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Tarkett

Statutory Auditors Review Report on the 2014 condensed interim consolidated financial statements

For the six-month period ended June 30, 2014

Tarkett

2, rue de l'Égalité - 92748 Nanterre

This report contains 23 pages



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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: 2, rue de l'Égalité - 92748 Nanterre
Share capital: €318 613 480

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For the six-month period ended June 30, 2014

To the Shareholders

In our quality of statutory auditors of Tarkett and in accordance with 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 condensed interim consolidated financial statements for the six-month period ended June 30, 2014;
- the verification of information contained in the half-yearly management report.

These condensed interim consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these condensed interim consolidated financial statements based on our review.

I. 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 condensed half-yearly 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.

II. Specific verification

We have also verified information given in the half-yearly management report on condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

The Statutory Auditors

Paris La Défense, July 30, 2014

KPMG Audit
A division of KPMG S.A.

Mazars

Philippe Grandclerc
Partner

Juliette Decoux
Partner

Eric Schwaller
Partner



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
Six-month period ended June 30, 2014**

*The condensed interim consolidated financial statements have been presented in accordance with IAS 34.
All figures are presented in million of Euros, except if mentioned otherwise.*

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
GENERAL INFORMATION	8
NOTE 1 – SIGNIFICANT ACCOUNTING PRINCIPLES	8
NOTE 2 – CONSOLIDATION SCOPE	9
NOTE 3 – SEASONALITY	10
NOTE 4 – ADJUSTED EBITDA	10
NOTE 5 - SEGMENT INFORMATION	12
NOTE 6 – FINANCIAL RESULT	13
NOTE 7 – INCOME TAX.....	13
NOTE 8 – EARNINGS PER SHARE & DIVIDENDS	14
NOTE 9 – GOODWILL	15
NOTE 10 – TANGIBLE AND INTANGIBLE ASSETS.....	15
NOTE 11 - IMPAIRMENT	15
NOTE 12 – WORKING CAPITAL.....	15
NOTE 13 – SHARE CAPITAL	15
NOTE 14 – EMPLOYEE BENEFITS	16
NOTE 15 – NET DEBT.....	17
NOTE 16 – OTHER CONTINGENCIES.....	19
NOTE 17 – RELATED PARTIES.....	19
NOTE 18 – SUBSEQUENT EVENTS.....	20

CONSOLIDATED INCOME STATEMENT

	Note	Jan - Jun 2014	Jan - Jun 2013
Continuing operations			
Net sales		1 107.6	1 170.3
Cost of sales		(824.1)	(878.0)
Gross profit		283.6	292.4
Other operating income		3.2	3.5
Selling and distribution expenses		(124.9)	(125.0)
Research and development expenses		(13.3)	(13.4)
General and administrative expenses		(75.6)	(77.6)
Other expenses		(5.9)	(5.0)
Result from operating activities	(4)	67.2	74.9
Financial income		0.9	1.5
Financial expenses		(14.6)	(14.3)
Net finance costs	(6)	(13.7)	(12.8)
Share of profit of equity accounted investees (net of income tax)		(0.3)	(0.4)
Profit before income tax		53.1	61.6
Income tax expense	(7)	(21.9)	(24.6)
Profit from continuing operations		31.2	37.0
Discontinued operations			
Profit (loss) from discontinued operations (net of income tax)		-	-
Profit for the period		31.2	37.0
Attributable to:			
Owners of Tarkett		30.8	36.7
Non-controlling interests (NCI)		0.4	0.4
Profit for the period		31.2	37.0
Earnings per share			
Basic earnings per share (in EUR)	(8)	0.49	0.59
Diluted earnings per share (in EUR)	(8)	0.48	0.59
Continuing operations			
Basic earnings per share (in EUR)	(8)	0.49	0.59
Diluted earnings per share (in EUR)	(8)	0.48	0.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Jan - Jun 2014	Jan - Jun 2013
Profit for the period	31.2	37.0
Other comprehensive income (OCI)		
Foreign currency translation differences for foreign operations	6.1	(3.4)
Changes in fair value of cash flow hedges	0.0	2.8
Income tax on other comprehensive income	(0.0)	(1.0)
OCI to be reclassified to profit and loss in subsequent periods	6.1	(1.5)
Defined benefit plan actuarial gains (losses)	(6.5)	11.9
Income tax on other comprehensive income	0.5	(3.5)
OCI not to be reclassified to profit and loss in subsequent periods	(6.1)	8.4
Other comprehensive income for the period, net of income tax	0.1	6.9
Total comprehensive income for the period	31.3	43.9
Attributable to:		
Owners of the Company	30.8	43.6
Non-controlling interests	0.4	0.4
Total comprehensive income for the period	31.3	43.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Jun 30, 2014	Dec 31, 2013
ASSETS			
Goodwill	(9)	437.5	425.6
Intangible assets	(10)	107.4	110.9
Property, plant and equipment	(10)	417.1	415.4
Financial assets		27.0	27.5
Deferred tax assets		93.6	92.7
Other non-current assets		0.2	0.2
Non-current assets		1 082.8	1 072.3
Inventories	(12)	417.8	318.6
Trade receivables	(12)	346.3	279.7
Other receivables		62.6	59.2
Cash and cash equivalents	(15)	71.8	96.7
Current assets		898.5	754.2
TOTAL ASSETS		1 981.3	1 826.5
EQUITY AND LIABILITIES			
Share capital	(13)	318.6	318.6
Share premium and reserves		145.8	145.6
Retained earnings		175.9	126.9
Net result for the period		30.8	99.1
Equity attributable to equity holders of the parent		671.2	690.2
Non-controlling interests		3.3	6.1
Total equity		674.5	696.3
Interest-bearing loans and borrowings	(15)	533.8	501.3
Other financial liabilities		4.3	4.7
Deferred tax liabilities		15.0	10.8
Employee benefits	(14)	128.6	122.3
Provisions and other non-current liabilities		37.6	41.2
Non-current liabilities		719.3	680.2
Trade payables	(12)	273.2	219.8
Other liabilities		163.1	167.0
Interest-bearing loans and borrowings	(15)	69.3	24.4
Other financial liabilities		43.1	5.0
Provisions and other current liabilities		38.8	33.7
Current liabilities		587.5	450.0
TOTAL EQUITY AND LIABILITIES		1 981.3	1 826.5

