Consolidated financial statements

as of December 31, 2017

Tarkett

THE ULTIMATE FLOORING EXPERIENCE

Consolidated income statement

(in millions of euros)	Note	2017	2016
Net revenue		2,841.1	2,739.3
Cost of sales		(2,138.1)	(1,996.4)
Gross profit		703.0	742.9
Other operating income	(3)	30.1	13.0
Selling and distribution expenses		(319.4)	(318.7)
Research and development		(36.4)	(37.3)
General and administrative expenses		(187.5)	(188.9)
Other operating expenses	(3)	(177.1)	(20.3)
Result from operating activities	(3)	12.7	190.7
Financial income		1.3	1.4
Financial expenses		(24.7)	(22.4)
Financial income and expense	(7)	(23.4)	(21.0)
Share of profit of equity accounted investees (net of income tax)		3.0	2.6
Profit before income tax		(7.7)	172.3
Total income tax	(8)	(30.3)	(53.0)
Profit from continuing operations		(38.0)	119.3
Profit (loss) from discontinued operations (net of income tax)		-	-
Net profit for the period		(38.0)	119.3
Attributable to:			
Owners of Tarkett		(38.7)	118.6
Non-controlling interests		0.7	0.7
Net profit for the period		**(38.0)**	**119.3**
Earnings per share:			
Basic earnings per share *(in EUR)*	(9)	(0.61)	1.87
Diluted earnings per share *(in EUR)*	(9)	(0.61)	1.86

Consolidated statement of comprehensive income

(in millions of euros)	2017	2016
Net profit for the period	(38.0)	119.3
Other comprehensive income (OCI)	-	-
Foreign currency translation differences for foreign operations	(77.2)	19.7
Changes in fair value of cash flow hedges	(0.8)	0.5
Income tax on other comprehensive income	0.2	(0.1)
OCI to be reclassified to profit and loss in subsequent periods	(77.8)	20.1
Defined benefit plan actuarial gain (losses)	7.8	(10.4)
Other comprehensive income (OCI)	-	-
Income tax on other comprehensive income	(7.2)	10.2
OCI not to be reclassified to profit and loss in subsequent periods	0.6	(0.2)
Other comprehensive income for the period, net of income tax	(77.2)	19.9
Total comprehensive income for the period	**(115.2)**	**139.2**
Attributable to:		
Owners of Tarkett	(115.5)	138.8
Non-controlling interests	0.3	0.4
Total comprehensive income for the period	**(115.2)**	**139.2**

Consolidated statement of financial position

Assets

(in millions of euros)	Note	December 31, 2017	December 31, 2016
Goodwill	(5)	510.5	550.4
Intangible assets	(5)	91.4	108.5
Property, plant and equipment	(5)	467.4	488.6
Other financial assets	(7)	31.7	34.9
Deferred tax assets	(8)	80.1	94.0
Other non-current assets		-	0.2
Non-current assets		1,181.1	1,276.6
Inventories	(3)	404.2	396.3
Trade receivables	(3)	356.2	343.4
Other receivables	(3)	76.9	58.8
Cash and cash equivalents	(7)	114.7	93.1
Current assets		952.0	891.6
Total assets		**2,133.1**	**2,168.2**

Equity and liabilities

(in millions of euros)	Note	December 31, 2017	December 31, 2016
Share capital	(9)	318.6	318.6
Share premium and reserves		145.8	145.8
Retained earnings		352.7	349.9
Net result for the period		(38.7)	118.6
Equity attributable to equity holders of the parent		778.4	932.9
Non-controlling interests		2.2	2.3
Total equity		780.6	935.2
Interest-bearing loans	(7)	594.1	460.0
Other financial liabilities	(7)	0.5	4.1
Deferred tax liabilities	(8)	37.8	38.6
Employee benefits	(4)	135.4	154.1
Provisions and other non-current liabilities	(6)	49.7	58.7
Non-current liabilities		817.5	715.5
Trade payables	(3)	288.9	270.3
Total other liabilities	(3)	197.4	193.5
Interest-bearing loans and borrowings	(7)	12.3	11.3
Other financial liabilities	(7)	7.0	4.4
Provisions and other current liabilities	(6)	29.4	38.0
Current liabilities		535.0	517.5
Total equity and liabilities		**2,133.1**	**2,168.2**

Consolidated statement of cash flows

(in millions of euros)	Note	2017	2016
Cash flows from operating activities			
Net profit before tax		(7.7)	172.3
Adjustments for:			
Depreciation and amortization		122.3	123.1
(Gain) loss on sale of fixed assets		(0.3)	0.4
Net finance costs		23.4	21.0
Change in provisions and other non-cash items		(6.6)	0.3
Share of profit of equity accounted investees (net of tax)		(3.0)	(2.6)
Operating cash flow before working capital changes		128.1	314.5
(Increase)/Decrease in trade receivables		(32.9)	(17.2)
(Increase)/Decrease in other receivables		(9.1)	(2.2)
(Increase)/Decrease in inventories		(30.1)	(15.3)
Increase/(Decrease) in trade payables		32.8	19.3
Increase/(Decrease) in other payables		2.3	(1.8)
Changes in working capital		(37.0)	(17.2)
Cash generated from operations	(3)	91.1	297.3
Net interest paid		(11.3)	(15.3)
Net income taxes paid		(37.8)	(41.1)
Other		(1.0)	(2.1)
Other operating items		(50.1)	(58.5)
Net cash (used in)/from operating activities		**41.0**	**238.8**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(0.4)	(0.1)
Acquisitions of intangible assets and property, plant and equipment	(5)	(111.1)	(91.9)
Proceeds from sale of property, plant and equipment	(5)	4.5	0.7
Effect of changes in the scope of consolidation		-	(0.4)
Net cash from/(used in) investment activities		**(107.0)**	**(91.7)**
Net cash from/(used in) financing activities			
Acquisition of NCI without a change in control		(8.3)	(4.2)
Proceeds from loans and borrowings		362.0	491.0
Repayment of loans and borrowings		(224.3)	(567.3)
Payment of finance lease liabilities		(0.1)	(0.1)
Acquisition of treasury shares		(0.0)	(9.1)
Dividends		(38.4)	(33.0)
Net cash from/(used in) financing activities		**90.9**	**(122.7)**
Net increase/(decrease) in cash and cash equivalents		24.9	24.4
Cash and cash equivalents, beginning of period		93.1	67.9
Effect of exchange rate fluctuations on cash held		(3.3)	0.8
Cash and cash equivalents, end of period		**114.7**	**93.1**

Consolidated statement of changes in equity

(in millions of euros)	Share capital	Share premium and reserves	Translation reserves	Reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2016	318.6	145.8	1.4	369.0	834.8	1.9	836.7
Net profit for the period	-	-	-	118.6	118.6	0.7	119.3
Other comprehensive income	-	-	20.0	0.2	20.2	(0.3)	19.9
Total comprehensive income for the period	-	-	20.0	118.8	138.8	0.4	139.2
Dividends	-	-	-	(33.0)	(33.0)	-	(33.0)
Own shares (acquired)/sold	-	-	-	(9.1)	(9.1)	-	(9.1)
Share-based payments	-	-	-	2.0	2.0	-	2.0
Acquisition of NCI without a change in control	-	-	-	(0.1)	(0.1)	-	(0.1)
Other	-	-	-	(0.5)	(0.5)	-	(0.5)
Total transactions with shareholders	-	-	-	(40.7)	(40.7)	-	(40.7)
Year ended December 31, 2016	**318.6**	**145.8**	**21.4**	**447.1**	**932.9**	**2.3**	**935.2**
Balance at January 1, 2017	318.6	145.8	21.4	447.1	932.9	2.3	935.2
Net profit for the period	-	-	-	(38.7)	(38.7)	0.7	(38.0)
Other comprehensive income	-	-	(76.8)	0.0	(76.8)	(0.4)	(77.2)
Total comprehensive income for the period	-	-	(76.8)	(38.7)	(115.5)	0.3	(115.2)
Dividends	-	-	-	(38.0)	(38.0)	(0.4)	(38.4)
Own shares (acquired)/sold	-	-	-	(1.5)	(1.5)	-	(1.5)
Share-based payments	-	-	-	5.1	5.1	-	5.1
Acquisition of NCI without a change in control	-	-	-	(4.6)	(4.6)	-	(4.6)
Other	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	(39.0)	(39.0)	(0.4)	(39.4)
Year ended December 31, 2017	**318.6**	**145.8**	**(55.4)**	**369.4**	**778.4**	**2.2**	**780.6**

5.2 Notes to the consolidated financial statements

Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2017 comprise the Company and its subsidiaries (hereafter the "**Group**") as well as its interests in associates and joint ventures.

The Group is a leading global flooring company, providing a large range of flooring and sports surface solutions to business and residential end-users.

The Group completed its initial public offering on November 21, 2013, and is listed on Compartment A of Euronext Paris, ISIN code: FR00004188670 – Stock symbol: TKTT.

The Group's registered office is located at *1 Terrasse Bellini – Tour Initiale – 92919 Paris La Défense, France*.

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2017 were finalized by the Management Board on February 6, 2018 and reviewed by the Supervisory Board on February 8, 2018. They will be submitted for shareholder approval on April 26, 2018.

1.2 Significant accounting principles

1.2.1 Statement of compliance and applicable standard

The Group's Consolidated Financial Statements as of and for the year ended December 31, 2017 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of such date, which are available at http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm. These standards have been applied consistently for the fiscal years presented.

a) Amendments or revisions to existing standards and interpretations applied during the period

- In preparing its Consolidated Financial Statements, the Group has taken into account the following amendments and revisions to standards and interpretations. These amendments and interpretations have been approved by the European Union and their application is mandatory:
  - Amendment to IAS 7, "Statement of Cash Flows".

b) Early adoption of new standards or interpretations during the period

The Group has not implemented early application of any new standards or interpretations during the period.

c) New standards and interpretations not adopted

The following published standards have not been applied by the Group:

- IFRS 15: Revenue from contracts with customers. On May 28, 2014, the IASB published a new standard on accounting for revenue to replace most of the existing IFRS provisions, in particular IAS 11 and IAS 18. At this stage of its analysis, given the manner in which the Group's customer relations are structured, the Group believes that the application of IFRS 15 will not have a major impact. The new standard, as adopted by the European Union, is effective beginning on January 1, 2018, using the "simplified retrospective method."
- IFRS 16: Leases. On January 16, 2016, the IASB published IFRS 16, "Leases". IFRS 16 will replace IAS 17 and the related IFRIC and SIC interpretations and will eliminate the distinction between operating leases and finance leases. This standard, applicable as of January 1, 2019 (or 2018, if adopted early), which has been adopted by the European Union, requires lessors to record all leases with terms of over one year in the manner currently required for finance leases under IAS 17, and thus to record an asset and a liability for the rights and obligations created by a lease agreement.

In the project's first phases, in 2017, the Group identified all of its leases.

The Group is now in the process of gathering the additional information necessary to ascertain the impacts of the new standard on its financial statements.

The new standard, will be effective as of January 1, 2019, using the "simplified retrospective method."

- IFRS 9: Financial Instruments. On July 24, 2014, the IASB published a new standard on Financial Instruments that replaces most of the existing IFRS provisions on Financial Instruments, in particular IAS 39. The new standard, which has been adopted by the European Union on November 22, 2016, will apply beginning January 1, 2018. IFRS 9 modifies the rules for recording hedging transactions, the classifications for financial assets and liabilities, and recognition of credit risk with respect to financial assets based on expected losses rather than incurred losses. Due to the nature of its business, the Group does not expect any significant changes in the classification and valuation of its financial assets. In addition, the Group believes that its existing hedging arrangements classified as effective hedges will still meet the criteria for hedge accounting under IFRS 9 and does not expect any significant impact on its hedge transaction accounting. Finally, implementation of a new method of credit risk valuation does not have a significant impact.

1.2.2 Accounting estimates and judgments

The preparation of the Group's Consolidated Financial Statements requires it to make a number of estimates and assumptions that have an effect on the amounts recorded on its balance sheet and income statement.

These judgments and estimates relate principally to:

	Notes
Measurement of the fair value of the consideration transferred, NCI and assets acquired and liabilities assumed	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 event

In late March 2013, the "*Autorité de la concurrence française*" (French Competition Authority) began investigations against several flooring manufacturers, including Tarkett, in relation to possible anti-competitive practices in the French market for resilient flooring.

Based on the information Tarkett had, in the half-year financial statements Tarkett decided to record a provision in the amount of €150 million.

On October 18, 2017, the French Competition Authority, in its decision number 17-D-20, ordered Tarkett to pay a fine of €165 million. The Group recorded an additional expense of €15 million in the fourth quarter. The full amount was recognized in "other operating expenses." The entire amount of the fine was paid in December.

Note 2 > Changes in scope of consolidation

2.1 Consolidation methods

2.1.1 Full consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

2.1.2 Equity method accounting for joint ventures and associates

A joint venture, for purposes of IFRS 11, is an arrangement in which the Group has joint control, whereby the Group has right to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. the Group's interests in equity-accounted joint ventures comprise only the joint venture Laminate Park GmbH & Co.

They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

The accounting policies described hereafter have been applied to all the periods presented in the Consolidated Financial Statements and have been uniformly applied by all Group entities acquired prior to December 31, 2017 (see Note 2.4, Changes in Scope of Consolidation).

