the following morning*
- October 23, 2018: Q3 2018 financial Results - *press release after close of trading on the Paris market and conference call the following morning*

About Tarkett

With net sales of more than €2.8bn in 2017, Tarkett is a worldwide leader of innovative flooring and sports surface solutions. Offering a wide range of products including vinyl, linoleum, rubber, carpet, wood and laminate flooring, artificial turf and athletics tracks, the Group serves customers in over 100 countries across the globe. With 12,500 employees and 34 industrial sites, Tarkett sells 1.3 million square meters of flooring every day, for hospitals, schools, housing, hotels, offices, stores and sports fields. Committed to sustainable development, the Group has implemented an eco-innovation strategy and promotes a circular economy. Tarkett is listed on Euronext Paris (compartment A, ISIN: FR0004188670, ticker TKTT) as well as on the SBF 120 and CAC Mid 60 indexes. www.tarkett.com

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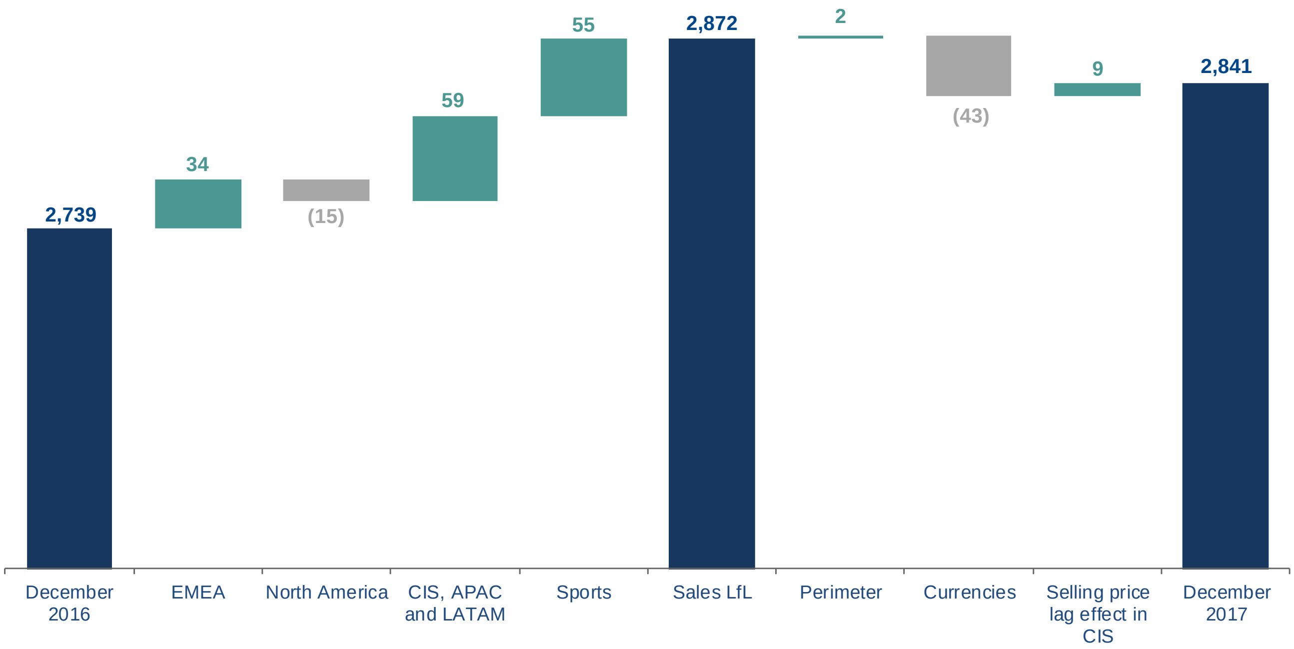
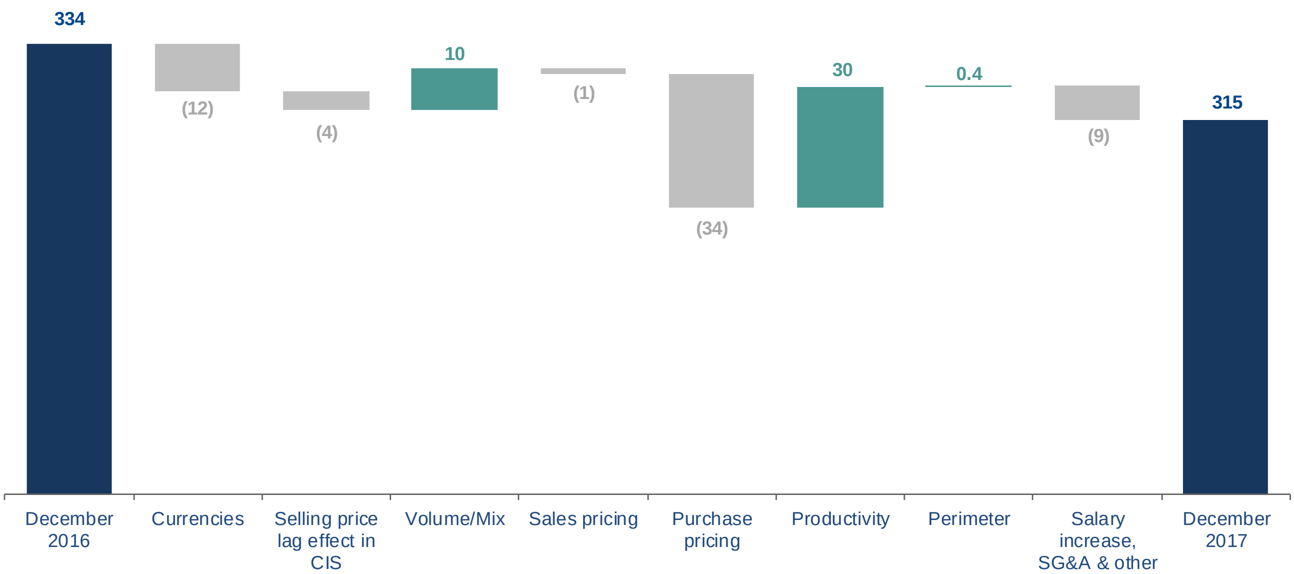
Appendices