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan - Jun 2014	Jan - Jun 2013
Cash flows from operating activities		
Net profit before tax	53.1	61.6
Adjustments for:		
Depreciation and amortization	49.8	50.2
(Gain) loss on sale of fixed assets	0.2	(0.1)
Net finance costs	13.7	12.8
Change in provisions and other non-cash items	(1.9)	(0.2)
Share of profit of equity accounted investees, net of tax	0.3	0.4
Operating cash flow before working capital changes	115.3	124.8
Increase (-) / Decrease (+) in trade receivables	(63.4)	(69.6)
Increase (-) / Decrease (+) in other receivables	(9.9)	(5.4)
Increase (-) / Decrease (+) in inventories	(95.7)	(63.1)
Increase (+) / Decrease (-) in trade payables	52.4	43.4
Increase (+) / Decrease (-) in other payables	7.4	(3.7)
Effect of changes in working capital	(109.1)	(98.5)
Cash generated from operations	6.2	26.3
Net interest paid	(11.0)	(11.3)
Net income taxes paid	(18.3)	(22.6)
Other items	(0.6)	(0.7)
Other operating items	(29.8)	(34.6)
Net cash (used in) / from operating activities	(23.6)	(8.3)
Cash flows from investing activities		
Acquisition of subsidiaries net of cash acquired	(2)	(20.6)
Acquisition of property, plant and equipment	(10)	(40.5)
Proceeds from sale of property, plant and equipment	(10)	0.2
Net cash (used in) investing activities	(60.9)	(45.1)
Cash flows from financing activities		
Acquisition of non-controlling interests	(14.5)	(4.4)
Proceeds from loans and borrowings	123.0	86.7
Repayment of loans and borrowings	(48.8)	(55.5)
Payment of finance lease liabilities	(0.2)	(0.3)
Net cash from / (used in) financing activities	59.5	26.5
Net increase / (decrease) in cash and cash equivalents	(25.1)	(26.9)
Cash and cash equivalents, beginning of period	96.7	81.1
Effect of exchange rate fluctuations on cash held	0.2	(0.3)
Cash and cash equivalents, end of period	71.8	53.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium and reserves	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2013	316.1	138.8	(71.8)	300.3	683.5	10.1	693.7
Net profit for the period	-	-	-	36.7	36.7	0.4	37.0
Other comprehensive income	-	-	(3.4)	10.3	6.9	-	6.9
Total comprehensive income for the period	-	-	(3.4)	47.0	43.6	0.4	43.9
Dividends	-	-	-	-	-	-	-
Own shares (acquired) / sold	-	-	-	-	-	-	-
Share based payment	-	-	-	0.8	0.8	-	0.8
Acquisition of NCI without a change in control	-	-	-	(0.8)	(0.8)	(4.9)	(5.6)
Issue of shares	-	-	-	-	-	-	-
Other	-	-	-	(0.1)	(0.1)	-	(0.1)
Total transactions with shareholders	-	-	-	(0.1)	(0.1)	(4.9)	(5.0)
Balance at June 30, 2013	316.1	138.8	(75.1)	347.2	727.1	5.6	732.7
Balance at January 1, 2014	318.6	145.6	(102.3)	328.3	690.2	6.1	696.3
Net profit for the period	-	-	-	30.8	30.8	0.4	31.2
Other comprehensive income	-	-	6.1	(6.1)	0.1	-	0.1
Total comprehensive income for the period	-	-	6.1	24.7	30.8	0.4	31.3
Dividends	-	-	-	(39.4)	(39.4)	-	(39.4)
Own shares (acquired) / sold	-	-	-	-	-	-	-
Share based payment	-	-	-	0.9	0.9	-	0.9
Acquisition of NCI without a change in control	-	-	-	(11.3)	(11.3)	(3.3)	(14.6)
Issue of shares	-	-	-	-	-	-	-
Other	-	0.2	-	(0.2)	0.0	-	0.0
Total transactions with shareholders	-	0.2	-	(49.9)	(49.7)	(3.3)	(52.9)
Balance at June 30, 2014	318.6	145.8	(96.2)	303.0	671.2	3.3	674.5