2.2 Business combinations

Business combinations are accounted for using the acquisition method on the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Acquisition of NCI without a change in control
For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

Share put options granted by the Group
The Group may write a put option or enter into a forward purchase agreement with the non-controlling shareholders in an existing subsidiary on their equity interests in that subsidiary. The Group consolidates the entity as though the non-controlling interests had already been acquired. This position leads to recognizing a liability for the present value of the price payable in the event that the non-controlling interests exercise their option.

As of December 31, 2017, all of the put options have been exercised.

2.3 Foreign currency translation

These financial statements are presented in euro and the functional currency of Tarkett and its subsidiaries located in the euro zone is euro. Group entities operate on an autonomous basis and therefore the functional currency of entities operating outside the euro zone is generally their local currency.

The functional currency of the Commonwealth of Independent States ("CIS") is the euro. After analyzing the primary and secondary indicators set forth in IAS 21.9, the Group has confirmed this choice for the 2017 financial statements.

The Group presents its financial statements in euros.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the foreign exchange rate as of the date of the transaction. Foreign exchange rate differences arising on these transactions are recognized either in the operating profit for operational transactions or in the financial result for financing transactions.

Some items are covered by hedging transactions; the accounting treatment for those transactions is described in Note 7.6.1.

Non-monetary items are translated using the historical exchange rates, while monetary items are translated using the foreign exchange rates ruling at the balance sheet date.

Financial statements of foreign operations

On the balance sheet date, assets and liabilities of foreign operations are translated at the closing rate, and income and expenses are translated at the average exchange rate for the period.

Foreign currency differences are recognized in other comprehensive income (OCI), and presented in the translation reserve in equity.

Net investments in foreign operations

When long-term loan in foreign currency is granted to a subsidiary, it may be deemed a net investment in a foreign company. Foreign exchange gains and losses relating to these long-term loans are then recognized in translation reserves in other comprehensive income.

2.4 Changes in the scope of consolidation

The Tarkett Group's scope of consolidation is as follows. (See Note 13 for a list of principal consolidated entities.)

Number of companies	Dec. 31, 2016	Mergers	Acquisitions	Liquidations	Dec. 31, 2017
Fully consolidated companies	85	(7)	1	(1)	78
Equity-accounted companies	1	-	-	-	1
Total	**86**	**(7)**	**1**	**(1)**	**79**

2.4.1 Transactions completed in 2017

The year's principal transactions are as follows:

a) Mergers

In Canada in 2017, Nova Scotia Limited and Tandus Centiva GP were merged into Tandus Centiva Limited.

In Serbia, Sintelon RS DOO Backa Palancka and Sintelon DOO Backa Palancka were merged into Tarkett DOO Backa Palancka.

In addition, in France, Desso SAS was merged into Tarkett France.

Finally, in the United States, Tarkett Entreprises Inc. was merged into Tarkett Finance Inc., and Texas Tile Manufacturing LLC was merged into Domco Products Texas Inc.

b) Call options

In November 2017, Tarkett exercised its option to acquire the 49% minority interest in FieldTurf Benelux B.V. FieldTurf Benelux B.V. was already fully consolidated.

In December 2017, Tarkett exercised its option to acquire the 49% minority interest in Morton Extrusionstechnik (M.E.T GmbH). Morton Extrusionstechnik (M.E.T GmbH) was already fully consolidated.

2.4.2 Transactions completed in 2016

a) Mergers

In September 2016, Sintelon UA Ltd was merged into Tarkett Vinisin LLC.

b) Liquidation

In April 2016, Galerija Podova D.o.o Banja Luka was liquidated.

In June 2016, Desso Sports Systems GmbH was liquidated.

2.5 Joint ventures

Laminate Park GmbH & Co KG, jointly held with the Sonae Group in Germany, is the Group's only remaining jointly controlled entity.

The joint venture produces laminate and board for the EMEA market.

Note 3 > Operating Data

3.1 Components of the income statement

3.1.1 Revenue recognition

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, payment is likely, the associated costs and potential return of the merchandise can be reliably assessed, the Group is no longer involved in managing the merchandise, and the revenue from the merchandise can be reliably assessed. Revenue is recognized net of returns, rebates, commercial discounts and bulk discounts.

Revenue from services rendered or from construction contracts, in connection with the sports surfaces division, is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognized immediately in profit or loss.

Net sales comprise revenue from the sale of goods and services net of price reductions and taxes, and after elimination of intragroup sales.

3.1.2 Operating result

a) Grants

Grants relating to assets are deducted from the carrying amount of the property, plant and equipment. The grants are thus recognized as income over the lives of the assets by way of a reduced depreciation charge.

Grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Other grants are recognized as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

b) Expenses

Cost of sales
Cost of sales comprises the cost of manufactured products, the acquisition cost of purchased goods which have been sold, and the supply chain costs for logistic and freight.

Selling and distribution expenses
Selling and distribution expenses comprise the expenses of the marketing department and the sales force, as well as advertising expenses, distribution expenses, sales commissions and bad debts.

Research and development
Research and development costs are recognized as expenses when incurred, unless the criteria are met for them to be capitalized, as per note 5.2.1.

General and administrative expenses
General and administrative expenses comprise the remuneration and overhead expenses associated with management and administrative personnel with the exception of amounts charged to other cost centers.

c) Other operating income and expenses

This category includes all operating income and expenses that cannot be directly attributed to business functions, including operating expense related to retirement commitments and costs with respect to certain disputes.

3.1.3 Adjusted EBITDA

Adjusted EBITDA is a key indicator permitting the Group to measure its operating and recurring performance.

It is calculated by taking operating income before depreciation and amortization and removing the following revenues and expenses:

- restructuring costs to improve the future profitability of the Group;
- gains or losses on disposals of significant assets;
- impairment and reversal of impairment based on Group impairment testing only;
- costs related to business combinations and legal reorganizations, including legal fees, transactions costs, advisory fees and other adjustments;
- expenses related to share-based payments due to their non-cash nature; and
- other one-off expenses considered exceptional by their nature.

(in millions of euros)	2017	Adjustments: Restruc-turing	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other [(1)]	2017 adjusted
Net revenue	**2,841.1**	**-**	**-**	**-**	**-**	**-**	**2,841.1**
Cost of sales	(2,138.1)	1.6	3.9	-	1.0	0.0	(2,131.6)
Gross profit	**703.0**	**1.6**	**3.9**	**-**	**1.0**	**0.0**	**709.5**
Other operating income	30.1	0.2	0.1	(1.9)	-	(0.1)	28.4
Selling and distribution expenses	(319.4)	(1.2)	-	-	0.5	-	(320.1)
Research and development	(36.4)	0.4	-	-	0.3	-	(35.7)
General and administrative expenses	(187.5)	0.8	0.6	0.6	10.3	0.4	(174.8)
Other operating expenses	(177.1)	0.3	-	-	-	165.8	(11.0)
Result from operating activities (EBIT)	**12.7**	**2.1**	**4.6**	**(1.3)**	**12.1**	**166.1**	**196.3**
Depreciation and amortization	122.3	1.0	(4.5)	-	-	-	118.8
EBITDA	**135.0**	**3.1**	**0.1**	**(1.3)**	**12.1**	**166.1**	**315.1**

(1) Other includes the €165 million adjustment recorded following the decision of the French Competition Authority (see Note 1.3.).

(in millions of euros)	2016	Adjustments: Restruc-turing	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other	2016 adjusted
Net revenue	**2,739.3**	**-**	**-**	**-**	**-**	**-**	**2,739.3**
Cost of sales	(1,996.4)	3.1	-	-	1.0	1.1	(1,991.2)
Gross profit	**742.9**	**3.1**	**-**	**-**	**1.0**	**1.1**	**748.1**
Other operating income	13.0	-	-	-	-	-	13.0
Selling and distribution expenses	(318.7)	1.1	0.9	-	0.5	-	(316.2)
Research and development	(37.3)	-	-	-	0.2	-	(37.1)
General and administrative expenses	(188.9)	0.8	1.5	0.6	7.0	1.1	(177.9)
Other operating expenses	(20.3)	-	-	4.0	-	0.1	(16.2)
Result from operating activities (EBIT)	**190.7**	**5.0**	**2.4**	**4.6**	**8.7**	**2.3**	**213.7**
Depreciation and amortization	123.1	-	(2.4)	-	-	-	120.7
EBITDA	**313.8**	**5.0**	**-**	**4.6**	**8.7**	**2.3**	**334.4**

3.2 Segment information

In accordance with IFRS 8, “Operating Segments,” the Group’s activities have been segmented based on the organization of its internal management structure and of its products. The Group is organized in four segments:

- Europe, Middle East and Africa (“**EMEA**”);
- North America;
- Commonwealth of Independent States (“**CIS**”), Asia Pacific (“**APAC**”) and Latin America; and
- Sports Surfaces.

Certain expenses are not allocated, in particular costs by the Group’s headquarters and its R&D Group.

By operating segment

2017 *(in millions of euros)*	Flooring			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%*
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 €165 million adjustment recorded following the decision of the French Competition Authority (see Note 1.3.).

2016 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	906.5	816.7	549.6	466.5	-	2,739.3
Gross profit	289.7	244.8	109.4	99.8	(0.8)	742.9
% of net sales	*32.0%*	*30.0%*	*19.9%*	*21.4%*		*27.1%*
Adjusted EBITDA	136.7	113.0	81.0	54.1	(50.4)	334.4
% of net sales	*15.1%*	*13.8%*	*14.7%*	*11.6%*		*12.2%*
Adjustments	(3.5)	(5.4)	(2.3)	(1.3)	(8.1)	(20.6)
EBITDA	133.2	107.6	78.7	52.8	(58.5)	313.8
% of net sales	*14.7%*	*13.2%*	*14.3%*	*11.3%*		*11.5%*
Result from operating activities (EBIT)	93.2	54.9	35.9	37.2	(30.5)	190.7
% of net sales	*10.3%*	*6.7%*	*6.5%*	*8.0%*		*7.0%*
Ongoing capital expenditures	35.8	23.6	14.1	10.0	8.0	91.5

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2017 and in 2016.

Non-current assets in France, excluding the non-affected goodwill arising out of the merger between Tarkett and Sommer in the early 2000's, also represent less than 10% of the Group's total non-current assets in 2017 and in 2016.

Tarkett considers the threshold for significance to be 25% of revenue. Only the United States is above that threshold, with 40.0% of the Group's consolidated revenue in 2017 (41.0% in 2016).

The United States represents 40.0% of the Group's total non-current assets as of December 31, 2017 (42.0% on December 31, 2016).

None of Tarkett's customers represents more than 10% of its sales. In 2017, the largest customer represented 3% of the Group's consolidated net revenues, as compared with 3% in 2016.

3.3 Other operating income – other operating expenses

(in millions of euros)	2017	2016
Losses on disposal of fixed assets	0.3	-
Other operating income	29.8	13.0
Other operating income	30.1	13.0
Losses on disposal of fixed assets	-	(0.4)
Other operating expenses (1)	(177.1)	(19.9)
Other operating expenses	(177.1)	(20.3)
Total other operating income and expenses	**(147.0)**	**(7.3)**

(1) Includes the €165 million fine imposed by the French Competition Authority.

3.4 Breakdown of working capital requirements

3.4.1 Inventories

Inventories are stated on a FIFO (first in, first out) basis, at the lower of manufacturing/acquisition costs and net realizable value. Manufacturing costs of self-produced inventories comprise all costs that are directly attributable and a systematic allocation of production overhead and depreciation of production facilities based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(in millions of euros)	December 31, 2017	December 31, 2016
Raw materials and supplies	132.7	134.7
Work in progress	66.1	63.5
Finished goods	239.1	241.2
Samples	1.0	1.5
Consumables and spare parts	22.4	22.1
Total Gross Value	461.3	463.0
Provision for inventory depreciation	(57.1)	(66.7)
Total net inventory	**404.2**	**396.3**

Breakdown of the provision for inventory depreciation

(in millions of euros)	Dec. 31, 2016	Allowance	Decrease	Foreign exchange gain & loss	Other	Dec. 31, 2017
Raw materials and supplies	(16.7)	(2.3)	7.1	1.2	0.2	(10.5)
Work in progress	(6.9)	(1.7)	2.6	0.3	-	(5.7)
Finished goods	(36.9)	(9.6)	9.7	2.5	0.5	(33.8)
Samples	(0.4)	(0.2)	0.2	0.1	-	(0.3)
Consumables and spare parts	(5.8)	(1.9)	0.8	0.1	-	(6.8)
Total provision for inventory depreciation	**(66.7)**	**(15.7)**	**20.4**	**4.2**	**0.7**	**(57.1)**

The rate of inventory provisions is applied in a similar way for the different periods.

Cost of raw materials was €1,164.7 million in 2017 (as compared with €1,100.0 million in 2016).

3.4.2 Trade receivables

Trade receivables are stated at their invoiced value converted at the closing rate, less any allowance for doubtful accounts.

The allowance for doubtful accounts is based on the management's assessment of the recoverability of specific customer accounts and the aging of the accounts receivable.

