

Consolidated financial statements

as of December 31, 2023

This document presents the consolidated financial statements of Tarkett as of December 31, 2023.

The statutory auditors' report appears on the page 57.

This document is a non-binding "free" translation from French in English as no legal value other than an informative one.
Should there be any difference between the French and the English version, only the text in French language shall be deemed authentic and considered as expressing the exact information published by Tarkett.

1 Consolidated Financial Statements as of December 31, 2023

Consolidated income statement

<i>(in millions of euros)</i>	Note	2023	2022
Net Revenue		3,363.1	3,358.9
Cost of sales		(2,631.2)	(2,753.8)
Gross profit		731.9	605.1
Other operating income		13.5	10.8
Selling and distribution expenses		(362.3)	(345.1)
Research and development		(30.1)	(25.5)
General and administrative expenses		(211.8)	(184.1)
Other operating expenses		(16.1)	(16.7)
Result from operating activities	(3)	125.1	44.4
Financial income		7.2	2.6
Financial expenses		(76.4)	(53.8)
Financial income and expenses	(7)	(69.2)	(51.3)
Share of profit of equity accounted investees (net of income tax)		(0.1)	(1.0)
Profit before income tax		55.8	(7.9)
Total income tax	(8)	(35.4)	(18.1)
Profit from continuing operations		20.5	(26.0)
Net profit for the period		20.5	(26.0)
Attributable to:			
Owners of Tarkett		20.4	(26.8)
Non-controlling interests		0.1	0.8
Net profit for the period		20.5	(26.0)
Earnings per share:			
Basic earnings per share (in euros)	(9)	0.31	(0.41)
Diluted earnings per share (in euros)	(9)	0.31	(0.41)

Consolidated statement of comprehensive income

<i>(in millions of euros)</i>	Note	2023	2022
Net profit for the period		20.5	(26.0)
Other comprehensive income (OCI)			
Foreign currency translation differences for foreign operations		(48.2)	27.4
Changes in fair value of cash flow hedge instruments	(7)	(19.5)	38.9
Income tax		(0.1)	(0.2)
OCI to be reclassified to profit and loss in subsequent periods		(67.7)	66.2
Defined benefit plan actuarial gain (losses)	(4)	(3.3)	24.1
Other items of comprehensive income		-	-
Income tax		0.7	(1.8)
OCI not to be reclassified to profit and loss in subsequent periods		(2.5)	22.4
Other comprehensive income, net of tax		(70.3)	88.5
Total comprehensive income for the period		(49.9)	62.5
Attributable to:			
Owners of Tarkett		(49.9)	61.7
Non-controlling interests		0.0	0.8
Total comprehensive income for the period		(49.9)	62.5

Consolidated statement of financial position

Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2023	Dec. 31, 2022
Goodwill	(5)	664.3	679.2
Intangible assets	(5)	50.7	59.7
Property, plant and equipment	(5)	557.8	556.0
Other financial assets	(7)	25.5	49.0
Deferred tax assets	(8)	92.8	92.3
Other intangible assets		0.0	0.0
Total non-current assets		1,391.1	1,436.3
Inventories	(3)	453.1	537.6
Trade receivables	(3)	262.9	265.5
Other receivables	(3)	151.9	146.3
Cash and cash equivalents	(7)	224.3	220.8
Total current assets		1,092.2	1,170.1
Total assets		2,483.3	2,606.4

Equity and liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2023	Dec. 31, 2022
Share capital	(9)	327.8	327.8
Share premium and reserves		167.4	167.4
Retained earnings		347.1	443.3
Net profit for the period attributable to equity holders of the parents		20.4	(26.8)
Equity attributable to equity holders of the parent		862.7	911.6
Non-controlling interests		2.1	1.4
Total equity		864.7	913.0
Other non-current liabilities		16.0	12.6
Financial liabilities	(7)	704.5	802.7
Other financial liabilities	(7)	1.5	2.3
Deferred tax liabilities	(8)	0.6	7.7
Employee benefits	(4)	86.8	85.7
Provisions and other non-current liabilities	(6)	28.9	34.2
Total non-current liabilities		838.2	945.2
Trade payables	(3)	379.4	344.2
Other operating liabilities	(3)	289.9	292.6
Financial liabilities and bank overdrafts	(7)	71.4	72.9
Other financial liabilities	(7)	3.3	5.3
Provisions and other current liabilities	(6)	36.3	33.1
Total current liabilities		780.3	748.1
Total equity and liabilities		2,483.3	2,606.4

Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	2023	2022
Cash flows from operating activities			
Profit for the period before income tax		55.8	(7.9)
Adjustments for:			
Depreciation, amortization and impairment		133.4	151.9
(Gain) loss on sale of fixed assets	(3)	1.3	(0.3)
Net finance costs	(7)	69.2	51.3
Change in provisions and other non-cash items		(0.3)	(13.5)
Share of profit of equity accounted investees (net of tax)		0.1	1.0
Operating cash flow before working capital changes		259.5	182.6
(Increase) / Decrease in trade receivables		(1.7)	(14.9)
(Increase) / Decrease in other receivables		(4.1)	(2.9)
(Increase) / Decrease in inventories		65.6	(53.5)
Increase / (Decrease) in trade payables		49.7	(67.4)
Increase / (Decrease) in other payables		8.4	4.0
Changes in working capital		117.9	(134.7)
Net interest paid		(46.2)	(31.2)
Net income taxes paid		(45.0)	(24.0)
Other operating items		(7.8)	(11.8)
Net cash flows from operating activities		278.5	(19.1)
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(2)	(3.2)	(4.0)
Acquisitions of intangible assets and property, plant and equipment	(5)	(92.9)	(96.7)
Proceeds from sale of property, plant and equipment	(5)	1.2	2.5
Effect of changes in the scope of consolidation		0.0	0.0
Net cash flows from investing activities		(94.9)	(98.1)
Cash flows from financing activities			
Capital increase		-	-
Acquisition of NCI without a change in control		-	(0.1)
Proceeds from loans and borrowings		55.6	179.4
Repayment of loans and borrowings		(170.2)	(14.2)
Repayment of lease liabilities		(39.8)	(35.1)
Acquisitions/disposals of treasury shares		(0.0)	(0.0)
Dividends	(9)	-	(0.0)
Net cash flows from financing activities		(154.3)	130.0
Net increase / (decrease) in cash and cash equivalents		29.3	12.7
Cash and cash equivalents, beginning of period		220.8	205.4
Effect of exchange rate fluctuations on cash held		(25.8)	2.5
Cash and cash equivalents, end of period	(7)	224.3	220.8

Consolidated statement of changes in equity

	Share Capital	Share premium and reserves	Translation reserves	Reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
<i>(in millions of euros)</i>							
As of January 1, 2022	327.8	167.4	(39.4)	384.4	840.2	-	840.2
Capital increase	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Net profit for the period	-	-	-	(26.8)	(26.8)	0.8	(26.0)
Other comprehensive income, net of tax	-	-	27.4	61.1	88.5	(0.0)	88.5
Total comprehensive income for the period	-	-	27.4	34.3	61.7	0.8	62.5
Dividends	-	-	-	-	-	-	-
Own shares (acquired) / sold	-	-	-	-	-	-	-
Share-based payments	-	-	-	5.3	5.3	-	5.3
Acquisition of NCI without a change in control	-	-	-	(0.0)	(0.0)	0.6	0.6
Other	-	-	-	4.4	4.4	-	4.4
Total transactions with shareholders	-	-	-	9.7	9.7	0.6	10.3
As of December 31, 2022	327.8	167.4	(12.0)	428.4	911.6	1.4	913.0
As of January 1, 2023	327.8	167.4	(12.0)	428.4	911.6	1.4	913.0
Capital increase	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-
Net profit for the period	-	-	-	20.4	20.4	0.1	20.5
Other comprehensive income, net of tax	-	-	(48.2)	(22.1)	(70.3)	(0.1)	(70.4)
Total comprehensive income for the period	-	-	(48.2)	(1.7)	(49.8)	0.0	(49.9)
Dividends	-	-	-	-	-	-	-
Own shares (acquired) / sold	-	-	-	(3.1)	(3.1)	-	(3.1)
Share-based payments	-	-	-	4.3	4.3	-	4.3
Acquisition of NCI without a change in control	-	-	-	0.0	0.0	0.6	0.6
Other ⁽¹⁾	-	-	-	(0.2)	(0.2)	-	(0.2)
Total transactions with shareholders	-	-	-	1.0	1.0	0.6	1.6
As of December 31, 2023	327.8	167.4	(60.1)	427.7	862.7	2.0	864.7

(1) Corresponds to the hyperinflation effect for (0.2) m€

2 Notes to the consolidated financial statements

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Note 1 > Basis of preparation

1.1 General information

Tarkett's Consolidated Financial Statements as of and for the year ended December 31, 2023, include the Company and its subsidiaries (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 B (Compartment A until January 31, 2020 and Compartment B since February 1, 2020) of Euronext Paris, ISIN code: FR0004188670 - Ticker 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, 2023, were finalized by the Management Board on February 14, 2024, and reviewed by the Supervisory Board on February 15, 2024. They will be submitted for shareholder approval on April 26, 2024.

The Group's Consolidated Financial Statements are presented in millions of euros, to one decimal place. The sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total and subtotals in the tables.

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, 2023 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 https://ec.europa.eu/info/index_en. These standards have been applied consistently for the fiscal years presented.

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

The following published standards have been applied by the Group for the fiscal year:

- > **IFRS 17 and amendments to IFRS 17** - Insurance contracts including amendments published on 25 June 2020; First application of IFRS 17 and IFRS 9 - Comparative information;
- > **Amendment to IAS 1 and Practice Statement 2** - Information to be provided on the accounting methods;
- > **Amendment to IAS 8** - Definition of accounting estimates;
- > **Amendment to IAS 12** - Deferred tax related to assets and liabilities arising from a single transaction;
- > **Amendment to IAS 12** - International Tax Reform - Pillar Two.

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

None.

c) New standards and interpretations not adopted

The following new published standards are not applicable:

- > **Amendments to IFRS 16** - Lease liability in a sale and leaseback;
- > **Amendments to IAS 7 and IFRS 7** - Supplier Finance Arrangements;
- > **Amendments to IAS 21** - No interchangeability;
- > **Amendment to IAS 1** - Classification of liabilities as current or non-current.

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 estimates and assumptions relate primarily to the following notes:

	Note
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 according to the principle of historical costs, with the exception of the following assets and liabilities which are recorded at their fair value: derivative instruments, investments held for transaction purposes, financial assets available for sale, pension plan assets and other elements when necessary. 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 developments

> Geopolitical conflict

The war in Ukraine is making it difficult to assess on the Russian and Ukrainian markets. Ukrainian markets. In Russia, sales are down compared with 2022, with the negative currency effect of the depreciation of the rouble only the depreciation of the rouble was only partially offset by improved volumes. Russia accounts for around 8% of the Group's total sales and 8% of consolidated assets.

The Group continues to operate in the country in strict compliance with compliance with international and local regulations, but has frozen all significant new investments. In Ukraine, the upturn in business continued over the year, with an improvement in volumes. Sales represented around 0.7% of total Group sales. The production site in the west of the country is still in operation. Given the uncertainties in this market, an impairment of trade receivables 4.8 million has been recognised.

1.4 Accounting for climate risk

The Tarkett group has committed to a new environmental strategy for 2030. The objectives are as follows:

- > To reduce its greenhouse gas (GHG) emissions across its value chain (Scope 1, Scope 2 and Scope 3) by 30% by 2030 compared to 2019. This target is in line with the Paris Agreement to limit the global temperature increase to below 2°C. It was validated by the independent Science Based Target Initiative (SBTi) in December 2022 in the following terms: reduce total GHG emissions from Scope 1 and Scope 2 by 50% compared to 2019 and reduce GHG emissions from its value chain (Scope 3) linked to the production of raw materials and the end-of-life processing of its products by 27.5% compared to 2019;
- > triple the proportion of recycled raw materials from 10% (in 2018) to 30% (in 2030).

The Finance Department interacts regularly with the Sustainable Development Department to ensure that the commitments made by the Group are consistent with those reflected in the financial statements. The Group is exposed to physical and transitional risks (regulatory, legal, market, etc.) related to climate change, such as the increasing frequency of severe weather events, the demand for new products with a very low environmental footprint, the introduction of a carbon tax, and the withdrawal from fossil fuels and plastics. The potential consequences of these risks are reviewed and updated every year and mitigation actions are decided and implemented proactively. Physical risks are mostly covered by property and casualty insurance policies and those related to expected regulatory changes have also been reviewed to the best of our knowledge. Tarkett considers that the evaluation of climatic risks is correctly taken into account and in coherence with its commitments in this matter. The integration of these elements did not have a significant impact on the Group's financial statements. In addition, Tarkett has received a "Leadership A-" rating from the CDP (Climate Change 2022) and a Gold score from the CSR assessment platform Ecovadis.

