Summary Interim Consolidated Financial Statements

Six-month period ended June 30, 2017

Tarkett

THE ULTIMATE FLOORING EXPERIENCE

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AMF AUTORITÉ DES MARCHÉS FINANCIERS

Unofficial translation, for information purposes only, of the French language.
The present interim financial report relates to the half-year ended June 30, 2017 and was prepared in accordance with Articles L.451-1-2 III of the French Monetary and Financial Code and 222-4 and subsequent of AMF General Regulations.

1. Summary Interim Consolidated Financial Statements

All figures are presented in millions of euros unless stated otherwise.

Consolidated income statement

(in millions of euros)	Note	January - June 2017	January - June 2016
Net revenue		**1,364.0**	**1,298.1**
Cost of sales		(1,001.7)	(936.6)
Gross profit		**362.3**	**361.5**
Other operating income		16.9	3.9
Selling and distribution expenses		(163.2)	(159.0)
Research and development		(19.6)	(19.4)
General and administrative expenses		(103.7)	(97.9)
Other operating expenses		(156.4)	(8.6)
Result from operating activities	(3)	**(63.7)**	**80.5**
Financial income		0.7	0.7
Financial expenses		(12.9)	(12.0)
Financial income and expense	(7)	**(12.2)**	**(11.3)**
Share of profit of equity accounted investees (net of income tax)		1.3	1.7
Profit before income tax		**(74.6)**	**70.9**
Total income tax	(8)	(22.9)	(25.3)
Profit from continuing operations		**(97.5)**	**45.6**
Profit (loss) from discontinued operations (net of income tax)		-	-
Net profit for the period		**(97.5)**	**45.6**
Attributable to:			
Owners of Tarkett		(97.9)	45.2
Non-controlling interests		0.4	0.4
Net profit for the period		**(97.5)**	**45.6**
Earnings per share:			
Basic earnings per share *(in EUR)*	(9)	(1.55)	0.71
Basic earnings per share *(in EUR)*	(9)	(1.54)	0.71

Consolidated statement of comprehensive income

(in millions of euros)	**January - June 2017**	**January - June 2016**
Net profit for the period	(97.5)	45.6
Other comprehensive income (OCI)		
Foreign currency translation differences for foreign operations	(48.1)	(9.7)
Changes in fair value of cash flow hedges	-	3.2
Income tax on other comprehensive income	-	(0.9)
OCI to be reclassified to profit and loss in subsequent periods	(48.1)	(7.4)
Defined benefit plan actuarial gain (losses)	2.8	(22.3)
Other comprehensive income (OCI)	-	-
Income tax on other comprehensive income	(1.0)	4.6
OCI not to be reclassified to profit and loss in subsequent periods	1.8	(17.7)
Other comprehensive income for the period, net of income tax	(46.3)	(25.1)
Total comprehensive income for the period	**(143.8)**	**20.5**
Attributable to:		
Owners of Tarkett	(144.0)	20.1
Non-controlling interests	0.2	0.4
Total comprehensive income for the period	**(143.8)**	**20.5**

Consolidated statement of financial position

Assets

(in millions of euros)	Note	June 30, 2017	December 31, 2016
Goodwill	(5)	525.6	550.4
Intangible assets	(5)	98.3	108.5
Property, plant and equipment	(5)	468.2	488.6
Other financial assets		32.3	34.9
Deferred tax assets		83.7	94.0
Other non-current assets		0.1	0.2
Non-current assets		1,208.2	1,276.6
Inventories		443.2	396.3
Trade receivables		451.3	343.4
Other receivables		75.4	58.8
Cash and cash equivalents	(7)	184.6	93.1
Current assets		1,154.5	891.6
Total assets		**2,362.7**	**2,168.2**

Equity and liabilities

(in millions of euros)	Note	June 30, 2017	December 31, 2016
Share Capital	(9)	318.6	318.6
Share premium and reserves		145.8	145.8
Retained earnings		395.0	349.9
Net result for the period		(97.9)	118.6
Equity attributable to equity holders of the parent		761.5	932.9
Non-controlling interests		2.1	2.3
Total equity		763.6	935.2
Interest-bearing loans	(7)	601.9	460.0
Total other liabilities		3.9	4.1
Deferred tax liabilities		41.6	38.6
Employee benefits	(4)	148.2	154.1
Provisions and other non-current liabilities	(6)	52.2	58.7
Non-current liabilities		847.8	715.5
Trade payables		328.7	270.3
Total other liabilities		186.8	193.5
Interest-bearing loans and borrowings	(7)	13.5	11.3
Other financial liabilities		42.6	4.4
Provisions and other current liabilities	(6)	179.7	38.0
Current liabilities		751.3	517.5
Total equity and liabilities		**2,362.7**	**2,168.2**