Provision for doubtful receivables
Provisions for doubtful receivables are constituted as follows:

- bad debts identified and provisioned at 100%;
- a statistical provision, based on the age of the outstanding receivables, defined as follows:

Overdue receivables *(as a percentage of the gross amount)*	**Impairment**
From 61 to 180 days	25%
From 181 to 270 days	50%
From 271 to 360 days	75%
More than 360 days	100%

- an additional provision on a case-by-case basis based on an application of professional judgment.

(in millions of euros)	December 31, 2017	December 31, 2016
Related party receivables	7.8	12.1
Third party receivables	368.1	353.5
Total Gross Value	375.9	365.6
Provisions for doubtful receivables	(19.7)	(22.2)
Total Trade Receivables	**356.2**	**343.4**

The change in the provision for doubtful receivables totals €2.50 million and is mainly explained as follows:

- €(2.80) million of allowance;
- €4.90 million of reversals;
- €0.40 million of foreign exchange impact.

Breakdown of unimpaired overdue receivables

(in millions of euros)	December 31, 2017	December 31, 2016
Receivables, trade overdue 0-180 days	39.5	31.3
Receivables, trade overdue 181-270 days	0.6	0.7
Receivables, trade overdue 271-360 days	0.1	0.4
Receivables, trade overdue > 360 days	1.2	1.5
Receivables, bankruptcy procedure/legal cases	0.9	1.1
Total unimpaired overdue Receivables	**42.3**	**35.0**

3.4.3 Other receivables

(in millions of euros)	December 31, 2017	December 31, 2016
Total Other receivables non-current	**-**	**0.2**
Prepaid expenses current	15.5	16.1
Income tax receivable current	23.9	8.9
VAT and other taxes	18.6	13.0
Other accounts receivable and other assets current	18.9	20.8
Total other receivables current	**76.9**	**58.8**

3.4.4 Trade payables

Trade payables are stated at their repayment amounts. Payables due more than a year in the future, including $3.9 million in deferred income, are discounted to net present value.

(in millions of euros)	December 31, 2017	December 31, 2016
Trade payables	284.6	93.9
Trade notes payable	4.3	176.4
Trade payables	**288.9**	**270.3**

3.4.5 Other liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Liabilities related to employees	96.5	103.4
Current tax	19.7	14.3
VAT and other taxes	16.8	15.6
Sales rebates	41.2	37.9
Other liabilities	23.2	22.3
Total other liabilities	**197.4**	**193.5**

3.5 Net cash flow from operations and free cash flow

The Group uses net cash flow from operations and free cash flow as performance indicators.

Net cash flow from operations is defined as follows:

- cash flow from operations minus capital expenditures;
- capital expenditures are defined as investments in intangible assets and property, plant and equipment, excluding construction of new plants or distribution sites and acquisitions of companies or activities.

(in millions of euros)	2017	2016
Cash generated from operations [(1)]	91.1	297.3
Acquisitions of intangible assets and property, plant and equipment	(111.1)	(91.9)
Restatement of non-recurring investments	0.2	0.4
Net cash flow from operations	**(19.8)**	**205.8**

(1) Cash generated from operations decreased significantly due to the fine imposed by the French Competition Authority (see Note 1.3.).

Free cash flow is composed of the following items:

- net cash flow from operations, as defined above.

Plus or minus the following deposits and disbursements from the consolidated cash flow statement:

- net interest received (paid);
- net income taxes collected (paid);
- miscellaneous operational items deposited (disbursed); and
- proceeds (losses) from sale of property, plant and equipment.

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

Note 4 > Employee benefits

4.1 Post-employment benefits

Within the Tarkett Group, various systems for providing for retirement benefits depending on the legal, economic and tax environment of each country exist. In accordance with the laws and uses applied in each country, the Group participates in pension, welfare, health and retirement benefit plans whose benefits are dependent on various factors such as length of service, salary and the contributions paid to institutions.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

These contributions, based on services rendered by employees, are recognized as an expense in profit or loss as incurred.

Defined benefit plans

Defined benefit plans are post-employment benefit plans under which the Group assumes the obligation of providing employees with future benefits and thus also assumes the related actuarial and investment risks. The defined benefit liability is calculated using the projected unit credit method and is discounted to its present value from which the amount of past service cost for the period may also be deduced.

The detailed actuarial calculation requires the use of actuarial hypotheses for demographic variables (mortality, employee turnover) and economic variables (future increases in salaries and medical costs, discount rate).

When defined benefit plans are totally or partially funded by contributions paid to a separate fund or insurance company, those entities' assets are measured at their fair value.

Their amount is then deducted from the obligation to define net liability disclosed in the Group's balance sheet.

The Group's obligation in respect of such arrangements is calculated by independent actuaries, in accordance with IAS 19, "Employee Benefits".

Description of plans

As of December 31, 2017, the Group's largest retirement plans were in the United States, Germany, Sweden, Canada and the United Kingdom. Those five countries represent close to 85% of total commitments under defined benefits plans.

In the United States and the United Kingdom, the Group's retirement plans have been closed to new participants and to the accrual of rights for several years. Most of the Group's plans in Canada are now closed. These plans are prefinanced in accordance with local legislation. Additionally, the Group operates medical and life-insurance benefit plans for certain employees in the United States. These plans are not covered by financing assets and are now closed.

In Sweden, defined benefit retirement plans are mandatory for employees born prior to 1979 under the applicable collective bargaining agreement. Employees born after that date participate in the mandatory defined contribution plan. In Germany, the Group offers a pension plan, service awards and early retirement.

The Group also offers lump-sum retirement payments as provided for by applicable legislation or collective bargaining agreements in certain countries, including France and Italy.

The weighted average duration of defined benefit obligation is 13 years.

Special Events

In 2017, the Group decided to terminate a medical-cost reimbursement plan for its active employees in the United States.

No other major special events occurred in 2017.

Assumptions

Accounting for actuarial values is based on long-term interest rates, predicted future increases in salaries and inflation rates. The main assumptions are presented below:

	December 31, 2017		December 31, 2016	
	Pensions	Post-employment healthcare benefits	Pensions	Post-employment healthcare benefits
Discount rate	3.06%		3.12%	
Including:				
United States	3.75%	3.75%	4.00%	3.50%
Germany	1.50%		1.25%	
Sweden	2.75%		3.00%	
United Kingdom	2.40%		2.50%	
Canada	3.75%		4.00%	
Salary increases	2.87%		2.71%	
Inflation	2.40%		2.29%	

Discount rates are determined by reference to the yield on high-quality bonds. They are calculated on the basis of external indices commonly used as references:

- United States: iBoxx $ 15+ year AA;
- euro zone: iBoxx € Corporate AA 10+;
- Sweden: bonds of Swedish companies;
- United Kingdom: iBoxx £ 15+ year AA;
- Canada: Canadian AA "Mercer Yield Curve Canada" bonds.

Amounts recognized in the statement of financial position *(in millions of euros)*	December 31, 2017			December 31, 2016		
	Pensions	Post-employment healthcare benefits	Total	Pensions	Post-employment healthcare benefits	Total
Defined benefit obligations	232.1	2.0	234.1	246.3	8.4	254.7
Fair value of plan assets	(98.7)	-	(98.7)	(100.6)	-	(100.6)
Net liability booked in the statement of financial position	**133.4**	**2.0**	**135.4**	**145.7**	**8.4**	**154.1**

Pension obligations *(in millions of euros)*	**December 31, 2017**			**December 31, 2016**		
	Defined benefit obligations	**Fair value of plan assets**	**Net liabilities recorded on the statement of financial position**	**Defined benefit obligations**	**Fair value of plan assets**	**Net liabilities recorded on the statement of financial position**
Balance at January 1	246.2	(100.6)	145.6	228.9	(94.5)	134.4
Current service cost	4.2	-	4.2	3.6	-	3.6
Past service cost	(0.1)	-	(0.1)	-	-	-
(Gains)/Losses on settlements	-	-	-	-	-	-
Interest expense	7.2	(3.2)	4.0	8.1	(3.7)	4.4
Remeasurements of other long-term benefits	-	-	-	0.1	-	0.1
Administrative and tax expenses (expenses paid)	(0.2)	1.6	1.4	(0.2)	1.6	1.4
Expense/(income) for the fiscal year in income statement	11.1	(1.6)	9.5	11.6	(2.1)	9.5
Benefit payments from employer	(4.8)	-	(4.8)	(4.8)	-	(4.8)
Benefit payments from plan	(7.7)	7.7	-	(7.5)	7.5	-
Plan participants' contributions	0.3	(0.3)	-	0.3	(0.3)	-
Employer contributions	-	(4.7)	(4.7)	-	(4.1)	(4.1)
Effect of changes in demographic assumptions	(1.7)	-	(1.7)	(1.9)	-	(1.9)
Effect of changes in financial assumptions	3.7	-	3.7	13.8	-	13.8
Effect of experience adjustments	(0.9)	-	(0.9)	0.6	-	0.6
(Return) on plan assets (excluding interest income)	-	(8.4)	(8.4)	-	(4.0)	(4.0)
Total pension cost/(income) recognized in the OCI	1.1	(8.4)	(7.3)	12.5	(4.0)	8.5
Change in scope	-	-	-	5.6	(3.2)	2.4
Foreign exchange differences	(14.1)	9.2	(4.9)	(0.4)	0.1	(0.3)
As of December 31	**232.1**	**(98.7)**	**133.4**	**246.2**	**(100.6)**	**145.6**

Other benefit obligations *(in millions of euros)*	December 31, 2017			December 31, 2016		
	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on the statement of financial position
As of January 1	8.5	-	8.5	11.1	-	11.1
Current service cost	0.3	-	0.3	1.5	-	1.5
Past service cost	(5.9)	-	(5.9)	-	-	-
(Gains)/Losses on settlements	-	-	-	-	-	-
Interest expense	(0.0)	-	(0.0)	0.2	-	0.2
Remeasurements of other long-term benefits	-	-	-	-	-	-
Administrative and tax expenses (expenses paid)	-	-	-	-	-	-
Expense/(income) for the fiscal year in income statement	(5.6)	-	(5.6)	1.7	-	1.7
Benefit payments to beneficiaries	-	-	-	-	-	-
Benefit payments from employer	(0.1)	-	(0.1)	(6.5)	-	(6.5)
Plan participants' contributions	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Effect of changes in demographic assumptions	-	-	-	-	-	-
Effect of changes in financial assumptions	-	-	-	0.7	-	0.7
Effect of experience adjustments	(0.3)	-	(0.3)	1.3	-	1.3
(Return) on plan assets (excluding interest income)	-	-	-	-	-	-
Total pension cost/(income) recognized in the OCI	(0.3)	-	(0.3)	2.0	-	2.0
Change in scope	-	-	-	-	-	-
Foreign exchange differences	(0.5)	-	(0.5)	0.2	-	0.2
As of December 31	**2.0**	**-**	**2.0**	**8.5**	**-**	**8.5**

Allocation of plan assets by type of investment

	December 31, 2017	December 31, 2016
Shares	47.7%	47.5%
Bonds	28.3%	28.6%
Insurance contracts	12.7%	12.2%
Cash & cash equivalent	8.5%	8.3%
Real Estate	2.8%	3.4%

Sensitivity to discount rate assumptions

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(14.5)	(17.0)
Decrease of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	15.9	18.3

Sensitivity to inflation rate assumptions

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	3.2	5.5
Decrease of 50 basis points Increase/(Decrease) in Defined Benefit Obligation	(3.2)	(5.5)

Benefits to be paid in the next five years
Benefits to be paid in the next five years under retirement and similar plans are estimated as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
2017	-	11.8
2018	12.3	10.7
2019	11.7	11.1
2020	11.5	11.5
2021	10.7	11.4
2022	11.1	-
Total	**57.3**	**56.6**

4.2 Personnel costs and compensation of senior management

(in millions of euros)	December 31, 2017	December 31, 2016
Wages and salaries	(671.5)	(639.4)
Pension costs	1.5	(5.1)
Total Personnel costs	**(670.0)**	**(644.5)**
Employees (average number)	12,764	12,621

Key management personnel compensation
The key management personnel includes the members of the Executive Management Committee and the members of the Supervisory Board.

Key management personnel received the following compensation:

(in millions of euros)	December 31, 2017	December 31, 2016
Short-term employee benefits	11.2	9.7
Retirement benefits	-	-
Other long-term benefits	-	-
Lump-sum retirement payments	-	0.3
Share-based payments	2.9	2.5
Total	**14.1**	**12.5**

Compensation of the Group's key management personnel includes salaries, attendance fees and non-cash benefits.

4.3 Share-based payment transactions

The Group regularly implements share grant plans. The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the shares awarded. At the end of each fiscal year, the amount recognized as an expense is adjusted such that amount ultimately recognized is based on the number of shares awarded that meet the related service and non-market performance conditions at the vesting date.

For the three plans in effect, ordinary shares will be granted to the beneficiaries at the end of a two-year vesting period. The grant will be subject to satisfying an economic performance condition (based on the Group's 3-year plan) and the beneficiaries' continuous employment through the end of the vesting period.

In 2017, the LTI 2014 plan resulted in a cash payment of €7.7 million.