Note 2 > Changes in the scope of consolidation

2.1 Consolidation methods

2.1.1 Full consolidation

A subsidiary is an entity 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.

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 joint ventures are accounted for using the equity method.

They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share

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.

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, 2022 (see Note 2.4).

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; minus
- > 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. However, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Acquisition of Non-Controlling Interests (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

If the Group undertakes to acquire non-controlling shareholders, the latter have the option to transfer their shares to the Group at a fixed term and for a given price, which may be settled in cash. The Group consolidates the entity as though the non-controlling interests had already been acquired. This position leads to recognizing a liability, recorded in "other liabilities," for the present value of the estimated exercise price of the put option, with any subsequent valuation changes being recorded in shareholders' equity.

As of December 31, 2022, all buyback options have been exercised.

2.3 Foreign currency translation

The functional currency of Tarkett and its subsidiaries located in the euro zone is the 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 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.

Certain transactions are covered by derivative instrument contracts: the accounting treatment of these transactions is described in note 7.6.

Non-monetary items are not revalued at the balance sheet date and are translated using the historical exchange rates, while monetary items are translated using the foreign exchange rates in effect on 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 a 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, which contains a list of consolidated companies):

Number of companies	Dec. 31, 2022	Mergers	Acquisitions and creations	Liquidations	Dec. 31, 2023
Fully consolidated companies	76	-	3	(1)	78
Equity-accounted consolidated companies	4	-	-	-	4
Total	80	-	3	(1)	82

2.4.1 Transactions completed in 2022

The year's main transactions are as follows:

a) Acquisitions and creations

Creation in November 2022 of M-WALL Holding, 51% owned by Tarkett GDL and 49% by a minority shareholder. This entity proceeded with the joint purchase of all shares in M-Projectservice BV and M-WALL BV in November 2022. These three entities, presented as unconsolidated securities in the Group's financial statements as of 31 December 2022, were included in the scope of consolidation as of 1 January 2023 according to the full consolidation method. The entry of these three entities into the scope of consolidation led the group to recognise goodwill of €1.2 million in the first half of 2023.

b) Mergers

None.

c) Liquidations

Desso Sports Systems AS was liquidated in January 2023.

2.4.2 Transactions completed in 2022

The year's main transactions are as follows:

a) Acquisitions and creations

Beynon Sports Surfaces, Inc acquired the company Zaino in January 2022 for an amount of USD 0.8 million. The company has been incorporated in Beynon.

Creation in January 2022 of Tarkett Sports Midwest Inc., a wholly owned subsidiary of Fieldturf Tarkett USA.

Creation in January 2022 of Midwest Specialty Contractors Inc., a wholly owned subsidiary of Fieldturf Tarkett USA.

In February 2022, Fieldturf Tarkett USA Holdings, Inc acquired 49.00% of the securities of Dynamic Base Construction, LLC, a fully consolidated American company.

Creation of the company Wildcat Enterprise for Textile Industries in the United Arab Emirates, wholly owned by the company Fieldturf Tarkett.

b) Mergers

The company Beynon Sports Surfaces directly absorbed the company Zaino after its acquisition in January 2022.

c) Liquidations

None.

2.5 Joint ventures

The Group holds interests in the following companies:

- > AllSports Constructions & Maintenance, a Scottish company.
- > FED Inc., based in the United States.
- > Laminate Park GmbH & Co KG, a German company jointly held with the Sonae Arauco Group.
- > Virtual Reality Empathy Platform Ltd, a British company.

Note 3 > Operating Data

3.1 Components of the income statement

3.1.1 Net revenue

As from January 1, 2018, IFRS 15, "Revenue from Contracts with Customers," replaces IAS 11, "Construction Contracts," and related interpretations.

The standard includes new rules for recording revenue and segmenting contracts into performance obligations.

In accordance with the standard, revenue from the sale of goods is recognized in profit or loss when the control inherent to service obligations has 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.

The Group recognizes revenue using the five-step model set forth in the standard as a function of its two business sectors.

Flooring:

The contracts that the Group enters into relate to the supply of identifiable and distinct products constituting the principal performance obligation. No significant long-term contracts were identified. The Group acts in its own name and not as an intermediary. The general terms and conditions of sale provide for payment in under one year, and the Group does not offer variable financing that would necessitate segmented recording pursuant to IFRS 15. Tarkett does not sell extended warranties on its products; therefore, its warranty is not considered as a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

For this business sector, in general, revenue is recorded at the time of delivery of the performance obligation. Taking into consideration the nature of the products and the general terms and conditions of sale, sales are usually recorded on the date on which the products leave the Group's warehouses, or upon delivery if Tarkett is responsible for transport.

Sports Surfaces:

The sports surfaces activity is composed of sales of products directly to distributors and the sale of installation contracts (including provision of the sports surfaces). The direct sale of products to distributors follows the same Group rules for recording revenue as those described for the flooring activity. With respect to installation contracts, the Group does not perform installations without also providing the sports surfaces; it therefore considers the supply of the products and the installation to be part of the same performance obligation. The general terms and conditions of sale do not offer variable financing or specific components of financing. Tarkett does not sell extended warranties on its installations; therefore, its warranty is not considered a separate service and is recorded in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets."

In this business segment, revenue from services rendered or from construction contracts is recognized in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. Revenue is recorded as the performance obligation are completed. The stage of completion is assessed by reference to surveys of work performed. The use of the percentage-of-completion method requires satisfaction of one of the three prior conditions provided for in IFRS 15 paragraph 35.

Pursuant to that paragraph of the standard, the Group recognizes revenue over time to the extent that it complies with two of the three following conditions referred to in the standard:

- the asset created by the Tarkett Group's performance does not have an alternative use to that provided for in the contract;
- the Group has an enforceable right to payment for performance completed to date.

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 that they financed. 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, logistic and freight costs.

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.

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.

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 centres.

3.1.3 Adjusted EBITDA

Adjusted EBITDA is a key indicator for the Group, because it enables it to measure the performance of its current operations.

It is defined using the result from operating activities before depreciation and amortization and restating income and expenses as follows:

- > 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)	Dec. 31, 2023	Of which adjustments:					Dec. 31, 2023 adjusted
		Restructuring	Gains/Losses on asset sales/ impairment	Business Combinations	Share-based payments	Other	
Net revenue	3,363.1	-	-	-	-	-	3,363.1
Cost of sales	(2,631.2)	4.4	1.2	-	-	-	(2,625.6)
Gross profit	731.9	4.4	1.2	-	-	-	737.5
Selling and distribution expenses	(362.3)	2.3	0.5	-	-	-	(359.5)
Research and development	(30.1)	0.3	-	-	-	-	(29.8)
General and administrative expenses	(211.8)	1.5	-	0.0	9.5	6.5	(194.3)
Other operating income and expenses	(2.6)	-	1.5	-	-	1.3	0.2
Result from operating activities (EBIT)	125.1	8.4	3.2	0.0	9.5	7.8	154.1
Depreciation and amortization	133.2	-	(1.2)	-	-	-	132.0
Other	1.7	-	-	-	-	-	1.7
EBITDA	260.0	8.4	2.0	0.0	9.5	7.8	287.8

(in millions of euros)	Dec. 31, 2022	Of which adjustments					Dec. 31, 2022 adjusted
		Restructuring	Gains/Losses on asset sales/ impairment	Business Combinations	Share-based payments	Other	
Net revenue	3,358.9	-	-	-	-	-	3,358.9
Cost of sales	(2,753.8)	15.9	2.0	-	-	-	(2,735.9)
Gross profit	605.1	15.9	2.0	-	-	-	623.0
Selling and distribution expenses	(345.1)	1.4	5.3	-	-	-	(338.4)
Research and development	(25.5)	0.0	-	-	-	-	(25.5)
General and administrative expenses	(184.1)	0.3	-	0.5	6.3	4.6	(172.3)
Other operating income and expenses	(6.0)	1.1	-	-	-	4.0	(1.0)
Result from operating activities (EBIT)	44.4	18.7	7.3	0.5	6.3	8.6	85.8
Depreciation and amortization	152.0	(2.2)	0.3	-	-	-	150.1
Other	(1.0)	-	-	-	-	-	(1.0)
EBITDA	195.4	16.5	7.7	0.5	6.3	8.6	234.9

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.

As in 2021, 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, including the expenses of headquarters and of the R&D Group.

Reminder on the organization of the CIS and Asia Pacific (APAC)/Latin America divisions

Reporting reviewed by the chief operating decision maker is organized by division, of which there are currently six: EMEA, North America, CIS, APAC, Latin America, and Sports Surfaces.

The CIS and APAC/Latin America Divisions have been combined to form the "CIS, APAC and Latin America" segment, for the following reasons:

- > The markets of the divisions had similar economic characteristics (similar growth trends in the relevant markets).
- > The products sold, manufacturing methods, types of clients, and distribution modes of the zones are similar.

In addition, the relatively small contribution of revenue and operating income from Asia-Pacific/Latin America (less than 10% of the Group's net revenue and adjusted EBITDA) highlighted that there was no need to present the division in a separate segment.

By operating segment

(in millions of euros)	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Dec. 31, 2023						
Net revenue	850.2	889.2	598.5	1,025.2	-	3,363.1
Gross profit	204.5	211.7	124.8	191.4	(0.4)	731.9
% of net revenue	24.1%	23.8%	20.8%	18.7%		21.8%
Adjusted EBITDA	74.5	77.6	86.7	114.5	(65.6)	287.8
% of net revenue	8.8%	8.7%	14.5%	11.2%		8.6%
Of which adjustments	(9.1)	(0.2)	(4.2)	(2.5)	(11.8)	(27.8)
EBITDA	65.5	77.4	82.5	112.0	(77.5)	260.0
% of net revenue	7.7%	8.7%	13.8%	10.9%	0.0%	7.7%
Result from operating activities (EBIT)	(20.8)	5.4	36.6	80.9	23.1	125.1
% of net revenue	-2.4%	0.6%	6.1%	7.9%		3.7%
Ongoing capital expenditures	34.7	16.3	16.3	23.2	2.5	92.9

(in millions of euros)	Flooring			Sports Surfaces	Central	Group
	EMEA	North America	CIS, APAC and Latin America			
Dec. 31, 2022						
Net revenue	912.3	923.7	652.8	870.2	-	3,358.9
Gross profit	196.7	149.8	110.6	147.8	0.1	605.1
% of net revenue	21.6%	16.2%	16.9%	17.0%		18.0%
Adjusted EBITDA	76.6	44.0	84.8	86.5	(57.0)	234.9
% of net revenue	8.4%	4.8%	13.0%	9.9%		7.0%
Of which adjustments	(2.8)	(11.8)	(14.8)	(0.8)	(9.4)	(39.5)
EBITDA	73.8	32.2	70.0	85.8	(66.4)	195.4
% of net revenue	8.1%	3.5%	10.7%	9.9%		5.8%
Result from operating activities (EBIT)	(13.4)	(46.3)	21.3	58.5	24.3	44.4
% of net revenue	-1.5%	-5.0%	3.3%	6.7%		1.3%
Ongoing capital expenditures	35.5	16.2	21.1	20.8	3.1	96.7

Information on activity in France and in other significant countries

The Group's activity in France represented less than 10% of revenue in 2023 and in 2022.

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 2023 and in 2022.

Tarkett considers the threshold of 25% of revenues to be significant. Only the United States is above that threshold, with 51% of the Group's consolidated revenue in 2023 (49% in 2022).

The United States represents 47% of the Group's total non-current assets as of December 31, 2023 (47% as of December 31, 2022).

No single customer represents more than 10% of the Group's revenues. In 2023, the largest customer represented 3% of consolidated revenues (3% in 2022).

By product category

<i>(in millions of euros)</i>	Dec. 31, 2023		Dec. 31, 2022	
	Revenue	%	Revenue	%
Vinyl & Linoleum	1,419.2	42.2%	1,485.4	44.2%
Commercial carpet	504.5	15.0%	526.8	15.7%
Parquet & Laminate	134.5	4.0%	204.7	6.1%
Rubber & Accessories	279.1	8.3%	271.9	8.1%
Sport	1,025.7	30.5%	870.2	25.9%
Total	3,363.1	100%	3,358.9	100%

3.3 Other operating income and expenses

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Gains on disposal of fixed assets	-	0.3
Other operating income	13.5	10.4
Other operating income	13.5	10.7
Losses on disposal of fixed assets	(1.3)	-
Other operating expenses	(14.8)	(16.7)
Other operating expenses	(16.1)	(16.7)
Total other operating income and expenses	(2.6)	(6.0)

3.4 Impact of the increase in raw materials prices

After an unprecedented rise in raw material prices over the whole of 2022, which necessitated increases in selling prices to neutralise the balance of inflation, a stabilisation, and even the beginnings of a downturn, in certain products and in certain regions was observed in the 2023 financial year. Some products and in some regions, were observed in 2023. The Group has maintained its selling prices to compensate for losses linked to inflation in raw materials since the second half of 2021 and to counter inflation in wages and energy costs, salaries and energy costs, which have been very significant since 2022.