GENERAL INFORMATION

The interim consolidated financial statements of Tarkett SA (hereafter "Tarkett" or the "Company") as of and for the six-month period ended June 30, 2014 reflect the financial condition of 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 integrated flooring and sports surface solutions to professionals and end-users in the residential and commercial markets.

The Group completed its initial public offering in November 2013.

The Company's registered office is located at *2 rue de l'Égalité, 92748 Nanterre Cedex, France*.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2014.

NOTE 1 – SIGNIFICANT ACCOUNTING PRINCIPLES

1.1 STATEMENT OF COMPLIANCE

The condensed interim consolidated financial statements of the Group (including the notes thereto) 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, 2014 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, 2013.

1.2 BASIS OF PREPARATION

1.2.1 Accounting policies

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as the IFRS norms as adopted by European union and applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2013, except as described below:

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 existing standards and interpretations. These amendments and interpretations were approved by the European Union and their application was mandatory:

- Amendment to IAS 32, "Offset of financial assets and liabilities": no impact on the condensed interim consolidated financial statements.
- Amendment to IFRS 10, IFRS 12 and IAS 27, "Investment entities": this amendment does not affect the Group.
- Amendment to IAS 36, "Offset of financial assets and liabilities": no impact on the condensed interim consolidated financial statements.
- Amendment to IAS 39 and IFRS 9, "Novation of derivatives and maintenance of hedging accounting": no impact on the condensed interim consolidated financial statements.

As of January 1, 2013, the Group opted for early application of IFRS 10, 11 and 12. The above-referenced amendments have no impact on the information previously presented in the Group's interim consolidated financial statements.

b) Early adoption of new standards or interpretations

The Group has implemented early application of any new standards or interpretations.

1.2.2 Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of preparation of the financial statements and reported income and expenses for the period.

Group management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and various other factors considered to be reasonable, which form the basis for assessing the carrying amount of assets and liabilities. Actual results may differ significantly from these estimates if different assumptions or circumstances occurred.

In preparing these financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2013.

1.3 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, 2013.

NOTE 2 – CONSOLIDATION SCOPE

The Tarkett Group's consolidation scope is as follows.

Number of companies

	<u>Dec 31, 2013</u>	<u>Acquisitions</u>	<u>Creations</u>	<u>Mergers</u>	<u>Jun 30, 2014</u>
Fully consolidated companies	70	1	2	(3)	70
Equity-accounted companies	1	-	-	-	1
TOTAL	71	1	2	(3)	71

2.1 SCOPE VARIATION

Acquisitions

On April 30, 2014, the Group acquired the Polish company Gamrat Flooring in order to reinforce its business on the vinyl flooring market in Central Europe. Gamrat Flooring entered the Group as a new legal entity, Tarkett Jaslo Sp.z.o.o, and has been fully consolidated and held at 100% since its acquisition by Tarkett.

Creations

In January 2014, Tarkett Belux has been created.

In April 2014, the Group created Tarkett Industrial (Beijing) Co, Ltd, to which will be allocated a vinyl flooring production plant located near Beijing acquired from Beijing Royo Plastic Co. Ltd. in July 2014.

Mergers

In February 2014, Caf Extrusion Llc merged into Tandus Centiva Inc.

In February 2014, Johnsonite Inc. merged into Tarkett USA Inc.

In March 2014, Tarkett IFA Inc merged into Tarkett Enterprises Inc.

2.2 PURCHASE ACCOUNTING OF THE GAMRAT FLOORING ACQUISITION

On April 30, 2014, Tarkett acquired Gamrat Flooring, which has since been renamed Tarkett Jaslo Sp.z.o.o. This company, based in Poland, specializes in high-performance vinyl flooring, primarily for non-residential use. This acquisition strengthens Tarkett's activity in high value-added segments such as hospitals, health care and education, primarily in Central Europe and in particular in Poland, where Gamrat Flooring already occupies solid positions.

Payment for the acquisition of Gamrat Flooring totaled €22.1m (PLN 92.4m).