	LTIP 2015	**LTIP 2016**	**LTIP 2017**
Grant date	Dec. 21, 2015	Dec. 1, 2016	Sept. 25, 2017
End of the vesting period	June 30, 2018	June 30, 2019	June 30, 2020
Number of shares	331,130	278,885	322,365
Estimated value as of the plan's start date *(in euros)*	27.38	32.00	37.00
Estimate of number of shares to be delivered as of December 31, 2017	313,249	193,267	322,365
Form of settlement		Share distribution	
Expenses 2017 (in millions of euros)	(3.7)	(3.1)	(1.4)
Expenses 2016 (in millions of euros)	(5.1)	(0.4)	-
Expenses 2015 (in millions of euros)	(0.1)	-	-

Note 5 > Tangible and intangible assets

5.1 Goodwill

For the measurement of goodwill at initial recognition, Tarkett applies IFRS 3 Revised (see 2.2), except for acquisitions accounted for before December 31, 2009, for which IFRS 3 (2004) was applied.

Negative goodwill (badwill) is recognized directly in profit or loss.

Goodwill is allocated to cash-generating units and is not amortized, but instead is tested at least annually for impairment on the 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, 2017	December 31, 2016
Opening carrying amount	550.4	538.4
Goodwill on acquisitions during the period	0.5	-
Adjustment to initial purchase price allocation	-	1.7
Foreign exchange gain & loss	(40.4)	10.3
Closing carrying amount	**510.5**	**550.4**

5.1.1 Allocation of goodwill between the various CGU's

The allocation of goodwill between the various CGU's is as follows:

(in millions of euros)	December 31, 2017		December 31, 2016	
	Gross value	Net value	Gross value	Net value
Resilient and miscellaneous	70.9	70.3	70.6	70.0
Carpet	33.5	33.5	33.5	33.5
Wood	-	-	-	-
Laminate	-	-	-	-
EMEA	104.4	103.8	104.1	103.5
Commercial (out of carpet)	70.5	53.5	77.3	60.3
Tandus & Centiva	175.7	175.7	200.5	200.5
Residential	-	-	-	-
North America	246.2	229.2	277.8	260.8
CIS	96.5	95.5	96.5	95.5
APAC	-	-	(0.0)	0.0
Latin America	0.1	0.1	0.1	0.1
CIS, APAC and Latin America	96.6	95.6	96.6	95.6
Athletic tracks	36.0	30.5	40.9	34.7
Synthetic grass & other	51.8	51.4	56.2	55.8
Sports Surfaces	87.8	81.9	97.1	90.5
Total goodwill	**535.0**	**510.5**	**575.6**	**550.4**

5.2 Tangible and intangible assets

5.2.1 Intangible assets

Research and development
In accordance with IAS 38, expenditures on research and development are expensed as incurred except when the criteria for capitalization are met.

Patents
Patents obtained by the Group are stated at cost less accumulated amortization and impairment losses.

Capitalized costs for internally generated patents principally relate to the costs of legal counsel. Patents capitalized are amortized on a straight-line basis over the shorter of the length of the patent or estimated length of use.

Software
Software is stated at cost less accumulated amortization and impairment losses.

Depreciation
Amortization of intangible assets is recorded on a straight-line basis from the date of their availability:

- patents and trademarks: the shorter of the length of the patent or its length of use;
- development costs: 3 – 6 $^{2/3}$ years;
- computer software: 3 – 5 years.

5.2.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Acquisition cost
Acquisition cost includes purchase cost or production cost plus the other costs incurred for bringing the items to their operating location and condition. The cost of a self-constructed asset includes the costs of raw materials and direct labor, the initially estimated cost of any obligation for dismantling, removing and restoring the site on which the asset is located, and an appropriate allocation for directly attributable production overhead.

When an item of property, plant and equipment includes material components with different useful lives, each major component is accounted for separately.

Subsequent costs
Replacements and improvements are capitalized and recorded as a separate asset if it is probable that the Group will derive economic advantages from the item, while general repairs, day to day servicing and maintenance are charged to expenses as incurred.

Depreciation
Depending on the economic use of the asset, straight-line depreciation is recorded over the following periods:

- real estate: 20-30 years;
- machines and equipment: 6 $^{2/3}$-10 years;
- printing cylinders: 2 years;
- other equipment and supplies: 3-5 years.

Finance leases
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases.

Assets acquired under finance leases are recognized as items of property, plant and equipment at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The bases of depreciation and subsequent measurement of the related assets are similar to those applying to other tangible fixed assets, except in the case where the lease period is shorter than the asset's estimated useful life and it is not reasonably certain that transfer of title will take place at the end of the lease.

Leases for which a significant portion of the risks and rewards incidental to ownership of the leased assets remains with the lessor are classified as operating leases, with lease payments recognized as an expense on a straight-line basis over the lease term.

Allocation of the net values of tangible and intangible assets is as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Research and development	6.0	4.9
Patents	14.5	23.7
Trademarks	31.8	37.6
Software	28.9	35.3
Other intangible assets	3.5	4.6
Advance payments and fixed assets in progress	6.7	2.4
Intangible assets	**91.4**	**108.5**
Goods and real property	203.2	215.2
Technical equipment and machinery	210.5	233.0
Leased equipment	2.9	4.0
Advance payments and fixed assets in progress	50.8	36.4
Property, plant and equipment	**467.4**	**488.6**

The variations in gross value, depreciation and amortization break down as follows:

Acquisition costs *(in millions of euros)*	Dec. 31, 2016	Acquisitions	Disposals	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2017
Research and development	13.4	2.5	(0.2)	-	-	(0.3)	15.4
Patents	152.7	-	(0.7)	-	-	(17.9)	134.1
Trademarks	58.2	-	-	-	-	(3.7)	54.5
Software	130.4	11.2	(6.7)	-	1.4	(6.6)	129.7
Other intangible assets	10.4	-	(6.4)	-	4.4	(1.2)	7.2
Advance payments and fixed assets in progress	2.4	5.6	-	-	(1.2)	(0.1)	6.7
Intangible assets	**367.5**	**19.3**	**(14.0)**	**-**	**4.6**	**(29.8)**	**347.6**
Goods and real property	516.5	7.3	(4.0)	-	5.1	(12.4)	512.5
Leased buildings	0.3	-	-	-	-	-	0.3
Technical equipment and machinery	1,315.7	21.0	(35.6)	-	41.8	(44.9)	1,298.0
Leased equipment	8.0	0.4	-	-	-	(0.1)	8.3
Advance payments and fixed assets in progress	36.4	63.1	(1.4)	-	(45.1)	(2.2)	50.8
Property, plant and equipment	**1,876.9**	**91.8**	**(41.0)**	**-**	**1.8**	**(59.6)**	**1,869.9**

Accumulated depreciation and amortization *(in millions of euros)*	Dec. 31, 2016	Allowance	Disposals/ reversal	Change in scope	Transfer	Foreign exchange differences	Dec. 31, 2017
Research and development	(8.5)	(1.4)	0.2	-	-	0.3	(9.4)
Patents	(129.0)	(6.8)	0.7	-	-	15.5	(119.6)
Trademarks	(20.6)	(3.3)	-	-	(0.2)	1.4	(22.7)
Software	(95.1)	(17.5)	6.7	-	0.1	5.0	(100.8)
Other intangible assets	(5.8)	(0.7)	6.4	-	(4.4)	0.8	(3.7)
Intangible assets	**(259.0)**	**(29.7)**	**14.0**	**-**	**(4.5)**	**23.0**	**(256.2)**
Goods and real property	(301.3)	(20.8)	4.3	-	1.1	7.4	(309.3)
Leased buildings	(0.3)	-	-	-	-	-	(0.3)
Technical equipment and machinery	(1,082.7)	(71.4)	33.9	-	(3.2)	35.9	(1,087.5)
Leased equipment	(4.0)	(1.6)	-	-	0.1	0.1	(5.4)
Property, plant and equipment	**(1,388.3)**	**(93.8)**	**38.2**	**-**	**(2.0)**	**43.4**	**(1,402.5)**

5.3 Impairment of assets

5.3.1 Non-financial assets

Annual impairment testing
Goodwill and other intangible assets with indefinite useful lives are systematically tested for impairment once a year.

The carrying amounts of the Group's assets, other than financial and deferred tax assets and liabilities, are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use.

Value in use is calculated by discounting estimated future cash flows for each cash-generating unit, excluding borrowing costs and tax.

Cash generating units
In carrying out impairment testing, assets are tested at the level of cash-generating units ("CGU") that reflect the segment organization of the Group and its products. For this purpose, goodwill was allocated over the cash-generating units.

Impairment process
The Group analyzes future cash flows over a period of three years based on the most recent forecasts, corresponding to the best estimate of a full business cycle. The forecasts have been established taking into account variations affecting selling prices, volumes and raw material costs. Beyond three years, the Group determines a standard year calculated by extending the third year on the assumption of a stable revenue and margin, a need for working capital and investments determined on normative renewal based on historical observations. This standard year is then projected to infinity according to the Gordon Shapiro method.

Future cash flows are discounted to present value at a weighted average cost of capital (WACC) discount rate that reflects current market assessments of the time value of money and the risks specific to each financing means.

The discount rate is an after-tax rate applied to after-tax cash flows. The following assumptions were used for 2017:

	Discount rate after tax	Perpetual growth rate
EMEA	8.0%	2%
North America	8.0%	2%
CIS	11.6%	4%
APAC	8.3%	4%
Latin America	11.5%	4%
Sports Surfaces	8.0%	2%

Operating assumptions
For each CGU, operational assumptions that were considered key by the Group are as follows:

- evolution of the markets in which these CGU are involved on the basis of internal estimates, supported if possible by external forecasts on the concerned segments or products;
- evolution of the Group in its various markets;
- general hypothesis of stability of inflation balance (purchase prices stable, or if changes are considered, full offset by changes in selling prices to balance the impact on value);
- continual implementation of productivity plans for factories working on these CGU to improve profitability; and
- EBITDA, resulting from the combination of factors listed above.

Sensitivity analysis
The sensitivity analysis was carried out on three assumptions:

- the discount rate (WACC);
- the perpetual growth rate; and
- EBITDA.

Changes of 50 basis points in the discount rate and growth rate are reasonably possible variations for the Group. Tarkett operates in a large number of countries, with a balance between three main areas (EMEA; North America; and CIS, APAC and Latin America). The Group believes that economic developments in these geographic areas can offset each other, as has been demonstrated in the past.

In 2017, the combination of an increase in the discount rate of 50 basis points and a decrease in the growth rate of 50 basis points would not result in additional impairment.

Furthermore, a decrease of 100 basis points in EBITDA margin, a key hypothesis for the Group, would not result in accounting for an impairment.

Impairment losses
An impairment loss is recognized whenever the carrying amount of a cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5.3.2 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

For financial assets held for sale, a significant or prolonged decline in fair value as compared with cost is results in recognition of impairment on the income statement. Impairment loss on an available-for-sale financial asset is measured as the difference between its carrying amount and its fair value, less any impairment loss previously recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Impairment testing
Impairment losses recognized during 2017 and 2016 can be broken down as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
North America	(3.9)	-
Total	**(3.9)**	**-**

5.4 Lease commitments

The Group's operating lease commitments are mainly commitments for buildings, vehicles, computer hardware and software, and offices.

Operating lease payments
Minimum lease payments under operating leases are recorded as expenses on a straight-line basis over the term of the lease. (See Note 5.2.2 for more information on the rules for categorizing leases as operating or financial leases.)

Capital lease payments
Minimum lease payments under a finance lease are apportioned between the finance charge and the reduction in the outstanding liability. (See Note 5.2.2 for more information on the rules for categorizing leases as operating or financial leases.)

Future minimum rental commitments under operating leases with initial or remaining non-cancellable terms in excess of one year, are summarized below:

(in millions of euros)	December 31, 2017	December 31, 2016
Less than 1 year	25.9	26.2
1 To 5 years	53.9	49.3
More than 5 years	11.8	6.8
Total future minimum lease payments	**91.6**	**82.3**

Note 6 > Provisions

6.1 Provisions

Provisions arise primarily from legal and tax risks, and litigation and other risks.

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, without any expected compensation that can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reversed when they are no longer required.

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data. An additional provision may be recorded for specific risks relating to particular assets.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced. Future operating losses are not provisioned.

(in millions of euros)	Dec. 31, 2016	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2017
Product warranty provision	3.7	0.8	(0.5)	-	-	(0.3)	3.7
Restructuring provisions	-	-	-	-	-	-	-
Claims & litigation provisions	3.1	0.2	(0.1)	-	-	(0.3)	2.9
Other provisions	4.9	0.5	(0.2)	-	-	-	5.2
Provision for additional tax assessments	0.6	0.8	(0.2)	-	-	-	1.2
Financial liabilities (1)	46.4	-	(4.4)	-	-	(5.3)	36.7
Total Provisions – long-term	58.7	2.3	(5.4)	-	-	(5.9)	49.7
Product warranty provision	25.6	7.4	(11.0)	-	(0.6)	(2.3)	19.1
Restructuring provisions	3.8	0.8	(2.6)	-	-	-	2.0
Claims & litigation provisions	8.6	3.5	(4.2)	-	0.6	(0.4)	8.1
Other provisions	-	0.2	-	-	-	-	0.2
Total Provisions – short-term	38.0	11.9	(17.8)	-	-	(2.7)	29.4
Total Provisions	**96.7**	**14.2**	**(23.2)**	**-**	**-**	**(8.6)**	**79.1**

(1) Provisions for financial liabilities consists primarily of the provision for asbestos litigation recorded by Domco Products Texas Inc.