3.5 Changes in working capital requirement**3.5.1 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.

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Raw materials and supplies	151.4	192.4
Work in progress	68.6	78.8
Finished goods	277.8	317.6
Samples	2.2	2.5
Displays		0.5
Consumables and spare parts	33.6	31.5
Total gross Value	533.6	623.2
Provision for inventory depreciation	(80.5)	(85.6)
Total net inventory	453.1	537.6

Detail of the provision for inventory depreciation

<i>(in millions of euros)</i>	Dec. 31, 2022	Allowance	Decrease	Foreign exchange gain & loss	Other	Dec. 31, 2023
Raw materials and supplies	(18.8)	(7.5)	5.6	0.6	0.0	(20.1)
Work in progress	(11.3)	(5.0)	3.8	0.1	(1.0)	(13.4)
Finished goods	(46.4)	(12.8)	19.5	1.1	1.0	(37.6)
Samples	(0.7)	(0.0)	0.3	0.0	-	(0.4)
Consumables and spare parts	(8.4)	(1.1)	0.1	0.3	-	(9.0)
Total provision for inventory depreciation	(85.6)	(26.4)	29.2	2.2	0.0	(80.5)

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

Cost of raw materials was €1,357 million in 2023, as compared with €1,519 million in 2022.

3.5.2 Trade receivables

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

The Group conducts a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and uses the simplified method provided for by IFRS 9 to provision the expected losses over the remaining maturity of the receivables.

Assignment of trade receivables

Certain of the Tarkett Group's subsidiaries have transferred trade receivables to specialized credit institutions without recourse, transferring nearly all of the risks and benefits attached to the transferred receivables.

Receivables transferred and having payment dates later than December 31, 2023, totalled €188.7 million and are no longer recorded on the Group's balance sheet. Receivables transferred as of December 31, 2022, totalled €184.7 million.

Provision for doubtful receivables

Where trade receivables are not covered by credit insurance, provisions to cover the risk of failing to collect trade receivables either in full or in part are recorded using the expected loss method (see Note 7.1).

Doubtful receivables are identified and provisioned as follows:

- > a statistical provision, based on the age of the outstanding receivables, is defined as follows:

Receivables, trade overdue <i>(percentage of gross amount)</i>	Impairment excluding Sport Division	Impairment for Sport Division
From 61 to 180 days	25%	0%
From 181 to 270 days	50%	0%
From 271 to 360 days	75%	0%
From 361 to 540 days	100%	40%
From 541 to 720 days	100%	75%
More than 720 days	100%	100%

- > an additional provision on a case-by-case basis based on an application of professional judgement

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Trade receivables	291.6	288.9
Total gross value	291.6	288.9
Provisions for doubtful receivables	(28.6)	(23.5)
Total net receivables	262.9	265.5

The change in the provision for doubtful receivables amounts to €(5.1) million and is mainly explained as follows:

- > €(10.4) million of allowance;
- > €4.3 million of reversals;
- > €1.0 million of foreign exchange effects.

Breakdown of unimpaired overdue receivables

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Receivables, trade overdue 0-180 days	57.8	37.0
Receivables, trade overdue 181-270 days	0.4	0.9
Receivables, trade overdue 271-360 days	0.4	0.3
Receivables, trade overdue > 360 days	0.9	0.3
Receivables, bankruptcy procedure/legal cases	0.4	0.9
Total unimpaired overdue Receivables	59.8	39.4

3.5.3 Other receivables

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Other receivables non-current	0.0	0.0
Prepaid expenses current	28.7	30.3
Income tax receivable current	39.2	33.3
VAT and other taxes	25.7	25.9
Other accounts receivable and other assets current	58.4	56.7
Other receivables current	151.9	146.3

3.5.4 Trade payables

Payables due more than a year in the future are discounted to net present value. Payables due more than a year in the future, including €8.8 million in deferred income are discounted to net present value.

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Trade payables	379.4	344.2
Trade notes payable	0.0	0.0
Trade payables	379.4	344.2

3.5.5 Other liabilities

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Liabilities related to employees	119.5	99.2
Current tax	43.5	38.2
VAT and other taxes	21.4	25.5
Sales rebates	36.1	41.8
Other liabilities	69.5	88.0
Other current liabilities	289.9	292.7

3.6 Free cash-flow

This indicator corresponds to the liquidity generated by operating activities after deduction of investments made, excluding acquisitions of subsidiaries and other changes in the scope of consolidation.

Free cash-flow is defined based on the items presented in the consolidated cash flow statement, and consists of the following items:

> operating cash flow before working capital changes;

- > changes in working capital requirement
- > net interest paid;
- > net income taxes paid;
- > miscellaneous operational items paid;
- > acquisitions of intangible assets and property, plant and equipment;
- > proceeds from sales of property, plant and equipment;
- > repayment of lease liabilities.

Free cash-flow

<i>(in millions of euros)</i>	2023	2022
Operating cash flow before working capital changes (A)	259.5	182.6
Repayment of principal (lease payments) (B)	(39.8)	(35.1)
Total (A+B)	219.7	147.5
Changes in working capital requirement ⁽¹⁾	117.9	(134.7)
Net interest paid	(46.2)	(31.2)
Net income taxes paid	(45.0)	(24.0)
Miscellaneous operating items paid	(7.8)	(11.8)
Acquisitions of intangible assets and property, plant and equipment	(92.9)	(96.7)
Proceeds from sale of property, plant and equipment	1.2	2.5
Free cash flow	147.1	(148.3)

⁽¹⁾ including changes in receivables assigned in connection with the non-recourse assignment of receivables program, which total €(4.9) million in 2023. For 2022, this amount was €4.2 million.

Note 4 > Employee benefits

4.1 Retirement 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 guarantee future benefits for employees, constituting a future obligation for the Group. The actuarial risk and investment risks are borne by the company. 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 revised IAS 19, "Employee Benefits".

Description of plans

As of 31 December 2023, the Group's largest retirement benefit plans are in the United States, Germany, Sweden, Belgium, Canada, France, the United Kingdom, and Russia. These eight countries account for nearly 97.7% of total commitments under the defined benefit plans.

In the US and UK, Group pension schemes have been closed to new participants and to the accrual of rights for several years. The Group's plans in Canada are now closed. These plans are pre-financed in accordance with local legislation. In addition, the Group operates medical and life insurance reimbursement schemes 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.

In addition, the Group offers end-of-career benefits provided for by legislation or collective agreements applicable in certain countries such as Russia, France and Italy.

The weighted average duration of the obligation is 11.3 years.

Material Events

- > France: a social plan has been announced at Tarkett France targeting 23 employees. This event generated a "curtailment gain" in 2023 expenses of €0.07 million.
- > France: the new supplementary pension scheme L13711-2 was booked as of this year. The opening commitment was recognised as a cost of services rendered for an amount of €0.25 million, an amount recognised immediately and in full in the expense for the year.
- > United States: a "lump sum cashout" exercise took place allowing certain beneficiaries of pension schemes to receive the payment of a lump sum capital instead of the promise of a future annuity. Approximately €3.75 million was paid for this year. The recognised impact under charge amounts to €0.05 million.
- > Mexico: recognition of a negative past cost of services of €0.02 million following a correction made to the eligibility of the population concerned.

Assumptions

The actuarial values recorded are based on long-term interest rates, forecast future salary increases and inflation rates. The main assumptions are presented below:

	Dec. 31, 2023		Dec. 31, 2022	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Discount rate	4.26%		4.70%	
Including:				
United States	4.90%	5.00%	5.10%	5.10%
Germany ⁽¹⁾	3.20%		3.80%	
Sweden	3.28%		3.80%	
France	3.50%		3.90%	
United Kingdom	4.50%		4.80%	
Canada	4.60%		5.30%	
Belgium ⁽¹⁾	3.21%		3.80%	
Russia	12.56%		10.60%	
Salary increases	3.08%		3.10%	
Inflation	2.24%		2.42%	

⁽¹⁾ The rate shown corresponds to the rate applied to more than 98% of the commitment in 2022 and 2023.

The discount rates are determined with reference to the rates of return on first-grade bonds. They are based on external indices which are commonly used as a reference:

- > United States: iBoxx \$ Corporate AA 15+;
- > Euro zone: iBoxx € Corporate AA 10+;
- > Sweden: bonds of Swedish companies;
- > United Kingdom: iBoxx £ Corporate AA 15+;
- > Canada: Canadian AA "Mercer Yield Curve Canada" bonds;
- > Russia: Russian government bonds.

Amounts recognized in the statement of financial position	Dec. 31, 2023			Dec. 31, 2022		
	Pensions	Other benefit obligations	Total	Pensions	Other benefit obligations	Total
<i>(in millions of euros)</i>						
Defined Benefit Obligations	160.8	1.0	161.8	166.2	1.2	167.4
Fair value on plan assets	(75.0)	-	(75.0)	(81.7)	-	(81.7)
Net liability booked in the statement of financial position	85.8	1.0	86.8	84.5	1.2	85.7

Pension obligations (in millions of euros)	Dec. 31, 2023			Dec. 31, 2022		
	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded in the balance sheet	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded in the balance sheet
As of January 1	166.2	(81.7)	84.5	217.6	(101.7)	115.9
Current service cost	1.7	-	1.7	2.0	-	2.0
Past service cost	0.2	-	0.2	0.4	-	0.4
(Gain)/loss on new retirement plans	0.0	-	0.0	-	-	-
Financial cost (effect of discount)	7.4	(3.9)	3.5	4.8	(2.5)	2.3
Update to other post-employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	(0.2)	1.7	1.5	(0.1)	1.1	1.0
Expense (income) for the period	9.1	(2.2)	6.9	7.1	(1.4)	5.7
Benefit payments from employer	(5.0)	-	(5.0)	(5.0)	-	(5.0)
Benefit payments from plan	(9.9)	9.9	-	(6.8)	6.8	-
Plan participants' contributions	0.1	(0.1)	-	0.1	(0.1)	-
Employer contributions	-	(2.9)	(2.9)	-	(5.1)	(5.1)
Changes in demographic assumptions	(0.3)	-	(0.3)	0.4	-	0.4
Changes in financial assumptions	3.2	-	3.2	(50.6)	-	(50.6)
Effect of experience adjustments	0.4	-	0.4	1.0	-	1.0
(Return) on plan assets (excluding interest income)	-	0.4	0.4	-	24.5	24.5
Total pension cost/(income) recognized in the OCI	3.2	0.4	3.6	(49.1)	24.5	(24.6)
Transfer ⁽¹⁾	-	0.3	0.3	-	(1.6)	(1.6)
Changes in scope	-	-	-	-	-	-
Foreign exchange differences	(3.1)	1.4	(1.7)	2.3	(3.1)	(0.8)
As of December 31	160.8	(75.0)	85.8	166.2	(81.7)	84.5

(1) As of December 31, 2023, Tarkett Ltd recorded a funding surplus on its pensions plan

Other benefit obligations	Dec. 31, 2023			Dec. 31, 2022		
	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on in the balance sheet	Defined benefit obligations	Fair value of plan assets	Net liabilities recorded on in the balance sheet
<i>(in millions of euros)</i>						
As of January 1	1.2	-	1.2	1.3	-	1.3
Current service cost	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
(Gain)/loss on new retirement plans	-	-	-	-	-	-
Financial cost (effect of discount)	0.1	-	0.1	0.0	-	0.0
Update to other post- employment commitments	-	-	-	-	-	-
Administrative expenses and taxes (expenses paid)	-	-	-	-	-	-
Expense (income) for the period	0.1	-	0.1	0.0	-	0.0
Benefit payments from plan	-	-	-	-	-	-
Benefit payments from employer	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Plan participants' contributions	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Changes in demographic assumptions	0.0	-	0.0	0.0	-	0.0
Changes in financial assumptions	0.0	-	0.0	(0.2)	-	(0.2)
Effect of experience adjustments	(0.0)	-	(0.0)	(0.0)	-	(0.0)
(Return) on plan assets (excluding interest income)	-	-	-	-	-	-
Total pension cost/(income) recognized in the OCI	(0.0)	-	(0.0)	(0.2)	-	(0.2)
Changes in scope	-	-	-	-	-	-
Foreign exchange differences	(0.0)	-	(0.0)	0.1	-	0.1
As of December 31	1.0	-	1.0	1.2	-	1.2

Allocation of plan assets by type of investment

	Dec. 31, 2023	Dec. 31, 2022
Shares	15.7%	20.4%
Bonds	65.6%	62.1%
Insurance contracts	17.2%	15.7%
Cash & cash equivalent (liquidity)	0.1%	0.1%
Real Estate	0.7%	0.8%
Other	0.6%	0.9%

Sensitivity to discount rate assumptions

(in millions of euros)	Dec. 31, 2023	Dec. 31, 2022
Increase of 50 points		
Increase (Decrease) in defined benefit obligations	(8.5)	(8.9)
Decrease of 50 points		
Increase (Decrease) in defined benefit obligations	9.4	9.7

Sensitivity to inflation rate assumptions

(in millions of euros)	Dec. 31, 2023	Dec. 31, 2022
Increase of 50 points		
Increase (Decrease) in defined benefit obligations	6.7	5.3
Decrease of 50 points		
Increase (Decrease) in defined benefit obligations	(5.7)	(5.0)

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:

	Dec. 31, 2023	Dec. 31, 2022
2022	-	11.9
2023	11.5	11.3
2024	10.5	11.1
2025	11.0	11.5
2026	10.9	11.1
2027	11.0	-
TOTAL	54.9	56.9

4.2 Personnel costs and compensation of senior management**Personnel costs and headcount**

(in millions of euros)	Dec. 31, 2023	Dec. 31, 2022
Wages and salaries	(808.8)	(763.0)
Pension costs	(1.9)	(2.4)
Total Personnel costs	(810.8)	(765.4)
Employees (average number)	11,838	12,136

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)	Dec. 31, 2023	Dec. 31, 2022
Short-term employee benefits	8.2	7.1
Retirement benefits	-	-
Other long-term benefits	-	-
Lump-sum retirement payments	0.0	-
Share-based payments	2.5	1.2
Total	10.7	8.3

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 and other long-term benefits.