Acquisition costs, reported in "General and administrative expenses," amounted to €0.1m.

The acquisition impact on the consolidated cash flow statement is presented in the line item "Acquisition of subsidiaries net of cash acquired" for an amount of €(20.6)m.

Acquisition of Gamrat Flooring	(22.1)
Cash acquired	1.4
Acquisition of subsidiaries, net of cash acquired	(20.6)

This combination was accounted for on a provisional basis in accordance with the revised IFRS3, and may be revised within the 12-months limit provided for by IFRS3-r.

In particular, in 2014 Tarkett must identify and value its tangible fixed assets such as machines and equipment. As of June 30, 2014, goodwill from the Gamrat entity was calculated at €(9.3)m.

Initial consideration	(22.1)
Net assets acquired	13.0
Fair value of assets	(0.2)
Initial goodwill	(9.3)

This goodwill is explained primarily by the following:

- Gamrat's industrial presence and expertise in Poland;
- Gamrat Flooring's excellent service and recognized offerings on its markets;
- The reinforcement of Tarkett's leadership in the production and marketing of high-performance vinyl floor coverings in Central Europe; and
- Gamrat Flooring's current market share.

The main fair value adjustments relate to the following:

- Employee-related expenses;
- Calculation of depreciation on finished products and customer receivables in accordance with Tarkett's internal rules; and
- The deferred tax assets and liabilities resulting from these adjustments.

NOTE 3 – SEASONALITY

The Group's business is subject to the effects of seasonality, and its annual results are significantly dependent on the performance achieved during the second half of the year. This is mainly driven by weather conditions, which are much more favorable for the construction business and installation activities during the summer than during the winter.

This seasonality is also reinforced in some business sectors, like education, where the activity is much stronger during the summer break periods.

Consequently, the operating results for the first half of 2014 are not necessarily indicative of results to be expected for the full year 2014.

NOTE 4 – 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;
- Costs related to business combinations and legal reorganizations, including legal fees, transactions costs and consulting fees;

- Expenses related to share-based payments due to their non-cash nature.

The Group's adjusted EBITDA breaks down as follows:

	Jan - Jun 2014	Restructuring	Impairment & Customer's list amortization	Of which adjustments			Jan - Jun 2014 Adjusted
				Business combinations	Share-based payments	Others	
Net sales	1 107.6	-	-	-	-	-	1 107.6
Cost of sales	(824.1)	(3.8)	-	-	-	-	(820.3)
Gross profit	283.6	(3.8)	-	-	-	-	287.4
Other operating income	3.2	(0.1)	-	-	-	-	3.3
Selling and distribution expenses	(124.9)	(0.5)	-	-	-	-	(124.3)
Research and development expenses	(13.3)	-	-	-	-	-	(13.3)
General and administrative expenses	(75.6)	(0.5)	(0.6)	(0.1)	(0.9)	(1.0)	(72.4)
Other expenses	(5.9)	(0.2)	-	(0.8)	-	(0.9)	(4.0)
Result from operating activities	67.2	(5.1)	(0.6)	(0.9)	(0.9)	(1.9)	76.6
Depreciation and amortization	49.8	-	0.6	-	-	-	49.2
EBITDA	117.0	(5.1)	-	(0.9)	(0.9)	(1.9)	125.7

	Jan - Jun 2013	Restructuring	Impairment & Customer's list amortization	Of which adjustments			Jan - Jun 2013 Adjusted
				Business combinations	Share-based payments	Others	
Net sales	1 170.3	-	-	-	-	-	1 170.3
Cost of sales	(878.0)	(1.7)	0.2	(0.0)	-	-	(876.5)
Gross profit	292.4	(1.7)	0.2	(0.0)	-	-	293.9
Other operating income	3.5	-	-	-	-	0.1	3.5
Selling and distribution expenses	(125.0)	(1.8)	-	-	-	-	(123.2)
Research and development expenses	(13.4)	-	-	-	-	-	(13.4)
General and administrative expenses	(77.6)	(0.4)	(0.7)	(0.5)	(0.8)	(2.7)	(72.5)
Other expenses	(5.0)	(0.1)	-	-	-	(0.5)	(4.4)
Result from operating activities	74.9	(3.9)	(0.5)	(0.5)	(0.8)	(3.1)	83.7
Depreciation and amortization	50.2	-	0.7	-	-	-	49.5
EBITDA	125.0	(3.9)	0.2	(0.5)	(0.8)	(3.1)	133.2