(in millions of euros)	Dec. 31, 2015	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	Dec. 31, 2016
Product warranty provision	2.3	1.5	(0.2)	-	-	0.1	3.7
Restructuring provisions	-	-	-	-	-	-	-
Claims & litigation provisions	3.0	0.1	(0.3)	-	-	0.3	3.1
Other provisions	3.6	1.3	(0.2)	-	0.2	-	4.9
Provision for additional tax assessments	1.8	0.1	(1.3)	-	-	-	0.6
Financial liabilities [(1)]	36.2	10.0	(1.4)	-	-	1.6	46.4
Total Provisions – long-term	46.9	13.0	(3.4)	-	0.2	2.0	58.7
Product warranty provision	24.2	5.8	(5.1)	-	-	0.7	25.6
Restructuring provisions	8.8	2.3	(7.4)	-	0.1	-	3.8
Claims & litigation provisions	11.3	1.2	(4.3)	-	0.3	0.1	8.6
Other provisions	0.1	-	(0.1)	-	-	-	-
Total Provisions – short-term	44.4	9.3	(16.9)	-	0.4	0.8	38.0
Total Provisions	**91.3**	**22.3**	**(20.3)**	**-**	**0.6**	**2.8**	**96.7**

(1) Provisions for financial liabilities consists primarily of 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 Financial result

Financial expense includes bank fees and interest payable on borrowings accounted for at amortized cost using the effective interest method.

Other financial income and expense includes the income and expenses associated with loans and receivables accounted for at amortized cost, the gains recognized in respect of investment of cash and cash equivalents, impairment losses relating to financial assets, and dividends, which are recorded in net income when the right to payment vests.

Foreign exchange gains and losses on financial items are presented net, since those gains and losses are neutralized by the related impacts of the FX hedging instruments or they are hedged or arise from non-significant individual transactions, by interpretation of IAS 1, "Presentation of Financial Statements".

(in millions of euros)	**December 31, 2017**	**December 31, 2016**
Interest income on loan assets & cash equivalents	1.0	0.8
Other financial income	0.3	0.6
Total financial income	**1.3**	**1.4**
Interest expenses on loans and overdrafts	(10.2)	(9.8)
Leasehold & similar rights	(0.2)	(0.3)
Commission expenses on financial liabilities	(4.0)	(4.7)
Cost of loans and debt renegotiation	(1.0)	(0.8)
Interest on provisions for pensions	(5.6)	(6.1)
Foreign exchange gains or losses	(2.6)	1.8
Impairment on financial assets	(0.1)	(0.1)
Changes in value of interest rate derivative instruments to hedge debt	(0.9)	(2.0)
Other financial liabilities	(0.1)	(0.2)
Total financial expenses	**(24.7)**	**(22.4)**
Financial result	**(23.4)**	**(21.0)**

7.2 Net debt – interest-bearing loans and borrowings

7.2.1 Significant accounting policies

Non-derivative financial assets
Financial assets are initially recognized at their fair value plus any applicable transaction costs except for financial assets at fair value through profit or loss for which transactions costs are recognized in profit or loss as incurred.

At the date of acquisition the Group classifies its financial assets in one of the four categories provided for by IAS 39, "Recognition and Measurement". The classification determines the basis of measurement of each financial asset at the subsequent balance sheet dates, whether at amortized cost or at fair value.

Held-to-maturity investments are exclusively securities with fixed or determinable payments (other than items defined as loans and receivables) acquired with the intention of holding them to maturity. They are accounted for at amortized cost using the effective interest method. The net income recognized in respect of such assets comprises the aggregate of interest receivable and any impairment losses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortized cost using the effective interest method. Loans and receivables are accounted for subject to deduction of impairment for loss of value in the case of doubtful receivables. The category includes trade and other loans and receivables. The net income recognized in respect of such assets comprises the aggregate of interest receivable and any impairment losses.

Available for sale financial assets are measured at fair value, and changes therein, other than impairment losses, are recognized in other comprehensive income. In the event of significant or lasting impairment of these assets, the cumulative loss is recorded on the income statement (see Section 5.3.2).

The category mainly comprises non-consolidated long-term investments, which are measured in the balance sheet at their acquisition cost assuming the absence of an active market for the securities held. The net income recognized in respect of such assets comprises the aggregate of dividends receivable, any impairment losses and the gains or losses arising on disposal.

Financial assets and liabilities at fair value through profit or loss include both items held for trading, i.e. that the Group has from the outset the intention to sell in the near future (including derivatives not qualified as hedging instruments), and assets specifically designated as at fair value through profit or loss. These assets are adjusted to their fair value at each balance sheet date and the resulting gains and losses are recognized in profit or loss.

This category includes cash and cash equivalents. The net income recognized in respect of such assets comprises the aggregate of interest receivable, changes in fair value and the gains or losses arising on disposal.

Cash and cash equivalents comprise cash at bank and on hand, term deposits and other monetary investments with initial maturities not exceeding three months and subject to an insignificant risk of changes in value. The Group has opted to classify cash equivalents as assets measured at fair value through profit or loss.

Non-derivative financial liabilities

Financial liabilities comprise financial debt and trade and other operating payables.

With the exception of items classified as financial liabilities at fair value through profit or loss, loans payable and other financial liabilities are initially recognized at their fair value less any applicable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method.

Given their short maturities, trade and other operating payables are measured at historical cost since use of the amortized cost basis would produce very similar results.

7.2.2 Net Debt

Net debt is defined as the sum of interest bearing loans, borrowings and bank overdrafts, minus cash and cash equivalents.

Interest-bearing loans and borrowings refer to any obligation for the repayment of funds received or raised that are subject to repayment terms and interest charges. They also include liabilities on finance lease.

(in millions of euros)	December 31, 2017		December 31, 2016	
	Long-term	Short-term	Long-term	Short-term
Bank loans (unsecured)	-	3.2	152.3	4.2
Issuance of unsecured notes	591.3	-	303.6	-
Other loans (unsecured)	0.2	0.1	0.3	0.1
Bank overdrafts (unsecured)	-	8.1	-	6.1
Finance lease obligations	2.6	1.0	3.8	0.9
Interest bearing loans and borrowings	**594.1**	**12.4**	**460.0**	**11.3**
Total interest bearing loans and borrowings	**606.5**		**471.3**	
Cash and cash equivalents	(114.7)		(93.1)	
Net debt	**491.8**		**378.2**	

On April 13, 2017, Tarkett entered into a debt issuance through in a German private placement (known as a “Schuldschein”) in the following tranches:

- €72.0 million at fixed rate for five years;
- €30.0 million at floating rate for five years;
- USD 50.0 million at floating rate for five years;
- €118.0 million at fixed rate for seven years;
- €32.5 million at floating rate for seven years.

The main legal and financial covenants under the agreement are the same as those under the 2016 “Schuldschein,” which were the same as those under the revolving syndicated credit facility entered into in June 2015. The proceeds of this issuance were primarily used for the early repayment of the €150 million remaining balance under the October 2013 term loan and for the repayment of USD 50 million in drawdowns under the revolving syndicated credit facility, with the remainder held in cash.

All of the bank loans are unsecured, except for the assignment of receivables line of credit, and include mainly:

- the above-mentioned “Schuldschein” for €252.5 million and USD 50.0 million entered into on April 13, 2017 and of which €150.5 million matures in April 2024, with the remainder maturing in April 2022;
- a “Schuldschein” for €250 million and USD 56.5 million entered into on June 21, 2016 and of which €126 million matures in June 2023, with the remainder maturing in June 2021;
- a €650.0 million multicurrency revolving syndicated credit facility entered into in June 2015, which expires in June 2020, and which had not been used as of December 31, 2017;
- a French-law, German-law, and Spanish-law assignment of receivables line of credit for €50.0 million, which expires on December 31, 2018, and which had not been used as of December 31, 2017.

7.2.3 Details of loans and borrowings

December 31, 2017 *(in millions of euros)*	Currency of draw-down	Interest rate	Total	12 months or less until 6/30/2018	2 years until 6/30/2019	3 to 5 years until 6/30/2022	More than 5 years
Unsecured loans							
Term Facility Europe	EUR	0.40%	2.3	2.3	-	-	-
Other bank loans	EUR-BRL	25.56%	0.9	0.9	-	-	-
Total bank loans			3.2	3.2	-	-	-
Private Placement Europe	EUR	1.15%-1.72%	502.5	-	-	502.5	-
Private Placement Europe	USD	2.96%-3.39%	88.8	-	-	88.8	-
Other loans		0.25%	0.3	0.1	0.1	0.1	-
Bank overdrafts			8.1	8.1	-	-	-
Finance lease obligations			3.6	1.0	1.0	1.1	0.5
Total interest-bearing loans			**606.5**	**12.4**	**1.1**	**592.5**	**0.5**

December 31, 2016 *(in millions of euros)*	Currency of draw-down	Interest rate	Total	12 months or less until 12/31/2017	2 years until 12/31/2018	3 to 5 years until 12/31/2021	More than 5 years
Unsecured loans							
Term Facility Europe	EUR	0.40% – 1.75%	154.6	2.3	152.3	-	-
Other bank loans	EUR-BRL	1.75% – 20.27%	1.9	1.9	-	-	-
Total bank loans			156.5	4.2	152.3	-	-
Private Placement Europe	EUR	1.25% – 1.65%	250.0	-	-	124.0	126.0
Private Placement Europe	USD	2.74%	53.6	-	-	53.6	-
Other loans		0.5%	0.4	0.1	0.1	0.2	-
Bank overdrafts			6.1	6.1	-	-	-
Finance lease obligations			4.7	0.9	1.0	2.1	0.7
Total interest-bearing loans			**471.3**	**11.3**	**153.4**	**179.9**	**126.7**

7.2.4 Financial ratio covenants

The facilities mentioned above contain covenants binding on the borrower, including financial ratio covenants: the ratio of net debt to adjusted EBITDA may not exceed 3.0, and the ratio of EBIT to net interest may not be lower than 2.5.

The Group is in compliance with all of its banking commitments as of December 31, 2017, as well as with the financial ratio covenants, as detailed below:

Net debt/Adjusted EBITDA *(in millions of euros)*	December 31, 2017	December 31, 2016
Net debt	491.8	378.2
Adjusted EBITDA	315.1	334.4
Ratio [(1)]	1.6	1.1

(1) Must be below 3.0.

Adjusted EBIT/Net interest *(in millions of euros)*	December 31, 2017	December 31, 2016
Adjusted EBIT	196.3	213.7
Net interest	9.5	9.3
Ratio [(2)]	20.7	23.0

(2) Must be above 2.5.

7.2.5 Cash and cash equivalent by nature

(in millions of euros)	December 31, 2017	December 31, 2016
Current cash	32.4	23.3
Remunerated cash balances	80.7	66.8
Short term treasury notes and Money Market funds	1.6	3.0
Cash and cash equivalents	**114.7**	**93.1**

7.3 Other financial liabilities

(in millions of euros)	December 31, 2017	December 31, 2016
Fair value of derivatives non-current	-	-
Other financial liabilities non-current	0.5	4.1
Other financial liabilities non-current	**0.5**	**4.1**
Accrued interest expenses current	1.5	1.5
Fair value of derivatives non-current	0.2	0.2
Other financial liabilities current	5.3	2.7
Other financial liabilities current	**7.0**	**4.4**

7.4 Other financial assets

(in millions of euros)	December 31, 2017	December 31, 2016
Long-term investments	-	-
Financial investments and receivables – long-term [(1)]	31.7	34.9
Loan receivables – long-term	-	-
Security deposit – long-term	-	-
Other financial assets	**31.7**	**34.9**

(1) 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, 2016	Increases	Decreases	Transfer	Foreign exchange differences	Dec. 31, 2017
Long-term investments	-	-	-	-	-	-
Financial investments and receivables – long-term	37.9	3.7	(3.5)	-	(3.7)	34.4
Loan receivables – long-term	-	-	-	-	-	-
Security deposit – long-term	-	-	-	-	-	-
Other financial assets	**37.9**	**3.7**	**(3.5)**	**-**	**(3.7)**	**34.4**

Accumulated depreciation and amortization *(in millions of euros)*	Dec. 31, 2016	Allowance	Disposals	Decrease	Impairment losses	Transfer	Foreign exchange differences	Dec. 31, 2017
Security deposit – long-term	-	-	-	-	-	-	-	-
Financial investments and receivables – long-term	(3.0)	(0.1)	-	-	-	-	0.4	(2.7)
Other financial assets	**(3.0)**	**(0.1)**	**-**	**-**	**-**	**-**	**0.4**	**(2.7)**

7.5 Changes in financing liabilities

Below is a reconciliation between changes in financing liabilities as presented in the statement of financial position and financing activities as presented in the statement of cash flows:

(in millions of euros)	Dec. 31, 2016	Cash flows	Reclassification	Non-cash change			Dec. 31, 2017
				Acquisitions	Exchange rate adjustment (gain)/loss	Changes in fair value	
Financial liabilities, long-term	464.1	139.2	-	-	(8.7)	-	594.6
Financial liabilities, short-term	11.9	(2.4)	-	-	4.2	-	13.7
Financial assets, long-term [(1)]	(48.5)	8.2	-	-	3.7	-	(36.6)
Financial assets, short-term	(1.1)	0.9	-	-	-	-	(0.2)
Other	-	(8.4)	-	-	-	-	-
Total changes from financing activities [(2)]		**137.5**					
Net cash from financing activities [(2)]		**137.5**					

(1) excluding shares of companies accounted for by the equity method.
(2) excluding dividends, acquisition of treasury shares, and acquisition of non-controlling interests.