Consolidated statement of cash flows

(in millions of euros)	Note	January - June 2017	January - June 2016
Cash flows from operating activities			
Net profit before tax		(74.6)	70.9
Adjustments for:			
Depreciation and amortization		60.1	60.4
(Gain) loss on sale of fixed assets		(0.4)	0.2
Net finance costs		12.2	11.3
Change in provisions and other non-cash items		158.7	4.9
Share of profit of equity accounted investees (net of tax)		(1.3)	(1.7)
Operating cash flow before working capital changes		154.7	146.0
Increase (-)/Decrease (+) in trade receivables		(122.9)	(128.6)
Increase (-)/Decrease (+) in other receivables		(5.7)	(4.9)
Increase (-)/Decrease (+) in inventories		(60.7)	(67.6)
Increase (+)/Decrease (-) in trade payables		68.5	62.8
Increase (+)/Decrease (-) in other payables		(10.5)	(18.4)
Changes in working capital		(131.3)	(156.7)
Cash generated from operations	(3)	23.4	(10.7)
Net interest paid		(7.0)	(12.6)
Net income taxes paid		(23.0)	(18.7)
Miscellaneous		(2.2)	(2.6)
Other operating items		(32.2)	(33.9)
Net cash (used in)/from operating activities		**(8.8)**	**(44.6)**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	-	(0.1)
Acquisitions of intangible assets and property, plant and equipment	(5)	(45.5)	(43.9)
Proceeds from sale of property, plant and equipment	(5)	0.6	0.4
Effect of changes in the scope of consolidation		-	(0.1)
Net cash from/(used in) investment activities		**(44.9)**	**(43.7)**
Net cash from/(used in) financing activities			
Acquisition of NCI without a change in control		(0.5)	(4.0)
Proceeds from loans and borrowings		369.8	410.4
Repayment of loans and borrowings		(221.3)	(328.0)
Payment of finance lease liabilities		(0.6)	(0.2)
Sales of treasury shares		-	-
Dividends		(0.4)	-
Net cash from/(used in) financing activities		**147.0**	**78.2**
Net increase/(decrease) in cash and cash equivalents		93.3	(10.1)
Cash and cash equivalents, beginning of period		93.1	67.9
Effect of exchange rate fluctuations on cash held		(1.8)	(0.4)
Cash and cash equivalents, end of period		**184.6**	**57.4**

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
January 1, 2016	318.6	145.8	1.4	369.0	834.8	1.9	836.7
Net profit for the period	-	-	-	45.2	45.2	0.4	45.6
Other comprehensive income, net of income tax	-	-	(9.7)	(15.4)	(25.1)	-	(25.1)
Total comprehensive income for the period	-	-	(9.7)	29.8	20.1	0.4	20.5
Dividends	-	-	-	(33.0)	(33.0)	-	(33.0)
Own shares (acquired)/sold	-	-	-	0.2	0.2	-	0.2
Share-based payments	-	-	-	5.6	5.6	-	5.6
Miscellaneous	-	-	-	(0.4)	(0.4)	-	(0.4)
Total transactions with shareholders	-	-	-	(27.6)	(27.6)	-	(27.6)
June 30, 2016	**318.6**	**145.8**	**(8.3)**	**371.2**	**827.3**	**2.3**	**829.6**
Net profit for the period	-	-	-	73.4	73.4	0.3	73.7
Other comprehensive income, net of income tax	-	-	29.7	15.6	45.3	(0.3)	45.0
Total comprehensive income for the period	-	-	29.7	89.0	118.7	-	118.7
Dividends	-	-	-	-	-	-	-
Own shares (acquired)/sold	-	-	-	(9.3)	(9.3)	-	(9.3)
Share-based payments	-	-	-	(3.6)	(3.6)	-	(3.6)
Acquisition of NCI without a change in control	-	-	-	(0.1)	(0.1)	-	(0.1)
Miscellaneous	-	-	-	(0.1)	(0.1)	-	(0.1)
Total transactions with shareholders	-	-	-	(13.1)	(13.1)	-	(13.1)
Year ended December 31, 2016	**318.6**	**145.8**	**21.4**	**447.1**	**932.9**	**2.3**	**935.2**
Net profit for the period	-	-	-	(97.9)	(97.9)	0.4	(97.5)
Other comprehensive income, net of income tax	-	-	(47.9)	1.8	(46.1)	(0.2)	(46.3)
Total comprehensive income for the period	-	-	(47.9)	(96.1)	(144.0)	0.2	(143.8)
Dividends	-	-	-	(38.0)	(38.0)	(0.4)	(38.4)
Own shares (acquired)/sold	-	-	-	(0.5)	(0.5)	-	(0.5)
Share-based payments	-	-	-	11.9	11.9	-	11.9
Acquisition of NCI without a change in control	-	-	-	(0.8)	(0.8)	-	(0.8)
Miscellaneous	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	(27.4)	(27.4)	(0.4)	(27.8)
June 30, 2017	**318.6**	**145.8**	**(26.5)**	**323.6**	**761.5**	**2.1**	**763.6**