NOTE 5 - SEGMENT INFORMATION

	Flooring					
	EMEA	North America	CIS & Others	Sports	Central	Group
Jan - Jun 2014						
Net sales	347.0	318.8	345.0	96.9	-	1 107.6
Activity (*)	385.8	319.0	352.7	98.7	-	
Gross profit	98.3	88.0	75.3	22.1	(0)	283.6
<i>% of net sales</i>	28.3%	27.6%	21.8%	22.8%		25.6%
Adjusted EBITDA	41.3	34.1	61.8	6.7	(18.1)	125.7
<i>% of net sales</i>	11.9%	10.7%	17.9%	6.9%		11.4%
Adjustments	(3.0)	(2.8)	(0.9)	(0.9)	(1.2)	(8.8)
EBITDA	38.3	31.2	60.9	5.8	(19.3)	117.0
<i>% of net sales</i>	11.0%	9.8%	17.7%	6.0%		10.6%
EBIT	25.6	16.0	39.0	(1.2)	(12.3)	67.2
<i>% of net sales</i>	7.4%	5.0%	11.3%	(1.2)%		6.1%
Capital expenditures	6.7	12.7	8.0	2.3	3.1	32.7

(*) including inter-segment sales

	Flooring					
	EMEA	North America	CIS & Others	Sports	Central	Group
Jan - Jun 2013						
Net sales	342.0	334.3	399.4	94.7	-	1 170.3
Activity (*)	382.8	334.4	404.7	96.5	-	
Gross profit	98.0	89.4	90.3	14.6	-	292.4
<i>% of net sales</i>	28.7%	26.7%	22.6%	15.5%		25.0%
Adjusted EBITDA	38.5	36.6	76.4	(0.9)	(17.4)	133.2
<i>% of net sales</i>	11.3%	11.0%	19.1%	(0.9)%		11.4%
Adjustments	(0.9)	(3.4)	(0.7)	(0.1)	(3.2)	(8.2)
EBITDA	37.6	33.3	75.7	(1.0)	(20.6)	125.0
<i>% of net sales</i>	11.0%	9.9%	19.0%	(1.0)%		10.7%
EBIT	22.2	18.3	53.6	(8.3)	(11.0)	74.9
<i>% of net sales</i>	6.5%	5.5%	13.4%	(8.7)%		6.4%
Capital expenditures	8.3	9.3	22.5	2.2	3.3	45.7

(*) including inter-segment sales

NOTE 6 – FINANCIAL RESULT

	Jan - Jun 2014	Jan - Jun 2013
FINANCIAL INCOME		
Interest income on loans assets & cash equivalents	0.8	1.2
Other financial income	0.1	0.3
	0.9	1.5
FINANCIAL EXPENSES		
Interest expenses on loans and overdrafts	(7.1)	(7.7)
Interest expenses on capital leases	(0.1)	(0.1)
Commissions expenses on financial liabilities	(2.5)	(2.4)
Interest on provisions for pensions	(2.8)	(2.9)
Foreign exchange rate losses	(2.0)	(0.6)
Other net financial expenses	(0.8)	(0.2)
Net loss on interest rate instruments	0.7	(0.4)
	(14.6)	(14.3)
Net finance costs	(13.7)	(12.8)

NOTE 7 – INCOME TAX

Income tax (current and deferred) for the interim period is calculated by applying the last known estimated effective tax rate for the prevailing fiscal year for each entity or tax group to the consolidated companies' pre-tax income.

	Jan - Jun 2014	Jan - Jun 2013
Current tax	(18.6)	(24.0)
Deferred tax	(3.4)	(0.6)
Total income tax expense	(21.9)	(24.6)

Theoretical income taxes determined using the French corporate income tax rate of 34.43% for 2014 and 2013 can be reconciled as follows to the actual income tax charge:

	Jan - Jun 2014	Jan - Jun 2013
Income tax at French income tax rate	(18.3)	(21.4)
Effect of:		
Taxation of foreign companies at different rates *	7.2	12.6
Recognition of deferred tax assets relating to previous years	3.1	5.0
Change in unrecognised deferred tax assets	(2.8)	(8.5)
Permanent differences-non deductible items	(2.0)	(5.5)
Tax costs related to dividends (WHT, french surtax 3%)	(7.3)	(7.9)
Other items	(1.9)	1.1
Income tax expense	(21.9)	(24.6)

The difference with the French tax rate of 34.43% is presented here.

NOTE 8 – EARNINGS PER SHARE & DIVIDENDS

Weighted average number of shares outstanding (basic earnings)

In thousands of shares	Jan - Jun 2014	Jan - Jun 2013
Weighted average number of shares	63 723	63 222
Weighted average number of treasury shares held by Tarkett	(240)	(1 468)
Weighted average number of shares	63 483	61 754

Basic earnings per share

Basic earnings per share as of June 30, 2014 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).