> Free share grants (IFRS 2)

The Group determines the fair value of equity instruments granted as part of share-based payments on the date on which the rights are granted. This fair value is recorded as expenses, offsetting equity over the vesting period. 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.

> Cash grants (IAS 19)

A new plan was put in place in 2023, which is granted in cash. Under IAS 19, the Group spreads the expense for the 2021, 2022 and 2023 plans over the period of allocation in consideration of a liability so that the amount ultimately recorded corresponds to the amount to be paid to the beneficiaries. The grant is subject to continued employment and three performance conditions (value creation and two CSR criteria).

Members of the Management Board are not eligible for participation in these plans.

For the 2020 LTI plan, the ordinary shares were allocated to the beneficiaries after a so-called three-year acquisition period. The award was conditional on compliance with an economic performance condition (based on the Group's 3-year flat-rate plan), a condition of presence of the beneficiaries until the end of the award and a market performance condition. The 2020 LTI plan was conditioned on the fulfilment of two CSR performance conditions.

The 2020 plan was closed in August 2023 and resulted in the allocation of 370,751 shares.

At the end of 2023, there remains a management equity plan carried by Tarkett Participation which is re-invoiced to Tarkett SA.

	LTIP 2021	LTIP 2022	LTIP 2022
Grant date	October 29, 2021	November 4, 2022	October 20, 2023
End of vesting period	June 30, 2024	July 31, 2025	June 30, 2026
Cash amount at grant date (in millions of euros)	2.7	3.4	3.9
Form of settlement	Cash settled		
2023 expenses (in millions of euros)	(1.4)	(1.9)	(0.3)
2022 expenses (in millions of euros)	(0.6)	(0.2)	-
2021 expenses (in millions of euros)	(0.2)	-	-

Note 5 > Intangible assets and property, plant and equipment

5.1 Goodwill

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

Negative goodwill is immediately recognized in profit.

Goodwill is allocated to cash-generating units and is not amortized, but is subject to impairment testing (see the accounting method described in Note 5.3) annually and

whenever an event occurs that could result in an impairment.

Goodwill is assessed at cost, minus cumulative impairments.

As far as associates are concerned, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Changes in goodwill

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Opening carrying amount	679.2	647.9
Goodwill on acquisitions during the period	1.2	2.8
Adjustment to initial purchase price allocation	-	1.1
Foreign exchange gain & loss	(15.7)	26.5
Other	(0.4)	0.9
Closing carrying amount	664.3	679.2

The variation during the period can be explained primarily by the acquisition of the M-WALL group in November 2022 (see note 2.4) which led to the recording of goodwill of €1.2 million and the impact of exchange rate effects on goodwill in US dollars.

5.1.1 Allocation of goodwill between the various CGUs

The 2023 CGUs are identical to the 2022 CGUs.

Tests were performed on each CGU individually before the mergers or combinations.

Allocation of goodwill between the various CGUs is as follows:

<i>(in millions of euros)</i>	Dec. 31, 2023		Dec. 31, 2022	
	Gross value	Net value	Gross value	Net value
Resilient and miscellaneous	73.3	72.7	71.5	70.9
Carpet	33.5	33.5	33.5	33.5
Wood	-	-	-	-
EMEA	106.8	106.2	105.0	104.4
Commercial and hospitality	382.2	365.1	395.3	378.3
Residential	-	-	-	-
North America	382.2	365.1	395.3	378.3
CIS	96.5	95.5	96.5	95.5
APAC	(0.0)	(0.0)	0.0	0.0
Latin America	0.0	0.0	0.0	0.0
CIS, APAC and Latin America	96.5	95.5	96.5	95.5
Athletic tracks	41.0	34.6	42.2	36.5
Synthetic grass & other	63.7	62.9	65.3	64.5
Sports Surfaces	104.7	97.5	107.5	101.0
Total goodwill	690.3	664.3	704.4	679.2

5.2 Intangible assets and property, plant and equipment

5.2.1 Intangible assets

Research and development

According to IAS 38, research and development costs are recognized as expenses when incurred, unless the criteria are met for them to be capitalized.

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 licenses

Software licenses are stated at cost less accumulated amortization and impairment losses.

IFRS IC Decision concerning the costs of configuring and customizing software used in Software as a Service (SaaS) mode

An SaaS agreement gives the lessee access to software features hosted by the SaaS supplier through an Internet connection and for a specified term.

This type of agreement generally offers only a right of access to the software for the term of the agreement, and does not grant the lessee control over the software or the right to direct use of the software. As a result, these agreements are not considered intangible assets but rather services.

Configuration and customization costs may be incurred during the implementation phase, prior to the software's entry into service, and the IFRS IC decision specified the accounting treatment of such costs.

Amortization

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

Costs relating to 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:

- > Buildings: 20-30 years;
- > Equipment and machinery: 6^{2/3} - 10 years;
- > Printing cylinders: 2 years;
- > Other equipment and furnishings: 3-5 years.

IFRS 16: Leases

The Group classifies a contract as a lease within the meaning of IFRS 16 if it gives the lessee the right to control the use of a given asset.

Measured by value, the Group's lease agreements primarily concern real property (offices, plants, and warehouses). In number, they principally concern cars and forklifts.

Among the key assumptions, the discount rate is determined for each asset based on the incremental borrowing rate on the effective date of the contract and corresponds to the interest rate that each entity of the Group would pay to borrow the amount necessary to acquire a similar asset, for a duration and in an economic environment similar to those of the lease, as well as the Group's external financing conditions.

The initial term of the lease corresponds to the period during which it cannot be terminated, plus, where applicable, renewal or termination options that the Group is reasonably certain it will exercise.

With respect to the depreciation of non-removable leasehold improvements, the Group decided to use the shorter of the following periods:

- the useful life of the leasehold improvement, as defined in "IAS 16 - Property, Plant and Equipment"; and
- the lease term of the related leased asset, in light of the legal limit on the use of the asset imposed by the lease agreement.

Improvements associated with leased real property are recorded outside the scope of application of IFRS 16.

> Types of lease agreements

• Goods and real property

The Group restates all leased land and buildings, whatever the term of the lease. Land and buildings leased for less than 12 months are thus also restated under IFRS 16 due to their material nature. This method is applied in the same manner throughout the Group for these two categories of assets.

The Group's principal commercial lease is the lease of premises for the Group's registered office, which was renewed in the second half of 2020 for a nine-year term that, under the contractual terms, is the most reasonably certain duration.

• "Materials and equipment" lease agreements

These agreements primarily include company cars and forklifts used in the Group's plants and warehouses. All company cars with lease terms of greater than 12 months are treated in accordance with IFRS 16.

The net values of intangible and tangible assets can be broken down as follows:

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Research and development	2.7	2.8
Patents	6.9	7.9
Trademarks	13.8	17.1
Software licenses	6.6	4.7
Other intangible assets	17.5	21.2
Advance payments and fixed assets in progress	3.3	6.1
Intangible assets	50.7	59.7
Goods and real property	248.3	246.6
<i>of which right to use goods and real property</i>	<i>106.7</i>	<i>82.3</i>
Technical equipment and machinery	241.2	239.8
<i>of which right to use technical equipment and machinery</i>	<i>26.0</i>	<i>26.1</i>
Advance payments and fixed assets in progress	68.3	69.6
Property, plant and equipment	557.8	556.0

• Non-capitalized lease agreements

- Short-term leases

Short-term leases have terms of one year or less. The Group's short-term leases consist primarily of short-term car leases.

- Low-value leases

Low value leases are those for which the value of the asset, if new, would be less than or equal to €5,000 or \$5,000. The Group's low value leases consist primarily of leases of small machines and office equipment.

Lease agreements recorded in right to use are depreciated over the terms of the lease in accordance with the method described above.

Notes to the consolidated financial statements

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

Acquisition costs <i>(in millions of euros)</i>	Dec. 31, 2023	Acquisition	Disposal	Change in scope	Transfer	Foreign Exchange differences	Dec. 31, 2023
Research and development	20.9	0.8	(0.0)	-	0.7	0.1	22.5
Patents	150.7	-	-	-	-	(5.1)	145.7
Trademarks	59.2	-	(0.0)	-	(0.0)	(0.8)	58.4
Software licenses	187.9	1.4	(0.3)	0.0	6.6	(2.6)	192.9
Other intangible assets	89.2	0.5	-	-	-	(3.1)	86.6
Advance payments and fixed assets in progress	6.1	1.7	-	-	(4.4)	(0.1)	3.3
Intangible assets	514.0	4.4	(0.4)	0.0	2.9	(11.5)	509.4
Goods and real property	715.3	55.3	(21.8)	0.6	7.2	(54.2)	702.4
<i>of which right to use goods and real property</i>	<i>139.6</i>	<i>53.1</i>	<i>(20.7)</i>	<i>0.4</i>	<i>(0.8)</i>	<i>(4.6)</i>	<i>167.0</i>
Technical equipment and machinery	1,636.4	35.7	(28.6)	4.3	50.0	(83.5)	1,614.4
<i>of which right to use technical equipment and machinery</i>	<i>50.9</i>	<i>12.7</i>	<i>(10.6)</i>	<i>0.1</i>	<i>(1.1)</i>	<i>(0.4)</i>	<i>51.5</i>
Advance payments and fixed assets in progress	69.6	62.9	(0.2)	0.3	(62.7)	(1.6)	68.3
Property, plant and equipment	2,421.3	154.0	(50.6)	5.2	(5.5)	(139.2)	2,385.1

Cumulative depreciation, amortization, and impairment <i>(in millions of euros)</i>	Dec. 31, 2022	Acquisition	Disposal	Change in scope	Transfer	Foreign Exchange differences	Dec. 31, 2023
Research and development	(18.1)	(1.6)	0.0	0.0	-	(0.1)	(19.8)
Patents	(142.9)	(0.8)	-	-	-	4.8	(138.8)
Trademarks	(42.1)	(2.9)	0.0	-	-	0.3	(44.7)
Software licenses	(183.2)	(6.2)	0.3	(0.0)	0.2	2.6	(186.4)
Other intangible assets	(68.0)	(3.6)	-	-	0.1	2.4	(69.1)
Intangible assets	(454.3)	(15.1)	0.3	(0.0)	0.2	10.0	(458.8)
Goods and real property	(468.7)	(42.5)	19.2	(0.4)	0.6	37.7	(454.1)
<i>of which right to use goods and real property</i>	<i>(57.3)</i>	<i>(23.4)</i>	<i>18.6</i>	<i>(0.3)</i>	<i>0.6</i>	<i>1.6</i>	<i>(60.2)</i>
Technical equipment and machinery	(1,396.6)	(75.8)	24.5	(1.2)	1.4	74.4	(1,373.2)
<i>of which right to use technical equipment and machinery</i>	<i>(24.8)</i>	<i>(9.9)</i>	<i>7.8</i>	<i>(0.0)</i>	<i>1.1</i>	<i>0.2</i>	<i>(25.6)</i>
Property, plant and equipment	(1,865.3)	(118.3)	43.7	(1.6)	2.1	112.1	(1,827.3)

5.3 Impairment

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 analyses 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 four years, the Group determines a standard year calculated by extending the fourth 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 2023 :

	Discount rate after tax	Perpetual growth rate
EMEA	10.36%	3.00%
North America	10.36%	3.00%
CIS	19.24%	3.00%
APAC	10.79%	3.00%
Latin America	12.78%	3.00%
Sports Surfaces	10.36%	3.00%

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 2023, 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 result in recording additional impairment losses of €(27.4) million in the "Commercial" CGU for the North America reporting segment and in recording additional impairment losses of €(3.7) million in the CGU TEE.