Note 1 > Basis of preparation

1.1 General information

Tarkett's summary Consolidated Financial Statements for the six-month period ending June 30, 2017 reflect the financial condition of Tarkett and its subsidiaries (the "Group") as well as its interests in associates and joint ventures.

The Group is a leading global flooring and sports surfaces company, providing integrated solutions to professionals and end-users in the residential and commercial markets.

The Group completed its initial public offering on November 21, 2013.

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

The interim summary Consolidated Financial Statements were authorized for issue by the Management Board on July 26, 2017.

1.2 Significant accounting principles

1.2.1 Statement of compliance and applicable standard

The condensed interim Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). In accordance with IAS 34, the accompanying notes relate only to significant events for the six-month period ended June 30, 2017 and do not include all of the information required for complete annual financial statements. They should therefore be read in conjunction with the Consolidated Financial Statements as at December 31, 2016.

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

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

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 yet adopted

The following new published standards have not yet been adopted by the Group:

- IFRS 15: Revenue from contracts with customers. On May 28, 2014, the IASB published a new standard on accounting for revenue that is intended to replace most of the existing IFRS provisions, including IAS 11 and IAS 18. Given the current structure of the commercial relations with its customers, the Group believes that the application of this standard will not have a significant impact. The new standard, which has been adopted by the European Union, applies as from January 2018.
- IFRS 16: Leases. On January 16, 2016, the IASB published IFRS 16, "Leases". IFRS will replace IAS 17 and the related IFRIC and SIC interpretations, and will eliminate the distinction formerly made between operating leases and finance leases. This standard, which is applicable starting January 1, 2019 (or 2018, if applied early) and has not been adopted by the European Union, requires lessees to account for all leases with terms of longer than one year in the manner currently applicable to finance leases under IAS 17, and thus to record the rights and obligations created by the lease in assets and liabilities. The Group does not expect to apply the new standard early. The standard offers a choice between two approaches to transition; the Group is currently examining the impacts of the two approaches on the Consolidated Financial Statements.
- IFRS 9: Financial Instruments. On July 24, 2014, the IASB published a new standard on Financial Instruments that is intended to replace most of the existing IFRS provisions, including IAS 39. The new standard, which was adopted by the European Union on November 22, 2016, applies as from January 1, 2018. IFRS 9 changes the rules for recognizing hedging transactions, the general categories of financial assets and liabilities, and recognition of credit risk with respect to financial assets, using an approach based on expected losses rather than incurred losses. The Group is currently examining the impacts of the standard, but does not expect significant impacts.

The effects of these provisions on the Group's Consolidated Financial Statements are being analyzed in connection with the planned deployment of the new standards. At this stage, the Group is not able to reliably estimate the impacts of these provisions on its Consolidated Financial Statements.

1.3 Seasonality and significant event

The Group's business is significantly affected by seasonality. The first half of the year is structurally smaller than the second, due to weather conditions that are more favorable to the construction industry and exterior installations, as well as to the increased availability of certain buildings, such as schools and universities, for renovation.

Consequently, the operating result for the first half of 2017 is not necessarily indicative of the result to be expected for the full year 2017.

It should also be noted that the net profit of the Group is (97.5) million euros due to a provision of an amount of 150 million euros recognized in relation to the proceedings in progress with the French Competition Authority. (See Note 6.1)

Note 2 > Changes in scope of consolidation

The Tarkett Group's scope of consolidation is as follows:

Number of companies	Dec. 31, 2016	Mergers	Acquisitions	Liquidations	June 30, 2017
Fully consolidated companies	85	(4)	-	-	81
Equity-accounted companies	1	-	-	-	1
Total	**86**	**(4)**	**-**	**-**	**82**

2.1 Transactions completed in 2017

a) Mergers

In January 2017, in Canada, Nova Scotia Limited and Tandus Centiva GP were merged into Tandus Centiva Limited. In addition, in Serbia, Sintelon RS DOO Backa Palancka and Sintelon DOO Backa Palancka were merged into Tarkett DOO Backa Palancka.