7.6 Financial risks and Financial Instruments

7.6.1 Derivative instruments

The Group uses derivative Financial Instruments to hedge some of its exposure to foreign currency risk and interest rate risk associated with its purchases and sales denominated in foreign currencies and with its financing and investment transactions.

The derivatives employed include interest rate options, other forward contracts and foreign currency options.

In accordance with its policy in respect of Financial Instruments, the Group neither uses nor issues derivative Financial Instruments for trading purposes.

Derivatives are recognized in the balance sheet at their fair value (whether positive or negative) with changes in fair value immediately recognized in profit or loss.

However, derivative instruments that qualify for hedge accounting and meet the applicable effectiveness tests are classified either as fair value hedges (when their purpose is to hedge an existing asset or liability's exposure to the risk of changes in its fair value) or cash flow hedges (when their purpose is to hedge the exposure to changes in the cash flows associated with highly probable future transactions).

Changes in the fair value of fair value hedges of exposure to foreign currency and interest rate risk are recognized as part of financial income or expense. The hedged assets and liabilities are also adjusted to their fair value and the changes in fair value attributable to the hedged risk(s) are equally recognized as part of financial income or expense.

Changes in the fair value of cash flow hedges of exposure to foreign currency and interest rate risk are recognized within other comprehensive income with the exception of any ineffective portion, which is recognized in financial income or expense.

If a derivative instrument ceases to meet the criteria for hedge accounting, the cumulative amount recognized in other comprehensive income at that date remains in other comprehensive income until the date of occurrence of the transaction initially hedged. However, if the transaction is no longer expected to occur then the amount is immediately transferred in full to profit or loss.

7.6.2 Financial market risks

Exposure to interest rate, currency, liquidity and credit risk arises in the normal course of Tarkett's activities. Derivative Financial Instruments are used to reduce the exposure to fluctuations in both foreign exchange and interest rates. Liquidity and credit risk are managed following risk management policies approved by the Group's executive board.

Fair value of derivative Financial Instruments
The totals are as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Currency swaps	0.1	0.4
Forward exchange contracts	-	1.1
Options	0.2	0.6
Total currency derivatives	**0.3**	**2.1**
Cash flow hedges	0.1	0.4
Total interest rate derivatives	**0.1**	**0.4**

a) Interest rate risk

The Group manages its exposure to interest rate risk centrally. the Group's general debt strategy is to give preference to variable interest rate debt over fixed interest rate debt, but also to use interest rate derivatives to protect a part of the debt over a period of three to five years against a rate increase that could result in extensive damage. The hedging tools used are mainly cap or tunnel type derivatives. The cost of the cap may be offset in part or in full by a tunnel. The interest rate derivatives outstanding at closing are all purposed for cash flow hedging and none is purposed for fair value hedging.

Following is the interest rate structure of the Group's net debt before and after application of interest rate hedges.

Before interest rate hedge

(in millions of euros)	December 31, 2017	December 31, 2016
Fixed rate debt	337.8	152.7
Floating rate debt	268.7	318.6
Cash and cash equivalents	(114.7)	(93.1)
Net Debt	**491.8**	**378.2**

After interest rate hedge

(in millions of euros)	December 31, 2017	December 31, 2016
Fixed rate debt	337.8	152.7
Capped floating rate debt	41.7	104.4
Floating rate debt	227.0	214.2
Cash and cash equivalents	(114.7)	(93.1)
Net debt	**491.8**	**378.2**

Sensitivity analysis
Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative Financial Instruments. Non-derivative Financial Instruments are the interest-bearing borrowings net of cash and cash equivalents, and net of interest-bearing loans granted to third parties or joint-ventures. The analysis is based on the assumptions of constant debt and constant debt management policy over one year, using indebtedness and market rates as of December 31, 2017.

Sensitivity to interest rates based on the market index in effect at year-end

(in millions of euros)	December 31, 2017	December 31, 2016
Increase of 100 basis points Increase/(Decrease) in financial expense	1.4	2.3
Decrease of 100 basis points (1) Increase/(Decrease) in financial expense	(0.3)	(0.5)

(1) With a floor of 0%.

b) Exchange rate risk

Transaction risk

Exchange rate fluctuations have a direct impact on the Group's Consolidated Financial Statements, derived from transactions regarding the Group entities that incur revenues and expenses in currencies other than their functional currency.

The Group has attempted to develop its production capacities in the same geographic and monetary areas where it distributes its products. Moreover, through the choice of the invoicing currency for certain intra-group transactions, the Group aims to offset revenues with costs in the same currency. In certain unstable currency countries, the Group may also offset the local currencies fluctuations with price indexations. Therefore the remaining exposure on cross-border transactions is moderate. The currencies to which the Group is most exposed are the US dollar, the British pound, the Norwegian crown, the Polish zloty, the Australian dollar, the Russian ruble and the euro as a foreign currency for some Swedish, Asian, Russian, and Serbian subsidiaries.

The Group has attempted to reduce the impact of short-term fluctuations of currencies on its revenue through centralized management of exchange risks and the use of derivatives. Nevertheless, in the long-term, significant and long lasting variations in exchange rates could affect the Group's competitive position in foreign markets, as well as its results of operations.

The Group's policy is to hedge certain significant residual exposure, decided upon periodically by the finance department. This exposure includes exposure recorded on the balance sheet, namely all recognized trade receivables, trade payables and borrowings denominated in a foreign currency, and unrecorded exposure, which consists of forecast sales and purchases over a six- to eighteen-month period.

Foreign exchange exposures and derivatives

As at closing date, the exposure recorded in the balance sheet over the main currencies hedged with derivatives, and the nominal amount of the derivatives hedging such recorded exposures, are as follows:

Currency of Exposure *(in millions of euros)*	**December 31, 2017**				**December 31, 2016**			
	USD	**GBP**	**AUD**	**EUR**	**USD**	**GBP**	**AUD**	**EUR**
Financial receivables and liabilities	86.5	2.7	3.1	-	11.9	(1.8)	5.3	-
Trade receivables and payables	14.7	3.3	3.1	(5.3)	7.5	0.5	3.1	7.0
Nominal amount of derivatives	(86.5)	(5.4)	(3.1)	-	(11.9)	1.8	(5.3)	-
Net recorded exposure to main currencies	**14.7**	**0.6**	**3.1**	**(5.3)**	**7.5**	**0.5**	**3.1**	**7.0**

Tarkett uses forward exchange contracts and options when hedging with derivatives its exposure to foreign currency risk.

Tarkett classifies the currency hedging contracts covering operating transactions as cash flow hedges and records them at fair value in the balance sheet. The fair value of these contracts at the balance sheet date is an unrealized asset of €0.2 million (as compared with an unrealized asset of €1.7 million at the end of 2016). The amount of fair value directly recorded in equity is an unrealized liability of €0.1 million (as compared with an unrealized liability of €0.8 million in 2016). The difference is recorded in the income statement and represents the change in the time value of currency options hedging forecast transactions and in the fair value of forward contracts or options hedging recognized transactions.

Nearly all of the potential gains and losses reported directly in equity are expected to enter into the determination of profit and loss for the coming 12 months.

Monetary items denominated in foreign currencies

When financing its foreign subsidiaries, the Group incurs exposure to foreign currency risk on intra-group loans and borrowings denominated in foreign currencies. The Group minimizes this risk either (i) by borrowing in the same currency or (ii) by entering into currency swaps or forwards reflecting the maturity of the hedged item. At December 31, 2017, the main financial exposures so covered are the euro against the US dollar for €86.5 million, against the Polish zloty for €38.8 million, and against the Swedish crown for €7.6 million. The fair value of these contracts at the balance sheet date amounted to unrealized income of €0.1 million.

7.6.3 Liquidity risks

a) Future cash flows on Financial Instruments

The following figures show the estimated future cash flows on interest-bearing loans and borrowings recorded as liabilities on the balance sheet.

The estimate of future cash flows on interest is based on the debt amortization table and on the assumption of a crystallization of the interest rates outstanding as of the closing date, unless a better estimate is available.

Interest-bearing loans (in millions of euros)	December 31, 2017		Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
	Carrying amount	Total future cash flows	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest
Total interest-bearing loans										
Bank loans	3.2	3.3	3.2	0.1	-	-	-	-	-	-
Bonds	591.3	644.6	-	11.9	-	11.9	314.8	25.3	276.5	4.2
Other loans	0.3	0.5	0.1	0.2	0.1	-	0.1	-	-	-
Bank overdrafts	8.1	8.4	8.1	0.3	-	-	-	-	-	-
Finance leases	3.6	3.6	1.0	-	1.0	-	1.1	-	0.5	-
Total	606.5	660.4	12.4	12.5	1.1	11.9	316.0	25.3	277.0	4.2
Other financial liabilities										
Trade payables	288.9	288.9	288.9	-	-	-	-	-	-	-
Other financial liabilities, non-current	0.5	0.5	-	-	0.5	-	-	-	-	-
Other financial liabilities, current	7.0	7.0	7.0	-	-	-	-	-	-	-
Total	296.4	296.4	295.9	-	0.5	-	-	-	-	-
Total financial liabilities	**902.9**	**956.8**	**308.3**	**12.5**	**1.6**	**11.9**	**316.0**	**25.3**	**277.0**	**4.2**

Interest-bearing loans (in millions of euros)	December 31, 2016		Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
	Carrying amount	Total future cash flows	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest	Carrying amount	Interest
Total interest-bearing loans										
Bank loans	156.5	166.0	4.2	4.0	152.3	3.5	-	2.0	-	-
Bonds	303.6	332.2	-	5.1	-	5.1	177.6	15.4	126.0	3.0
Other loans	0.4	0.6	0.1	0.1	0.1	0.1	0.2	-	-	-
Bank overdrafts	6.1	6.1	6.1	-	-	-	-	-	-	-
Finance leases	4.7	4.7	0.9	-	1.0	-	2.1	-	0.7	-
Total	471.3	509.7	11.3	9.2	153.4	8.7	179.9	17.4	126.7	3.0
Other financial liabilities										
Trade payables	270.3	270.3	270.3	-	-	-	-	-	-	-
Other financial liabilities, non-current	4.1	4.1	-	-	4.1	-	-	-	-	-
Other financial liabilities, current	4.4	4.4	4.4	-	-	-	-	-	-	-
Total	278.8	278.8	274.7	-	4.1	-	-	-	-	-
Total financial liabilities	**750.1**	**788.5**	**286.0**	**9.2**	**157.5**	**8.7**	**179.9**	**17.4**	**126.7**	**3.0**

b) Liquidity position

As of the balance sheet date, net debt totals €491.8 million. the Group's debt capacity is €1,398.1, of which €606.5 million has been used (see Note 7.2.2). Including cash and cash equivalents, the liquidity position of the Group amounts to €906.3 million, which is enough to cover the financial obligations related to the current net debt.

(in millions of euros)	December 31, 2017	December 31, 2016
Amount available on credit facilities	791.6	787.1
Cash and cash equivalents	114.7	93.1
Total	**906.3**	**880.2**

7.6.4 Credit risk

Credit risk represents the risk of financial loss for the Group in the event that a counterparty to a financial instrument defaults in paying its contractual obligations.

The financial assets potentially bearing this risk are mainly:

- cash deposits;
- financial derivatives;
- accounts receivable;
- loans granted.

The maximum potential credit risk on the financial assets is equal to their net accounting value less the indemnification receivable from credit insurance.

a) Customer credit risk

The Group believes that its exposure to counterparty risk is limited, because of its large number of customers, its dispersion in many geographical areas, and its follow-up policy. The Group has established a credit policy which includes, among other things, a credit limit for each customer, collections processes, and a computer-aided credit scoring and customer payment behavior follow-up.

The total of receivables overdue over 60 days amounts to approximately 8.0% of total accounts receivable as of December 31, 2017 (9.0% of total accounts receivable as of December 31, 2016).

The Group believes that there is no need to assume that there is risk on outstanding receivables less than 60 days overdue.

With respect to outstanding receivables that are more than 60 days overdue, the Group believes that risks are limited given existing procedures for customer risk management (as detailed above).

b) Credit risk management on equities and derivatives

The counterparties to the Group's financial derivatives are leading banks, all of which have business relationships with the Group for debt or cash management. the Group's policy with regard to investments and cash deposits is to only invest in liquid securities and only with the leading credit institutions in the countries where the investments are made.

The Group is not exposed to a material risk due to any significant concentration, and does not anticipate any counterparty default.

The effect of Credit and Debit Valuation Adjustments (CVA/DVA) on the measurement of the fair value of the derivative Financial Instruments was not material as at the closing date and was therefore not booked.

7.6.5 Fair value of financial assets and liabilities

Fair value method

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorized into three levels based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

However, if the fair value of an equity instrument cannot be reasonably estimated, it is measured at cost.

The fair value of interest rate swaps and of interest rate and foreign currency options is the estimated amount that the Group would expect to receive or have to pay in order to cancel each derivative instrument at the balance sheet date, taking into account the current level of interest rates and the credit risk associated with these instruments' counterparties.