	Jan - Jun 2014	Jan - Jun 2013
Profit for the period attributable to the owners of Tarkett	30.8	36.7
Weighted average number of shares	63 483	61 754
Basic earnings per share (in EUR)	0.49	0.59

Weighted average number of shares outstanding (diluted earnings)

In thousands of shares	Jan - Jun 2014	Jan - Jun 2013
Weighted average number of shares	63 723	63 222
Weighted average number of treasury shares held by Tarkett	(240)	(1 468)
Effect of share-based payment plans	240 *	628
Weighted average number of shares (diluted)	63 723	62 382

* Share-based payment plans have been amended for Tarkett initial public offering in November 2013, thus distributed shares will only be existing shares and no new shares will be created.

Diluted earnings per share

Diluted earnings per share as of June 30, 2014 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).

	Jan - Jun 2014	Jan - Jun 2013
Profit for the period attributable to the owners of Tarkett	30.8	36.7
Weighted average number of shares (diluted)	63 723	62 382
Diluted earnings per share (in EUR)	0.48	0.59

Dividends

No dividends were paid to Tarkett's shareholders in the first half of 2014.

Tarkett paid dividends in the amount of €0.62 per share to its shareholders on July 7, 2014, in accordance with the decision of the General Shareholders' meeting of May 13, 2014 (Cf. Note 18 - Subsequent Events).

NOTE 9 – GOODWILL

The changes in goodwill can be analyzed as follows:

	Jun 30, 2014	Dec 31, 2013
Opening carrying amount	425.6	449.1
New goodwill	9.1	-
Adjustment to initial purchase price allocation of Gamrat Flooring	0.2	-
Adjustment to initial purchase price allocation of Tandus	-	(12.5)
Effects of movements in exchange rates	2.5	(10.9)
Closing carrying amount	437.5	425.6

The most significant change is due to the inclusion of goodwill from the Gamrat Flooring acquisition, resulting in an increase in value of €9.3m. See Note 2.2, Purchase accounting of the Gamrat Flooring acquisition, for more detail.

NOTE 10 – TANGIBLE AND INTANGIBLE ASSETS

Current investments are defined as investments in tangible and intangible assets other than acquisitions and factory construction.

During the first half of 2014, the Group acquired fixed assets totaling €40.5m (as of the first half 2013: €45.7m), of which €32.7m was considered current investments and €7.8m was considered strategic investments.

Assets with a carrying amount of €0.8m were disposed of during the six-month period ended June 30, 2014 (as of the first half of 2013: €0.4m).

During the first half of 2014, depreciation and amortization totaled €49.8m (at first half 2013: €50.2m).

The acquisition of Tarkett Jaslo Sp.z.o.o in Poland contributed €8.0m to the increase in fixed assets.

The remaining change in assets, €2.0m, corresponds to the impact of goodwill.

NOTE 11 - IMPAIRMENT

The Company carried out an analysis for indications of a loss in value as of the end of May 2014. Impairment indicators were updated as of June 30, 2014, and no triggering event during the period was identified that would require tests to be performed.

Testing of the value of goodwill and other intangible assets will be performed systematically during the second half of the year. No impairment was recorded as of June 30, 2014.

NOTE 12 – WORKING CAPITAL

Generally, due to seasonality effects, activity is more sustained in Quarter 2 and Quarter 3 as compared with Quarter 1 and Quarter 4. These effects explain the increase in both receivables and payables, which are based respectively on Q2 activity for the end of June balances and Q4 for the end of December. Inventories are also generally higher at the end of June, in preparation for the peak of activity taking place in the third quarter.

NOTE 13 – SHARE CAPITAL

As of June 30, 2014 the Company's share capital totaled €318 613 480, similar to December 31, 2013, and was divided into 63,722,696 shares of par value €5 each, similar to December 31, 2013.

NOTE 14 – EMPLOYEE BENEFITS

In accordance with the laws and practices of each country in which it operates, Tarkett participates in, or maintains, employee benefit plans providing retirement pensions, post-retirement health care, other long term benefits (such as long-service awards and 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 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 2013 for 2014. However, where material changes occur, such as significant changes in market conditions, provisions for retirement and similar benefits as well as the plan assets value are adjusted as of June 30 using sensitivity analyses.

Assumptions:

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

	Jun 30, 2014		Dec 31, 2013	
	Pensions	Post-employment healthcare benefits	Pensions	Post-employment healthcare benefits
Discount rate	3.94%		4.30%	
Including:				
US	4.50%	4.50%	5.00%	5.00%
Germany	2.60%		3.10%	
Sweden	3.50%		4.00%	
UK	4.15%		4.40%	
Salary increases	2.53%		3.03%	
Inflation	1.26%		2.21%	

Allocation of plan assets by type of investment:

	Jun 30, 2014	Dec 31, 2013
- Equity	48.5%	48.5%
- Bonds	28.4%	28.4%
- Real Estate	3.2%	3.2%
- Other	19.8%	19.8%

All shares are listed on active markets. Assets in the "Other" category consist primarily of insurance contracts in Germany, for 10.8%, the remainder corresponding to cash and cash equivalents linked to pensions plans in the United States and in Canada.