2.2 Transactions completed in 2016

a) Mergers

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

b) Liquidations

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

In June 2016, Desso Sports Systems GmbH was liquidated.

Note 3 > Operating Data

3.1 Components of the income statement

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

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

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

(in millions of euros)		Of which adjustments:					
	January - June 2017	Restructuring	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other [1]	January - June 2017 adjusted
Net revenue	1,364.0	-	-	-	-	-	1,364.0
Cost of sales	(1,001.7)	(0.5)	-	-	-	-	(1,001.2)
Gross profit	**362.3**	**(0.5)**	**-**	**-**	**-**	**-**	**362.8**
Other operating income	16.9	-	0.1	-	-	-	16.8
Selling and distribution expenses	(163.2)	0.6	-	-	-	-	(163.8)
Research and development	(19.6)	(0.4)	-	-	-	-	(19.2)
General and administrative expenses	(103.7)	(0.8)	(0.3)	-	(11.9)	(0.3)	(90.4)
Other operating expenses	(156.4)	(0.4)	-	(0.3)	-	(150.0)	(5.7)
Result from operating activities (EBIT)	**(63.7)**	**(1.5)**	**(0.2)**	**(0.3)**	**(11.9)**	**(150.3)**	**100.5**
Depreciation and amortization	60.1	-	0.3	-	-	-	59.8
EBITDA	**(3.6)**	**(1.5)**	**0.1**	**(0.3)**	**(11.9)**	**(150.3)**	**160.3**

(1) The adjustment of 150 million euros is related to the provision recognized in relation to the proceedings in progress with the French Competition Authority. (See Note 6.1).

(in millions of euros)		Of which adjustments:					
	January - June 2016	Restructuring	Gains/losses on asset sales/ impairment	Business combinations	Share-based payments	Other	January - June 2016 adjusted
Net revenue	1,298.1	-	-	-	-	-	1,298.1
Cost of sales	(936.6)	(1.3)	-	-	-	-	(935.3)
Gross profit	**361.5**	**(1.3)**	**-**	**-**	**-**	**-**	**362.8**
Other operating income	3.9	-	-	-	-	-	3.9
Selling and distribution expenses	(159.0)	(0.1)	-	-	-	-	(158.9)
Research and development	(19.4)	-	-	-	-	-	(19.5)
General and administrative expenses	(97.9)	(1.4)	(0.8)	(0.1)	(5.6)	(0.9)	(89.2)
Other operating expenses	(8.6)	-	-	(1.0)	-	-	(7.6)
Result from operating activities (EBIT)	**80.5**	**(2.9)**	**(0.8)**	**(1.1)**	**(5.6)**	**(0.9)**	**91.8**
Depreciation and amortization	60.4	-	0.8	-	-	-	59.6
EBITDA	**140.9**	**(2.9)**	**-**	**(1.1)**	**(5.6)**	**(0.9)**	**151.4**

3.2 Segment information

By operating segment

January - June 2017 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	481.3	412.7	275.7	194.3	-	1,364.0
Gross profit	146.5	122.2	58.6	35.6	(0.6)	362.3
% of net sales	*30.4%*	*29.6%*	*21.3%*	*18.3%*		*26.6%*
Adjusted EBITDA	68.5	51.7	40.2	23.0	(23.1)	160.3
% of net sales	*14.2%*	*12.5%*	*14.6%*	*11.9%*		*11.8%*
Adjustments (1)	(151.5)	(0.3)	(0.1)	-	(12.0)	(163.9)
EBITDA	(83.0)	51.4	40.1	23.0	(35.1)	(3.6)
% of net sales	*(17.3)%*	*12.5%*	*14.5%*	*11.9%*		*(0.3)%*
EBIT	(98.0)	13.6	21.4	13.6	(14.3)	(63.7)
% of net sales	*(20.4)%*	*3.3%*	*7.7%*	*7.0%*		*(4.7)%*
Capital expenditures	14.2	11.4	5.0	8.8	5.5	44.9

(1) EMEA: includes the adjustment of 150.0 million euros related to the provision recognized in relation to the proceedings in progress with the French Competition Authority. (see Note 6.1).

