Q3 2016 results

Strong profitability improvement in a soft demand environment

Paris, October 26th, 2016

Highlights

- **Net Sales: €794m, -2.1% on an organic basis vs. Q3 2015(1), -0.2% including price increases in the CIS**
- **Q3 Adjusted EBITDA(2) at €119m vs. €113m in Q3 2015 (+5.3%)**
- **Further increase of adjusted EBITDA margin to 15.0% from 14.0% in Q3 2015**

(1) Organic growth: 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).
(2) Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items.
See definition of alternative performance measures at the end.

Net sales

Organically, sales decreased by -2.1% vs. Q3 2015. Demand was soft in North America (-0.6%) and Sports (-0.9%). In EMEA, organic growth was limited to +1.1% mainly due to slower trends in the UK, France and Spain. As expected, economic conditions remained challenging in the CIS countries and in Latin America; sales in the reporting segment CIS, APAC and LATAM contracted organically by -10.1%.

Reported sales reached €794m vs. €809m in Q3 2015. There was no change in the scope of consolidation. Thanks to the selling price increases implemented in the CIS, the net exchange rate impact was positive in that segment, while EMEA was penalized by the drop of the British pound.

Over the first nine months, the Group achieved an organic growth of +1.7% (+0.5% on a reported basis).

Adjusted EBITDA

The Group delivered a **higher adjusted EBITDA of €119m** vs. €113m in Q3 2015. The **adjusted EBITDA margin increased from 14.0% to a strong 15.0%.** EMEA, North America and Sports margins remained solid despite a flat organic growth. In the CIS region, adjusted EBITDA was greatly improved thanks to the positive "lag effect" (net of currency and selling price effects) of +€7m following the recent selling price increases. All segments benefited from the steady pace of productivity actions.

Commenting these results, **Michel Giannuzzi, CEO of Tarkett, stated:**

"In a soft demand environment, Tarkett has continued to improve its profitability. The increase in EBITDA shows the effectiveness of our productivity actions, in particular our World Class Manufacturing program. We are particularly satisfied with the improvement in the CIS performance resulting from the strong actions on selling prices and cost structure."

Net sales

€ million	Q3 2016	Q3 2015	% Change	o/w organic[(1)]
EMEA	222.9	230.9	-3.5%	+1.1%
North America	216.6	214.1	+1.1%	-0.6%
CIS, APAC & LATAM	157.7	164.6	-4.2%	-10.1%
Sports	197.2	199.2	-1.0%	-0.9%
Total Group	**794.3**	**808.8**	**-1.8%**	**-2.1%**

€ million	9M 2016	9M 2015	% Change	o/w organic[(1)]
EMEA	694.5	693.5	+0.2%	+4.0%
North America	627.7	587.7	+6.8%	+4.8%
CIS, APAC & LATAM	392.6	442.4	-11.3%	-8.7%
Sports	377.6	359.1	+5.1%	+5.1%
Total Group	**2,092.4**	**2,082.7**	**+0.5%**	**+1.7%**

Adjusted EBITDA[(2)]

€ million	Q3 2016	Q3 2015	% Change
Adjusted EBITDA *% of Net Sales*	119.2 *15.0%*	113.2 *14.0%*	+5.3% *+101bps*

€ million	9M 2016	9M 2015	% Change
Adjusted EBITDA *% of Net Sales*	270.6 *12.9%*	241.2 *11.6%*	+12.2% *+135bps*

(1) Organic growth: 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. **Including CIS price increases, the organic growth reached -0.2%**). See definition of alternative performance measures at the end.

(2) Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items. See definition of alternative performance measures at the end.

Europe, Middle East, Africa (EMEA)

In EMEA, sales organic growth was +1.1%. While the Nordics, Germany and the Netherlands delivered sound growth, the UK suffered from the recent Brexit uncertainties and Spain continued to be affected by the political deadlock. France was slightly negative on the back of a sluggish remodeling activity. Over the first nine months, the segment delivered a solid organic performance of +4.0%.

Sales in the LVT category (Luxury Vinyl Tiles) continued to grow rapidly across the region. The new production line in Poland, designed to address this demand, is currently starting its ramp-up phase.

The reported sales were down by -3.5% owing to the negative impact of currencies (primarily the British pound), and the reclassification of some Desso sales to other segments.

North America

Net sales in North America have been flat in the quarter (-0.6% organic growth) compared to a strong Q3 2015. Over the first nine months, the segment delivered a robust organic performance of +4.8%.

Tarkett continued to benefit from the growth of the LVT category (Luxury Vinyl Tiles), but faced a softer demand in the commercial carpet mostly in the corporate office sector.

On a reported basis, sales grew by +1.1%, following the reclassification of some sales from Desso Europe.

CIS, APAC & LATAM

In the CIS area, volumes declined at a similar rate to H1's, leading to a -10.1% organic growth in the segment (excluding price increases in the CIS). The economic conditions in Russia remained difficult, consumer disposable income still being at a low level.

The CIS countries benefited from the three successive selling price increases implemented since September 2015: the ''lag effect'' between currencies devaluation and the selling price increases positively impacted the adjusted EBITDA by €7m. Additionally, Tarkett kept reducing costs and further deployed productivity actions, allowing the segment to improve significantly its profitability versus both H1 2016 and H2 2015.

In Asia Pacific, the activity remained weak, both in Australia and in China. After two solid quarters, Latin America sales were finally impacted by the depressed economic environment, in particular Brazil.

Over the first nine months, the segment reported an organic decline of -8.7%.

Sports

After having enjoyed a strong second quarter, the Sports activity posted a slight organic decrease (-0.9%), owing to a lower proportion of turn-key projects that include revenues from civil engineering. Turf product sales kept growing and running tracks sales remained very dynamic. Over the first nine months, the segment achieved a strong organic growth of +5.1%.