Changes in net liabilities:

	Jun 30, 2014			Dec 31, 2013		
	Pensions	Post-employment healthcare benefits	TOTAL	Pensions	Post-employment healthcare benefits	TOTAL
Change in net liabilities recognized in the balance sheet						
Balance sheet liability at beginning of year	118.9	3.3	122.2	138.4	3.8	142.2
Total expenses recognized in income statement	4.2	1.4	5.6	9.3	0.2	9.5
Amounts recognised in OCI	6.5	-	6.5	(17.0)	(0.4)	(17.5)
Business combinations / divestitures / transfers	-	-	-	0.2	-	0.2
Employer contributions	(2.8)	-	(2.8)	(5.0)	(0.2)	(5.2)
Benefits paid directly by the company	(2.4)	(0.1)	(2.4)	(4.6)	-	(4.6)
Exchange rate adjustment - (gain)/loss	(0.5)	0.0	(0.5)	(2.3)	(0.2)	(2.4)
Balance sheet liability as at end of period	124.0	4.6	128.6	118.9	3.3	122.2

Other employment-related contingencies include the variable portion of puts and options to purchase minority interests, which are considered to be compensation.

NOTE 15 – NET DEBT
Net debt:

	Jun 30, 2014	Dec 31, 2013
Interest-bearing loans and borrowings - non-current	533.8	501.3
Interest-bearing loans and borrowings - current	69.3	24.4
Cash and cash equivalents	(71.8)	(96.7)
Total Net Debt	531.3	429.0

Interest-bearing loans and borrowings:

Jun 30, 2014	Currency	Interest Rate	Total	12 months or less until 06/30/15	2 years until 06/30/16	3 to 5 years until 06/30/19	More than 5 years
Unsecured loans							
Term Facilities Europe	EUR	0.8%-2.0%	540.0	26.3	61.2	452.5	-
Term Facilities Europe	USD	2.4%	24.9	7.3	17.6	-	-
Revolving Facilities Europe	EUR	0.9%	30.0	30.0	-	-	-
Revolving Facilities Europe	USD		-	-	-	-	-
Other bank loans		3.7%-18%	2.9	2.2	0.7	-	-
Total Bank loans			597.8	65.8	79.5	452.5	-
Other loans	EUR	0.5%	0.3	0.1	0.1	0.1	-
Bank overdrafts		0.7%-5.3%	3.2	3.2	-	-	-
Finance lease obligations			1.8	0.2	0.4	1.1	0.1
Total Interest-bearing loans and borrowings			603.1	69.3	80.0	453.7	0.1

Dec 31, 2013	Currency	Interest Rate	Total	12 months or less until 12/31/14	2 years until 12/31/15	3 to 5 years until 12/31/18	More than 5 years
Unsecured loans							
Term Facilities Europe	EUR	0.7%-2.1%	465.0	16.3	26.2	422.5	-
Term Facilities Europe	USD	2.6%	29.0	4.4	7.3	17.3	-
Revolving Facilities Europe	EUR	1.1%	25.0	-	-	25.0	-
Revolving Facilities Europe	USD		-	-	-	-	-
Other bank loans		3.7%-5.3%	2.6	2.0	0.3	0.3	-
Total Bank loans			521.6	22.7	33.8	465.1	-
Other loans	EUR	0.7%-4.5%	0.4	0.1	0.1	0.2	-
Bank overdrafts			1.1	1.1	-	-	-
Finance lease obligations			2.6	0.6	0.6	1.2	0.2
Total Interest-bearing loans and borrowings			525.7	24.5	34.5	466.5	0.2

Unsecured bank loans include mainly:

- i. A term loan for €450.0m, repayable in full at the end of the term, and maturing in October 2018;
- ii. A multicurrency amortizable term loan maturing in May 2016 and composed of one tranche in euros, for €85.0m, and one tranche in U.S. dollars, for \$34.0m, of which €25.0m and \$10.0m will be repayable in May 2015 and the remainder upon maturity. This loan includes certain acceleration clauses in the event that Tarkett carries out a capital increase or issues bonds on the debt market;
- iii. €30.0m drawn on a €30.0m revolving uncommitted credit line that Tarkett opened in 2011 and that is automatically renewable each year.

It should also be noted that Tarkett's syndicated multicurrency revolving credit facility entered into on June 27, 2011 for up to €450.0m and maturing in June 2016, as well as the "Daily" assignment of receivables credit line for €55.0m, had not been drawn down as of June 30, 2014.

The facilities mentioned above contain financial covenants which are binding on the borrowing companies. The Group is in compliance with all of its banking covenants as of June 30, 2014.