January - June 2016 *(in millions of euros)*	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Net revenue	471.6	411.1	234.9	180.5	-	1,298.1
Gross profit	155.1	128.6	39.1	38.7	-	361.5
% of net sales	*32.9%*	*31.3%*	*16.6%*	*21.4%*		*27.8%*
Adjusted EBITDA	74.8	59.3	24.8	18.2	(25.7)	151.4
% of net sales	*15.9%*	*14.4%*	*10.6%*	*10.1%*		*11.7%*
Adjustments	(1.0)	(1.3)	(1.1)	(0.3)	(6.8)	(10.5)
EBITDA	73.8	58.0	23.7	17.9	(32.5)	140.9
% of net sales	*15.6%*	*14.1%*	*10.1%*	*9.9%*		*10.9%*
EBIT	52.6	34.1	5.3	10.0	(21.5)	80.5
% of net sales	*11.2%*	*8.3*	*2.3%*	*5.5%*		*6.2%*
Capital expenditures	19.8	7.7	6.8	6.1	4.2	44.6

3.3 Changes in working capital requirement

As a result of seasonality effects, business is stronger during the second and third quarters of the year as compared with the first and last quarters. The result is an automatic increase in trade receivables and trade payables as of June 30, based on second-quarter activity. Inventories are also generally higher at the end of June, in preparation for peak activity in the third quarter.

3.4 Net cash flow from operations

The Group uses net cash flow from operations as a performance indicator.

It is defined as follows:

- cash generated from operations minus current investments;
- current investments are defined as investments in tangible and intangible assets other the construction of new factories or distribution sites and the acquisition of companies or activities.

(in millions of euros)	**January - June 2017**	**January - June 2016**
Cash generated from operations	23.4	(10.7)
Acquisitions of intangible assets and property, plant and equipment	(45.5)	(43.9)
Restatement of capital investments	0.6	(0.7)
Net cash flow from operations	**(21.5)**	**(55.3)**

Note 4 > Employee benefits

Provisions for pensions and similar obligations

In accordance with the laws and practices of each country in which it operates, the Group participates in employee benefit plans providing retirement pensions, post-retirement health care, other long term benefits (jubilees) and post-employment benefits (retirement indemnities, pre-retirement) to eligible employees, former employees, retirees and their beneficiaries fulfilling the required conditions.

Amounts recognized in respect of employee benefit obligations in the statement of financial position as of June 30, 2017 are generally determined by adjusting the opening statement of financial position for the current service cost, interest cost, and benefits paid as projected by the actuaries in 2016 for 2017. However, where material changes occur, such as significant changes in market conditions, provisions for retirement and similar benefits and the value of the plans are adjusted as of June 30, 2017 through the use of the sensitivity analyses.

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:

	June 30, 2017		December 31, 2016	
	Pensions	**Post-employment healthcare benefits**	**Pensions**	**Post-employment healthcare benefits**
Discount rate	3.15%		3.12%	
Including:				
United States	4.00%	3.50%	4.00%	3.50%
Germany	1.50%		1.25%	
Sweden	2.75%		3.00%	
United Kingdom	2.50%		2.50%	
Canada	3.75%		4.00%	
Salary increases	2.77%		2.71%	
Inflation	2.29%		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;
- Canadian AA "Mercer Yield Curve Canada" bonds.

Change in net liabilities recognized in the balance sheet *(in millions of euros)*	June 30, 2017			December 31, 2016		
	Pensions	**Post-employment healthcare benefits**	**Total**	**Pensions**	**Post-employment healthcare benefits**	**Total**
Balance sheet liability/asset at beginning of year	145.6	8.5	154.1	134.4	11.1	145.5
Total expenses recognized in income statement	4.5	0.5	5.0	9.5	1.7	11.2
Amounts recognized in OCI in the financial year	(2.8)	-	(2.8)	8.4	2.0	10.4
Business combinations/ divestitures/transfers	-	-	-	2.4	-	2.4
Employer contributions	(2.2)	-	(2.2)	(4.1)	-	(4.1)
Benefit payments from employer	(2.4)	(0.1)	(2.5)	(4.8)	(6.5)	(11.3)
Exchange rate adjustment (gain)/loss	(2.9)	(0.5)	(3.4)	(0.2)	0.2	0.0
Balance sheet liability/asset at end of year	**139.8**	**8.4**	**148.2**	**145.6**	**8.5**	**154.1**

Other employment-related commitments include the variable portion of put and call options on minority interests, which are considered to be compensation.

Note 5 > Tangible and intangible assets

5.1 Goodwill

The changes in goodwill can be analyzed as follows:

(in millions of euros)	**June 30, 2017**	**Dec. 31, 2016**
Opening carrying amount	550.4	538.4
New goodwill	0.5	-
Adjustment to initial purchase price allocation	-	1.7
Foreign exchange gain & loss	(25.3)	10.3
Closing carrying amount	**525.6**	**550.4**

The change was primarily the result of a foreign exchange effect, due to the evolution of exchange rates between the euro and the U.S. dollar, as well as of the acquisition AlternaScapes' assets.

5.2 Tangible and intangible assets

Ongoing capital expenditures are defined as investments in tangible and intangible assets other than factory construction and acquisitions of companies or activities.