In addition, a decrease of 100 basis points in EBITDA would result in recording additional impairment losses of €(31.6) million in the "Commercial" CGU for the North America reporting segment and impairment losses of €(7.2) million in the CGU TEE.

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 the impairment of *goodwill* and then to other assets.

An impairment loss recorded in respect of *goodwill* cannot be reversed. An impairment recorded for another asset will be reversed if there is a change in the assumptions used to determine the recoverable value.

Impairment

In 2023, no impairment losses were recorded.

5.3.2 Non-derivative financial assets

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

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

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Less than 1 year	0.5	0.8
1 to 5 years	0.4	0.4
More than 5 years	-	-
Total future minimum lease payments	0.8	1.1

5.5 Impact of exemptions to IFRS 16

The Group applies the exemptions provided for under IFRS 16, Leases, keeping rental operating charges where the lease term as of the effective date is less than or equal to 12 months (excluding rented building and land) and rental charges where the value of the underlying asset is less than €5,000 or \$5,000.

Such rental charges totalled €(1.6) million and €(0.6) million, respectively, as of December 31, 2023.

<i>(in millions of euros)</i>	< or equal to 5 K€ / K\$	< or equal to 12 months	Service Agreements	Other	Total
Cost of sales	(0.3)	(1.1)	(4.0)	(2.5)	(7.9)
Selling and distribution expenses	(0.3)	(0.3)	(0.8)	(0.1)	(1.4)
Research and development expenses	-	-	(0.0)	(0.0)	(0.1)
General and administrative expenses	(0.1)	(0.2)	(0.7)	0.0	(0.9)
Other operating expenses	-	-	-	-	-
Impact on operating profit	(0.6)	(1.6)	(5.4)	(2.6)	(10.3)

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.

5.4 Lease commitments

Lease commitments concern contracts that were not restated following the application of IFRS 16, namely, primarily:

- > contracts considered to be of low value pursuant to paragraph 5 of IFRS 16;
- > service agreements that do not meet the definition of a lease within the meaning of IFRS 16.

Minimum lease payments under operating leases are recorded as expenses on a straight-line basis over the term of the lease.

Note 6 > Provisions

6.1 Provisions

Provisions come primarily from legal and tax risks, 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. 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. In the event of risks relating to specific products, an additional provision may be recorded.

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

Change of provisions

<i>(in millions of euros)</i>	Dec. 31, 2022	Allowance	Decrease	Transfer	Foreign exchange gain & loss	Dec. 31, 2023
Product warranty provision	3.6	0.1	(0.7)	(0.1)	0.0	2.9
Restructuring provisions	0.4	-	(0.4)	(0.0)	(0.0)	0.0
Claims & litigation provisions	1.3	1.8	(0.7)	(0.0)	(0.0)	2.3
Other provisions	0.6	0.0	(0.3)	-	-	0.3
Provision for additional tax assessments	0.1	0.1	(0.0)	-	(0.0)	0.2
Financial provisions ⁽¹⁾	28.2	(1.5)	(2.7)	-	(0.9)	23.2
Total Provisions – long-term	34.2	0.5	(4.9)	(0.1)	(0.9)	28.9
Product warranty provision	12.8	4.7	(2.1)	1.7	(0.5)	16.6
Restructuring provisions	2.5	1.9	(2.6)	(0.1)	(0.1)	1.7
Claims & litigation provisions	14.7	15.8	(12.2)	(1.3)	(0.3)	16.6
Other provisions	3.1	0.5	(2.2)	-	(0.0)	1.4
Total Provisions – short-term	33.1	22.9	(19.2)	0.4	(0.9)	36.3
Total Provisions	67.4	23.5	(24.1)	0.2	(1.7)	65.2

⁽¹⁾ Variations in provisions for financial liabilities relate to the provision for asbestos litigation recorded by Domco Products Texas Inc.

<i>(in millions of euros)</i>	Dec. 31, 2021	Allowance	Decrease	Transfer	Foreign exchange gain & loss	Dec. 31, 2022
Product warranty provision	3.5	0.5	(0.4)	0.0	(0.0)	3.6
Restructuring provisions	1.4	-	(0.7)	(0.2)	(0.0)	0.4
Claims & litigation provisions	2.2	1.0	(1.9)	(0.2)	0.1	1.3
Other provisions	0.4	0.1	-	-	-	0.6
Provision for additional tax assessments	0.1	0.0	(0.0)	-	0.0	0.1
Financial provisions ⁽¹⁾	27.5	0.3	(1.6)	0.3	1.7	28.2
Total Provisions – long-term	35.0	2.0	(4.5)	(0.1)	1.8	34.2
Product warranty provision	11.7	1.7	(1.3)	(0.0)	0.6	12.8
Restructuring provisions	5.4	2.6	(6.0)	0.4	(0.0)	2.5
Claims & litigation provisions	20.4	5.4	(11.7)	0.2	0.5	14.7
Other provisions	3.9	0.6	(1.4)	-	0.0	3.1
Total Provisions – short-term	41.5	10.3	(20.3)	0.6	1.1	33.1
Total Provisions	76.5	12.3	(24.8)	0.5	2.9	67.4

⁽¹⁾ Variations in provisions for financial liabilities relate to the provision for asbestos litigation recorded by Domco Products Texas Inc.

6.2 Contingent liabilities

There were no significant changes in the guarantees granted by Tarkett to third parties in 2023.

Hospital dispute

On 18 October 2017, the Competition Authority ruled against Tarkett and some of its competitors for anti-competitive agreements in the French market for resilient flooring. Before the expiry of the five-year statute of limitation which ran from this decision to 18 October 2022, summonses and applications were filed with civil and administrative courts, in particular by public and private health institutions, seeking compensation for potential damages. As of 31 December 2023, most of these procedures are still at a preliminary stage.

The Group contests the merits of these claims, is examining all possibilities for potential action or appeal, and considers that it is not currently feasible to assess the possible consequences.

Asbestos

In the United States, the Group has been a defendant in lawsuits by third parties relating to personal injury from asbestos. The anticipated costs of current or future legal proceedings are covered by Group insurance policies, by liability guarantees granted by third parties and by provisions which the Management considers adequate based on the advice and information provided by its lawyers.

Note 7 > Financing and Financial Instruments

7.1 Significant accounting principles

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.

Under IFRS 9, all financial assets for which the cash flows do not represent solely payment of principal and interest (SPPI) must be recorded at fair value through profit and loss. However, IFRS 9 introduces an option that may be irrevocably elected at the time of initial recognition, investment by investment, permitting equity investments to be recorded at fair value through other comprehensive income, without later being moved to profit and loss, even in the event of a disposal. Only the dividends are recognized in profit or loss.

Financial assets for which the cash flows do represent solely payment of principal and interest (SPPI) are recognized at amortized cost using the effective interest rate method.

For non-current assets valued at amortized cost, impairment is assessed individually, taking into account the risk profile of the counterparty and the warranties obtained. At the time of the initial recording of such non-current financial assets, impairment is systematically recorded in the amount of the credit losses expected to result from events that may occur in the next twelve months. In the event of a significant deterioration in the counterparty's credit quality, the initial impairment is supplemented to cover all of the expected losses over the remaining maturity of the receivable.

For commercial receivables, the Group conducts a review of each of its customer receivables individually, taking into account the probability of default by the counterparty as well as the extent to which the receivables were hedged, and uses the simplified method provided for by IFRS 9 to provision the expected losses over the remaining maturity of the receivables.

Non-derivative financial liabilities

Financial liabilities comprise financial debt and trade and other operating payables. They are accounted for at amortized cost using the effective interest rate method.

Derivative instruments

Derivative instruments are entered in the balance sheet at their fair value, regardless of whether it is positive or negative. The profit or loss stemming from the fair value re-evaluation is recognized immediately in profit and loss.

However, derivative instruments that qualify for hedge accounting are classified either as fair value hedges (FVH) (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 (CFH) (when their purpose is to hedge the exposure to changes in the cash flows associated with highly probable future transactions).

Derivative instruments that are part of a hedge are documented on the basis of intrinsic value for exchange rate and interest rate options, and on the basis of the spot price component for forward contracts.

Changes in fair value relating to the effective portion of derivative exchange rate and interest rate instruments qualified as fair value of hedges (FVH) are recognized as part of financial income or expense. The value of the hedged items is adjusted to their fair value and the changes in fair value attributable to the hedged risk(s) are equally recognized as part of income or expense.

Changes in fair value relating to the effective portion of derivative exchange instruments and interest rate instruments qualified as cash flow hedges (CFH) are recorded in the comprehensive equity income. The result of these hedges is recognized in the income statement symmetrically to the hedged risk.

The time value of exchange rate and interest rate options is recorded as a cost of hedging. Changes in time value recorded over the life of the option are recorded as a counterpart to other comprehensive income. The initial option premium is either (i) moved into profit or loss when the hedged transaction impacts profit or loss, where the hedged item is related to a transaction; or (ii) amortized in profit or loss over the duration of the hedge, where the hedged item is related to a period of time.

Changes in value of the swap point for forward contracts classified as hedges are recorded in profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, term deposits, monetary UCITs, and other monetary investments with initial maturities not exceeding three months and subject to an insignificant risk of changes in value.

7.2 Financial income and expenses

Net financial income and expenses include, in particular, interest payable on borrowings accounted for at amortized cost using the effective interest method, and the effects of the related hedges.

Other financial income and expenses include 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, financial charges relating to the discounting of post-employment expenses, exchange rate gains and losses, impairment losses relating to financial assets, and dividends, which are recorded in net income when the right to payment vests.

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Interest income on loan assets & cash equivalents	4.9	1.5
Other financial income	2.3	1.2
Total financial income	7.2	2.6
Interest expenses on loans and overdrafts	(34.7)	(26.7)
Financial expenses to leases	(6.6)	(4.4)
Commission expenses on financial liabilities	(14.5)	(8.1)
Cost of loans and debt renegotiation	(4.4)	(4.3)
Financial expenses on provisions for pensions	(5.0)	(2.7)
Foreign exchange differences	(5.7)	5.6
Impairment of financial assets	-	(0.1)
Premiums and term points on derivatives	(7.3)	(11.6)
Other financial expenses	1.8	(1.4)
Total financial expenses	(76.4)	(53.8)
Financial income and expenses	(69.2)	(51.3)

7.3 Net debt – interest-bearing loans and borrowings

7.3.1 Net Debt

Net debt is defined by adding together interest-bearing loans and debt and deducting 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 leases IFRS 16.

(in millions of euros)	Dec. 31, 2023		Dec. 31, 2022	
	Long-term	Short-term	Long-term	Short-term
Bank loans	24.8	16.7	154.3	8.4
Shareholder loan	520.4	-	522.7	-
Private placements	47.5	18.0	34.0	-
Other loans	-	-	-	-
Bank overdrafts	-	5.3	-	36.8
Interest bearing loans and borrowings	592.6	40.0	711.0	45.2
Total interest bearing loans and borrowings	632.6		756.2	
Cash and cash equivalents	(224.3)		(220.8)	
Net debt before application of IFRS 16	408.3		535.4	
Leases	111.8	31.6	91.7	27.7
Net debt	551.7		654.8	

In order to strengthen the Group's liquidity:

- > Tarkett took out a bond loan in June 2023 amounting to €31.5 million for an eight-year term under the Obligations Relance [State guarantee] system;
- > Tarkett France took out a four-year depreciable loan of €10.0 million in April 2023, including a first instalment in July 2023;
- > In May and June 2023, Tarkett GDL took out two amortisable loans, respectively for €10.0 million over a three-year term with an initial maturity in July 2024, and €6.0 million for a four-year term with an initial maturity in August 2023.

By 31 December 2023, Tarkett had used its non-recourse receivables transfer lines for a net financed amount of €160.8 million or equivalent.

Cash and cash equivalents amounted to €224.3 million as of 31 December 2023, of which €62.7 million was in Russia and €5.6 million in Ukraine.