Net Debt / Adjusted EBITDA

	Jun 30, 2014	Dec 31, 2013
Net Debt	531.3	429.0
Adjusted EBITDA of the past 12 months	302.4	310.0
Ratio (1)	1.8	1.4

(1) has to be below 3

EBIT / Net interests

	Jun 30, 2014	Dec 31, 2013
EBIT of the past 12 months	203.7	210.9
Net interests of the past 12 months	14.7	15.0
Ratio (2)	13.9	14.1

(2) has to be over 2.5

Fair value of financial assets and liabilities:

Jun 30, 2014	Hedging Derivatives	Cash and cash equivalents	Assets designated at fair value		Liabilities at amortized cost		Carrying amount	Fair value	Level 1	Level 2	Level 3
			through profit & loss	Loans and receivables							
Non current financial assets valued at amortized value	-	-	-	16.7	-	16.7	16.7	-	16.7	-	
Non current financial assets valued at fair value	-	-	10.3	-	-	10.3	10.3	-	10.3	-	
Accounts receivables	-	-	-	346.3	-	346.3	346.3	-	-	-	
Cash and cash equivalents	-	71.8	-	-	-	71.8	71.8	-	71.8	-	
Interest-bearing loans and borrowings	-	-	-	-	603.1	603.1	603.1	-	603.1	-	
Other financial liabilities, non-current	-	-	-	-	4.3	4.3	4.3	-	4.3	-	
Other financial liabilities, current	0.8	-	-	-	42.3	43.1	43.1	-	0.8	-	
Accounts payables	-	-	-	-	273.2	273.2	273.2	-	-	-	

Dec 31, 2013	Hedging Derivatives	Cash and cash equivalents	Assets designated at fair value		Liabilities at amortized cost		Carrying amount	Fair value	Level 1	Level 2	Level 3
			through profit & loss	Loans and receivables							
Non current financial assets valued at amortized value	-	-	-	7.6	-	7.6	7.6	-	7.6	-	
Non current financial assets valued at fair value	0.7	-	19.2	-	-	19.9	19.9	-	19.9	-	
Accounts receivables	-	-	-	279.7	-	279.7	279.7	-	-	-	
Cash and cash equivalents	-	96.7	-	-	-	96.7	96.7	-	96.7	-	
Interest-bearing loans and borrowings	-	-	-	-	525.7	525.7	525.7	-	525.7	-	
Other financial liabilities, non-current	-	-	-	-	4.7	4.7	4.7	-	4.7	-	
Other financial liabilities, current	3.1	-	-	-	1.9	5.0	5.0	-	3.1	-	
Accounts payables	-	-	-	-	219.8	219.8	219.8	-	-	-	

The above tables analyze financial instruments carried at fair value, by levels in the fair value hierarchy. The different levels have been defined 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 (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 16 – OTHER CONTINGENCIES

In 2014, no material change has occurred in the guarantees granted by Tarkett SA to third parties.

In late March 2013, the “Autorité de la concurrence” (French Competition Authority) launched investigations against several flooring manufacturers, including Tarkett, in relation to possible anti-competitive practices in the French market for vinyl flooring.

The investigations are still ongoing. The timing of their finalization is currently not known and it is not yet possible to evaluate their potential outcome.

NOTE 17 – RELATED PARTIES

In compliance with IAS 24, the Group has identified the following related parties:

1. Joint ventures;
2. The Group's principal shareholders, the Société d'Investissement Deconinck (S.I.D.) SA and KKR International Flooring 2 SARL;

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.

– **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 in Germany, which is held jointly with Sonae.

Loans to Laminate Park at the end of June 2014 are:

- €13.5m by Tarkett (€13.5m at the end of December 2013);
- €0.7m by Tarkett Holding GmbH (€0.7m at the end of December 2013).

– **Principal shareholders:**

Société d'Investissement Deconinck holds 50.1% of Tarkett's share capital and as such, controls and coordinates the Group's activities. Tarkett is party to a management services agreement with S.I.D., with the services remunerated on the basis of the actual costs incurred by S.I.D.

As of June 30, 2014, S.I.D. had invoiced a total of €0.4m in fees under the assistance agreement (December 31, 2013: €0.6m).

As of June 30, 2014, Tarkett had invoiced a total of €23k in services to S.I.D.

KKR International Flooring 2 SARL (KKR) holds 21.5% of Tarkett's share capital and as such, has significant influence. Tarkett is party to a shareholders' agreement with S.I.D. and KKR.

As of June 30, 2014, KKR International Flooring 2 SARL had not invoiced any fees under the assistance agreement (December 31, 2013: €0.6m).

NOTE 18 – SUBSEQUENT EVENTS

In April 2014, Tarkett entered into an asset purchase agreement with the Chinese company Beijing Royo Plastic Co. Ltd. This asset acquisition became effective as of July 17, 2014 at Tarkett Industrial (Beijing) Co, Ltd.

On July 7, 2014, Tarkett paid €39.4m in dividends to its shareholders, in accordance with the decision of the Shareholders' Meeting of May 13, 2014.