During the first half of 2017, in connection with its ongoing capital expenditures, the Group capitalized assets totaling €44.9 million (as of the first half 2016: €44.6 million).

Asset sales during the first half of 2017 totaled €0.6 million (as of the first half 2016: €0.4 million).

During the first half of 2017, depreciation and amortization totaled €60.1 million (as of the first half of 2016: €60.4 million).

The remaining variation in assets corresponds primarily to the impacts of foreign currency translation differences for €(14.3) million.

5.3 Impairment of assets

The Group carried out an analysis for indications of possible impairment as of June 30, 2017. Impairment testing was carried out on the North America – Residential CGU and did not lead to recording any impairment as of June 30, 2017.

Testing of the value of goodwill and other intangible assets will be performed systematically during the second half of the year.

Note 6 > Provisions

6.1 Provisions

Changes in provisions can be analyzed as follows:

(in millions of euros)	Dec. 31, 2016	Allowance	Decrease	Change in scope	Transfer	Foreign exchange gain & loss	June 30, 2017
Product warranty provision	3.7	-	(0.5)	-	-	(0.2)	3.0
Restructuring provisions	-	-	-	-	-	-	-
Claims & litigation provisions	3.1	-	-	-	-	(0.2)	2.9
Other provisions	4.9	0.3	(0.3)	-	0.2	(0.1)	5.0
Provision for additional tax assessments	0.6	-	(0.1)	-	-	-	0.5
Financial provisions	46.4	-	(2.2)	-	-	(3.4)	40.8
Total Provisions – Long-term	**58.7**	**0.3**	**(3.1)**	**-**	**0.2**	**(3.9)**	**52.2**
Product warranty provision	25.6	0.9	(5.6)	-	(0.6)	(1.4)	18.9
Restructuring provisions	3.8	0.6	(1.8)	-	-	-	2.6
Claims & litigation provisions	8.6	1.5	(2.3)	-	0.6	(0.2)	8.2
Other provisions	-	150.0	-	-	-	-	150.0
Total Provisions – Short-term	**38.0**	**153.0**	**(9.7)**	**-**	**-**	**(1.6)**	**179.7**
Total Provisions	**96.7**	**153.3**	**(12.8)**	**-**	**0.2**	**(5.5)**	**231.9**

Other provisions
In late March 2013, the French Competition Authority began investigations against several flooring manufacturers, including Tarkett, in relation to possible anti-competitive practices in the French market for resilient floorings.

This inquiry relates to former practices that began back in 1990, for which the company has received a statement of objections.

At this point of the procedure, Tarkett has enough information to estimate the potential amount to be incurred and has decided to book a provision of an amount of 150 million euros.

On July 25, 2017, the Group signed minutes of a settlement agreement with the investigation services. This settlement, along with the final amount of the fine, will be subject to a final decision by the "Collège" of the French Competition Authority.

6.2 Potential liabilities

There were no significant changes in the guarantees granted by Tarkett to third parties in 2017.

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

(in millions of euros)	January - June 2017	January - June 2016
Interest income on loan assets & cash equivalents	0.5	0.5
Other financial income	0.2	0.2
Total financial income	0.7	0.7
Interest expenses on loans and overdrafts	(4.7)	(5.5)
Finance leases	(0.1)	(0.1)
Commission expenses on financial liabilities	(2.3)	(2.4)
Cost of loans and debt renegotiation	(0.5)	(0.4)
Interest on provisions for pensions	(2.4)	(2.6)
Foreign exchange gains and losses	(2.1)	1.3
Impairment on financial assets	(0.1)	(0.1)
Changes in value of interest rate derivative instruments to hedge debt	(0.6)	(2.0)
Other financial liabilities	(0.1)	(0.2)
Total financial expenses	(12.9)	(12.0)
Financial result	**(12.2)**	**(11.3)**

7.2 Net debt – interest-bearing loans and borrowings

7.2.1 Net Debt

(in millions of euros)	June 30, 2017		December 31, 2016	
	Long-term	Short-term	Long-term	Short-term
Bank loans (unsecured)	2.3	4.5	152.3	4.2
Issuance of unsecured notes	595.8	-	303.6	-
Other loans (unsecured)	0.2	0.1	0.3	0.1
Bank overdrafts (unsecured)	-	8.5	-	6.1
Finance lease obligations	3.6	0.4	3.8	0.9
Interest bearing loans and borrowings	601.9	13.5	460.0	11.3
Total interest bearing loans and borrowings		615.4		471.3
Cash and cash equivalents		(184.6)		(93.1)
Net debt		**430.8**		**378.2**

On June 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 similar to those under the June 2016 “Schuldschein”, which were similar to those under the June 2015 revolving syndicated credit facility. The proceeds from the issuance were used mainly for the early repayment of the remaining €150 million balance on the October 2013 term loan and for the repayment of USD 50 million in drawdowns from the revolving syndicated credit facility, with the balance held as 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 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 €250.0 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, maturing in 2020, and which had not been used as of June 30, 2017;
- a French-law, German-law, and Spanish-law assignment of receivables line of credit for €50.0 million maturing on December 31, 2018, and which had not been used as of June 30, 2017.