1/ Bridges

Net sales evolution by nature in million euros



Adjusted EBITDA evolution by nature in million euros



2/ Key figures

Net sales by segment

€ million	Q1 2017	Q1 2016	% Change	o/w Organic growth(1)
EMEA	243.4	232.4	+4.7%	+7.0%
North America	190.3	187.2	+1.6%	-2.1%
CIS, APAC & Latin America	121.3	103.5	+17.2%	+2.0%
Sports	56.7	53.2	+6.6%	+3.6%
TOTAL	**611.7**	**576.3**	**+6.1%**	**+2.8%**

€ million	Q2 2017	Q2 2016	% Change	o/w Organic growth(1)
EMEA	237.9	239.3	-0.5%	+1.5%
North America	222.4	223.9	-0.7%	-1.3%
CIS, APAC & Latin America	154.4	131.4	+17.4%	+11.3%
Sports	137.6	127.3	+8.0%	+5.9%
TOTAL	**752.3**	**721.8**	**+4.2%**	**+3.2%**

€ million	H1 2017	H1 2016	% Change	o/w Organic growth(1)
EMEA	481.3	471.6	+2.1%	+4.2%
North America	412.7	411.1	+0.4%	-1.6%
CIS, APAC & Latin America	275.7	234.9	+17.4%	+7.2%
Sports	194.3	180.5	+7.6%	+5.3%
TOTAL	**1,364.0**	**1,298.1**	**+5.1%**	**+3.0%**

€ million	Q3 2017	Q3 2016	% Change	o/w organic(1)
EMEA	227.2	222.9	+1.9%	+2.9%
North America	197.9	216.6	-8.6%	-4.2%
CIS, APAC & LATAM	178.0	157.7	+12.9%	+15.5%
Sports	220.4	197.2	+11.8%	+13.6%
TOTAL	**823.5**	**794.3**	**+3.7%**	**+6.1%**

€ million	Q4 2017	Q4 2016	% Change	o/w organic(1)
EMEA	217.9	211.9	+2.8%	+3.4%
North America	172.8	189.1	-8.6%	+0.8%
CIS, APAC & LATAM	165.3	157.1	+5.2%	+11.4%
Sports	97.6	88.8	+9.9%	+20.6%
TOTAL	**653.6**	**646.9**	**+1.0%**	**+6.9%**

(1) Organic growth: at constant scope of consolidation and exchange rates only reflects changes in volumes 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.