On 31 December 2023, interest-bearing loans and borrowings consisted essentially of:

- > the Tarkett Participation shareholder's loan entered into in July 2021, used to the extent of €455.2 million and \$72.0 million by 31 December 2023;
- > four amortisable loans totalling €36.7 million at 31 December 2023 and maturing between June 2026 and May 2027;
- > Four "Schuldschein" tranches totaling €34.0 million entered into by Tarkett SA in April 2017 for €14.0 million maturing in April 2024, and in June 2019 for €20.0 million maturing in June 2024 for €4.0 million, in June 2025 for €10.0 million, and in June 2026 for €6.0 million;
- > Tarkett's bond loan of €31.5 million maturing in June 2031.

7.3.2 Details of loans and borrowings

Dec. 31, 2023	Currency of draw-down	Interest rate	Total	12 months or less until 12/31/2024	2 years until 12/31/2025	3 to 5 years until 12/31/2028	More than 5 years
<i>(in millions of euros)</i>							
Bank loans							
Revolving credit lines Europe	EUR		-	-	-	-	-
Revolving credit lines Europe	USD		-	-	-	-	-
Other bank loans	EUR	4.36%	41.0	16.1	12.7	12.1	-
Other bank loans	RMB	5.22%	0.4	0.4	-	-	-
Subtotal Bank loans			162.7	8.4	9.1	145.1	-
Private placements Europe	EUR	3.90%	65.5	18.0	10.0	6.0	31.5
Shareholder loan	EUR	7.58%	455.2	-	-	455.2	-
Shareholder loan	USD	9.80%	65.2	-	-	65.2	-
Bank overdrafts			5.3	5.3	-	-	-
Interest bearing loans and borrowings			632.6	39.9	22.7	538.5	31.5
Leases			143.4	31.6	29.9	57.4	24.5
Gross debt			776.0	71.5	52.6	595.9	56.0

Dec. 31, 2022	Currency of draw-down	Interest rate	Total	12 months or less until 12/31/2023	2 years until 12/31/2024	3 to 5 years until 12/31/2027	More than 5 years
<i>(in millions of euros)</i>							
Bank loans							
Revolving credit lines Europe	EUR	3,06%	60.0	-	-	60.0	-
Revolving credit lines Europe	USD	6,00%	75.0	-	-	75.0	-
Other bank loans	EUR	1,47-3,60%	24.0	4.9	9.0	10.1	-
Other bank loans	RMB	5,23%-5,70%	3.6	3.5	0.1	-	-
Subtotal Bank loans			162.7	8.4	9.1	145.1	-
Private placements Europe	EUR	1,20%-1,40%	34	-	18.0	16.0	-
Shareholder loan	EUR	6,43%	455.2	-	-	-	455.2
Shareholder loan	USD	8,91%	67.5	-	-	-	67.5
Bank overdrafts			36.8	36.8	-	-	-
Interest bearing loans and borrowings			756.2	45.2	27.1	161.1	522.7
Leases			119.4	27.7	21.9	44.8	25.0
Gross debt			875.6	73.0	49.1	205.9	547.7

7.3.3 Financial ratio covenants

The "Schuldschein" tranches and the bond loan mentioned above contain contractual commitments (covenants) to be respected by the borrowing companies, among which is the "Net debt/adjusted EBITDA" financial ratio, which must not exceed:

- > 3.0 at 31 December of each year for "Schuldschein" tranches, calculated before the application of IFRS 16,

with an additional tolerance of 0.5 in the event of significant acquisition;

- > 4.0 at 31 December each year for the bond, calculated after application of IFRS 16, with an additional tolerance of 0.5 in the case of significant acquisition.

The Group is in compliance with all of its banking commitments as of December 31, 2023, including the ratio covenant "Net Debt / Adjusted EBITDA", as detailed below.

Net debt / Adjusted EBITDA before application of IFRS 16	Dec. 31, 2023	Dec. 31, 2022
<i>(in millions of euros)</i>		
Net debt	408.3	535.4
Adjusted EBITDA	248.0	200.6
Ratio	1.6	2.7

The financial leverage ratio presented below is the ratio of net debt, including leases recognized under IFRS 16, to adjusted EBITDA (including IFRS 16).

Net debt / Adjusted EBITDA after application of IFRS 16	Dec. 31, 2023	Dec. 31, 2022
<i>(in millions of euros)</i>		
Net debt	551.7	654.8
Adjusted EBITDA	287.8	234.9
Ratio	1.9	2.8

7.3.4 Cash and cash equivalents

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Current cash	55.7	82.1
Remunerated cash balances	160.7	133.6
Short term treasury notes and Money Market funds	7.9	5.1
Cash and cash equivalents	224.3	220.8

7.3.5 Changes in financial liabilities

The following table reconciles changes in financial liabilities shown on the balance sheet and the cash flow statement:

<i>(in millions of euros)</i>	Dec. 31, 2022	Cash-flows	Reclassification	Non-cash change				Dec. 31, 2023
				Other	Acquisition ⁽³⁾	Foreign exchange differences	Fair value change	
Long-term financial liabilities	802.7	(97.8)	(55.7)	-	65.8	(10.8)	-	704.5
Short-term financial liabilities	72.9	(55.9)	55.7	1.4	-	(2.9)	-	71.5
Long-term financial assets ⁽¹⁾	(17.9)	(0.5)	-	3.1	-	0.4	1.7	(13.2)
Short-term financial assets	(3.4)	(0.0)	-	-	-	0.1	-	(3.2)
Other	-	(0.0)	-	-	-	-	-	-
Total changes in financing activities ⁽²⁾		(154.3)						
Cash-flows from financing activities ⁽²⁾		(154.3)						

⁽¹⁾ Excluding shares accounted for by the equity method.

⁽²⁾ Excluding dividends, acquisition of treasury shares and acquisition of non-controlling interests.

⁽³⁾ including € 65.8 million for new leases for fiscal year 2023

7.4 Other financial assets and liabilities

7.4.1 Other financial assets

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Long-term investments	-	-
Financial investments and receivables – long-term ^{(1) (2)}	25.5	49.0
Other financial assets	25.5	49.0

⁽¹⁾ Financial investments and receivables – long-term include shares of companies accounted for by the equity method.

⁽²⁾ Long-term financial assets include the long-term portion of the market value of interest rate hedges.

Changes in gross values, amortization and impairment loss are presented below:

Acquisition costs <i>(in millions of euros)</i>	Dec. 31, 2022	Increases	Decreases	Transfer	Foreign exchange differences	Dec. 31, 2023
Long-term investments	-	-	-	-	-	-
Financial investments and receivables – long-term	52.2	5.7	(1.7)	(28.2)	(2.4)	25.5
Other financial assets	52.2	5.7	(1.7)	(28.2)	(2.4)	25.5

Accumulated depreciation and amortization <i>(in millions of euros)</i>	Dec. 31, 2022	Allowance	Disposal	Decrease	Impairment losses	Transfer	Foreign exchange differences	Dec. 31, 2023
Security deposit – long-term	-	-	-	-	-	-	-	-
Long-term financial assets and receivables	(3.2)	-	-	-	-	3.2	-	(0.0)
Other financial assets	(3.2)	-	-	-	-	3.2	-	(0.0)

7.4.2 Other financial liabilities

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Fair value of derivatives non-current	-	-
Other financial liabilities non-current	1.5	2.3
Other financial liabilities non-current	1.5	2.3
Accrued interest expenses current	-	-
Fair value of derivatives current	1.4	1.5
Other financial liabilities current	1.8	3.7
Other financial liabilities current	3.2	5.2

7.5 Fair value of financial assets and liabilities

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: prices determined using valuation techniques based on observable market data;
- > Level 3: inputs relating to the asset or liability that are not based on observable market data (unobservable inputs).

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.) entered into by the Group are traded on over-the-counter markets on which there are no quoted prices. They are therefore measured using the valuation models commonly employed by operators in the market (Level 2).

Derivative instrument contracts are negotiated exclusively with leading financial institutions or banks. Their sole aim is to provide security for the Group's transactions and the financing of the latter.

In the case of receivables and payables with maturities of less than a year and certain floating rate receivables and payables, historical cost is considered as a reasonable approximation of their fair value.

Dec. 31, 2023							
<i>(in millions of euros)</i>	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of interest rate hedge instruments	Carrying amount	Fair value
Financial assets, non-current	Level 2	2.3	-	13.4	9.9	25.5	25.5
Other current financial assets	Level 2	-	-	-	17.9	17.9	17.9
Trade receivables	Level 2	262.9	-	-	-	262.9	262.9
Cash and cash equivalents	Level 2	-	-	224.3	-	224.3	224.3
Interest-bearing loans and borrowings	Level 2	-	776.0	-	-	776.0	776.0
Other non-current financial liabilities	Level 2	-	0.2	-	1.3	1.5	1.5
Other current financial liabilities	Level 2	-	1.8	-	1.4	3.2	3.2
Trade payables	Level 2	-	379.4	-	-	379.4	379.4

Dec. 31, 2022							
<i>(in millions of euros)</i>	Fair Value Category	Assets at amortized cost	Liabilities at amortized cost	Fair value through profit and loss	Fair value of interest rate hedge instruments	Carrying amount	Fair value
Financial assets, non-current	Level 2	1.9	-	15.6	31.5	49.0	49.0
Other current financial assets	Level 2	-	-	-	19.1	19.1	19.1
Trade receivables	Level 2	265.5	-	-	-	265.5	265.5
Cash and cash equivalents	Level 2	-	-	220.8	-	220.8	220.8
Interest-bearing loans and borrowings	Level 2	-	875.6	-	-	875.6	875.6
Other non-current financial liabilities	Level 2	-	0.2	-	2.1	2.3	2.3
Other current financial liabilities	Level 2	-	3.7	-	1.5	5.2	5.2
Trade payables	Level 2	-	344.2	-	-	344.2	344.2

7.6 Financial risks and Financial Instruments

7.6.1 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 December 31, 2022.

7.6.2 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, as well as to hedge certain components of its raw materials costs.

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.

Dec. 31, 2023 (in millions of euros)	Accounting classification	Maturity	Fair value	Counterpart in OCI ⁽¹⁾
Currency swaps	FVH	< June 2024	(0.1)	-
Exchange rate derivatives related to financing			(0.1)	-
Forward exchange contracts	CFH	< August 2024	(0.1)	(0.1)
Options	CFH	< May 2025	1.8	1.7
Commodity swaps	CFH		-	-
Exchange rate derivatives related to commercial transactions			1.7	1.6
Caps, collars	CFH	< Dec. 2027	23.6	23.2
Interest rate derivatives			23.6	23.2
Total			25.2	24.8

⁽¹⁾ Corresponds to the balance of the counterpart in OCI as of December 31, 2023.

Dec. 31, 2022 (in millions of euros)	Accounting classification	Maturity	Fair value	Counterpart in OCI ⁽¹⁾
Currency swaps	FVH	< June 2023	3.0	-
Exchange rate derivatives related to financing			3.0	-
Forward exchange contracts	CFH	< March 2024	0.1	(0.1)
Options	CFH	< May 2024	1.4	0.4
Commodity swaps	CFH		-	-
Exchange rate derivatives related to commercial transactions			1.5	0.3
Caps, collars	CFH	< December 2027	42.5	42.3
Interest rate derivatives			42.5	42.3
Total			47.0	42.6

⁽¹⁾ Corresponds to the balance of the counterpart in OCI as of December 31, 2022.

The acronyms "FVH" (Fair Value Hedge) and "CFH" (Cash Flow Hedge) are defined in Note 7.1.

The face value of derivative instruments covering the primary exposures are presented below, expressed in euros:

<i>(in millions of euros)</i>	Dec. 31, 2023					Dec. 31, 2022				
	USD	CNY	GBP	AUD	NOK	USD	CNY	GBP	PLN	NOK
Currency of exposure										
Exchange rate derivative instruments	126.3	20.0	8.5	4.2	-	351.1	9.8	12.9	6.1	-
Exchange rate derivatives related to commercial transactions	36.0	-	28.7	-	21.8	15.0	-	27.8	-	16.4
Total	162.3	20.0	37.2	4.2	21.8	366.1	9.8	40.7	6.1	16.4

7.6.3 Market risks

Exposure to interest rate, currency, raw material prices, 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; changes in the value of these instruments offset all or part of the changes in the value of the items being hedged. Liquidity and credit risk are managed following risk management policies approved by the Group's management bodies.

The portfolio of derivative instruments is broken down as follows:

Following is the interest rate structure of the Group's net debt (excluding lease liabilities) before and after application of interest rate hedges.