The derivative Financial Instruments (swaps, caps, floors etc.) that the Group enters into are traded on over-the-counter markets on which there are no listed prices, and are therefore measured using the valuation models commonly employed by operators in the market.

In particular:

- interest rate swaps are measured on the basis of the present value of the contractual future cash flows;
- options are measured using Black and Scholes type valuation models based on published market quotations and/or on quotations provided by third party financial institutions;
- other foreign currency and interest rate derivative instruments are measured on the basis of the present value of the associated interest rate differentials.

Derivative instruments are entered into exclusively with first class banks or other financial institutions, and with the sole purpose of providing security for the Group's current operations and for the financing thereof.

In the case of receivables and payables with maturities of less than a year and certain floating rate receivables and payables or fixed rate receivables with regular interest payments, historical cost is considered a reasonable approximation of their fair value given the limited credit periods granted or received.

December 31, 2017 *(in millions of euros)*	**Fair Value Category**	**Hedging Derivatives**	**Cash**	**Assets designated at fair value through profit and loss**	**Loans and receivables**	**Liabilities at amortized cost**	**Carrying amount**	**Fair value**
Non current financial assets valued at amortized value	Level 2	-	-	-	9.3	-	9.3	9.3
Non current financial assets valued at fair value	Level 2	-	-	22.3	-	-	22.3	22.3
Other financial assets	Level 2	0.7	-	-	-	-	0.7	0.7
Accounts receivable		-	-	-	356.2	-	356.2	-
Cash and cash equivalents	Level 2	-	114.7	-	-	-	114.7	114.7
Interest-bearing loans and borrowings	Level 2	-	-	-	-	606.5	606.5	606.5
Other financial liabilities, non-current	Level 2	-	-	-	-	0.5	0.5	0.5
Other financial liabilities, current	Level 2	-	-	-	-	7.0	7.0	7.0
Accounts payable		-	-	-	-	288.9	288.9	-

December 31, 2016 *(in millions of euros)*	**Fair Value Category**	**Hedging Derivatives**	**Cash**	**Assets designated at fair value through profit and loss**	**Loans and receivables**	**Liabilities at amortized cost**	**Carrying amount**	**Fair value**
Non current financial assets valued at amortized value	Level 2	-	-	-	14.4	-	14.4	14.4
Non current financial assets valued at fair value	Level 2	-	-	20.5	-	-	20.5	20.5
Other financial assets	Level 2	2.8	-	-	-	-	2.8	2.8
Accounts receivable		-	-	-	343.4	-	343.4	-
Cash and cash equivalents	Level 2	-	93.1	-	-	-	93.1	93.1
Interest-bearing loans and borrowings	Level 2	-	-	-	-	471.3	471.3	471.3
Other financial liabilities, non-current	Level 2	-	-	-	-	4.1	4.1	4.1
Other financial liabilities, current	Level 2	-	-	-	-	4.4	4.4	4.4
Accounts payable		-	-	-	-	270.3	270.3	-

7.7 Guarantees

Tarkett:

- has granted a General Indemnity Agreement of a maximum amount up to USD 75.0 million in favor of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of FieldTurf Tarkett Inc. As of the closing date, outstanding security bonds, either active or in the process of restitution, total USD 116.0 million;
- has granted a guarantee given to the Swedish retirement insurance company Pri-Pensionsgaranti to insure Tarkett AB's employee benefit commitments in the amount of SEK 188.9 million;
- has granted a guarantee covering 50% of a line of credit for a maximum amount of €10.0 million granted to its joint venture Laminate Park GmbH & Co KG, which had not been used as of December 31, 2017;
- has granted a guarantee to a raw materials supplier of its subsidiary Morton Extrusiontechnik GmbH (M.E.T GmbH) to secure its payables up to €7.0 million, used for €3.9 million as of December 31, 2017;
- has granted sureties on special purpose bank accounts to the bank operating a credit line by factoring of European receivables, of which none was drawn down at year end. In addition, Tarkett has granted its guarantee as parent company to the lenders of certain subsidiaries, including Tarkett Limited (GB), Desso Holding (Netherlands) and Tarkett Asia Pacific (Shanghai) Management Co Ltd to obtain overdraft facilities or letters of credit for a maximum total amount equal to €18 million as of the balance sheet date, used for €7.9 million as of December 31, 2017.

Furthermore, in the ordinary course of business, Tarkett and several of the Group's subsidiaries have given payment guarantees to various suppliers, customers, government offices, lessors, and cash pooling or trade finance operators, either directly or through bank guarantees. These guarantees are not material either individually or in the aggregate.

Note 8 > Income tax expense

8.1 Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items in equity or in other comprehensive income, in which case it is recognized in those items.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years. Income tax expense/income are defined in Note 8.2 Deferred Taxes.

Income tax is calculated based on the rules applicable in each country where the Group operates.

The "*Cotisation sur la Valeur Ajoutée des Entreprises* (C.V.A.E.)" tax contribution due in France on the basis of the value added as determined based on the statutory accounts of French entities the statutory accounts meets the definition of income tax under IAS 12, "Income Taxes," and is classified on the current income tax line. Similar treatment has been adopted for similar other tax contributions based on a net of products and costs, even though that amount may differ from accounting net income.

Following passage of the tax reform bill in the United States, an expense of €2.5 million relating to the taxation of profits earned abroad was recorded in net income in 2017 and may be adjusted during the valuation period.

Income tax (current and deferred) is detailed as follows:

(in millions of euros)	**2017**	**2016**
Current tax	(28.7)	(41.6)
Deferred tax	(1.6)	(11.4)
Total income tax	**(30.3)**	**(53.0)**

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2017 and 2016 can be reconciled as follows to the actual income tax charge:

(in millions of euros)	**2017**	**2016**
Pre-tax profit from continuing operations (a)	(7.7)	172.3
Profit from equity-accounted subsidiaries (b)	3.0	2.6
Pre-tax profit from fully consolidated activities (a-b)	(10.7)	169.7
Income tax at nominal French income tax rate (34.43%)	3.7	(58.4)
Effect of:		
Taxation of foreign companies at different rates	11.3	12.3
Exchange rate effects on non-monetary assets	(2.1)	5.0
Changes in unrecognized deferred tax assets	9.3	6.7
Permanent differences	2.7	(13.4)
Other permanent differences [1]	(56.8)	-
Taxes on dividends (Withholding tax at source, French 3% contribution)	6.1	(3.3)
Other items	(4.5)	(1.9)
Income tax expenses	**(30.3)**	**(53.0)**
Effective rate	**-283.2%**	**31.2%**

(1) Consists solely of the fine imposed by the French Competition Authority (see Note 1.3.).

Taxation of foreign companies at different rates
The main contributing countries are Russia, with a local income tax rate of 20%, Sweden, with a local tax rate of 22%, the Netherlands, with a local tax rate of 25%, and Luxembourg, with a local tax rate of 30%.

Exchange rate effects on non-monetary assets
The deferred tax expense of €2.1 million is due to the effect of changes in the exchange rate on non-monetary assets and liabilities of entities whose functional currency is different from the local currency. Recognition of this expense is required by IFRS, even if the revalued tax basis does not generate any tax obligation in the future.

Changes in unrecognized deferred tax assets
Due to the taxable future results of certain subsidiaries, the Group was able to recognize a net amount of €9.3 million.

Taxes on dividends
Tax effects related to distributions primarily relate to withholding tax, the portion of dividends taxable in France ("*quote-part de Frais et Charges*") and the French 3% contribution. Following the decision of the Conseil constitutionnel (French Constitutional Court) on October 6, 2017, which found the French 3% contribution to be unconstitutional, income of €9.2 million was recorded.

Taking the foregoing information into account and excluding the fine imposed by the French Competition Authority (see Note 1.3), the pre-tax income of the fully consolidated companies would have been €154.3 million, which would have brought the effective tax rate to 19.7%.

8.2 Deferred tax

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet 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)	**2017**	**2016**
Deferred tax on tax loss carryforwards	25.1	39.4
DTA for pensions and healthcare benefits	37.6	46.6
Other items temporarily non deductible	38.9	46.8
Change in unrecognized deferred tax assets	(1.9)	(1.3)
Internal profit eliminations	1.6	6.6
Netted against deferred tax assets	(21.2)	(44.1)
Total Deferred tax assets	**80.1**	**94.0**
Fixed assets revaluation	40.8	63.2
Other deferred tax liabilities	18.2	19.5
Netted against deferred tax assets	(21.2)	(44.1)
Total Deferred tax liabilities	**37.8**	**38.6**

The Group had €25.1 million in deferred tax assets related to tax loss carryforwards and unused tax credits, of which €12.3 million related to Luxembourg, €6.4 million related to the Group's North American (United States) tax consolidation group, and €1.8 million related to Serbia.

The €25.1 million was broken down as follows: €16.9 million of net deferred tax assets for tax loss carryforwards, and €8.2 million of net unused tax credits.

As of December 31, 2017, unrecognized deferred tax assets related to tax loss carryforwards amount to €159.4 million.

Following passage of the tax reform bill in the United States, lowering the federal corporate tax rate to 21%, the Group recorded a decrease in the value of its deferred tax assets in the amount of €4.1 million.

This decrease primarily relates to deferred taxes concerning the recognition of assets and liabilities under U.S. retirement plans, which were initially recorded in equity.

As a result, the revaluation of these assets was mainly recognized in other comprehensive income.

Note 9 > Shareholders' equity and earnings per share

9.1 Share capital

Share capital comprises the par value of the ordinary shares minus incremental costs directly attributable to the issue of ordinary shares and share options, net of any tax effects. When share capital recognized as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity classified as own shares. When own shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

	December 31, 2017	December 31, 2016
Share capital *(in €)*	318,613,480	318,613,480
Number of shares	63,722,696	63,722,696
Par value *(in €)*	5.0	5.0

9.2 Earnings per share & dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	December 31, 2017	December 31, 2016
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett during the period	(417)	(211)
Weighted average number of shares outstanding (undiluted)	**63,306**	**63,512**

Basic earnings per share

Basic earnings per share as of December 31, 2017 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period (and after deduction of the weighted average number of treasury shares).

	December 31, 2017	December 31, 2016
Profit for the period attributable to Tarkett shareholders *(in m€)*	(38.7)	118.6
Weighted average number of shares outstanding (undiluted)	63,306	63,512
Basic earnings per share *(in €)*	**(0.61)**	**1.87**

Weighted average number of shares outstanding (diluted earnings)

(in thousands of shares)	December 31, 2017	December 31, 2016
Number of shares outstanding at year-end	63,723	63,723
Weighted average number of treasury shares held by Tarkett during the period	(417)	(211)
Impact of share-based payment plans	382 (1)	191 (1)
Weighted average number of shares outstanding at the end of the period (diluted)	**63,688**	**63,703**

(1) Free share grant plans provide only for the grant of existing shares and not for issuance of new shares.

Diluted earnings per share

Diluted earnings per share as of December 31, 2017 are calculated on the basis of the Group's share of net profit and on the weighted average number of shares outstanding during the period and the weighted average number of potential shares outstanding (and after deduction of the weighted average number of treasury shares).

	December 31, 2017	December 31, 2016
Profit for the period attributable to Tarkett shareholders *(in m€)*	(38.7)	118.6
Weighted average number of shares outstanding at the end of the period (diluted)	63,688	63,703
Diluted earnings per share *(in €)*	**(0.61)**	**1.86**

Dividends

Tarkett paid dividends in the amount of €0.60 per share to its shareholders on July 6, 2017, in accordance with the decision of the General Shareholders' Meeting of April 27, 2017. In 2016, the Group had paid a dividend of €0.52 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* Deconick ("SID")
3. The members of Tarkett's Management Board and Supervisory Board.

Transactions entered into during the first half of the year with the Group's joint ventures and principal shareholders are detailed below.

10.1 Joint ventures

All transactions between fully consolidated entities are eliminated in consolidation.

Transactions with related entities and jointly held entities are entered into on arm's length terms.

The Group has only one joint venture, Laminate Park GmbH & Co KG, jointly controlled with the group Sonae in Germany.

The Group's transactions with its joint venture may be summarized as follows:

(in millions of euros)	December 31, 2017	December 31, 2016
Joint ventures		
Sale of goods to Tarkett	27.8	24.8
Purchase of services from Tarkett	(1.0)	(0.9)
Loans from Tarkett	9.2	9.2

10.2 Principal shareholders

Société d'Investissement Deconinck holds 50.18% of Tarkett's share capital and as such controls and coordinates the Group's activities.

As of December 31, 2017, SID had invoiced a total of €500,000 in fees under the Assistance Agreement (as at December 31, 2016).

As of December 31, 2017, Tarkett had invoiced a total of €75,000 in fees under the Service Agreement (as at December 31, 2016).

10.3 Members of Tarkett's Management Board and Supervisory Board

None.

Note 11 > Subsequent events

In early February 2018, through its subsidiary FieldTurf Tarkett SAS, Tarkett acquired the assets of Grassman, an Australian artificial grass manufacturer, extending the Group's local presence there. With more than 30 employees, Grassman's net revenue amounted to 15 million of Australian dollars in 2017 (approximately €10 million).