Quarterly Group adjusted EBITDA(1)

€ million	2017	2016	*2017 Margin (% net sales)*	*2016 Margin (% net sales)*
Q1	51.5	45.0	*8.4%*	*7.8%*
Q2	108.8	106.5	*14.5%*	*14.8%*
Q3	101.1	119.2	*12.3%*	*15.0%*
Q4	53.7	63.7	*8.2%*	*9.8%*

Half-year adjusted EBITDA(1) by segment

€ million	H1 2017	H1 2016	*H1 2017 Margin (% net sales)*	*H1 2016 Margin (% net sales)*
EMEA	68.5	74.8	*14.2%*	*15.9%*
North America	51.7	59.3	*12.5%*	*14.4%*
CIS, APAC & Latin America	40.2	24.8	*14.6%*	*10.6%*
Sports	23.0	18.2	*11.8%*	*10.1%*
Central costs not allocated	(23.1)	(25.7)	-	-
Total	**160.3**	**151.4**	***11.8%***	***11.7%***

€ million	H2 2017	H2 2016	*H2 2017 Margin (% net sales)*	*H2 2016 Margin (% net sales)*
EMEA	58.3	61.9	*13.1%*	*14.2%*
North America	43.3	53.7	*11.7%*	*13.2%*
CIS, APAC & Latin America	48.3	56.2	*14.1%*	*17.9%*
Sports	28.5	35.9	*9.0%*	*12.6%*
Central costs not allocated	(23.6)	(24.7)	-	-
Total	**154.8**	**183.0**	***10.5%***	***12.7%***

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

Simplified consolidated income statement

€ million	2017	2016
Net sales	**2,841.1**	**2,739.3**
Adjusted EBITDA(1) *% net sales*	**315.1** *11.1%*	**334.4** *12.2%*
Depreciation and amortization Adjustments to EBIT	(118.8) (183.6)	(120.7) (23.0)
Result from operations (EBIT) *% net sales*	**12.7** *0.4%*	**190.7** *7.0%*
Financial income and expenses	(23.4)	(21.0)
Profit before income tax Income tax *Effective tax rate(2)*	(7.7) (30.3) *19.7%*	172.3 (53.0) *31.2%*
Net profit attributable to owners of the Company	**(38.7)**	**118.6**
Basic earnings per share	€(0.61)	€1.87

2017: Net profit up 6.5% to **+€126m** excluding the penalty

2017: EPS of **€2.00** excluding the penalty

(1) Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.
(2) Excluding the effect of the €165m French Competition Authority penalty, non tax deductible.

3/ 2017-2020 financial objectives communicated in October 2016, unless transforming acquisition, based on relatively stable raw material prices (as of October 2016)

- Net Sales of €3.5bn in 2020, including acquisitions
- Adjusted EBITDA margin(1) > 12%
- Return On Invested Capital (ROIC)(2) > 9%
- Additional sales by 2020 of ~€500m through acquisitions
- Net debt / adjusted EBITDA(1) < 2.5x
- Dividend: at least €0.60 per share

(1) Adjusted EBITDA: adjustments include expenses such as restructuring, acquisitions and share-based payment expenses. See the definition of alternative performance indicators at the end of this press release.
(2) Defined as the Net operating profit after tax [Adjusted EBIT * (1 – Normative tax rate of 35%)] divided by the Capital employed [Goodwill + Tangible and intangible assets + Working capital].

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

The Tarkett Group uses the following non-IFRS financial indicators:

- Organic growth
- Adjusted EBITDA
- Net cash flow from operations
- Free cash flow
- Return on invested capital or "ROIC"

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	**2017**	**2016**	% Change	*o/w Exchange rate effect*	*o/w Scope effect*	*o/w Organic growth*
Total Group – Q1	611.7	576.3	+6.1%	*+3.3%*	*0.0%*	*+2.8%*
Total Group – Q2	752.3	721.8	+4.2%	*+0.9%*	*+0.1%*	*+3.2%*
Total Group – H1	1,364.0	1,298.1	+5.1%	*+2.0%*	*+0.1%*	*+3.0%*
Total Group – Q3	823.5	794.3	+3.7%	*-2.5%*	*+0.1%*	*+6.1%*
Total Group – Q4	653.6	646.9	+1.0%	*-5.9%*	*+0.1%*	*+6.9%*
Total Group – H2	1,477.1	1,441.2	+2.5%	*-4.0%*	*+0.1%*	*+6.4%*
Total Group – FY	**2,841.1**	**2,739.3**	**+3.7%**	***-1.2%***	***+0.1%***	***+4.8%***