<i>(in millions of euros)</i>	Fixed rate	Floating rate	Dec. 31, 2023
Interest-bearing loans and borrowings	78.8	553.8	632.6
Cash and cash equivalents	(8.7)	(215.6)	(224.3)
Net debt before hedging	70.1	338.2	408.3
Effect of hedging on debt	553.8	(553.8)	-
Net debt after hedging	623.9	(215.6)	408.3

<i>(in millions of euros)</i>	Fixed rate	Floating rate	Dec. 31, 2022
Interest-bearing loans and borrowings	57.7	698.5	756.2
Cash and cash equivalents	(6.4)	(214.4)	(220.8)
Net debt before hedging	51.3	484.1	535.4
Effect of hedging on debt	610.5	(610.5)	-
Net debt after hedging	661.8	(126.4)	535.4

Sensitivity analysis

Sensitivity to interest-rate fluctuations is calculated on the basis of interest-bearing non-derivatives and derivative Financial Instruments, as well as interest-bearing loans granted to joint ventures or third parties. The analysis is based on the market index in effect at the balance sheet date and on assumptions of constant debt and constant debt management policy over one year.

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Increase of 100 basis points		
Increase / (Decrease) in financial expenses	0.2	0.6
Increase of 100 basis points ⁽¹⁾		
Increase / (Decrease) in financial expenses	(0.5)	(2.2)

⁽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.

Exchange rate derivatives related to commercial transactions

The Group reduces its exposure by developing 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 British pound, the Norwegian crown, the U.S. dollar, the Polish zloty, the Australian dollar, the Canadian dollar, the Russian ruble and the euro as a foreign currency for certain 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 based on monitoring Value at Risk. This exposure is divided into exposure recorded on the balance sheet, namely trade receivables, trade payables and borrowings denominated in a foreign currency, and future exposure, which consists of forecast sales and purchases over a six- to eighteen-month period.

Exchange rate derivative instruments relating to financing

The Group may be exposed to transactional exchange-rate risk on certain intragroup loans and borrowings resulting from the financing of its foreign subsidiaries. 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.

7.6.4 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 balance sheet date, unless a better estimate is available.

Financial liabilities <i>(in millions of euros)</i>	Dec. 31, 2023		Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
	Carrying amount	Total future cash flows	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Gross debt										
Bank loans	41.4	55.7	16.6	4.0	12.7	4.2	12.1	6.1	-	-
Private placements	65.5	81.9	18.0	2.4	10.0	2.3	6.0	6.5	31.5	5.2
Other loans	520.4	665.0	-	27.3	-	27.1	520.4	90.2	-	-
Bank overdrafts	5.3	5.3	5.3	-	-	-	-	-	-	-
Leases	143.4	163.5	31.6	7.1	29.9	5.3	57.4	6.2	24.5	1.5
Total	776.0	971.4	71.5	40.8	52.6	38.9	595.9	109.0	56.0	6.7
Other financial liabilities										
Trade payables	379.4	379.4	379.4	-	-	-	-	-	-	-
Other non-current financial liabilities	1.5	1.5	-	-	0.9	-	0.6	-	-	-
Other current financial liabilities	3.2	3.2	3.2	-	-	-	-	-	-	-
Total	384.1	384.1	382.6	-	0.9	-	0.6	-	-	-
Total financial liabilities	1,160.1	1,355.5	454.1	40.8	53.5	38.9	596.5	109.0	56.0	6.7

Financial liabilities <i>(in millions of euros)</i>	Dec. 31, 2022		Less than 12 months		1 to 2 years		3 to 5 years		More than 5 years	
	Carrying amount	Total future cash flows	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Gross debt										
Bank loans	162.7	198.8	8.5	7.0	9.1	6.8	145.1	22.3	-	-
Private placements	34.0	34.9	-	0.4	18.0	0.3	16.0	0.2	-	-
Other loans	522.7	690.7	-	26.4	-	26.4	-	104.1	522.7	11.1
Bank overdrafts	36.8	36.8	36.8	-	-	-	-	-	-	-
Leases	119.4	132.5	27.7	4.2	21.9	3.2	44.8	5.0	25.0	0.7
Total	875.6	1,093.7	72.9	38.0	49.1	36.7	205.9	131.6	547.7	11.8
Other financial liabilities										
Trade payables	344.2	344.2	344.2	-	-	-	-	-	-	-
Other non-current financial liabilities	2.3	2.3	-	-	1.1	-	1.2	-	-	-
Other current financial liabilities	5.2	5.2	5.2	-	-	-	-	-	-	-
Total	351.7	351.7	349.4	-	1.1	-	1.2	-	-	-
Total financial liabilities	1,227.3	1,445.4	422.3	38.0	50.2	36.7	207.1	131.6	547.7	11.8

b) Liquidity position

The debt capacity amounts to €1,207.6 million, including €143.4 million relating to the lease debt (IFRS 16), used in the amount of €776.0 million (see note 7.3.1). Including cash and cash equivalents, the Group's liquidity position is therefore €655.9 million.

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Amount available on credit facilities	431.6	258.6
Cash and cash equivalents	224.3	220.8
Total	655.9	479.4

7.6.5 Credit risk

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

The financial assets potentially bearing this risk are mainly:

- > cash deposits;
- > derivative instruments;
- > trade receivables;
- > 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 customer credit 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 behaviour follow-up.

The total of receivables overdue over 60 days amounts to approximately 10% of total accounts receivable as of December 31, 2023 (11% of total accounts receivable as of December 31, 2022).

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 balance sheet date and was therefore not booked.

7.7 Guarantees

The principal guarantees given by Tarkett are as follows:

- > a General Indemnity Agreement of a maximum amount of USD 75.0 million in favour of Federal Insurance Company in consideration of an agreement to execute security bonds in favor of FieldTurf Inc, fully used as of year-end;
- > a Joint and Several Guarantee up to a maximum amount of USD 90.0 million in favour of Ester Finance Technologies; as part of the assignment of the trade receivables line set up with certain subsidiaries of Tarkett Finance Inc in the United States, in order to secure future customer receipts to be collected on its behalf, representing US\$65.9 million at the close of exercise;
- > a Pri-Pensions pension insurance guarantee to cover Tarkett AB's employee benefit in the amount of SEK 256.9 million;
- > joint and several guarantees in favour of several banks, in the amount of outstanding amortizable loans taken out respectively in 2022 June and 2023 April by Tarkett France, and in 2023 May and 2023 June by Tarkett GDL, representing a total outstanding amount of €36.7 million at the end of the financial year;
- > rent guarantees in favor of two lessors of Tarkett USA Inc. representing a commitment of USD 8.6 million at the end of the financial year, and the corresponding rents of which are included in the lease debt valued in the consolidated balance sheet in application of IFRS 16 "Leases";
- > a payment guarantee given to a supplier of the Morton Extrusionstechnik subsidiary (M.E.T GmbH) for deliveries of raw materials up to a maximum amount of 7.0 million euros, committed in the amount of €3.4 million at the end of the financial year;

- > guarantees granted by Tarkett to banks of certain subsidiaries, including Tarkett Limited (UK), Tarkett BV (Netherlands), Tarkett Asia Pacific (Shanghai) Management Co Ltd, Tarkett Industrial (Beijing) Co Ltd (China) and Tarkett SpA (Italy), to enable them to obtain overdraft facilities, bank loans or lines of credit for a maximum aggregate amount of €33.6 million, committed for an equivalent of €13.1 million at the end of the financial year.

Furthermore, in the ordinary course of business, Tarkett and several of the Group's subsidiaries have given payment or construction guarantees to various suppliers, customers, government offices, lessors, and cash pooling or trade finance operators, either directly or through bank guarantees, for an amount equivalent to €30.8 million at the end of the financial year.

Finally, the following assets have been pledged as security for the new financing implemented:

- > all present or future shares of Tarkett NV held by Tarkett Participation;
- > all present or future shares of the following subsidiaries, owned directly or indirectly by Tarkett SA: Tarkett GDL SA, Tarkett AB, Tarkett BV, Tarkett Holding GmbH, Tarkett Finance Inc., Tarkett USA Inc., Fieldturf Tarkett USA Holdings Inc., Fieldturf USA Inc., AO Tarkett and AO Tarkett Rus;
- > certain financial receivables contracted between two of the above companies.

Note 8 > Income tax

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 taxes (State Tax and BEAT Tax in the United States, in particular) based on a net of products and costs, even though that amount may differ from accounting net income.

The income tax expense (current and deferred) can be analysed as follows:

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Current tax	(44.3)	(31.9)
Deferred tax	9.0	13.8
Total income tax	(35.4)	(18.1)

Theoretical income taxes determined using the French corporate income tax rate of 25.825% for 2023 and 25.825% for 2022 can be reconciled as follows to the actual income tax charge:

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Pre-tax profit from continuing operations (a)	55.8	(7.9)
Profit from equity-accounted subsidiaries (b)	(0.1)	(1.0)
Pre-tax profit from fully consolidated activities (a- b)	55.9	(6.9)
Income tax at nominal French income tax rate	(13.7)	1.8
Effect of:		
- Taxation of foreign companies at different rates	(0.3)	(1.5)
- Exchange rate effects on non-monetary assets	(0.0)	(0.3)
- Changes in unrecognized deferred tax assets	(2.1)	(0.4)
- Permanent differences	(9.7)	(5.1)
- Taxes on dividends (Withholding at the source)	(2.0)	(2.5)
Other items	(7.5)	(10.0)
Income tax expenses	(35.4)	(18.1)
Effective rate	N/A	N/A

Differences between local and French taxation rates

The main contributing countries are Russia, with a local tax rate of 20%; Sweden, with a local tax rate of 20.60%; Poland, with a local tax rate of 19% and the United Arab Emirates, with a local tax rate of 0.00%.

Changes in unrecognized deferred tax assets

The non-recognition of deferred tax assets is mainly explained by the positive effect of the recognition of deferred tax assets on tax losses in Luxembourg for €8.0 million offset by non-recognition of deferred tax assets in France for €1.3 million, China for €(1.7) million, Germany for €0.9 million and Poland for €(4.5) million).

Other items

In 2023, this item includes:

- > tax correction charges amounting to €4.3 million mainly in the United States for €2.2 million and in the Netherlands for €2.3 million;
- > taxes recorded as corporation tax for €(9.9) million, including the United States for €(9.5) million, €(5.7) million under the BEAT Tax and €(3.7) million under the State Tax and €(0.3) million for the CVAE in France;
- > tax provisions of €0.5 million.

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 items do not result in the recognition of deferred tax:

- > taxable temporary differences linked to goodwill;
- > taxable or deductible temporary differences stemming from the initial recognition of assets or liabilities, other than in the context of transactions involving business combinations, that affect neither accounting nor taxable profit;
- > temporary 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 capitalized 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.

According to the Tarkett Group's estimate based on 2023 figures, the impact of the introduction of the worldwide is not significant.

Deferred taxation is shown on the balance sheet separately from current tax assets and liabilities and is categorized in non-current items.

<i>(in millions of euros)</i>	2023	2022
Valuation of deferred tax assets	156.8	181.6
DTA for pensions and healthcare benefits	36.6	36.6
Other items temporarily non deductible	96.3	75.3
Provision for other deferred tax liabilities	(11.7)	(12.4)
Internal profit eliminations	3.0	1.2
Netted against deferred tax assets	(188.1)	(190.1)
Deferred tax assets	92.8	92.3
Fixed assets revaluation	44.2	43.6
Other deferred tax liabilities	144.5	154.1
Netted against deferred tax assets	(188.1)	(190.1)
Deferred tax liabilities	0.6	7.7

The recoverability of deferred tax assets was analyzed with cash flow projections used for impairment testing.

Net deferred tax assets relating to deferred losses and unused tax credits are recognised for a total amount of €156.7 million, of which €141.5 million relates to Luxembourg and €7.3 million relates to the subsidiaries of the North American Tax Integration Group (USA). The recognition of deferred taxes in Luxembourg was partially offset by deferred tax liabilities with no impact on earnings.

This amount of €156.7 million is broken down as follows: €146.9 million deferred tax assets relating to deferred losses and €9.8 million unused tax credits.

Deferred taxes on unrecognised tax losses and tax credits amounted to €83.8 million as of 31 December 2022 (€64.9 million as of 31 December 2022).

Note 9 > Equity and liabilities

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 the Group buys back its own shares, the amount of consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from shareholders' equity. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in shareholders' equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

	Dec. 31, 2023	Dec. 31, 2022
Share capital (in euros)	327,751,405	327,751,405
Number of shares	65,550,281	65,550,281
Par value (in euros)	5.0	5.0

9.2 Earnings per share and dividends

	Dec. 31, 2023			Dec. 31, 2022		
	Average number of shares	Profit for the period attributable to Tarkett shareholders	Basic earnings per share	Average number of shares	Profit for the period attributable to Tarkett shareholders	Basic earnings per share
	(in millions of shares)	(in millions of euros)	(in euros)	(in millions of shares)	(in millions of euros)	(in euros)
Total Shares	65,550			65,550		
Treasury shares held by Tarkett	(103)			(184)		
Total excluding treasury shares	65,447	20.4	0.31	65,367	(26.8)	(0.41)
Potential performance shares to be distributed	103			184		
Restatement of actions with anti-dilution effect ⁽¹⁾	-			(184)		
Total after allocation of performance shares	65,550	20.4	0.31	65,367	(26.8)	(0.41)

Basic earnings per share (excl. treasury shares)

Earnings per share (excluding treasury shares) are calculated on the basis of the Group's attributable 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).