Note 12 > Statutory auditor fees

(in thousands of euros excluding taxes)	KPMG S.A.	KPMG S.A.	Mazars	Mazars
	Statutory Auditor	Network	Statutory Auditor	Network
Certification of company and consolidated accounts and limited first-half review				
Tarkett	256.8	-	197.0	-
Controlled entities	141	1,221.3	57.2	647.1
Subtotal (A)	397.8	1,221.3	254.2	647.1
Services other than certification of the financial statements required by laws and regulations				
Tarkett	0	0	0	0
Controlled entities	20.0	8.5	2.0	10.5
Subtotal (B)	20.0	8.5	2.0	10.5
Services other than certification of the financial statements provided at the entity's request	0	0	0	0
Tarkett	78.5	0	0	0
Controlled entities	0	35.4	0	0
Subtotal (C)	78.5	35.4	0	0
Services other than certification of the financial statements [(1)]	0	0	0	0
Sub-total D = B + C	98.5	43.9	2.0	10.5
Total E + A + D	**496.3**	**1265.2**	**256.2**	**657.6**
Total	**1,761.5**		**913.8**	

(1) Nature of services other than certification of the financial statements provided by the Statutory Auditor to the consolidating entity and its controlled subsidiaries: verification of CSR information by a third-party, independent organization; tax compliance.

Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Percentage interest as of December 31, 2017	Percentage interest as of December 31, 2016
F: Full consolidation E: Accounted for using the equity method NC: Not consolidated				
EMEA				
Tarkett AB	Sweden	F	100%	100%
Tarkett AS	Norway	F	100%	100%
Tarkett OY	Finland	F	100%	100%
Tarkett Belux	Belgium	F	100%	100%
Desso NV	Belgium	F	100%	100%
Tarkett A/S	Denmark	F	100%	100%
Tarkett Polska SP.z.o.o.	Poland	F	100%	100%
Tarkett Aspen Zemin AS	Turkey	F	70%	70%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Tarkett Holding GmbH	Germany	F	100%	100%
M.E.T GmbH	Germany	F	100%	100%
Tarkett	France	Parent company	100%	100%
Tarkett Services	France	F	100%	100%
Tarkett France	France	F	100%	100%
Tarkett Bois SAS	France	F	100%	100%
FieldTurf Tarkett SAS	France	F	100%	100%
Desso SAS [(1)]	France	F	0%	100%
Tarkett GDL SA	Luxembourg	F	100%	100%
Tarkett Capital SA	Luxembourg	F	100%	100%
Somalré	Luxembourg	F	100%	100%
Tarkett SpA	Italy	F	100%	100%
Tarkett – Produtos Internacionias, SA	Portugal	F	100%	100%
Tarkett Monoprosopi Ltd	Greece	F	100%	100%
Tarkett Floors S.A. Spain	Spain	F	100%	100%
FieldTurf Poligras SA	Spain	F	100%	100%
FieldTurf Benelux BV	Netherlands	F	100%	100%
Desso BV	Netherlands	F	100%	100%
Desso Sports BV	Netherlands	F	100%	100%
Desso Sports System BV	Netherlands	F	100%	100%
Desso Refinity BV	Netherlands	F	100%	100%
Desso Holding BV	Netherlands	F	100%	100%
Tarkett Ltd	Great Britain	F	100%	100%
Desso Ltd	Great Britain	F	100%	100%
Desso Czech Republic	Czech Republic	F	100%	100%
Tarkett Schweiz	Switzerland	F	100%	100%
Desso Ambiente Textil Handelsgesellschaft m.b.h	Austria	F	100%	100%
North America				
Tarkett INC. (Delaware) (TKT)	United States	F	100%	100%
Tandus Centiva Inc.	United States	F	100%	100%
Tandus Centiva US LLC	United States	F	100%	100%
Tarkett Enterprises Inc. [(1)]	United States	F	0%	100%

Companies	Country	Consolidation method	Percentage interest as of December 31, 2017	Percentage interest as of December 31, 2016
Domco Products Texas Inc. (AZR)	United States	F	100%	100%
Tarkett Alabama Inc. (NAF)	United States	F	100%	100%
Tarkett Finance Inc.	United States	F	100%	100%
Tarkett USA Inc. (DUS)	United States	F	100%	100%
Texas Tile Manufacturing LLC (1)	United States	F	0%	100%
L.E.R. Inc.	United States	F	100%	100%
Easy Turf	United States	F	100%	100%
Beynon Sport Surfaces Inc.	United States	F	100%	100%
FieldTurf Tarkett USA Holding	United States	F	100%	100%
FieldTurf USA Inc.	United States	F	100%	100%
Diamond W	United States	F	100%	100%
Desso (U.S.A.) Inc.	United States	F	100%	100%
Tarkett Inc.	Canada	F	100%	100%
Nova Scotia Ltd (1)	Canada	F	0%	100%
Tandus Centiva Limited	Canada	F	100%	100%
Tandus Centiva GP (1)	Canada	F	0%	100%
FieldTurf Inc.	Canada	F	100%	100%
Johnsonite Canada Inc.	Canada	F	100%	100%
CIS, APAC and Latin America				
Tarkett Australia Pty. Ltd	Australia	F	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	F	100%	100%
Tarkett Flooring Mexico	Mexico	F	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co Ltd	China	F	100%	100%
Tarkett Hong Kong Ltd	Hong Kong	F	100%	100%
Tarkett Industrial (Beijing) Co, Ltd	China	F	100%	100%
Tandus Flooring (Suzhou) Co. Ltd	China	F	100%	100%
AO Tarkett	Russia	F	100%	100%
AO Tarkett Rus	Russia	F	100%	100%
Tarkett Sommer OOO	Russia	F	100%	100%
Tarkett d.o.o.	Serbia	F	100%	100%
Tarkett SEE	Serbia	F	100%	100%
Sintelon RS (1)	Serbia	F	0%	100%
Sintelon doo (1)	Serbia	F	0%	100%
Galerija Podova	Serbia	F	100%	100%
Tarkett UA	Ukraine	F	100%	100%
Vinisin	Ukraine	F	100%	100%
Tarkett Kazakhstan	Kazakhstan	F	100%	100%
Vinisin Kft	Hungary	F	100%	100%
Tarkett Bel	Belarus	F	100%	100%
Tarkett Flooring Singapore	Singapore	F	100%	100%
Tarkett Flooring India Private	India	F	100%	100%

(1) See Note 2.4.

The percentages of equity and voting rights held for each entity of the Group are identical.

3. Statutory auditor's report

KPMG Audit
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

Mazars
61, rue Henri Regnault
92075 Paris La Défense
France

Tarkett

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2017
Tarkett
Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense

KPMG Audit
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

Mazars
61, rue Henri Regnault
92075 Paris La Défense
France

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Tarkett

Registered office: Tour Initiale - 1 Terrasse Bellini - 92919 Paris La Défense
Share capital: €.318 613 480

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2017

To the general meeting of shareholders of Tarkett,

1 Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Tarkett for the year ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

2 Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) N°537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

KPMG MAZARS

Tarkett
Statutory auditors' report on the consolidated financial statements
8 February 2018

3 Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Long term assets valuation

Key audit matter

Goodwill, intangible assets and property, plant and equipment have net book values at 31 December 2017 of 510,5M€, 91,4M€ and 467,4M€, respectively, and represent a significant amount of the consolidated balance sheet. These assets are accounted and described in notes "2.2 - Business Combinations", "5.1 – Goodwill" and "5.2 - Tangible and intangible assets" to the consolidated financial statements.

These assets may present a risk of depreciation related to internal or external factors, such as the deterioration of the Group's performance, changes in the competitive environment, unfavorable market conditions and changes in legislation or regulations. These changes can have an impact on the Group's cash flow forecasts and consequently on the determination of the recoverable amounts of these assets.

Management performs impairment tests if there is an impairment trigger and at least once a year for goodwill and other non-amortizable intangible assets or for other non-financial assets as described in Note 5.3.1 - Non-Financial Assets. Assets are tested at the level of the cash-generating units ("CGUs") defined by the Group. An impairment loss is recognized if net booked value of an asset or cash-generating unit is higher than its recoverable value. The recoverable value is the higher amount between the fair value less the transfer costs and value in use. Value in use is determined according to the discounted future cash flow projections method (excluding interest on borrowings and taxes) for each cash generating unit.

The assessment of the recoverable value of these assets is a key audit matter, given the significant potential of impairment and the high degree of estimation and judgment required by management for this assessment. The judgments include, in particular, assumptions regarding the future evolution of selling prices, volumes and costs of raw materials, renewal investments and changes in working capital requirements related to the operation of these assets, and the determination of infinite growth rates and discount rates applied to the appropriate future cash flows.

Audit approach

We reviewed the impairment testing process implemented by Group management, in order to identify trigger events and proceed to impairment testing, on the base of cash-flow forecasts from the budget and business plan established by the Board of Management and presented to the Supervisory Board, and assessed the permanence of the method used.

We also assessed appropriateness and relevance of Group management's approach to determine the cash-generating units for long-term assets' testing.

We adapted our audit approach when impairment losses triggers appeared on such cash-generating units. Concerning value in use, we assessed the reasonableness of key management assumptions with respect to earnings forecasts (with comparison to both budget and historical performance), of growth and discount rates.

With the help of our valuation experts, we reviewed Group management's key assumptions on discount and growth rates, comparing them with external market data and other comparable sectors' companies.

For a selection of CGUs, we assessed the reasonableness of future cash flow projections, including the infinity normative terminal cash flow amount, with respect to past achievements, our knowledge of business activity supported by interviews with Group or division managers and, according to their availability, external data of other comparable sectors' companies.

We analyzed the sensibility of the impairment test to assess the materiality of the potential impacts on the recoverable value of the riskiest assets.

Litigations and provisions

Key audit matter

The Group is exposed to a variety of legal and tax risks, as well as litigations, including asbestos claims in the United States and product warranties to customers.

As indicated in note "6.1 – Provisions" to the consolidated financial statements, these risks and litigations are covered by provisions established in accordance with the applicable accounting standard (IAS 37 "Provisions") and amount to 79,1M€ at 31 December 2017 including essentially asbestos litigations and provisions for warranties.

Significant contingent liabilities for these risks and litigations, the amount and timing of which can not be reliably estimated, are described in note "6.2 - Contingent liabilities" to the consolidated financial statements.

The identification of risks and litigations, the valuation of provisions for such risks and litigations constitute a key audit matter given the amounts involved and the high degree estimate and judgment required by management.

Audit approach

In order to get a sufficient understanding of litigations, contingent liabilities and related valuations, we reviewed the process of identification, qualification and valuation implemented by Group management for such provisions through various interviews with Group's legal and finance departments, divisions and main subsidiaries.

We conducted a critical review of the internal analysis notes for the likelihood and potential impact of each risk, examining the available procedural elements (letters, claims, judgments, notifications, etc.).

We obtained direct confirmations from the main lawyers involved to confirm our understanding of risks and litigations and assessed the adequation of the amount of provisions accrued.

Based on historical datas used by the Group to estimate its provisions for asbestos claims and product warranties:

- We assessed the permanence of methods used, the relevance and reliability of underlying data and calculations applied;
- We compared amounts paid to previously recognized provisions to assess the quality of the management estimates.

We excercised our professional judgment to assess, in particular, the positions held by Management within risk assessment ranges and the validity of the evolution over time of such positions.

Recognition of deferred tax assets on tax losses carried forward

Key audit matter

As indicated in note "8.2 – Deferred Tax" to the consolidated financial statements, the deferred tax assets amount to 80,1M€ at 31 December 2017, including 25,1M€ recognized on tax losses carried forward, out of which 12,3M€ relate to tax losses recognized for the first time at 31 December 2017 in one entity of the Group, due to a change in projection of foreseeable tax results. Unrecognized deferred taxes assets related to tax losses carried forward amounts to 78,1M€ at 31 December 2017.

A deferred tax asset is only recognized if it is likely that the Group will have taxable future profits over the next five years on which this asset may be used.

The Group's ability to recover deferred tax assets is assessed by management at the close of each financial year taking into account forecasts of future taxable results.

We have considered the recoverability of such deferred tax assets on tax losses carried forward as a key audit matter due to the importance of management's estimation and judgment and the materiality of amounts at stake.

Audit approach

We reviewed the evaluation process of deferred tax assets on tax losses carried forward implemented by Group Management.

We assessed the permanence of methods used, the relevance and consistency of underlying assumptions (budget and mid term plan including earnings growth and applicable tax rates) and tested the arithmetic accuracy.

We assessed the probability that the company may use in the future its deferred tax assets, particularly with regard to:

- the review of deferred tax liabilities existing in the same tax jurisdiction, that may be charged against existing tax losses carried forward before they expire;
- the ability of each affiliate to generate sufficient future taxable profits in a foreseeable future allowing the use of existing tax losses carried forward.

4 Verification of the information pertaining to the group presented in the management report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

5 Report on other legal and regulatory requirements

Appointment of the statutory auditors

We were respectively renewed for KPMG and appointed for Mazars, as statutory auditors of Tarkett by the combined annual general meeting held on 13 May 2014 to approuve accounts for the year ended 31 December 2013.

As at 31 December 2017, KPMG and Mazars were in the 4th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

6 Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

7 Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie*)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, on the 8 February 2018

The statutory auditors

French original signed by

Philippe Grandclerc *Partner*	Renaud Laggiard *Partner*	Juliette Decoux *Partner*	Eric Schwaller *Partner*