Outlook

During its Investor Day to be held tomorrow October 27th, 2016 in Paris, Tarkett will communicate its 2017-2020 objectives and strategic initiatives. In the fourth quarter, we anticipate demand to remain soft but we are confident in our ability to continue to improve profitability versus last year and generate strong cash flow. For the full year 2016, we expect net sales between €2,700m and €2,750m, adjusted EBITDA in the range of €315m to €330m and financial leverage between 1.2x and 1.4x adjusted EBITDA.

Financial Calendar

- October 27, 2016: Investor Day
- February 9, 2017 : 2016 Yearly Financial Results, *to be released after Paris stock exchange closing*
- April 25, 2017: First Quarter 2017 Results, *to be released after Paris stock exchange closing*
- April 27, 2017: Annual General Meeting

About Tarkett

With net sales of 2.7 billion euros in 2015, Tarkett is a global leader in innovative and sustainable solutions for flooring and sports surfaces. Offering a wide range of products including vinyl, linoleum, carpet, rubber, wood & laminate, synthetic turf and athletic tracks, the Group serves customers in more than 100 countries worldwide. With 12,000 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 circular economy. Tarkett is listed on Euronext Paris (compartment A, ticker TKTT, ISIN: FR0004188670). www.tarkett.com.

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Appendices

Net Sales by segment

€ million	Q1 2016	Q1 2015	% Change	o/w organic(1)
EMEA	232.4	226.5	+2.6%	+5.5%
North America	187.2	162.8	+15.0%	+11.4%
CIS, APAC & LATAM	103.5	126.4	-18.1%	-11.0%
Sports	53.2	45.5	+17.0%	+14.1%
TOTAL	**576.3**	**561.2**	**+2.7%**	**+4.2%**

€ million	Q2 2016	Q2 2015	% Change	o/w organic(1)
EMEA	239.3	236.0	+1.4%	+6.0%
North America	223.9	210.8	+6.2%	+5.2%
CIS, APAC & LATAM	131.4	151.3	-13.1%	-5.3%
Sports	127.3	114.5	+11.2%	+10.7%
TOTAL	**721.8**	**712.7**	**+1.3%**	**+4.2%**

€ million	H1 2016	H1 2015	% Change	o/w organic(1)
EMEA	471.6	462.6	+2.0%	+5.7%
North America	411.1	373.6	+10.0%	+7.9%
CIS, APAC & LATAM	234.9	277.7	-15.4%	-7.9%
Sports	180.5	160.0	+12.8%	+11.7%
TOTAL	**1,298.1**	**1,273.9**	**+1.9%**	**+4.2%**

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TOTAL	**2,092.4**	**2,082.7**	**+0.5%**	**+1.7%**

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Group Adjusted EBITDA[1] by quarter

€ million	2016	2015	*2016 margin (% sales)*	*2015 margin (% sales)*
Q1	45.0	31.8	*7.8%*	*5.7%*
Q2	106.5	96.2	*14.8%*	*13.5%*
Q3	119.2	113.2	*15.0%*	*14.0%*
9M	270.6	241.2	*12.9%*	*11.6%*

Adjusted EBITDA[1] by segment – Half-year

€ million	H1 2016	H1 2015	*H1 2016 Margin (% sales)*	*H1 2015 Margin (% sales)*
EMEA	74.8	70.1	*15.9%*	*15.1%*
North America	59.3	33.6	*14.4%*	*9.0%*
CIS, APAC & LATAM	24.8	37.0	*10.6%*	*13.3%*
Sports	18.2	9.9	*10.1%*	*6.2%*
Central costs not allocated	(25.7)	(22.6)	-	-
TOTAL	**151.4**	**128.1**	***11.7%***	***10.1%***

(1) Adjusted EBITDA: Adjustments include expenses related to restructuring, acquisitions and certain other non-recurring items.

Alternative performance measures definition (non-IFRS indicators)

The Tarkett Group uses the following non-IFRS financial indicators in the financial result publication of the third quarter:

- Organic growth
- Adjusted EBITDA

These indicators are calculated as follows:

- **Organic growth:**
  - This indicator measures the change in net revenue as compared with the same period in the previous year, at constant exchange rates and scope of consolidation.
  - The exchange rate effect is obtained by applying the previous year's exchange rate to sales for the current year and calculating the difference as compared with actual sales for the current year. It also includes the effect of price adjustments in the CIS countries implemented to offset movements in local currencies against the euro.
  - The effect of the scope of consolidation is composed of:
    - current-year sales by entities that were not included in the scope of consolidation during the same period of the previous year, until the anniversary of their consolidation; and
    - 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, until the anniversary of the disposal.

  - Changes in net sales from one year to the other may be broken down as follows:

In millions of euros	2016	2015	Change (in %)	*of which exchange rate effect*	*of which effect of consolidation scope*	*of which organic growth*
Group Total - Q3	794.3	808.8	-1.8%	*+0.3%*	-	*-2.1%*
Group Total - 9M	2,092.4	2,082.7	+0.5%	*-1.2%*	-	*+1.7%*

- **Adjusted EBITDA**:
  - Adjusted EBITDA is calculated by deducting the following income and expenses from operating income before depreciation and amortization:
    - restructuring costs incurred to increase the Group's future profitability;
    - capital gains and capital losses recognized on significant asset sales;
    - provisions and reversals of provisions for loss of value;
    - costs relating to corporate and legal restructuring;
    - costs relating to share-based payments; and
    - other one-off expenses considered exceptional by their nature.
  - Note 3.1 to the consolidated financial statements includes a table reconciling operating income with adjusted EBITDA, as well as the effect of adjustments by type.