7.2.2 Details of loans and borrowings

June 30, 2017 *(in millions of euros)*	**Currency of draw-down**	**Interest rate**	**Total**	**12 months or less until 06/30/2018**	**2 years until 06/30/2019**	**3 to 5 years until 06/30/2022**	**More than 5 years**
Unsecured loans							
Term Facilities Europe	EUR	0.40%-4.80%	4.7	2.4	2.3	-	-
Other bank loans	EUR-BRL	1.75%-25.56%	2.1	2.1	-	-	-
Total bank loans			**6.8**	**4.5**	**2.3**	**-**	**-**
Private Placement Europe	EUR	1.15%-1.722%	502.5	-	-	226.0	276.5
Private Placement Europe	USD	2.76%-3.03%	93.3	-	-	93.3	-
Other loans		0.25%	0.3	0.1	0.1	0.1	-
Bank overdrafts			8.5	8.5	-	-	-
Finance lease obligations			4.0	0.4	0.8	1.8	1.0
Total interest-bearing loans			**615.4**	**13.5**	**3.2**	**321.2**	**277.5**

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 Facilities 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		0.50%	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**

7.2.3 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 covenants as of June 30, 2017, as well as with the financial ratio covenants, as detailed below:

Net debt/Adjusted EBITDA *(in millions of euros)*	**June 30, 2017**	**December 31, 2016**
Net debt	430.8	378.2
Adjusted EBITDA for last 12 months	343.3	334.4
Ratio (1)	**1.3**	**1.1**

(1) Must be below 3.0.

Adjusted EBIT/Net interest *(in millions of euros)*	**June 30, 2017**	**December 31, 2016**
Adjusted EBIT for last 12 months	222.3	213.7
Net interest for last 12 months	8.3	9.3
Ratio (2)	**26.8**	**23.0**

(2) Must be above 2.5.

7.2.4 Fair value of financial assets and liabilities

June 30, 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	-	-	-	14.3	-	14.3	14.3
Non current financial assets valued at fair value	Level 2	-	-	18.0	-	-	18.0	18.0
Other current financial assets	Level 2	1.9	-	-	-	-	1.9	1.9
Accounts receivable		-	-	-	451.3	-	451.3	-
Cash and cash equivalents	Level 2	-	184.6	-	-	-	184.6	184.6
Interest-bearing loans and borrowings	Level 2	-	-	-	-	615.4	615.4	615.4
Other financial liabilities, non-current	Level 2	-	-	-	-	3.9	3.9	3.9
Other financial liabilities, current	Level 2	0.3	-	-	-	42.3	42.6	42.6
Accounts payable		-	-	-	-	328.7	328.7	-

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 current 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	-

Fair values are categorized into three levels in a fair value hierarchy 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).

7.2.5 Financial risk management

The Group's financial risk (market risk, credit risk and liquidity risk) management objectives and policies are consistent with those disclosed in the Consolidated Financial Statements as at and for the year ended December 31, 2016.

Note 8 > Income tax expense

8.1 Income tax

(in millions of euros)	January - June 2017	January - June 2016
Current tax	(13.8)	(18.5)
Deferred tax	(9.1)	(6.8)
Total income tax	**(22.9)**	**(25.3)**

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)	January - June 2017	January - June 2016
Pre-tax profit from continuing operations (a)	(74.6)	70.9
Profit from equity-accounted subsidiaries (b)	1.3	1.7
Pre-tax profit from fully consolidated activities (a-b)	(75.9)	69.2
Income tax at nominal French income tax rate (34.43%)	26.1	(23.8)
Effect of:		
Taxation of foreign companies at different rates	6.0	5.6
Exchange rate effects on non-monetary assets	(1.7)	2.5
Changes in unrecognized deferred tax assets	1.8	(0.3)
Permanent differences	(2.8)	(5.4)
Other permanent difference [1]	(51.6)	-
Taxes on dividends (Withholding at the source, 3% contribution)	(1.5)	(1.7)
Other items	0.8	(2.2)
Income tax expenses	**(22.9)**	**(25.3)**
Effective rate	**(30.1)%**	**36.6%**

(1) Is exclusively related to the provision recognized in relation to the proceedings in progress with the French Competition Authority (See Note 6.1).