Earnings per share after grants of performance shares

Attributable net profit per share (after grants of performance shares), are calculated on the basis of the Group's share of net profit attributable to the Group and on the weighted average number of shares outstanding during the period (and after deduction of the weighted average number of treasury shares) and the number of potential shares to distribute, if dilutive.

(1) Pursuant to IAS 33, "Earnings per Share," and given the negative attributable net profit as of December 31, 2022, the potential performance shares for distribution have not been taken into account in calculating the weighted average number of shares outstanding (anti-dilutive effect).

Dividends

The General Meeting of April 21, 2023 decided not to pay dividends in 2023 for the 2022 period given the high level of uncertainties in the short term.

Note 10 > Related parties

In accordance with IAS 24, "Related Party Disclosures," the Group has identified the following related parties:

- > Joint ventures;
- > Tarkett Participation ;
- > The members of the Tarkett Management Board and Supervisory Board.

Transactions entered into during the period with the Group's joint ventures and principal shareholders are detailed below.

10.1 Joint ventures

All transactions between fully consolidated companies have been eliminated.

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

The Group has four joint ventures, including Laminate Park GmbH & Co KG in Germany, jointly controlled with the Sonae group.

Transactions entered into during the period with the Group's joint ventures are detailed below :

<i>(in millions of euros)</i>	Dec. 31, 2023	Dec. 31, 2022
Joint ventures		
Sale of goods to Tarkett	-	-
Purchase of services from Tarkett	-	-
Loans from Tarkett (gross value)	1.6	4.6

10.2 Principal shareholders

Tarkett Participation holds 90.40% of Tarkett's share capital following the contribution of Tarkett shares to Tarkett Participation and the acquisition of shares by Tarkett Participation, and as such controls and coordinates the Group's activities.

As of December 31, 2023, Tarkett Participation is held by:

- > Société Investissement Deconinck, for 72.93%;
- > Expansion 17 S.C.A., FIAR, for 12.88%;
- > Global Performance 17 S.C.A., FIAR, for 12.88%;
- > Individual members of management, for 1.31%.

As of December 31, 2023, SID had invoiced a total of €300,000 in fees under the Assistance Agreement (€300,000 as of December 31, 2022).

As of December 31, 2023, Tarkett had invoiced a total of €55,000 to SID for services (€55,000 as of December 31, 2022).

10.3 Members of the Management Board and Supervisory Board

None.

Note 11 > Subsequent events

None.

Note 12 > Statutory auditor fees

Amount (excluding taxes) (in thousands of euros)	KPMG S.A.	KPMG S.A.	MAZARS	MAZARS
	Auditor	Network	Auditor	Network
Statutory audit, certification, audit of the individual company and Consolidated Financial Statements				
Tarkett	284	-	284	-
Controlled entities	137	961	62	919
Subtotal (A)	421	961	346	919
Services other than certification of the financial statements required by laws and regulations				
Tarkett	-	-	-	-
Controlled entities	-	-	-	-
Subtotal (B)	-	-	-	-
Services other than certification of the financial statements at the entity's request				
Tarkett	85	-	-	-
Controlled entities	6	-	-	-
Subtotal (C)	91	-	-	-
Services other than certification of the financial statements ⁽¹⁾				
Subtotal D = B + C	91	-	-	-
Subtotal E = A + D	512	961	346	919
Total	1,473		1,265	

⁽¹⁾ Nature of services other than certification of the financial statements provided by the statutory auditors to the consolidating entity and its controlled subsidiaries: review of CSR information by an independent third-party, a compliance assignment

Note 13 > Principal consolidated entities

Companies	Country	Consolidation method	Percentage of interest as of December 31, 2023	Percentage of interest as of December 31, 2022
G: Full consolidation				
E: Equity method				
EMEA				
Tarkett AB	Sweden	G	100%	100%
Tarkett AS	Norway	G	100%	100%
Tarkett OY	Finland	G	100%	100%
Tarkett A/S	Danemark	G	100%	100%
Tarkett Polska Sp.z.o.o.	Polska	G	100%	100%
Tarkett Aspen Zemin AS	Turkey	G	100%	100%
Laminate Park GmbH & Co KG	Germany	E	50%	50%
Virtual Empathy Platform Ltd	United Kingdom	E	33%	33%
Tarkett Holding GmbH	Germany	G	100%	100%
Tarkett SA	France	Parent company	100%	100%
Tarkett Services	France	G	100%	100%
Tarkett GDL SA	Luxembourg	G	100%	100%
Tarkett Capital SA	Luxembourg	G	100%	100%
Tarkett SpA	Italy	G	100%	100%
Tarkett - Produtos Internacionias, SA	Portugal	G	100%	100%
Tarkett Monoprosopi Ltd.	Greece	G	100%	100%
Tarkett Floors S.A. Spain	Spain	G	100%	100%
Tarkett France	France	G	100%	100%
Tarkett Bois SAS	France	G	100%	100%
Fieldturf Tarkett SAS	France	G	100%	100%
Tarkett Sports GmbH	Germany	G	100%	100%
Fieldturf Poligras SA	Spain	G	100%	100%
Morton Extrusionstechnik GmbH	Germany	G	100%	100%
Allsports construction and maintenance Ltd.	United Kingdom	E	30%	30%
Desso Holding BV	Netherlands	G	100%	100%
Desso BV	Netherlands	G	100%	100%
Desso Refinity BV	Netherlands	G	100%	100%
Tarkett Sports BV	Netherlands	G	100%	100%
Tarkett NV	Belgium	G	100%	100%
Tarkett AG Switzerland	Switzerland	G	100%	100%
Desso Sports System BV	Netherlands	G	100%	100%
Desso Sport Systems NV	Belgium	G	100%	100%
Desso Sport Systems Scandinavia A.S.	Norway	G	0%	100%
M-Wall holding BV ⁽¹⁾	Netherlands	G	51%	0%
M-Wall BV ⁽¹⁾	Netherlands	G	51%	0%
M-Projectservice BV ⁽¹⁾	Netherlands	G	51%	0%
Tarkett Ltd.	United Kingdom	G	100%	100%
Somalré	Luxembourg	G	100%	100%
F.E.D. Inc.	United States of America	E	40%	40%
Wildcat Enterprise for Textile Industries	United Arab Emirates	G	100%	100%
North America				
Tarkett, Inc. (Delaware)	United States of America	G	100%	100%
Tarkett Inc.	Canada	G	100%	100%
Desso Inc.	United States of America	G	100%	100%
Tandus Centiva Limited	Canada	G	100%	100%
Lexmark Carpet Mills	United States of America	G	100%	100%
Tarkett Manufacturing Mexico	Mexico	G	100%	100%
Domco Products Texas Inc	United States of America	G	100%	100%
Tarkett Alabama Inc.	United States of America	G	100%	100%

Notes to the consolidated financial statements

Companies	Country	Consolidation method	Percentage of interest as of December 31, 2023	Percentage of interest as of December 31, 2022
Tarkett Finance Inc.	United States of America	G	100%	100%
Tarkett USA Inc.	United States of America	G	100%	100%
Fieldturf Inc.	Canada	G	100%	100%
L.E.R. Inc.	United States of America	G	100%	100%
EasyTurf Inc.	United States of America	G	100%	100%
Beynon Sport Surfaces Inc.	United States of America	G	100%	100%
FieldTurf Tarkett USA Holdings, Inc.	United States of America	G	100%	100%
Fieldturf USA Inc.	United States of America	G	100%	100%
Johnsonite Canada Inc.	Canada	G	100%	100%
Diamond W Supply Co.	United States of America	G	100%	100%
Tarkett Carpet Canada Inc.	Canada	G	100%	100%
Dynamic Base Construction, LLC	United States of America	G	49%	49%
Tarkett Sports Midwest Inc.	United States of America	G	100%	100%
Midwest Specialty Contractors Inc.	United States of America	G	100%	100%
CEI, APAC and Latin America				
Tarkett Australia Pty.Ltd.	Australia	G	100%	100%
Tarkett Brasil Revestimentos LTDA	Brazil	G	100%	100%
Tarkett Flooring Mexico S.R.L.	Mexico	G	100%	100%
Tarkett Argentina	Argentina	G	100%	100%
Tarkett Hong Kong Ltd.	Hong Kong	G	100%	100%
Tarkett Asia Pacific (Shanghai) Management Co Ltd.	China	G	100%	100%
Tarkett Industrial (Beijing) Co, Ltd	China	G	100%	100%
AO Tarkett	Russia	G	100%	100%
AO Tarkett Rus	Russia	G	100%	100%
Tarkett Sommer OOO	Russia	G	100%	100%
Tarkett d.o.o.	Serbia	G	100%	100%
Tarkett SEE d.o.o.	Serbia	G	100%	100%
Tarkett UA DP	Ukraine	G	100%	100%
Tarkett KAZ TOO	Kazakhstan	G	100%	100%
Tarkett Bel UE	Belarus	G	100%	100%
Galerija Podova d.o.o.	Serbia	G	100%	100%
Tarkett Vinisin TOV	Ukraine	G	100%	100%
Tarkett Flooring Singapore Pte. Ltd	Singapour	G	100%	100%
Tandus Flooring (Suzhou) Co. Ltd	China	G	100%	100%
Tarkett Flooring India Private Ltd	India	G	100%	100%
Fieldturf Tarkett Australia	Australia	G	100%	100%

⁽¹⁾ cf. note 2.4.

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

3 Statutory Auditors' Report on the Consolidated Financial Statements



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Tarkett

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2023

Tarkett

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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

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Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2023

To the general meeting of shareholders of Tarkett

Opinion

In compliance with the engagement entrusted to us, we have audited the accompanying consolidated financial statements of Tarkett for the year ended 31 December 2023.

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 2023 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, Risks and Compliance Committee.

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.



Tarkett

*Statutory auditors' report on the consolidated financial statements
for the year ended 31 December 2023*

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2023 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) No 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.821-53 and R.821-180 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 2023 of 664.3M€, 50.7M€ and 557.8M€, respectively, and represent a significant amount of the consolidated balance sheet. These assets are accounted in accordance with the principles 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 impairment caused by 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, including those inherent to climate change considerations. 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 event 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" to the consolidated financial statements. Assets are tested at the level of the cash-generating units ("CGUs") defined by the Group. An impairment loss is recognized if the 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 the 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.



Tarkett

Statutory auditors' report on the consolidated financial statements
for the year ended 31 December 2023

Audit approach

We reviewed the impairment testing process implemented by Group management, in order to identify trigger events and conduct 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 and units mergers for long-term assets' testing.

We adapted our audit approach when impairment triggers events occur on such cash-generating units. Concerning value in use, we verified the consistency of cash flow projections with comparison to the latest management assumptions presented as part of the budget process.

With the help of our valuation experts, we reviewed Group management's key assumptions related to the discount 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 the economic and financial context in which these units operate, and 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 sensitivity of the impairment test to assess the materiality of the potential impacts on the recoverable value of the assets bearing the highest risk.

Finally, we verified that the notes "2.2 - Business combinations", "5.1 - Goodwill", "5.2 - Intangible and tangible fixed assets" and "5.3.1 - Non-financial assets" to the consolidated financial statements provide an appropriate information.

Litigations and provisions

Key audit matter

The Group is exposed to a variety of legal and tax risks, as well as cases of litigation, including asbestos claims in the United States.

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, Contingent Liabilities and Contingent Assets") and amount to 65,2M€ at 31 December 2023 including essentially asbestos litigations.

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 from management.

Audit approach

In order to obtain an 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.).

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

Based on historical data used by the Group to estimate its provisions for asbestos claims:

- 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 exercised our professional judgment to assess, in particular, whether the positions held by Management are in the acceptable range of risk assessment and the validity of the evolution over time of such positions.

Finally, we verified that the notes "6.1 - Provisions" and "6.2 – Contingent liabilities" to the consolidated financial statements provide an appropriate information.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce), is included in the Group's management report [or in the Group's information given in the management report], it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.



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Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Board of Directors, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were renewed as statutory auditors of Tarkett by the combined annual general meeting held on 30 April 2020 for KPMG and Mazars.

As at 31 December 2023, KPMG and Mazars were in the 10th year of uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

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, Risks and Compliance 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.



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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.



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- 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, Risks and Compliance Committee

We submit to the Audit, Risks and Compliance Committee a report 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, Risks and Compliance 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, Risks and Compliance 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, Risks and Compliance Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, 21 February 2024

The statutory auditors

French original signed by

KPMG SA

Mazars

Philippe Grandclerc
Partner

Romain Mercier
Partner

Anne-Laure Rousselou
Partner

Design and Production



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