- **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)	2017	Of which adjustments: Restructuring	Gains/losses on asset sales/impairment	Business combinations	Share-based payments	Other*	2017 adjusted
Net revenue	**2,841.1**	**-**	**-**	**-**	**-**	**-**	**2,841.1**
Cost of sales	(2,138.1)	1.6	3.9	-	1.0	0.0	(2,131.6)
Gross profit	**703.0**	**1.6**	**3.9**	**-**	**1.0**	**0.0**	**709.5**
Other operating income	30.1	0.2	0.1	(1.9)	-	(0.1)	28.4
Selling and distribution expenses	(319.4)	(1.2)	-	-	0.5	-	(320.1)
Research and development	(36.4)	0.4	-	-	0.3	-	(35.7)
General and administrative expenses	(187.5)	0.8	0.6	0.6	10.3	0.4	(174.8)
Other operating expenses	(177.1)	0.3	-	-	-	165.8	(11.0)
Result from operating activities (EBIT)	**12.7**	**2.1**	**4.6**	**(1.3)**	**12.1**	**166.1**	**196.3**
Depreciation and amortization	122.3	1.0	(4.5)	-	-	-	118.8
EBITDA	**135.0**	**3.1**	**0.1**	**(1.3)**	**12.1**	**166.1**	**315.1**

**Others: includes the adjustment linked to the €165m booked following the French Competition Authority decision.*

- **Net cash flow from operations**:
  - Cash generated from operations less ongoing capital expenditure.
  - Ongoing capital expenditure is defined as investments in property, plant and equipment and intangible assets, excluding the construction of new plants or distribution sites and acquisitions of companies or activities.

Net cash flow from operations for the year can be broken down as follows:

€ million	2017	2016
Cash generated from operations	91.1	297.3
Acquisitions of property, plant and equipment and intangible assets	(111.1)	(91.9)
Restatement of non-recurring capital expenditure	0.2	0.4
Net cash flow from operations	**(19.8)**	**205.8**

Note: Cash generated from operations decrease significantly due to the penalty paid to the French Competition Authority.

- **Free cash flow**:
  - Net cash flow from operations, as defined above, to which the following inflows are added to (or outflows are subtracted from) the cash flow statement:
    - Net interest received (paid);
    - Net taxes collected (paid);
    - Miscellaneous operational items deposited (disbursed); and
    - Proceeds (losses) from disposals of fixed assets.
  - Free cash flow may be broken down as follows:

€ million	2017	2016
Net cash flow from operations	(19.8)	205.8
Net interest paid	(11.3)	(15.3)
Net taxes paid	(37.8)	(41.1)
Miscellaneous operational items	(1.0)	(2.1)
Proceeds from sale of property, plant and equipment	4.5	0.7
Free Cash Flow	**(65.4)**	**148.0**

Note 3.5 to the consolidated financial statements includes a table showing the reconciliation of the line items in the Statement of Cash Flows to operating cash flow and free cash flow.

- **Return on invested capital (“ROIC”):**
  - It is the ratio between:
    - Net operating profit after taxes and before financial items (NOPAT), and
    - Invested capital (which corresponds to the sum of property, plant and equipment, intangible assets (including goodwill), and net working capital)

Net operating profit after taxes (NOPAT) is calculated as follows:

€ million	2017	2016
Result from operating activities (EBIT)	**12.7**	**190.7**
Adjustments		
Restructuring costs	2.1	5.0
Gains (losses) on disposal of fixed assets/Impairment	4.6	2.4
Business combinations	(1.3)	4.6
Share-based payments	12.1	8.7
Other	166.1	2.3
Adjusted EBIT	**196.3**	**213.7**
Normative tax rate(1)	35%	35%
Net operating profit after taxes (NOPAT) (A)	**127.6**	**138.9**

(1) At this stage, 35% has been kept for coherence purpose with the 2020 objective calculation formula.

Invested capital is calculated as follows:

€ million	2017	2016
Property, plant and equipment	467.4	488.6
Intangible assets	91.4	108.5
Goodwill	510.5	550.4
Working capital(1)	365.1	347.8
Total invested capital (B)	**1,434.4**	**1,495.3**

(1) Working capital includes inventory, trade and other receivables, deferred tax assets and liabilities, trade payables, other liabilities, and other short-term provisions, restated for financial items (€3.3m) and for amounts payable on fixed assets (€5.8m).

The Group’s return on invested capital is as follows:

€ million	2017	2016
Return on invested capital (ROIC) (A/B)	**8.9%**	**9.3%**