Without the provision recognized in relation to the proceedings in progress with the French Competition Authority (See Note 6.1), the effective tax rate would have been 30.9%.

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%, and the Netherlands, with a local tax rate of 25%.

Exchange rate effects on non-monetory assets
The deferred income tax expense of €(1.7) 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.

Note 9 > Shareholders' equity and earnings per share

9.1 Share capital

	June 30, 2017	Dec. 31, 2016
Share capital *(in EUR)*	318,613,480	318,613,480
Number of shares	63,722,696	63,722,696
Par value *(in EUR)*	5.0	5.0

9.2 Earnings per share & dividends

Weighted average number of shares outstanding (basic earnings)

(in thousands of shares)	January - June 2017	January - June 2016
Number of shares outstanding at the end of the period	63,723	63,723
Weighted average number of treasury shares held by Tarkett	(399)	(205)
Weighted average number of shares outstanding (undiluted)	**63,324**	**63,518**

Basic earnings per share

Basic earnings per share as of June 30, 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).

	January - June 2017	January - June 2016
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	(97.9)	45.2
Weighted average number of shares outstanding (undiluted)	63,324	63,518
Basic earnings per share *(in EUR)*	**(1.55)**	**0.71**

Weighted average number of shares outstanding (diluted earnings)

(in thousands of shares)	January - June 2017	January - June 2016
Number of shares outstanding at the end of the period	63,723	63,723
Weighted average number of treasury shares held by Tarkett	(399)	(205)
Impact of share-based payment plans	382 (1)	183 (1)
Weighted average number of shares outstanding (diluted)	**63,706**	**63,701**

(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 June 30, 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).

	January - June 2017	January - June 2016
Profit for the period attributable to Tarkett shareholders *(in millions of euros)*	(97.9)	45.2
Weighted average number during the period (diluted earnings)	63,706	63,701
Basic earnings per share *(in EUR)*	**(1.54)**	**0.71**

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 Deconinck ("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)	**January - June 2017**	**January - June 2016**
Joint ventures		
Sale of goods to Tarkett	12.6	12.8
Sale of goods by Tarkett	(0.5)	(0.5)
Purchase of services from Tarkett	9.2	9.2

10.2 Principal shareholders

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

As of June 30, 2017, SID had invoiced a total of €250,000 under the Assistance Agreement (unchanged from June 30, 2016).

Tarkett is a party to a Service Agreement with SID providing for a lump-sum annual payment of €75,000.

As of June 30, 2017, Tarkett had invoiced a total of €37,500 under the Service Agreement (unchanged from June 30, 2016).

10.3 Members of the Management Board and Supervisory Board

None.

Note 11 > Subsequent events

As of the date hereof, there are no material subsequent events to be disclosed.

2. Statutory Auditors Review Report on the 2017 Summary Interim Consolidated Financial Statements

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Tarkett

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

Statutory Auditors Review Report on the 2017 Summary Interim Consolidated Financial Statements

For the six-month period ended 30 June 2017

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code *("Code monétaire et financier")*, we hereby report to you on:

- the review of the accompanying Summary Interim Consolidated Financial Statements for the six-month period ended 30 June 2017;
- the verification of the information presented in the half-yearly management report.

These Summary Interim Consolidated Financial Statements are the responsibility of the Management Board. Our role is to express a conclusion on these Summary Interim Consolidated Financial Statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Summary Interim Consolidated Financial Statements are not prepared in all material respects in accordance with IAS 34 - the standard of the IFRS as adopted by the European Union applicable to Interim Financial Statements.

Without qualifying our opinion, we draw your attention to the matter set out in Notes 1.3 "Seasonality and significant event" and 6.1 "Provision" to the Summary Interim Consolidated Financial Statements regarding the recognition of a provision related to a penalty in the context of a procedure with the French Competition Authority.

2. Specific verification

We have also verified information given in the half-yearly Management Report on Summary Interim Consolidated Financial Statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the Summary Interim Consolidated Financial Statements.

Paris-La Défense, 26 July 2017

The Statutory Auditors,

KPMG Audit
A division of KPMG S.A.
Philippe Grandclerc — *Partner*
Renaud Laggiard — *Partner*

Mazars
Juliette Decoux — *Partner*
Éric Schwaller — *Partner*

Tarkett
Société anonyme with Management Board and Supervisory Board with a share capital of €318,613,480
Registered office: Tour Initiale – 1 Terrasse Bellini – 92919 Paris La Défense
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